FOSUN PHARMA
复星医药

上海復星醫藥（集團）股份有限公司

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

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

(Stock Code: 02196)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

	2020	2019
	RMB'000	*RMB'000*
Operating results		
Revenue	**30,163,260**	28,389,277
Gross profit	**16,732,082**	16,845,856
Operating profit	**2,436,536**	2,302,955
EBITDA	**7,286,935**	7,120,922
Profit before tax	**4,677,846**	4,525,753
Profit for the year attributable to owners of the parent	**3,662,813**	3,321,618
Profitability		
Gross margin	**55.47%**	59.34%
Net profit margin	**13.06%**	13.19%
Earnings per share (RMB)		
Earnings per share — basic	**1.43**	1.30
Earnings per share — diluted	**1.43**	1.30
Assets		
Total assets	**83,629,123**	76,062,759
Equity attributable to owners of the parent	**36,938,647**	31,831,179
Total liabilities	**37,701,727**	36,915,433

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
REVENUE	*3*	**30,163,260**	28,389,277
Cost of sales		**(13,431,178)**	(11,543,421)
Gross profit		**16,732,082**	16,845,856
Other income	*4*	**420,764**	336,656
Selling and distribution expenses		**(8,463,943)**	(9,846,757)
Administrative expenses		**(3,036,109)**	(2,654,743)
Impairment losses on financial assets		**(104,836)**	(97,114)
Research and development expenses		**(2,795,494)**	(2,041,401)
Other gains	*6*	**1,278,251**	1,897,033
Other expenses		**(251,861)**	(457,149)
Interest income		**199,609**	186,648
Finance costs	*7*	**(880,952)**	(1,074,690)
Share of profits and losses of:			
Joint ventures		**(133,257)**	(64,599)
Associates		**1,713,592**	1,496,013
PROFIT BEFORE TAX	*5*	**4,677,846**	4,525,753
Income tax expense	*8*	**(737,865)**	(782,231)
PROFIT FOR THE YEAR		**3,939,981**	3,743,522
Attributable to:			
Owners of the parent		**3,662,813**	3,321,618
Non-controlling interests		**277,168**	421,904
		3,939,981	3,743,522
Earnings per share attributable to ordinary equity holders of the parent:	*10*		
Basic		**RMB1.43**	RMB1.30
Diluted		**RMB1.43**	RMB1.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**3,939,981**	3,743,522
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(686,858)**	(152,201)
Share of other comprehensive income of joint ventures	**585**	(783)
Share of other comprehensive income/(loss) of associates	**21,227**	(45,278)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(665,046)**	(198,262)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(13,466)**	(19,554)
Income tax effect	**18**	(10)
Share of other comprehensive income of associates	**88,649**	—
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**75,201**	(19,564)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(589,845)**	(217,826)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,350,136**	3,525,696
Attributable to:		
Owners of the parent	**3,119,000**	3,128,404
Non-controlling interests	**231,136**	397,292
	3,350,136	3,525,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** ***RMB'000***	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**12,579,873**	10,720,960
Right-of-use assets		**2,666,402**	2,454,742
Goodwill		**8,677,249**	9,013,990
Other intangible assets		**9,577,741**	9,036,246
Investments in joint ventures		**381,616**	381,332
Investments in associates		**21,870,966**	20,491,557
Equity investments designated at fair value through other comprehensive income		**1,043**	107,709
Financial assets at fair value through profit or loss		**1,460,769**	1,983,155
Deferred tax assets		**244,937**	196,095
Other non-current assets		**1,083,724**	1,273,605
Total non-current assets		**58,544,320**	55,659,391
CURRENT ASSETS			
Inventories		**5,162,800**	3,940,537
Trade and bills receivables	*11*	**4,807,059**	4,607,722
Prepayments, other receivables and other assets		**2,554,165**	1,420,087
Financial assets at fair value through profit or loss		**1,970,096**	456,651
Debt investments at fair value through other comprehensive income		**628,881**	445,103
Cash and bank balances		**9,961,802**	9,533,268
Total current assets		**25,084,803**	20,403,368
CURRENT LIABILITIES			
Trade and bills payables	*12*	**3,289,021**	2,397,315
Other payables and accruals		**5,597,564**	5,376,193
Interest-bearing bank and other borrowings		**14,488,946**	8,560,202
Lease liabilities		**151,084**	143,786
Contract liabilities		**1,020,309**	503,683
Tax payable		**325,429**	452,587
Total current liabilities		**24,872,353**	17,433,766
NET CURRENT ASSETS		**212,450**	2,969,602
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,756,770**	58,628,993

	Notes	2020 *RMB'000*	2019 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**8,475,685**	12,576,907
Lease liabilities		**627,291**	410,188
Deferred tax liabilities		**2,852,997**	2,994,048
Contract liabilities		**121,712**	223,009
Deferred income		**482,201**	417,345
Other long-term liabilities		**269,488**	2,860,170
Total non-current liabilities		**12,829,374**	19,481,667
Net assets		**45,927,396**	39,147,326
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,562,899**	2,562,899
Reserves		**34,375,748**	29,268,280
		36,938,647	31,831,179
Non-controlling interests		**8,988,749**	7,316,147
Total equity		**45,927,396**	39,147,326

1.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 January 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

(d) 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 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 June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after June 1, 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain lease payments of the Group have been reduced or waived by the lessors as a result of the 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 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB6,548,000 has been accounted for as a variable lease payment by derecognizing part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS

37 or HKFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HKFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in CNY and foreign currencies based on the London Interbank Offered Rate as at December 31, 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognized as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Standards 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 segment mainly engages in the production, sale and R&D of medicine;

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

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

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

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

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

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

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

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

Year ended 31 December 2020

	Pharmaceutical manufacturing *RMB'000*	Medical devices and medical diagnosis *RMB'000*	Healthcare Service *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	**21,748,464**	**5,208,011**	**3,170,116**	**—**	**36,669**	**—**	**30,163,260**
Intersegment sales	**60,875**	**72,844**	**10,507**	**—**	**56,842**	**(201,068)**	**—**
Total revenue	**21,809,339**	**5,280,855**	**3,180,623**	**—**	**93,511**	**(201,068)**	**30,163,260**
Segment results*	**2,262,000**	**1,052,601**	**194,547**	**—**	**57,996**	**(40,730)**	**3,526,414**
Other income	**319,528**	**24,292**	**55,781**	**(165)**	**1,569**	**—**	**401,005**
Other gains	**438,031**	**18,784**	**21,475**	**—**	**100,880**	**—**	**579,170**
Interest income	**113,754**	**26,503**	**34,521**	**—**	**562**	**(9,907)**	**165,433**
Finance cost	**(121,695)**	**(29,752)**	**(40,002)**	**—**	**(11,101)**	**49,585**	**(152,965)**
Other expenses	**(74,034)**	**(81,474)**	**(55,201)**	**—**	**(127,449)**	**—**	**(338,158)**
Share of profits and losses of:							
Joint ventures	**(132,500)**	**—**	**—**	**—**	**(757)**	**—**	**(133,257)**
Associates	**81,230**	**27,745**	**(35,900)**	**1,807,036**	**(166,519)**	**—**	**1,713,592**
Unallocated other income, interest income and other gains							**753,016**
Unallocated finance cost							**(727,987)**
Unallocated expenses							**(1,108,417)**
Profit before tax	**2,886,314**	**1,038,699**	**175,221**	**1,806,871**	**(144,819)**	**(1,052)**	**4,677,846**
Tax	**(531,484)**	**(131,393)**	**(66,620)**	**—**	**(987)**	**—**	**(730,484)**
Unallocated tax							**(7,381)**
Profit for the year	**2,354,830**	**907,306**	**108,601**	**1,806,871**	**(145,806)**	**(1,052)**	**3,939,981**
Segment assets	**44,513,268**	**8,201,827**	**10,178,485**	**14,456,326**	**4,455,162**	**(2,516,852)**	**79,288,216**
Including:							
Investments in joint ventures	**372,056**	**—**	**—**	**—**	**9,560**	**—**	**381,616**
Investments in associates	**2,247,454**	**550,027**	**1,615,642**	**14,456,326**	**3,001,517**	**—**	**21,870,966**
Unallocated assets							**4,340,907**
Total assets							**83,629,123**
Segment liabilities	**16,528,770**	**2,298,017**	**2,575,468**	**—**	**515,898**	**(9,713,157)**	**12,204,996**
Unallocated liabilities							**25,496,731**
Total liabilities							**37,701,727**
Other segment information:							
Depreciation and amortisation	**1,223,708**	**205,708**	**268,790**	**—**	**29,931**	**—**	**1,728,137**
Impairment losses recognised in the statement of profit or loss, net	**4,727**	**76,244**	**44,766**	**—**	**127,353**	**—**	**253,090**
Capital expenditure**	**3,482,641**	**210,747**	**833,716**	**—**	**101,844**	**—**	**4,628,948**

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

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

Year ended 31 December 2019

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

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

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

Geographical information

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

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**21,974,958**	21,767,461
Overseas countries and regions	**8,188,302**	6,621,816
	30,163,260	28,389,277

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

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

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**45,484,849**	40,860,894
Overseas countries and regions	**11,163,881**	12,322,698
	56,648,730	53,183,592

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

Information about major customers

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended 31 December 2020 and 2019.

3. REVENUE

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**30,127,941**	28,349,296
Revenue from other sources		
Gross rental income	**35,319**	39,981
	30,163,260	28,389,277

Revenue from contracts with customers

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

For the year ended 31 December 2020

Segments	Pharmaceutical manufacturing *RMB'000*	Medical devices and medical diagnosis *RMB'000*	Healthcare Service *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Total *RMB'000*
Type of goods or services						
Sale of industrial products	**20,941,989**	**4,723,613**	**54,537**	**—**	**—**	**25,720,139**
Rendering of services	**730,823**	**482,439**	**3,113,049**	**—**	**7,940**	**4,334,251**
Sale of materials	**72,006**	**1,545**	**—**	**—**	**—**	**73,551**
Total revenue from contracts with customers	**21,744,818**	**5,207,597**	**3,167,586**	**—**	**7,940**	**30,127,941**
Geographical markets						
Mainland China	**15,957,389**	**2,808,548**	**3,167,586**	**—**	**6,129**	**21,939,652**
Overseas countries and regions	**5,787,429**	**2,399,049**	**—**	**—**	**1,811**	**8,188,289**
Total revenue from contracts with customers	**21,744,818**	**5,207,597**	**3,167,586**	**—**	**7,940**	**30,127,941**
Goods and materials transferred at a point in time	**21,013,995**	**4,725,158**	**54,537**	**—**	**—**	**25,793,690**
Services transferred at a point in time	**592,042**	**379,626**	**3,113,049**	**—**	**7,940**	**4,092,657**
Services transferred over time	**138,781**	**102,813**	**—**	**—**	**—**	**241,594**
Total revenue from contracts with customers	**21,744,818**	**5,207,597**	**3,167,586**	**—**	**7,940**	**30,127,941**

For the year ended 31 December 2019

Segments	Pharmaceutical manufacturing *RMB'000*	Medical devices and medical diagnosis *RMB'000*	Healthcare Service *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Total *RMB'000*
Type of goods or services						
Sale of industrial products	21,042,453	3,365,289	60,029	—	—	24,467,771
Rendering of services	500,375	341,486	2,975,701	—	14,031	3,831,593
Sale of materials	31,052	18,880	—		—	49,932
Total revenue from contracts with customers	21,573,880	3,725,655	3,035,730	—	14,031	28,349,296
Geographical markets						
Mainland China	16,684,726	1,996,783	3,035,730	—	10,244	21,727,483
Overseas countries and regions	4,889,154	1,728,872	—	—	3,787	6,621,813
Total revenue from contracts with customers	21,573,880	3,725,655	3,035,730	—	14,031	28,349,296
Goods and materials transferred at a point in time	21,073,505	3,384,169	60,029	—	—	24,517,703
Services transferred at a point in time	356,304	199,625	2,975,701	—	14,031	3,545,661
Services transferred over time	144,071	141,861	—		—	285,932
Total revenue from contracts with customers	21,573,880	3,725,655	3,035,730	—	14,031	28,349,296

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

	2020 ***RMB'000***	2019 *RMB'000*
Revenue recognised that was included in contract liabilities as at the beginning of the reporting period		
Advances from customers	**469,086**	485,508
Warranty services	**34,597**	45,389
	503,683	530,897

(ii) ***Performance obligations***

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

Sale of goods

The performance obligation is satisfied upon delivery of the products

Rendering of services

— The performance obligation is recognized at the point in time when the service is provided

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

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

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**1,020,309**	503,683
After one year	**121,712**	223,009
	1,142,021	726,692

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

4. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Dividend income from financial assets at fair value through profit or loss	**25,583**	22,728
Dividend income from equity investments at fair value through other comprehensive income	**1,554**	876
Government grants	**391,030**	312,524
Others	**2,597**	528
	420,764	336,656

5. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**10,546,838**	9,009,606
Cost of services provided	**2,884,340**	2,533,815
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**5,196,102**	4,481,645
Retirement benefits:		
Defined contribution fund	**118,727**	272,860
Accommodation benefits:		
Defined contribution fund	**187,663**	144,163
Share-based payment expense	**55,220**	109,066
	5,557,712	5,007,734
Research and development costs:		
Current year expenditure excluding amortisation of other intangible assets	**2,682,613**	1,965,520
Less: Government grants for R&D projects*	**(104,714)**	(63,516)
	2,577,899	1,902,004
Auditors' remuneration	**4,700**	4,700
Depreciation of property, plant and equipment	**1,006,023**	926,245
Amortisation of other intangible assets	**514,896**	436,095
Provision for impairment of property, plant and equipment	**—**	4,977
Provision for impairment of inventories	**64,399**	12,357
Impairment losses on financial assets	**104,836**	97,114
Provision for impairment of goodwill	**—**	75,000
Provision for impairment of investment in associates	**83,855**	297,633
Depreciation of right-of-use assets	**207,218**	158,139
Lease payments not included in the measurement of lease liabilities	**28,141**	30,010
Gain on fair value change and disposal of financial assets at fair value through profit or loss, net	**(1,026,745)**	(22,168)
Foreign exchange loss/(gain), net	**24,790**	(40,758)
(Gain)/loss on disposal of subsidiaries	**(8,146)**	5,548
Loss/(gain)on disposal of items of property, plant and equipment and other intangible assets	**4,399**	(7,728)
Donations	**40,384**	15,037

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

6. OTHER GAINS

	2020	2019
	RMB'000	*RMB'000*
Gain on disposal of interests in associates and joint ventures	**220,275**	1,740,697
Gain on disposals of items of property, plant and equipment	**—**	7,728
Gain on fair value change and disposal of financial assets at fair value through profit or loss, net	**1,026,745**	22,168
Foreign exchange gain, net	**—**	40,758
Gain on settlement of payable balance not to be paid	**4,669**	63,727
Gain on disposals subsidiaries	**8,146**	—
Others	**18,416**	21,955
	1,278,251	1,897,033

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on bank and other borrowings (excluding lease liabilities)	**867,673**	1,068,815
Interest on lease liabilities	**29,824**	25,451
Less: Interest capitalised	**(16,545)**	(19,576)
Interest expenses, net	**880,952**	1,074,690

8. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in 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 year. The provision of current income tax of Sisram Medical Limited ("**Sisram**"), a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 6%. 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%.

	2020	2019
	RMB'000	*RMB'000*
Current	**854,479**	791,919
Deferred	**(116,614)**	(9,688)
Total tax charge for the year	**737,865**	782,231

9. DIVIDENDS

Cash dividend

	2020	2019
	RMB'000	*RMB'000*
Proposed final — RMB0.43 (2019: RMB0.39) per ordinary share	**1,102,046**	999,530

The Company proposed to distribute a cash dividend of RMB0.43 (inclusive of tax) for each ordinary share to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by the number of the ordinary shares on the dividend payment date.

The amount of the proposed final dividend of RMB1,102,046,000 is calculated based on the total number of ordinary shares of the Company of 2,562,898,545 shares on the record of 29 March 2021.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,562,898,545 (2019: 2,562,898,545) in issue during the year.

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

When calculating the weighted average number of shares in the calculation of the diluted earnings per share amounts, the dilutive potential ordinary shares which were issued in prior years are assumed to be converted at the beginning of the year and the dilutive potential ordinary shares which were issued during the year are assumed to be converted at the issuance date if applicable. For the year ended 31 December 2020, there was no dilutive potential ordinary shares outstanding.

