FOSUN PHARMA

INNOVATION FOR GOOD HEALTH

上海復星醫藥(集團)股份有限公司

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

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

Stock Code: 02196

ANNUAL REPORT 2020

*For identification purposes only

OUR MISSION

Better health for families worldwide.

OUR VALUE

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


INnovation
INternationalization
4IN
INtegration
INtelligentization

Our Vision

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

Our Mission

Better health for families worldwide.

Contents

Corporate Information

Directors

Executive Director

Mr. Wu Yifang (吳以芳)
(Chairman[1] and Chief Executive Officer)

Non-executive Directors

Mr. Chen Qiyu (陳啟宇)[2]
Mr. Yao Fang (姚方)[3]
Mr. Xu Xiaoliang (徐曉亮)
Mr. Gong Ping (龔平)[4]
Mr. Pan Donghui (潘東輝)[4]
Mr. Zhang Houlin (張厚林)[5]
Mr. Liang Jianfeng (梁劍峰)[6]
Mr. Wang Can (王燦)[7]
Ms. Mu Haining (沐海寧)[9]

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) *(Chairman)*
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)

Joint Company Secretaries

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

Authorized Representatives

Mr. Wu Yifang (吳以芳)[11]
Ms. Kam Mei Ha Wendy (甘美霞)
Mr. Chen Qiyu (陳啟宇)[12]

Strategic Committee

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

Audit Committee

Mr. Tang Guliang (湯谷良) *(Chairman)*
Mr. Jiang Xian (江憲)
Mr. Gong Ping (龔平)[4]
Mr. Wang Can (王燦)[7]
Ms. Mu Haining (沐海寧)[8, 9]

Nomination Committee

Mr. Jiang Xian (江憲) *(Chairman)*
Ms. Li Ling (李玲)
Mr. Pan Donghui (潘東輝)[4]
Ms. Mu Haining (沐海寧)[9]

Remuneration and Appraisal Committee

Dr. Wong Tin Yau Kelvin (黃天祐) *(Chairman)*
Mr. Chen Qiyu (陳啟宇)
Mr. Pan Donghui (潘東輝)[4]
Mr. Jiang Xian (江憲)
Mr. Tang Guliang (湯谷良)
Ms. Mu Haining (沐海寧)[9]

1 Elected as the chairman of the Company on 29 October 2020 and resigned as the president on 29 October 2020.
2 Resigned as the chairman of the Company on 29 October 2020 and re-designated from an executive Director to a non-executive Director on 29 October 2020.
3 Resigned as the co-chairman of the Company on 29 October 2020 and re-designated from an executive Director to a non-executive Director on 29 October 2020.
4 Appointed on 30 June 2020.
5 Appointed on 9 October 2020.
6 Resigned on 17 January 2020.
7 Resigned on 21 January 2020.
8 Appointed on 21 January 2020.
9 Resigned on 30 June 2020.
10 Appointed on 30 March 2020.
11 Appointed on 29 October 2020.
12 Resigned on 29 October 2020.

Environmental, Social and Corporate Governance Committee

Dr. Wong Tin Yau Kelvin (黃天祐)[10]
Ms. Li Ling (李玲)[10]
Mr. Wu Yifang (吳以芳)[10]

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
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Principal Banks

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

Corporate Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation

FOSUN PHARMA

Share Listing

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

Corporate Information

A Share Registrar and Transfer Office in the PRC

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

H Share Registrar and Transfer Office in Hong Kong

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

Corporate Website

http://www.fosunpharma.com

Financial Highlights

	2020 RMB million	2019 RMB million
Operating results		
Revenue	**30,163**	28,389
Gross profit	**16,732**	16,846
Operating profit	**2,437**	2,303
Profit before tax	**4,678**	4,526
Profit for the year attributable to owners of the parent	**3,663**	3,322
Profitability		
Gross margin	**55.47%**	59.34%
Net profit margin	**13.06%**	13.19%
Earnings per share (RMB Yuan)		
Earnings per share — basic	**1.43**	1.30
Earnings per share — diluted	**1.43**	1.30
Assets		
Total assets	**83,629**	76,063
Equity attributable to owners of the parent	**36,939**	31,831
Total liabilities	**37,702**	36,915
Cash and bank balances	**9,962**	9,533
Debt-to-asset ratio	**45.08%**	48.53%
Of which: Pharmaceutical manufacturing segment		
Revenue	**21,748**	21,609
Gross profit	**13,335**	14,131
Segment results	**2,262**	1,925
Segment profit for the year	**2,355**	2,073

Chairman's Statement

Dear Shareholders,

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

Mr. Wu Yifang
Chairman

2020 REVIEW

The Group's scope of business is strategically organized along the pharmaceutical and healthcare industry chain, with a focus on the domestic market while expanding globally. Businesses directly operated by the Group comprise pharmaceutical manufacturing, medical devices and medical diagnosis and healthcare service, and also has a presence in pharmaceutical commerce through its investment in Sinopharm. During the Reporting Period, under the guidance of the "4IN" strategy (Innovation, Integration, Internationalization and Intelligentization), the Group persisted in the development pattern of "innovation and transformation, integrated operation and steady development" and the mission of creating value for the shareholders, and continued to enhance its R&D and BD capabilities, enrich its production line, strengthen its commercialization and integration capacity and improve its operating efficiency. In addition to its endogenous growth, the Group explored global opportunities in cutting-edge technology and product offering in accordance with its strategic objectives, in order to facilitate the Group's continuous growth.

During the Reporting Period, the revenue of the Group amounted to RMB30,163 million, representing a year-on-year increase of 6.25%. Net profit attributable to shareholders of the listed company amounted to RMB3,663 million, representing a year-on-year increase of 10.27%. Net profit (after extraordinary gain or loss) attributable to shareholders of the listed company amounted to RMB2,718 million, representing a year-on-year increase of 21.65%. Net cash flow from operating activities amounted to RMB2,580 million, increased by 11.19% on the same basis, after excluding the impact of the upfront payment of EUR125 million to BioNTech for the mRNA-based vaccine targeting COVID-19 at the end of 2020.

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

Pharmaceutical manufacturing

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

Medical Devices and Medical Diagnosis

During the Reporting Period, the Group recorded revenue of RMB5,208 million from the medical devices and medical diagnosis segment, representing a year-on-year increase of 39.70%; segment results amounted to RMB1,053 million, which increased by 83.45% year-on-year; segment profit amounted to RMB907 million, which increased by 83.23% year-on-year. The year-on-year increase in sales revenue and net profit were mainly attributable to the contributions from the anti-pandemic products (e.g. the nucleic acid test kits for 2019-nCoV, negative pressure ambulances and ventilators), and the resumption of our conventional businesses, the number of installation of, and the volume of surgeries in respect of, the Da Vinci surgical robotic system of the joint venture Intuitive Fosun has recovered rapidly since the second quarter. In 2020, 55 Da Vinci surgical robotic systems were installed, and the volume of surgeries grew continuously.

Healthcare Services

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

OUTLOOK

In 2021, the development of the entire pharmaceutical industry will be presented with both challenges and opportunities. The Group will continue to commit to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and it will endeavor to capture the opportunities presented by the broad pharmaceutical market in China as well as the rapid growth in mainstream markets such as Europe and the U.S. and certain emerging markets. The Group adheres to the development strategies of innovation and transformation, integrated operation and steady development. While continuously enhancing its R&D capability, it will continue to achieve the transformation and practice of global innovative advanced technology by adopting technology introduction and "deep incubation" models to access the global innovative advanced technology so as to facilitate the innovation and transformation and propel the international expansion of the Group. With respect to production and operation, by gradually establishing the commission production management mechanism within the Group, the Group will promote the mutual commission of products within the Group and CDMO production, so as to ensure the production capacity and supply of key products. The Group will introduce advanced production technologies, build new smart factories and APIs bases, roll out implementation plans for new drugs in advance, and strengthen quality and supply chains, in order to lay a solid industrial foundation for innovation and transformation. Meanwhile, by acquiring and consolidating domestic and overseas quality pharmaceutical manufacturing companies, the Group will strengthen the upgrading and optimization of production and manufacturing systems and product marketing systems, and proactively implement internationalization. In addition, the Group will focus on the construction of an operation system as a healthcare group to further strengthen its management in the healthcare services segment. The Group will further enhance its core competence to improve its operating results. At the same time, the Group will continue to actively explore financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

In 2021, the Group will strive to control costs and various expenses. As a result, the Group plans for the increase in costs not to exceed the growth in revenue and the cost of sales ratio and management expense ratio will be relatively stable so as to enhance profit margin and profitability of the major products.

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

Mr. Wu Yifang
Chairman

29 March 2021

Management
Discussion and Analysis

FINANCIAL REVIEW

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

During the Reporting Period, revenue of the Group amounted to RMB30,163 million, representing an increase of 6.25% as compared to 2019.

At the beginning of 2020, the Group's business was affected to a certain extent due to the COVID-19 pandemic. However, with the orderly resumption of production and operation in the second quarter, and the launch of new products in the third quarter, namely Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets) one after another, and the sales contribution from anti-pandemic products such as the nucleic acid test kits for 2019-nCoV, the Group's business was steadily recovered and improved. During the Reporting Period, the revenue of the Group amounted to RMB30,163 million, representing a year-on-year increase of 6.25%. Profit before tax amounted to RMB4,678 million, representing a year-on-year increase of 3.36%. Profit attributable to owners of the parent amounted to RMB3,663 million, representing a year-on-year increase of 10.27%. Net cash flow from operating activities amounted to RMB2,580 million, increased by 11.19% on the same basis, after excluding the impact of the upfront payment of EUR125 million to BioNTech for the mRNA-based vaccine targeting COVID-19 at the end of 2020.

During the Reporting Period, earnings per share of the Group increased by 10.00% to RMB1.43 as compared to 2019.

REVENUE

During the Reporting Period, the revenue of the Group amounted to RMB30,163 million, representing a year-on-year increase of 6.25%. The Group recorded revenue of RMB21,975 million in Chinese Mainland, representing a year-on-year increase of 0.96%. Revenue of an equivalent of RMB8,188 million was recorded in countries or regions other than Chinese Mainland, representing a year-on-year increase of 23.65%.

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB21,748 million, representing a year-on-year increase of 0.64%. The segment results and segment profit amounted to RMB2,262 million and RMB2,355 million, respectively, representing a year-on-year increase of 17.51% and 13.60%, respectively.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased to RMB13,431 million from RMB11,543 million, representing a year-on-year increase of 16.36%.

GROSS PROFIT

Consistent with the reasons above, during the Reporting Period, gross profit of the Group amounted to RMB16,732 million, representing a decrease of 0.68% as compared with RMB16,846 million for 2019. The gross profit margin of the Group for 2020 and 2019 was 55.47% and 59.34%, respectively. This year, the gross profit margin of the Group decreased by 3.87 percentage points as compared to 2019.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, the Group maintained and increased its strategic investment, such as new sales team formation and market development, in newly launched products (such as Han Li Kang (rituximab injection), Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets)), and strengthened the management and control of sales expenses. The selling and distribution expenses for the year decreased by 14.04% to RMB8,464 million from RMB9,847 million for 2019. The decrease in selling and distribution expenses was mainly due to: ① the optimization of the product structure; ② a decrease in sales expenses for products selected for centralized procurement; ③ the conversion of some offline activities to online, which correspondingly reduced travel and conference expenses; ④ the continued strengthening of the management and control of sales expenses, and other factors.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, the Group continued to enhance its R&D expenditure. The total R&D expenditure amounted to RMB4,003 million, representing a year-on-year increase of RMB540 million or 15.59%. In particular, the R&D expenses amounted to RMB2,795 million, representing a year-on-year increase of RMB754 million or 36.94%. During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB3,670 million, representing a year-on-year increase of RMB539 million or 17.21%, accounting for 16.77% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB2,468 million, representing a year-on-year increase of RMB727 million or 41.76%, accounting for 11.28% of the revenue from the pharmaceutical manufacturing segment, mainly due to the increase in the R&D expenditures in biopharmaceutical drugs, small molecular innovative drugs and imported innovative drugs, and increase in R&D expenditures in innovation incubation platform during the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased to RMB1,714 million, up from RMB1,496 million, representing an increase of 14.57% as compared to last year.

PROFIT FOR THE YEAR

Due to the above factors, profit for the Reporting Period of the Group increased to RMB3,940 million from RMB3,744 million, representing an increase of 5.24% as compared to last year. Net profit margin of the Group for 2020 and 2019 was 13.06% and 13.19%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group increased to RMB3,663 million from RMB3,322 million, representing an increase of 10.27% as compared to last year.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 31 December 2020, total debts of the Group increased to RMB23,743 million from RMB21,691 million as at 31 December 2019 mainly due to new borrowings during the Reporting Period. As at 31 December 2020, mid-to-long-term debts of the Group accounted for 38.34% of its total debts, representing a decrease of 21.53 percentage points as compared to 59.87% as at 31 December 2019. During the Reporting Period, the proportion of mid-to-long-term debts decreased mainly because of the transfer to current liabilities from non-current liabilities of "16 Fosun Pharma 01", "18 Fosun Pharma 01" and "18 Fosun Pharma 03" corporate bonds with sell back option in the aggregate principal amount of RMB3.0 billion, RMB1.3 billion and RMB1.0 billion, respectively, as they will be due within one year. As at 31 December 2020, cash and bank balances rised by 4.50% to RMB9,962 million from RMB9,533 million as at 31 December 2019.

As at 31 December 2020, an equivalent amount of RMB7,981 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 31 December 2020, cash and bank balances of the Group denominated in foreign currencies amounted to RMB4,748 million (31 December 2019: RMB4,396 million).

Unit: million Currency: RMB

Cash and bank balances denominated in:	31 December 2020	31 December 2019
RMB	5,214	5,137
US dollars	2,194	2,244
Rupees	2,305	1,003
HK dollars	41	1,055
Others	208	94
Total	9,962	9,533

Gearing Ratio

As at 31 December 2020, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 28.39%, as compared with 28.52% as at 31 December 2019.

Interest Rate

As at 31 December 2020, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB11,039 million (31 December 2019: RMB12,679 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	31 December 2020	31 December 2019
Within 1 year	14,640	8,704
1 to 2 years	7,801	7,016
2 to 5 years	548	5,592
Over 5 years	754	379
Total	23,743	21,691

AVAILABLE FACILITIES

As at 31 December 2020, save for cash and bank balances of RMB9,962 million, the Group had unutilized banking facilities of RMB32,037 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "Banks") in China. According to such agreements, the Banks have granted the Group general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations in China. As at 31 December 2020, total available banking facilities under these arrangements were approximately RMB48,374 million in aggregate, of which RMB16,337 million had been utilized. In April 2020, the Company was approved by the CSRC to apply for registration of public issuance of corporate bonds with a nominal value of not more than RMB5,000 million to professional investors. The approval is valid within 24 months from the date of approval of registration by the CSRC. In May 2020 and June 2020, the Company was notified by the NAFMII to accept the registration of ultra-short term financing bonds and medium-term notes of the Company respectively, with the registered amount of RMB5,000 million. The registered amount is valid within 2 years from the date of signing the relevant notice.

Collateral and Pledged Assets

As at 31 December 2020, the Group had placed the following assets as collateral for bank borrowings: property, plant and equipment amounting to RMB188 million (31 December 2019: RMB134 million) and prepaid land lease payments amounting to RMB529 million (31 December 2019: RMB303 million).

As at 31 December 2020, the Group had pledged the following for bank borrowings: trade receivables amounting to RMB4 million and other receivables amounting to RMB5 million. The Group had no equity interest pledge (31 December 2019: the entire equity interest in Alma Lasers and Alma Lasers Inc. were held by the Group and Pramerica-Fosun China Opportunity Fund L.P.). Details of the collateral and pledged assets are set out in note 31 to the financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principal of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for 2020 and 2019.

Unit: million Currency: RMB

	2020	2019
Net cash flows from operating activities	**2,580**	3,222
Net cash flows used in investing activities	**(4,706)**	(172)
Net cash flows from financing activities	**1,467**	(1,936)
Net increase in cash and cash equivalents	**(959)**	1,109
Cash and cash equivalents at the beginning of the year	**8,284**	7,175
Cash and cash equivalents at the end of the year	**7,325**	8,284

Note: For the analysis on reasons for the changes in cash flows, please refer to "IV. Cash Flows" of "2. MAJOR OPERATIONS IN THE REPORTING PERIOD" under "BUSINESS REVIEW".

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB4,629 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 31 December 2020, the Group's capital commitments contracted but not provided for amounted to RMB3,823 million. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 43 to the financial statements.

Contingent Liabilities

As at 31 December 2020, the Group did not have any contingent liabilities.

Interest Coverage

In 2020, the interest coverage, which is calculated by EBITDA divided by financial cost was 8.27 times as compared with 6.62 times for 2019. The increase in interest multiples was mainly due to the year-on-year decrease in financing costs and the average interest-bearing debt scale during the Reporting Period, which resulted in a decrease of 18.05% in financial costs from RMB1,075 million in 2019 to RMB881 million.

RISK MANAGEMENT

Foreign Currency Exposure

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

Interest Rate Exposure

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

BUSINESS REVIEW

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

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

At the beginning of 2020, the Group's business was affected to a certain extent due to the COVID19 pandemic. However, with the orderly resumption of production and operation in the second quarter, and the launch of new products in the third quarter, namely Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets) one after another, and the sales contribution from anti-pandemic products such as the nucleic acid test kits for 2019-nCoV, the Group's business was steadily recovered and improved. During the Reporting Period, the revenue of the Group amounted to RMB30,163 million, representing a year-on-year increase of 6.25%. Net profit attributable to shareholders of the listed company amounted to RMB3,663 million, representing a year-on-year increase of 10.27%. Net profit (after extraordinary gain or loss) attributable to shareholders of the listed company amounted to RMB2,718 million, representing a year-on-year increase of 21.65%. Net cash flow from operating activities amounted to RMB2,580 million, increased by 11.19% on the same basis, after excluding the impact of the upfront payment of EUR125 million to BioNTech for the mRNA-based vaccine targeting COVID-19 at the end of 2020.

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

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

Unit: million Currency: RMB

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

Pharmaceutical manufacturing

Performance summary

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

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

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

Unit: million Currency: RMB

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

R&D innovation

Since 2009, the Group established international R&D platforms such as Fochon Pharma and Shanghai Henlius respectively in China and the United States. The Group continuously strengthens its independent R&D system with 24-hour global R&D. The global CMO office has been established to manage the global clinical registration in recent years. The global R&D center was also upgraded and established at the beginning of 2020 to coordinate new projects as well as the internal and external resources, prioritize the promotion of strategic products, strengthen global clinical and registration capabilities, and improve R&D efficiency. At the same time, a global business development (BD) team was nurtured to have access to the leading products and technology platforms in the industry for commercialization. Through independent R&D, cooperative development, license introduction and in-depth incubation, the Group has built and formed small molecule innovative drugs, antibody drugs and cell therapy technology platforms around centering on tumor and immune modulation, four hypers (hypertension, hyperlipidemia, hyperglycemia and hyperuricemia) and their complications, central nervous system and other major therapeutic areas, and actively explored cutting-edge technology fields such as Protac, RNA, oncolytic viruses and gene therapy to enhance its innovation capabilities. As at the end of the Reporting Period, there were nearly 2,300 R&D personnel, of which approximately 1,200 persons obtained a master's degree or above, representing approximately 7% of the total number of employees in the Group; it had 247 major pipeline innovative drugs, generic drugs, biosimilars and consistency evaluation projects of generic drugs (for details, please refer to Table 1 — Major pipeline drug projects). During the Reporting Period, a total of 176 patents had been applied for in the pharmaceutical manufacturing segment of the Group, including 12 U.S. patent applications, 16 PCT applications, with 70 licensed invention patents obtained.

Table 1 — Major pipeline drug projects

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

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

Note 2: This table does not include Ejilunsai injection (code FKC876, i.e. anti-human CD19 CAR-T cell injection) of the joint venture Fosun Kite, which completed the bridging clinical trial of the product for the treatment of adult patients with relapsed and refractory large B-cell lymphoma in Chinese Mainland and was granted priority review status for the launch and registration of drugs.

Table 2 — Small molecular innovative drugs under independent development

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

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

Table 3 — Biopharmaceutical innovative drugs under independent development

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

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

Note 2: At the stage of phase I clinical trial for solid tumor indications in the Taiwan region of China; phase II clinical trial of such drugs on unresectable or metastatic microsatellite instability-high or mismatch repair deficient solid tumor that have failed standard therapies was in progress in Chinese Mainland.

Table 4 — License-in innovative drugs

No.	Therapeutic area	Drug name/code	Indications	R&D progress in China as at the end of the Reporting Period
1	Metabolism and alimentary system	Tenapanor Tablets	Irritable bowel syndrome with constipation (IBS-C)	Phase I clinical trial
2		Ferric Pyrophosphate Citrate Solution	Iron substitutes for dialysis patients	Phase III clinical trial
3	Anti-tumor	Balixafortide	Breast cancer	Preparation for clinical trial application
4		SurvaxM Injection	Malignant glioblastoma	Preparation for clinical trial application
5	Anti-infection	mRNA Vaccine BNT162b1	Prevention of COVID-19	Phase I clinical trial
		mRNA Vaccine BNT162b2		Phase II clinical trial
6		PA-824	For the treatment of patients with extensively drug-resistant tuberculosis (XDR-TB) or multidrug-resistant tuberculosis (MDR-TB) who cannot tolerate treatment/experience low efficacy of treatment	Phase I clinical trial
7	Central nervous system	Opicapone Capsules	Parkinson syndrome	Phase I clinical trial[Note]
8	Blood system	Avatrombopag Maleate Tablets	Chronic immune thrombocytopenia (ITP)	Approved for clinical trial
9		Tenapanor Tablets	Hyperphosphatemia in end-stage renal disease dialysis patients (ESRD-HD)	Approved for clinical trial
10	Others	Bremelanotide Injection	Impaired female sexual desire (HSDD)	Phase I clinical trial
11		Fortacin Spray (Lidocaine Prilocaine Spray)	Premature ejaculation	Application for clinical trial accepted
12		RT002	Moderate to severe glabellar lines in adults (GL)	Approved for clinical trial
13			Cervical dystonia (CD)	Approved for clinical trial

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

Table 5 — Biosimilars under independent development

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

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

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

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

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

Table 7 — Products won tenders for centralized procurement

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

Key launched new products:

- Han Li Kang (rituximab Injection)

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

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

- Han Qu You (trastuzumab Injection)

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

  For domestic market, a commercialization team consisting of about 400 staff members has been established for Han Qu You, which covered five major sectors including market promotion, channel management, pricing and market access, domestic sales, and strategic planning. With full efforts in deployment and consistent development in domestic market, and focusing on the brand vision of "leaving no HER2 patient behind", the team quickly constructed a commercialization system comprising core market, basic-tier market, DTP channels and online knowledge promotion, so as to help more breast cancer patients in China. As at January 2021, Han Qu You gained access to the medical insurance in all provinces and cities throughout the country. As at the date of this report, Han Qu You had access to pharmaceuticals procurement via tender bidding in 28 provinces or cities. For international market, the product was successfully launched in nearly 20 EU countries and regions including the United Kingdom and Germany through the licensing cooperation with Accord, demonstrating the confidence and recognition of the Group's products in the international market. In 2020, Han Qu You recorded sales revenue of RMB140 million for the year.

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

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

License-in and License-out Projects

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

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

For license-out projects: Fochon Pharma, a subsidiary of the Company, reached an agreement with Lilly to grant Lilly the exclusive right to develop, produce and commercialize its independently developed small molecule inhibitor targeting BCL-2 in regions outside of China in October 2020. According to the agreement, Lilly shall pay the Group not exceeding US$440 million in license fees (including upfront payment of US$40 million, development and regulatory milestone payment of not exceeding US$340 million, and sales milestone payment of not exceeding US$60 million), and shall pay the royalty on sales at the rate of 4%-8% based on the sales of the product after its launch. In addition, HLX02 (trastuzumab injection) has also been launched for sales in, among others, the United Kingdom and Germany through license cooperation with Accord. In January 2021, Shanghai Henlius entered into a formal agreement with Intas (the controlling shareholder of Accord), pursuant to which, it agreed Intas to develop and commercialize HLX02 (trastuzumab injection) in the U.S. and Canada. According to the agreement, Intas shall pay an upfront payment of US$27 million and development milestone payment of not exceeding US$13 million, and pay sales milestone payment and royalty on sales (at a rate of 18%-50%) according to the sales of the product within the licensed territory.

