FOSUN PHARMA

上海復星醫藥(集團)股份有限公司

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

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

Stock Code: 02196

INTERIM REPORT 2020

*For identification purposes only

Our Vision

Become a first-tier enterprise in the global mainstream pharmaceutical and healthcare market.

Our Mission

Better health for families worldwide.

Contents

Corporate Information

Directors

Executive Directors

Mr. Chen Qiyu (陳啟宇) (n)
Mr. Yao Fang (姚方) (- n)
Mr. Wu Yifang (吳以芳) (n)

Non-executive Directors

Mr. Xu Xiaoliang (徐曉亮)
Mr. Gong Ping (龔平)[1]
Mr. Pan Donghui (潘東輝)[1]
Mr. Liang Jianfeng (梁劍峰)[2]
Mr. Wang Can (王燦)[3]
Ms. Mu Haining (沐海寧)[5]

Independent Non-executive Directors

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

Supervisors

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

Joint Company Secretaries

Ms. Dong Xiaoxian (董曉嫻)
Ms. Kam Mei Ha (甘美霞)

Authorized Representatives

Mr. Chen Qiyu (陳啟宇)
Ms. Kam Mei Ha (甘美霞)

Strategic Committee

Mr. Chen Qiyu (陳啟宇) (n)
Mr. Yao Fang (姚方)
Mr. Wu Yifang (吳以芳)
Mr. Xu Xiaoliang (徐曉亮)
Ms. Li Ling (李玲)

Audit Committee

Mr. Tang Guliang (湯谷良) (n)
Mr. Jiang Xian (江憲)
Mr. Gong Ping (龔平)[1]
Mr. Wang Can (王燦)[3]
Ms. Mu Haining (沐海寧)[4, 5]

Nomination Committee

Mr. Jiang Xian (江憲) (n)
Ms. Li Ling (李玲)
Mr. Pan Donghui (潘東輝)[1]
Ms. Mu Haining (沐海寧)[5]

Remuneration and Appraisal Committee

Dr. Wong Tin Yau Kelvin (黃天祐) (n)
Mr. Chen Qiyu (陳啟宇)
Mr. Pan Donghui (潘東輝)[1]
Mr. Jiang Xian (江憲)
Mr. Tang Guliang (湯谷良)
Ms. Mu Haining (沐海寧)[5]

Environmental, Social and Governance Committee

Dr. Wong Tin Yau Kelvin (黃天祐) (n)[6]
Mr. Wu Yifang (吳以芳)[6]
Ms. Li Ling (李玲)[6]

Registered Office

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

Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

Legal Advisers in Hong Kong

Reed Smith Richards Butler

Legal Advisers in the PRC

Grandall Law Firm (Shanghai)

Auditors

Ernst & Young

Principal Banks

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

Company Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation

FOSUN PHARMA

Share Listing

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

A Share Registrar and Transfer Office in the PRC

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

H Share Registrar and Transfer Office in Hong Kong

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

Company's Website

http://www.fosunpharma.com

[1] Appointed on 30 June 2020
[2] Resigned on 17 January 2020
[3] Resigned on 21 January 2020
[4] Appointed on 21 January 2020
[5] Resigned on 30 June 2020
[6] Appointed on 30 March 2020

Financial Highlights

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Operating results		
Revenue	**13,965**	14,085
Gross profit	**7,749**	8,486
Operating profit	**1,292**	1,490
Profit before tax	**2,302**	2,196
Profit for the period attributable to owners of the parent	**1,715**	1,516
EBITDA	**3,566**	3,483
Profitability		
Gross margin	**55.49%**	60.25%
Operating profit margin	**9.25%**	10.58%
Net profit margin	**13.67%**	12.92%
Earnings per share (RMB)		
Earnings per share — basic	**0.67**	0.59
Earnings per share — diluted	**0.67**	0.59
Of which: Pharmaceutical manufacturing and R&D segment		
Revenue	**9,952**	10,814
Gross profit	**6,198**	7,197
Segment results	**1,116**	1,205
Segment profit for the period	**1,115**	1,232

	30 June 2020	31 December 2019
	RMB million	RMB million
Assets		
Total assets	**80,113**	76,063
Equity attributable to owners of the parent	**32,983**	31,831
Total liabilities	**40,314**	36,915
Cash and bank balances	**9,750**	9,533
Debt-to-asset ratio	**50.32%**	48.53%

FINANCIAL REVIEW

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

During the Reporting Period, the revenue of the Group slightly decreased by 0.85% to RMB13,965 million as compared to the corresponding period in 2019.

During the Reporting Period, the Group recorded profit before tax and net profit attributable to shareholders of the listed company amounted to RMB2,302 million and RMB1,715 million, respectively, representing a respective increase of 4.83% and 13.10%, as compared to the corresponding period of 2019. Such increase was mainly due to, among others: (1) contributions from various anti-pandemic products including the nucleic acid test kits for 2019-nCoV, negative pressure ambulances and ventilators; (2) revenue from core products such as febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi) and escitalopram tablets (Qi Cheng) increased rapidly, and the sales of human rabies vaccine sustained rapid growth; rituximab injection (Han Li Kang) achieved rapid sales growth after obtaining approval for its additional production scale (2,000L), with revenue amounting to RMB224 million for the first half of the year, and revenue for June exceeding RMB100 million; and (3) benefitting from the demands in the regulated markets, Gland Pharma, a subsidiary, maintained rapid growth.

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

During the Reporting Period, earnings per share of the Group increased by 13.56% to RMB0.67 as compared to the corresponding period of 2019.

REVENUE

During the Reporting Period, the revenue of the Group slightly decreased by 0.85% to RMB13,965 million as compared to the corresponding period in 2019. The Group recorded revenue from Chinese Mainland in the amount of RMB9,894 million. Revenue of an equivalent of RMB4,071 million was recorded from other countries or regions. The proportion of the Group's revenue from other countries or regions was 29.15%.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group generated revenue of RMB9,952 million, representing a decrease of 7.97% as compared to the corresponding period of 2019. The segment results and segment profit amounted to RMB1,116 million and RMB1,115 million, which decreased by 7.40% and 9.54% as compared to the corresponding period of 2019, respectively.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased by 11.02% to RMB6,216 million from RMB5,599 million for the corresponding period of 2019.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, the gross profit of the Group decreased by 8.68% to RMB7,749 million from RMB8,486 million for the corresponding period of 2019. The gross margin of the Group for the Reporting Period and the corresponding period of 2019 were 55.49% and 60.25%, respectively.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group decreased by 21.35% to RMB3,931 million from RMB4,998 million for the corresponding period of 2019. During the Reporting Period, the Group has maintained and increased its strategic investment, such as sales team formation and market development, in newly launched products (Rituximab injection (Han Li Kang)) and products proposed to be launched (Avatrombopag Maleate Tablet (Su Ke Xin) and trastuzumab for injection (Han Qu You), etc.). The main reasons for the period-on-period decrease in sales expenses in the current period were due to: ① changes in the sales revenue structure; ② the conversion of some offline activities to online, which correspondingly reduced travel and conference expenses; ③ the influence of factors such as the Group's continued strengthening of sales expense control.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, the total R&D expenditure of the Group was RMB1,689 million, representing an increase of 25.02% as compared to the corresponding period of 2019. Of this total R&D expenditure, R&D expenses amounted to RMB1,204 million, representing an increase of RMB355 million or 41.81% as compared to the corresponding period of 2019. During the Reporting Period, R&D expenditure in the pharmaceutical manufacturing and R&D sector amounted to RMB1,541 million, representing an increase of RMB336 million or 27.92% as compared to the corresponding period of 2019, accounting for 15.4% of the revenue of the pharmaceutical manufacturing and R&D segment; in particular, the R&D expenses of the pharmaceutical manufacturing and R&D segment amounted to RMB1,059 million, representing an increase of RMB335 million or 46.27% as compared to the corresponding period of 2019, accounting for 10.6% of the revenue of the pharmaceutical manufacturing and R&D segment; which was mainly due to the increase in the R&D expenditure in biopharmaceutical drugs, small molecular innovative drugs and imported innovative drugs, concentrated investment in consistency evaluation and increase in R&D expenditure in innovation incubation platforms.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, the share of profits of associates of the Group decreased by 8.03% to RMB699 million from RMB760 million for the corresponding period of 2019.

PROFIT FOR THE PERIOD

Due to the above reasons, during the Reporting Period, the profit for the period of the Group increased by 4.95% to RMB1,910 million from RMB1,820 million for the corresponding period of 2019. The net profit margin for the period of the Group during the Reporting Period and the corresponding period of 2019 were 13.67% and 12.92%, respectively.

PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to shareholders of the parent increased to RMB1,715 million from RMB1,516 million, representing an increase of 13.10% as compared to the corresponding period of 2019, mainly affected by factors such as: (1) contributions from various anti-pandemic products including the nucleic acid test kits for 2019-nCoV, negative pressure ambulances and ventilators; (2) revenue from core products such as febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi) and escitalopram tablets (Qi Cheng) increased rapidly, and the sales of human rabies vaccine sustained rapid growth; rituximab injection (Han Li Kang) achieved rapid sales growth after obtaining approval for its additional production scale (2,000L), with revenue amounting to RMB224 million for the first half of the year, and revenue for June exceeding RMB100 million; and (3) benefitting from the demands in the regulated markets, Gland Pharma, a subsidiary, maintained rapid growth.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 30 June 2020, total debts of the Group increased to RMB23,358 million from RMB21,137 million as at 31 December 2019 mainly due to new borrowings during the Reporting Period. As at 30 June 2020, mid-to-long-term debts of the Group accounted for 46.89% of its total debts, representing a decrease of 12.61 percentage points as compared to 59.50% as at 31 December 2019. During the Reporting Period, the proportion of mid-to-long-term debts decreased mainly because of the expiry of RMB3.0 billion "16 Fosun 01" Corporate Bonds, with an attached repurchase option, on 4 March 2021. As at the end of the Reporting Period, such bonds were transferred to current liabilities from non-current liabilities. As at 30 June 2020, cash and bank balances rised by 2.28% to RMB9,750 million from RMB9,533 million as at 31 December 2019.

As at 30 June 2020, the equivalent amount of RMB9,500 million (31 December 2019: RMB8,710 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 30 June 2020, cash and bank balances of the Group denominated in foreign currencies amounted to RMB3,630 million (31 December 2019: RMB4,396 million).

Unit: million Currency: RMB

Cash and cash equivalents denominated in:	30 June 2020	31 December 2019
RMB	**6,120**	5,137
US dollars	**2,050**	2,244
Hong Kong dollars	**7**	1,055
Others	**1,573**	1,097
Total	**9,750**	9,533

Gearing Ratio

As at 30 June 2020, the gearing ratio, calculated as total interest-bearing bank and other borrowings and lease liabilities over total assets, was 29.16%, as compared to 27.79% as at 31 December 2019.

Interest Rate

As at 30 June 2020, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB13,654 million (31 December 2019: RMB12,679 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	30 June 2020	31 December 2019
Within 1 year	**12,405**	8,560
1 to 2 years	**7,834**	6,860
2 to 5 years	**2,633**	5,396
Over 5 years	**483**	321
Total	**23,358**	21,137

Available Facilities

As at 30 June 2020, besides cash and bank balances of RMB9,750 million, the Group had unutilized banking facilities of RMB32,709 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "Banks"). According to such agreements, the Banks granted the Group general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations. As at 30 June 2020, total available banking facilities under these arrangements were approximately RMB48,320 million in aggregate, of which RMB15,611 million had been utilized.

Collateral and Pledged Assets

As at 30 June 2020, the Group had placed the following as collateral for bank borrowings: property, plant and equipment amounting to RMB217 million (31 December 2019: RMB134 million), prepaid land lease payments amounting to RMB396 million (31 December 2019: RMB303 million), receivables amounting to RMB5 million and other receivables amounting to RMB4 million.

Details of the collateral and pledged assets are set out in note 16 to the financial statements.