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,662,813**	3,321,618

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the dilutive earnings per share calculation	**2,562,898,545**	2,562,898,545

11. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**4,564,659**	4,367,600
Bills receivable	**242,400**	240,122
	4,807,059	4,607,722

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

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**4,494,797**	4,302,722
1 to 2 years	**186,530**	111,346
2 to 3 years	**42,506**	61,584
Over 3 years	**121,553**	114,549
	4,845,386	4,590,201
Impairment	**(280,727)**	(222,601)
	4,564,659	4,367,600

12. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**2,942,091**	2,152,747
Bills payable	**346,930**	244,568
	3,289,021	2,397,315

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

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**2,881,516**	2,105,194
1 to 2 years	**44,525**	36,473
2 to 3 years	**8,999**	3,082
Over 3 years	**7,051**	7,998
	2,942,091	2,152,747

13. EVENTS AFTER THE REPORTING PERIOD

Issuance of First Tranche of the Corporate Bonds 2021

According to Zheng Jian Xu Ke [2020] No. 701 issued by the CSRC, the registration application of the Company for public issuance of the Corporate Bonds to professional Investors in the principal amount of up to RMB5 billion was approved. The issuance of First Tranche of the Corporate Bonds was closed on 2 February 2021, by offline placing to professional investors through book building process, of which the total principal amount of Type 1 ("**21 Fosun 01**") is RMB1.6 billion at the final coupon rate of 3.98%. The term of Type 1 corporate bonds shall be 4 years, the Company shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the Corporate Bonds at the end of the second year during the term of the Type 1.

Maturity of the Corporate Bonds 2016

The domestic corporate bonds which was issued on 4 March 2016, with a par value of RMB3 billion and a five-year term, came to maturity on 4 March 2021. The Company paid off the principal amount plus the interest of the last period and delisted the related bonds on 4 March 2021.

2021 Share Award Scheme

On 12 March 2021, the Board approved the proposed adoption of the 2021 Restricted Share Incentive Scheme (Draft). A number of up to 2,407,200 A-Share Restricted Shares are proposed to be granted to the Participants under the Incentive Scheme, the target shares in relation thereto represents approximately 0.094% of the total share capital of the Company of 2,562,898,545 Shares as at the date of the announcement on the Incentive Scheme. Specifically, a number of 2,286,800 Restricted Shares will be granted under the First Grant representing approximately 0.089% of the total share capital of the Company of 2,562,898,545 Shares as at the date of the announcement on the Incentive Scheme; and a number of 120,400 Restricted Shares will be reserved for further grant representing approximately 0.005% of the total share capital of the Company of 2,562,898,545 Shares as at the date of the announcement of the Incentive Scheme. The reserved portion represents approximately 5% of the total Restricted Shares to be granted thereunder.

Proposed profit distribution of 2020

The Company proposed to distribute a cash dividend of RMB4.3 (tax-inclusive) for every 10 shares to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined based on the total share capital of the Company on the date of record for dividend payment. The amount of the proposed final dividend of RMB1,102,046,000 is calculated based on the Company's total share capital of 2,562,898,545 shares as at 29 March 2021.

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

In 2020, the global economy faced relatively significant impact and uncertainties due to the COVID-19 pandemic. With the intensified efforts in the reform of medical and healthcare system in the PRC, and the successive introduction of policies including national centralized procurement and price negotiation of pharmaceutical products, consistency evaluation, the Marketing Authorization Holder system, strict cost control on medical insurance, rapid coverage of anti-cancer drugs in medical insurance with price cuts and accelerated review of new drugs, the overall growth of the pharmaceutical manufacturing industry continued to slow down, which placed further downward pressure on generic drugs in terms of revenue and growth, while the research and development and launch of innovative drugs enjoyed a period of rapid development. Medical devices and medical diagnosis benefited from innovative policies with opportunities instead of challenges for rapid development. With a strong demand for healthcare services and the further adjustment in the industry structure, the composition 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", actively promoted innovation and transformation, integrated operations, and achieved steady development in business performance.

At the beginning of 2020, the Group's business was affected to a certain extent due to the COVID-19 pandemic. However, with the orderly resumption of production and operation in the second quarter, and the launch of new products in the third quarter, namely Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets) one after another, and the sales contribution from anti-pandemic products such as the nucleic acid test kits for 2019-nCoV, the Group's business was steadily recovered and improved. During the Reporting Period, the revenue of the Group amounted to RMB30,163 million, representing a year-on-year increase of 6.25%. Net profit attributable to shareholders of the listed company amounted to RMB3,663 million, representing a year-on-year increase of 10.27%. Net profit (after extraordinary gain or loss) attributable to shareholders of the listed company amounted to RMB2,718 million, representing a year-on-year increase of 21.65%. Net cash flow from operating activities amounted to RMB2,580 million, increased by 11.19% on the same basis, after excluding the impact of the upfront payment of EUR125 million to BioNTech SE ("**BioNTech**") for the mRNA-based vaccine targeting COVID-19 at the end of 2020.

During the Reporting Period, the Group continued to enhance its R&D expenditure. The total R&D expenditure amounted to RMB4,003 million for the year, representing a year-on-year increase of 15.59%. In particular, the R&D expenses amounted to RMB2,795 million, representing a year-on-year increase of RMB754 million or 36.94%.

During the Reporting Period, the revenue structure was as follows:

Unit: million Currency: RMB

	2020 revenue		2019 revenue		Year-on-year increase/ decrease *(%)*
	Amount	**Percentage of revenue** *(%)*	Amount	Percentage of revenue *(%)*	
By business segment					
Pharmaceutical manufacturing	**21,748**	**72.10**	21,609	76.12	0.64
Medical devices and medical diagnosis	**5,208**	**17.27**	3,728	13.13	39.70
Healthcare services	**3,170**	**10.51**	3,038	10.70	4.34
By geographical locations					
Chinese Mainland	**21,975**	**72.85**	21,767	76.67	0.96
Regions outside Chinese Mainland and other countries	**8,188**	**27.15**	6,622	23.33	23.65

Pharmaceutical manufacturing

Performance summary

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB21,748 million, representing a year-on-year increase of 0.64%. The segment results amounted to RMB2,262 million, representing a year-on-year increase of 17.51%. The segment profit amounted to RMB2,355 million, which increased by 13.60% year-on-year. The R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB3,670 million, representing a year-on-year increase of 17.21%. Total R&D expenditures in the pharmaceutical manufacturing segment accounted for 16.77% of the revenue of the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB2,468 million, representing a year-on-year increase of RMB727 million or 41.76%, accounting for 11.28% of the revenue from the pharmaceutical manufacturing segment.

Domestic injection products in the pharmaceutical manufacturing segment were affected by the pandemic to a certain extent at the beginning of the year. With the orderly resumption of production and operation in the second quarter and the successive launch of new products, the business recovered steadily. The profit growth of the pharmaceutical manufacturing segment was mainly attributable to the optimized product structure: (1) Han Li Kang (rituximab injection) substantially increased its production scale (2,000L) after approval, recording a revenue of RMB750 million for the year; (2) new products Su Ke Xin (avatrombopag maleate tablets) and Han Qu You (trastuzumab injection), which commenced sales in August 2020, accelerated their access after launch, and actively promoted their inclusion in the national, provincial and municipal medical insurance catalogs, each recording revenues of RMB140 million; (3) core products such as You Li Tong (febuxostat tablets), Bang Zhi (pitavastatin calcium tablets) and rabies vaccine for human use maintained rapid growth, recording sales growth of 73.9%, 64.3% and 353.4%, respectively; (4) the antimalarial product SPAQ-CO Disp brought about the continuously rapid growth of antimalarial series products, with a year-on-year increase of 52.6% in terms of revenue; (5) benefited from the steady growth of enoxaparin sodium injection, heparin sodium and other core products, and the contribution from the launch of the new product micafungin, revenue of Gland Pharma during the Reporting Period increased by 27.22% year on year (note: based on the financial statements of Gland Pharma using its presentation currency).

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

Unit: million Currency: RMB

Major therapeutic area	**2020**	2019*	Year-on-year increase on the same basis *(%)*
Major products of metabolism and alimentary system *(Note 1) (Note 7)*	**3,572**	3,816	(6.39)
Major products of anti-tumor and immune modulation *(Note 2) (Note 7)*	**1,478**	620	138.39
Major products of anti-infection *(Note 3) (Note 7)*	**3,916**	4,469	(12.37)
Major products of central nervous system *(Note 4) (Note 7)*	**1,382**	2,189	(36.87)
Major products of cardiovascular system *(Note 5) (Note 7)*	**2,487**	2,296	8.32
Major products of APIs and intermediate products *(Note 6) (Note 7)*	**1,036**	1,136	(8.80)

Note 1: The revenue from major products of metabolism and alimentary system recorded a year-on-year decrease of 6.39%, mainly due to the sales decreases of Atomolan injection (glutathione for injection) and Fan Ke Jia (thioctic acid injection).

Note 2: The revenue from major products of anti-tumor and immune modulation recorded a year-on-year increase of 138.39%, mainly due to the revenue growth of Han Li Kang (rituximab injection), and the revenue contribution from the newly launched products, namely Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets) during the year.

Note 3: The revenue from major products of anti-infection recorded a year-on-year decrease of 12.37%. In this therapeutic area, the revenue from the products including antimalarial series such as artesunate, rabies vaccine for human use, and Micafungin, a new product, grew. However, the sales of conventional anti-infective injections including Xi Chang/Bi Li Shu (cefmetazole sodium for injection), Sha Duo Li Ka (potassium sodium dehydroandrographolide succinate for injection), and Qiang Shu Xi Lin/Qin Shu/Er Ye Qin (piperacillin sodium and sulbactam sodium for injection), as well as anti-tuberculosis series products decreased.

Note 4: The revenue from major products of central nervous system recorded a year-on-year decrease of 36.87%, mainly due to the sales decline of Ao De Jin (deproteinized calf blood injection) and the decrease unit selling price of Qi Wei (quetiapine fumarate tablets) after the execution of centralized procurement.

Note 5: The revenue from major products of cardiovascular system recorded a year-on-year increase of 8.32%, which was mainly due to the combined effect of the sales growth of heparin series preparations, Bang Zhi (pitavastatin calcium tablets), and the sales decrease of You Di Er (alprostadil dried emulsion).

Note 6: The revenue from major products of APIs and intermediate products recorded a year-on-year decrease of 8.80%, mainly due to the sales decline of amino acid series and clindamycin hydrochloride.

Note 7: Major products of metabolism and alimentary system comprise: You Li Tong (febuxostat tablets), Atomolan injection (glutathione for injection), Atomolan tablets (glutathione tablets), animal insulin and its preparations, Yi Bao (recombinant human erythropoietin for injection (CHO cells)), Ke Yi (compound aloe capsules), Fan Ke Jia (thioctic acid injection), Wan Su Ping (glimepiride tablets), Li Qing (alfacalcidol tablets) and potassium chloride granules.

Major products of anti-tumor and immune modulation comprise: Han Li Kang (rituximab injection), Han Qu You (trastuzumab injection), Su Ke Xin (avatrombopag maleate tablets), Di Kai Mei (sorafenib tosylate tablets), Han Da Yuan (Adalimumab), Ke Sheng (Xihuang capsules), Zhao Hui Xian (bicalutamide), ondansetron, Yi Luo Ze (pemetrexed disodium for injection), paclitaxel and oxaliplatin.

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

Major products of central nervous system comprise: Qi Wei (quetiapine fumarate tablets), Qi Cheng (escitalopram tablets), Ao De Jin (deproteinized calf blood injection) and Chang Tuo Ning (penehyclidine hydrochloride injection).

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

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

* The 2019 data were restated according to the basis of 2020, that is, the 2019 data included sales revenue of new major products.

In 2020, there were 39 products or series of products in the pharmaceutical manufacturing segment of the Group that each recorded sales of over RMB100 million, an increase of 3 items compared to the previous year on the same basis, and details are as follows:

Sales during the Reporting Period	Number	Formulation items or series
Over RMB1 billion	2	Heparin series preparations, You Li Tong (febuxostat tablets)
RMB500 million to RMB1 billion	5	Antimalarial series such as artesunate, Han Li Kang (rituximab injection), Bang Zhi (pitavastatin calcium tablets), Qi Wei (quetiapine fumarate tablets), Bang Ting (hemocoagulase for injection)
RMB300 million to RMB500 million	9	Atomolan injection (glutathione for injection), Atomolan tablets (glutathione tablets), Xi Chang/Bi Li Shu (cefmetazole sodium for injection), Ao De Jin (deproteinized calf blood injection), rabies vaccine (VERO cell) for human use (non-freeze dried), animal insulin and its preparations, Yi Bao (recombinant human erythropoietin for injection (CHO cells)), Mei Shi Ling (cefminox sodium for injection), Sha Duo Li Ka (potassium sodium dehydroandrographolide succinate for injection)
RMB100 million to RMB300 million	23	23 products including Su Ke Xin (avatrombopag maleate tablets), Han Qu You (trastuzumab injection), Qi Cheng (escitalopram tablets), caspofungin, daptomycin, Bang Tan (Telmisartan tablets), Kai Lai Zhi (Epinastine Hydrochloride Capsules), Chang Tuo Ning (penehyclidine hydrochloride injection), Ke Yi (new compound aloe capsules) and Li Qing (alfacalcidol tablets)

R&D innovation

Since 2009, the Group established international R&D platforms such as Chongqing Fochon Pharmaceutical Research Co., Ltd.* (重慶復創醫藥研究有限公司) ("**Fochon Pharma**") and Shanghai Henlius Biotech, Inc.* (上海復宏漢霖生物技術股份有限公司) ("**Shanghai Henlius**") respectively in China and the United States ("**U.S.**") The Group continuously strengthens its independent R&D system with 24-hour global R&D. The global CMO office has been established to manage the global clinical registration in recent years. The global R&D center was also upgraded and established at the beginning of 2020 to coordinate new projects as well as the internal and external resources, prioritize the promotion of strategic products, strengthen global clinical and registration capabilities, and improve R&D efficiency. At the same time, a global business development (BD) team was nurtured to have access to the leading products and technology platforms in the industry for commercialization. Through independent R&D, cooperative development, license introduction and in-depth incubation, the Group has built and formed small molecule innovative drugs, antibody drugs and cell therapy technology platforms around centering on tumor and immune modulation, four hypers (hypertension, hyperlipidemia, hyperglycemia and hyperuricemia) and their complications, central nervous system and other major therapeutic areas, and actively explored cutting-edge technology fields such as Protac, RNA, oncolytic viruses and gene therapy to enhance its innovation capabilities. As at the end of the Reporting Period, there were nearly 2,300 R&D personnel, of which approximately 1,200 persons

obtained a master's degree or above, representing approximately 7% of the total number of employees in the Group; it had 247 major pipeline innovative drugs, generic drugs, biosimilars and consistency evaluation projects of generic drugs (for details, please refer to Table 1 — Major pipeline drug projects). During the Reporting Period, a total of 176 patents had been applied for in the pharmaceutical manufacturing segment of the Group, including 12 U.S. patent applications, 16 PCT applications, with 70 licensed invention patents obtained.

Table 1 — Major pipeline drug projects

Type	Number (in terms of indications)	Remarks
Innovative drugs	56	/
Including: Small molecular innovative drugs under independent development	18	Comprising 8 projects under clinical trial (of which 2 under phase II clinical trial), and 5 projects approved for clinical trial. For details, please refer to Table 2 — Small molecular innovative drugs under independent development.
Biopharmaceutical innovative drugs under independent development	25	Comprising 15 projects under clinical trial (of which 5 under phase III clinical trial and 3 under phase II clinical trial), and 3 projects approved for clinical trial. For details, please refer to Table 3 — Biopharmaceutical innovative drugs under independent development.
License-in innovative drugs	13	Comprising 6 projects under clinical trial, another 4 projects approved for clinical trial, 1 project submitted application for clinical trial, and 2 projects preparing for clinical trial application. For details, please refer to Table 4 — License-in innovative drugs.
Biosimilars under independent development	19	Comprising 6 projects under clinical trial (of which 3 under phase III clinical trial), 5 projects under application for sales, another 1 project accepted for clinical trial application, and 2 projects approved for clinical trial. For details, please refer to Table 5 — Biosimilars under independent development.
Generic drugs	121	/
Including: Imported generic drugs	19	/
Consistency evaluation projects	42	/
Others	9	/
Sub-total	247	/

Note 1: This table does not include the pipeline drug projects of Gland Pharma.

Note 2: This table does not include Ejilunsai injection (code FKC876, i.e. anti-human CD19 CAR-T cell injection) of the joint venture Fosun Kite Biological Technology Co., Ltd.* (復星凱特生物科技有限公司) ("**Fosun Kite**"), which 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.