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

Unit: '0,000 Currency: US$

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

Note 1: It is the controlling shareholder of Accord.

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

Commercialization system

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

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

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

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

- Domestic distribution channel cooperation
  In addition, by virtue of the in-depth cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's strengths in distribution network and logistics and reached all levels of markets.

Production and quality

In order to further improve the competitiveness of the production system, strengthen operational efficiency and implement the internationalization strategy, the Group continued to streamline its competitive internal production capacity and deepen the integration of the production side. In China, the Group's deployment comprises domestic integrated preparation manufacturing centers such as Wanbang Pharma and Yao Pharma. The Group also consolidated its special preparations bases, such that the base of Aohong Pharma would focus on highly active drugs, the base of Shandong Erye, would focus on penicillins, and the base of Hebei Folon would focus on proprietary Chinese medicines. Meanwhile, the Group expedited the construction and improvement of three API bases in Changde, Xinyi and Changshou to ensure the supply of APIs for existing preparations and the development of innovative drugs. During the Reporting Period, the Group continued to expand production capacity of biopharmaceutical drugs and accelerate the construction of production bases to build up the advantage of large-scale production. The commercial production capacity of Shanghai Henlius's Xuhui base has increased to 20,000 liters, and the base also received GMP certification from the EU; Phase I of Songjiang base has commenced trial production in the second quarter of 2020, with a planned production capacity of 24,000 liters; Phase II of Songjiang base is under accelerated construction and is expected to have a production capacity of 36,000 liters after completion. In the overseas market, despite the impact of the COVID-19, Gland Pharma completed the construction of new freeze-dried line and hormone product line in 2020, laying a foundation for further increase in production capacity in 2021.

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

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

Furthermore, the Group procured its subsidiaries to establish a quality system that meets domestic and international requirements through different means such as system research, unannounced inspection, special inspection, special research on regulations, etc., and continued to carry out internal quality training and corporate quality culture promotion to improve the quality risk awareness and quality management capabilities of all employees. During the Reporting Period, all production lines of the domestic pharmaceutical members of the Group obtained domestic GMP certifications, and received over 80 official inspections as well as official sample tests on over 600 batches, all of which were passed smoothly.

Medical Devices and Medical Diagnosis

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

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

During the Reporting Period, the operating results of Sisram Medical were affected to a certain extent due to the effect of COVID-19 pandemic on the downstream medical cosmetic industry. In 2020, the revenue of Sisram Medical amounted to US$162 million and net profit amounted to US$15 million (based on the financial statements of Sisram Medical using its presentation currency), which has a slightly year-on-year decrease. During the Reporting Period, Sisram Medical continued to develop the global market (especially the emerging markets), and strengthened its new product portfolio, in particular, by increasing R&D expenditure in minimally invasive treatment systems. Its four new products launched in 2020, namely Derma Clear, Harmony XL Pro, Opus Plasma (North America version) and Alma Hybrid received extensive attention and positive responses from the market.

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

In 2020, the Group’s self-developed fully automated chemiluminescence instrument and its supporting reagent products entered the market with gradually increasing sales quantities. The relevant supporting reagents obtained registration approval numbers. Mycare, an exclusive product for blood concentration monitoring of antipsychotic drugs, received recognition from end-users, rapidly opening up its market. Glycotest (liver cancer diagnosis) and other new products entered the registration phase, our self-manufactured ELSPOT (tuberculosis test) hit the market during the Reporting Period.

Healthcare Services

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

During the Reporting Period, through continuous promotion of specialties layout at medical institutions, as well as internal integration and external expansion, the Group established regional medical centers and a supply chain spanning across major health industries. As at the end of the Reporting Period, the Group completed a strategic deployment of healthcare services in specialty and general hospitals with the Pearl River Delta Greater Bay Area, Yangtze River Delta, Huaihai Economic Zone and Chengdu-Chongqing Economic Zone being the regional focus for healthcare services. The medical service institutions controlled by the Group that had been put into operation mainly included Foshan Chancheng Hospital, Shenzhen Hengsheng Hospital* (深圳恒生醫院), Suqian Zhongwu Hospital/Suqian Cancer Hospital, Wenzhou Geriatric Hospital, Yueyang Guangji Hospital, Anhui Jimin Hospital, Wuhan Jihe Hospital, Zhuhai Chancheng Hospital, Suqian Rehabilitation Hospital and Chongqing Xingrong Medical Cosmetology Hospital, with a total of 4,610 authorized beds available for the public. During the Reporting Period, with respect to operation management of healthcare services, the management systems and frameworks of medical, nursing, technical and other medical professions and functions of finance, EHS and infrastructure were continuously improved and optimized to further expand the collective procurement categories, realizing cost reduction and efficiency by fully exerting the platform effect, and promoting procurement standardization and supply through established channels. Thus, the Group's healthcare services continued to improve in the areas of business development, management efficiency, procurement cost control and information technology system. The efficiency of asset management of the healthcare service segment was also strengthened.

As a non-public medical institution, the Group has been adhering to the guideline of "focusing on disciplined construction, creating quality medical services" throughout the years. By integrating the specialty resources of its hospitals, it has established 12 major specialty alliances, while many of its controlling hospitals have completed the achievement of key specialties at a municipal level and provincial level, in their regions. At the same time, 2 training bases for nurse specialists in obstetric care and stroke care have been established. By virtue of the specialty alliance, the Group conducted on-site systematic evaluation of the specialties of member hospital to clarify discipline positioning and development direction; it also promoted the vertical connection between the specialties of member hospitals to form various work mechanisms such as business discussion, entrusted department management and co-construction. During the Reporting Period, Foshan Chancheng Hospital, the flagship hospital, was ranked the number one non-public hospital in China again, and obtained approval for 2 national-level diagnosis and treatment centers; Suqian Zhongwu Hospital obtained approval for 2 municipal key specialties; Shenzhen Hengsheng Hospital obtained subsidy approval for one project from the National Natural Science Foundation of China; and Suqian Cancer Hospital was approved as a Class II cancer hospital. Through the efforts in establishing hospitals with different classes, the groundwork for the business roadmap had been laid, which involved 5 Class II hospitals led and supported by 3 Class III hospitals in terms of business and discipline development, all playing an important role in the strategic planning of healthcare services in Southern China as well as the business expansion in developed coastal cities and regions. In addition, the Group proactively developed new medical services and products based on the Internet and constructed a service network from communities to hospitals. Foshan Chancheng Hospital, Hengsheng Hospital, Suqian Zhongwu Hospital and Wenzhou Geriatric Hospital obtained their respective internet hospital license, and will continue to explore and participate into the new Internet medical industry to achieve a closed loop of online and offline services.

Pharmaceutical Distribution and Retail

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

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

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

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

Internal Integration and Operation Enhancement

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

In respect of digital technology innovation, the Group has used digital empowerment to comprehensively promote its digital transformation and upgrading, established a unified data platform and governance system, and promoted the implementation of the large middle-end platform strategy that matches the business needs of the Group. During the Reporting Period, in respect of business middle-end platform, the Group built a R&D digital platform with R&D project management system as the core; completed the top-level design and planning of smart production to form smart factory standard guidelines and a star-rated factory evaluation system; and created a digital and intelligent marketing platform based on internet hospitals and new retail. In respect of middle-end platform management, the Group continued to push forward the "Forest Plan" project, and formed a corporate digital management integrated system with SAP technology as the core platform. A core human resources system was initially established. In respect of data middle-end platform, the Group initially established a big data warehouse and BI analysis platform for medicine, and visualized and made indicators transparent by using data analysis as an entry point, so as to lay the foundation for future data-driven operations and business decision-making.

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

Financing

During the Reporting Period, the Group continued to optimize its debt structure and reasonably controlled the debt scale and comprehensive financing cost, and our debt asset ratio decreased by 3.45 percentage points to 45.05%. In 2020, the Company completed the respective application for the quota registration for corporate bonds and inter-bank market debt financing instruments, and successfully issued two tranches of super short-term commercial papers. It also actively expanded its good cooperation with domestic and foreign financial institutions, and obtained financing support, such as the anti-pandemic special loan. The Company took the variety of its financing channels to a higher level.

In November 2020, Gland Pharma completed its initial public offering in India at the offer price of INR1,500 per share, in which Gland Pharma raised proceeds of INR12.5 billion (equivalent to RMB1.121 billion) through the issuance of 8,333,333 new shares, and the Group recovered funds of RMB2,431 million by selling 19,368,686 existing shares.

Sustainable development

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

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

"BB" to "BBB". In addition to this section related to Sustainable Development and CSR Report, the Group added the Environmental, Social and Governance Report in the H-Shares Annual Report, to fairly and objectively present the sustainability strategies, policies, measures and outcomes to stakeholders.

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

Health Accessibility

During the Reporting Period, the Group put further efforts on R&D and innovation, accelerated the development and transformation of innovative technologies and products through diversified and multi-level cooperation models such as independent R&D, cooperative development, license introduction, in-depth incubation, etc., committed to providing accessible, affordable, reliable products and services to patients and clients. In February 2019, the first biosimilar drug, Han Li Kang was officially approved for product launch, becoming China's first drug developed and launched in accordance with the national guidelines for biosimilars; in 2020, two biosimilar drugs Han Qu You and Han Da Yuan were launched successively, benefiting more patients; the small molecule innovative drug Su Ke Xin was approved by the NMPA and listed into the Catalogue of Medical Products Covered by National Basic Medical Insurance System, filling the gap of Chinese-made medicine for treatment of CLDT (Chronic Liver Disease-related Thrombocytopenia) indications. In addition, in response to increasing clinical demand, the Group has been expanding the medication coverage in frontier innovation and for rare diseases. During the Reporting Period, the Company launched 1 orphan drug product (avatrombopag maleate tablets for CLDT indications), and conducted 10 R&D programs for rare diseases and orphan drugs.

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

Environment, Health and Safety (EHS)

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

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

Employees' development

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

Business Ethics

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

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

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

2. MAJOR OPERATIONS IN THE REPORTING PERIOD

A. Analysis on Principal Operations

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

Unit: million Currency: RMB

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

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

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

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

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

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

Note 6: Mainly due to the completion of acquisition of the minority stakes in Yao Pharma, Suzhou Erye, Sisram Medical, Breas and Tridem Pharma as well as the changes in profit or loss of certain non-wholly-owned subsidiaries during the Reporting Period.

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

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

I. Analysis of Revenue and Cost of Sales

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

Unit: million Currency: RMB

Principal Operations by Segments

By segments	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
Pharmaceutical manufacturing(Note 1)	21,748	8,414	61.31	0.64	12.50	decrease of 4.08 percentage points
Medical devices and medical diagnosis	5,208	2,473	52.52	39.70	39.01	increase of 0.24 percentage point
Healthcare services(Note 2)	3,170	2,521	20.47	4.34	11.35	decrease of 5.00 percentage points

Principal Operations by Products

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

Unit: million Currency: RMB

Principal Operations by Geographical Locations

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

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

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

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

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

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

(2) Analysis of Cost

Unit: million Currency: RMB

By Segments

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

Unit: million Currency: RMB

By Therapeutic Areas

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

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

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

(3) *Major Customers and Suppliers*

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

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

II. Expenses

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

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

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

III. R&D Expenditures

Accounting treatment of R&D expenditures

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

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

R&D Expenditures

Unit: million Currency: RMB

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

Descriptions

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

IV. Cash Flows

Unit: million Currency: RMB

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

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

Not applicable

C. Assets and liabilities analysis

Assets and liabilities

Unit: million Currency: RMB

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

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Interest-bearing bank and other borrowings — current	14,489	17.33	8,560	11.25	69.26	Mainly due to (1) the reclassification of the expired "16 Fosun Pharma 01" corporate bonds with sell back option in the aggregate principal amount of RMB3.0 billion on 4 March 2021 to "interest-bearing bank and other borrowings — current" for accounting during the Reporting Period; (2) the reclassification of the "18 Fosun Pharma 01" and "18 Fosun Pharma 03" corporate bonds with sell back option in the aggregate principal amount of RMB1.3 billion and RMB1.0 billion to "interest-bearing bank and other borrowings — current" for accounting during the Reporting Period; (3) the transfer of part of the expired and renewed amount of the "17 Fosun Pharma 01" corporate bonds with sell back option in the aggregate principal amount of RMB1.25 billion on 14 March 2020 being accounted for under "interest- bearing bank and other borrowings — non-current" during the Reporting Period; and (4) increase in long-term borrowings due within one year and short-term borrowings
Contract liabilities — current	1,020	1.22	504	0.66	102.38	Mainly due to the increase in the consideration of contracts received during the Reporting Period
Interest-bearing bank and other borrowings — non-current	8,476	10.13	12,577	16.54	–32.61	Mainly due to the reclassification of "16 Fosun Pharma 01", "18 Fosun Pharma 01" and "18 Fosun Pharma 03" corporate bonds with sell back option in the aggregate principal amount of RMB3.0 billion, RMB1.3 billion and RMB1.0 billion, respectively, to current liabilities and the renewal of the RMB1.25 billion corporate bonds "17 Fosun Pharma 01" during the Reporting Period

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total asset (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Lease liabilities — non-current	627	0.75	410	0.54	52.93	Mainly due to the increase in the present value of the discounted future lease payments during the Reporting Period
Contract liabilities — non-current	122	0.15	223	0.29	–45.29	Mainly due to the reclassification of part of the contract advances with the corresponding revenue recognition points expected to exceed one year which was recognized in the previous year to "contract liabilities — current"
Other long-term liabilities	269	0.32	2,860	3.76	–90.59	Mainly due to the termination of the share redemption option granted to Gland Pharma's non-controlling shareholder after the listing of the subsidiary Gland Pharma during the Reporting Period

D. Analysis on investments

Major Subsidiaries and Investees

(1) Operation and Results of Subsidiaries

① *Operation and Results of Major Subsidiaries*

Unit: million Currency: RMB

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

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

② *Status of Other Major Subsidiaries*

Unit: million Currency: RMB

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

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

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

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

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

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

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial	Pharmaceutical investment	Pharmaceutical investment	100	311,182	90,268	455,277	15,588	12,107

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

① *Acquisition of Subsidiaries in 2020*

On 27 February 2020, 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 the Share Transfer Agreement with CMIC (Beijing), pursuant to which Fosun Pharmaceutical Industrial acquired 51% equity interest in Fosun Aidi owned by CMIC (Beijing). As at the end of the Reporting Period, Fosun Pharmaceutical Industrial held 100% equity interest in Fosun Aidi.

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

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

Unit: million Currency: RMB

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

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

② *Disposal of Subsidiaries in 2020:*

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

On 24 June 2020, the deregistration of a subsidiary, namely Han Ying Biotech, was completed.

On 20 July 2020, the deregistration of a subsidiary, namely Guangzhou Xinyao, was completed.

On 26 October 2020, Fosun Medical, a subsidiary, entered into an equity transfer agreement with The Second People's Hospital of Huai'an, pursuant to which, Fosun Medical transferred its 60% equity interest in Huai'an Xinghuai Hospital to The Second People's Hospital of Huai'an. As at the end of the Reporting Period, Fosun Medical no longer held any equity interest in Huai'an Xinghuai Hospital.

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

Unit: million Currency: RMB

Name of subsidiary	Disposed through	Net assets as at date of disposal	Net profit from beginning of Reporting Period to date of disposal	Date of disposal
Chanyi Health	Deregistration	—	—	29 February 2020
Han Ying Biotech	Deregistration	—	—	24 June 2020
Guangzhou Xinyao	Deregistration	—	—	20 July 2020
Huai'an Xinghuai Hospital	Equity transfer	275	2	10 November 2020

E. Core Competence Analysis

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

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

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

3. Advantages in international development. The Group implemented its internationalization strategy in multiple dimensions including innovative R&D, BD, production, operation and commercialization. The Group has cultivated a global BD team for deployment in frontier areas through R&D cooperation and license-in projects, and has formed drug registration teams in the U.S., Africa and Europe, which continued to strengthen overseas drug registration and application capabilities. The Group also accelerated the international quality system certification of domestic production lines, and deepened its international marketing capabilities so as to further expand the international market.

F. Employees and Remuneration Policies

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

3. The Board's Discussion and Analysis on Future Development of the Company

A. Competition and Development Trends of the Industry

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

In addition, during the pandemic, the internet healthcare has played an important role in alleviating the pressure of offline medical treatment and reducing cross-infection. Internet healthcare has received unprecedented attention and development, and the industry will embrace a new era of rapid development of digitalization.

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

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

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

B. Development Strategies

The Group will continue to commit to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and it will endeavor to capture the opportunities presented by the broad pharmaceutical market in China as well as the rapid growth in mainstream markets such as Europe and the U.S. and certain emerging markets. The Group adheres to the development strategies of innovation and transformation, integrated operation and steady development. While continuously enhancing its R&D capability, it will continue to achieve the transformation and practice of global innovative advanced technology by adopting technology introduction and "deep incubation" models to access the global innovative advanced technology so as to facilitate the innovation and transformation and propel the international expansion of the Group. With respect to production and operation, by gradually establishing the commission production management mechanism within the Group, the Group will promote the mutual commission of products within the Group and CDMO production, so as to ensure the production capacity and supply of key products. The Group will introduce advanced production technologies, build new smart factories and APIs bases, roll out implementation plans for new drugs in advance, and strengthen quality and supply chains, in order to lay a solid industrial foundation for innovation and transformation. Meanwhile, by acquiring and consolidating domestic and overseas quality pharmaceutical manufacturing companies, the Group will strengthen the upgrading and optimization of production and manufacturing systems and product marketing systems, and proactively implement internationalization. In addition, the Group will focus on the construction of an operation system as a healthcare group to further strengthen its management in the healthcare services segment. The Group will further enhance its core competence to improve its operating results. At the same time, the Group will continue to actively explore financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

C. Operation Plan

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

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

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

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

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

With patients constantly at the center and clinical needs as the direction, the Group will focus on therapeutic fields including metabolism and alimentary system, anti-tumor and immune modulation, anti-infection, central nervous system and cardiovascular system, actively proceed with the transformation of its marketing team in terms of specialization, branding and digitization, and strengthen the establishment of its commercialization teams for innovative drugs and new retail, to maintain the market position and the growth in sales in the existing key areas and products of the Group. At the same time, the Group will emphasize on accelerating the launch of new products, among others, mRNA COVID-19 vaccine, Ejilunsai injection (a tentative name), and Opicapone and the sales volume of key products. The Group will continuously promote the consolidation and enhancement of the production capacity within the Group, and the optimization of the raw materials. Moreover, the Group will orderly promote the import and registration of Gland Pharma's products in China, as well as the sales and expansion of certain products in the U.S. market. Gland Pharma will implement the commissioned production of no more than 252 million doses of Russian "Sputnik V" vaccine at the Hyderabad plant in India. The Group will continue to strengthen efforts in the marketing of products with WHO-PQ certification and adopt effective product lifecycle management strategies to maintain and improve the leading position of each product in market segments.

In 2021, the Group will continuously speed up the clinical trials for products and the progress in registration. The Group plans to commence more than 10 overseas clinical projects, including the self-developed FCN-159 which will enter global multi-center clinical trials.

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

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

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

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

In addition, the Group will continue to strengthen the construction of domestic sales network and professional sales team; expand and establish overseas channels; improve the clinical value-oriented market technical team; optimize the layout of after-sales service team, and improve brand capacity building. The Group will also intensify integration to improve its integrated operation capabilities and efficiency, and elevate the construction of talent teams and talent structure to a new strategic height, accelerate the market access of diagnostic products, including newly introduced and registered products, in order to increase market share. The Group will actively build the support capabilities of middle and back offices, improve smart manufacturing capabilities, optimize supply chains, realize smart production process management, and centralize product production capacity, so as to achieve economies of scale, reduce costs, and continue to enhance corporate value.

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

Healthcare Services

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

Pharmaceutical Distribution and Retail

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

Financing

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

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

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

E. Potential Risks

I. Risks in relation to industry policies and system reforms

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

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

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

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

II. Market risks

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

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

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

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

III. Business and operating risks

(1) R&D risk of drugs

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

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

(2) Control risk of product/service quality

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

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

In this regard, the Group will continue to focus on quality and risk management throughout the life cycle of its products, and formulated and implemented quality and safety control mechanisms and pharmacovigilance mechanism. Meanwhile, taking lean operations as a means, and on the basis of developing medical service segment, the Group focuses on the construction of disciplines and improving the quality of operations.

(3) Safety and environmental risks

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

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

IV. Management risks

(1) Internationalized risks

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

(2) Risks arising from acquisitions and reorganizations

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

V. Foreign exchange risk

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

VI. Force majeure risks

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

Other Events

A. Shareholding Increase Plan of the Controlling Shareholder

2019 Shareholding Increase Plan of the Controlling Shareholder

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

2020 Shareholding Increase Plan of the Controlling Shareholder

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

B. Shareholding Decrease Plan of Directors

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

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

Approval for registration of corporate bonds

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

Approval for registration of inter-bank market debt financing instruments

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

D. Issuance of inter-bank market debt financing instruments

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

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

E. Overseas listing of Gland Pharma, our subsidiary

On 30 December 2019, the shareholders of the Company approved (among other matters) the proposed spin-off of Gland Pharma, a subsidiary of the Company, and 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) (《關於上海復星醫藥(集團)股份有限公司分拆所屬企業境外上市有關事宜的函》(國合函[2020]417號)) from the International Cooperation Division of the CSRC. The International Cooperation Division had no objection to the spin-off and overseas listing of Gland Pharma; Hong Kong Stock Exchange also confirmed that the Company may proceed the spin-off and oversea listing of Gland Pharma.

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

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

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

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

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

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

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

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

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

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

Five-Year Statistics

Unit: million   Currency: RMB

Year	2016	2017	2018	2019	2020
Operating Results					
Revenue	14,506	18,362	24,714	28,389	**30,163**
Profit for the year	3,221	3,585	3,020	3,744	**3,940**
Profit for the year attributable to owners of the parent	2,806	3,124	2,708	3,322	**3,663**
EBITDA	4,799	5,585	5,856	7,121	**7,287**
Proposed final dividend (in RMB Yuan)	0.35	0.38	0.32	0.39	**0.43**
Earnings per share (in RMB Yuan)					
Earnings per share — basic	1.21	1.27	1.07	1.30	**1.43**
Earnings per share — diluted	1.20	1.27	1.07	1.30	**1.43**
Equity					
Total equity	25,193	29,685	33,536	39,147	**45,927**
Equity attributable to owners of the parent	22,133	25,270	27,921	31,831	**36,939**
Equity per share attributable to owners of the parent	9.17	10.13	10.89	12.42	**14.41**
Debt					
Total debt	11,710	20,287	23,203	21,691	**23,743**
Gearing ratio (%)	26.79%	32.77%	32.91%	28.52%	**28.39%**
Interest coverage (times)	9.83	9.66	6.30	6.62	**8.27**
Assets					
Cash and bank balances	5,996	7,249	8,547	9,533	**9,962**
Property, plant and equipment	6,325	8,353	9,218	10,721	**12,580**
Prepaid land lease payments	1,030	1,324	1,523	—	**—**
Right-of-use asset	—	—	—	2,455	**2,666**
Investments in joint ventures	248	647	447	381	**382**
Investments in associates	15,870	17,747	20,924	20,492	**21,871**
Available-for-sale investments	2,674	2,673	—	—	**—**
Equity investments at fair value through profit or loss	48	219	—	—	**—**
Financial assets at fair value through profit or loss — non-current	—	—	2,506	1,983	**1,461**
Financial assets at fair value through profit or loss — current	—	—	616	457	**1,970**
Equity investments designated at fair value through other comprehensive income	—	—	126	108	**1**
Segment net profit					
Pharmaceutical manufacturing	1,640	1,838	1,755	2,073	**2,355**
Medical devices and medical diagnosis	323	387	440	495	**907**
Healthcare service	149	223	209	1,559	**109**
Pharmaceutical distribution and retail	1,284	1,416	1,515	1,634	**1,807**

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

Report of the Directors

The Directors are pleased to present their 2020 report and the audited consolidated financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group's scope of business is strategically organized along the pharmaceutical and healthcare industry chain, with a focus on the domestic market while expanding globally. Businesses directly operated by the Group include pharmaceutical manufacturing, medical devices and medical diagnosis and healthcare service. The Group also has a presence in pharmaceutical commerce through its investment in Sinopharm.