Cash Flow

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

Unit: million Currency: RMB

	January – June 2020	January – June 2019
Net cash flows from operating activities	**1,461**	1,450
Net cash flows used in investing activities	**(2,379)**	(1,079)
Net cash flows from financing activities	**827**	(496)
Net decrease in cash and cash equivalents	**(91)**	(125)
Cash and cash equivalents at the beginning of the year	**8,284**	7,175
Cash and cash equivalents at the end of the period	**8,177**	7,052

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

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

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

Unit: million Currency: RMB

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

During the Reporting Period, the Group recorded profit before tax and net profit attributable to shareholders of the listed company amounted to RMB2,302 million and RMB1,715 million, respectively, representing a respective increase of 4.83% and 13.10%, as compared to the corresponding period of 2019. Such increase was mainly due to, among others: (1) contributions from various anti-pandemic products including the nucleic acid test kits for 2019-nCoV, negative pressure ambulances and ventilators; (2) revenue from core products such as febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi) and escitalopram tablets (Qi Cheng) increased rapidly, and the sales of human rabies vaccine sustained rapid growth; rituximab injection (Han Li Kang) achieved rapid sales growth after obtaining approval for its additional production scale (2,000L), with revenue amounting to RMB224 million for the first half of the year, and revenue for June exceeding RMB100 million; and (3) benefitting from the demands in the regulated markets, Gland Pharma, a subsidiary, maintained rapid growth.

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

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

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

Pharmaceutical Manufacturing and R&D

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

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

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

Unit: million Currency: RMB

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

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

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

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

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

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

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

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

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

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

In the first half of 2020, the Group focused on increasing its R&D expenditure in small molecular innovative drugs, monoclonal antibody biopharmaceutical innovative drugs and biosimilars and CAR-T cell injection, and systematically pushed forward the introduction and registration of drug approvals and consistency evaluation of generic drugs. In order to strengthen the global R&D system and capacity of its pharmaceutical products, the Group has established a Global R&D Center at the beginning of 2020, which is responsible for the overall management of the Group's innovative R&D projects, and strengthening the capabilities of pre-clinical research and clinical development of drugs centering in China, the U.S., and Europe. As at the end of the Reporting Period, 10 small molecular innovative drug products (including 1 improved new drug) and 11 indications had obtained approval for clinical trial in Chinese Mainland, 5 small molecular innovative drug products and 5 indications had obtained approval for overseas clinical trial. In particular: ORIN1001 had launched phase I clinical trial in the U.S. and was recognized by the U.S. FDA under the Fast Track Development Program. Phase II clinical trial for SAF-189 was approved in the U.S., and 10 monoclonal antibody products and 8 combination therapies had launched more than 20 clinical trials worldwide. Ejilunsai injection (code FKC876, i.e. anti-human CD19 CAR-T cell injection) of Fosun Kite, a joint venture, completed the bridging clinical trial of the product for the treatment of adult patients with relapsed and refractory large B-cell lymphoma in Chinese Mainland and was granted priority review status for the launch and registration of drugs. During the Reporting Period, Avatrombopag Maleate Tablet (Su Ke Xin), a licensed drug for the selective thrombocytopenia treatment of adult patients with chronic liver disease undergoing diagnostic procedures or surgery, was launched; and a total of 12 generic drugs of Gland Pharma received approval from the U.S. FDA for launch. As at the end of the Reporting Period, applications were made in respect of 3 products (Irinotecan Hydrochloride Injection, Dexrazoxane for injection and Zoledronic acid injections) of Gland Pharma for imported drug registration and Import Drug Licenses (IDL); and applications had already been made for 3 products (Zoledronic acid concentrated solution for injection, Caspofungin acetate for injection and Tigecycline for injection) of Gland Pharma for imported drug registration and clinical trial (CTA). As at the date of this report, the Group has had 23 products in total that have passed or are deemed to have passed the consistency evaluation of generic drugs, including the core products febuxostat tablets (You Li Tong, specifications: 40mg, 80mg) and pitavastatin calcium tablets (Bang Zhi) which passed the consistency evaluation during the Reporting Period, with You Li Tong being the first among its similar products to pass the consistency evaluation. Among the products that passed or were deemed to have passed the consistency evaluation of generic drugs, a total of 11 products won the three tenders for centralized and bulk purchase. Fosun Pharmaceutical Industrial, a subsidiary of the Company, received from the NMPA the approval for clinical trial of the COVID-19 mRNA vaccine product candidate BNT162b1 licensed by BioNTech SE in Chinese Mainland, and had launch a phase I clinical trial in Chinese Mainland in July 2020. Trastuzumab for injection (EU trade name: Zercepac, trade name in Chinese Mainland: 汉曲优) developed by Shanghai Henlius had been approved for sale in the EU and Chinese Mainland. It is expected that these pipeline products, licensed products as well as the generic drugs that have passed the consistency evaluation and won tenders will provide a solid foundation to maintain sustainable development of the Group in the future.

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

No.	Name of R&D project on drugs (products)	R&D stages as at the end of the Reporting Period in the PRC		R&D stages as at the end of the Reporting Period in other countries	
		R&D stage	Stage of clinical trial	R&D stage	Stage of clinical trial
1	SAF-189 (Foritinib Succinate Capsules)	Clinical trial	Phase II	Preparation for clinical trial	Phase II (in the U.S.)
2	FCN-411	Clinical trial	Phase I	—	—
3	FN-1501	Clinical trial	Phase I	Clinical trial	Phase I (in the U.S. and Australia)
4	FCN-437	Clinical trial	Phase I	Clinical trial	Phase I (in the U.S.)
5	Wanpagliflozin Tablets	Clinical trial	Phase I	—	—
6	FCN-159	Clinical trial	Phase I	—	—
7	ORIN1001 *(1)*	Clinical trial	Phase I	Clinical trial	Phase I (in the U.S.)
8	Docetaxel Polymeric Micelle for Injection	Clinical trial	Phase I	—	—
9	FCN-647 Capsules	Approved for clinical trial	—	—	—
10	FCN-207 Tablets	Approved for clinical trial	—	—	—
11	FCN-011 Capsules	Approved for clinical trial	—	—	—
12	FCN-338 Tablets *(2)*	Applied for clinical trial	—	Approved for clinical trial (in the U.S.)	—

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

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

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

No.	Type	Name of R&D project on drugs (products)	R&D stages in China as at the end of the Reporting Period		R&D stages in other countries as at the end of the Reporting Period	
			R&D stage	Stage of clinical trial	R&D stage	Stage of clinical trial
1	Biosimilars	Rituximab Injection	Approved for sales *(1)*	—	—	—
2	Biosimilars	Trastuzumab Injection *(2)*	Under application for sales	Phase III	Under application for sales	Phase III
3	Biosimilars	Adalimumab Solution Injection	Under application for sales	Phase III completed	—	—
4	Biosimilars	Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Clinical trial	Phase III *(3)*	—	—
5	Biosimilars	Recombinant Anti-EGFR Human/Murine Chimeric Monoclonal Antibody Injection	Approved for clinical trial	—	—	—

No.	Type	Name of R&D project on drugs (products)	R&D stages in China as at the end of the Reporting Period		R&D stages in other countries as at the end of the Reporting Period	
			R&D stage	Stage of clinical trial	R&D stage	Stage of clinical trial
6	Biosimilars	Recombinant Anti-HER2 Domain II Humanized Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
7	Biosimilars	Recombinant Anti-VEGFR2 Domain II-III Fully Human Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
8	Biosimilars	Recombinant Fully Human Anti-CTLA-4 Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
9	Biosimilars	Recombinant Fully Human Anti-RANKL Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
10	Biopharmaceutical innovative drugs	Recombinant Human/Murine Chimeric Anti-CD20 Monoclonal Antibody Injection	Clinical trial	Phase III *(4)*	—	—
11	Biopharmaceutical innovative drugs	Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
12	Biopharmaceutical innovative drugs	Recombinant Anti-VEGFR2 Fully Human Monoclonal Antibody Injection *(5)*	Clinical trial	Phase I	Approved for clinical trial	—
13	Biopharmaceutical innovative drugs	Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection *(6)*	Clinical trial	Phase Ib/II	Approved for clinical trial	—
14	Biopharmaceutical innovative drugs	Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection	Clinical trial *(7)*	Phase II	Approved for clinical trial	—
15	Biopharmaceutical innovative drugs	Recombinant Fully Human Anti-PD-L1 Monoclonal Antibody Injection	Approved for clinical trial	—	Clinical trial *( )*	Phase I
16	Biopharmaceutical innovative drugs	HLX22 Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
17	Biopharmaceutical innovative drugs	HLX55 Monoclonal Antibody Injection	Clinical trial	Phase I	—	—
18	Biopharmaceutical innovative drugs	HLX56 Monoclonal Antibody Injection	Approved for clinical trial *( )*	—	—	—
19	Combination treatment	Combo of Recombinant Humanize Anti-PD-1 Monoclonal Antibody Injection and Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Clinical trial *(10)*	Phase III	—	—

No.	Type	Name of R&D project on drugs (products)	R&D stages in China as at the end of the Reporting Period		R&D stages in other countries as at the end of the Reporting Period	
			R&D stage	Stage of clinical trial	R&D stage	Stage of clinical trial
20	Combination treatment	Combo of Recombinant Humanize Anti-PD-1 Monoclonal Antibody Injection and Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
21	Combination treatment	Combo of Recombinant Humanize Anti-PD-1 Monoclonal Antibody Injection or Placebo with Chemotherapy (Cisplatin + 5 – FU) as a First-Line Treatment for Locally Advanced or Metastatic Esophageal Squamous Cell Carcinoma	Clinical trial	Phase III	—	—
22	Combination treatment	Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection with Chemotherapy (Carboplatin-Etoposide) as a Treatment for Untreated Extensive-stage Small Cell Lung Cancer	Clinical trial	Phase III	Clinical trial	Phase III
23	Combination treatment	Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection with Chemotherapy as a Neo-/Adjuvant Treatment of Gastric Cancer	Clinical trial	Phase III	—	—
24	Combination treatment	Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection with Chemotherapy (Carboplatin-Albumin-bound Paclitaxel) as a First-Line Treatment for Locally Advanced or Metastatic Squamous Non-small Cell Lung Cancer	Clinical trial	Phase III	Clinical trial	Phase III
25	Combination treatment	Combo of Recombinant Humanized Anti-PD-1 Monoclonal Antibody Injection with Albumin-bound Paclitaxel as a Treatment for Advanced Cervical Cancer After Failure of First-Line Chemotherapy	Clinical trial	Phase II	—	—

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

2: Such drugs for breast cancer indications commenced phase III clinical trial in Ukraine, Poland and the Philippines as at the end of the Reporting Period. During the Reporting Period, Shanghai Henlius Biopharmaceutical, a subsidiary of the Company, received two "Certificates of GMP Compliance of a Manufacturer" issued by Chief Pharmaceutical Inspector, a health regulatory body in Poland. Its biopharmaceutical manufacturing facility in Xuhui, Shanghai, successfully obtained the GMP certification by the EU in respect of the drug substance (DS) and drug product (DP) of trastuzumab for injection. As at the date of this report, HLX02 (trastuzumab for injection, EU trade name: Zercepac; trade name in Chinese Mainland: 汉曲优) was approved for launch in the EU and Chinese Mainland.

3: Phase III clinical studies for metastatic colorectal cancer indications were completed.

4: Such drugs for rheumatoid arthritis indications is at the stage of phase III clinical trial in Chinese Mainland.

5: At the stage of phase I clinical trial for such drugs in the Taiwan region of China; furthermore, such drugs had been approved for clinical trial by the NMPA and the U.S. FDA as at the end of the Reporting Period.

6: At the stage of phase Ib/II clinical trial for such drugs in Chinese Mainland; furthermore, such drugs had been approved for clinical trial by the U.S. FDA as at the end of the Reporting Period. The phase Ia clinical trial carried out in Taiwan region was completed.

7: At the stage of phase I clinical trial for solid tumor indications in the Taiwan region of China; phase II clinical trial of such drugs on unresectable or metastatic microsatellite instability-high or mismatch repairdeficient solid tumor that have failed standard therapies was in progress in Chinese Mainland; phase II clinical trial of such drugs on chronic hepatitis B indications was in progress in the Taiwan region of China.

: At the stage of phase I clinical trial in Australia.

: Such drugs were approved for clinical trial in the Taiwan region of China.