Table 2 — Small molecular innovative drugs under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in China as at the end of the Reporting Period	R&D progress in other countries as at the end of the Reporting Period
1	Anti-tumor	SAF-189	Non-small cell lung cancer	Phase II clinical trial	Approved for clinical trial (in the U.S.)
2		FCN-411	Non-small cell lung cancer	Phase I clinical trial	—
3		FN-1501	Leukemia and solid tumor	Phase I clinical trial	Phase I clinical trial (in the U.S. and Australia)
4		FCN-159	Malignant melanoma	Phase I clinical trial	—
5		FCN-159	Neurofibromatosis type 1	Approved for clinical trial	—
6		ORIN1001*(Note)*	Solid tumor	Phase I clinical trial	Phase I clinical trial (in the U.S.)
7		FCN-647	Relapsed or refractory malignant B-cell lymphoma	Approved for clinical trial	—
8		FCN-011	Solid tumor	Approved for clinical trial	—
9		FCN-338	Hematological malignancies	Approved for clinical trial	Approved for clinical trial (in the U.S.)
10		FCN-437c	Breast cancer	Phase II clinical trial	Phase I clinical trial (in the U.S.)
11	Metabolism and alimentary system	Wanpagliflozin Tablets	Diabetes	Phase I clinical trial	—
12		FCN-207	Hyperuricemia	Phase I clinical trial	—
13	Others	ORIN1001	Idiopathic pulmonary fibrosis	—	Approved for clinical trial (in the U.S.)

Note: Such drug for the treatment of recurrent, refractory and metastatic breast cancer (including triple-negative breast cancer) had been recognized by the Fast Track Development Program of the U.S. FDA.

Table 3 — Biopharmaceutical innovative drugs under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in China as at the end of the Reporting Period	R&D progress in other countries as at the end of the Reporting Period
1	Anti-tumor	Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection (HLX07)	Solid tumor	Phase Ib/II clinical trial[Note 1]	Approved for clinical trial (in the U.S.)
2		Recombinant Anti-PD-1 Humanized Monoclonal Antibody Injection (HLX10) (including combination therapies and chemotherapy)	Microsatellite instability-high solid tumor (MSI-H)	Phase II clinical trial [Note 2]	Approved for clinical trial (in the U.S.)
3			Locally advanced or metastatic esophageal squamous cell carcinoma (ESCC)	Phase III clinical trial	—
4			Squamous non-small cell lung cancer (sqNSCLC)	Phase III clinical trial	Phase III clinical trial (in Turkey and others)
5			Extensive-stage small cell lung cancer (ES-SCLC)	Phase III clinical trial	Phase III clinical trial (in Turkey and others)
6			Gastric cancer (GC)	Phase III clinical trial	—
7			Recurrent or metastatic head and neck squamous cell carcinoma (HNSCC)	Phase II clinical trial	—
8			Non-squamous non-small cell lung cancer (nsNSCLC)	Phase III clinical trial	—
9			Hepatocellular carcinoma (HCC)	Phase II clinical trial	—
10			Metastatic colorectal cancer (mCRC)	Phase II/III clinical trial	—
11		Recombinant Anti-PD-L1 Fully Human Monoclonal Antibody Injection (HLX20)	Solid tumor	Approved for clinical trial	Phase I clinical trial (in Australia)
12		HLX22 Monoclonal Antibody Injection	Gastric cancer (GC) and breast cancer (BC)	Phase I clinical trial	—
13		HLX55 Monoclonal Antibody Injection	Solid tumor	Phase I clinical trial	—
14		HLX56 Monoclonal Antibody Injection	Solid tumor	Approved for clinical trial (in Taiwan, China)	—
15		Recombinant HER2 Humanized Monoclonal Antibody Monomethyl Auristatin F Coupling Agent Injection	HER2-positive advanced breast cancer and/or advanced malignant solid tumor	Phase I clinical trial	—
16	Anti-infection	Anti-S1 Fully Human Monoclonal Neutralizing Antibody (HLX70)	COVID-19 and acute respiratory distress syndrome or multiple organ failure caused by novel coronavirus	—	Approved for clinical trial (in the U.S.)
17		ACE2-Fc Receptor Fusion Protein (HLX71)	COVID-19	—	Approved for clinical trial (in the U.S.)
18		Recombinant Anti-PD-1 Humanized Monoclonal Antibody Injection (HLX10)	Chronic hepatitis B (HBV)	Phase II clinical trial (in Taiwan, China)	—
19	Blood system	Recombinant Human Erythropoietin-Hyfc Fusion Protein Injection	Anemia	Phase I clinical trial	—

Note 1: At the stage of phase Ib/II clinical trial for such drugs in Chinese Mainland. The phase Ia clinical trial carried out in Chinese Taiwan region was completed.

Note 2: 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.

Table 4 — License-in innovative drugs

No.	Therapeutic area	Drug name/code	Indications	R&D progress in China as at the end of the Reporting Period
1	Metabolism and alimentary system	Tenapanor Tablets	Irritable bowel syndrome with constipation (IBS-C)	Phase I clinical trial
2		Ferric Pyrophosphate Citrate Solution	Iron substitutes for dialysis patients	Phase III clinical trial
3	Anti-tumor	Balixafortide	Breast cancer	Preparation for clinical trial application
4		Sur VaxM Injection	Malignant glioblastoma	Preparation for clinical trial application
5	Anti-infection	mRNA Vaccine BNT162b1	Prevention of COVID-19	Phase I clinical trial
		mRNA Vaccine BNT162b2		Phase II clinical trial
6		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	Phase I clinical trial
7	Central nervous system	Opicapone Capsules	Parkinson syndrome	Phase I clinical trial[Note]
8	Blood system	Avatrombopag Maleate Tablets	Chronic immune thrombocytopenia (ITP)	Approved for clinical trial
9		Tenapanor Tablets	Hyperphosphatemia in end-stage renal disease dialysis patients (ESRD-HD)	Approved for clinical trial
10	Others	Bremelanotide Injection	Impaired female sexual desire (HSDD)	Phase I clinical trial
11		Fortacin Spray (Lidocaine Prilocaine Spray)	Premature ejaculation	Application for clinical trial accepted
12		RT002	Moderate to severe glabellar lines in adults (GL)	Approved for clinical trial
13			Cervical dystonia (CD)	Approved for clinical trial

Note: The drug has been exempted from Phase III clinical trial, and the NDA submitted in February 2021 has been accepted.

Table 5 — Biosimilars under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in China as at the end of the Reporting Period
1	Anti-tumor	Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection (HLX04)	Metastatic colorectal cancer (mCRC) and non-small cell lung cancer (NSCLC)	Under Biologics License Application
2		Recombinant Anti-EGFR Human/ Murine Chimeric Monoclonal Antibody Injection (HLX05)	Metastatic colorectal cancer (mCRC) and metastatic head and neck squamous cell carcinoma (HNSCC)	Approved for clinical trial
3		Recombinant Anti-HER2 Domain II Humanized Monoclonal Antibody Injection (HLX11)	Breast cancer (BC)	Phase I clinical trial
4		Recombinant Anti-VEGFR2 Domain II-III Fully Human Monoclonal Antibody Injection (HLX12)	Gastric cancer (GC), metastatic non-small cell lung cancer (NSCLC) and metastatic colorectal cancer (mCRC)	Phase I clinical trial
5		Recombinant Anti-CTLA-4 Fully Human Monoclonal Antibody Injection (HLX13)	Melanoma, renal cell carcinoma (RCC) and metastatic colorectal cancer (mCRC)	Approved for clinical trial
6		Recombinant Anti-RANKL Human Monoclonal Antibody Injection (HLX14)	Osteoporosis (OP)	Phase I clinical trial
7		Recombinant Anti-CD38 Human Monoclonal Antibody Injection (HLX15)	Multiple myeloma (MM)	Application for clinical trial accepted
8	Metabolism and alimentary system	Insulin Glargine Injection	Diabetes	Under Biologics License Application
9		Recombinant Human Insulin Injection	Diabetes	Supplemental application
10		Recombinant Insulin Lispro Injection	Diabetes	Under Biologics License Application
11		Mixed Protamine Zinc Recombinant Insulin Lispro Injection (50R)	Diabetes	Phase III clinical trial
12		Liraglutide Injection	Diabetes	Phase III clinical trial
13	Blood system	Recombinant Human Erythropoietin for Injection (CHO Cells)	Anemia of renal disease	Phase III clinical trial
14		Recombinant Human Erythropoietin for Injection (CHO Cells)	Anemia of cancer	Supplemental application

The Group continued to promote the registration of sales of drugs (products) (including import registration, and approval for overseas sales), the consistency evaluation of generic drugs, and centralized and bulk purchase of drugs. During the Reporting Period, certain self-developed and license-in products, including Han Qu You, Su Ke Xin and Han Da Yuan were approved for launch in Chinese Mainland, and a total of 27 generic drugs of Gland Pharma received approval from the U.S. FDA for launch (for details, please refer to the Table 6 — Drugs approved for launch during the Reporting Period). In addition, as at the end of the Reporting Period, applications were made in respect of 4 products (irinotecan hydrochloride injection, dexrazoxane for injection, zoledronic acid injections and ondansetron hydrochloride injection) of Gland Pharma for imported drug registration and Import Drug Licenses (IDL). The Group has had 28 products in total that have passed or are deemed to have passed the consistency evaluation of generic drugs, including the core products You Li Tong (febuxostat tablets) and Bang Zhi (pitavastatin calcium tablets), with You Li Tong being the first among its similar products to pass the consistency evaluation. A total of 17 products, which passed or were deemed to have passed the consistency evaluation of generic drugs, won the four tenders for centralized and bulk purchase (''centralized procurement'') (for details, please refer to the Table 7 — Products won tenders for centralized procurement).

Table 6 — Major drugs approved for launch during the Reporting Period

No.	Name of drugs	Classification of registration	Indications	Remarks
1	Han Qu You (trastuzumab Injection)	Class 2 original therapeutic biological product	HER2-positive early breast cancer, HER2-positive metastatic breast cancer and HER2-positive metastatic adenocarcinoma of the stomach or gastroesophageal junction	Approved for launch in Chinese Mainland and the EU (trade name in Chinese Mainland: 汉曲优®, EU trade name: Zercepac®)
2	Su Ke Xin (Avatrombopag Maleate Tablets)	Class 5.1 chemical drug	Thrombocytopenia associated with elective diagnostic procedures or surgery of adult chronic liver disease patients (CLDT)	
3	Han Da Yuan (Adalimumab Solution Injection)	Class 2 original therapeutic biological product	Rheumatoid arthritis (RA), ankylosing spondylitis (AS) and psoriasis (PS)	
4	Dihydroartemisinin-Piperaquine Phosphate Tablets and Dihydroartemisinin-Piperaquine Phosphate Dispersible Tablets	WHO PQ	Malignant malaria and malaria caused by plasmodium vivax	
5	Esomeprazole Sodium for Injection and other 27 products	US 505(j)[Note]	—	During the Reporting Period, a total of 27 generic drugs of Gland Pharma received approval from the U.S. FDA for launch.
6	Di Kai Mei (sorafenib tosylate tablets)	Class 4 chemical drug	Inoperable advanced renal cell carcinoma and inoperable or distant metastasis of primary hepatocellular carcinoma	
7	Memantine Hydrochloride Tablets	Class 4 chemical drug	Moderate to severe Alzheimer's dementia	

Note: According to the US registration classification, 505(j) represents generic drugs.

Table 7 — Products won tenders for centralized procurement

No.	Round selected	Name of drugs	Indications	Specifications	Packaging specification *(tablet/ capsule)*	Selected price *(RMB/box)*	Selected quantity *('0,000 tablets/ capsules)*
1	4+7 scope expansion	Amlodipine Besylate Tablets	High blood pressure	5mg	7	0.49	25,137
2		Escitalopram Oxalate Tablets	Depression disorder	10mg	7	27.86	1,600
3	The second round	Azithromycin Capsules	Infection	0.25g	6	6.36	2,575
4		Clindamycin Hydrochloride Capsules	Infection caused by susceptible strains such as streptococci, staphylococci and anaerobic bacteria	0.15g	10	1.4	465
5		Indapamide Tablets	Essential hypertension	0.25mg	10	0.69	5,386
6		Isoniazid Tablets	Tuberculosis	0.1g	100	5.02	4,261
7	The third round	Febuxostat Tablets	Long-term treatment of gout patients with hyperuricemia	40mg	16	16.48	4,667
8		Quetiapine Fumarate Tablets	Manic episodes of schizophrenia and bipolar disorder	0.1g	30	33.96	12,500
9		Pitavastatin Calcium Tablets	Hypercholesterolemia and familial hypercholesterolemia	2mg	14	10.80	2,217
10		Ethambutol Hydrochloride Tablets	Tuberculosis	0.25g	50	6.03	6,372
11		Memantine Hydrochloride Tablets	Moderate to severe Alzheimer's dementia	10mg	14	15.26	446
12	The fourth round	Telmisartan Tablets	Essential hypertension	40mg	32	19.17	9,600
13		Empagliflozin tablets	Type 2 diabetes	10mg	10	19.51	96
14		Calcium Dobesilate Capsules	1. Retinopathy caused by diabetes; 2. heart, brain, and kidney diseases caused by microcirculation disorders, such as glomerulosclerosis; 3. reduction of the viscosity of blood; 4. prevention of microemboli; 5. numbness, pain and itchiness of limb; 6. syndromes such as varicosity	0.5g	30	20.40	7,366.9
15		Sorafenib Tosylate Tablets	Inoperable or distant metastasis of hepatocellular carcinoma	0.2g	30	798.00	157
16		Duloxetine Hydrochloride Enteric Capsules	Generalized anxiety disorder and depression	20mg	60	58.80	2,108
17		Pyrazinamide Tablets	Tuberculosis	0.25g	100	19.49	5,984

Key launched new products:

- *Han Li Kang (rituximab Injection)*

  Han Li Kang was approved for domestic launch in 2019 with non-Hodgkin's lymphoma as its first indication, and is the first domestic biosimilar drug. The launch of Han Li Kang improved accessibility to high-quality biological drugs, thereby benefiting more lymphoma patients. In April 2020, Han Li Kang was approved for an additional production equipment for 2,000L drug substance and the extra specification of "500mg/50ml/bottle", which fully increased the production capacity. In July 2020, Han Li Kang was approved for the treatment of initially-treated follicular lymphoma and previously-untreated or relapsed/refractory chronic lymphocytic leukaemia, further expanding its coverage of patients. In November 2020, the phase III clinical trial of Han Li Kang for the treatment of moderate to severe active rheumatoid arthritis met the primary clinical endpoint.

  Since its launch, Han Li Kang has been highly recognized by clinical experts in the field, and has achieved coverage of nearly 3,000 hospitals in blood and lymphoma-related fields. In 2020, Han Li Kang recorded sales revenue of RMB750 million for the year (of which the sales revenue in the second half of the year 2020 was RMB520 million), and more than 50% of new patients used this drug.

- *Han Qu You (trastuzumab Injection)*

  Han Qu You, which was approved for domestic launch in August 2020, is the first domestic trastuzumab biosimilar approved for launch in China, which is used for the treatment of HER2-positive early breast cancer, HER2-positive metastatic breast cancer and HER2-positive metastatic adenocarcinoma of the stomach or gastroesophageal junction. The launch of Han Qu You changed the domestic treatment landscape in the field of HER2-positive breast cancer while improving the accessibility of monoclonal antibodies. In July 2020, the product obtained approval for launch in EU from the European Commission (EC) and became the first domestic mAb biosimilar drug approved in both China and Europe. In addition, the supplemental new drug application for Han Qu You (60mg) was accepted by the National Medical Products Administration ("**NMPA**") in October 2020, which is expected to meet the actual clinical needs of breast cancer patients with a more flexible combination and reduce drug costs.

  For domestic market, a commercialization team consisting of about 400 staff members has been established for Han Qu You, which covered five major sectors including market promotion, channel management, pricing and market access, domestic sales, and strategic planning. With full efforts in deployment and consistent development in domestic market, and focusing on the brand vision of "leaving no HER2 patient behind", the team quickly constructed a commercialization system comprising core market, basic-tier market, DTP channels and online knowledge promotion, so as to help more breast cancer patients in China. As at January 2021, Han Qu You gained access to the medical insurance in all provinces and cities throughout the country. As at the date of this announcement, Han Qu You had access to

pharmaceuticals procurement via tender bidding in 28 provinces or cities. For international market, the product was successfully launched in nearly 20 EU countries and regions including the United Kingdom and Germany through the licensing cooperation with Accord Healthcare Inc. ("**Accord**"), demonstrating the confidence and recognition of the Group's products in the international market. In 2020, Han Qu You recorded sales revenue of RMB140 million for the year.