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2020 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 149 to 275.

The Board has proposed the 2020 Final Dividend of RMB0.43 per share, before tax, for the year ended 31 December 2020, which will be subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company.

The Company will dispatch a circular containing, inter alia, further information relating to the proposed distribution of the 2020 Final Dividend and the forthcoming annual general meeting of the Company to Shareholders as soon as practicable.

PROFIT DISTRIBUTION PLAN

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

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

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

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

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

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

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

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

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

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

Shanghai-Hong Kong Stock Connect: the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the investors of H shares for Shanghai-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Shanghai-Hong Kong Stock Connect through its depositary and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2014] No. 81), for dividends received by mainland investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

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

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

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

SUMMARY FINANCIAL INFORMATION

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

ISSUED CAPITAL

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

SUBSIDIARIES

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

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

Sell back of "17 Fosun 01" Corporate Bonds

The total initial offering size of "17 Fosun 01" corporate bonds was RMB1.25 billion. Certain bondholders exercised their sell back option at the end of the third interest-bearing year during the term of such corporate bonds according to the right of adjustment to the coupon rate of the issuer and investors' sell back option as provided in the "Offering Memorandum for the Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors in 2017 by Shanghai Fosun Pharmaceutical (Group) Co, Ltd.*" (《上海復星醫藥(集團)股份有限公司2017年公開發行公司債券(面向合格投資者)(第一期)募集說明書》). The balance of the outstanding principal amount of such corporate bonds was reduced to RMB1,091.95 million.

Sell back of "18 Fosun 02" Corporate Bonds

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

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

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2020, calculated in accordance with PRC rules and regulations, was RMB8,627 million.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

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

Executive Director

Mr. Wu Yifang (吳以芳) *(Chairman and chief executive officer)*

Non-executive Directors

Mr. Chen Qiyu (陳啟宇)
Mr. Yao Fang (姚方)
Mr. Xu Xiaoliang (徐曉亮)
Mr. Gong Ping (龔平)
Mr. Pan Donghui (潘東輝)
Mr. Zhang Houlin (張厚林)

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)

Notes:

Mr. Liang Jianfeng, Mr. Wang Can and Ms. Mu Haining resigned as a non-executive Director on 17 January 2020, 21 January 2020 and 30 June 2020, respectively.

At the annual general meeting of the Company held on 30 June 2020, Shareholders elected Mr. Gong Ping and Mr. Pan Donghui as non-executive Directors of the eighth session of the Board.

At the 2020 second extraordinary general meeting held on 9 October 2020, Shareholders elected Mr. Zhang Houlin as a non-executive Director of the eighth session of the Board.

On 29 October 2020, Mr. Chen Qiyu and Mr. Yao Fang resigned as chairman and authorized representative and co-chairman, respectively, and were re-designated from executive Directors to non-executive Directors. Mr. Wu Yifang was elected as the chairman of the eighth session of the Board, and appointed as an authorized representative.

SUPERVISORS

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

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 135 to 143 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of not more than three years until the conclusion of the annual general meeting of the Company, at which members of the next session of the Board and Supervisory Committee will be elected. None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

For the year ended 31 December 2020, the remuneration, including salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contribution and cash-based long-term incentive scheme, of the Company's senior management (excluding the Company's joint company secretary Ms. Kam Mei Ha Wendy) whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Remuneration bands	Number of individuals
RMB Nil to RMB2,000,000	4
RMB2,000,001 to RMB4,000,000	12
RMB4,000,001 to RMB6,000,000	3
RMB6,000,001 to RMB8,000,000	1
RMB8,000,001 to RMB10,000,000	2
RMB10,000,001 to RMB20,000,000	1

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the income statement for the Reporting Period was RMB118.7 million.

MANAGEMENT CONTRACT

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 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 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. Wu Yifang	Beneficial owner	H Share	342,000(L)	0.06%
	Beneficial owner	A Share	718,900(L)	0.04%
Mr. Chen Qiyu	Beneficial owner	A Share	114,075(L)	0.01%
Mr. Yao Fang	Beneficial owner	A Share	611,000(L)	0.03%

Note:

(1) (L) — Long position

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

Name of Directors/ chief executive	Name of associated corporations	Class of shares	Capacity	Number of Shares[(1)]	Approximate percentage of Shares in 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	17,657,800(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%
Mr. Zhang Houlin[(3)]	Fosun International	Ordinary share	Beneficial owner	10,290,000(L)	0.12%

Notes:

(1) (L) — Long position

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

(3) Mr. Zhang Houlin was appointed as a non-executive Director on 9 October 2020.

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

As at 31 December 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	51,753,000(L)[2]	9.38%
	Beneficial owner	A Share	938,095,290(L)[2]	46.65%
Fosun International	Interest of a controlled corporation	H Share	51,753,000(L)[2]	9.38%
	Interest of a controlled corporation	A Share	938,095,290(L)[2]	46.65%
Fosun Holdings	Interest of a controlled corporation	H Share	51,753,000(L)[2]	9.38%
	Interest of a controlled corporation	A Share	938,095,290(L)[2]	46.65%
Fosun International Holdings	Interest of a controlled corporation	H Share	51,753,000(L)[2]	9.38%
	Interest of a controlled corporation	A Share	938,095,290(L)[2	46.65%
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	51,753,000(L)[2]	9.38%
	Interest of a controlled corporation	A Share	938,095,290(L)[2]	46.65%
	Beneficial owner	A Share	114,075(L)	0.01%

Notes:

(1) (L) — Long 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 71.74% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

PERMITTED INDEMNITY

At no time during the year ended 31 December 2020 and up to the date of this report, was there, any permitted indemnity provision in force for the benefit of any of the Directors and the Supervisors (whether made by the Company or otherwise) or any directors and supervisors of an associated company (if made by the Company). The Company has arranged appropriate Directors', Supervisors' and senior management's liability insurance coverage for the Directors, Supervisors and senior management.

SHARE INCENTIVE SCHEMES

Gland Pharma Share Option Incentive Scheme

The Shareholders approved the adoption of the Gland Pharma Share Option Incentive Scheme at the annual general meeting of the Company held on 25 June 2019. The summary of the principal terms of the Gland Pharma Share Option Incentive Scheme is as follows:

(1) Purpose

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

(2) Participants

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

(3) Maximum number of shares subject to options

Subject to the provisions of the Gland Pharma Share Option Incentive Scheme, after Gland Pharma's share subdivision on 17 March 2020, the maximum number of Gland Pharma shares that may be issued pursuant to exercise of options granted to the participants under the Gland Pharma Share Option Incentive Scheme shall not exceed 1,704,440 Gland Pharma shares, representing approximately 1% of the total number of issued Gland Pharma shares as at 31 December 2020. Subject to the limitations prescribed under the Gland Pharma Share Option Incentive Scheme, Gland Pharma reserves the right to increase or reduce such number of Gland Pharma shares as it deems fit.

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

(4) Vesting of options

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

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

(5) Exercise price and its basis of determination

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

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

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

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

(7) Changes in options

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

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.

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

Participant	Date of Grant (dd- mm-yyyy)	Vesting Date (dd-mm-yyyy)[1]	Option share[1]	Exercise Period (dd-mm-yyyy)[1]	Number of Options: Outstanding options as at 1 January 2020	Adjusted during the Reporting Period[2]	Exercise price per share[3]	Forfeited or lapsed during the Reporting Period[4]	Outstanding options as at 31 December 2020
Employees of Gland Pharma	27-6-2019	26-6-2020	40%	26-6-2020 to 26-6-2029	151,350	1,362,150	INR542	(33,000)	1,480,500
		31-3-2021		31-3-2021 to 26-6-2029					
		31-3-2022		31-3-2022 to 26-6-2029					
		31-3-2021	30%	31-3-2021 to 26-6-2029					
		31-3-2022		31-3-2022 to 26-6-2029					
		31-3-2022	30%	31-3-2022 to 26-6-2029					

Notes:

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

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

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

(4) During the Reporting Period, as 5 participants ceased to be employees of Gland Pharma, the granted share options underlying 33,000 subdivided shares of Gland Pharma were forfeited or lapsed.

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the Reporting Period, the Group made donations of approximately RMB40 million.

CONNECTED TRANSACTIONS

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

(A) Non-exempt Connected Transactions

1. As disclosed in the announcement of the Company dated 30 March 2020, on 30 March 2020, Fujian Fund, a subsidiary of the Company, the Company, Fosun High Tech, the controlling shareholder of the Company, and Tianjin Fuyao entered into the Suzhou Xingchen partnership agreement, pursuant to which, the total capital contribution of the Suzhou Xingchen shall be RMB10 million, of which RMB0.1 million shall be contributed by Fujian Fund (as the general partner), RMB4.44 million shall be contributed by the Company (as a limited partner), RMB2.96 million shall be contributed by Fosun High Tech (as a limited partner), and RMB2.50 million shall be contributed by Tianjin Fuyao (as a limited partner) in cash. The business registration of Suzhou Xingchen was completed in April 2020.

   On 30 March 2020, Fujian Fund, the Company, Fosun High Tech and Tianjin Fuyao entered into the Tianjin Xingyao partnership agreement, pursuant to which, the total capital contribution of the Tianjin Xingyao shall be RMB10 million, of which RMB0.1 million shall be contributed by Fujian Fund (as the general partner), RMB4.44 million shall be contributed by the Company (as a limited partner), RMB2.96 million shall be contributed by Fosun High Tech (as a limited partner), and RMB2.50 million shall be contributed by Tianjin Fuyao (as a limited partner) in cash. The business registration of Tianjin Xingyao was completed in April 2020.

   As Fosun High Tech is the controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under the Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the above Suzhou Xingchen partnership agreement and the Tianjin Xingyao partnership agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

2. As disclosed in the announcement of the Company dated 18 May 2020, on 18 May 2020, Ningbo Fuying and Suzhou Xingchen, the subsidiaries of the Company, entered into Suzhou Fund partnership agreement with Fosun High Tech and other investors in relation to the establishment of Suzhou Fund. The targeted fund-raising size of Suzhou Fund shall be RMB1,000 million with a proposed aggregate amount of the initial fund-raising of approximately RMB853 million, of which RMB10 million shall be contributed by Suzhou Xingchen (as the general partner), RMB192 million shall be contributed by Ningbo Fuying (as a limited partner), RMB128 million shall be contributed by Fosun High Tech (as a limited partner), and an aggregate amount of approximately RMB523 million shall be contributed by other investors (as limited partners) in cash. The business registration of Suzhou Fund was completed in June 2020.

   On 18 May 2020, Ningbo Fuying, Tianjin Xingyao and Tianjin Xinghai entered into Tianjin Fund partnership agreement with Fosun High Tech and other investors in relation to the establishment of Tianjin Fund. The targeted fund-raising size of Tianjin Fund shall be RMB500 million, of which RMB5 million shall be contributed by Tianjin Xingyao (as the general partner), RMB80 million shall be contributed by Ningbo Fuying (as a limited partner), RMB10 million shall be contributed by Tianjin Xinghai (as a limited partner), RMB70 million shall be contributed by Fosun High Tech (as a limited partner) and an aggregate amount of RMB335 million shall be contributed by other investors (as limited partners) in cash. The business registration of Tianjin Fund was completed in June 2020.

   As Fosun High Tech is the controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under the Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the above Suzhou Fund partnership agreement and Tianjin Fund partnership agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

3. As disclosed in the announcement of the Company dated 14 August 2020, on 14 August 2020, Fosun Healthcare, a subsidiary of the Company, Xingshuangjian Investment and SFHIH entered into a capital increase agreement with Zhuorui Outpatient in relation to the proposed capital increase in Zhuorui Outpatient in an aggregate amount of RMB20 million to be made in proportion to their respective shareholdings in Zhuorui Outpatient. Under the agreement, Fosun Healthcare proposed to make capital contribution in the amount of RMB10.2 million to subscribe for the additional registered capital of Zhuorui Outpatient of RMB10.2 million and each of Xingshuangjian Investment and SFHIH proposed to make capital contribution in the amount of RMB4.9 million to subscribe for additional registered capital of Zhuorui Outpatient of RMB4.9 million, respectively.

   As Zhuorui Outpatient is held indirectly by Fosun High Tech, the controlling shareholder of the Company, as to an aggregate of 49% through Xingshuangjian Investment and SFHIH, Zhuorui Outpatient constitutes an associate of Fosun High Tech, hence a connected person of the Company. Therefore, the transaction contemplated under such capital increase agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

4. As disclosed in the announcement of the Company dated 8 September 2020, on 8 September 2020, Fosun Pharmaceutical Industrial, a subsidiary of the Company, entered into an equity transfer agreement with the Employee Stock Holding Committee, pursuant to which, Fosun Pharmaceutical Industrial shall acquire an aggregate of approximately 10.044% equity interest in Yao Pharma from the Employee Stock Holding Committee for a consideration in an aggregate amount of approximately RMB742.44 million. Upon completion of the transaction under the equity transfer agreement, Fosun Pharmaceutical Industrial shall hold approximately 61.044% equity interest in Yao Pharma.

   As the Employee Stock Holding Committee is a substantial shareholder of Yao Pharma, the Employee Stock Holding Committee is a connected person of the Company at the subsidiary level under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under such equity transfer agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

5. As disclosed in the announcement of the Company dated 17 September 2020, on 17 September 2020, Fosun Healthcare, the Company and Fosun High Tech entered into a capital increase agreement with Shenzhen Fosun Health and its existing shareholders, namely Youle Information and Chancheng Hospital, pursuant to which, each of the Company, Fosun Healthcare and Fosun High Tech agreed to make capital contribution in the amount of RMB20 million, RMB46 million and RMB34 million, respectively, to subscribe for additional registered capital of Shenzhen Fosun Health and increase the registered capital of Shenzhen Fosun Health from RMB20.408 million to RMB120.408 million. Upon completion of the transactions under such capital increase agreement, the aggregate equity interest in Shenzhen Fosun Health held by the Group would be approximately 63.5%.

   As Youle Information is a company controlled by Mr. Guo Guangchang, the controlling shareholder of the Company, Youle Information constitutes an associate of Mr. Guo Guangchang and a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Further, as Fosun High Tech is the controlling shareholder of the Company, it also constitutes a connected person of the Company. Accordingly, the transactions contemplated under such capital increase agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

6. As disclosed in the announcement of the Company dated 17 September 2020, on 17 September 2020, Fosun Pharmaceutical Industrial, a subsidiary of the Company, entered into an equity transfer agreement with SFHIH, pursuant to which, Fosun Pharmaceutical Industrial agreed to purchase, and SFHIH agreed to sell the entire equity interest in Epharma Cloud for a total cash consideration of RMB4.5 million. Upon completion of the transaction under such equity transfer agreement, Epharma Cloud became a wholly-owned subsidiary of the Company.

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

7. As disclosed in the announcement of the Company dated 23 October 2020, on 23 October 2020, Fujian Fund, a subsidiary of the Company, the Company, Fosun High Tech, and Xinghui Anying entered into the Nanjing Fuxin partnership agreement in relation to the establishments of Nanjing Fuxin, pursuant to which, the total capital contribution of the Nanjing Fuxin shall be RMB10 million, of which RMB0.1 million shall be contributed by Fujian Fund (as the general partner), RMB4.44 million shall be contributed by the Company (as a limited partner), RMB2.96 million shall be contributed by Fosun High Tech (as a limited partner) and RMB2.50 million shall be contributed by Xinghui Anying (as a limited partner) in cash. The business registration of Nanjing Fuxin was completed in October 2020.

   As Fosun High Tech is the controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the above Nanjing Fuxin partnership agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

8. As disclosed in the announcement of the Company dated 10 November 2020, on 10 November 2020, Chancheng Hospital, a subsidiary of the Company, entered into the Foshan Xinglian joint venture contract with Xingshuangjian Investment in relation to the establishment of Foshan Xinglian. The registered capital of Foshan Xinglian is RMB10 million, of which Chancheng Hospital made cash contribution in the amount of RMB5.1 million, representing 51% of the equity interest in Foshan Xinglian, and Xingshuangjian Investment made cash contribution in the amount of RMB4.9 million, representing 49% of the equity interest in Foshan Xinglian. After the establishment of Foshan Xinglian, it became a subsidiary of the Company. The business registration of Foshan Xinglian was completed in January 2021.

   As Xingshuangjian Investment is a subsidiary of Fosun High Tech, Xingshuangjian Investment constitutes an associate of Fosun High Tech, hence a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the above Foshan Xinglian joint venture contract constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

9. As disclosed in the announcement of the Company dated 28 December 2020, on 28 December 2020, Nanjing Fuxin, Ningbo Fuying, Fosun High Tech (the controlling shareholder of the Company) and other investors entered into the Xingjian Ruiying partnership agreement in relation to the establishment of Xingjian Ruiying fund. The total fund-raising target of Xingjian Ruiying shall be in the amount of RMB1,500 million and the initial subscription capital shall be in the aggregate amount of RMB1,010.1 million, of which Nanjing Fuxin (as the general partner) shall make cash contribution in the amount of RMB10.1 million, Ningbo Fuying (as a limited partner) shall make cash contribution in the amount of RMB320 million, Fosun High Tech (as a limited partner) shall make cash contribution in the amount of RMB200 million and the other investors (as limited partners) shall make cash contribution in the aggregate amount of RMB480 million. The business registration of Xingjian Ruiying was completed in December 2020.

   As Fosun High Tech is the controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the above Xingjian Ruiying partnership agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(B) Non-exempt Continuing Connected Transactions

1. As disclosed in the announcement of the Company dated 1 June 2020, on 1 June 2020, the Company and CQ Pharma Holdings entered into the framework sales and purchases agreement in respect of the supply of sales products and the purchase of procurement products for a term of 1 year commencing from 1 January 2020 to 31 December 2020.

   As CQ Pharma Holdings is a substantial shareholder of Yao Pharma, an indirect non-wholly-owned subsidiary of the Company, CQ Pharma Holdings is a connected person of the Company at the subsidiary level under Rule 14A.07 of the Hong Kong Listing Rules. As a result, the transactions contemplated under such framework sales and purchases agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

2. As disclosed in the announcement of the Company dated 1 June 2020, on 1 June 2020, the Company and Fosun International entered into a lessee framework agreement in relation to the lease of the relevant Fosun International premises to the relevant members of the Group, as tenant, for a term of 1 year commencing from 1 January 2020 to 31 December 2020; and on the same day, the Company and Fosun International entered into a lessor framework agreement in relation to the lease of the relevant Fosun Pharma premises by the relevant members of the Group, as landlord, for a term of 1 year commencing from 1 January 2020 to 31 December 2020.

   Fosun International is the controlling shareholder of the Company and therefore a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the above relevant framework tenancy agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

3. As disclosed in the announcement of the Company dated 1 June 2020, on 1 June 2020, the Company and Fosun International entered into the mutual supply framework agreement in relation to the mutual supply of products and services between the Group and Fosun International Group and/or its associates, for a term of 1 year commencing from 1 January 2020 to 31 December 2020.

   Fosun International is the controlling shareholder of the Company and therefore a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under such mutual supply framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

4. As disclosed in the announcements of the Company dated 18 May and 6 July 2020, on 6 July 2020, Suzhou Fund and Suzhou Xingchen entered into the Suzhou Fund management agreement with Fujian Fund, pursuant to which, Fujian Fund shall be the fund manager of Suzhou Fund to provide fund management services for a term commencing from 6 July 2020 to 31 December 2022.

On 6 July 2020, Tianjin Fund and Tianjin Xingyao entered into the Tianjin Fund management agreement with Fujian Fund, pursuant to which, Fujian Fund shall be the fund manager of Tianjin Fund to provide fund management services for a term commencing from 6 July 2020 to 31 December 2022.

As Fosun High Tech is the controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under the Hong Kong Listing Rules. Fujian Fund is directly held by the Company as to 60% of its equity interest and indirectly held by Fosun High Tech as to 40% of its equity interest, respectively. Accordingly, Fujian Fund constitutes a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and a connected person of the Company under the Hong Kong Listing Rules. Therefore, the aforementioned transactions contemplated under the abovementioned Suzhou Fund management agreement and Tianjin fund management agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

5. As disclosed in the announcement of the Company dated 28 December 2020, on 28 December 2020, subsidiaries Nanjing Fuxin and Xingjian Ruiying entered into the Xingjian Ruiying management agreement with Fujian Fund. Fujian Fund shall be engaged as the fund manager of Xingjian Ruiying and provided fund management services for a term from 1 January 2021 and expiring on 31 December 2023.

   As Fosun High Tech is the controlling shareholder of the Company, Fosun High Tech constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. As Fujian Fund is directly held by the Company as to 60% of its equity interest and indirectly held by Fosun High Tech as to 40% of its equity interest, respectively, Fujian Fund constitute a connected subsidiary of the Company under Rule 14A.16 of the Hong Kong Listing Rules and a connected person under the Hong Kong Listing Rules. Therefore, the transactions contemplated under the above Xingjian Ruiying management agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

   As Fosun Finance is a subsidiary of Fosun High Tech, one of the controlling shareholders of the Company, Fosun Finance is a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under such renewed financial services agreement constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

7. As disclosed in the announcements of the Company dated 20 December 2017 and 11 July 2018, on 11 July 2018, Zhuorui Outpatient entered into a supplemental agreement to the lease agreement with Zhengda Real Estate[1] and revised the annual cap, pursuant to which, Zhuorui Outpatient (as lessee) agreed to rent the properties of the Bund International Finance Services Centre located at Huangpu District, Shanghai from Zhengda Real Estate (as lessor) for a term of 36 months commencing from 1 July 2018 to 30 June 2021 (both days inclusive).

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

1 Zhengda Real Estate had been renamed as Shanghai Fosun Bund Property

Certain details of the continuing connected transactions during the year ended 31 December 2020 are summarized in the table below. The Company has complied and will continue to comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions, including, among others, conducting annual review of the continuing connected transactions.

Connected persons	**Type of the Transaction**	**Actual amount of Transaction 2020** RMB	**Annual cap for the Transaction 2020** RMB
Shanghai Fosun Bund Property *(Note 1)*	Leasing of premises and receiving property management services by Zhuorui Outpatient from Shanghai Fosun Bund Property	8,336,883	10,200,000
Fosun International and its associates	Leasing of premises and receiving property management services by the Group from Fosun International and its associates	19,393,785	40,000,000
	Leasing of premises by the Group to Fosun International and its associates	13,155,011	20,000,000
		40,885,679	**70,200,000** *(Note 2)*

Note 1: According to the Company's announcements dated 20 December 2017 and 11 July 2018, the actual amount of transaction refers to the actual transaction amount occurred during the period ended 31 December 2020, and the annual cap is the revised annual cap of the lease agreement for the 12 months from 1 July 2020 to 30 June 2021. Under Chapter 14A of the Hong Kong Listing Rules, these transactions are aggregated in terms of the classification of connected transactions.

Note 2: According to the announcement of the Company dated 1 June 2020, the transactions in respect of leasing of premises and property management services between the Group and its associates are similar in nature and were entered into with the same party, being associate of Mr. Guo Guangchang, the controlling shareholder of the Company, they are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Hong Kong Listing Rules. The aggregate amount of annual cap is RMB70,200,000.