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

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

No.	Type	Name of R&D project on drugs (products)	Indications	R&D stages as at the end of the Reporting Period in the PRC	Stage of clinical trial as at the end of the Reporting Period in the PRC
1	Chemical drugs	PA-824	For the treatment of patients with extensively drug-resistant tuberculosis (XDR-TB) or multidrugresistant tuberculosis (MDR-TB) who cannot tolerate treatment/experience low efficacy of treatment	Clinical trial	Phase I
2	Chemical drugs	Avatrombopag Maleate Tablet	Thrombocytopenia associated with tumor chemotherapy	Clinical trial	Phase III
			Thrombocytopenia associated with elective diagnostic procedures or surgery of adult chronic liver disease patients	Approved for launch	—
			Chronic immune thrombocytopenia *(1)*	Pre-IND	—
3	Chemical drugs	Tenapanor tablets	Irritable bowel syndrome with constipation	Preparation for clinical trial	Phase I
			Hyperphosphatemia in end-stage renal disease dialysis patients	Preparation for clinical trial	Phase III
4	Chemical drugs	Bremelanotide for injection	Impaired female sexual desire	Preparation for clinical trial	Phase I
5	Chemical drugs	Opicapone capsules	Parkinson syndrome	Clinical trial	Phase I
6	Chemical drugs	Ferric pyrophosphate citrate solution	Iron substitutes for dialysis patients	Preparation for clinical trial	Phase III

No.	Type	Name of R&D project on drugs (products)	Indications	R&D stages as at the end of the Reporting Period in the PRC	Stage of clinical trial as at the end of the Reporting Period in the PRC
7	Chemical drugs	Fortacin spray	Premature ejaculation	Pre-IND	—
8	Therapeutic biological products type I	RT002	Moderate to severe glabellar lines in adults	Application for clinical trial accepted	—
			Solitary dystonia in adults	Application for clinical trial accepted	—
9	Preventive biological products type I	COVID-19 mRNA vaccine (BNT162b1)*(2)*	Prevention of COVID-19	—	—

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

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

The Group has placed great emphasis on quality and risk management throughout the life cycle of its products, to develop a quality culture giving priority to quality and continuous quality improvement. The Group also coordinates with domestic and overseas resources to further improve the international development of the quality system. It develops and implements strict quality and safety mechanisms and pharmacovigilance mechanisms at all stages of the production chain from product R&D, production to sales, and continued to promote pharmacovigilance operations, scientific support for pharmacovigilance and compliance with pharmacovigilance, in order to safeguard the medication safety of patients. The Group has fully implemented the concept of quality and risk management of product life cycle and focused on quality control mechanisms such as regular quality review, change management, deviation management, out-of-specification (OOS) investigation, implementation of corrective and preventive actions (CAPA) and audit on suppliers. During the Reporting Period, the Group continued to advance and implement Fosun Pharma Operation Excellence (FOPEX), enhanced internal quality auditing through the promotion of its quality culture, implemented Six Sigma improvements over the supply chain, promoted process safety management, and organized trainings on the new Drug Administration Law and expertise to effectively improve the corporate management model, improve operating efficiency and form an intensive and efficient production layout, and, at the same time striving to realize the healthy and sustainable development of the Group's quality control system.

As at the end of the Reporting Period, all subsidiaries of the Group that engaged in pharmaceutical manufacturing business achieved the new GMP in China. Meanwhile, the Group actively participated in putting international cGMP certifications such as the U.S., the EU and WHO into practice, pushing forward internationalization of the companies in the pharmaceutical manufacturing segment. As at the end of the Reporting Period, more than 10 of the Group's domestic and overseas APIs received cGMP certifications from national health authorities including the U.S., EU and Japan; 4 pharmaceutical manufacturing sites and various aseptic production lines of Gland Pharma passed audit/certifications in accordance with the GMP of drugs in the U.S., the EU, Japan, Australia, Brazil and other countries. 1 production line for oral solid dosage formulation and 3 production lines for injections of Guilin Pharma obtained certification from the WHO-PQ; 1 production line for oral solid dosage formulation of Yao Pharma was certified by Health Canada and the U.S. FDA; 1 freeze-dried aseptic production line of Wanbang Pharma received cGMP certifications from the EU; 1 production line for oral formulation of Jiangsu Wanbang received cGMP certifications from the U.S. FDA; and the drug substance (DS) line and drug product (DP) line for HLX02 at the biopharmaceutical production base of Shanghai Henlius Biopharmaceutical in Xuhui district, Shanghai obtained GMP certification from the EU.

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

Medical Devices and Medical Diagnosis

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

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

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

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

Healthcare Services

During the Reporting Period, affected by COVID-19 pandemic, the number of patient visits and inpatients of medical service institutions of the Group both declined as compared to the corresponding period of 2019. The revenue from healthcare service segment amounted to RMB1,359 million for the first half of the year, representing a decrease of 6.85% as compared to the corresponding period of 2019; due to the relatively high proportion of fixed costs in hospital operating costs, relatively rigid expenditures, and the impact of the initial losses of newly opened institutions, the decrease in medical service business profits was higher than that in revenue, segment results for the first half of the year were RMB31 million, representing a decrease of 81.43% as compared to the corresponding period of 2019, and segment profit was RMB2 million, representing a decrease of 98.40% as compared to the corresponding period of 2019. In the second quarter, as the pandemic in the PRC gradually stabilized, each of the member hospitals adopted various measures, including strengthening their disciplines and increasing the number of levels 3 and 4 surgeries, to gradually restore their businesses. The revenue for the quarter increased by 37.8% as compared with that for the first quarter.

During the Reporting Period, through continuous promotion of specialties layout at medical institutions, as well as internal integration and external expansion, the Group established regional medical centers and a supply chain spanning major health industries to enhance operating capabilities and profitability of the healthcare service segment. As at the end of the Reporting Period, the Group completed a strategic deployment of healthcare services in specialty and general hospitals with the Pearl River Delta Greater Bay Area, Yangtze River Delta and Huaihai Economic Zone being the regional focus for healthcare services. The medical institutions controlled by the Group, namely Chancheng Hospital, Hengsheng Hospital, Suqian Zhongwu Hospital/Suqian Cancer Hospital, Wenzhou Geriatric Hospital, Guangji Hospital, Jimin Hospital, Wuhan Jihe Hospital, Zhuhai Chancheng Hospital, Huai'an Xinghuai Hospital and Suqian Rehabilitation Hospital , had a total of 4,328 authorized beds available for the public.

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

As a non-public medical institution, the Group has been adhering to the guideline of "focusing on disciplined construction, creating quality medical services" throughout the years. By integrating the specialty resources of its hospitals, it has established 11 major disciplinary alliances, while many of its controlling hospitals have completed the construction of key specialty hospitals on a municipal level and provincial level, in their regions. At the same time, 2 training bases for nurse specialists in obstetric care and stroke care have been established. During the Reporting Period, among the medical institutions controlled by the Group, Suqian Cancer Hospital became a class II cancer hospital. Through the efforts in establishing this hospital classification, the groundwork for the business roadmap had been laid, which involved 5 Class II hospitals led and supported by 3 Class III hospitals in terms of business and discipline development, all playing an important role in the strategic layout of healthcare services in Southern China as well as the business expansion in developed coastal cities and regions. In addition, the Group proactively developed new medical services and products based on the Internet and constructed a service network from communities to hospitals. Chancheng Hospital and Suqian Zhongwu Hospital had obtained their internet hospital license, and would continue to explore and participate in the new Internet medical industry to achieve a closed loop of online and offline services.

Pharmaceutical Distribution and Retail

In the first half of 2020, Sinopharm realized a revenue of RMB203,765 million, represented a period-on-period increase of 1.04% as compared to last year, net profit of RMB4,803 million and net profit attributable to shareholders of the parent of RMB2,896 million, which represented a period-on-period decrease of 3.32% and 2.67% as compared to the corresponding period of last year, respectively. The overall business performance in the second quarter recovered significantly from the low point in the first quarter.

In respect of the pharmaceutical distribution sector, Sinopharm continues to strengthen the coverage of primary health care institutions, expand the construction of community hospital distribution networks, and comprehensively enhance the core competitive advantage of the pharmaceutical distribution business by virtue of its integrated operation and business resource synergy advantages. In the first half of 2020, Sinopharm's revenue from the pharmaceutical distribution business decreased by 4.38% period-on-period to RMB157,495 million.

In respect of retail pharmacy, the retail network of Sinopharm covered 30 provinces, municipalities and autonomous regions as at the end of the Reporting Period, with the total number of retail pharmacies reaching 7,047, the scale of which continued to lead in the industry. In the first half of 2020, Sinopharm's sales revenue from retail pharmacy maintained relatively rapid growth, reaching RMB11,016 million, representing an increase of 24.59% as compared to the corresponding period of last year.

In respect of medical device distribution, Sinopharm actively seized the important opportunities of the consolidation of medical device industry and makes full use of its competitive advantage in the "pharmaceutical-device linkage". During the Reporting Period, the COVID-19 pandemic had a major impact on the product structure of the medical device business. The demand for consumables such as ventilators, coronavirus detection reagents, and protection related to pandemic prevention and control increased significantly, but the sales of conventional medical business consumables and equipment slowed down. In the first half of 2020, Sinopharm's medical device business sales revenue reached RMB35,873 million, representing a period-on-period increase of 23.59%.

Internal Integration and Operation Enhancement

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

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

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

In respect of anti-corruption compliance, the Company has formulated policy documents including the Anti-Corruption Regulations of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司反腐敗條例》), the Administrative Regulations on Reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司舉報管理規定》) and the Regulations on the Protection and Reward of Informers and Witnesses of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司舉報人、證人保護與獎勵規定》), and adhered to the principles of "investigating every case, learning from past mistakes to avoid future ones, prevention as the first priority and addressing both the symptoms and root causes of a problem". With integrity supervision and case investigation and by optimizing management system and strengthening risk prevention and control, the Group has continued to improve the prevention-monitoring-penalty management system of anti-corruption compliance, actively promoting its integrity and compliance. The Group has paid attention to the anticorruption dynamics in the pharmaceutical and medical industry and revealed risks in a targeted manner with reference to specific cases, achieving educational and preventive effect on employees, while actively carrying out anti-corruption training and publicity at the same time. During the Reporting Period, the Company provided special anti-corruption and compliance training for the its Directors, Supervisors and senior management, and provided anti-corruption themed training and education on work integrity for new employees.

Environment, Health and Safety

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

Whilst the systematic construction of the EHS management system was underway, to cope with the COVID-19 pandemic, the Group required its subsidiaries/units to establish special team for pandemic prevention and control, and specified relevant pandemic prevention requirements, such as health management and control of corporate employees, personnel in some key positions and external personnel, and the protection works for public facilities management. The API enterprises implemented safety reviews before operating process equipment in accordance with the requirements of process safety management. The Group optimized self-evaluation standards and procedural requirements by actively pushing forward the implementation of double prevention mechanism of hierarchical safety risk control and potential hazard identification and governance. Its subsidiaries/units were required to do the same and to complete self-evaluation of risks and carry out potential hazard identification so as to discover and rectify issues in a timely manner, as the Group was determined to eliminate chances of accidents and to maintain safety. Meanwhile, the Group continued to accelerate and promote the enhancement and risk management of the EHS management system standard (HOPES) for hospitals in the healthcare services segment, and established HOPES demonstration hospitals to assist and help core enterprises in the healthcare services segment rise to the EHS management standard.

While improving EHS management and risk control, the Group also worked on continuously building up the competency of EHS teams. In addition to hiring talents, the Group provided online classes and systematic teaching and mentoring and other occasions to enhance the knowledge and competency of EHS professionals at each subsidiary/entity. At the same time, in terms of EHS cultural construction, taking the EHS Management Month as an opportunity, the Group further strengthened the pyramid-shaped EHS cultural layout of "attention of the senior level, promotion of the middle level, and participation of the junior level", to enhance the EHS execution and full participation of each subsidiary/unit.