- *Su Ke Xin (Avatrombopag Maleate Tablets)*

  Su Ke Xin is used for treatment of thrombocytopenia related to chronic liver disease. The drug is the world's first oral drug approved for this indication at present and also the first small molecular innovative drug of the Group approved for launch, the launch of which filled the gap of treatment in relevant therapeutic area in China and introduced a world-leading new clinical treatment plan for patients with thrombocytopenia related to chronic liver disease in China. Since its launch for sales in August 2020, Su Ke Xin has covered 4,000 hospitals and DTP pharmacies in 31 provinces, districts and cities across the country, and recorded sales of RMB140 million during the Reporting Period. As at the end of 2020, Su Ke Xin has been included in the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Drugs Catalogue (《國家基本醫療保險、工傷保險和生育保險藥品目錄》) which will be implemented in 30 provinces nationwide from March 2021. It is expected that more patients will be benefited from such inclusion. In addition, the phase III clinical trial of Su Ke Xin for the treatment of adult chronic immune thrombocytopenia (ITP) has been approved by the NMPA, and the preparation for clinical trial is proceeding in an orderly manner.

- *Dihydroartemisinin-Piperaquine Phosphate Tablets and Dihydroartemisinin-Piperaquine Phosphate Dispersible Tablets Antimalarial Series*

  The Group has established a complete product line covering severe malaria and uncomplicated malaria treatment and childhood malaria prevention drugs. During the Reporting Period, Dihydroartemisinin-Piperaquine Phosphate Tablets and Dihydroartemisinin-Piperaquine Phosphate Dispersible Tablets (D-Artepp Dispersible), a global pioneer of its kind, was prequalified by the World Health Organization (WHO PQ). So far, all 21 products (and specifications) of the Group obtained WHO PQ, and were registered and marketed in 38 major malaria-prone countries worldwide. Among them, Artesun (Artesunate for injection) was the first choice for the treatment of severe malaria recommended by the WHO, and was included in the national medication guidelines by countries with high malaria incidence, becoming the gold standard for the treatment of severe malaria. More than 40 million children in Africa took SPAQ-CO Dispersible (Amodiaquine + Sulfadoxine Pyrimidine Dispersible Tablets), which greatly reduced the probability of malaria infection. During the Reporting Period, the Group supplied D-Artepp Dispersible (Dihydroartemisinin-Piperaquine Phosphate Dispersible Tablets) to Madagascar, Côte d'Ivoire, Tanzania, Uganda, Zambia and other countries available for nearly 10 million patients. As one of the largest antimalarial drug production and

R&D manufacturers in the world, the Group has become an antimalarial drug supplier for the Global Fund, UNICEF, World Health Organization and national drug procurement centers in African countries.

License-in and License-out Projects

While further improving its independent R&D capabilities to promote the launch of pipeline products, the Group also actively sought cooperation opportunities with leading global pharmaceutical companies for its products to connect with global leading technologies and high-value products, diversify product pipelines and enhance market expansion capabilities.

In terms of license-in project: 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, and BioNTech entered into an agreement in March 2020, as amended on 15 December 2020, pursuant to which the former was granted a license to exclusively develop and commercialize its COVID-19 mRNA vaccine developed based on BioNTech's proprietary mRNA technology platform targeting COVID-19 in Chinese Mainland, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan region. Fosun Pharmaceutical Industrial shall be responsible for carrying out the clinical trials, marketing applications and sales for the product in Chinese Mainland, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan region, and bearing the corresponding costs and expenses. According to the agreement, Fosun Pharmaceutical Industrial shall pay BioNTech the licensing fee in aggregate amount of not exceeding US$85 million (including upfront payment of US$1 million, development and regulatory payment of not more than US$14 million, and sales milestone payment of not more than US$70 million). Moreover, if BioNTech supplies finished products during the royalty term, BioNTech shall be entitled to a share of profit at a rate of 35% of annual gross profit; if BioNTech supplies bulk drug products during the royalty term, BioNTech shall be entitled to a share of profit at the rate of 40% of annual gross profit. In January 2021, the COVID-19 mRNA vaccine BNT162b2 has been approved for emergency use in Hong Kong, China, and has been used in the government vaccination programme in Hong Kong and Macau of China in March 2021, respectively. Phase II clinical trials in Chinese Mainland are also progressing in an orderly manner.

For license-out projects: Fochon Pharma, a subsidiary of the Company, reached an agreement with Eli Lilly and Company ("**Lilly**") to grant Lilly the exclusive right to develop, produce and commercialize its independently developed small molecule inhibitor targeting BCL-2 in regions outside of China in October 2020. According to the agreement, Lilly shall pay the Group not exceeding US$440 million in license fees (including upfront payment of US$40 million, development and regulatory milestone payment of not exceeding US$340 million, and sales milestone payment of not exceeding US$60 million), and shall pay the royalty on sales at the rate of 4%-8% based on the sales of the product after its launch. In addition, HLX02 (trastuzumab injection) has also been launched for sales in, among others, the United Kingdom and Germany through license cooperation with Accord. In January 2021, Shanghai Henlius entered into a formal agreement with Intas Pharmaceuticals Ltd. ("**Intas**") (the controlling shareholder of Accord),

pursuant to which, it agreed Intas to develop and commercialize HLX02 (trastuzumab injection) in the U.S. and Canada. According to the agreement, Intas shall pay an upfront payment of US$27 million and development milestone payment of not exceeding US$13 million, and pay sales milestone payment and royalty on sales (at a rate of 18%-50%) according to the sales of the product within the licensed territory.

The Group's license-in and license-out projects during the Reporting Period are set out in the table below:

Unit:'0,000 Currency: US$

No.	Type of license	Licensed subject	Counterparty	Rights	Licensed territory	Licensed field	Upfront payment	R&D milestone (maximum)
1	License-in	Vaccine products against COVID-19	BioNTech	Development and commercialization	Chinese Mainland, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan region	Prevention of COVID-19	100	1,400
2		CXCR4 antagonist Balixafortide (POL6326) and related products/ combinations	Polyphor Ltd	Exclusive clinical development and commercialization	Chinese Mainland, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan region	Unlimited	1,500	1,900
3	License-out	BCL-2 selective small molecule inhibitor FCN-338	Lilly	Exclusive R&D, manufacturing and commercialization	Regions outside of China	Unlimited	4,000	34,000
4		Trastuzumab injection (HLX02)	Intas[Note 1]	Exclusive commercialization	The U.S./ Canada	HER2-positive metastatic breast cancer, HER2-positive early breast cancer, HER2-positive metastatic adenocarcinoma of the stomach or gastroesophageal junction, etc.	2,700	1,300
5		Recombinant anti-VEGF humanized monoclonal antibody injection (HLX04)	Essex[Note 2]	Registration, manufacturing and commercialization	Worldwide	Ophthalmology	1,000	1,500

Note 1: It is the controlling shareholder of Accord.

Note 2: It is the controlling shareholder of Essex Bio-Investment Limited and Zhuhai Essex Bio-Pharmaceutical Company Limited* (珠海億勝生物製藥有限公司).

Commercialization system

The Group continuously enhanced the construction and integration of its marketing system and has established a marketing system by products lines to match existing products and products to be marketed while adhering to the strategic direction of professional, brand and digital development. As at the end of the Reporting Period, the Group's commercialization team consists of nearly 6,000 employees, and was organized into a number of divisions based on the major product lines, covering more than 2,000 Class III hospitals and 10,000 Class I and Class II hospitals. Especially in the past two years, in order to keep pace with the launch of innovative products and the process of internationalization, the Group focused on the establishment of the innovative drug commercialization team, the new retail team for OTC and online channels, the professional marketing team for Africa, Europe and the U.S., and also constructed and improved a comprehensive support system covering aspects such as medical affairs, market access and brand promotion.

- *Innovative drug commercialization team*

  During the Reporting Period, the Group added a professional marketing team of approximately 1,100 employees for the innovative drug line based on its blockbuster drugs that had been launched in the market. In hematologic tumor, breast cancer, liver disease and other areas, with a focus on Han Li Kang, Han Qu You, Su Ke Xin, Han Da Yuan and other drugs, the Group built a divisional innovative drug marketing team of 1,500 employees in total. Focusing on core departments such as hematology, lymphoma, hematological tumor, breast, medical oncology, hepatobiliary surgery and intervention, the team made deployment in the core market, the county-level market and DTP channels with the Group's multi-channels successfully covering approximately 3,000 hospitals and nearly 1,000 DTP pharmacies. The Group opened up the matrix of its existing products, serving the launch of more innovative drugs and comprehensive treatment plans in the future.

- *New retail team*

  With the continuous deepening of the medical reform and the rapid development of the internet healthcare industry, the Group also actively created a new retail marketing system with a team of nearly 1,000 employees, which fully covers the traditional retail pharmacies and other retail markets as well as online integrated medical service platform. In the retail market, through years of continuous exploration and practice in the field of chronic diseases, the Group created the "four hypers" concept to focus on enhancing the public's understanding, awareness, prevention and control of hyperuricemia, providing patients with more comprehensive value. The Company continued to improve its multi-channel and spatial marketing capabilities by forming a close cooperative relationship with the top 200 chain pharmacies in China, involving more than 150,000 terminals. Meanwhile, the Group integrated its chronic disease management resources accumulated throughout the years by utilizing its online channels. On the one hand, it gradually accumulated data by establishing stronger adhesion between patients and doctors, users and health information, and families and

platforms to realize the empowerment of consumption terminals to the industry; on the other hand, it continued to iterate internet ecology and services, and achieved the multiplier effect of a healthcare ecosystem with the help of digital medical treatments, offering comprehensive services to consumers and patients. For instance, the Company achieved remarkable success in the multi-channel promotion of You Li Tong and Bang Zhi.

- *Overseas commercialization team*

  The Group continued to expand into the international market. As at the end of the Reporting Period, it had formed an overseas commercialization team of approximately 1,000 employees, which mainly covers regions including the United States, Africa, Europe. In Africa, the Group has long-term business cooperation with major national public drug procurement centers and international drug procurement agency groups, and its business covers 35 English, French and Portuguese-speaking countries and regions in sub-Saharan Africa. The team has about 800 frontline sales personnel, and a one-stop service support system providing registration, circulation, academic promotion, post-launch safety alert and other services, which effectively improved the availability of medicines and better served the public health prevention and control system in Africa. In the U.S. market, the Group has launched 17 drugs under its own brand, including ziprasidone, and the test kits for 2019-nCoV, and has entered into cooperation agreements with, among others, 11 distributors including 3 major wholesalers/ retailers, 7 group purchasing organizations (GPOs), 4 hospital integrated network distribution systems (IDNs) and 5 retail chain pharmacies, thereby forming a comprehensive multi-channel market coverage.

- *Domestic distribution channel cooperation*

  In addition, by virtue of the in-depth cooperation and linkage with Sinopharm Group Co., Ltd. ("**Sinopharm**"), the Group also fully utilized Sinopharm's strengths in distribution network and logistics and reached all levels of markets.

Production and quality

In order to further improve the competitiveness of the production system, strengthen operational efficiency and implement the internationalization strategy, the Group continued to streamline its competitive internal production capacity and deepen the integration of the production side. In China, the Group's deployment comprises domestic integrated preparation manufacturing centers such as Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司) ("**Wanbang Pharma**") and Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司) ("**Yao Pharma**"). The Group also consolidated its special preparations bases, such that the base of Jinzhou Aohong Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司) ("**Aohong Pharma**") would focus on highly active drugs, the base of Shandong Erye Pharmaceutical Co., Ltd.* (山東二葉製藥有限公司) ("**Shandong Erye**"), would focus on penicillins, and the base of Hebei Wanbang Folon Pharmaceutical Co., Ltd.* (河北萬邦復臨藥業有限公司) ("**Hebei Folon**") would focus on proprietary Chinese medicines. Meanwhile, the Group

expedited the construction and improvement of three API bases in Changde, Xinyi and Changshou to ensure the supply of APIs for existing preparations and the development of innovative drugs. During the Reporting Period, the Group continued to expand production capacity of biopharmaceutical drugs and accelerate the construction of production bases to build up the advantage of large-scale production. The commercial production capacity of Shanghai Henlius's Xuhui base has increased to 20,000 liters, and the base also received GMP certification from the EU; Phase I of Songjiang base has commenced trial production in the second quarter of 2020, with a planned production capacity of 24,000 liters; Phase II of Songjiang base is under accelerated construction and is expected to have a production capacity of 36,000 liters after completion. In the overseas market, despite the impact of the COVID-19, Gland Pharma completed the construction of new freeze-dried line and hormone product line in 2020, laying a foundation for further increase in production capacity in 2021.

In addition, the Group continued to optimize production processes and procedures, introduced continuous flow and other production technologies, and facilitated the implementation of smart manufacturing systems including MES (Manufacturing Execution System), LIMS (Laboratory Information Management System) and SCADA (Supervisory Control and Data Acquisition) to further enhance production efficiency and cost advantages.

The Group placed great emphasis on quality and risk management throughout the life cycle of its products and adhered to implementing the quality policies of "respect life, prioritize the quality, endeavor to do better and pursue excellence" to improve the quality risk awareness and quality management capabilities of all employees and fulfilled its culture of quality as the first priority, and coordinated domestic and foreign resources to continuously improve the establishment of an internationalized quality system. During the Reporting Period, the Group continued to advance and implement Fosun Pharma Operation Excellence (FOPEX). Through analysis and study of each production stage, the Group proposed optimization measures and formulated comprehensive quality risk management procedures to ensure the identification and handling of quality risks. Meanwhile, the Group continuously kept up with the pace of domestic and foreign production quality regulations, and is equipped with a professional quality system audit team. According to the four-level quality management system (quality manuals, GMP guidelines, management procedures and corporate documents), the Group conducted internal quality auditing on its subsidiaries. During the Reporting Period, the Group conducted a total of 6 quality auditing on subsidiaries in the pharmaceutical manufacturing segment to analyze the factors that can be improved in their quality systems and provided technical support for their quality improvement.

Furthermore, the Group procured its subsidiaries to establish a quality system that meets domestic and international requirements through different means such as system research, unannounced inspection, special inspection, special research on regulations, etc., and continued to carry out internal quality training and corporate quality culture promotion to improve the quality risk awareness and quality management capabilities of all employees. During the Reporting Period, all

production lines of the domestic pharmaceutical members of the Group obtained domestic GMP certifications, and received over 80 official inspections as well as official sample tests on over 600 batches, all of which were passed smoothly.

Medical Devices and Medical Diagnosis

During the Reporting Period, the Group recorded revenue of RMB5,208 million from the medical devices and medical diagnosis segment, representing a year-on-year increase of 39.70%; segment results amounted to RMB1,053 million, which increased by 83.45% year-on-year; segment profit amounted to RMB907 million, which increased by 83.23% year-on-year. The year-on-year increase in sales revenue and net profit were mainly attributable to the contributions from the anti-pandemic products (e.g. the nucleic acid test kits for 2019-nCoV, negative pressure ambulances and ventilators), and the resumption of our conventional businesses, the number of installation of, and the volume of surgeries in respect of, the Da Vinci surgical robotic system of the joint ventures Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd.* (直觀復星醫療器械技術(上海)有限公司) ("**Intuitive Fosun (Shanghai)**") and Intuitive Surgical-Fosun (Hongkong) Co., Limited ("**Intuitive Fosun (HK)**") has recovered rapidly since the second quarter. In 2020, 55 Da Vinci surgical robotic systems were installed, and the volume of surgeries grew continuously.

During the Reporting Period, the Group promptly launched anti-pandemic products and carried out global procurement of pandemic supplies, to support pandemic prevention and control at home and abroad. The independently developed nucleic acid test kits for 2019-nCoV (Fluorescent PCR Method) obtained emergency approval from the NMPA and registration certificates for medical devices (in-vitro diagnostic reagents). Certain 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 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 Limited ("**Sisram Medical**") were affected to a certain extent due to the effect of COVID-19 pandemic on the downstream medical cosmetic industry. In 2020, the revenue of Sisram Medical amounted to US$162 million and net profit amounted to US$15 million (based on the financial statements of Sisram Medical using its presentation currency), which has a slightly year-on-year decrease. During the Reporting Period, Sisram Medical continued to develop the global market (especially the emerging markets), and strengthened its new product portfolio, in particular, by increasing R&D expenditure in minimally invasive treatment systems. Its four new products launched in 2020, namely Derma Clear, Harmony XL Pro, Opus Plasma (North America version) and Alma Hybrid received extensive attention and positive responses from the market.