Connected persons	Type of the Transaction	Actual amount of Transaction 2020 RMB	Annual cap for the Transaction 2020 RMB
Fosun International and its associates	The Group's acceptance of the services provided by Fosun International and its associates	28,499,113	30,000,000
	The sales of products by the Group to Fosun International and its associates	121,374,770	250,000,000
	The provision of services by the Group to Fosun International and its associates	8,112,581	12,000,000
	The purchases of products by the Group from Fosun International and its associates	215,608,193	600,000,000
		373,594,657	892,000,000

Connected persons	Type of the Transaction	Actual amount of Transaction 2020 RMB	Annual cap for the Transaction 2020 RMB
Fosun Finance	Provision of financial services by Fosun Finance to the Group:		
	(a) Maximum daily outstanding balance of loans granted by Fosun Finance to the Group	59,300,000	1,000,000,000 *(Note 3)*
	(b) Maximum daily outstanding balance of deposits placed by the Group with Fosun Finance	979,618,950	1,000,000,000 *(Note 3)*
	(c) Fees and charges paid by the Group to Fosun Finance for settlement services and other financial services	—	1,000,000 *(Note 3)*

Note 3: The annual cap for the year ended 31 December 2020 for the transactions in respect of above from its connected persons are set out in the Company's circular dated 3 September 2019.

Connected persons	Type of the Transaction	Actual amount of Transaction 2020 RMB	Annual cap for the Transaction 2020 RMB
CQ Pharma Holdings	Sales of products by the Group to CQ Pharma Holdings and its subsidiaries	457,303,619	600,000,000 *(Note 4)*
	Purchase of products by the Group from CQ Pharma Holdings and its subsidiaries	23,238,826	25,000,000 *(Note 4)*

Note 4: According to the announcement of the Company dated 1 June 2020, the annual cap for the transactions in respect of sales transaction and purchase transaction by the Group to its connected persons (a substantial shareholder of a subsidiary of the Company and its subsidiaries) is RMB600,000,000 and RMB25,000,000, respectively.

Connected persons	Type of the Transaction	Actual amount of Transaction 2020 RMB	Annual cap for the Transaction 2020 RMB
Fujian Fund	Provision of fund management services by Fujian Fund to Suzhou Fund	3,406,978	10,000,000
	Provision of fund management services by Fujian Fund to Tianjin Fund	2,202,089	5,000,000
		5,609,067	**15,000,000**

The Board (including independent non-executive Directors) has reviewed the continuing connected transactions as described above and confirmed that in 2020, such transactions have been entered into:

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

(ii) on normal commercial terms or better; and

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

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

NON-COMPETITION UNDERTAKING

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

SUBSEQUENT EVENTS

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

THE MODEL CODE AND THE WRITTEN CODE

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

COMPLIANCE WITH THE CG CODE

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

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 93 to 103 of this annual report.

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 change in work arrangement. At the twentieth meeting of the eighth session of the Board, the appointment of Mr. Gong Ping, an 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 eighth session of the Board comprised Mr. Tang Guliang (chairman), an independent non-executive Director, Mr. Jiang Xian, an independent non-executive Director, and Mr. Gong Ping, a non-executive Director.

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

The Audit Committee of the Company has reviewed the 2020 annual results of the Group.

AUDITORS

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

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

On Behalf of the Board
Wu Yifang
Chairman

Shanghai, PRC
29 March 2021

Supervisory Committee Report

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

In 2020, the eighth session of the Supervisory Committee carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting (監事會議事規則):

Supervisors attended and participated in the discussions of relevant board meetings, and held 6 Supervisory Committee Meetings in 2020. Details are as follows:

1. On 30 March 2020, the Company convened the first meeting of the eighth session of the Supervisory Committee in 2020 (a regular meeting) to review and approve the 2019 Annual Report, the Working Report of the Supervisory Committee for 2019, the resolution on the provision for asset impairment in 2019, the Special Report of the Placement and Actual Use of the Proceeds in 2019 and the 2019 Internal Control Self-Assessment Report of the Group.

2. On 29 April 2020, the Company convened the second meeting of the eighth session of the Supervisory Committee in 2020 (a regular meeting) to review and approve the 2020 First Quarterly Report of the Group.

3. On 25 August 2020, the Company convened the third meeting of the eighth session of the Supervisory Committee in 2020 (a regular meeting) to review and approve the 2020 Interim Report of the Group, the 2020 Interim Internal Control Self-Assessment Report and the Interim Special Report of the Placement and Actual Use of the Proceeds in 2020.

4. On 29 October 2020, the Company convened the fourth meeting of the eighth session of the Supervisory Committee in 2020 (a regular meeting) to review and approve the 2020 Third Quarterly Report of the Group.

5. On 25 November 2020, the Company convened the fifth meeting of the eighth session of the Supervisory Committee in 2020 (a special meeting) to review and approve the resolution in relation to the fulfilment of the conditions for the non-public issuance of A shares by the Company, the resolutions on the Plan of the non-public issuance of A shares on an individual basis, the resolution on the proposal for the non-public issuance of A shares, the feasibility report on the use of proceeds from the non-public issuance of A shares, the report on the use of proceeds previously raised, the dilution of immediate return resulting from the non-public issuance of A shares and its remedial measures, the resolution on the undertakings given by the relevant responsible parties in respect of the remedial measures for the dilution of immediate return resulting from the non-public issuance of A shares, the shareholders' return plan for the next three years (2020–2022) and the resolution for authorizing the Board and the persons authorized by the Board to deal with all matters in relation to the non-public issuance of A shares at the general meeting.

6. On 18 December 2020, the Company convened the sixth meeting of the eight session of the Supervisory Committee in 2020 (a special meeting) to review and approve the resolution on the delay in certain investment projects funded by proceeds raised from the non-public issuance of A shares in 2010.

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

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

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

The Supervisory Committee agreed with the audit opinion issued by Ernst & Young Hua Ming LLP and Ernst & Young on the 2020 annual financial report of the Group, and that the financial report of the Group has given a true and fair view of the financial position and the operating results of the Group.

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

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

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

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

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

The Supervisory Committee has reviewed the 2020 Internal Control Self-Assessment Report of the Group, and considers that the Group has established an appropriate internal control system in all material respects and the internal control system has operated efficiently, which ensures the implementation of the internal control measures and the normal conduct of production and operation.

On Behalf of the Supervisory Committee
Ren Qian
Chairman

Shanghai, PRC
29 March 2021

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended 31 December 2020 (the "Corporate Governance Report").

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and not performed by the same individual. On 29 October 2020, Mr. Chen Qiyu ceased to serve as an executive Director and the chairman of the Board of the Company. On the same day, the Board announced the election of executive director Mr. Wu Yifang ("Mr. Wu") as the chairman of the Board. Mr. Wu joined the Group in April 2004 and has been successively serving in key positions in management and operation of subsidiaries of the Company and the Company for 16 years. Although Mr. Wu serving as both the chairman of the Board and chief executive officer will deviate from Code Provision A.2.1, his familiarity with business operation of the Group and the role of the chairman of the Board and chief executive officer vested in him can facilitate the implementation of business strategies of the Group. Further, the Board considered that the current structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will make decisions on important matters of the Company within the authority granted by the Articles of Association and Shareholders at the general meetings. Meanwhile, the Board (comprises one executive Director, six non-executive Directors and four independent non-executive Directors) is appropriately structured with a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole. Accordingly, the Board considers that the deviation from the Code Provision A.2.1 is appropriate in such circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

BOARD OF DIRECTORS

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

The composition of the Board is as follows:

Executive Director:

Mr. Wu Yifang *(Chairman and Chief Executive Officer)*

Non-executive Directors:

Mr. Chen Qiyu
Mr. Yao Fang
Mr. Xu Xiaoliang
Mr. Gong Ping
Mr. Pan Donghui
Mr. Zhang Houlin

Independent Non-executive Directors:

Mr. Jiang Xian
Dr. Wong Tin Yau Kelvin
Ms. Li Ling
Mr. Tang Guliang

Notes:
Mr. Liang Jianfeng, Mr. Wang Can and Ms. Mu Haining resigned as a non-executive Director on 17 January 2020, 21 January 2020 and 30 June 2020, respectively.
At the annual general meeting of the Company held on 30 June 2020, Shareholders elected Mr. Gong Ping and Mr. Pan Donghui as non-executive Directors of the eighth session of the Board.
At the 2020 second extraordinary general meeting held on 9 October 2020, Shareholders elected Mr. Zhang Houlin as a non-executive Director of the eighth session of the Board.
On 29 October 2020, Mr. Chen Qiyu and Mr. Yao Fang resigned as chairman and authorized representative and co-chairman, respectively, and were re-designated from executive Directors to non-executive Directors. Mr. Wu Yifang was elected as the chairman of the eighth session of the Board, and appointed as an authorized representative.

Biographical information of the Directors is set out on pages 135 to 138 of this annual report.

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

Chairman of the Board and Chief Executive Officer of the Company

Mr. Wu Yifang, the chairman of the Board and chief executive officer, provides leadership and is responsible for the effective functioning and leadership of the Board. He is also responsible for the Group's business development and daily management and operations generally. Mr. Wu Yifang ensures that the Board maintains effective operation to perform its functions and discuss all important and appropriate matters in a timely manner. Mr. Wu Yifang must also ensure that all Directors have been formally notified of the matters to be discussed at the Board meetings.

Independent Non-executive Directors

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

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

Appointment, Removal and Re-election of Directors

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

According to the records maintained by the Company, for the year ended 31 December 2020, all Directors received training with an emphasis on the roles, functions and duties as a director of a listed company in compliance with the code provisions relating to continuous professional development under the CG Code. In addition, relevant reading materials including a directors' manual and legal and regulatory updates have been provided to the Directors for their reference and studying. The continuous professional development records of the Directors for the year ended 31 December 2020 is set out in the table on page 99 of this annual report.

BOARD COMMITTEES

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

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

Audit Committee

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

In 2020, the Audit Committee held 19 meetings to review periodic reports, audit plan, internal controls, major and ongoing related party/connected transactions, and make recommendations to the Group on strengthening the internal control system.

In 2020, the Audit Committee also held 2 meetings with the external auditors without the presence of the executive Directors.

Remuneration and Appraisal Committee

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

In 2020, the Remuneration and Appraisal Committee held 1 meeting to review and make recommendations to the Board on the performance appraisal and remuneration packages of the executive Directors and senior management of the Company during the prior year.

Nomination Committee

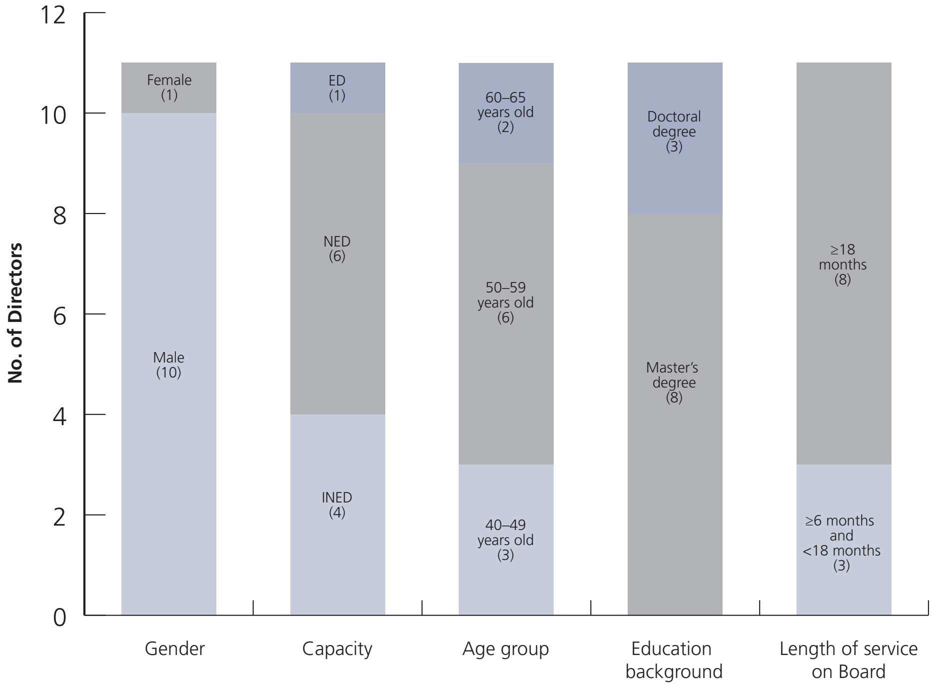
The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors and senior management, making recommendations to the Board on the appointment and succession planning of Directors,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

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

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

In 2020, the Nomination Committee held 6 meetings to discuss, approve and make recommendations to the Board on matters relating to the selection of senior management of the Company. The Nomination Committee considered an appropriate balance of diversity of the Board had been maintained.

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



Strategic Committee

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

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

Environmental, Social and Governance Committee

During the Reporting Period, in accordance with the requirements under the ESG Reporting Guide, the Company established the Environmental, Social and Governance Committee (the "ESG Committee"), a new committee under the Board, in 2020, aiming to strengthen the formulation, implementation and management of ESG strategies, evaluate the external and internal impacts of ESG efforts, obtain feedbacks on ESG efforts from internal and external consultants or experts, review the reports on relevant results, review the progress of the fulfillment of ESG goals, and make recommendation on improvement for ESG efforts in the next phase.

In 2020, the ESG Committee held one meeting to make recommendation on the structure of ESG system of the Group, the goals and the preparation requirements on ESG reports, thus duly performed the duties of the ESG Committee.

CORPORATE GOVERNANCE RESPONSIBILITIES

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

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

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

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

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held for the year ended 31 December 2020 is set out in the table below:

	Attendance/Number of Meetings							
Name of Directors	**Board**	**Nomination Committee**	**Remuneration and Appraisal Committee**	**Audit Committee**	**Strategic Committee**	**ESG Committee**	**General Meeting[1]**	**Continuous Professional Development**
Executive Director								
Mr. Wu Yifang	23/23				1/1(M)	1/1(M)	6/6	✓
Non-executive Directors								
Mr. Chen Qiyu	23/23		1/1(M)		1/1(C)		5/6	✓
Mr. Yao Fang	23/23				1/1(M)		0/6	✓
Mr. Xu Xiaoliang	23/23				1/1(M)		0/6	✓
Mr. Gong Ping[2]	13/13			12/12(M)			0/2	✓
Mr. Pan Donghui[3]	13/13	3/3(M)					0/2	✓
Mr. Zhang Houlin[4]	6/6						0/1	✓
Mr. Liang Jianfeng[5]	0/0						0/0	✓
Mr. Wang Can[6]	0/0						0/0	✓
Ms. Mu Haining[7]	10/10	3/3(M)	1/1(M)	7/7(M)			0/4	✓
Independent Non- executive Directors								
Mr. Jiang Xian	23/23	6/6(C)	1/1(M)	19/19(M)			4/6	✓
Dr. Wong Tin Yau Kelvin	23/23		1/1(C)			1/1(C)	0/6	✓
Ms. Li Ling	23/23	6/6(M)			1/1(M)	1/1(M)	1/2	✓
Mr. Tang Guliang	23/23		1/1(M)	19/19(C)			0/2	✓

Notes:

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

(2) Mr. Gong Ping was elected as a non-executive Director upon consideration and approval at the 2019 annual general meeting of the Company. During the Reporting Period, he attended 13 meetings of the Board, 12 meetings of the Audit Committee and 2 general meetings.

(3) Mr. Pan Donghui was elected as a non-executive Director upon consideration and approval at the 2019 annual general meeting of the Company. During the Reporting Period, he attended 13 meetings of the Board, 3 meetings of the Nomination Committee and 2 general meetings.

(4) Mr. Zhang Houlin was elected as a non-executive Director upon consideration and approval at the 2020 second extraordinary general meeting. During the Reporting Period, he attended 6 meetings of the Board and 1 general meeting.

(5) Mr. Liang Jianfeng ceased to be a non-executive Director of the Company from 17 January 2020. During the Reporting Period, he was required to attend 0 meeting of the Board and 0 general meeting/class meeting during his term of office.

(6) Mr. Wang Can ceased to be a non-executive Director of the Company from 21 January 2020. During the Reporting Period, he was required to attend 0 meeting of the Board, 0 meeting of the Audit Committee and 0 general meeting/class meeting during his term of office.

(7) Ms. Mu Haining ceased to be a non-executive Director of the Company from 30 June 2020. During the Reporting Period, she was required to attend 10 meetings of the Board, 3 meetings of the Nomination Committee, 1 meeting of the Remuneration and Appraisal Committee, 7 meetings of the Audit Committee and 4 general meetings/class meetings during her term of office.

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

During the year ended 31 December 2020, the Company convened a meeting among the chairman and independent non-executive Directors only without the presence of other Directors.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2020. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors’ Report on pages 144 to 148.

AUDITORS’ REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2020 amounted to RMB4.7 million. There is no remuneration paid to external auditors in respect of non-audit services.

INTERNAL CONTROL

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

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

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

JOINT COMPANY SECRETARIES

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

RIGHTS OF SHAREHOLDERS

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

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

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

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

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

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

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

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

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

(2) Proposals of General Meetings

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

(3) Putting Forward Enquiries to the Board

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

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

(4) Primary Contact Persons

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

On 28 May 2020, the resolutions approving the amendments to Articles 37, 49, 59, 75, 77, 79, 131, 135, 137, 149, 168, 182 and 188 of the Articles of Association were passed at the 2020 first extraordinary general meeting. On 9 October 2020, the resolutions approving the amendments to Articles 94, 110, 146, 154, 156, 166, 169, 170, 171, 172, 173 and 199 of the Articles of Association were passed at the 2020 second extraordinary general meeting. The updated version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

After the issuance of the Corporate Social Responsibility Reports for 12 consecutive years, we come to realize that, with the enhanced awareness of international environmental, social and governance (hereinafter referred to as "ESG), the capital market is more likely to comply with ESG investment and ESG capability will be taken as an important indicator in the evaluation of corporate values. This ESG Report is hereby disclosed in response to the Group's focus on the environment, society and governance.

This Report aims to give an objective and balanced description of the Group's strategies, policies, measures and achievements to shareholders, and make a report on the contents related to MSCI ESG rating of Fosun Pharma.

REGULATIVE PRINCIPLE

This Report is formulated on the basis of MSCI ESG rating topics in response to the concern of investors with the ESG performance of the Group. The Company also simultaneously released 2020 Corporate Social Responsibility Report ("CSR" for short) to acquaint shareholders with more detailed information related to the social responsibility and sustainable development of the Group.

Scope and Boundaries of Report

The scope of disclosure of this Report is consistent with that of the financial information in 2020 Annual Report.

Data Source and Reliability Assurance

The data and cases contained herein are mainly from the statistical report and relevant documents of the Group. The Company commits that there are not any false records or misleading statements in this Report, and is liable for the authenticity, accuracy and integrity of the contents herein.

Confirmation and Approval

This Report was adopted by the Board of Directors on 29 March 2021 upon confirmation by the management.

Access to and Feedback of this Report

For an environmentally friendly option, we suggest you to read the electronic version of the Report, which can be obtained from the official website of the Group.

Readers are welcome to contact us by the following ways. Your opinions will help us further improve the Report and enhance the overall environmental, social and governance performance of the Group.

Contact Information

Email: ir@fosunpharma.com
Address: Building A, 1289 Yishan Road, Shanghai City, China

1. CORPORATE GOVERNANCE

The Group promptly optimized its organizational structure and included sustainable development into the operation and management of the whole Company in active response to market changes while guaranteeing the stable business operation.

1.1 Governance Structure

The Group established the mutually complementary governance structure with mutual balance and coordination by means of management with clear rights and liabilities to guarantee all the shareholders, especially minority shareholders, can fully exercise their legitimate rights in strict accordance with the PRC Company Law, the PRC Securities Law, Code of Corporate Governance for Listed Companies, the Shanghai Listing Rules, Appendix 14 Corporate Governance Code under the Hong Kong Listing Rules and other requirements under laws and regulations and normative documents.

1.1.1 Professionalism of Board of Directors

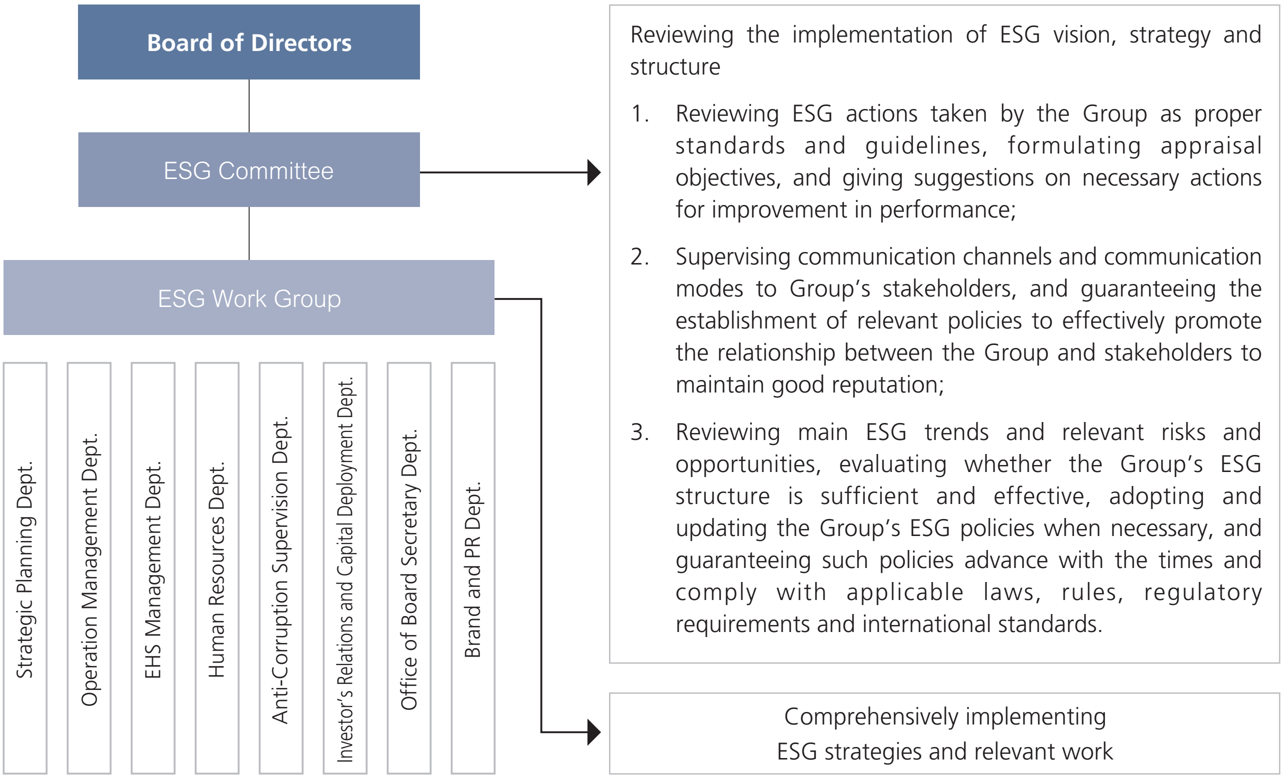
The Group has set up several specialized working committees composed of senior managerial officers, heads of functional departments and other specialists. The specialized committees are collectively an internal decision making and coordination department that aims to enhance the expertise and efficiency in decision making and execution. Meanwhile, the Company emphasized the legal compliance, industrial background, personal experience and industrial status of director candidates. Considering the relevance to the business of the Group, guarantee the specialization, independence and diversity of directors' background is essential to provide guidance for the enterprise development and governance.

Considering the diversity of the Board of Directors, the Nomination Committee of the Company will consider talents, skills, experiences, independence, balance of expertise and diversity of the Board of Directors in accordance with the Board Diversity Policy, and guarantee the selection and nomination of directors is according to proper procedures, in order to realize the strategic objectives, maintain key factors for sustainable development, and attract more talents with diversified background for mutual development.