Financing

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

A. Analysis on Principal Operations

(1) ⌐ *n* *n*

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Period-on-period change (%)	Reasons
Revenue	**13,965**	14,085	–0.85	
Cost of sales	**6,216**	5,599	11.02	
Selling and distribution expenses	**3,931**	4,998	–21.35	*1*
Administrative expenses	**1,322**	1,148	15.16	
Research and development expenses	**1,204**	849	41.81	*2*
Finance costs	**428**	547	–21.76	*3*
Net cash flow generated from operating activities	**1,461**	1,450	0.77	
Net cash flow generated from investment activities	**–2,379**	–1,079	–120.55	*4*
Net cash flow generated from financing activities	**827**	–496	266.75	*5*

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

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

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

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

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

(2) &

① R&D expenditure

Unit: million Currency: RMB

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

② Descriptions

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

B. Analysis of Segment and Regional Operations

(1)

Unit: million Currency: RMB

Principal operations by segments

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

Principal operations by products

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

Principal operations by geographical locations

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

1: The .63

C. Analysis of Major Subsidiaries and Investee Companies

(1) *n*

① Operation and Results of Major Subsidiaries

Unit: million Currency: RMB

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

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

② Status of Major Subsidiaries of Other Business Segments

Unit: million Currency: RMB

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

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

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

(2) *n* *n* *10%* *n* *'*

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit
Sinopharm Industrial	Pharmaceutical investment	Pharmaceutical investment	100	307,273	84,008	203,765	4,808

(3) *n* *(* *n* *,* *n* *n* *n* *n* *'* *)*

① Acquisition of Subsidiaries during the Reporting Period

On 27 February 2020, 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 Xingyao Medical held by Yang Zhijun. As at the end of the Reporting Period, Fosun Long March held 100% equity interest in Xingyao Medical.

On 8 April 2020, Fosun Pharmaceutical Industrial, a subsidiary, entered into a Share Transfer Agreement with CMIC (Beijing), pursuant to which Fosun Pharmaceutical Industrial acquired 51% equity interest in CMIC Pharmaceutical held by CMIC (Beijing). As at the end of the Reporting Period, Fosun Pharmaceutical Industrial held 100% equity interest in CMIC Pharmaceutical.

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

Unit: million Currency: RMB

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

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

② Disposal of Subsidiaries during the Reporting Period

On 29 February 2020, the deregistration of Chanyi Health, a former subsidiary, was completed.

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

Unit: million Currency: RMB

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

D. Core Competitiveness Analysis

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

The core competitiveness of the Group is reflected in its multi-layered and strong R&D, professional marketing capability, international business development and integration, highly standardized production management, high-quality services, as well as construction of a global manufacturing and supply chain with cost advantages. In addition, the Group's superior capabilities in investment, merger and acquisition activities and consolidation have been widely recognized in the industry; the dual listing status also provides a sound guarantee for the Group to enhance its competitive advantages.

In order to take advantage of its competitive strengths and maintain its continuous growth, the Group will continue to adhere to the strategies of innovation and transformation, integrated operation and steady development in the future.

E. Employees and Remuneration Policies

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

2. Business Outlook for the Second Half of 2020

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

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

Pharmaceutical R&D and Manufacturing

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

The Group will focus on therapeutic fields such as metabolism and digestion, tumor, and antiinfection, strengthen the construction of specialized marketing teams, and emphasize on the launching of, among others, trastuzumab for injection (Han Qu You), Adalimumab solution injection and Ejilunsai Injection (code FKC876, i.e. anti-human CD19 CAR-T cell injection) and the insulin series, while maintaining the Group's market position and product growth in the original key areas and products; accelerate launch and sales and clinical trial of Avatrombopag Maleate (Su Ke Xin), Trifluridine and Tipiracil Hydrochloride Tables, Lonsurf and vaccine products against COVID-19 and other licensed drugs; strengthen the synergy around Gland Pharma's business, including the promotion of the import and registration of products including Irinotecan hydrochloride injections, Dexrazoxane and Zoledronic acid injections, as well as the sales and expansion of certain products in the overseas market; continue to enhance the sales of the 11 products that have passed the consistency evaluation of generic drugs and won the bid in the centralized procurement bidding (febuxostat tablets, pitavastatin calcium tablets, quetiapine fumarate tablets, ethambutol hydrochloride tablets, memantine hydrochloride tablets, amlodipine besylate tablets, escitalopram oxalate tablets, indapamide tablets, clindamycin hydrochloride capsules, azithromycin capsules, isoniazid tablets) and strengthen efforts in the marketing of products with WHO-PQ certification, and adopt effective product lifecycle management strategies to maintain and improve the leading position of each product in market segments.

In the second half of 2020, with patients constantly as the center, clinical needs as the direction and high-tech as the driving force, focusing on therapeutic fields including tumor, central nervous system and rare diseases, the Group will research and develop innovative drugs by transitioning from "me-too, me-better" to "first-in-class, best-in-class", and actively layout in the direction of PCG (protein drug therapy, cell therapy and gene therapy). The Group will accelerate the approval process for pipeline drugs and licensed drugs and the progress of the clinical trial of licensed import projects while supporting innovation. Furthermore, the Group will continue to accelerate the docking of its own R&D with the market, promote complementary needs and expedite the cultivation and storage of subsequent strategic products.

The Group will continue to adopt the strategy of generic and innovative drug integration to combine technology licenses with industry-university-research cooperation, and increase its R&D expenses driven by the cooperation tie of "proposal plus technology platform". The Group will also further expand and intensify its cooperation with leading pharmaceutical companies in the world in order to give full play to the advantages of connecting momentum in China to global resources, making innovations in the cooperation model, searching for new momentum and solidifying the core competence of its pharmaceutical manufacturing business.

Medical Devices and Medical Diagnosis

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

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

Meanwhile, the Group will continue to leverage its strengths in international operations, and with its existing overseas companies as platforms, vigorously explore business cooperation with overseas companies on the basis of proactive integration. It will also seek investment opportunities in outstanding domestic and foreign medical devices enterprises while targeting precise medical care, so as to achieve growth in the scale of its medical devices business.

The Group will continue to develop and introduce products. The introduction of new technology and its localization will promote the accuracy and effectiveness of domestic diagnostic performance for diseases such as infections and tumors. The Group will continue to enhance the development of its domestic and overseas sales network and its professional sales team, strive to increase the market share of its diagnostic products including those newly introduced and registered, and actively seek opportunities to invest in local and overseas quality diagnostic companies.

Healthcare Services

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

Pharmaceutical Distribution and Retail

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

Financing

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

3. Potential Risks

I. Risks in relation to industry policies and system reforms

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

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

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

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

II. Market risks

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

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

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

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

III. Business and operating risks

(1) &

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

In this regard, the Group will continue to strictly implement the assessment process for approval, R&D process and clinical study and coupled with effective reward and punishment mechanisms to continuously improve R&D efficiency, and strengthen the development of drug registration teams. While supporting innovation, the Group will actively promote the quick approval of existing products under research and introduced products by way of licensing. In addition, the Group will continue to accelerate its efforts to link its R&D with market conditions so that demand and supply will be better matched.

(2) /

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

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

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

(3)

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

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

IV. Management risks

(1)

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)

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

V. Foreign exchange risk

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

VI. Force majeure risks

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

4. Other Events

A. 2019 Shareholding Increase Plan of the Controlling Shareholder

As notified and confirmed by Fosun High Tech, the controlling shareholder of the Company, in writing on 19 September 2019, Fosun High Tech (and/or by parties acting in concert with it) intended to further increase its shareholding in the Company (including A shares and/or H shares of the Company) on the secondary market within the 12 months commencing from 19 September 2019 (inclusive), if and where appropriate, the cumulative total amount thereof shall not be less than RMB100 million. The increased shareholding percentage of Fosun High Tech and parties acting in concert with it pursuant to the 2019 shareholding increase plan shall not in aggregate exceed 2% of the total issued shares of the Company as at 19 September 2019 (i.e. 2,562,898,545 shares) (and the aggregated number of shares of the Company acquired in the 12-month period shall not exceed 2% of the total number of the issued shares of the Company). As at the end of the Reporting Period, since the implementation of the 2019 shareholding increase plan of the controlling shareholder, Fosun High Tech had acquired a total of 16,369,500 H shares of the Company for an aggregate amount of approximately RMB369.81 million, representing approximately 0.64% of the total issued shares of the Company as at 19 September 2019.

B. Inter-bank Market Debt Financing Instruments

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

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

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

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

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

D. Proposed Overseas Listing of Gland Pharma

On 30 December 2019, the Shareholders approved, among other things, the resolutions in relation to the proposed spin-off of Gland Pharma, a subsidiary of the Company and the overseas listing on NSE and BSE.

During the Reporting Period, the Company received the "Letter Regarding the Spin-off and Overseas Listing of Subsidiary by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (Guo He Han [2020] No. 417)" from the International Cooperation Division of CSRC for the proposed spin-off and overseas listing of Gland Pharma, pursuant to which, the International Cooperation Division of CSRC has no objection to relevant matters regarding the overseas listing of Gland Pharma. The Hong Kong Stock Exchange has confirmed that the Company may proceed the spin-off of Gland Pharma for overseas listing.

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

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

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

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

Statutory Disclosures

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group at 30 June 2020 are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 41 to 77.

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

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

Sell back of "17 Fosun 01" Corporate Bond

On 5 March 2020, the Company made payment of the principal amount and the interest accrued thereon to the holders who had made valid applications for the sell back of a number of 1,580,500 "17 Fosun 01" corporate bonds according to the right of adjustment to the coupon rate of "17 Fosun 01" corporate bonds and investors' sell back option as provided in the "Offering Memorandum for the Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors in 2017 by Shanghai Fosun Pharmaceutical (Group) Co, Ltd.*" (《上海復星醫藥(集團)股份有限公司2017年公開發行公司債券(面向合格投資者)(第一期)募集說明書》). Upon the completion of such sell back, the number of "17 Fosun 01" corporate bonds listed and traded on the Shanghai Stock Exchange was reduced to 10,919,500 with a nominal value of RMB100 each.

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

DIRECTORS

As at the end of the Reporting Period, the Board consists of ten Directors. The Directors are as follows:

Executive Directors

Mr. Chen Qiyu (陳啟宇) *(n)*
Mr. Yao Fang (姚方) *(- n)*
Mr. Wu Yifang (吳以芳) *(n)*

Non-executive Directors

Mr. Xu Xiaoliang (徐曉亮)
Mr. Gong Ping (龔平)
Mr. Pan Donghui (潘東輝)

Independent Non-executive Directors

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

On 17 January 2020, 21 January 2020, and 30 June 2020, Mr. Liang Jianfeng, Mr. Wang Can and Ms. Mu Haining resigned as non-executive Directors, respectively. At the Annual General Meeting held on 30 June 2020, Mr. Gong Ping and Mr. Pan Donghui were elected by the Shareholders as non-executive Directors of the eighth session of the Board.

SUPERVISORS

As at the end of the Reporting Period, the Supervisory Committee consist of three Supervisors. The Supervisors are as follows:

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

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Chen Qiyu, an executive Director, ceased to serve as a non-executive director of Babytree Group (stock code: 01761), a company listed on the Hong Kong Stock Exchange, on 30 June 2020.

Mr. Xu Xiaoliang, a non-executive Director, ceased to serve as a non-executive director of Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (stock code: 01818), a company listed on the Hong Kong Stock Exchange, on 24 April 2020.

Mr. Gong Ping, a non-executive Director, ceased to serve as a non-executive director of Shanghai Zendai Property Limited* (上海證大房地產有限公司) (stock code: 00755), a company listed on the Hong Kong Stock Exchange, on 23 April 2020.

Mr. Jiang Xian, an independent non-executive Director, was appointed as an independent director of Shanghai Shentong Metro Co., Ltd.* (上海申通地鐵股份有限公司) (stock code: 600834), a company listed on the Shanghai Stock Exchange, on 9 May 2020.

Dr. Wong Tin Yau Kelvin, an independent non-executive Director, was appointed as an independent non-executive director of Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司) (stock code: 601869, 06869), a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, on 17 January 2020 and ceased to serve as an independent non-executive director of the Bank of Qingdao Co., Ltd.* (青島銀行股份有限公司) (stock code: 002948, 03866), a company listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, on 13 February 2020.

Mr. Guan Yimin, a Supervisor, ceased to serve as an independent director of Shanghai Huayi Group Corporation Limited* (上海華誼集團股份有限公司) (stock code: 600623), a company listed on the Shanghai Stock Exchange, on 24 June 2020.

Save as disclosed above, during the Reporting Period and as at the date of this report, there was no change to information which was required to be disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules.

SHARE INCENTIVE SCHEMES

Gland Pharma Share Option Incentive Scheme

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

On 27 June 2019, a total of 154,950 options were granted to 103 participants under the Gland Pharma Share Option Incentive Scheme with an exercise price of INR5,420 per Gland Pharma share, of which 102 participants accepted options underlying 154,650 Gland Pharma shares. The number of Gland Pharma shares may be issued upon the exercise of the granted options represents approximately 1% of the total issued shares of Gland Pharma on the date of adoption of the Gland Pharma Share Option Incentive Scheme.