In addition, the medical devices segment has built a marketing network that combines global direct sales and distribution. In particular, the sales network of Breas mainly covers Europe, the U.S., China, Japan and Australia. The marketing network of Sisram Medical covers more than 90 countries and regions around the world, including 7 regions under direct sales. In recent years, Sisram Medical has strengthened its digital channels and further diversified its global marketing strategies and methods through product launch conferences, online seminars, online customer training and other activities.

In 2020, the Group's self-developed fully automated chemiluminescence instrument and its supporting reagent products entered the market with gradually increasing sales quantities. The relevant supporting reagents obtained registration approval numbers. 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 entered the registration phase, our self-manufactured ELSPOT (tuberculosis test) hit the market during the Reporting Period.

Healthcare Services

During the Reporting Period, the revenue from healthcare service segment amounted to RMB3,170 million, representing a year-on-year increase of 4.34%. Due to pandemic prevention and control and reduced patient visits in hospitals in the first half of the year, the relatively high proportion of fixed costs in hospital's operating costs, and the impact of losses at the initial stage of newly opened institutions, the segment results of the healthcare service business declined and amounted to RMB195 million, representing a year-on-year decrease of 40.37%; segment profit amounted to RMB109 million, representing a decrease of 45.50% on the same basis. Without taking into account one-off factors such as the profit contribution from the disposal of equity interest in Healthy Harmony Holdings L.P. ("**HHH**") (whose main asset was United Family Hospital) by the Group in the same period of last year.

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 across major health industries. 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, Huaihai Economic Zone and Chengdu-Chongqing Economic Zone being the regional focus for healthcare services. The medical service institutions controlled by the Group that had been put into operation mainly included Foshan Chancheng Central Hospital Company Limited* (佛山市禪城區中心醫院有限公司) ("**Foshan Chancheng Hospital**"), Shenzhen Hengsheng Hospital* (深圳恒生醫院) ("**Shenzhen Hengsheng Hospital**"), Suqian Zhongwu Hospital/Suqian Cancer Hospital, Wenzhou Geriatric Hospital, Yueyang Guangji Hospital, Anhui Jimin Hospital, Wuhan Jihe Hospital, Zhuhai Chancheng Hospital, Suqian Rehabilitation Hospital and Chongqing Xingrong Medical Cosmetology Hospital, with a total of 4,610 authorized beds available for the public. During the Reporting Period, with respect to operation management of healthcare services, the management systems and frameworks of medical, nursing, technical and other medical professions and functions

of finance, EHS and infrastructure were continuously improved and optimized to further expand the collective procurement categories, realizing cost reduction and efficiency by fully exerting the platform effect, and promoting procurement standardization and supply through established channels. 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 12 major specialty alliances, while many of its controlling hospitals have completed the achievement of key specialties at 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. By virtue of the specialty alliance, the Group conducted on-site systematic evaluation of the specialties of member hospital to clarify discipline positioning and development direction; it also promoted the vertical connection between the specialties of member hospitals to form various work mechanisms such as business discussion, entrusted department management and co-construction. During the Reporting Period, Foshan Chancheng Hospital, the flagship hospital, was ranked the number one non-public hospital in China again, and obtained approval for 2 national-level diagnosis and treatment centers; Suqian Zhongwu Hospital obtained approval for 2 municipal key specialties; Shenzhen Hengsheng Hospital obtained subsidy approval for one project from the National Natural Science Foundation of China; and Suqian Cancer Hospital was approved as a Class II cancer hospital. Through the efforts in establishing hospitals with different classes, 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 planning 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. Foshan Chancheng Hospital, Hengsheng Hospital, Suqian Zhongwu Hospital and Wenzhou Geriatric Hospital obtained their respective internet hospital license, and will continue to explore and participate into the new Internet medical industry to achieve a closed loop of online and offline services.

Pharmaceutical Distribution and Retail

In 2020, Sinopharm realized revenue of RMB456,415 million, net profit of RMB12,097 million and net profit attributable to shareholders of the parent of RMB7,187 million, represented an increase of 7.32%, 13.91% and 14.95% as compared to last year, respectively.

In respect of the pharmaceutical distribution sector, Sinopharm adapted to the industry trend, further tapped into the scale advantages in the distribution network of healthcare institutions at different levels, enhanced the intensive operation capability, and actively undertook the market share of related products under bulk procurement. In 2020, Sinopharm's revenue from the pharmaceutical distribution business increased by 3.25% year-on-year to RMB348,294 million.

In respect of retail pharmacy, Sinopharm comprehensively promoted the integrated development of online and offline businesses, continuously optimized its network coverage, and continued to strengthen its regional competitive advantages. The total number of retail stores of Sinopharm reached 8,977. In 2020, Sinopharm's sales revenue from retail pharmacy reached RMB24,164 million, representing an increase of 22.02% as compared to the corresponding period of last year.

In respect of medical devices, Sinopharm continued to promote the construction of device distribution network and business innovation model. In the first half of 2020, the revenue of Sinopharm's medical device business reached RMB89,402 million, representing a period-on-period increase of 29.02%. The growth potential of the segment has been shown at a faster pace.

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

In respect of digital technology innovation, 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 middle-end platform strategy that matches the business needs of the Group. During the Reporting Period, in respect of business middle-end platform, the Group built a R&D digital platform with R&D project management system as the core; completed the top-level design and planning of smart production to form smart factory standard guidelines and a star-rated factory evaluation system; and created a digital and intelligent marketing platform based on internet hospitals and new retail. In respect of middle-end platform management, the Group continued to push forward the "Forest Plan" project,

and formed a corporate digital management integrated system with SAP technology as the core platform. A core human resources system was initially established. In respect of data middle-end platform, the Group initially established a big data warehouse and BI analysis platform for medicine, and visualized and made indicators transparent by using data analysis as an entry point, so as to lay the foundation for future data-driven operations and business decision-making.

In centralized procurement and strategic procurement, the Group has further promoted centralized procurement projects across and within business segments, expanded new centralized procurement categories, thereby reducing cost and enhancing efficiency by fully exerting the platform effect. During the Reporting Period, the Group implemented a total of 15 centralized procurement projects across and within business segments, further expanded the coverage of centralized procurement categories, reduced costs and increased efficiency by giving full play to the platform effect, and promoted standardization of procurement and optimization of supply channels. The Group further improved its procurement management measures and strengthened system building, and commenced trial rotation of personnel in various lines in the aspect of organization construction, so as to promote the exchange and interconnection of talents between organizations. The Group iterated and promoted the digitalized procurement platform, which demonstrated a closed-loop characteristic, integrity, transparency, comparability and traceability in the procurement business, to improve the collaboration and efficiency of the procurement business, supporting the implementation of cost reduction and efficiency enhancement. In 2020, the Group held the Pharmaceutical Industry Forum of the Global Ecological Supply Chain Summit for the first time, inviting global partners in the industry chain to participate in the forum to discuss the construction of an efficient, win-win and sustainable supply chain ecology. It also continued to push forward green supply chain projects, and conducted audits for 40 times in total on suppliers of raw, auxiliary and packaging materials in 2020. The Group adhered to implementing the concept of "transparent procurement", utilized information technology to identify risks of violations, and adopted a "zero tolerance" attitude towards violations.

Financing

During the Reporting Period, the Group continued to optimize its debt structure and reasonably controlled the debt scale and comprehensive financing cost, and our debt asset ratio decreased by 3.45 percentage points to 45.05%. In 2020, 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, such as the anti-pandemic special loan. The Company took the variety of its financing channels to a higher level.

In November 2020, Gland Pharma completed its initial public offering in India at the offer price of INR1,500 per share, in which Gland Pharma raised proceeds of INR12.5 billion (equivalent to RMB1.12 billion) through the issuance of 8,333,333 new shares, and the Group recovered funds of RMB2,431 million by selling 19,368,686 existing shares.

Sustainable development

The Group has always taken sustainable development as a key indicator of corporate operation, and as at the end of 2020, the Company has published its corporate social responsibility report for 12 consecutive years, leveraging on its outstanding practices and outcomes in the social responsibility field. The Group has won many honors for its devotion to social responsibility, such as "Outstanding Enterprise in Fighting Against COVID-19", "Epidemic Control Contributor Award 2020", "CSR Outstanding Overseas Expansion Award 2020", "Golden Bee 2020 Excellent CSR Report- Evergreen Enterprise", "2020 Annual Gold Medal Listed Company CSR Award", "Golden Award for Chinese Enterprises in Fulfilling ESG Responsibilities 2020", and "Annual Sustainable Development Award".

With the increasing attention to Environmental, Social and Corporate Governance ("**ESG**") over the years, to perform its social responsibilities, the Group enhanced and optimized its corporate governance practices with higher requirements for sustainable development. During the Reporting Period, to further the development, optimization and performance of ESG strategies, and put into practise the corporate sustainable development in business operation, the Group restructured its internal ESG management and established an ESG Committee under the Board of Directors with subordinate ESG working teams, and has formulated and issued the Terms of Reference and Implementation Rules of ESG committee under the Board of Directors to prioritize and promote ESG management from the top as a driving force for corporate sustainable growth. Meanwhile, in order to fully understand the stakeholders' aspirations and expectations, and define our direction in ESG work, the Group made interviews with internal and external stakeholders, benchmarked with leading peer enterprises, further identified own potential risks and developed risk contingency plans, and MSCI ESG Rating has been upgraded from "BB" to "BBB". In addition to this section related to Sustainable Development and CSR Report, the Group added a complete ESG Section in the H-Shares Annual Report, to fairly and objectively present the sustainability strategies, policies, measures and outcomes to stakeholders.

During the Reporting Period, the Group continued to promote sustainable development in respect of the aspects covering health accessibility, environment, health and safety, employees' development, business ethics, etc. in 2020.

Health Accessibility

During the Reporting Period, the Group put further efforts on R&D and innovation, accelerated the development and transformation of innovative technologies and products through diversified and multi-level cooperation models such as independent R&D, cooperative development, license introduction, in-depth incubation, etc., committed to providing accessible, affordable, reliable products and services to patients and clients. In February 2019, the first biosimilar drug, Han Li Kang was officially approved for product launch, becoming China's first drug developed and launched in accordance with the national guidelines for biosimilars; in 2020, two biosimilar drugs Han Qu You and Han Da Yuan were launched successively, benefiting more patients; the small molecule innovative drug Su Ke Xin was approved by the NMPA and listed into the Catalogue of

Medical Products Covered by National Basic Medical Insurance System, filling the gap of Chinese-made medicine for treatment of CLDT (Chronic Liver Disease-related Thrombocytopenia) indications. In addition, in response to increasing clinical demand, the Group has been expanding the medication coverage in frontier innovation and for rare diseases. During the Reporting Period, the Company launched 1 orphan drug product (avatrombopag maleate tablets for CLDT indications), and conducted 10 R&D programs for rare diseases and orphan drugs.

The Group was committed to jointly building a world free of malaria by virtue of our expertise in anti-malarial drugs. During the Reporting Period, Dihydroartemisinin piperaquine phosphate dispersible tablets (specification: 30mg/240mg) passed the WHO-PQ certification, marking that all the 6 specifications of Dihydroartemisinin piperaquine phosphate series products passed the WHO-PQ certification; we supplied 170 million sheets of children's malaria preventive medicine SPAQ-CO Dispersible (Amodiaquine + sulfadoxine pyrimethamine dispersible tablets) to Africa, so that more African children under the age of 5 could be protected in the peak seasons of malaria. As at the end of the Reporting Period, Artesunate for injection, an innovative drug developed by the Group independently, has accumulatively saved the lives of more than 30 million patients with severe malaria worldwide.

Environment, Health and Safety (EHS)

"Committing to environmental and social sustainable development, preventing pollution from occurring, actively promoting energy conservation and emission reduction, securing biodiversity and building an environmental-friendly community" is the environmental protection policy of the Group. The Group have formulated five-year strategic goals surrounding the "three wastes" emissions, resource and energy consumption, and carbon emissions, continued to increase investment in environmental protection, focused on improving environmental management level, actively responded to climate change, committed to achieving the harmonious development between the enterprise, society and environment.

During the Reporting Period, the Group further built up and improved the environment, health and safety (EHS) management system, the EHS Special Committee and the EHS Element Group have been established to establish and continuously improve EHS related policies as well as formulate EHS management strategic goals. At the same time, in order to ensure the effective implementation of the EHS management system, the Group has implemented EHS management review system to conduct annual internal cross-audit on more than 80% of core manufacturing member companies, and to complete at least one annual corporate EHS self-evaluation on 100% of its member companies. In addition, the Group has continued to promote the management of pollutant emissions, water resources, packaging materials, greenhouse gases, etc., to reduce energy consumption and improve environmental management. In addition, the Group also strengthened and implemented our safe production responsibility, established the corporate accountability and employee participation mechanism; operated in compliance with national and local safe production laws, regulations and standards, and promoted safe production standardized construction. During the Reporting Period, the injury rate and recordable incident rate for the year were 0.325 and 0.514, respectively, which were 44% and 51% lower than in 2016.

Employees' development

The Group adheres to the talent view of "attracting people with development, uniting people by career, cultivating people by work, assessing people by performance", and considers our employees as the most valuable asset of the company. The Group pays great attention to diversified development and sustained growth of human resources, and promoted employee growth jointly with the company by increasing cares and health assurance to employees. The Group's member companies are located across many countries and regions, and are committed to adopt all the human resource policies in strict compliance with the regulations of the country or region where the business is located; they also established a sound internal complain mechanism to provide unobstructed channels for employees in expressing their opinions; carried out various types of employees caring activities, dedicated to creating a "love and warm" working environment. At the same time, the Group highly values the development and occupational health of employees, and formed a complete set of staff training systems from talents assessment, selection to training. The Group has set up a corporate university — Fosun Healthcare Management latitude, with effective resources integration to enable employees to learn from work and promote the Company's sustainable development.

Business Ethics

In order to maintain a healthy business environment and ensure a good business order, anti-corruption and community contributions have become issues of global concern. The Group has incorporated the punishment of corruption and the fulfillment of social responsibilities into its long-term strategy for corporate development.

In response to anti-corruption compliance, the Company has formulated the "Anti-Corruption Regulations", "Whistleblowing Policy" and "Regulations on Protection and Reward for Whistle-blowers and Witnesses" and other system documents, with integrity supervision and case investigation as the starting point, through the three modes of pre-prevention, in-event control and post-event investigation to effectively prevent risks, empower management, safeguard corporate interests, continuously improve the anti-corruption compliance management and control system of "prevention-monitoring-punishment", and actively promote the integrity and compliance of the Group. By setting up a clean integrity column, focusing on the anti-corruption dynamics in the pharmaceutical and medical industry, combining specific cases, revealing the risk points in a targeted manner, the Group played a role in education and prevention for employees. At the same time, it actively carried out anti-corruption training and publicity. During the Reporting Period, it provided anti-corruption and compliance trainings for the Directors, Supervisors and senior management, and provided anti-corruption training and integrity education for new employees.

During the Reporting Period, the COVID-19 pandemic shocked the world. The Group took advantage of own business strengths and global resources to actively shoulder our social responsibilities. At the outbreak of the pandemic, hospitals controlled by the Group were in the frontline fighting against the disease, for example, the flagship hospital Foshan Chancheng Hospital (participated as the only non-public medical institution in Foshan City) and Wuhan Jihe

Hospital were respectively designated/listed as certified COVID-19 treating hospital and centralized fever treating hospital. The Group gathered resources to ensure the production and supply of urgently needed medicines, diagnostic reagents, non-invasive ventilators and negative pressure ambulances; the self-developed COVID-19 nucleic acid diagnostic kits were sold nationwide and exported to more than 10 countries overseas; by the end of 2020, over 400 negative pressure ambulances produced by the Group were put into use on the disease fighting frontline across China, and over 18,000 ventilators were used by the anti-epidemic medical workers around the world. The Group donated cash or medical masks, protective clothing, medical non-invasive ventilators, negative pressure ambulances and other medical equipment and living materials to the virus-stricken areas with total value of over RMB30 million. In addition, during the Reporting Period, the Group carried out various public welfare activities in the areas of health and poverty alleviation, education support, scientific research and innovation, care for children, and medical education, etc. through cooperation or spontaneously organization with Fosun Charity Foundation, China Foundation for Guangcai Program and other organizations, actively fulfilling social responsibilities, and continuing to make contributions to the community. In March 2020, it reached strategic cooperation with BioNTech to jointly develop and commercialize COVID-19 vaccine products based on BioNTech's mRNA technology platform in Chinese Mainland and Hong Kong, Macau, and Taiwan. In January 2021, mRNA vaccine BNT162b2 is already approved for emergency use in Hong Kong, and in March 2021, the BioNTech vaccine was already included in the government vaccination programs in Hong Kong and Macau of China, while its clinical trials were also in orderly progress in Chinese Mainland.