1.1.2 ESG Governance

Developing business responsibly and continuously enhancing the sustainable development capability is the core of the enterprise development. To guarantee the sustainable and standardized development of the Group, and further improve the corporate governance structure, Fosun Pharma formally established ESG Committee in March 2020, which was composed of three directors. The scope of authority can be seen in the Scope of Authority and Implementation Rules of the ESG Committee of the Board of Directors.[1] ESG workgroup was established within the Company in July with respective responsibilities.

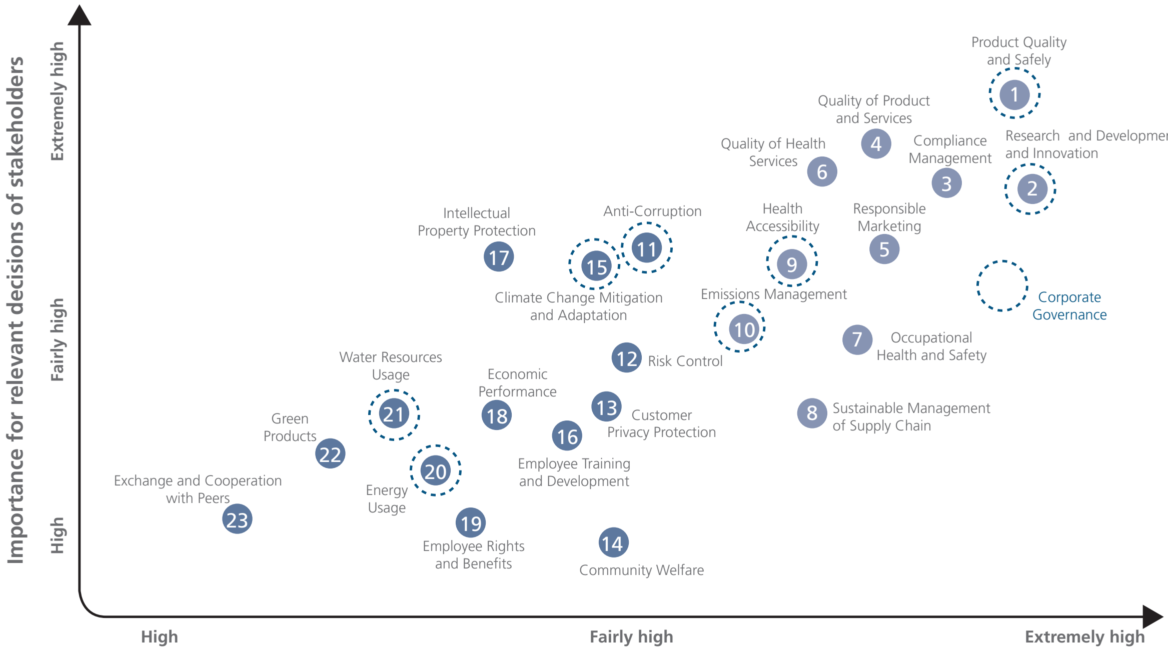
[1] Refer to https://www.fosunpharma.com/uploads/202003315414.pdf for the Scope of Authority and Implementation Rules of the ESG Committee of the Board of Directors



ESG Governance Structure

1.2 ESG Risk Management

The Company screened out and summarized a list of material ESG topics in accordance with the Group's development status in combination with the Group's material topics in 2020, material ESG topics, GRI Standards and the ESG Reporting Guide of the Stock Exchange, and made interviews with internal and external stakeholders on such basis. Finally, we identified key ESG topics that have impacts on the ESG work of the Group from following topics with impacts on the Group's ESG work or substantive impacts on evaluation and decision-making of stakeholders.



Importance of its Economic, Environmental and Social Impact for Fosun Pharma

Notes:

1. Topics in blue circles are key ESG topics identified from the substantive topics of the Group;
2. In further response to the focus of internal and external stakeholders, we made the following changes:
   (a) Corporate Governance Topic is a new topic for internal and external stakeholders;
   (b) "1 — Product Quality and Safety" Topic is tantamount to "Drug Safety" Topic in key ESG topics;
   (c) "2 — R&D and Innovation" Topic is tantamount to "Product R&D" Topic in key ESG topics;
   (d) "9 — Healthcare Accessibility" Topic is tantamount to "Drug Accessibility and Affordability" Topic in key ESG topics;
   (e) "15 — Climate Change Mitigation and Adaptation" Topic is tantamount to "Response to Climate Changes" Topic in key ESG topics;
   (f) "10 — Emissions Management", "11 — Water Resource Management" and "20 — Energy Management" are integrated into the "Environmental Management" Topic.

We analyzed, summarized and made importance ranking of key ESG topics in accordance with the degree of concern on topics by internal and external stakeholders, and established seven key ESG topics with the highest potential risk impacts on the Group.

Governance (G)	Environment (E)	Social (S)
• Corporate Governance • Anti-corruption	• Environmental Management • Response to Climate Changes	• Product R&D • Drug Safety • Drug Accessibility and Affordability

In order to enable external and internal stakeholders to rapidly understand the performance of the Group in different topics, and further differentiate our emphasis in ESG report and CSR report, we listed the reports for reference of each topic in the sequence of the number of substantive topics of the Group as follows:

Aspect	No. in substantive topics	Topic	Report for reference
Governance	/	Corporate Governance	ESG Report
	1	Compliance management	CSR Report — CSR Management
	2	Anti-corruption	CSR Report — CSR Management/ESG Report
	3	Risk Management	CSR Report — CSR Management
	4	Economic Performance	CSR Report — Key Performance in 2020
Environment	5	Emissions Management	CSR Report — Responsible Environmental Protection/ ESG Report
	6	Climate Change Mitigation and Adaptation	CSR Report — Responsible Environmental Protection/ ESG Report
	7	Energy Usage	CSR Report — Responsible Environmental Protection/ ESG Report
	8	Water Resource Usage	CSR Report — Responsible Environmental Protection/ ESG Report
	9	Green Products	CSR Report — Responsible Environmental Protection
Society	10	Product Quality and Safety	CSR Report — Responsible Operation/ESG Report
	11	R&D and Innovation	CSR Report — Responsible Operation/ESG Report
	12	Product and Service Quality	CSR Report — Responsible Operation/ESG Report
	13	Responsible Marketing	CSR Report — Responsible Operation/ESG Report
	14	Medical Service Quality	CSR Report — Responsible Operation/ESG Report
	15	Occupational Health and Safety	CSR Report — Responsible Employer/ESG Report
	16	Sustainable Management of Supply Chain	CSR Report — Responsible Supply Chain
	17	Healthcare Accessibility	CSR Report — Responsible Operation/ESG Report
	18	Customer Privacy	CSR Report — Responsible Operation
	19	Community Welfare	CSR Report/ESG Report
	20	Employee Training and Development	CSR Report — Responsible Employer/ESG Report
	21	Protection of Intellectual Property Rights	CSR Report — Responsible Operation/ESG Report
	22	Employee Rights and Benefits	CSR Report — Responsible Employer/ESG Report
	23	Exchange and Cooperation with Peers	CSR Report — Responsible Supply Chain

2. HEALTHCARE ACCESSIBILITY

Following the R&D principle of "patient-centered, clinical demand-oriented and high-tech-driven", the Group fully promotes the R&D and innovation. Devoted to provide accessible, affordable and trustworthy products and services for patients and clients based on the full life cycle of drugs, the Group has established a continuous improvement management system for the entire life cycle of products through the establishment of the research and development system prior to marketing drugs, the production supply chain management system and the post-marketing service system. GxP regulations are complied with during the product life cycle. In addition, the Group has also established a pharmacovigilance system throughout the life cycle to provide comprehensive and effective assurance for the quality and safety of products.

2.1 Product R&D

Following the R&D principle of "patient-centered, clinical demand-oriented and high-tech-driven", the Group continuously promotes R&D innovation as the core driving factors for future growth. Following the R&D principle of "patient-centered, clinical demand-oriented and high-tech-driven", the Group promotes the development and transformation of innovative technologies and products by diversified and multi-level collaboration models including independent R&D, collaboration in development, license-in and deep incubation.

Mainly driven by R&D Innovation, the Group focuses on the fields of products with clear therapeutic effects and in line with modern medical development orientation and insists on improving the R&D capability in the early period and industrializes development capability in the later period. During the Reporting Period, the Group continued to strengthen R&D. The annual R&D investment was RMB4.003 bn with a year-on-year increase of 15.59%; of which R&D expenses were RMB2.795 bn with a year-on-year growth of 36.94%[2]; the Group applied for 176 patents in the pharmaceutical manufacturing segment, including 12 applications for US patents, 16 PCT applications, and obtained 70 patents for invention.

Details regarding to key products launched during the Reporting Period are set out on page 29 and page 30 of this annual report.

2.2 Drug Safety

To implement the quality policy of "Respect for Life, Focus on Quality, Commitment to Perfection, and Pursuit of Excellence", to improve the awareness of quality risks and quality management capabilities of all employees, and to implement the quality culture of quality first, the Group is responsible for the full life cycle of products from dimensions like product compliance, risk management, quality control, quality culture, complaints and product recalls and responsible marketing.

2.2.1 Product Compliance

The Group attaches great importance to the medication safety of patients. According to the requirements of 2010 GMP[3], World Health Organization (WHO) and ICH Q_9, the Group has formulated management systems, including the GMP Management Regulations for Production and R&D of Products at Workshops and the Management Regulations for Clinical Trial Drug Audit, to guide member enterprises to follow at the R&D stage and R&D unit to participate in audits and investigations. By following management systems, product quality risks were better controlled at the early stage of the life cycle.

[2] Mainly due to the increased R&D investment in biological drugs, small-molecule innovative drugs and imported innovative drugs, and increased investment in the innovation incubation platform during the Reporting Period.

[3] GMP is the abbreviation of GOOD MANUFACTURING PRACTICE. The World Health Organization defines GMP as a regulation guiding the production and quality management of food, drugs and medical products.

2.2.2 Risk Management

The Group has developed quality risk management procedures to identify quality risks and potential hazards and use either the forward-looking or the backward-looking method to conduct scientific assessment and analysis of quality risks. The Group summarized quality risk management activities and kept communication channel and reviewed risks to ensure that the management activities for the quality risks that occurred or existed during the life cycle of products are in line with the GMP and relevant regulations to ensure that product quality can protect all people involved and always meet patients' requirements.

2.2.3 Quality Control

The Group continued to quantitatively evaluate the quality system of pharmaceutical enterprises. According to the FDA[4] requirements, it comprehensively evaluated and multi-dimensionally scored six systems of quality, manufacture, documents, materials, laboratories and equipments and facilities to quickly identify weaknesses of enterprises' quality system and urge enterprises to conduct self-improvement. In order to ensure quality system evaluation in an objective, fair and realistic way, the Group controls product quality from two aspects: internal product audit and external product inspection.

- On the one hand, the Group is equipped with a professional quality audit team. The team members have at least 10 years of experience in the pharmaceutical industry and insist on attending industry training, seminars and self-learning. In 2020, audit was conducted for 6 times among pharmaceutical manufacturing subsidiaries, with an excellent rate of 80%. Audit was conducted for 9 medical devices subsidiaries, including 3 for the secondary audit.

- On the other hand, in 2020, the Group's domestic pharmaceutical subsidiaries accepted inspection by authorities for 86 times in total and were sampled 620 times; 12 domestic medical devices subsidiaries accepted inspection by authorities for 50 times in total and all qualified in tests.

The Group conducted system investigation, operation investigation, special inspection, and special regulation investigation to promote the member enterprises to establish a quality system that meets domestic and international requirements, and performed high-quality management for pharmaceutical manufacturing and device subsidiaries according to the certification requirements at home and abroad, so as to continuously improve the compliance level. As at the end of the Reporting Period, the production lines of the Group that passed GMP compliance inspection from NMAP included 67 APIs, 34 sterile preparation production lines and 38 oral preparation production lines, those that passed the certification of FDA included 13 APIs and 2 oral solid preparation production lines, 3 APIs and 2 sterile preparation production lines of pharmaceutical manufacturing subsidiaries passed the certification by drug administrations of EU member States, 9 device subsidiaries obtained ISO 13485:2016 certification, 3 device subsidiaries obtained ISO 9001: 2015 certification, and 6 device subsidiaries obtained CE certification.

4 The Food and Drug Administration (FDA) is referred to as FDA, which is one of the executive agencies established by the US government in the Department of Health and Human Services (DHHS) and the Public Health Service (PHS). As a scientific management organization, FDA is responsible for ensuring the safety of food, cosmetics, drugs, biological agents, medical equipment and radiation products produced or imported in the United States.

2.2.4 Quality Culture

In order to continuously enhance the standards for quality management systems, facilitate the employees to absorb the latest quality ideas, and consolidate standard operating procedures, the Group highly values the training related to quality and further enhance the awareness of conforming operation through regulations promotion in combination with internal and external training. In 2020, the Group invited industry experts to hold quality technology forums, invited internal and external experts to continuously carry out a training course for the Excellent Production Quality Directors, and provided support for the internationalization needs of member enterprises. In 2020, the employees of pharmaceutical subsidiaries received quality training of more than 48 hours per capita on average and the employees of medical device subsidiaries received an average of 23.8 hours of training per capita.

2.2.5 Complaints and Product Recalls

The Group highly values the reasonable needs of users and continuously strengthens the ability to handle customer complaints; subsidiaries have dedicated personnel to this regard and the complaints hotline can be put through around the clock. The group has also built a customer complaint and consulting system at the Group level so that complaints are replied to and properly resolved within a prescribed period. In 2020, the Group received a total of 207 customer complaints, all of which were responded to, and the response rate of user complaints was 100%.

The Group values product quality and the ability to handle product complaints. The Group has prepared the "Procedures for Management of Product Recall" in strict accordance with the "Administrative Measures for Drugs Recall". If a product complaint is indeed related to a product quality defect and has potential safety issues, recall measures shall be taken immediately according to relevant laws, regulations and management measures. The subsidiaries of the Group regularly conduct drug recall drills to systematically verify the effectiveness of the existing recall system and ensure that drugs can be quickly recalled in case of emergency and to protect consumers' interests. In 2020, the domestic pharmaceutical subsidiaries of the Group simulated a total of 16 drug recall drills with 0 actual product recall incidents.

2.2.6 Responsible Marketing

Marketing is an important factor in increasing drug accessibility. The Group carried out marketing activities in strict accordance with the applicable legal requirements and industry standards in places where business operations are operated, including the Advertisement Law of the People's Republic of China. While ensuring the accuracy, openness and timeliness of information provision, the Group actively integrated environmental protection and social responsibility elements into its marketing activities while fully protecting customers' private information during communication and dissemination.

To have an accurate and uniform brand image, the Group conducted product training and implemented marketing from the customer perspective. The Group conducted professional product knowledge training and marketing training for all business personnel to enhance their awareness of products and to promote responsible marketing. In addition, the Group assessed marketing employees regularly to ensure that they can present accurately of products, give high quality of customer services and are responsible for products.

2.3 Drug Accessibility and Affordability

To further promote the steady growth of pharmaceutical business and strengthen the construction of professional management team, the Group continued to increase its investment in R&D of small molecule innovative drugs, innovative monoclonal antibody biological drugs and biosimilar drugs, CAR-T cell therapy products, and actively promoted the introduction and registration of drug licenses and the consistency evaluation of generic drugs. At the same time, from the perspective of the unmet clinical demand, the Group continuously strengthened the planning of frontier innovation fields and rare disease fields. During the Reporting Period, the Company launched 1 rare disease symptomatic drug, also called as the orphan drug (CLDT indication of Avatrombopag tablets), and carried out 10 research and development projects related to rare diseases and orphan drugs.

The Group has carried out public welfare activities in supporting education, scientific research and innovation, health and poverty alleviation, and caring for children. It has actively participated in the "Rural Doctor Poverty Alleviation" program and the "Han Li Kang Lymphoma Science Popularization Public Welfare" Project, which covers 10 impoverished counties in provinces, including Xinjiang, Sichuan, Chongqing, Hainan, Jiangxi, Anhui, Henan, Yunnan, etc., and has continuously improved diagnosis and treatment levels.

In 2016, Hongqi Pharma cooperated with Shanghai Fosun Foundation and Chinese Antituberculosis Association to launch TB Poverty Relief "Double Thousand Action" project, which helped at least 1,000 impoverished TB patients every year, with a relief fund of RMB1,000 per patient. During the Reporting Period, "Double Thousand Action" was carried out successfully. The Project donated public welfare relief fund in total RMB5 mn in five years, helping 5,400 impoverished TB patients and covered 31 provinces.

3. ENVIRONMENTAL PROTECTION

Adhering to the environmental protection policy of "Committing to environmental and social sustainable development, preventing pollution, actively promoting energy conservation and emission reduction, securing biodiversity and building an environmental-friendly community", the Group settled five-year strategic target of EHS around the "three-waste" emissions, resource and energy consumption, and carbon emission. The group continuously increased the investment in environmental protection, focused on improving the level of environmental management, and actively responded to climate change to achieve harmonious development among enterprises, society, and the environment.

Five-year strategic goals of EHS

Waste gas emission	• Covered 10% of VOCs terminal processing equipment in 2020 • VOCs removal rate > 90%
Sewage drainage	• Sewage drainage intensity per RMB10,000 income: The emission intensity for 2020 decreased by 30% compared to the intensity for 2016; the target of 2020 was 3.25 tons/RMB10,000 income • Emission intensity from COD per RMB10,000 income: The emission intensity for 2020 decreased by 30% compared to the intensity for 2016; the target of 2020 was 0.25 kg/RMB10,000 income • Ammonia nitrogen emission intensity per RMB10,000 income: The emission intensity for 2020 decreased by 30% compared to the intensity for 2016; the target of 2020 was 0.039 kg/RMB10,000 income
Wastes emission	• Solid wastes emission intensity per RMB10,000 income: The emission intensity for 2020 decreased by 30% compared to the intensity for 2016; the target of 2020 was 38.69 kg/RMB10,000 income
Water consumption	• Water consumption intensity per RMB10,000 income: The intensity for 2020 decreased by 50% compared to the intensity for 2016; the target of 2020 was 3.00 m^3/RMB10,000 income
Energy consumption	• Comprehensive energy consumption intensity per RMB10,000 income: The intensity for 2020 decreased by 45% compared to the intensity of 2016; the target of 2020 was 2.44 GJ/RMB10,000 income
Greenhouse gas emissions	• Carbon emission intensity per RMB10,000 income: The intensity for 2020 decreased by 50% compared to the intensity for 2016; the target of 2020 was 0.30 ton/RMB10,000 income • Carbon emission reduction and energy-saving projects: The cumulative reduced carbon emission reached 3% of the total carbon emissions in 2016; the target of 2020 was 22,000 tons of carbon emission from overseas enterprises

3.1 Environmental Management

The Group strictly abides by laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China and the Environmental Protection Tax Law of the People's Republic of China. The Group established EHS special committee and EHS element group, introduced and continuously improved EHS-related policies, and formulated EHS management strategic objectives, including the landing of EHS management system, the establishment of index quantitative assessment mechanism, the construction of professional talent team, and the enhancement of EHS central supervision mode. During the Reporting Period, the Group formulated the Notice on Control Target Indicators of EHS Management System, incorporated EHS-related indicators into performance appraisal, and linked EHS management with operating performance to promote the landing of EHS management.

To guarantee the implementation of the Fosun EHS management system, the Group implemented an EHS management review system, and carried out internal cross-audit for more than 80% of the core manufacturing member enterprises on an annual basis; while all the enterprises completed the self-appraisal at least once per year with the full coverage. Till 31 December 2020, a total of 14 member enterprises[5] of the Group are certified with ISO14001 environmental management system and 13 member enterprises[6] carried out the evaluation and certification of cleaner production in enterprises.

During the Reporting Period, the Group accumulatively invested RMB24.2623 mn in environmental protection facilities and RMB96.5238 mn in the environmental protection operation and maintenance; achieved 0 external environmental pollution incident and 0 major environmental penalty; Zhaohui Pharma and Chemo Biopharma were rated as green factories in Shanghai; 10 member enterprises received recognition and commendations from local environmental, safety and/or fire departments.

3.1.1 Pollutant Discharge Management

The Group strictly abides by laws and regulations, including the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste.

In terms of air pollutant management, the Group strengthened the source control of volatile substances, encouraged the implementation of alternative processes, formulated requirements for air pollutant emission reduction and followed governance measures for member enterprises. During the Reporting Period, the Group reduced the emission of nitrogen oxides and sulfur oxides by cutting down the use of coal-fired boilers, and actively reduced the terminal VOCs emission.

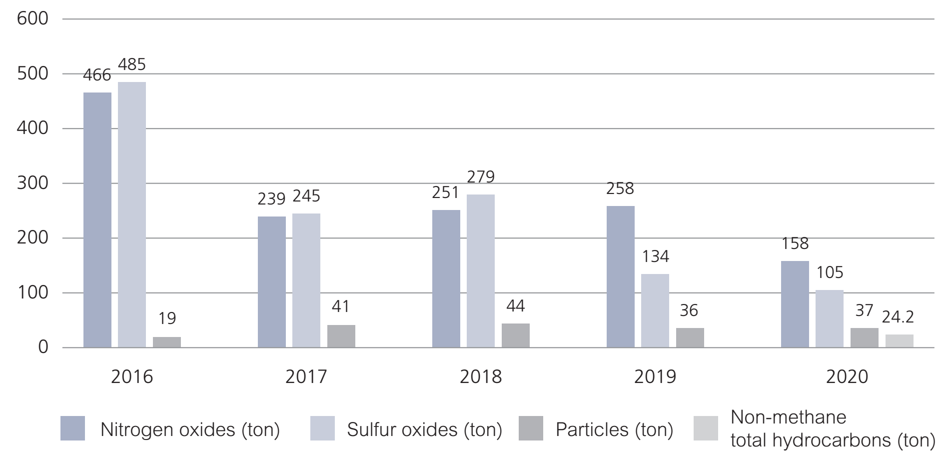
Year	Nitrogen oxides (ton)	Sulfur oxides (ton)	Particles (ton)	Non-methane total hydrocarbons (ton)[7]
2016	466	485	19	—
2017	239	245	41	—
2018	251	279	44	—
2019	258	134	36	—
2020	158	105	37	24.2

5 Including Jiangsu Wanbang, Wanbang Jinqiao, Zhaohui Pharma, Chemo Biopharma, Hebei Folon, Huanghe Medical, Blood Transfusion Technology, Jianyou Chengye, Yao Pharma, Guilin Pharma, Erye Pharma, Red Flag Pharma, Shine Star, Gland Pharma.

6 Including Wanbang Jinqiao, Zhaohui Pharma, Chemo Biopharma, Hebei Folon, Blood Transfusion Technology, Laishi Transfusion, Carelife Pharma, Guilin Pharma, Aohong Pharma, Erye Pharma, Dongting Pharma, Shine Star; Yao Pharma and Shine Star just passed the certification during the Reporting Period.