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

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

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

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

(2) The total number of share options was adjusted due to Gland Pharma's share subdivision on 17 March 2020.

(3) The exercise price per share was adjusted due to Gland Pharma's share subdivision on 17 March 2020.

(4) During the Reporting Period, as 3 participants ceased to serve as employees of Gland Pharma, the granted share options involving 20,000 subdivided shares of Gland Pharma lapsed.

(5) During the Reporting Period, no options granted under the Gland Pharma Share Option Incentive Scheme were exercised.

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

As at 30 June 2020, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules were as follows:

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

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

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(1) (L) — Long position

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

Name of Directors/ chief executive	Name of associated corporation	Class of Shares	Capacity	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	20,578,000 (L)	0.24%
	Fosun Tourism	Ordinary share	Beneficial owner	1,478 (L)	0.00%
Mr. Xu Xiaoliang	Fosun International	Ordinary share	Beneficial owner	18,145,000 (L)	0.21%
	Fosun Tourism	Ordinary share	Beneficial owner	2,328 (L)	0.00%
Mr. Gong Ping[2]	Fosun International	Ordinary share	Beneficial owner	10,210,000 (L)	0.12%
	Fosun Tourism	Ordinary share	Beneficial owner	988 (L)	0.00%
Mr. Pan Donghui[2]	Fosun International	Ordinary share	Beneficial owner	10,270,000 (L)	0.12%
Ms. Mu Haining[3]	Fosun International	Ordinary share	Beneficial owner	3,638,000 (L)	0.04%

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(1) (L) — Long position

(2) Mr. Gong Ping and Mr. Pan Donghui were appointed as non-executive Directors on 30 June 2020.

(3) Ms. Mu Haining resigned as a non-executive Director on 30 June 2020.

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

As at 30 June 2020, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Nature of interest	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Fosun High Tech	Beneficial owner	H Share	48,803,000 (L)[2]	8.84%
Fosun High Tech	Beneficial owner	A Share	938,095,290 (L)[2]	46.65%
Fosun International	Interest of a controlled corporation	H Share	48,803,000 (L)[2]	8.84%
Fosun International	Interest of a controlled corporation	A Share	938,095,290 (L)[2]	46.65%
Fosun Holdings	Interest of a controlled corporation	H Share	48,803,000 (L)[2]	8.84%
Fosun Holdings	Interest of a controlled corporation	A Share	938,095,290 (L)[2]	46.65%
Fosun International Holdings	Interest of a controlled corporation	H Share	48,803,000 (L)[2]	8.84%
Fosun International Holdings	Interest of a controlled corporation	A Share	938,095,290 (L)[2]	46.65%
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	48,803,000 (L)[2]	8.84%
	Interest of a controlled corporation	A Share	938,095,290 (L)[2]	46.65%
	Beneficial owner	A Share	114,075 (L)	0.01%
Edinburgh Partners Limited	Investment manager	H Share	38,723,000 (L)	7.02%
Brown Brothers Harriman & Co.	Nominee	H Share	38,707,016 (L)	7.01%
Black Rock, Inc.	Interest of a controlled corporation	H Share	28,195,990 (L)	5.11%
			782,000 (S)	0.14%

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

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.09% by Fosun Holdings, and Fosun Holdings is a wholly-owned subsidiary of Fosun International Holdings. Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang. Therefore, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code and has formulated 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.

COMPLIANCE WITH THE CG CODE

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

The corporate governance practices adopted by the Company are based on the principles and code provisions of the CG Code. The Company has complied with all the applicable code provisions contained in the CG Code during the Reporting Period.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT BY THE AUDIT COMMITTEE

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

On 30 June 2020, Ms. Mu Haining resigned as a non-executive Director and a member of the audit committee due to adjustment of her work arrangements. At the twentieth meeting of the eighth session of the Board, the appointment of Mr. Gong Ping, a non-executive Director, as an additional member of the audit committee of the eighth session of the Board was approved.

As at the end of the Reporting Period, the audit committee of the Company comprised Mr. Tang Guliang (chairman), an independent non-executive Director, Mr. Jiang Xian, an independent non-executive Director, and Mr. Gong Ping, a non-executive Director.

The main duties of the audit committee are to review and monitor the financial reporting procedures, risk management and internal control system of the Company, and to provide recommendations and advice to the Board.

The audit committee of the Company has reviewed the unaudited interim results and the interim report of the Group for the six months ended 30 June 2020.

On Behalf of the Board
Chen Qiyu
n

Shanghai, the PRC
25 August 2020

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
REVENUE	5	**13,965,179**	14,085,146
Cost of sales		**(6,215,872)**	(5,598,983)
Gross profit		**7,749,307**	8,486,163
Other income	6	**180,429**	109,724
Selling and distribution expenses		**(3,931,067)**	(4,998,448)
Administrative expenses		**(1,322,239)**	(1,147,889)
Research and development expenses		**(1,204,425)**	(849,383)
Impairment losses on financial assets		**(42,765)**	(21,918)
Other gains	7	**603,622**	389,686
Other expenses		**(52,138)**	(45,617)
Interest income		**96,436**	86,650
Finance costs	8	**(427,878)**	(546,940)
Share of profits and losses of:			
Joint ventures		**(46,558)**	(25,933)
Associates		**698,964**	760,055
PROFIT BEFORE TAX	9	**2,301,688**	2,196,150
Income tax expense	10	**(392,081)**	(376,521)
PROFIT FOR THE PERIOD		**1,909,607**	1,819,629
Attributable to:			
Owners of the parent		**1,714,710**	1,516,120
Non-controlling interests		**194,897**	303,509
		1,909,607	1,819,629
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
— For profit for the period		**RMB0.67 Yuan**	RMB0.59 Yuan
Diluted			
— For profit for the period		**RMB0.67 Yuan**	RMB0.59 Yuan

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

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

Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**11,313,846**	10,720,960
Right-of-use assets		**2,389,837**	2,454,742
Goodwill		**9,093,050**	9,013,990
Other intangible assets		**9,238,300**	9,036,246
Investments in joint ventures		**356,204**	381,332
Investments in associates		**21,712,444**	20,491,557
Equity investments designated at fair value through other comprehensive income		**60,945**	107,709
Financial assets at fair value through profit or loss		**1,851,891**	1,983,155
Deferred tax assets		**236,457**	196,095
Other non-current assets		**1,300,703**	1,273,605
Total non-current assets		**57,553,677**	55,659,391
CURRENT ASSETS			
Inventories		**4,561,539**	3,940,537
Trade and bills receivables	14	**5,271,488**	4,607,722
Prepayments, other receivables and other assets		**1,628,029**	1,420,087
Financial assets at fair value through profit or loss		**992,812**	456,651
Debt investments at fair value through other comprehensive income		**354,915**	445,103
Cash and bank balances		**9,750,416**	9,533,268
Total current assets		**22,559,199**	20,403,368
CURRENT LIABILITIES			
Trade and bills payables	15	**2,864,017**	2,397,315
Other payables and accruals		**6,116,649**	5,376,193
Interest-bearing bank and other borrowings	16	**12,404,601**	8,560,202
Lease liabilities		**138,571**	143,786
Contract liabilities		**527,652**	503,683
Tax payable		**487,052**	452,587
Total current liabilities		**22,538,542**	17,433,766
NET CURRENT ASSETS		**20,657**	2,969,602
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,574,334**	58,628,993

Interim Condensed Consolidated
Statement of Financial Position

30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	**10,953,518**	12,576,907
Lease liabilities		**369,340**	410,188
Deferred tax liabilities		**2,928,227**	2,994,048
Deferred income		**417,091**	417,345
Other long-term liabilities		**2,891,682**	2,860,170
Contract liabilities		**215,655**	223,009
Total non-current liabilities		**17,775,513**	19,481,667
Net assets		**39,798,821**	39,147,326
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,562,899**	2,562,899
Other reserves		**30,419,792**	29,268,280
		32,982,691	31,831,179
Non-controlling interests		**6,816,130**	7,316,147
Total equity		**39,798,821**	39,147,326

Chen Qiyu **Wu Yifang**

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020 (Audited)	2,562,899	11,385,162*	(35,546)*	2,523,799*	899,356*	(420,878)*	14,916,387*	31,831,179	7,316,147	39,147,326
Profit for the Period	—	—	—	—	—	—	1,714,710	1,714,710	194,897	1,909,607
Other comprehensive loss for the Period:										
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	3,819	—	—	—	—	3,819	(68)	3,751
Share of other comprehensive income of associates	—	—	96,891	—	—	—	—	96,891	—	96,891
Exchange differences on translation of foreign operations	—	—	—	—	—	(154,873)	—	(154,873)	(100,736)	(255,609)
Total comprehensive income for the period	—	—	100,710	—	—	(154,873)	1,714,710	1,660,547	94,093	1,754,640
Acquisition of non-controlling interests	—	—	—	—	159,607	—	—	159,607	(521,291)	(361,684)
Deemed disposal of partial interest in subsidiaries without loss of control	—	—	—	—	(784)	—	—	(784)	62	(722)
Disposal of associates	—	—	—	—	(2,433)	—	—	(2,433)	—	(2,433)
Others	—	—	—	—	—	—	—	—	56	56
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	24,495	24,495
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(241,721)	(241,721)
Equity-settled share-based payments	—	—	—	—	—	—	—	—	162,645	162,645
Fair value adjustment on the share redemption option granted to a non-controlling shareholder of subsidiaries	—	—	—	—	5,346	—	—	5,346	(18,356)	(13,010)
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	329,734	—	—	329,734	—	329,734
Final 2019 cash dividend declared (*11)*	—	—	—	—	—	—	(1,000,505)	(1,000,505)	—	(1,000,505)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	—	—	107,320	—	—	—	(107,320)	—	—	—
At 30 June 2020 (Unaudited)	2,562,899	11,385,162*	172,484*	2,523,799*	1,390,826*	(575,751)*	15,523,272*	32,982,691	6,816,130	39,798,821

* These reserve accounts comprise the consolidated reserves of RMB30,419,792,000 (31 December 2019: RMB29,268,280,000) in the consolidated statement of financial position.

Interim Condensed Consolidated
Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent										
	Issued share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (Audited)	2,563,061	11,386,711*	(1,711)	30,105*	2,374,998*	(701,196)*	(293,315)*	12,562,197*	27,920,850	5,614,977	33,535,827
Profit for the Period	—	—	—	—	—	—	—	1,516,120	1,516,120	303,509	1,819,629
Other comprehensive loss for the Period:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	(26,838)	—	—	—	—	(26,838)	14	(26,824)
Share of other comprehensive income of associates	—	—	—	(30,026)	—	—	—	—	(30,026)	—	(30,026)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	85,667	—	85,667	15,158	100,825
Total comprehensive income for the Period	—	—	—	(56,864)	—	—	85,667	1,516,120	1,544,923	318,681	1,863,604
Acquisition of non-controlling interests	—	—	—	—	—	(81,915)	—	—	(81,915)	(9,499)	(91,414)
Cancellation of restricted A shares	(162)	(1,549)	1,711	—	—	—	—	—	—	—	—
Acquisition of a new subsidiary	—	—	—	—	—	—	—	—	—	23,284	23,284
Deemed acquisition of non-controlling interests	—	—	—	—	—	1,129	—	—	1,129	(1,129)	—
Disposal of associates	—	—	—	—	—	(2,214)	—	—	(2,214)	—	(2,214)
Disposal of subsidiaries	—	—	—	—	(1,000)	—	—	1,000	—	—	—
Cancellation of subsidiaries	—	—	—	—	(314)	—	—	314	—	(662)	(662)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	31,290	31,290
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(170,553)	(170,553)
A subsidiary's equity-settled share-based payment	—	—	—	—	—	—	—	—	—	61,867	61,867
Fair value adjustment on the share redemption option granted to a non-controlling shareholder of subsidiaries	—	—	—	—	—	39,361	—	—	39,361	(86,121)	(46,760)
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	67,968	—	—	67,968	6,876	74,844
Final 2018 dividend declared and paid	—	—	—	—	—	—	—	(818,627)	(818,627)	—	(818,627)
At 30 June 2019 (Unaudited)	2,562,899	11,385,162*	—	(26,759)*	2,373,684*	(676,867)*	(207,648)*	13,261,004*	28,671,475	5,789,011	34,460,486