2. MAJOR OPERATIONS IN THE REPORTING PERIOD

A. Analysis on Principal Operations

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

Unit: million Currency: RMB

Items	Amount for the year	Amount for last year	Year-on-year change *(%)*	Reasons
Selling and distribution expenses	8,464	9,847	–14.04	*Note 1*
R&D expenses	2,795	2,041	36.94	*Note 2*
Finance costs	881	1,075	–18.05	*Note 3*
Other gains	1,278	1,897	–32.63	*Note 4*
Other expenses	252	457	–44.86	*Note 5*
Profit for the year attributable to non-controlling interests	277	422	–34.36	*Note 6*
Net cash flow used in investment activities	–4,706	–172	–2,636.05	*Note 7*
Net cash flow generated from financing activities	1,467	–1,936	175.77	*Note 8*

Note 1: During the Reporting Period, the Group maintained and increased its strategic investment, such as new sales team formation and market development, in newly launched products (such as Han Li Kang (rituximab injection), Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets)), and strengthened the management and control of sales expenses. The selling and distribution expenses for the year decreased by 14.04% year on year. The decrease in sales and distribution expenses was mainly due to: ① optimization of the product structure; ② a decrease in sales expenses for products selected for centralized procurement, ③ the conversion of some offline activities to online, which correspondingly reduced travel and conference expenses; ④ the continued strengthening of the management and control of sales expenses, and other factors.

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

Note 3: Mainly due to the year-on-year decrease in financing costs and average interest-bearing debts during the Reporting Period.

Note 4: Mainly due to the investment income from the transfer of certain equity interest in HHH (the main asset of which is United Family Hospital) in the same period last year.

Note 5: Mainly due to the provision for long-term equity investment and impairment of goodwill in the same period last year.

Note 6: Mainly due to the completion of acquisition of the minority stakes in Yao Pharma, Suzhou Erye Pharmaceutical Co., Ltd.* (蘇州二葉製藥有限公司), Sisram Medical, Breas and Tridem Pharma as well as the changes in profit or loss of certain non-wholly-owned subsidiaries during the Reporting Period.

Note 7: Mainly due to the year-on-year increase in cash paid for investment activities as a result of the increase in investment in BioNTech and other financial assets and investment in fixed assets during the Reporting Period.

Note 8: Mainly due to the increase in net inflow from financing activities as a result of fresh issue by Gland Pharma in the form of listing and the Group's recovery of fund by selling the existing shares during the Reporting Period.

I. *Analysis of Revenue and Cost of Sales*

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

Unit: million Currency: RMB

	Principal Operations by Segments					
By segments	**Revenue**	**Cost of sales**	**Gross profit margin** *(%)*	**Year-on-year change in revenue** *(%)*	**Year-on-year change in cost of sales** *(%)*	**Year-on-year change in gross margin**
Pharmaceutical manufacturing*(Note 1)*	21,748	8,414	61.31	0.64	12.50	decrease of 4.08 percentage points
Medical devices and medical diagnosis	5,208	2,473	52.52	39.70	39.01	increase of 0.24 percentage point
Healthcare services*(Note 2)*	3,170	2,512	20.47	4.34	11.35	decrease of 5.00 percentage points

Principal Operations by Products

By products	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (Note 4) (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Major products of metabolism and alimentary system	3,572	522	85.39	–6.39	–12.56	increase of 1.03 percentage points
Major products of anti-tumor and immune modulation(Note 3)	1,478	308	79.16	138.39	59.59	increase of 10.29 percentage points
Major products of anti-infection(Note 1)	3,916	1,426	63.59	–12.37	11.49	decrease of 7.79 percentage points
Major products of central nervous system(Note 1)	1,382	139	89.94	–36.87	25.23	decrease of 4.99 percentage points
Major products of cardiovascular system(Note 4)	2,487	1,074	56.82	8.32	29.87	decrease of 7.16 percentage points
Major products of APIs and intermediate products	1,036	738	28.76	–8.80	–11.19	increase of 1.91 percentage points

Principal Operations by Geographical Locations

By Geographical Locations	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Chinese Mainland	21,975	8,998	59.05	0.96	17.98	decrease of 5.91 percentage points
Regions outside Chinese Mainland and other countries	8,188	4,433	45.86	23.65	13.17	increase of 5.01 percentage points

Note 1: The decrease in gross profit margin of pharmaceutical manufacturing business was mainly due to: 1. the decrease in sales of injection products in anti-infection and central nervous system, resulting in the rise of unit fixed cost; 2. the decrease in gross profit margin of the products which was selected in centralized procurement.

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

Note 3: The increase in gross profit margin of the major products of anti-tumor and immune modulation as compared with the same period last year was mainly due to the optimization of the product structure with the launch of new products in such therapeutic area.

Note 4: The decrease in gross profit margin of the major products of cardiovascular system as compared with the same period last year was mainly due to the increase in material costs of heparin series preparations.

Note 5: For the reasons for the changes in revenue by product, please refer to the table of revenue from major products of the Group in the major therapeutic areas in the performance summary of the pharmaceutical manufacturing segment under item 1 of the management discussion and analysis.

(2) *Analysis of Cost*

Unit: million Currency: RMB

		By Segments				
By Segments	**Cost**	**Amount for the period**	**Percentage of the total cost for the period** *(%)*	**Amount for the corresponding period of last year**	**Percentage of the total cost for the corresponding period of last year** *(%)*	**Ratio of change for the period as compared with the corresponding period of last year** *(%)*
Pharmaceutical manufacturing	Cost of products	8,414	62.65	7,479	64.79	12.50
Medical devices and medical diagnosis*(Note 1)*	Cost of products and goods	2,473	18.41	1,779	15.41	39.01
Healthcare services	Cost of services	2,521	18.77	2,264	19.61	11.35

Unit: million Currency: RMB

		By Therapeutic Areas				
By Therapeutic Areas	**Cost**	**Amount for the period**	**Percentage of the total cost for the period** *(%)*	**Amount for the corresponding period of last year**	**Percentage of the total cost for the corresponding period of last year** *(%)*	**Ratio of change for the period as compared with the corresponding period of last year** *(%)*
Major products of metabolism and alimentary system	Cost of products	522	6.20	597	7.98	–12.56
Major products of anti-tumor and immune modulation*(Note 2)*	Cost of products	308	3.66	193	2.58	59.59
Major products of anti-infection	Cost of products	1,426	16.95	1,279	17.10	11.49
Major products of central nervous system	Cost of products	139	1.65	111	1.48	25.23
Major products of cardiovascular system	Cost of products	1,074	12.76	827	11.06	29.87
Major products of APIs and intermediate products	Cost of products	738	8.77	831	11.11	–11.19

Note 1: The increase in product costs of the medical devices and medical diagnostics segment over the same period last year was mainly due to the increase in sales revenue during the Reporting Period.

Note 2: The increase in the cost of major products of anti-tumor and immune modulation was mainly due to the newly launched major products in 2020, which increased by 22% on the same basis after excluding the impact of the newly launched major products in 2020.

Major Customers and Suppliers

Sales to the top 5 customers of the Group amounted to RMB5,543 million, representing 18.38% of the total sales for the year.

Purchases from the top 5 suppliers of the Group amounted to RMB1,250 million, representing 8.73% of the total purchases for the year.

II. *Expenses*

During the Reporting Period, the Group maintained and increased its strategic investment, such as new sales team formation and market development, in newly launched products (such as Han Li Kang (rituximab injection), Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets)), and strengthened the management and control of sales expenses. The selling and distribution expenses for the year decreased by 14.04% year on year. The decrease in selling and distribution expenses was mainly due to: ① the optimization of the product structure; ② a decrease in sales expenses for products selected for centralized procurement; ③ the conversion of some offline activities to online, which correspondingly reduced travel and conference expenses; ④ the continued strengthening of the management and control of sales expenses, and other factors.

During the Reporting Period, the R&D expenses of the Group amounted to RMB2,795 million, representing a year-on-year increase of 36.94%. The change in R&D expenses was mainly due to the increase in the R&D expenditures in biopharmaceutical drugs, small molecular innovative drugs and imported innovative drugs, and the increase in R&D expenditures in innovation incubation platform during the Reporting Period.

During the Reporting Period, the finance costs of the Group amounted to RMB881 million, representing a year-on-year decrease of 18.05%. The change in finance costs was mainly due to the decrease in financing costs and average interest-bearing debts during the Reporting Period.

III. *R&D Expenditures*

Accounting treatment of R&D expenditures

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

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

R&D Expenditures

Unit: million Currency: RMB

R&D expenditures expensed for the year	2,795
R&D expenditures capitalized for the year	1,208
Total R&D expenditures	4,003
Total R&D expenditures as a percentage of revenue (%)	13.21
R&D expenditures in the pharmaceutical manufacturing segment as a percentage of the revenue from the pharmaceutical manufacturing segment (%)	16.77
The number of R&D staff in the Group	2,258
The number of R&D staff as a percentage of the total number of staff in the Group (%)	7.00
Percentage of R&D expenditures capitalized (%)	30.18

Descriptions

During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB3,670 million, representing an increase of 17.21%, accounting for 16.77% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB2,468 million, representing a year-on-year increase of RMB727 million or 41.76%, accounting for 11.28% of the revenue from the pharmaceutical manufacturing segment. The R&D expenditures increased mainly due to the increase in the R&D expenditures in biopharmaceutical drugs, small molecular innovative drugs and imported innovative drugs, and increase in R&D expenditures in innovation incubation platform during the Reporting Period.

IV. *Cash Flows*

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Ratio of Change (%)	Reasons
Net cash flow generated from operating activities	2,580	3,222	–19.94	A year-on-year increase of 11.19% after excluding the impact of the upfront payment of EUR125 million to BioNTech for the mRNA-based vaccine targeting COVID-19 as at the end of 2020. Cash flow from operating activities maintained a continuous upward trend.
Net cash flow used in investment activities	–4,706	–172	–2,636.05	Mainly due to the year-on-year increase in cash paid for investment activities as a result of the increase in investment in BioNTech and other financial assets and investment in fixed assets during the Reporting Period.
Net cash flow used in financing activities	1,467	–1,936	175.77	Mainly due to the increase in net inflow from financing activities as a result of fresh issue by Gland Pharma in the form of listing and the Group's recovery of fund by selling the existing shares during the Reporting Period.

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

Not applicable

C. Assets and liabilities analysis

Assets and liabilities

Unit: million Currency: RMB

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Equity investments designated at fair value through other comprehensive income	1	—	108	0.14	–99.07	Mainly due to the disposal of financial assets during the Reporting Period
Inventories	5,163	6.17	3,941	5.18	31.01	Mainly due to the launch of new products, and the increase of anti-pandemic products during the Reporting Period
Prepayments, other receivables and other assets	2,554	3.05	1,420	1.87	79.86	Mainly due to the upfront payment of EUR125 million for the mRNA-based vaccine targeting COVID-19 during the Reporting Period
Financial assets at fair value through profit or loss	1,970	2.36	457	0.60	331.07	Mainly due to factors such as the price rise of the shares of BioNTech purchased and the listing of other financial assets held during the Reporting Period
Debt investments at fair value through other comprehensive income	629	0.75	445	0.59	41.35	Mainly due to the increase in bank acceptance bills expected to be used for discount during the Reporting Period
Trade and bills payables	3,289	3.93	2,397	3.15	37.21	Mainly due to the increase in procurement during the Reporting Period

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset *(%)*	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets *(%)*	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period *(%)*	Reasons
Interest-bearing bank and other borrowings — current	14,489	17.33	8,560	11.25	69.26	Mainly due to (1) the reclassification of the expired "16 Fosun Pharma 01" corporate bonds with sell back option in the aggregate principal amount of RMB3.0 billion on 4 March 2021 to "interest-bearing bank and other borrowings — current" for accounting during the Reporting Period; (2) the reclassification of the "18 Fosun Pharma 01" and "18 Fosun Pharma 03" corporate bonds with sell back option in the aggregate principal amount of RMB1.3 billion and RMB1.0 billion to "interest-bearing bank and other borrowings — current" for accounting during the Reporting Period; (3) the transfer of part of the expired and renewed amount of the "17 Fosun Pharma 01" corporate bonds with sell back option in the aggregate principal amount of RMB1.25 billion on 14 March 2020 being accounted for under "interest-bearing bank and other borrowings — non-current" during the Reporting Period; and (4) increase in long-term borrowings due within one year and short-term borrowings
Contract liabilities — current	1,020	1.22	504	0.66	102.38	Mainly due to the increase in the consideration of contracts received during the Reporting Period

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset *(%)*	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets *(%)*	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period *(%)*	Reasons
Interest-bearing bank and other borrowings — non-current	8,476	10.13	12,577	16.54	–32.61	Mainly due to the reclassification of "16 Fosun Pharma 01", "18 Fosun Pharma 01" and "18 Fosun Pharma 03" corporate bonds with sell back option in the aggregate principal amount of RMB3.0 billion, RMB1.3 billion and RMB1.0 billion, respectively, to current liabilities and the renewal of the RMB1.25 billion corporate bonds "17 Fosun Pharma 01" during the Reporting Period
Lease liabilities — non-current	627	0.75	410	0.54	52.93	Mainly due to the increase in the present value of the discounted future lease payments during the Reporting Period
Contract liabilities — non-current	122	0.15	223	0.29	–45.29	Mainly due to the reclassification of part of the contract advances with the corresponding revenue recognition points expected to exceed one year which was recognized in the previous year to "contract liabilities — current"
Other long-term liabilities	269	0.32	2,860	3.76	–90.59	Mainly due to the termination of the share redemption option granted to Gland Pharma's non-controlling shareholder after the listing of the subsidiary Gland Pharma during the Reporting Period

D. Analysis on investments

Major Subsidiaries and Investees

(1) *Operation and Results of Subsidiaries*

① Operation and Results of Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan injection (glutathione for injection), Atomolan tablets (glutathione tablets), You Di Er (alprostadil dried emulsion), Sha Duo Li Ka (potassium sodium dehydroandrographolide succinate for injection), Xi Chang/Bi Li Shu (cefmetazole sodium for injection), etc.	197	5,854	3,908	5,382	912	809
Wanbang Pharma	Pharmaceutical manufacturing	You Li Tong (febuxostat tablets), Yi Bao (recombinant human erythropoietin for injection (CHO cells)), Ke Sheng (Xihuang capsules), Wan Su Ping (glimepiride tablets), enoxaparin sodium series, etc.	452	5,286	2,791	5,890	894	774
Gland Pharma	Pharmaceutical manufacturing	Heparin sodium, vancomycin, rocuronium bromide, etc.	N/A	7,904	6,761	3,026	960	719

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

② Status of Other Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products	Registered capital	Total assets	Net assets	Revenue	Net profit
Jinzhou Aohong Pharmaceutial Company Limited* (錦州奧鴻藥業有限責任公司) ("**Aohong Pharma**")*(Note 1)*	Pharmaceutical manufacturing	Ao De Jin (deproteinized calf blood injection), Bang Ting (hemocoagulase for injection), Chang Tuo Ning (penehyclidine hydrochloride injection), etc.	510	2,787	1,961	1,261	159
Shanghai Henlius*(Note 2)*	Pharmaceutical manufacturing	Han Li Kang (rituximab injection), Han Qu You (trastuzumab injection), etc.	543	6,439	3,199	588	–994
Foshan Chancheng Hospital*(Note 3)*	Healthcare services	Healthcare services	50	2,836	1,871	1,646	136
Sisram Medical*(Note 4)*	Medical devices manufacturing and R&D	Medical cosmetics devices, medical devices	N/A	2,817	2,166	1,119	101

Note 1: The data for Aohong Pharma included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

Note 2: The data for Shanghai Henlius is prepared in accordance with International Financial Reporting Standards.

Note 3: The data for Foshan Chancheng Hospital include appreciation of asset evaluation and amortization of appreciation of asset evaluation.

Note 4: The data for Sisram Medical is prepared in accordance with International Financial Reporting Standards.