7 In 2020, the Group added monitoring and statistics on the indicator of non-methane total hydrocarbons.

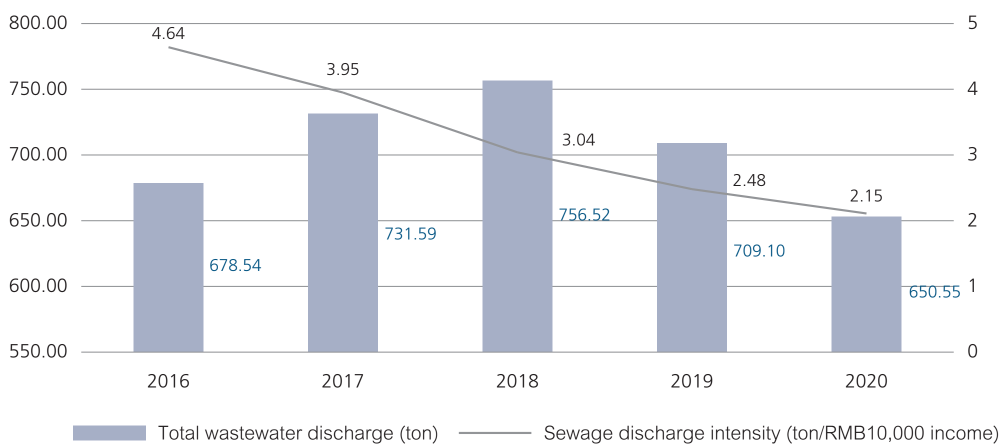
Air Pollutant Emissions from 2016 to 2020 (ton)

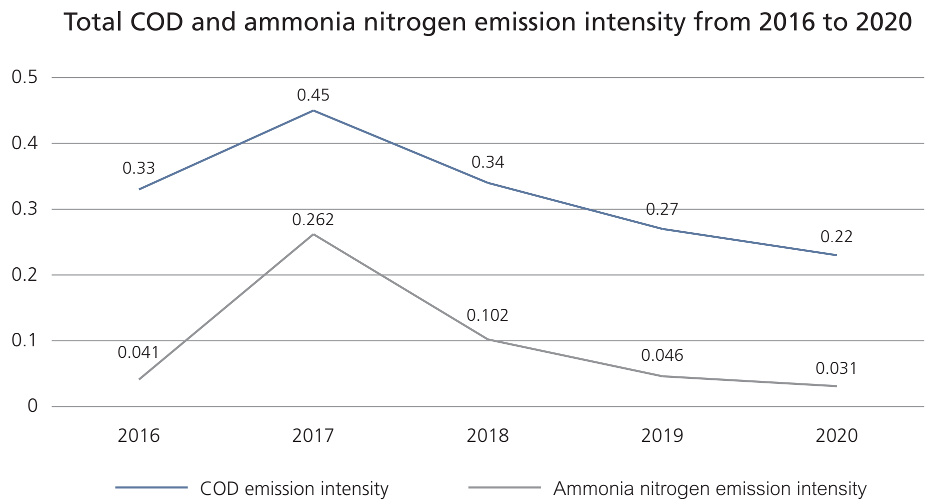


For sewage management, we classified and collected the waste according to the principle of "classified treatment by the quality", established and improved the sewage pipe network, and strictly prohibited discharging sewage directly into the surface water body. During the Reporting Period, a total of 9 member enterprises have been upgraded or added sewage treatment facilities; compared with 2019, the Group's sewage drainage/RMB10,000 income decreased by 8.3%, the total chemical oxygen demand (COD) emissions/RMB10,000 income decreased by 18.5%, and the total discharge of ammonia nitrogen/RMB10,000 income decreased by 33.6%, thus achieving the five-year strategic goal of sewage drainage.

Year	Total wastewater discharge (ton)	Sewage discharge intensity (ton/RMB10,000 income)	COD emission intensity (kg/RMB10,000 income)	Ammonia nitrogen emission intensity (kg/RMB10,000 income)
2016	6,785,400	4.64	0.33	0.041
2017	7,315,890	3.95	0.45	0.262
2018	7,565,178	3.04	0.34	0.102
2019	7,091,033	2.48	0.27	0.046
2020	6,505,479	2.15	0.22	0.031

Total wastewater discharge and intensity from 2016 to 2020

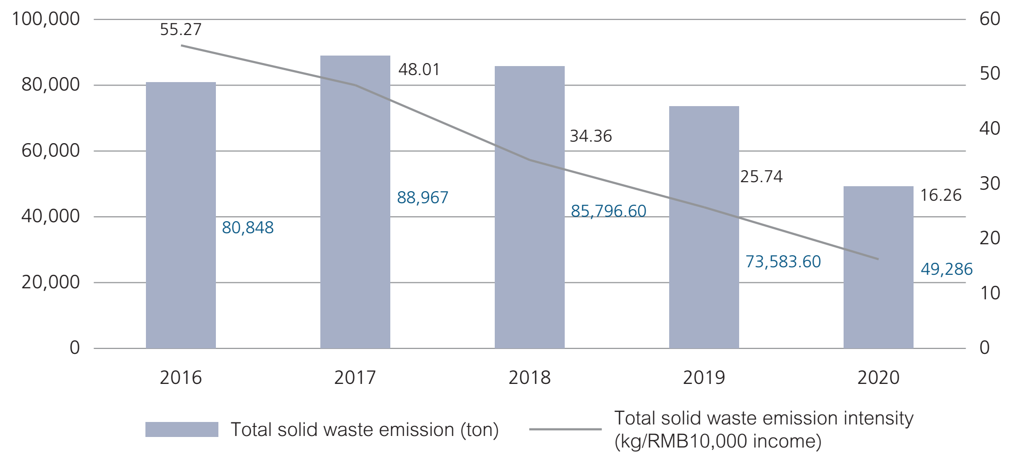




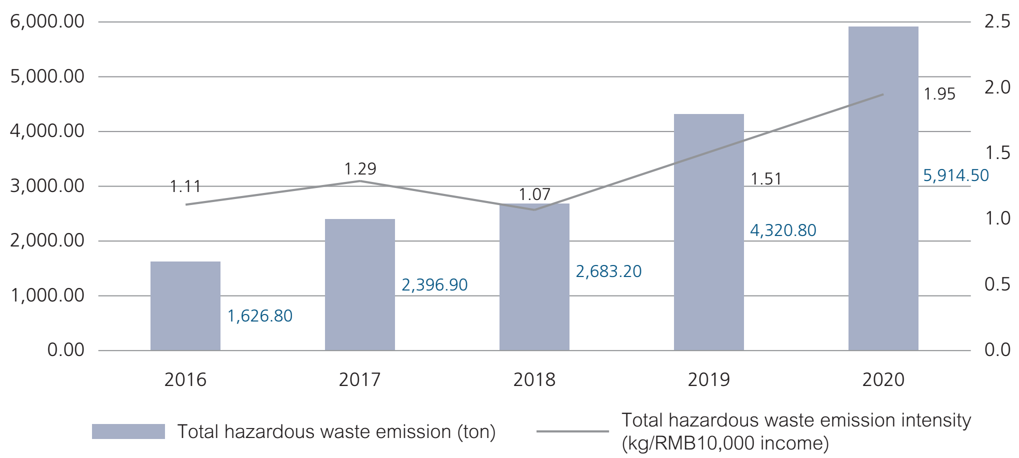
In terms of solid waste management, the Group adheres to the principle of "reduction, recycling and harmless treatment" and promotes the recycling of industrial solid wastes, recycling 37,060 tons of industrial solid waste throughout the year, with a recycling rate of 82%. At the same time, the Group carried out a series of optimization projects of hazardous wastes to promote the reduction of hazardous wastes and recycled 91.9 tons of hazardous wastes. During the Reporting Period, the total solid waste generated by the Group's domestic enterprises decreased by 33.0% compared with 2019, achieving the five-year strategic goal of waste emission.

Year	Total solid waste emission (ton)	Hazardous waste emission (ton)	Total solid waste emission intensity (kg/RMB10,000 income)	Hazardous waste emission intensity (kg/RMB10,000 income)
2016	80,848	1,626.8	55.27	1.11
2017	88,967	2,396.9	48.01	1.29
2018	85,796.6	2,683.2	34.36	1.07
2019	73,583.6	4,320.8	25.74	1.51
2020	49,286	5,914.5	16.26	1.95

Total solid waste emission and intensity from 2016 to 2020



Total hazardous waste emission and intensity from 2016 to 2020

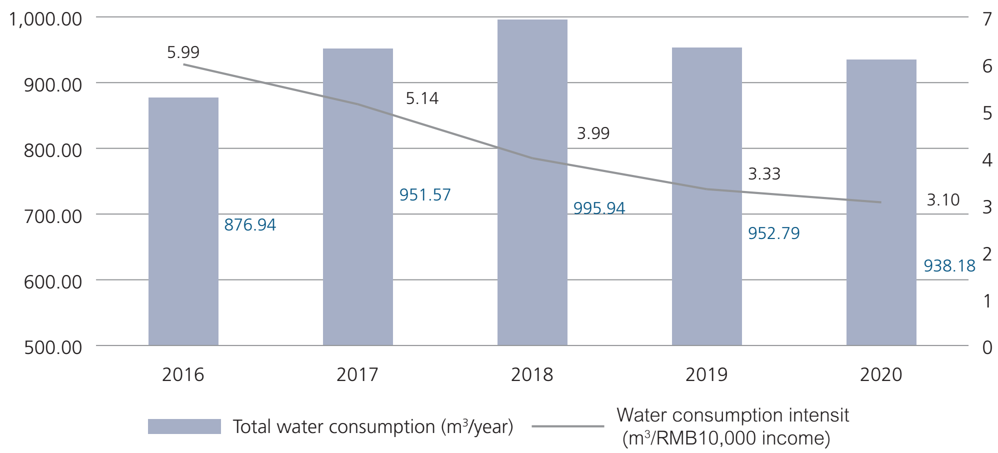


3.1.2 Water Consumption Management

The water consumption of the Group originates from a local municipal water supply, and its access and consumption strictly comply with the Water Law of the People's Republic of China. During the Reporting Period, the Group invested RMB1.74 mn of special funds and through measures such as source control, equipment upgrading, application of water circulation system and optimization of internal water use frequency, achieved total water saving of 282,923 m^3, representing 3.1% of the total water saving for the year, with the water consumption intensity decreased by 6.9% compared with 2019, achieving the five-year strategic goal of water consumption intensity.

Year	Total water consumption (m^3/year)	Water consumption intensity (m^3/RMB10,000 income)
2016	8,769,376	5.99
2017	9,515,697	5.14
2018	9,959,415	3.99
2019	9,527,927	3.33
2020	9,381,818	3.10

Total water consumption and intensity from 2016 to 2020

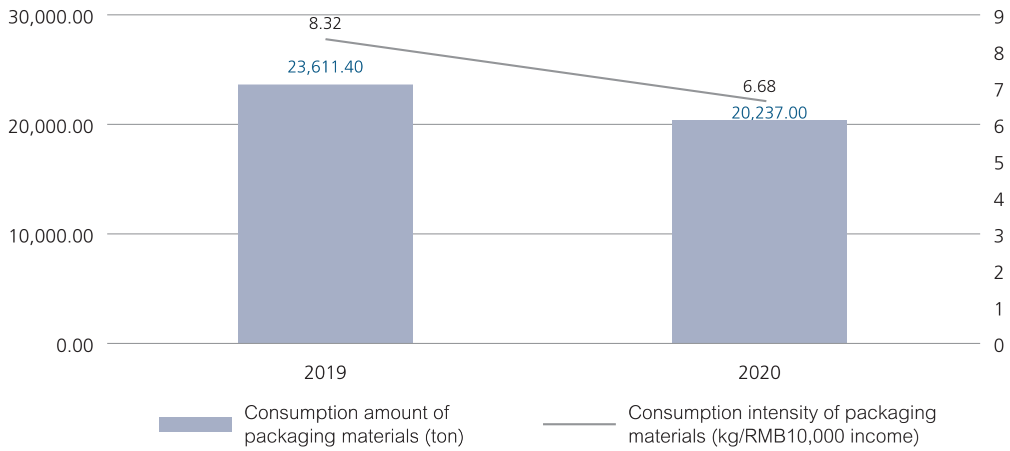


3.1.3 Packaging Material Management

The Group consumed various types of packaging materials in the process of product manufacturing, transportation and sales and provision of healthcare services. The Group adheres to the principle of "Source control, optimized use, reduction of resource consumption and pollutant emission", and proactively promotes the reduction of packaging materials from the source design of product packaging, optimization of the product manufacturing process to the improvement of material transportation links; and through the internal recycling of the enterprise, sales, and the resource recycling to promote the recycling of packaging materials. During the Reporting Period, 465,000 tons were recycled for internal use, and 19,510.1 tons were reused externally with the respective recycling rate of 0.2% and 96.4%.

Consumption amount in 2019 (ton)	Consumption intensity in 2019 (kg/RMB10,000 income)	Consumption amount in 2020 (ton)	Consumption intensity in 2020 (kg/RMB10,000 income)
23,611.40	8.32	20,237.00	6.68

Consumption amount and intensity of packaging materials from 2016 to 2020



3.2 Climate Change Response

3.2.1 Climate Change Risks

We are well aware that climate change will bring various risks to the Group's business, including policy and legal risks, transitional risks, including technology, market and reputation, and physical risks caused by extreme weather events, and the risk of rising global average temperature. In this regard, we actively carried out climate change risk identification and took relevant measures to mitigate, adapt to and resist climate change.

Energy consumption in business operations is the main source of our greenhouse gas emissions. Our direct greenhouse gas emission sources include the combustion of natural gas, liquefied gas, city gas, raw coal, diesel, gasoline, fuel oil, and other fossil fuels, and indirect greenhouse gas emission sources include purchased electricity and steam.

Facing global warming, General Secretary Xi Jinping promised in the general debate of the 75th UN General Assembly that China would strive to achieve carbon neutrality by 2060. As a responsible corporate, the Group has always advocated efficient energy utilization to reduce its carbon footprint in the process of operation, strictly abided by the Energy Conservation Law of the People's Republic of China and other energy-related laws and regulations, formulated and committed itself to realizing the Group's five-year strategic goal of energy conservation and emission reduction, and contributed to alleviating global warming.

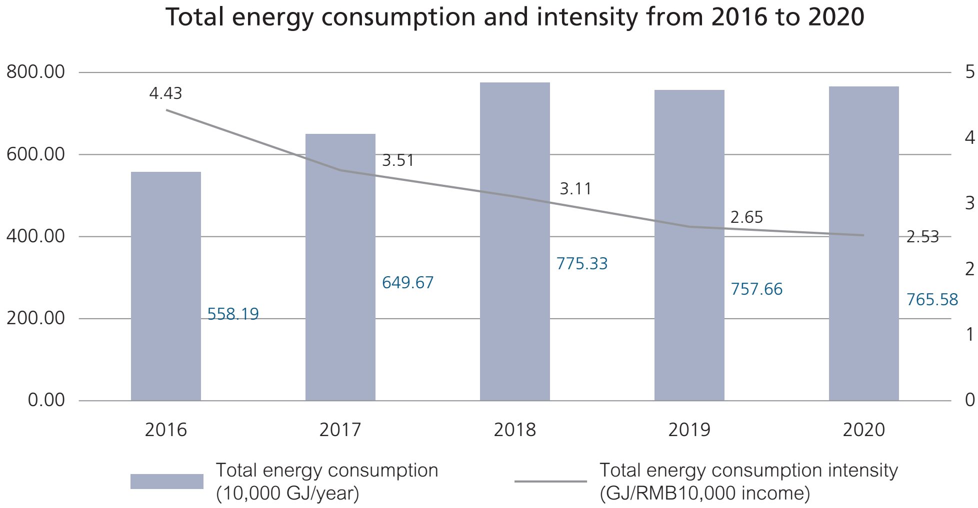
During the Reporting Period, the Group continued to deepen carbon management, issued the Notice on Energy Conservation and Emission Reduction Work of Fosun Pharma Group Member Enterprises, defined emission reduction targets, incorporated energy management and control into the performance appraisal of enterprise managers, and encouraged member enterprises to promote energy management system certification, improve energy-intelligent monitoring coverage, and continuously raise their energy management level. As on 31 December 2020, two major member enterprises[8] of the Group have passed the certification of energy management system.

In addition, the Group mainly improved energy efficiency, adjusts energy structure and reduced its carbon footprint through technical standards, upgrading energy-saving equipment and promoting renewable energy. During the Reporting Period, the Group invested RMB10.75 mn to promote energy-saving technological transformation projects, saving 7.13 million kWh of electricity and 950 thousand m^3 of natural gas 2,341 tons of purchase steam.

During the Reporting Period, the Group's comprehensive energy consumption intensity was 2.53 GJ/RMB10,000 income, down by 4.5% from 2019.

Year	Direct energy consumption (GJ/year)	Indirect energy consumption (GJ/year)	Total energy consumption (GJ/year)	Total energy consumption intensity (GJ/RMB10,000 income)
2016	3,281,502	2,300,429	5,581,931	4.43
2017	3,839,551	2,657,132	6,496,683	3.51
2018	4,466,930	3,286,332	7,753,262	3.11
2019	4,344,819	3,231,731	7,576,550	2.65
2020	2,604,950	5,050,819	7,655,768	2.53

8 They are Erye Pharma and Shine Star.



During the Reporting Period, based on the implementation of high-quality energy-saving measures, the Group correspondingly reduced carbon emissions by 73.99 million tons[9], with a carbon emission intensity of 0.27 tons/RMB10,000 income, down by 22.1% from 2019, and achieved the five-year strategic goal of emission reduction.

Year	Total carbon emissions (ton)[10]	The proportion of carbon emission sources		Carbon emission intensity (ton/RMB10,000 income)
		Direct greenhouse gas emissions[11] (ton)	Indirect greenhouse gas emissions[12] (ton)	
2016	746,179	288,447	457,732	0.60
2017	822,786	338,285	484,501	0.54
2018	786,371	397,106	389,265	0.41
2019	758,143	381,580	376,563	0.35
2020	827,858	225,622	602,236	0.27

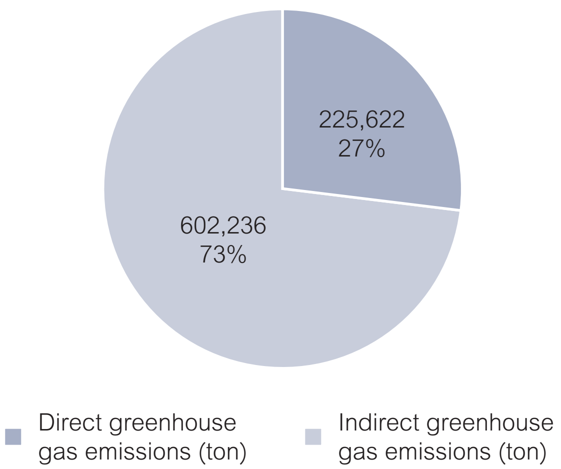
9 For the calculation method of carbon emissions, please refer to the "Accounting Methods and Guidelines for Reporting Greenhouse Gas Emissions of Enterprises in Other Industrial Industries (Trial)".

10 The total carbon emission data does not include greenhouse gas emissions caused by biological sources and chemical sources within the responsibility boundary (i.e. within the physical boundary of production, operation and office); the carbon emission data in 2020 includes the carbon emissions of overseas enterprises, which is inconsistent with the basis of previous data

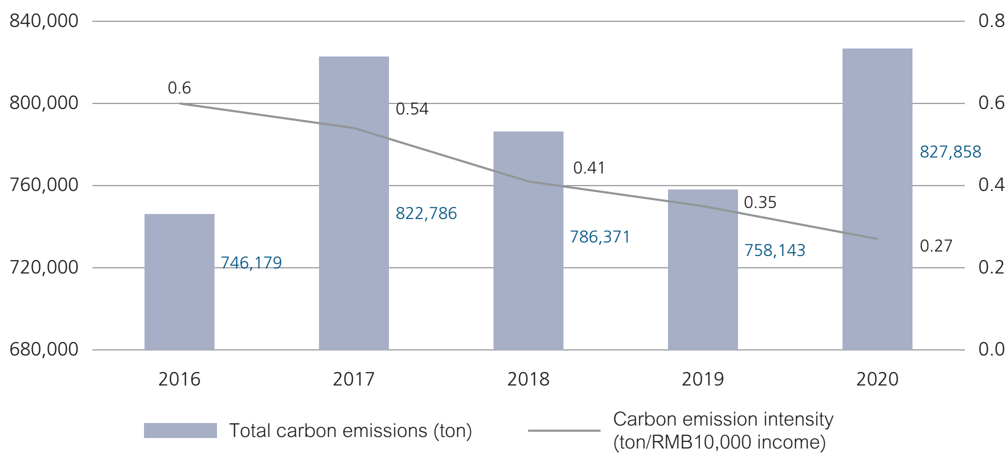
11 Direct greenhouse gas emission sources include the combustion of fossil fuels such as natural gas, liquefied gas, raw coal, diesel, gasoline and fuel oil.

12 Indirect greenhouse gas emission sources include net purchased electricity and steam.

Greenhouse gas emissions in 2020 (ton)



Total carbon emissions and intensity from 2016 to 2020



4. HUMAN CAPITAL

"Attracting Talents Through Development, Building Our Team Through a Common Cause, Training Talents Through Their Works, Evaluating Talents Through Their Performance" is the talent value of Fosun Pharma Group. The Group regards employees as the most valuable assets, highly values the diversified development and sustainable cultivation of talents, and promotes the common growth of employees and the Company by enhancing employee care and ensuring employee occupational health.

4.1 Diversity and Equal Opportunity

4.1.1 Employment management

Fosun Pharma Group's member enterprises are located in many countries and regions around the world. We adhere to the construction of all human resources policies in strict accordance with the requirements on salaries and layoffs, recruitment and promotion, work and rest timetable of employees, equal opportunities, diversity, working hours, holidays and other benefits and other relevant provisions of the countries/regions where we operate.

The Group strives to hire legal labour and comply with provisions on the prohibition of child labour and forced labour: All employees of the Group meet the minimum working age requirements under relevant laws in the countries/regions where we operate. Meanwhile, when selecting a supplier, the Group also puts forward provisions on the prohibition of child labour and forced labour, and regularly carry out inspections on the employment situation by suppliers. All employees are equally entitled to talent introduction, cultivation and promotion regardless of gender, age, race, colour and religion. The Group advocates fair competition, disapproves of discrimination, respects freedom of religious belief and offers equal employment opportunities to the disabled. The Group advocates equal pay for equal work.

In strict accordance with the provisions of the labor laws and policies in all operating location, the remuneration of all employees of the Group in all operating location is higher than the local minimum wage and working overtime is compensated. The Group contributes legal benefits for all employees according to laws. In certain regions, the Group provides additional commercial medical insurance and supplementary provident fund. Employees are entitled to have statutory paid annual leave and home leave. The Group has provided holidays and benefits in accordance with national and local laws and regulations for all female employees during their three stages in pregnancy (i.e. pregnancy period, maternity period and breastfeeding period). The working position of pregnant employees retains unless the employee resigns, and she can go back to her position after maternity holidays. In addition, male employees whose spouses give birth are entitled to paternity leave in accordance with the law to ensure the rights and interests of employees and their families.

As at 31 December 2020, the Group had a total of 32,258 employees, representing an increase of 2.83% as compared to 2019. Among them, the proportion of female employees was 48%. During the Reporting Period, the staff turnover rate was 15.40%.

4.1.2 Communications with Employees

In terms of employee communication, the Group always fully respects the hearing and appeal rights of employees and offers an unimpeded channel for them to complain and express their opinions by setting up a disciplinary committee and a secretariat of the disciplinary committee to improve the appeal mechanism and appeal process. At the same time, the Group fully protects the complainant's reasonable claims and legitimate rights and interests, and takes measures to keep confidentiality and safeguard employees from retaliation to protect employees' right to express their opinions. In addition, the Group respects the political rights of employees, which is defined in the overseas employee handbook.

4.1.3 Caring Employees

"Caring employees" is one of the cornerstones of the corporate culture of Fosun Pharma. The Group advocates healthy, harmonious and pleasant working atmosphere, striving to build working environment filled with love by carrying out employee care activities. The Group's Employee Handbook stipulates that employees have the right to participate in and organize trade unions in accordance with the law. We support employees' active participation in various activities of the Party's trade unions and provide necessary facilities and funds for activities. At the same time, the trade unions of the Group and its subsidiaries actively cared about the lives of employees, and visited employees for children birth, illness, funeral, assistance for poverty alleviation or school attending, coolness in summer and warmth in winter, providing considerate services and explanations for employees.

The Group carries out entertainment activities to celebrate festivals such as the Lantern Festival, Women's Day, Children's Day, Chinese Valentine's Day, Double Ninth Festival, Family Day and birthday parties, in order to enrich employees' cultural life. During the Reporting Period, to overcome the impact of the pandemic, labour unions at various levels integrated online live broadcasting and offline entertainment activities to celebrate festivals with employees in colorful ways.