* These reserve accounts comprise the consolidated reserves of RMB26,108,576,000 (31 December 2018: RMB25,359,500,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cash generated from operations		**1,928,625**	1,849,335
Income tax paid		**(467,328)**	(399,147)
Net cash flows from operating activities		**1,461,297**	1,450,188
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, other intangible assets and other non-current assets		**(1,904,148)**	(2,040,985)
Acquisition of subsidiaries	17	**(8,400)**	(133,162)
Purchases of shareholdings in associates and joint ventures		**(192,431)**	(174,524)
Purchases of financial assets at fair value through profit or loss		**(435,607)**	(109,283)
Disposals of shareholdings in associates		**151,917**	35,418
Disposal of financial assets at fair value through profit or loss		**474,449**	642,245
Disposals of subsidiaries, net of cash paid		**—**	2,296
Dividends received from associates		**67,961**	41,866
Dividends received from a joint venture		**—**	1,039
Dividends received from financial assets at fair value through profit or loss		**18,718**	20,053
Dividends received from equity investments designated at fair value through other comprehensive income		**1,708**	—
Proceeds from disposals of items of property, plant and equipment, other intangible assets and other non-current assets		**5,439**	26,015
Proceeds from disposals of equity investments designated at fair value through other comprehensive income		**50,228**	—
(Increase)/decrease in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions		**(570,138)**	570,562
Others		**(38,629)**	39,801
Net cash flows used in investing activities		**(2,378,933)**	(1,078,659)

Interim Condensed Consolidated
Statement of Cash Flows

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	**6,798,841**	5,357,409
Repayment of bank and other borrowings	**(4,736,755)**	(4,910,278)
Interest paid	**(441,635)**	(508,082)
Principal portion of lease payments	**(67,643)**	(48,517)
Capital injections from non-controlling shareholders of subsidiaries	**61,253**	31,290
Listing related charges of a subsidiary	**(26,524)**	—
Dividends paid to non-controlling shareholders of subsidiaries	**(194,183)**	(155,587)
Acquisition of non-controlling interests	**(566,651)**	(262,006)
Net cash flows from/(used in) financing activities	**826,703**	(495,771)
Net decrease in cash and cash equivalents	**(90,933)**	(124,242)
Cash and cash equivalents at beginning of the Period	**8,284,371**	7,175,005
Effect of foreign exchange rate changes, net	**(16,493)**	799
Cash and cash equivalents at end of the Period	**8,176,945**	7,051,562
Analysis of balances of cash and cash equivalents:		
Cash and bank balances at end of the Period	**9,750,416**	7,739,777
Less: Pledged bank balances and time deposits with original maturity of more than three months	**(1,573,471)**	(688,215)
Cash and cash equivalents at end of the Period	**8,176,945**	7,051,562

Notes to Interim Condensed Consolidated Financial Statements

30 June 2020

1. CORPORATE AND GROUP INFORMATION

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

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

During the six months ended 30 June 2020 (the "Period"), the Group was principally engaged in the development, manufacture and sale of pharmaceutical products and medical devices, import and export of medical devices and the provision of related and other consulting services, healthcare service and investment management.

2. BASIS OF PREPARATION

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*n*
Amendment to HKFRS 16	*-1 - ( )*
Amendments to HKAS 1 and HKAS 8	

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

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

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB4,787,000.00 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2020 (unaudited)

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2019 (unaudited)

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

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

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

5. REVENUE

An analysis of revenue is as follows:

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

Disaggregated revenue information for revenue from contracts with customer

n n 30 2020 ( )

Segments	Pharmaceutical manufacturing and R&D RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Total RMB'000
Types of goods or services					
Sale of products	9,610,123	2,421,881	26,807	—	12,058,811
Rendering of services	283,734	198,601	1,331,147	3,726	1,817,208
Sale of materials	57,385	18,014	—	—	75,399
Total revenue from contracts with customers	9,951,242	2,638,496	1,357,954	3,726	13,951,418
Geographical markets					
Mainland China	7,192,189	1,327,295	1,357,954	2,804	9,880,242
Overseas countries and regions	2,759,053	1,311,201	—	922	4,071,176
Total revenue from contracts with customers	9,951,242	2,638,496	1,357,954	3,726	13,951,418
Timing of revenue recognition					
Goods transferred at a point in time	9,667,508	2,439,895	26,807	—	12,134,210
Services transferred at a point in time	216,071	167,057	1,331,147	3,726	1,718,001
Services transferred over time	67,663	31,544	—	—	99,207
Total revenue from contracts with customers	9,951,242	2,638,496	1,357,954	3,726	13,951,418

5. REVENUE (Continued)

For the six months ended 30 June 2019 (unaudited)

Segments	Pharmaceutical manufacturing and R&D RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Total RMB'000
Types of goods or services					
Sale of goods	10,564,090	1,671,542	27,181	—	12,262,813
Rendering of services	238,771	111,402	1,430,327	2,144	1,782,644
Sale of materials	11,182	9,921	—	—	21,103
Total revenue from contracts with customers	10,814,043	1,792,865	1,457,508	2,144	14,066,560
Geographical markets					
Mainland China	8,288,825	1,024,242	1,457,508	406	10,770,981
Overseas countries and regions	2,525,218	768,623	—	1,738	3,295,579
Total revenue from contracts with customers	10,814,043	1,792,865	1,457,508	2,144	14,066,560
Timing of revenue recognition					
Goods transferred at a point in time	10,575,272	1,681,463	27,181	—	12,283,916
Services transferred at a point in time	128,209	41,595	1,430,327	2,144	1,602,275
Services transferred over time	110,562	69,807	—	—	180,369
Total revenue from contracts with customers	10,814,043	1,792,865	1,457,508	2,144	14,066,560

6. OTHER INCOME

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

7. OTHER GAINS

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

8. FINANCE COSTS

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

9. PROFIT BEFORE TAX

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

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

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

10. INCOME TAX

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

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable profits arising in Hong Kong during the period. The provision of current income tax of Alma Lasers Ltd., a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 9.48%. The provision of current tax of Gland Pharma Limited ("Gland Pharma"), a subsidiary of the Company incorporated in India, was based on a statutory rate of 34.94% from 1 April 2018 to 31 March 2019 and is based on a statutory rate of 25.17% after 31 March 2019. The provision of current tax of Breas Medical Holdings AB ("Breas"), a subsidiary of the Company incorporated in Sweden, is based on a statutory rate of 22%. The provision of current tax of Tridem Pharma S.A.S ("Tridem Pharma"), a subsidiary of the Company incorporated in France, is based on a statutory rate of 33.33%.

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

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

11. DIVIDENDS

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

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

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary iod aeighted average number of ordinary iod aeighted average numbGS1 gs/T1y iod

13. PROPERTY, PLANT AND EQUIPMENT

	RMB'000 (Unaudited)
Carrying value at 1 January 2020	10,720,960
Additions	1,191,624
Acquisitions of a subsidiary	14,953
Disposals	(77,353)
Depreciation charge for the Period	(490,945)
Exchange realignment	(45,393)
Carrying value at 30 June 2020	11,313,846

The Group's property, plant and equipment with a net carrying value of RMB217,305,000 (31 December 2019: RMB133,709,000), were pledged as security for interest-bearing bank loans as set out in note 16 to the interim condensed consolidated financial statements.

14. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	**5,080,545**	4,367,600
Bills receivable	**190,943**	240,122
	5,271,488	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.

14. TRADE AND BILLS RECEIVABLES (Continued)

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

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

As at 30 June 2020, trade receivables with a book value of RMB5,300,000 (2019: RMB8,146,000) were used to obtain bank borrowings.

15. TRADE AND BILLS PAYABLES

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

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

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

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

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Bank loans:	*(1)*		
— Secured		**486,008**	344,186
— Unsecured		**15,096,396**	13,762,714
		15,582,404	14,106,900
Super short-term commercial papers	*(2)*	**899,616**	—
Corporate bonds	*(3)*	**6,876,099**	7,030,209
Total		**23,358,119**	21,137,109
Portion classified as current liabilities		**(12,404,601)**	(8,560,202)
Non-current portion		**10,953,518**	12,576,907

A repayable analysis of interest-bearing bank and other borrowings (excluding lease liabilities) is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Repayable:		
Within 1 year	**12,404,601**	8,560,202
1 to 2 years	**7,833,867**	6,860,077
2 to 5 years	**2,633,443**	5,395,435
Over 5 years	**486,208**	321,395
	23,358,119	21,137,109
Portion classified as current liabilities	**(12,404,601)**	(8,560,202)
Non-current portion	**10,953,518**	12,576,907

16. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(1) Bank loans

The bank loans bear interest at rates ranging from 0.3000% to 6.2000% (31 December 2019: 0.7500% to 7.5000%) per annum.

As at 30 June 2020, certain of the Group's bank loans are secured by the mortgage of certain of the Group's property, plant and equipment (note 13) amounting to RMB217,305,000 (31 December 2019: RMB133,709,000), prepaid land lease payments included in right-of-use assets amounting to RMB396,459,000 (prepaid land lease payments included in right-of-use-assets on 31 December 2019: RMB303,453,000).

As at 30 June 2020, certain of the Group's bank loans are secured by the pledge of the Group's accounts receivables amounting to RMB5,300,000 (31 December 2019: RMB8,146,000) and other receivables amounting to RMB4,376,000 (31 December 2019: Nil).

(2) Super Short-term Commercial Paper

On 2 March 2020, the Company issued super short-term commercial papers in an aggregate amount of RMB600,000,000, which bear interest at 2.50% per annum. The interest of Super Short-term Commercial Papers is payable on its maturity date that is 27 November 2020.

On 8 April 2020, the Company issued another super short-term commercial papers in an aggregate amount of RMB300,000,000, which bear interest at 2.20% per annum. The interest of Super Short-term Commercial Papers is payable on the maturity date that is 7 July 2020.

(3) Corporate bonds

On 4 March 2016, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB3,000,000,000, which bear interest at 3.35% per annum. The interest is payable annually in arrears and the maturity date is 4 March 2021. On 4 March 2019, a total redemption amount of RMB5,500,000 was paid by the Company, and the remaining bondholders chose to continue holding until 4 March 2021. In the remaining interest-bearing years, the interest rate is changed to 4.50%.

On 14 March 2017, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,250,000,000, which bear interest at 4.50% per annum. The interest is payable annually in arrears and the maturity date is 14 March 2022. On 14 March 2020, a total redemption amount of RMB158,050,000 was paid by the Company, and the remaining bondholders chose to continue holding until 14 March 2022. In the remaining interest-bearing years, the interest rate is changed to 3.48%.

On 13 August 2018, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,300,000,000, which bear interest at 5.10% per annum. The interest is payable annually in arrears and the maturity date is 13 August 2023.

On 30 November 2018, the Company issued corporate bonds with a maturity of four years in an aggregate amount of RMB500,000,000 and corporate bonds with a maturity of five years in an aggregate amount of RMB1,000,000,000, which bear interest at 4.47% and 4.68% per annum respectively. The interest of the corporate bonds with a maturity of four years is payable annually in arrears and the maturity date is 30 November 2022. The interest of the corporate bonds with a maturity of five years is payable annually in arrears and the maturity date is 30 November 2023.

17. BUSINESS COMBINATION

On 19 March 2020, Shanghai Fosun Long March Medical Science Co., Ltd. a subsidiary of the Company, acquired a 50% equity interest in Shanghai Xingyao Medical Technology Development Co.,Ltd. ("Xingyao") from a third party. The purchase consideration for the acquisition was RMB10,900,000. After the acquisition, the Group holds 100% equity interest in Xingyao.

On 9 May 2020, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd., a subsidiary of the Company, acquired a 51% equity interest in CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. ("CMIC") from a third party. The purchase consideration for the acquisition was RMB5,250,000. After the acquisition, the Group holds 100% equity interest in CMIC.

The fair values of the identifiable assets and liabilities of the subsidiary acquired during the Period as at the date of acquisition were as follows:

		Fair value recognised on acquisition RMB'000 (Unaudited)
Property, plant and equipment	13	14,953
Other intangible assets		518
Inventories		33,774
Prepayments, other receivables and other assets		11,142
Trade and bills receivables		40,494
Cash and bank balances		14,529
Trade and bills payables		(12,132)
Contract Liabilities		(405)
Other payables and accruals		(70,779)
Total identifiable net assets at fair value		32,094
Investment at fair value before the acquisition date		(15,944)
		16,150
Satisfied by:		
Consideration		16,150

The fair values of the trade and bills receivables and other receivables as at the dates of acquisitions amounted to RMB40,494,000 and RMB9,524,000, respectively.

17. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	RMB'000 (Unaudited)
Cash consideration paid	(10,970)
Cash and cash equivalents acquired	14,529
	3,559
Payment of unpaid cash consideration as at 31 December 2019	(11,959)
	(8,400)

18. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Property, Plant and equipment	**2,316,640**	2,191,767
Investments in subsidiaries and associates	**880,140**	929,930
Investment in Financial assets at fair value through profit or loss	**253,149**	273,236
Authorized, but not signed:		
Prepaid land lease payments included in right-of-use assets, Property, Plant and equipment	**4,434,832**	4,285,335
	7,884,761	7,680,268

19. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere, the Group had the following transactions with related parties during the Period:

(a) Sales of pharmaceutical products and services

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sinopharm Group Co., Ltd. and its subsidiaries *(4 & 6 & 15)*	**1,395,932**	1,567,956
C.Q. Pharmaceutical Holding Co., Ltd. and its subsidiaries *(1 & 4 & 16)*	**188,335**	205,246
Fosun International Limited and its subsidiaries *(3 & 4 & 10 & 16)*	**98,576**	216
Intuitive Surgical — Fosun (Hong Kong) Co., Ltd. *(1 & 4)*	**92,686**	49,757
Intuitive Surgical — Fosun Medical Technology (Shanghai) Co., Ltd. *(1 & 4)*	**68,855**	42,836
Zhejiang Di'an Diagnostics Co.,Ltd. and its subsidiaries *(4 &)*	**7,036**	32,492
Gland Chemicals Pvt Ltd. *(4 &)*	**4,315**	—
Shanghai Lingjian Information Technology Co., Ltd. *(1 & 4)*	**4,030**	3,256
Shanghai Di'ai Medical Instrument Co., Ltd. *(1 & 4)*	**2,555**	1,453
Jingfukang Pharmaceutical Group Co.,Ltd. *(1 & 4)*	**1,777**	22
Shanghai Xingyao Medical Technology Development Co.,Ltd. *(2 & 4 & 17)*	**1,612**	4,702
Saladax Biomedical, Inc. *(1 & 4)*	**1,262**	—
New Frontier Health Corporation (NFH) (United Family Healthcare) and its subsidiaries *(1 & 4 & 6)*	**737**	1,575
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. *(2 & 4)*	**406**	148
Fosun United Health Insurance co., Ltd. *(4 &)*	**42**	—
Shanghai Fosun Bund Property Co., Ltd *(4 &)*	**16**	—
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(4 & 7)*	**16**	17
Fosun Kite Biological Technology Co., Ltd. *(2 & 4)*	**14**	12
Shanghai Xingmai Information Technology Co., Ltd. *(1 & 4)*	**13**	60
StarKids Children's Hospital Shanghai *(1 & 4)*	**3**	—
Shanghai Qinmiao Technology Co., Ltd. *(1 & 4)*	**—**	17
SINNOWA Medical Science & Technology Co., Ltd. *(1 & 4)*	**—**	1
	1,868,218	1,909,766

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of pharmaceutical products and services

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sinopharm Group Co., Ltd. and its subsidiaries (4 & 6 & 15)	**128,644**	125,937
Fosun International Limited and its subsidiaries (3 & 4 & 11 & 16)	**96,578**	1,156
Gland Chemicals Pvt Ltd. (4 &)	**87,769**	8,899
C.Q. Pharmaceutical Holding Co., Ltd. and its subsidiaries (1 & 4 & 16)	**2,266**	410
SINNOWA Medical Science & Technology Co., Ltd. (1 & 4)	**1,071**	1,164
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. (1 & 4)	**1,007**	2,126
Shanghai Xingyao Medical Technology Development Co.,Ltd. (2 & 4 & 17)	**907**	85
Zhejiang Di'an Diagnostics Co.,Ltd. and its subsidiaries (4 &)	**510**	3,352
Fosun United Health Insurance co., Ltd. (4 &)	**33**	—
Shanghai Lingjian Information Technology Co., Ltd. (1 & 4)	**23**	—
Saladax Biomedical, Inc. (1 & 4)	**—**	1,318
CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. (1 & 4 & 1)	**—**	1,228
	318,808	145,675

(c) Leasing and property management services

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
As lessor	**(Unaudited)**	(Unaudited)
Fosun Kite Biological Technology Co., Ltd. (2 & 5)	**6,106**	5,310
Fosun International Limited and its subsidiaries (3 & 5 & 12 & 16)	**3,529**	7,895
Shanghai Xingmai Information Technology Co., Ltd. (1 & 5)	**733**	—
Shanghai Xingyao Medical Technology Development Co.,Ltd. (2 & 5 & 17)	**578**	325
Tong De Equity Investment and Management (Shanghai) Co., Ltd. (5 & 7)	**471**	454
New Frontier Health Corporation and its subsidiaries (1 & 5 & 6)	**413**	131
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (2 & 5)	**216**	—
Intuitive Surgical — Fosun Medical Technology (Shanghai) Co., Ltd. (1 & 5)	**145**	86
StarKids Children's Hospital Shanghai (1 & 5)	**65**	—
Shanghai Qinmiao Technology Co., Ltd. (1 & 5)	**—**	264
	12,256	14,465

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

As lessee	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Fosun International Limited and its subsidiaries (3 & 5 & 13 & 16)	**2,952**	5,477
Dhananjaya Properties LLP (5 &)	**117**	114
Sasikala Properties LLP (5 &)	**43**	41
Shanghai Fosun Bund Property Co., Ltd (5 &)	**—**	2,500
	3,112	8,132

Property management services	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Fosun International Limited and its subsidiaries (3 & 5 & 14 & 16)	**6,904**	6,651

(d) Loans from/to a related parties

The Company entered into a financial service agreement with Fosun Group Finance Corporation Limited ("Fosun Finance"), pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for a period from 1 January 2020 and ended 31 December 2022. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB1,000,000,000. The maximum daily outstanding balance of loans granted by Fosun Finance to the Group is RMB1,000,000,000.

Maximum daily outstanding balance of deposits in Fosun Finance	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Fosun Group Finance Corporation Limited (& 16)	**979,619**	574,422

19. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to related parties (Continued)

A loan from a related party	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Fosun Group Finance Corporation Limited (& 16)	**52,274**	38,779

Fosun Industrial Co, Limited ("Fosun Industrial") offered Nature's sunshine (Far East) limited a one-year loan of RMB10,884,000 at a rate of 3%.

Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. offered Fosun Kite a five-year loan of RMB188,840,000 at a rate of 10% higher than the benchmark lending rate for the same period.

Loans to related parties	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Nature's sunshine (Far East) limited (1 & 16)	**10,884**	10,566
Fosun Kite Biological Technology Co., Ltd. (2 & 16)	**188,840**	188,840
	199,724	199,406

(e) Interest income from/to related parties

Interest income	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Fosun Kite Biological Technology Co., Ltd. (2 & 16)	**4,706**	2,002
Fosun Group Finance Corporation Limited (& 16)	**3,358**	1,845
Nature's Sunshine (Far East) Limited (1 & 16)	**160**	154
	8,224	4,001

19. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from/to related parties (Continued)

The interest rate for deposits in Fosun Finance is made reference to the benchmark interest rates on deposits issued by the People's Bank of China ("PBOC"), and is no less than the higher of (i) the interest rate payable to the Group by the domestic commercial banks; and (ii) that to others by Fosun Finance for the deposit service with similar terms and amounts. The loan rate offered to Fosun Kate is 10% above the benchmark interest rate for loans over the same period. The loan rate to Nature's Sunshine (Far East) Limited is 3%.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest expense	**(Unaudited)**	(Unaudited)
Fosun Group Finance Corporation Limited *(& 16)*	**1,058**	1,619

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

(3) They are subsidiaries of Fosun International Limited, the intermediate holding company of the Group.

(4) The sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(5) The fees for the leasing and property management services received from or paid to these related companies were determined based on prices available to third party customers of these related companies.

(6) They are subsidiaries of associates of the Group.

(7) They are subsidiaries of joint ventures of the Group.

(8) Fosun Finance is a subsidiary of Fosun International Limited, the intermediate holding company of the Company.

(9) They are other related parties of the Group.

(10) During this period, the Group offered Fosun International Limited and its subsidiaries with products and other services at market prices. The Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Co., Ltd., Shanghai Xingyi Health Management Co., Ltd., Shanghai Fu Heng Insurance Brokers Ltd., Zhangxingbao (Shanghai) Network Technology Co. Ltd., Liang Fu Credit Investigation Management Co., Ltd., Shanghai Zzkur Information Technology. Co., Ltd., Shanghai Yunji Information Co., Ltd., Shanghai Pingao Investment Management Co., Ltd., Fosun Industrial Investment Co., Ltd., Fosun Capital Investment Management Co., Ltd., Shanghai Xingpian management Consulting Co., Ltd., Glsmed Trade S.A and so on.

(11) During this period, the Group received products and services from the Fosun International Limited and its subsidiaries at market prices. The Fosun International Limited and its subsidiaries include Fosun High Tech (Group) Co., Ltd., Shanghai Yunji Information Co., Ltd., Shanghai Golte Property Management Co., Ltd., Shanghai Xingyi Health Management Co., Ltd., Zhejiang Fuyi Cosmetics Co., Ltd. and Shanghai Yilian Enterprise Management Co., Ltd.

(12) During this period, the Group leased out the office buildings to the Fosun International Limited and its subsidiaries. The Fosun International Limited and its subsidiaries include Fosun High Tech (Group) Co., Ltd., Liang Fu Credit Investigation Management Co., Ltd., Shanghai Pingao Investment Management Co., Ltd., Shanghai Zzkur Information Technology. Co., Ltd., Shanghai Fosun Zhijian Information Technology Co., Ltd.

(13) During this period, the Group leased office buildings from the Fosun International Limited and its subsidiaries. The Fosun International Limited and its subsidiaries include Shanghai New Shihua Investment and Management Co., Ltd., and Chuangfu Finance Leasing Co., Ltd.

19. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from/to related parties (Continued)

(Continued)

(14) During this period, the Group received management services from the Fosun International Limited and its subsidiaries. The Fosun International Limited and its subsidiaries include Shanghai Golte Property Management Co., Ltd. and Beijing Golte Property Management Co., Ltd.

(15) Sinopharm Group Co., Ltd. is a major subsidiary of Sinapharm Investment, an associate of the Group.

(16) The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

(17) Shanghai Xingyao Medical Technology Development Co.,Ltd. was acquired by the Group on 19 March 2020.

(18) CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. was acquired by the Group on 9 May 2020.

(f) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Performance related bonuses	**50,051**	25,416
Salaries, allowances and benefits in kind	**15,410**	12,417
Pension scheme contributions	**243**	501
	65,704	38,334

(g) Outstanding balances with related parties

(i) As at 30 June 2020, the Group had a balance due from the intermediate holding company and its subsidiaries of RMB51,513,000 (31 December 2019: RMB4,030,000) as at the end of the Reporting Period. The balances were unsecured, interest-free and had no fixed terms of collection.

(ii) As at 30 June 2020, the Group had a balance due from its associate companies and their subsidiaries of RMB983,814,000 (31 December 2019: RMB1,071,384,000) as at the end of the Reporting Period. The balances were unsecured, interest-free and had no fixed terms of collection.

(iii) As at 30 June 2020, the balances due from its joint ventures and their subsidiaries of RMB193,654,000 (31 December 2019: RMB212,705,000) were unsecured, interest-free and had no fixed terms of collection.

(iv) As at 30 June 2020, the balances due from other related companies of RMB3,942,000 (31 December 2019: RMB5,526,000) were unsecured, interest-free and repayable on demand.

(v) As at 30 June 2020, the Group had a balance due to intermediate holding company and its subsidiaries of RMB118,211,000 (31 December 2019: RMB46,027,000) as at the end of the Reporting Period. The balances were unsecured, interest-free and had no fixed terms of repayment.

19. RELATED PARTY TRANSACTIONS (Continued)

(g) Outstanding balances with related parties (Continued)

(vi) As at 30 June 2020, the balances due to its associate companies and their subsidiaries include an amount of RMB81,705,000 (31 December 2019: RMB97,480,000) which was unsecured, interest-free and had no fixed terms of repayment.