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

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司) ("**Sinopharm Industrial**")	Pharmaceutical investment	Pharmaceutical investment	100	311,182	90,268	455,277	15,588	12,107

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

① Acquisition of Subsidiaries in 2020

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 the 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 Fosun Aidi (Suzhou) Pharmaceutical Technology Co., Ltd.* (復星艾迪(蘇州)醫藥科技有限公司) ("**Fosun Aidi**") (formerly known as CMIC (Suzhou) Pharmaceutical Technology Co., Ltd.* (希米科(蘇州)醫藥科技有限公司)) owned by CMIC (Beijing). As at the end of the Reporting Period, Fosun Pharmaceutical Industrial held 100% equity interest in Fosun Aidi.

On 22 July 2020, Yao Pharma, a subsidiary, entered into an equity purchase agreement with FRESENIUS KABI AKTIENGESELLSCHAFT and Fresenius Kabi (China) Co., Ltd.* (費森尤斯卡比(中國)投資有限公司), pursuant to which Yao Pharma acquired 100% equity interest in Jisimei (Wuhan) Pharmaceutical Co., Ltd.* (吉斯美(武漢)製藥有限公司) (formerly known as Fresenius Kabi (Wuhan) Pharmaceutical Co., Ltd.* (費森尤斯卡比(武漢)醫藥有限公司)) ("**Kabi (Wuhan)**"). As at the end of the Reporting Period, Yao Pharma held 100% equity interest in Kabi (Wuhan).

The acquisitions of the subsidiaries in 2020 have had the following effect on the Group's production and results:

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets (as at 31 December 2020)	Net profit (from date of acquisition/ merger up to 31 December 2020)	Date of acquisition/ merger
Xingyao Medical	Equity transfer	89	67	19 March 2020
Fosun Aidi	Equity transfer	2	–9	9 May 2020
Kabi (Wuhan)	Equity transfer	125	1	20 November 2020

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

② Disposal of Subsidiaries in 2020:

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

On 24 June 2020, the deregistration of a subsidiary, namely Shanghai Han Ying Biotechnology Co., Ltd. (上海漢穎生物技術有限公司) ("**Han Ying Biotech**"), was completed.

On 20 July 2020, the deregistration of a subsidiary, namely Guangzhou Xinyao Investment Management Co., Ltd. (廣州心耀投資管理有限公司) ("**Guangzhou Xinyao**"), was completed.

On 26 October 2020, Shanghai Fosun Medical (Group) Co., Ltd.* (上海復星醫療(集團)有限公司) ("**Fosun Medical**"), a subsidiary, entered into an equity transfer agreement with The Second People's Hospital of Huai'an, pursuant to which, Fosun Medical transferred its 60% equity interest in Huai'an Xinghuai International Hospital ("**Huai'an Xinghuai Hospital**") to The Second People's Hospital of Huai'an. As at the end of the Reporting Period, Fosun Medical no longer held any equity interest in Huai'an Xinghuai Hospital.

The disposal of the subsidiaries in 2020 have 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	Deregistration	—	—	29 February 2020
Han Ying Biotech	Deregistration	—	—	24 June 2020
Guangzhou Xinyao	Deregistration	—	—	20 July 2020
Huai'an Xinghuai Hospital	Equity transfer	275	2	10 November 2020

E. Core Competence Analysis

During the Reporting Period, the core competitiveness of the Group is reflected in its open-style R&D ecology, systematic commercialization team, forward-looking international layout and other aspects:

1. Advantages in R&D and innovation. The Group connected with teams of outstanding scientists, leading technologies and high-value products worldwide through diversified and multi-level cooperation models such as independent R&D, co-development, license-in projects and deep incubation, and promoted the development and practice of innovative technologies and products with the overall management of the innovative R&D projects by the global R&D center. During the Reporting Period, the R&D expenditure of the Group amounted to RMB4,003 million, accounting for 13.21% of the revenue.

2. Advantages in commercialization. The Group continuously enhanced the construction and integration of marketing system. As at the end of the Reporting Period, the Group had a commercialization team of nearly 6,000 employees, including about 1,500 employees in the innovative drug commercialization team, about 1,000 employees in the new retail team for OTC and online channels, and about 1,000 in the professional marketing team for Africa, Europe and the U.S., as well as support systems such as clinical medicine, market access and brand promotion.

3. Advantages in international development. The Group implemented its internationalization strategy in multiple dimensions including innovative R&D, BD, production, operation and commercialization. The Group has cultivated a global BD team for deployment in frontier

areas through R&D cooperation and license-in projects, and has formed drug registration teams in the U.S., Africa and Europe, which continued to strengthen overseas drug registration and application capabilities. The Group also accelerated the international quality system certification of domestic production lines, and deepened its international marketing capabilities so as to further expand the international market.

F. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 32,258 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

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

A. Competition and Development Trends of the Industry

In 2021, the pharmaceutical and medical industry in China remains in an important stage of development and transformation, along with the recovery after the COVID-19 outbreak, presenting both opportunities and challenges. In terms of market demand and payment, in view of the accelerated population aging and increased burden of disease, as well as the further enhancement in health awareness among residents, the government pays attention to health sector and further increases investment in public health and medical health so as to encourage innovative R&D and development of new treatment technologies from the policy side. The pharmaceutical and medical industry in China will continue to maintain growth outpacing GDP growth. With the population aging and the development of treatment technology, the spectrum of disease also changes slowly. The prevalence and diagnosis rate of tumors and immune diseases continue to rise, the population of patients with chronic diseases continues to expand, and there are many clinical treatment needs to be met. These drivers will encourage local companies to firmly follow the path of innovation and transformation, and provide patients with more new treatments with higher affordability. In terms of industry policies, enterprises are led and encouraged by the State to undergo upgrade and structural optimization in terms of strategic emerging industries, in order to achieve the overall transformation of the local pharmaceutical industry while aiming at high-value innovations. In terms of payment policies, the "National Medical Insurance Drug Catalogue (國家醫保藥品目錄)" was further enhanced to include new products into the catalogue at a faster pace, which reflected the policy orientation of innovation accessibility and affordability. As a new breakthrough in deepening healthcare reform, the mode of centralized procurement of drugs in quantity organized and implemented by the State continued to be optimized. The quality of domestic drugs is exactly the same as that of imported original drugs, which makes room for medical insurance payment and accelerates the medical insurance coverage of innovative products. The policies continued to support the long-term healthy development of innovative, large-scale domestic pharmaceutical enterprises with international presence. In addition, during the pandemic, the internet healthcare has played an important role in alleviating the

pressure of offline medical treatment and reducing cross-infection. Internet healthcare has received unprecedented attention and development, and the industry will embrace a new era of rapid development of digitalization.

The industry has become more regulated, standardized and professional. As the industry continues to integrate and upgrade, local enterprises will be subject to pressure and challenges in terms of operations in the transformation process in the short term. Nevertheless, such circumstance will benefit the rapid development of leading enterprises and innovative individual business in the long term. On the other hand, as relatively greater uncertainties lurk within the global economy and international environment, the international expansion of domestic enterprises will be subject to various challenges. However, as domestic market demand continues to grow at a steady pace, it will be difficult for the trend of transnational information, technology, talents and capital flows to change in the long run, which presents the room of international development for enterprises with independent innovation capabilities. While facing with favorable capital market conditions and product market opportunities, the international expansion of PRC pharmaceutical enterprises is also consistent with the policy directions of the government's industry plans.

In the healthcare services sector, the Group has established a leading healthcare group management network in China, and will continue to strengthen the construction of medical institutions in advantageous areas and create advantageous specialty areas while accumulating operation and management experience in medical services, and continue to improve its own brand building and brand influence, so that more consumers can understand and enjoy high-quality medical services.

The Board of the Company is of the opinion that the Group, as a pharmaceutical enterprise with a considerable size and being the first pharmaceutical and healthcare group to develop internationally with the use of internet technology while creating product competitiveness, will continue to accelerate innovation and transformation, strengthen industrial integrated operations, and steadily expand the international market. At the same time, the Group will proactively invest in joint ventures and carry out mergers and acquisitions in therapeutic areas with greater unmet needs. As for the healthcare service sector, the Group will continue to focus on the construction of disciplines and operation enhancement based on specialty development by means of lean operation, consolidating its domestic leading private medical management capabilities.

B. Development Strategies

The Group will continue to commit to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and it will endeavor to capture the opportunities presented by the broad pharmaceutical market in China as well as the rapid growth in mainstream markets such as Europe and the U.S. and certain emerging markets. The Group adheres to the development strategies of innovation and transformation, integrated operation and steady development. While continuously enhancing its R&D capability, it will

continue to achieve the transformation and practice of global innovative advanced technology by adopting technology introduction and "deep incubation" models to access the global innovative advanced technology so as to facilitate the innovation and transformation and propel the international expansion of the Group. With respect to production and operation, by gradually establishing the commission production management mechanism within the Group, the Group will promote the mutual commission of products within the Group and CDMO production, so as to ensure the production capacity and supply of key products. The Group will introduce advanced production technologies, build new smart factories and APIs bases, roll out implementation plans for new drugs in advance, and strengthen quality and supply chains, in order to lay a solid industrial foundation for innovation and transformation. Meanwhile, by acquiring and consolidating domestic and overseas quality pharmaceutical manufacturing companies, the Group will strengthen the upgrading and optimization of production and manufacturing systems and product marketing systems, and proactively implement internationalization. In addition, the Group will focus on the construction of an operation system as a healthcare group to further strengthen its management in the healthcare services segment. The Group will further enhance its core competence to improve its operating results. At the same time, the Group will continue to actively explore financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

C. Operation Plan

In 2021, the development of the entire pharmaceutical industry will be presented with both challenges and opportunities. The Group will endeavor to optimize its product-oriented strategy, further increase its R&D expenditures, and strengthen R&D efficiency. In addition, the Group will continue to optimize operational efficiency in the healthcare service industry, and to expand the construction of competitive disciplines and enhance quality management so as to expand the operating scale in the segment and improve its capabilities in operation, management and internationalization. Meanwhile, the Group will continue to pay attention to merger and acquisition opportunities abroad and at home, so as to support and facilitate the consolidation of pharmaceutical and medical devices distribution industries of Sinopharm.

At the same time, the Group will strive to control costs and various expenses. As a result, the Group plans for the increase in costs not to exceed the growth in revenue and the cost of sales ratio and management expense ratio will be relatively stable so as to enhance profit margin and profitability of the major products.

In addition, the Group will continue to pay attention to the situation of COVID-19 and adopt relevant preventive measures to ensure the orderly and smooth operation activities.

In order to achieve the above operating objectives, the Group will continue to optimize its control throughout operation and enhance the efficiency of asset operations. Specific strategies and actions include:

Pharmaceutical Manufacturing

In 2021, the Group will continue to focus on innovation and international development, strengthen global construction, enhance capabilities in innovative R&D and increase internationalized drug registration and declaration, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, and establishing and promoting integration and synergy in the product lines and supply chains, the Group seeks to achieve continuous growth of its revenue and profit.

With patients constantly at the center and clinical needs as the direction, the Group will focus on therapeutic fields including metabolism and alimentary system, anti-tumor and immune modulation, anti-infection, central nervous system and cardiovascular system, actively proceed with the transformation of its marketing team in terms of specialization, branding and digitization, and strengthen the establishment of its commercialization teams for innovative drugs and new retail, to maintain the market position and the growth in sales in the existing key areas and products of the Group. At the same time, the Group will emphasize on accelerating the launch of new products, among others, mRNA COVID-19 vaccine, Ejilunsai injection (a tentative name), and Opicapone and the sales volume of key products. The Group will continuously promote the consolidation and enhancement of the production capacity within the Group, and the optimization of the raw materials. Moreover, the Group will orderly promote the import and registration of Gland Pharma's products in China, as well as the sales and expansion of certain products in the U.S. market. Gland Pharma will implement the commissioned production of no more than 252 million doses of Russian "Sputnik V" vaccine at the Hyderabad plant in India. The Group will continue to 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 2021, the Group will continuously speed up the clinical trials for products and the progress in registration. The Group plans to commence more than 10 overseas clinical projects, including the self-developed FCN-159 which will enter global multi-center clinical trials.

In addition, the Group will also further expand and intensify its cooperation with leading pharmaceutical companies in the world in order to give full play to the advantages of connecting momentum in China to global resources, making innovations in the cooperation model and searching for new momentum. In 2021, the Group will proceed to make use of the industry experience of the Group and the leading research and development in the world for the purpose of active cooperation among pharmaceutical manufacturing enterprises, in order to solidify the core competence of its pharmaceutical manufacturing business.

Medical Devices and Medical Diagnosis

In 2021, for the medical devices business, the Group will focus on professional integration and concentration towards independent brand R&D to make more breakthroughs. Through diversified means including continuous increase in R&D investment, license-in products and cooperation, the professional and platform development of the medical devices business will be further promoted.

With respect to medical beauty equipment, the Group will continue to enhance the R&D of diversified product portfolios, accelerate digital investment and integration, deepen investment and deployment in direct sales channels and consumer terminals, and actively promote its resource collaboration and business model innovation. With respect to respiratory health, the Group will keep launching new products and comprehensive solutions for lung diseases and respiratory and sleep, accelerate the launch of customized products addressing the needs of the Chinese market, and optimize services to end customers through digital means. With respect to professional healthcare, the Group will continue to increase R&D investment, and add diversity into clinical solutions in the specialty fields through in-house R&D and license-in projects. The Group will also actively promote the increase of installation volume and operation volume as well as the clinical academic development within the approved quota of Da Vinci surgical robotic system.

In 2021, with respect to medical diagnosis, the Group will further increase investment to consolidate and expand the existing technology platform business, enhance the competitiveness of products, optimize the product line portfolio, and promote the development, license-in and localization of strategic products and emerging technologies. The Group will improve the accuracy and effectiveness of domestic diagnosis in terms of performance in infection, tumor, chronic disease and other fields, and provide customers with comprehensive solutions. The Group will keep on improving its R&D capabilities and production self-sufficiency capabilities of core product technologies and key raw materials, actively seek interdisciplinary and cross-field R&D cooperation, and make constant innovations. The Group will rapidly gain access to key strategic markets through its global BD capabilities and channels, and reinforce the strategic mergers and acquisitions of leading companies or key technologies in sub-sectors.

In addition, the Group will continue to strengthen the construction of domestic sales network and professional sales team; expand and establish overseas channels; improve the clinical value-oriented market technical team; optimize the layout of after-sales service team, and improve brand capacity building. The Group will also intensify integration to improve its integrated operation capabilities and efficiency, and elevate the construction of talent teams and talent structure to a new strategic height, accelerate the market access of diagnostic products, including newly introduced and registered products, in order to increase market share. The Group will actively build the support capabilities of middle and back offices,

improve smart manufacturing capabilities, optimize supply chains, realize smart production process management, and centralize product production capacity, so as to achieve economies of scale, reduce costs, and continue to enhance corporate value.

The Group will continue to leverage its strengths in international operations, and with its existing overseas companies as platforms, vigorously explore business cooperation and seek investment opportunities with overseas companies on the basis of proactive integration. It will also continuously enhance the competitiveness of comprehensive clinical solutions by introducing cutting-edge technologies and innovative products, so as to achieve growth in the scale of its medical devices and medical diagnosis business.

Healthcare Services

In 2021, the Group will continue to make use of the feature of a platform-type hospital management group to enhance the capability of lean operation. It will also accelerate business development as well as full implementation of performance appraisal mechanisms of diagnosis-related group (DRG) and resource-based relative value scale (RBRVS). It will improve operational modules such as disciplines and talents, quality and safety, care and services, and performance and evaluation, step up its efforts in centralized procurement and information technology development, and integrate internal drugs, devices, diagnosis and other resources to realize cost reduction and efficiency. Meanwhile, the Group will also promote the reconstruction and expansion of the existing hospitals as well as the construction of new projects, and positively seek new opportunities for mergers and acquisitions of healthcare services. In addition, the Group will strengthen the layout and implementation of Internet healthcare services, and further open up the service model of online and offline healthcare services, striving to provide integrated online and offline healthcare solutions.

Pharmaceutical Distribution and Retail

In 2021, the Group will continue to support and facilitate consolidation and rapid development of Sinopharm in its pharmaceutical and medical devices distribution business and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical and medical devices distribution sector.

Financing

In 2021, the Group will continue to explore the financing channels domestically and internationally, continuously optimize its financing structure and debt structure, lower financial costs and further enhance its core competence, so as to consolidate its leading position in the industry.

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

With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest approximately RMB2,500 million for production capacity expansion, plant relocation and the development of GMP and reconstruction and expansion of hospitals in 2021. Primary sources of funding will include, among others, the Group's own capital, cash flow from operating activities, and proceeds from debt and equity financing.