4.2 Employee Training and Development

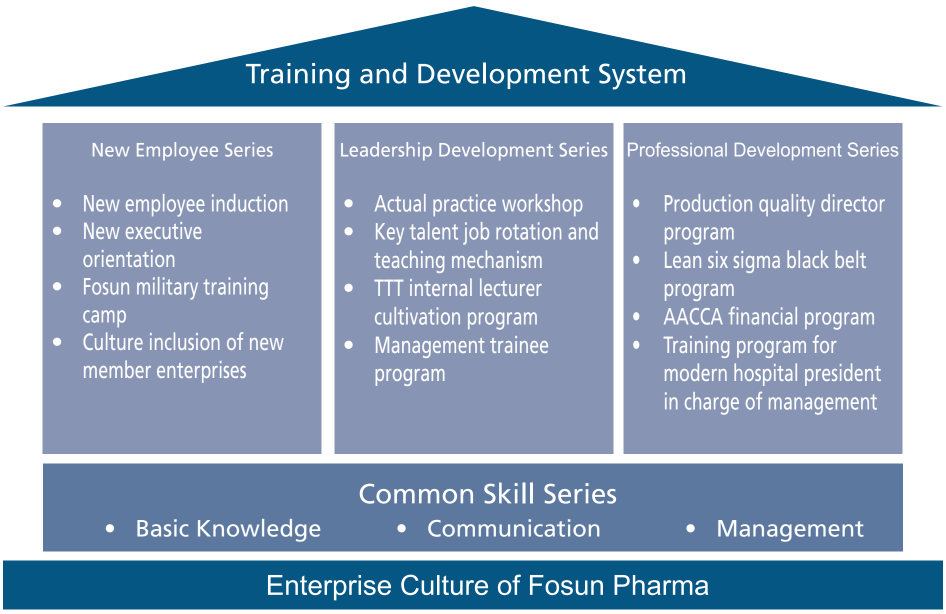
Adhering to the talent management strategy of "pursuing a high degree of harmony and unity between personal success and enterprise development", we highly link the personal development of employees with the development of enterprises to the maximum extent, and highly integrate the progress of enterprises with the promotion of personal values.

4.2.1 Talent Training

The Group attaches great importance to the construction of talent teams and the professional growth of employees. We set up a training and development center with training management and employee development as its main functions, which promotes talent development by uniting the training teams of member enterprises and combining the development needs of enterprises and employees. To equip employees with the latest skill set, we established a corporate university, Fosun HealthCare Management Institute, which provides "four platforms": the headquarters leadership and functional training platform, platform of professional skills training base for member enterprises, platform for the inheritance of knowledge and experience, and platform for dissemination of cultural concepts, helps employees learn from working and grow from learning through effective resource integration, to boost the Company's continuous development. In addition, we provide MBA joint training programs to provide degree certification for employees and help them improve their academic qualifications.

Functions of "Four Platforms" of Fosun HealthCare Management Institute

We have formed a complete set of all-round employee training system from talent evaluation, selection to training. These include integration training for new employees at different levels, leadership projects for leaders at all levels, professional development training for various businesses, general work skills and promotion of corporate culture. Through training and promotion in different aspects, the Group further improved the professional level and professional quality of employees to better assist the development of the Company.



Training and Development System

Fosun Pharma attaches great importance to the self-learning of employees and strives to create favourable learning environment for employees. During the Reporting Period, the Group continued to build a "university study that never ends" and carried out training and sharing activities including special training courses, general vocational skills training, lunch sharing session, weekend lectures, etc., which promoted the internal borderless flow of knowledge and assisted employees in their career growth in an all-round way. In addition, we have also carried out internal lecturer incubation activities and activities to enhance the lean operation capability of enterprises.

Typical training cases

FoTED internal lecturer program is an internal lecturer incubation and knowledge dissemination platform continuously developed by Fosun HealthCare Management Institute in 2020. Based on the actual situations of the Company, FoTED program actively encourages students with professional skills in various fields to share their knowledge and understanding, which is developed into courses that shares such knowledge with more students via the platform, in order to realize boundless dissemination of knowledge and promote the further integration and development of the organization. Since its launch, the platform has successfully held several internal lecturer training activities, which have won great recognition.

The Group emphasizes the practice and enhancement of the lean operation capability of the Head Office and core member enterprises. During the Reporting Period, we customized the Lean Six Sigma Black Belt Training Course for employees on the basis of Green Belt Program. Fosun HealthCare Management Institute cooperated with member enterprises to organize the black belt course for 37 potential employees for lean management selected from different segments and different member enterprises.

4.2.2 Performance Management

The Group emphasizes "the assessment by performance". The design, implementation and result utilization of the performance management system are based on the comprehensive and objective assessment of employees' overall performance and are meant to improve the matching among employees' quality, capability, performance and functional requirements and facilitate constant perfection in terms of sustainable development between employees and the corporation. In hospital management, apart from financial results, among performance rating indicators, the Group pays more attention to patient and employee satisfaction, healthcare quality and safety, medical characteristics, service process flows, talent cultivation, employee development, etc. For medical liability incidents, the one-vote down system is adopted. Efforts are made to ensure that the operation of the hospital is not meant to pursue short-term interest. Instead, it focuses on long-term, sustainable, and benign developments that answer to the social and community charity nature of the hospital. In addition, a department-based normal distribution is enforced on the performance results of employees at the Group. With reference to the 360-Degree Feedback System, it is meant to tailor personalized enhancement and improvement solutions for each employee in order to enhance their specific performance and capabilities.

4.2.3 Long-term Incentive

The Group focuses on "Building Our Team Through a Common Cause". The Group developed the framework of a long-term incentive system by setting up such incentive systems and plans as the "Long-term Incentive Plan for Management of Member Enterprises", "Restricted Stock Incentive Plan", "R&D System Incentive Plan", "Incentive Plan for Strategic Investment Items", and "Incentive Plan for Pre-IPO Investment Items". With a good incentive mechanism, we can share the results of development with employees, so that employees can obtain a sense of professional accomplishment in the enterprise and are willing to contribute their own strength to the development of the enterprise for a long time. After years of management practice, the Group's current compensation and incentive systems effectively support investment and operation strategies and comprehensively cover the headquarter and individual member enterprises to successfully facilitate the fulfilment of long-term performance goals by the enterprises. It has also helped inspire and retain talent management goals.

During the Reporting Period, the Group's training[13] was as follows:

Indicators	Sub-indicators	Unit	2020
Total Training Expenses		RMB0'000	904
Average Training Hours Per Person	All employees	hours/person	21
	Including: Female employees	hours/person	20
	Including: Male employees	hours/person	21
Training for Senior Management	Number of trainees	Person	482
	Total training time	Hour	20,712
Training for employees other than senior management	Number of trainees	Person	30,260
	Total training time	Hour	646,849

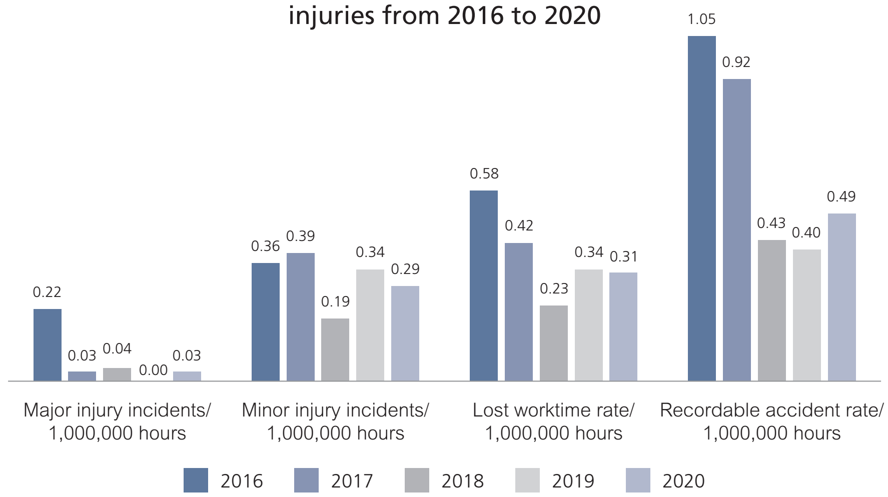
[13] Including domestic and overseas regions

4.3 Occupational Health and Safety

4.3.1 Safety Management

Following the principle of "safety first, prevention-foremost, comprehensive treatment", the Group strengthens and fulfils its safety production responsibility, and establishes the mechanism featuring enterprise accountability and employee participation; abides by relevant local and national laws, rules, regulations and standards on safety production, strengthens safety production management, establishes and improves safety production rules, and promotes standardization of safety production. To this, we established the safety goal of zero occupational death and zero major injury incident and carried out risk assessment, established SOP and emergency response systems, planed and implemented employee training, conducted troubleshooting and rectification, promoted good practices, and built safety culture to enhance safety production level. Based on the Lost worktime rate and recordable accident rate in 2016, we made statistics and comparison on the annual safety accident indicators. During the Reporting Period, the Group recorded the number of Lost worktime rate case of 0.325 and recordable incident rate of 0.514, down by 44% and 51% compared to 2016.

Information on work-related injuries from 2016 to 2020



4.3.2 Employee Health

Employee health protection is one of the important contents of our EHS work. The Group proactively fulfilled the occupational health responsibilities, and established and improved the responsibility management system for the occupational disease prevention of all employees. The Group followed the national requirements on occupational health risk warnings, individual protection, on-site supervision and sampling, and employee health examination in daily supervision, in order to realize the closed-loop management of occupational health. The Group strictly abided by the provisions of the "Three Simultaneousness" management of occupational disease prevention facilities for construction projects, conducted risk evaluation for toxic and harmful positions, regularly arranged occupational health examinations for employees in daily work and in contact with occupational hazards, strengthened the provision of protective facilities and articles for occupational health, and completed warning signs for occupational disease hazards.

In addition, in order to ensure the safety of employees, trade unions at all levels in the Group provide regular occupational health examinations for employees, so that employees can know their health status in time; hold health consultation and lectures to answer health doubts for employees and popularize the knowledge on a healthy life. With the hike in the number of flu patients in winter, the Head Office Labor Union cooperated with the Center for Disease Prevention and Control of Qingpu District, Shanghai to vaccinate nearly 200 employees with vaccination needs against flu in order to prevent the occurrence of influenza and protect their health.

In order to promote employees' physical fitness and further increase their activity time, the Head Office Labor Union offered Tai Chi classes, yoga classes and dance classes throughout the year; established more than 10 clubs including dancing, running group and basketball to hold diversified club activities on a regular basis. Meanwhile, it strengthened the management of employee gym, ping pong room, basketball court and tennis court of Fosun Science Park and Fosun Sci-tech Innovation Center, updated health facilities, and initiated and completed Shanghai Henlius Songjiang Base Fitness Center, for the convenience of health exercise of employees in their spare time.

4.3.3 Epidemic Control and Prevention

In the face of the outbreak of COVID-19 pandemic, leaders and trade unions at all levels of the Group actively responded to the instructions of the state. On the one hand, they participated in the fight against the epidemic by carrying out patient treatment, scientific research on detection reagents and vaccines, and caring for customers and employees; on the other hand, they adhered to the prevention and control of the epidemic situation and the resumption of work and production, and maintained the stable operation of the business on the premise of ensuring the health and safety of employees. Upon the outbreak of the pandemic, the Group urgently purchased materials such as medical masks and Redoxon to provide "health gift pack" for employees to fight against the pandemic. Internal and external resources were coordinated before and after the work resumption to purchase more than 220,000 pieces of anti-pandemic materials such as masks, hand disinfectors, alcohol and disinfecting wet tissue, which were sent to employees at work to fight against the pandemic.5. Business Ethics

5. BUSINESS ETHICS

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

5.1 Anti-corruption

The Group's anti-corruption principle is "investigating every case, learning from past mistakes to avoid future ones, emphasizing investigation with the priority of prevention and addressing both symptoms and root causes". The Group has always regarded the establishment of Integrity culture as its strategic effort to strengthen the anti-corruption awareness of all employees and reduce the occurrence of corruption. In accordance with the requirements of the Regulations on Management of Anti-Corruption Supervision by Shanghai Fosun Pharmaceutical (Group) Co., Ltd., the Group vigorously publicizes and promotes integrity values. By optimizing the management system, strengthening risk prevention and control, and continuously improving the anti-corruption compliance control system of "prevention-monitoring-punishment", the Group has achieved the anti-corruption goal of strengthening supervision, improving governance and consciously practicing good business ethics.

As at the end of the Reporting Period, the Group has issued 7 basic anti-corruption documents including the Anti-Corruption Regulations, the Anti-Commercial Bribery Agreement, Provisions on Integrity Administration of Engineering Construction Projects, the Whistle-blowing Management Regulations, the Regulations on Protection and Reward for Whistle-blowers and Witnesses, the Regulations on the Management of Integrity in Practice, and the Administrative Measures for Cash and Gifts Received in Official Activities (Trial Implementation), which compose the anti-corruption System of Fosun Pharma. In addition, the Headquarters requires new hires of Fosun Pharma must sign the "Letter of Undertaking for Honest Employee Practice of Shanghai Fosun Pharmaceutical (Group) Co., Ltd." upon employment. The letter of undertaking stipulates that employees of Fosun Pharma may not take advantage of their duties and work to seek illegitimate interest and undermine corporate interest. During the Reporting Period, the letter of undertaking covers all of the employees with a signing rate of 100%.

5.1.1 Anti-corruption and Compliance System

In the future, Fosun Pharma will further improve the Company's anti-corruption and compliance system, continue to strengthen routine supervision and special inspection and to learn from the anti-corruption practice by some transnational enterprises, enhance the research on the Foreign Corrupt Practices Act FCPA and The Bribery Act UKBA, in a desire to meet the strategic requirements of the Group's globalization and to provide strong compliance support for the Group's rapid, healthy, and sustainable development.

5.1.2 Anti-corruption Training

In order to enhance the anti-corruption awareness of all employees, Fosun Pharma produces integrity publicity poster and three-fold leaflets on integrity for publicity to publicize integrity in the head office and member enterprises of Fosun Pharma. In order to prevent possible interest conflicts and benefit transfer in the business activities, the ACSD requires that the senior management and persons in charge of sensitive positions of the pharmaceutical head office and its member enterprises should declare the potential interest conflicts. During the Reporting Period, the ACSD of Fosun Pharma conducted special anti-corruption training for directors and senior management once, anti-corruption and honesty practice promotion and education and induction training on honest culture construction for its new hires in Shanghai head office for 3 times, and anti-corruption publicity training on infrastructure lines and member enterprises for 3 times, and opened the integrity column on the Fosun Pharma Newspaper.

5.1.3 Anti-corruption Review

In addition to training internal personnel, the Group emphasizes the compliance of business cooperation for third-party suppliers and partners in its business activities. The Group has formulated and promulgated the Anti-Commercial Bribery Agreement for third-party suppliers and partners. When the Company and its member enterprises sign the contract, they must sign the Anti-Commercial Bribery Agreement as an annex to the contract, promising not to commit fraud and not to give improper benefits to bidding staff during the bidding process. The Group requires that all staff shall not solicit or accept improper benefits from others, requires the counterparty to the contract not to seek benefits by bribery or give improper benefits to the staff of the Group. In case of deliberate obstacles or solicitation of bribery, it is required to proactively report thereof. Fosun Pharma formulated the Regulations on Protection and Reward for Whistle-blowers and Witnesses, strictly managed the report clues according to the confidentiality level, placed the report materials in the confidential cabinet, prohibited the transfer of the report materials to the whistleblower or the reporting unit, understood and verified the report contents and whistleblower information without exposing the identity of the whistleblower, and severely punished the retaliator to guarantee the legal rights of whistleblowers and the contract counterparties.

5.2 Community Contributions

In the face of sudden COVID-19 pandemic, the Group still took social responsibility as its own responsibility and actively participated in community public welfare and the fight against COVID-19 pandemic, setting an example for the industry.

5.2.1 Community Charity

2020 witnessed the building of a well-off society in an all-around way and fighting poverty in a decisive battle. The Group actively participated in poverty alleviation and construction and fulfilled its social responsibilities. During the Reporting Period, the Group invested nearly RMB11 million in the targeted poverty alleviation and participated in the following public welfare programs (but not limited to):

Part of community charity programs

Charity fund-raising	Guilin Pharma made donations to Xiaoheping Village, Dongshan Town, Quanzhou County for the rural economic development of the village, Baixian Village, Litang Town, Binyang County, Nanning City for the construction of Senior Citizen Activity Center and Guanghui Village, Guilin to support the tap water supply Suqian Zhongwu Hospital donated funds to support the "5.15" International Family Day to carry out community benefit activities Xuzhou Chenxing donated money and participate in "9.9 Public Welfare to Do Good Deeds together"
Free clinic activities	"Happy Children's Day with Health Escort" Children's Day Free Clinic "Supporting Breastfeeding and Protecting a Healthy Earth" Free Clinic of World Breastfeeding Week Carried out a health free clinic of "Healthy Protection of the Elderly" for the elderly in Double Ninth Festival
Public welfare assistance Medical aid Student aid	Suqian Zhongwu Hospital and Suqian Disabled Persons' Federation held a cataract rehabilitation program to operate for patients free of charge. Wuhan Jihe Hospital conducted a public welfare health survey for members of the Road Running Association. Shenzhen Hengsheng Hospital and the Medical Department of Shenzhen University set up scholarships and teaching awards.

Riding on the advantages of products, the Group provided active cooperation with the Chinese government in aid to Africa in fighting against malaria. Up to now, the Group has undertaken 11 seminars on malaria prevention and treatment in developing countries, 6 seminars on quality management in developing countries, and 4 minister-level seminars in the field of drug regulation in developing countries, involving more than 50 countries; the Group has completed a total of 167 foreign aid programs. As at the end of 2020, Fosun Pharma supplied more than 150 million doses of Artesunate for injection for the international market, saving more than 30 million patients with severe malaria in the world.

The Group not only donated funds and materials, but also continued to carry out public welfare programs including academic sharing. Together with internationally renowned malaria experts, the Group has always regarded the fight against malaria as part of the corporate social responsibilities and penetrated the concept through the R&D, production and promotion in the terminal market of anti-malaria drugs. Since the first eCME in 2014, the Group has held nine online academic sharing meetings with different themes around public health hotspots in Africa such as malaria within seven years. In 2020, through Internet-based multimedia interactive forms such as network video conference, the Group provided an online academic platform for nearly 700 frontline medical workers from 14 countries in Africa, sharing the latest progress in medical research, improving their professional level and providing face-to-face communication with top international experts so as to promote local medical progress in Africa. In November 2020, Fosun Pharma formally initiated the public welfare program "Malaria Care Initiative", integrating continuous science popularization of malaria with community welfare and academic training, in order to help "build a malaria-free world" in the international community, especially African regions.

5.2.2 Fight against COVID-19

At the beginning of 2020, COVID-19 epidemic broke out, and the Group actively organized and participated in the people's war against the epidemic. From donating funds and materials to directly discharging medical personnel and medical teams, the Group has made due contributions to ensuring the safety of people, which has won high recognition and praise from governments at all levels and the whole society.

On 24 January 2020, the Group immediately initiated the global allocation plan of medical materials, urgently preparing 2.963 million pieces of medical treatment and protective materials urgently needed by the domestic pandemic prevention, successively donated several batches of medical materials such as protective clothing and masks to the frontlines of the epidemic-affected areas such as Wuhan and Huanggang, Hubei, and provided support for several medical institutions including the national medical team, Wuhan Union Hospital and Leishenshan Hospital. As at the end of the Reporting Period, 319 negative pressure ambulances were put into use on the frontlines. Over 17,460 ventilators were put into use on the global frontlines. The cumulative value of cash, medical supplies, and living supplies donated by Fosun Pharma to epidemic-affected areas has exceeded RMB30 million. Efforts in anti-epidemic work and related honors obtained include but are not limited to the following:

Highlights of the Anti-epidemic

Some medical staff directly involved in anti-epidemic and related work	Wuhan Jihe Hospital	In "Wuhan Caidian Infectious Disease Ward", they participated in the anti-epidemic for 51 days, with "zero death" among 515 patients and "zero infection" among 312 employees involved in anti-epidemic
	Yueyang Guangji Hospital	As Yueyang designated fever clinic and isolation observation room, it received 970 fever patients and diagnosed 8 patients throughout the year.
	Shenzhen Hengsheng Hospital	As one of the 49 fever clinics in Shenzhen and one of the designated hospitals for nucleic acid testing in Shenzhen, it has undertaken more than 70,000 government nucleic acid testing tasks.
Some efforts of the Group and various enterprises participated in the anti-epidemic	Erye Pharma	Carried out epidemic prevention knowledge propaganda to couriers such as "EMS", "SF Express", "ele.me" and "Wahaha" around the communities, community volunteers and sanitation workers
	Foshan Chancheng Hospital	Translated epidemic prevention and control publicity materials for foreigners in the Pearl River Delta, and set up official accounts of Facebook, LinkedIn and Instagram for science popularization
	Fosun Beiling	Produced 319 negative pressure ambulances for the anti-epidemic.
Other donations	Blood Transfusion Technology	Donated a plasma virus inactivation box to the General Hospital of Central Theater Command of the People's Liberation Army
	Fosun Long March	Donated 3,024 nucleic acid detection reagents to Tajikistan and 3,024 nucleic acid detection reagents to Belarus

In addition to donations and materials, the Group took advantage of its own medical research and development and became the strategic partner of Germany BioNTech in China on 13 March 2020. The two parties aimed to jointly develop and commercialize COVID-19 vaccines based on the exclusive mRNA technology platform of BioNTech in Mainland China, Hong Kong, Macao and Taiwan.

Moreover, in order to help Sub-Sahara regions actively respond to the global pandemic of COVID-19, from April 2020 to the end of 2020, the Group accumulatively donated anti-pandemic materials worth US$200,000 to African regions for the daily protection of local frontline medical workers and health workers.

While Fosun Pharma and its member hospitals rushed to the frontline of anti-epidemic without hesitation and demonstrated the responsibility of private medical forces, the member hospitals of the Group also gained social recognition, including but not limited to the following:

Part of the Honor Titles & Certificates

Suqian Zhongwu Hospital	Wang Jiameng was awarded "National Excellent Individual in Combating the COVID-19" by the CPC Central Committee, the State Council and the Central Military Commission and the title of "Excellent Communist Party Member of Jiangsu Province" by the CPC Jiangsu Provincial Committee
	Han Tao was awarded the honorary title and certificate of "Heroes in Harm's Way" by the CPC Hubei Provincial Committee and Hubei Provincial Government; Jiangsu Communist Youth League of the CPC Jiangsu Provincial Committee praised the outstanding youth collectives and youth league members in the prevention and control of COVID-19 pandemic, and commended him as excellent youth league member
Foshan Chancheng Hospital	Awarded the titles of "Foshan Excellent Group in the Fight against the COVID-19" and "Foshan Excellent Grassroots Party Organization"
	Chen Zhichang received the Certificate of Appreciation from the Leading Group of Pandemic Prevention and Control of China Association of Non-public Medical Institutions
Anhui Jimin Hospital	Awarded "Excellent Team" by Anhui Association of Socially-Organized Medical Institutions for anti-pandemic efforts
	Xu Yuliang, Zhu Jiaojuan, Hu Chengdi and Zhu Huizi were awarded "Excellent Individuals" by Anhui Association of Socially-Organized Medical Institutions
Fosun Beiling	Excellent Anti-epidemic Team issued by the Ministry of Industry and Information Technology
	"Excellent Unit of Epidemic Prevention and Control in COVID-19" issued by Pharmaceutical Logistics Branch of China Federation of Logistics and Purchasing

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Wu Yifang (吳以芳), aged 51, is the Company's executive Director, chairman and chief executive officer. Mr. Wu joined the Group in April 2004 and was appointed as the chairman of the Company in October 2020. Mr. Wu was the Company's senior vice president, chief operating officer, president and chief executive offcier. Mr. Wu is currently a non-executive director of companies listed on the Hong Kong Stock Exchange, namely Sisram Medical (stock code: 01696) and Shanghai Henlius (stock code: 02696), a director of Gland Pharma, a company listed on the BSE and NSE (stock code: GLAND), and the chairman of the supervisory committee of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Prior to joining the Group, Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠), the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang (where Xuzhou Biochemical Pharmaceutical Factory* (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant* (徐州(萬邦)生物化學製藥廠) and Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd.* (徐州萬邦生化製藥有限公司) were predecessors of Jiangsu Wanbang) and the president of Jiangsu Wanbang. Mr. Wu is currently an executive member of China Society for Drug Regulation (中國藥品監督管理研究會), a vice chairman of China News of Drug Information Association (中國醫藥新聞資訊協會), a vice chairman of China Pharmaceutical Enterprise Association (中國醫藥企業管理協會), a vice chairman of China Pharmaceutical Industry Association (中國化學製藥工業協會), a rotating chairman of China Non-prescription Medicines Association (中國非處方藥物協會), a vice chairman of the Shanghai Pharmaceutical Profession Association (上海醫藥行業協會), a vice chairman of the China Association of Enterprises with Foreign Investment (中國外商投資企業協會) and the First Honorary President of Gansu Medical and Health Industry Development Association (甘肅省醫藥健康產業發展協會). Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce in 1996 and obtained a master degree in business administration from Saint Joseph's University in 2005.