(vii) As at 30 June 2020, the balance due to its joint ventures and their subsidiaries with the amount of RMB6,696,000 (31 December 2019: RMB6,654,000) was non-trade in nature, unsecured, interest-free and had no fixed terms of repayment.

(viii) As at 30 June 2020, the balances due to other related companies include an amount of RMB30,073,000 (31 December 2019: RMB339,000) which was unsecured, interest-free and had no fixed terms of repayment.

(ix) Certain subsidiaries of the Group entered into rental agreements with related parties. The present value of the lease payments to be made over the lease terms were recognised as lease liabilities.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
Financial Assets:				
Equity investments designated at fair value through other comprehensive income	**60,945**	107,709	**60,945**	107,709
Debt investments at fair value through other comprehensive income	**354,915**	445,103	**354,915**	445,103
Financial assets at fair value through profit or loss	**2,844,703**	2,439,806	**2,844,703**	2,439,806
	3,260,563	2,992,618	**3,260,563**	2,992,618
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**7,567,406**	7,293,044	**7,854,292**	7,460,377
Other borrowings (other than lease liabilities)	**6,876,099**	7,030,209	**6,972,509**	7,124,156
Financial liabilities included in other long-term liabilities	**2,861,971**	2,832,723	**2,861,971**	2,832,723
	17,305,476	17,155,976	**17,688,772**	17,417,256

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings as at 30 June 2020 was assessed to be insignificant.

The fair values of listed corporate bonds issued by the company and listed equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The fair values of unlisted equity investments that are not traded in an active market are determined by using valuation techniques. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2020:

Unobservable inputs for Level 3 assets

The financial assets measured at fair value held by the Group which were classified in Level 3 primarily correspond to unlisted equity investments not quoted in an active market.

For the fair value of the unlisted equity investments is based on valuation techniques for which the input that is significant to the fair value measurement is unobservable. For certain unlisted equity investments, the Group adopts quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as price to book ratio, price to earnings ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Unobservable inputs for Level 3 liabilities (Continued)

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of subsidiaries included in other payables and accruals and other long-term liabilities of RMB2,643,984,000 (31 December 2019: RMB2,818,244,000) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Gland Pharma during year 2018, and predicted EBITDA of Nova during the year 2019.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

30 2020 ( )

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	566	849	59,530	60,945
Financial assets at fair value through profit or loss	1,097,737	52,959	1,694,007	2,844,703
Debt investments at fair value through other comprehensive income	—	354,915	—	354,915
	1,098,303	408,723	1,753,537	3,260,563

31 201 ( )

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	1,554	52,909	53,246	107,709
Financial assets at fair value through profit or loss	561,348	52,734	1,825,724	2,439,806
Debt investments at fair value through other comprehensive income	—	445,103	—	445,103
	562,902	550,746	1,878,970	2,992,618

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements in Level 3 during the year are as follows:

n n 30 2020

	Financial assets at fair value through profit and loss RMB'000 (Unaudited)	Equity investments Designated at fair value through other comprehensive income RMB'000 (Unaudited)
As at 1 January 2020	**1,825,724**	**53,246**
Total gains recognised in the statement of profit or loss included in other gains	**118,774**	**—**
Total gains recognised in other comprehensive income	**—**	**6,284**
Addition	**68,397**	**—**
Disposal	**(321,675)**	**—**
Exchange realignment	**2,787**	**—**
As at 30 June 2020	**1,694,007**	**59,530**

The movements in fair value measurements in Level 3 during the year are as follows:

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	Financial assets at fair value through profit and loss RMB'000 (Unaudited)	Equity investments Designated at fair value through other comprehensive income RMB'000 (Unaudited)
As at 1 January 2019	2,155,293	82,301
Total gains recognised in the statement of profit or loss included in other gains	231,452	—
Total losses recognised in other comprehensive income	—	(29,271)
Addition	116,220	—
Disposal	(332,911)	—
Exchange realignment	3,116	(340)
Transfer to level 2	(386,601)	—
As at 30 June 2019	1,786,569	52,690

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

30 2020 ( )

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities	—	—	2,643,984	2,643,984

31 201 ( )

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other payable and accruals	—	—	209,286	209,286
Amounts included in other long-term liabilities	—	—	2,608,958	2,608,958
	—	—	2,818,244	2,818,244

The movements in fair value measurements in Level 3 during the Period are as follows:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
As at 1 January	2,818,244	2,913,876
Addition	35,026	46,708
Decrease	(209,286)	—
As at 30 June	2,643,984	2,960,584

During the period, there were no transfer of fair value measurement between Level 1 and Level 2(six months ended 30 June 2019: Nil).

21. CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, the Group did not have any contingent liabilities.

22. EVENTS AFTER THE REPORTING PERIOD

As of the balance sheet date, the group has no event after the reporting period that need to be disclosed.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 25 August 2020.

Definitions

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"Annual General Meeting"	the annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"Avanc Pharmaceutical"	Avanc Pharmaceutical Co., Ltd.* (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"Australia"	Commonwealth of Australia
"Board"	the board of Directors
"Brazil"	The Federative Republic of Brazil
"Breas"	Breas Medical Holdings AB, a company registered in Sweden, and a subsidiary of the Company
"BSE"	BSE Limited, an Indian stock exchange located in Mumbai
"CAPA"	Corrective Action & Preventive Action
"CG Code"	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
"cGMP"	Current Good Manufacture Practices
"Chancheng Hospital"	Foshan Chancheng Central Hospital Company Limited* (佛山市禪城區中心醫院有限公司), a for-profit medical institution established with the approval by the Population, Health and Drug Administration of Chancheng District, Foshan (佛山市禪城區人口和衛生藥品監督管理局), a subsidiary of the Company
"Chanyi Health"	Foshan Chanyi Health Management Company Limited* (佛山市禪怡健康管理有限公司)
"CMIC (Beijing)"	CMIC Pharmaceutical Technology Development (Beijing) Co., Ltd.* (希米科醫藥技術發展(北京)有限公司)
"CMIC Pharmaceutical"	CMIC (Suzhou) Pharmaceutical Technology Co., Ltd.* (希米科(蘇州)醫藥科技有限公司) (now known as Fosun Aidi (Suzhou) Pharmaceutical Technology Co., Ltd.* (復星艾迪(蘇州)醫藥科技有限公司)), a subsidiary of the Company as at the end of the Reporting Period
"Company" or "Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange and Shanghai Stock Exchange, respectively
"controlling shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules and in the context of our Company, means Messrs. Guo Guangchang, Wang Qunbin, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech

Definitions

"CSRC"	China Securities Regulatory Commission* (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities market
"Director(s)"	director(s) of the Company
"EBITDA	earnings before interest, taxes, depreciation and amortization
"ESG"	Environment, Social and Governance
"ESG Committee"	Environmental, Social and Governance Committee of the Company
"EU"	European Union
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a controlling shareholder of the Company. Fosun High Tech is a connected person under Rule 14A.07(1) of the Hong Kong Listing Rules
"Fosun Holdings"	Fosun Holdings Limited (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a controlling shareholder of the Company
"Fosun International"	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and a controlling shareholder of the Company, which is listed on the Hong Kong Stock Exchange (Stock Code: 00656)
"Fosun International Holdings"	Fosun International Holdings Limited (復星國際控股有限公司), which is held as to 85.29% and 14.71% by Messrs. Guo Guangchang and Wang Qunbin as at the end of the Reporting Period, respectively, and a controlling shareholder of the Company
"Fosun Kite"	Fosun Kite Biological Technology Co., Ltd.* (復星凱特生物科技有限公司), a joint venture of the Company
"Fosun Long March"	Shanghai Fosun Long March Medical Science Co., Ltd.* (上海復星長征醫學科學有限公司), a subsidiary of the Company
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a subsidiary of the Company
"Gland Pharma"	Gland Pharma Limited, a company incorporated in India and a subsidiary of the Company
"Gland Pharma Share Option Incentive Scheme"	the share option incentive scheme adopted by Gland Pharma, which was approved by the Shareholders at the Annual General Meeting held on 25 June 2019 and the shareholders of Fosun International at its annual general meeting held on 5 June 2019
"GMP"	Good Manufacturing Practices
"Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the controlling shareholder of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time

Definitions

"Guangji Hospital"	Yueyang Guangji Hospital Company Limited* (岳陽廣濟醫院有限公司), a subsidiary of the Company
"Guilin Pharma"	Guilin South Pharma Company Limited* (桂林南藥股份有限公司), a subsidiary of the Company
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Shares
"Health Canada"	Health Canada
"Hengsheng Hospital"	Shenzhen Hengsheng Hospital* (深圳恒生醫院), a subsidiary of the Company
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	The lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huai'an Xinghuai Hospital"	Huai'an Xinghuai International Hospital Co., Ltd.* (淮安興淮國際醫院有限公司), a subsidiary of the Company
"Intuitive Fosun"	Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd* (直觀復星醫療器械技術(上海)有限公司) and Intuitive Surgical-Fosun (Hong Kong) Co., Ltd.* (直觀復星(香港)有限公司)
"INR"	Rupees, the lawful currency of India
"Japan"	Japan
"Jimin Hospital"	Anhui Jimin Cancer Hospital* (安徽濟民腫瘤醫院), a private non-enterprise unit (民辦非企業單位) established in the PRC, a subsidiary of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"NAFMII"	The National Association of Financial Market Institutional Investors
"NMPA"	National Medical Products Administration* (中華人民共和國國家藥品監督管理局), the PRC governmental authority responsible for the regulation of drugs
"NSE"	The National Stock Exchange of India Limited, an Indian stock exchange located in Mumbai
"OOS"	Out of Specification
"PCT"	Patent Cooperation Treaty

"Philippines"	The Republic of the Philippines
"Poland"	The Republic of Poland
"PRC" or "China"	the People's Republic of China, include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
"PQ"	Prequalification
"R&D"	research and development
"Reporting Period"	the 6-month period from 1 January 2020 to 30 June 2020
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Henlius"	Shanghai Henlius Biotech, Inc.* (上海復宏漢霖生物技術股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock code: 02696) and a subsidiary of the Company
"Shanghai Henlius Biopharmaceutical "	Shanghai Henlius Biopharmaceutical Co., Ltd.* (上海復宏漢霖生物製藥有限公司), a subsidiary of the Company
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange* (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange* (上海證券交易所)
"Xingyao Medical"	Shanghai Xingyao Medical Technology Development Co., Ltd.* (上海星耀醫學科技發展有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Shareholders"	holders of the Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange* (深圳證券交易所)
"Sinopharm"	Sinopharm Group Co. Ltd.* (國藥控股股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01099)
"Sinopharm Industrial"	Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司)
"Sisram Medical"	Sisram Medical Ltd, a company listed on the Hong Kong Stock Exchange (Stock code: 01696) and a subsidiary of the Company
"substantial shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Supervisors"	the members of the Supervisory Committee

Definitions

"Supervisory Committee"	the Supervisory Committee of the Company
"Suqian Zhongwu Hospital/ Suqian Cancer Hospital"	Suqian Zhongwu Hospital Co., Ltd.* (宿遷市鐘吾醫院有限責任公司)/Suqian Cancer Hospital* (宿遷市腫瘤醫院), a subsidiary of the Company
"Suqian Rehabilitation Hospital"	Suqian Xingxing Rehabilitation and Medical Examination Company Limited* (宿遷市新星康復體檢有限公司), a subsidiary of the Company
"U.S." or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US dollars", "USD" or "US$"	The lawful currency of the United States
"Ukraine"	Ukraine
"U.S. FDA"	U.S. Food and Drug Administration
"Wanbang Pharma"	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
"Wenzhou Geriatric Hospital"	Wenzhou Geriatric Hospital Limited Company* (溫州老年病醫院有限公司), a subsidiary of the Company
"WHO"	World Health Organization
"Wuhan Jihe Hospital"	Wuhan Jihe Hospital Co., Ltd.* (武漢濟和醫院有限公司), a subsidiary of the Company
"Written Code"	Written Code for Securities Transactions by Directors/Relevant Employees of the Company* (《董事／有關僱員進行證券交易的書面指引》)
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Zhuhai Chancheng Hospital"	Zhuhai Chancheng Hospital Limited* (珠海禪誠醫院有限公司), a subsidiary of the Company
"%"	per cent

In this report, if there is any inconsistency between the Chinese names of the entities, authorities, organizations, institutions or enterprises established in China or the awards or certificates given in China and their English translations, the Chinese version shall prevail.