E. Potential Risks

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

The pharmaceutical industry is one of the industries most affected by national policies in the PRC, involving various government departments, ministries and commissions and institutions such as national medical insurance, health, drug supervision and administration, industrialization and informatization, technology and intellectual property rights. With the intensified efforts in the reform of drug production and manufacturing, medical health and medical protection, as well as the uncertainties due to COVID-19, the pharmaceutical market environment continues changing significantly, and innovative transformation, industry consolidation and transformation in business models are inevitable. The implementation and promotion of a series of new policies such as reform direction of "Three Medical Linkages", centralized procurement in quantity, rational use of drugs, zero price markups on medicine, medical expense growth control, restriction on adjuvant drugs, price adjustments for medical insurance payments, tendency to innovative medicine with high cost efficiency in the Medical Insurance Catalogue affect the production costs and profitability of the entire pharmaceutical industry, and have brought about a new competitive structure to the industry.

In the field of medical devices, the support for the R&D and innovation of high-end devices becomes greater, and the technology levels of clinical products grow higher. The centralized procurement of high-value consumables bring about a drastic change in the supply side. The demand for remote intelligence, internet-based medical equipment and service mode is significant. The equipment installation of primary hospitals is much more funded and the needs for the establishment of a public health contingency mechanism obviously drive the development of the industry.

In the field of healthcare services, the reforms in relation to public hospitals, which account for the mainstay of healthcare services, and medical institutions under state-owned enterprises are clearer. A variety of strategic options for the entry of social forces in more close cooperation with the service institutions accounting for the mainstay to explore the new areas of healthcare services is required. Internet healthcare-related policies are constantly improved and standardized, which accelerate the business model of various sectors to enter a new development stage.

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

II. ***Market risks***

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

In the field of generic drugs, with the gradually tighter control on medical insurance payments, the advancement of consistency evaluation of generic drugs, and the implementation of centralized procurement of drugs in quantity, the existing situation in the generic drug industry with an excessive number of pharmaceutical manufacturing companies, a fragmented market and low market concentration will change. More and more international pharmaceutical companies are competing through low prices, leading to tougher competitions. It is expected that there will be further concentration in the industry. With the progressing supply-side reforms, the market share and profit margins of generic pharmaceutical products will be subject to further pressure. In the field of innovative drugs, since the market size of generic drugs has been drastically shrunk, numerous generic drugs companies seek transformation. In addition, with China's entry into the ICH (i.e. The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use) and the domestic drug review and approval system being gradually brought into line with international standards, more and more innovative drugs are being marketed at a faster pace. 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, strengthen innovation research and development investment, enrich product lines, optimize product structure, and enhance the efficiency R&D of products under research. At the same time, the Group enhances the benefits from economies of scale, and actively reduces costs and increases productivity for production. For marketing, the Group increases efforts in market development and enhances products coverage, so as to expand market coverage.

III. *Business and operating risks*

(1) *R&D risk of drugs*

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

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

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

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

accordance with the laws. However, notwithstanding this, there may still be the possibility that the relevant operating entities be punished for failing to strictly abide by relevant national laws and regulations due to various reasons such as poor management in the actual course of operation.

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

In this regard, the Group will continue to focus on quality and risk management throughout the life cycle of its products, and formulated and implemented quality and safety control mechanisms and pharmacovigilance mechanism. 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 attaches importance to fulfilling its social responsibility for environmental protection, adhere to the principle that green development is implemented on the basis of sustainable development, increase investment in environmental protection, ensure the normal operation of environmental protection facilities, and ensure that the target of emissions is met.

IV. *Management risks*

(1) *Internationalized risks*

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

(2) *Risks arising from acquisitions and reorganizations*

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

V. *Foreign exchange risk*

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

VI. *Force majeure risks*

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

Other Events

A. *Shareholding Increase Plan of the Controlling Shareholder*

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 intended to further increase its shareholding in the Company (including A shares and/or H shares of the Company) via the trading system of the Shanghai Stock Exchange (including the Shanghai-Hong Kong Stock Connect) by itself (and/or parties acting in concert with it) during the period from 19 September 2019 to 18 September 2020, if and where appropriate, the cumulative total consideration therefor shall not be less than RMB100 million and the total increased shareholding percentage shall not exceed 2% of the total issued shares of the Company as at 9 September 2019 (i.e. 2,562,898,545 shares, same as below) and the aggregated number of shares in the Company acquired in the 12-month period shall not exceed 2% of the total number of issued shares in the Company. The period of the above shareholding increase plan was lapsed on 18 September 2020 (after trading hours). From 19 September 2019 to 18 September 2020 (both dates inclusive), Fosun High Tech, via the trading system of Shanghai Stock Exchange (including the Shanghai-Hong Kong Stock Connect) acquired an aggregate number of 17,169,500 H shares of the Company for an aggregate amount of approximately RMB395.38 million with the increased shareholding percentage of Fosun High Tech in aggregate represents approximately 0.67% of the total number of issued shares of the Company as at 19 September 2019, and the aggregated number of shares in the Company acquired in the 12-month period did not exceed 2% of the total number of issued shares in the Company.

2020 Shareholding Increase Plan of the Controlling Shareholder

As notified and confirmed by Fosun High Tech, the controlling shareholder of the Company, in writing on 1 December 2020, Fosun High Tech (and/or through parties acting in concert with it) intended to increase its shareholding in the Company (including A shares and/or H shares of the Company) by way of, including but not limited to centralized price bidding or block trade at the stock exchanges, transfer by agreement during the period from 1 December 2020 to 30 November 2021, if and where appropriate, the cumulative total consideration therefor shall not be less than RMB100 million and the total increased shareholding percentage shall not exceed 2% of the total number of issued shares of the Company as at 1 December 2020 (i.e. 2,562,898,545 shares, same as below) and the aggregated number of shares in the Company acquired in the 12-month period shall not exceed 2% of the total number of issued shares in the Company. As at the end of the Reporting Period, since the implementation of the foregoing shareholding increase plan, Fosun High Tech has acquired a total number of 2,150,000 H shares of the Company for an aggregate amount of approximately RMB61.93 million, representing approximately 0.08% of the total number of issued shares of the Company as at 1 December 2020, and the aggregated number of shares in the Company acquired in the 12-month period did not exceed 2% of the total number of issued shares in the Company.

B. ***Shareholding Decrease Plan of Directors***

As notified and confirmed by Mr. Yao Fang, a non-executive director of the Company, in writing on 29 September 2020, he intended to reduce its shareholding in the Company by no more than 341,680 A shares of the Company through centralized price bidding during the period from 2 November 2020 to 30 April 2021, representing approximately 0.013% of the total number of issued shares of the Company as at 29 September 2020 (i.e. 2,562,898,545 shares, same as below). The shareholding decrease price shall be determined based on the market price at the time of implementing the shareholding decrease. As at 18 January 2021, Mr. Yao Fang ceased to have interest in a total of 322,700 A shares (of which 170,000 A shares were taken place in 2020) for an aggregate amount of approximately RMB17.44 million (the proceeds of which in the amount of 9.74 million were incurred in 2020), representing 0.013% of the total number of issued shares as at 29 September 2020. As the number of shares actually ceased to be held by Mr. Yao Fang in 2021 (152,700 shares) has reached the statutory limit of number of shares available for shareholding decrease in that year, implementation of such decrease plan has been completed.

C. ***Registration of Corporate Bonds and Inter-bank Market Debt Financing Instruments***

Approval for registration of corporate bonds

In April 2020, China Securities Regulatory Commission ("**CSRC**") issued the Approval on the Public Issuance of the Corporate Bonds to the Professional Investors by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (Zheng Jian Xu Ke [2020 No. 701])(《關於同意上海復星醫藥(集團)股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2020]701號)) approving the application for registration of the Company to publicly issue the corporate bonds not exceeding RMB5 billion to professional investors. The approval shall be valid within 24 months from the date of the CSRC's approval, and the Company may issue the corporate bonds in tranches within the valid period.

Approval for registration of inter-bank market debt financing instruments

In May 2020 and June 2020, the National Association of Financial Market Institutional Investors issued the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2020] No. SCP325) (《接受註冊通知書》(中市協註[2020]SCP325號)) and the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2020] No. MTN677) (《接受註冊通知書》(中市協註[2020]MTN677號)), respectively, for acceptance of the registration of the super short-term commercial paper and medium term notes of the Company, the registered amount for each of the super short-term commercial paper and medium term notes shall be RMB5 billion. Such registered amount shall be effective for 2 years commencing from the date of the relevant notices, and the Company may issue them in tranches within the effective registration period.

D. ***Issuance of inter-bank market debt financing instruments***

In March 2020, the Company completed the issuance of the first tranche of super short-term commercial paper of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. for 2020. The aggregate principal amount was RMB0.6 billion, with a final coupon rate of 2.50% and for a term of 270 days.

In April 2020, the Company completed the issuance of the second tranche of super short-term commercial paper of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. for 2020. The aggregate principal amount was RMB0.3 billion, with a final coupon rate of 2.20% and for a term of 90 days.

E. ***Overseas listing of Gland Pharma, our subsidiary***

On 30 December 2019, the shareholders of the Company (the "**Shareholders**") approved (among other matters) the proposed spin-off of Gland Pharma, a subsidiary of the Company, and listing on BSE Limited and National Stock Exchange of India Ltd..

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) (《關於上海復星醫藥(集團)股份有限公司分拆所屬企業境外上市有關事宜的函》(國合函[2020]417號)) from the International Cooperation Division of the CSRC. The International Cooperation Division had no objection to the spin-off and overseas listing of Gland Pharma; The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") also confirmed that the Company may proceed the spin-off and oversea listing of Gland Pharma.

The trading of the equity shares of Gland Pharma on the main board of BSE Limited and the main board of National Stock Exchange of India commenced on Friday, 20 November 2020 (Indian Standard Time). A total of 43,196,968 shares of Gland Pharma (comprise fresh issue and transfer of existing shares) were publicly offered at a final offer price of INR1,500 per share. As at the end of the Reporting Period, the Company (through its subsidiary) held approximately 58.36% equity interest in Gland Pharma.

F. ***Proposed listing of Shanghai Henlius on the Science and Tchnology Innovation Board***

On 28 May 2020, the Shareholders 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 of the Shanghai Stock Exchange, 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.

G. ***Issuance of H shares under general mandate***

On 30 June 2020, the Shareholders approved, among other matters, the resolutions in relation to the proposed grant of the general mandate to the Board to issue H shares of the Company, and authorize the Board to, on the basis of market situation and demands of the Company, issue, allot and otherwise deal in the H shares of the Company not exceeding 20% of the total number of the H shares in issue as at the date on which the resolution is passed by the Shareholders.

On 31 December 2020, the Company received the Approval Regarding Ratification of Issuance of Overseas Listed Foreign Shares by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (Zheng Jian Xu Ke [2020] No. 3632) (《關於核准上海復星醫藥(集團)股份有限公司發行境外上市外資股的批覆》(證監許可[2020]3632號)) issued by the CSRC for ther issuance of not more than 110,388,100 overseas listed foreign shares (H shares) with a par value of RMB1.00 each, all of which are ordinary shares.

As at the date of this announcement, no H shares of the Company was issued under the general mandate.

H. ***Proposed non-public offering of A shares***

Shareholders approved, among other matters, the proposed non-public offering of A shares on 29 December 2020.

On 15 January 2021, the Company received the Acceptance Form of Application for Administrative License of China Securities Regulatory Commission (《中國證監會行政許可申請受理單》) issued by the CSRC (Acceptance No.: 210079), of which the CSRC accepted the application for administrative license for non-public offering of A shares submitted by the Company in accordance with the law. On 22 January 2021, the Company received the Notice of One-time Feedback on Examination of Administrative Licensing Items of China Securities Regulatory Commission (《中國證監會行政許可項目審查一次回饋意見通知書》) issued by the CSRC (No.210079). On 22 February 2021, the Company submitted the response materials to the CSRC in a timely manner as required.

I. ***Gland Pharma Share Option Incentive Scheme***

The Shareholders 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 a total number of 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 31 December 2020
Employees of Gland Pharma	27–6–2019	26–6–2020	40%	26–6–2020 to 26–6–2029	151,350	1,362,150	INR542	(33,000)	1,480,500
		31–3–2021		31–3–2021 to 26–6–2029					
		31–3–2022		31–3–2022 to 26–6–2029					
		31–3–2021	30%	31–3–2021 to 26–6–2029					
		31–3–2022		31–3–2022 to 26–6–2029					
		31–3–2022	30%	31–3–2022 to 26–6–2029					

Notes:

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

(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 5 participants ceased to be employees of Gland Pharma, the granted share options underlying 33,000 subdivided shares of Gland Pharma were forfeited or 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 Bonds

The total initial offering size of "17 Fosun 01" corporate bonds was RMB1.25 billion. Certain bondholders exercised their sell back option at the end of the third interest-bearing year during the term of such corporate bonds according to the right of adjustment to the coupon rate of the issuer 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)募集説明書》). The balance of the outstanding principal amount of such corporate bonds was reduced to RMB1,091.95 million.

Sell back of "18 Fosun 02" Corporate Bonds

The total initial offering size of "18 Fosun 02" corporate bonds was RMB500 million. Certain bondholders exercised their sell back option at the end of the second interest-bearing year during the term of such corporate bonds according to the right of adjustment to the coupon rate of the issuer and investors' sell back option as provided in the "Offering Memorandum for the Public Issuance of Corporate Bonds (Second Tranche) to Qualified Investors in 2018 by Shanghai Fosun Pharmaceutical (Group) Co, Ltd.*" (《上海復星醫藥(集團)股份有限公司2018年公開發行公司債券(第二期)(面向合格投資者)募集説明書》). The balance of the outstanding principal amount of such corporate bonds was reduced to RMB240 million.

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

COMPLIANCE WITH THE CG CODE

As a company whose shares listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has strictly complied with its articles of association, relevant laws and regulations, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 continuously improve the corporate governance of the Company.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Group's annual results for the year ended 31 December 2020 have been reviewed by the audit committee of the Company.

FINAL DIVIDEND

The Board proposed a final dividend for the year ended 31 December 2020 (the "**2020 Final Dividend**"), before tax, amounted to RMB0.43 per share, which is subject to the approval of the Shareholders at the forthcoming annual general meeting (the "**AGM**"). Subject to the approval of the Shareholders at the AGM, the 2020 Final Dividend is expected to be paid to the eligible Shareholders by no later than 31 August 2021.

A circular containing, among other things, further information in respect of the AGM and the proposed distribution of the 2020 Final Dividend will be dispatched to the Shareholders as soon as practicable.

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

The Company will arrange the time for convening the forthcoming AGM as soon as practicable, and the notice of the AGM will be published and dispatched to the Shareholders in a timely manner in accordance with the requirements of the Hong Kong Listing Rules and the articles of association of the

Company. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of H shares of the Company in a separate announcement and in the notice of the AGM.

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

According to the requirements of the PRC Enterprise Income Tax Law effective from 1 January 2008 and the implementation rules thereof and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation on 6 November 2008, the 2020 Final Dividend payable to the non-resident enterprise shareholders whose names appear on the registers of members of H shares of the Company is subject to a withholding tax at a rate of 10%.

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

According to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation on 28 June 2011 and the Letter on the Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Hong Kong Stock Exchange on 4 July 2011, when domestic companies other than foreign-invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding of individual income tax at a rate of 10%. When the Company distributes the 2020 Final Dividend to the individual holders of H shares, such dividend will be subject to the withholding of individual income tax at a rate of 10%. However, if otherwise provided by tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

For investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares listed on the Hong Kong Stock Exchange (the "**Southbound Trading**"), the cash dividends for investors of H shares of Southbound Trading will be paid in RMB. The relevant taxation policies are as follows:

Shanghai-Hong Kong Stock Connect: the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the investors of H shares for Shanghai-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Shanghai-Hong Kong Stock Connect through its depositary and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關税收政策的通

知》) (Caishui [2014] No. 81), for dividends received by mainland investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

Shenzhen-Hong Kong Stock Connect: the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the investors of H shares for Shenzhen-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Shenzhen-Hong Kong Stock Connect through its depositary and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2016] No. 127), for dividends received by mainland investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

Shanghai, the PRC

29 March 2021

As at the date of this announcement, the executive Director of the Company is Mr. Wu Yifang; the non-executive Directors of the Company are Mr. Chen Qiyu, Mr. Yao Fang, Mr. Xu Xiaoliang, Mr. Gong Ping, Mr. Pan Donghui and Mr. Zhang Houlin; 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*