Mr. Chen Qiyu (陳啟宇), aged 48, was appointed as a non-executive Director of the Company in October 2020. Mr. Chen was the Company's deputy general manager, administrative deputy general manager, general manager, secretary to the Board, vice chairman, executive Director and chairman. Mr. Chen is the chairman of Fosun High Tech, an executive director and a co-chief executive officer of Fosun International (stock code: 00656), a non-executive director and vice chairman of Sinopharm (stock code: 01099) and a non-executive director and chairman of the board of directors of Shanghai Henlius (stock code: 02696), all of which are companies listed on the Hong Kong Stock Exchange, a director of Beijing Sanyuan Foods Co., Ltd.* (北京三元食品股份有限公司) (stock code: 600429), a company listed on the Shanghai Stock Exchange, a director of Gland Pharma, a company listed on the BSE and NSE (stock code: GLAND), and a co-chairman of the board of New Frontier Health Corporation, a company listed on the New York Stock Exchange (stock code: NFH). Mr. Chen was a non-executive director of Babytree Group (stock code: 01761). Mr. Chen is also the chairman of China Medical Pharmaceutical Material Association* (中國醫藥物資協會), vice president of China Pharmaceutical Industry Research and Development Association* (中國醫藥創新促進會), honorary chairman and chief supervisor of the Shanghai Biopharmaceutical Industry Association* (上海市生物醫藥行業協會), vice chairman of the Shanghai Society of Genetics* (上海市遺傳學會) and a member of the 13th Shanghai Standing Committee of the Chinese People's Political Consultative Conference. Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) in July 1993 and an executive master of business administration from China Europe International Business School (中歐國際工商學院) in September 2005.

Mr. Yao Fang (姚方), aged 51, was appointed as a non-executive Director of the Company in October 2020. Mr. Chen was the Company's general manager, president and chief executive officer, executive Director, vice chairman and co-chairman. Prior to joining the Group, from 1993 to 2009, Mr. Yao was successively the assistant general manager of the international business department of Shanghai Wanguo Securities Company Limited* (上海萬國證券有限公司), now known as Shenwan Hongyuan Group Co., Ltd.* (申萬宏源集團股份有限公司), general manager of Shanghai Industrial Assets Management Company Limited* (上海上實資產經營有限公司), general manager of Shanghai Industrial Management (Shanghai) Company Limited* (上實管理(上海)有限公司), managing director of Shanghai Industrial Pharmaceutical Investment Company Limited* (上海實業醫藥投資股份有限公司), a company deregistered in April 2011, chairman of Shanghai Overseas Company (上海海外公司), non-executive director of Lianhua Supermarket Holdings Co., Ltd.* (聯華超市股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00980), and executive director of Shanghai Industrial Holdings Limited* (上海實業控股有限公司) (stock code: 00363), a company listed on the Hong Kong Stock Exchange. Mr. Yao was the chief supervisor of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange. Mr. Yao obtained a bachelor degree of economics from Fudan University (復旦大學) in July 1989 and a master degree of business administration from The Chinese University of Hong Kong in December 1993.

Mr. Xu Xiaoliang (徐曉亮), aged 47, was appointed as a non-executive Director of the Company in June 2019. Mr. Xu is currently a director and general manager of Fosun High Tech, an executive director and co-chief executive officer of Fosun International (stock code: 00656), which is a company listed on the Hong Kong Stock Exchange, a director of Shanghai Yuyuan Tourist Mart Co., Ltd. (上海豫園旅游商城股份有限公司) (stock code: 600655) and a director of Hainan Mining Co., Ltd.* (海南礦業股份有限公司) (stock code: 601969), which are companies listed on the Shanghai Stock Exchange, and a director of Shanghai Foyo Culture & Entertainment Co., Ltd.* (上海復娛文化傳播股份有限公司) (stock code: 831472), a company listed on the NEEQ. Mr. Xu was a non-executive director and vice chairman of Zhaojin Mining Industry Company Limited* (招金礦業股份有限公司) (stock code: 01818), a company listed on the Hong Kong Stock Exchange, and a director of Shanghai Resource Property Consulting Co., Ltd.* (上海策源置業顧問股份有限公司) (delisted from NEEQ in December 2020). Mr. Xu is currently a deputy to the 15th Shanghai Municipal People's Congress, the chairman of the Shanghai International Fashion Federation and co-chairman of Industry-City Integration Development Federation of The Zhejiang Chamber of Commerce, Shanghai. Mr. Xu graduated from Innova Education School of Singapore with a diploma in July 1995, obtained his master's degree in business administration from the East China Normal University in July 2002 and his master's degree in business administration from Fudan University in January 2019.

Mr. Gong Ping (龔平), aged 45, was appointed as a non-executive Director of the Company in June 2020. Mr. Gong is currently a director and financial manager of Fosun High Tech, the executive director, senior vice president and chief financial officer of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a director of Shanghai Yuyuan Tourist Mart Co., Ltd.* (上海豫園旅遊商城股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600655), and a director of Shanghai Bailian Group Company Limited (上海百聯集團股份有限公司) (stock code: 600827). Mr. Gong is currently a council member of Shanghai Association for Youth Entrepreneurship and Employment* (上海市青年創業就業基金會) and the vice president of Shanghai Young Entrepreneurs' Association* (上海市青年企業家協會). Mr. Gong was a non-executive director of Shanghai Zendai Property Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00755), a director of Shanghai Resource Property Consultancy Co., Ltd.* (上海策源置業顧問股份有限公司) (delisted from NEEQ in December 2020) and the chairman of Paris Realty Fund SA, a company listed on the Euronext Paris (stock code: PAR). Mr. Gong worked at Pudong branch and the headquarter of Bank of Shanghai and the PRC headquarter of Standard Chartered Bank. He also served as a global strategy consultant at the headquarter of Samsung Group in Korea and an assistant to president and general manager of corporate development department, senior assistant to president and the general manager of corporate development department of Fosun High Tech. Mr. Gong graduated from Fudan University in 1998 with a bachelor degree in international finance, and obtained a master degree in finance from Fudan University in 2005, and a master degree in business administration from International Institute for Management Development (IMD) in Lausanne, Switzerland in 2008.

Mr. Pan Donghui (潘東輝), aged 51, was appointed as a non-executive Director of the Company in June 2020. Mr. Pan is currently the senior vice president and chief human resources officer of Fosun International (stock code: 00656), a company listed on the Stock Exchange, a director of Shanghai Foyo Culture & Entertainment Co., Ltd. (上海復娛文化傳播股份有限公司) (stock code: 831472), a company listed on the NEEQ, and the chairman of the supervisory committee of Shanghai Ganglian E-Commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司) (stock code: 300226), a company listed on the Shenzhen Stock Exchange. Mr. Pan was a non-executive director of Linekong Interactive Group Co., Ltd. (stock code: 08267), a company listed on the Hong Kong Stock Exchange, and a director of Shanghai Ganglian E-Commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司) (stock code: 300226), a company listed on the Shenzhen Stock Exchange. Mr. Pan worked in Zhejiang Ningbo Tiandi Group Co., Ltd.* (浙江寧波天地(集團)股份有限公司, now known as Ningbo Tiandi (Group) Co., Ltd.* (寧波天地(集團)股份有限公司)) and served as a project manager of Forte Land Co., Ltd.* (復地(集團)股份有限公司). He served as an assistant to president, senior assistant to president, vice president and senior vice president of Fosun High Tech. Mr. Pan Donghui obtained a bachelor degree in engineering from Shanghai Jiaotong University in July 1991, and a master degree in business administration from the University of Southern California, the United States, in May 2009.

Mr. Zhang Houlin (張厚林), aged 52, was appointed as a non-executive Director of the Company in October 2020. Mr. Zhang is currently a supervisor of Fosun High Tech, the senior vice president and co-chief financial officer of Fosun International (stock code: 00656), a company listed on the Hong Kong Stock Exchange, and a director of Shanghai Ganglian E-Commerce Holdings Co., Ltd.* (上海鋼聯電子商務股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code 300226). Mr. Zhang Houlin worked for Agricultural Bank of China, Shanghai Waigaoqiao sub-branch, he also served as the deputy chief financial officer and general manager of the capital management department, assistant to president and general manager of capital management department, senior assistant to president and general manager of capital management department, vice president and general manager of capital management center of Fosun High Tech, and he was a supervisor of the Company. Mr. Zhang Houlin obtained a bachelor's degree in history in July 1991 and a master's degree in business administration in December 1998, both from Fudan University.

Mr. Jiang Xian (江憲), aged 66, was appointed as the Company's independent non-executive Director in June 2015. Mr. Jiang is currently a honorable senior partner and founding partner of Shanghai United Law Firm (上海市聯合律師事務所), an independent director of Shanghai No.1 Pharmacy Co., Ltd.* (上海第一醫藥股份有限公司) (stock code: 600833), a company listed on Shanghai Stock Exchange, an independent director of Shanghai Shentong Metro Shareholding Company Limited (上海申通地鐵股份有限公司) (stock code: 600834), an arbitrator of China International Economic and Trade Arbitration Commission, an arbitrator of Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center), a visiting professor of East China University of Political Science and Law (華東政法大學) (formerly known as East China College of Political Science and Law (華東政法學院)), a mediator of Shanghai Commercial Mediation, and an associated Mediator of Singapore Mediation Center. Mr. Jiang was a lecturer at Shanghai Law School (上海司法學校). Mr. Jiang obtained a bachelor degree of laws from a branch of the Fudan University (復旦大學) (now incorporated into the Shanghai University) in April 1983 and a master degree of laws from Fudan University (復旦大學) in July 1996, respectively. Mr. Jiang qualified as a lawyer in the PRC in 1985.

Dr. Wong Tin Yau Kelvin (黃天祐), Justice of Peace, aged 60, was appointed as the Company's independent non-executive Director in June 2015. Dr. Wong is currently an executive director and deputy managing director of COSCO SHIPPING Ports Limited (stock code: 01199), an independent non-executive director of I.T Limited (stock code: 00999), an independent non-executive director of China ZhengTong Auto Services Holdings Limited (stock code: 01728) and an independent non-executive director of JS Global Lifestyle Company Limited (stock code: 01691), all of which are companies listed on the Hong Kong Stock Exchange, an independent non-executive director of Xinjiang Goldwind Science & Technology Co., Ltd. (stock code: 02208, 002202), a company listed on both the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, and an independent non-executive director of Yangtze Optical Fibre and Cable Joint Stock Limited Company (長飛光纖光纜股份有限公司) (stock code: 06869, 601869), a company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Dr. Wong was an independent non-executive director of Bank of Qingdao Co., Ltd., a company listed on both the Hong Kong Stock Exchange and the Shenzhen Stock Exchange (stock code: 03866, 002948), and an independent non-executive director of companies listed on the Hong Kong Stock Exchange, namely Asia Investment Finance Group Limited (now renamed as Amber Hill Financial Holdings Limited) (stock code: 00033), Mingfa Group (International) Company Limited (stock code: 00846) and Huarong International Financial Holdings Limited (stock code: 00993). Dr. Wong is currently the chairman of the Financial Reporting Council, a committee member of the Operations Review Committee of the ICAC and a council member of the Hong Kong Management Association in Hong Kong. Dr. Wong obtained his Master of Business Administration degree from Andrews University in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007.

Ms. Li Ling (李玲), aged 59, was appointed as the Company's independent non-executive Director in June 2019. Ms. Li is currently an economics professor and a Ph.D. supervisor of National School of Development at Peking University, the director of Research Center of China Healthy Development at Peking University and an independent non-executive Director of JD Health International Inc., a company listed on the Hong Kong Stock Exchange (stock code: 06618). Ms. Li served as a lecturer at Wuhan University, an assistant to professor and an associate professor with tenure at the Department of Economics of Towson University, as well as a deputy director, an economics professor and a Ph.D. supervisor at China Center for Economic Research of Peking University. She was an independent non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Ms. Li obtained a bachelor's degree in physics from Wuhan University in August 1982, and obtained a master's degree and a doctoral degree in economics from University of Pittsburgh in the U.S. in September 1990 and May 1994, respectively.

Mr. Tang Guliang (湯谷良), aged 58, was appointed as the Company's independent non-executive Director in June 2019. He is currently a professor at the Department of Economics of International Business School of University of International Business and Economics, an independent director of Appotronics Corporation Limited* (深圳光峰科技股份有限公司), a company listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688007) and an independent director of Jointown Pharmaceutical Group Co., Ltd. (九州通醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600998). Mr. Tang was an assistant lecturer, lecturer, associate professor and professor at the Accounting Department of Beijing Business School (currently Beijing Technology and Business University), the dean and professor at School of Accounting of Beijing Technology and Business University, and was the dean of International Business School of University of International Business and Economics. Mr. Tang obtained his bachelor degree in accounting from Beijing Business School (currently Beijing Technology and Business University) in July 1984, his master's degree in accounting from Beijing Business School in July 1987, and his doctoral degree in finance from Chinese Academy of Fiscal Sciences under the Ministry of Finance in July 1996.

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

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

Ms. Mu Haining (沐海寧) served as the Company's non-executive Director from June 2018 to June 2020.

SUPERVISORS

Ms. Ren Qian (任倩), aged 51, has served as the chairman of the Supervisory Committee of the Company since January 2018. Ms. Ren joined the Group in May 2011 and has been serving as the deputy general manager and general manager of audit department of the Company. Prior to joining the Group, Ms. Ren served as an auditor of the audit department of Shanghai No.1 Department Store Company Limited* (上海市第一百貨股份有限公司) (whereafter merged with Shanghai Bailian Group Company Limited* (上海百聯集團股份有限公司) (stock code: 600827), a company listed on the Shanghai Stock Exchange) and the manager of financial department of a subsidiary thereof, the chief officer of the second division of audit department of China Worldbest Group Company Limited* (中國華源集團有限公司), the assistant to director of Shanghai Zhongzhou Certified Public Accountants Company Limited* (上海中洲會計師事務所有限公司), and the deputy general manager of audit department of Shanghai China Fortune Company Limited* (上海華鑫股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600621). Ms. Ren graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree in economics in July 1991, and graduated from The Chinese University of Hong Kong with a master degree in accounting in November 2016.

Mr. Cao Genxing (曹根興), aged 74, has served as the Company's Supervisor since 26 May 2008. Mr. Cao currently serves as the secretary to the board of Dahua Group Limited* (大華(集團)有限公司) and the chairman's advisor of Shanghai Shenxing (Group) Company Limited (上海申新(集團)有限公司). Mr. Cao graduated from Central Agricultural Broadcasting and Television School* (中央農業廣播電視學校) with a diploma in agricultural science in December 1985. Mr. Cao graduated from Shanghai Baoshan District Vocational University (上海寶山區業餘大學) with a diploma in party and government management in January 1991.

Mr. Guan Yimin (管一民), aged 70, was appointed as the Company's Supervisor on 30 June 2014. Mr. Guan is now an independent director of Bringspring Science and Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300290), an independent director of Yihai Kerry Arawana Holdings Co., Ltd.* (益海嘉里金龍魚糧油食品股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300999), an independent director of Shanghai Huayi (Group) Company (上海華誼集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600623) and an independent director of Hefei Genius Advanced Material Co., Ltd. (合肥傑事傑新材料股份有限公司), a company listed on the NEEQ (stock code: 834166). Mr. Guan was also a professor of Shanghai National Accounting Institute, and an independent director of Shanghai International Port (Group) Co., Ltd.* (上海國際港務(集團)股份有限公司) (stock code: 600018), a company listed on the Shanghai Stock Exchange. Mr. Guan obtained a bachelor degree in accounting from Shanghai University of Finance and Economics (SUFE) in January 1983.

SENIOR MANAGEMENT

Mr. Wu Yifang (吳以芳), is the Company's executive Director, president and chief executive officer. His biographical details are set out on page 135 of this annual report.

Mr. Chen Yuqing (陳玉卿), aged 45, joined the Group in January 2010 and is currently the Company's co-president (appointed in October 2020). He was the Company's vice president and senior vice president. Prior to joining the Group, he was a teacher at the School of Materials of Shanghai University, the human resources manager of Yanfeng Visteon Automotive Trim Systems Co., Ltd* (延鋒偉世通汽車飾件系統有限公司) (now renamed as Yanfeng Automotive Trim Systems Co., Ltd.* (延鋒汽車飾件系統有限公司), Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd. * (延鋒偉世通(北京)汽車飾件系統有限公司) and Shanghai Yanfeng Johnson Controls Seating Co., Ltd.* (上海延鋒江森座椅有限公司), the development manager of the human resources department of Shanghai Alison (Group) Co., Ltd.* (上海埃力生(集團)有限公司), the Central China human resources manager of Schindler China Elevator Co. Ltd.* (迅達(中國)電梯有限公司), the senior human resources integration manager of Global Mart Limited* (購寶商業集團), and the chief human resources officer of Kubao Information Technology (Shanghai) Co., Ltd.* (酷寶信息技術(上海)有限公司). Mr. Chen obtained a bachelor degree in engineering from Shanghai University in July 1997.

Mr. Wang Kexin (王可心), aged 56, joined the Group in June 2010 and is currently the Company's co-president (appointed in October 2020). He was the Company's deputy general manager, vice-president and senior vice president. Prior to joining the Group, Mr. Wang was the deputy general manager of Sea Rainbow Holding Corporation* (海虹控股醫藥電子商務有限公司), the marketing director of Kunming Pharmaceutical Group Corporation Limited* (昆明製藥集團股份有限公司) and deputy general manager of Kunming Pharmaceutical Retail Company Limited* (昆明製藥藥品銷售有限公司), the general manager of Beijing Huali Jiuzhou Medical Company Limited* (北京華立九州醫藥有限公司), the vice president of Chongqing Huali Pharmaceutical Industry Company Limited* (重慶華立藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607) and the chairman of Beijing Tianren Hexin Pharmaceutical Company Limited* (北京天仁合信醫藥經營有限責任公司). Mr. Wang obtained a bachelor degree of medicine from Shenyang Medical College (瀋陽醫學院) in July 1988.

Mr. Li Dongming (李東明), aged 51, joined the Group in April 2017 and is currently the Company's co-president (appointed in October 2020). He was the Company's vice president and senior vice president. Mr. Li Dongming is currently a director of Gland Pharma, a company listed on the BSE and NSE (stock code: GLAND). Prior to joining the Group, Mr. Li Dongming was a technician trainee, deputy director, director, and the assistant to the plant manager and director in the workshop of Shanghai Yan'an Pharmaceutical Plan* (上海延安製藥廠), a deputy general manager and director of the human resources department of Shanghai Yan'an Wanxiang Pharmaceutical Co., Ltd.* (上海延安萬象藥業股份有限公司), a deputy factory director of Shanghai Sine Pharmaceuticals* (信誼藥廠) (now known as Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.* (上海上藥信誼藥廠有限公司)), the strategic director of the strategy and investment committee office under the board of directors, as well as the vice president of the OTC sales business department of Shanghai Pharmaceuticals (Group) Limited, a director and deputy general manager of Shanghai Roche Pharmaceutical Co., Ltd., a director and general manager of Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., and a director and general manager of Shanghai Pharmaceutical Group Pharma Sales Co., Ltd.* (上海醫藥集團藥品銷售有限公司). Mr. Li obtained a bachelor degree in science from Fudan University in July 1989.

Ms. Guan Xiaohui (關曉暉), aged 49, joined the Group in May 2000 and is currently the Company's executive president (appointed in October 2020) and chief financial officer. She was the vice president and senior vice president of the Company. Ms. Guan is a non-executive director of companies listed on the Hong Kong Stock Exchange, namely Sinopharm (stock code: 01099) and Shanghai Henlius (stock code: 02696) and a director of Gland Pharma, a company listed on the BSE and NSE (stock code: GLAND). Prior to joining the Group, Ms. Guan Xiaohui worked at Jiangxi Provincial Branch of the Industrial and Commercial Bank of China* (中國工商銀行江西省分行). Ms. Guan is qualified as Chinese Certified Public Account (CPA) and a member of The Association of Chartered Certified Accountants (ACCA). Ms. Guan obtained a bachelor degree of economics from Jiangxi University of Finance and Economics (江西財經大學) and acquired a master degree of professional accountancy from the Chinese University of Hong Kong in December 2007.

Mr. Aimin Hui, aged 58, joined the Group in November 2017 and is currently the Company's executive president (appointed in March 2021). He was the Company's senior vice president. Mr. Hui is a non-executive director of Shanghai Henlius, a company listed on the Hong Kong Stock Exchange (stock code: 02696). Prior to joining the Group, Mr. Hui was a doctor at the Fourth Hospital of Hebei Medical University (河北醫科大學第四醫院), a trainee at National Cancer Center Hospital (國立癌中心醫院) in Japan, a PhD student at the School of Medicine of Shinshu University (信州大學醫學院) in Japan, a special researcher at National Cancer Center (國立癌中心) in Japan, an assistance professor and lecturer at the Faculty of Medicine of University of Tokyo (東京大學醫學院), a visiting scientist and researcher at National Cancer Institute in the U.S., a medical director of GE Healthcare Group, a medical director of Cephalon, Inc., a clinical oncology director and senior director of Takeda Pharmaceutical Company Limited, and a vice president of the global clinical research and development of Sanofi. Mr. Hui obtained a bachelor degree of medicine from Hebei Medical University (河北醫科大學) in August 1984 and a doctoral degree from the School of Medicine of Shinshu University (信州大學醫學院) in Japan in September 1994.

Ms. Mei Jingping (梅璟萍), aged 50, joined the Group in January 2013 and is currently a senior vice president of the Company (appointed in June 2019). She was the vice president of the Company. Prior to joining the Group, Ms. Mei was the senior marketing manager of the marketing department of Wyeth Pharmaceutical Co., Ltd. and the investment analyst, senior investment analyst and research director of pharmaceutical industry at CLSA Limited. Ms. Mei obtained a bachelor degree in science from China Pharmaceutical University in 1992.

Mr. Wen Deyong (文德鏞), aged 49, joined the Group in May 2002 and is currently the Company's senior vice president (appointed in October 2020). He was a vice president of the Company. Mr. Wen is a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of China National Medicines Co., Ltd.* (國藥集團藥業股份有限公司) (CNCM LTD) (stock code: 600511), a company listed on the Shanghai Stock Exchange, a director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd. (安徽山河藥用輔料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300452) and the chairman of the board of supervisor of Sinopharm Group Accord Pharmaceutical Co., Ltd. (國藥集團一致藥業股份有限公司) (stock code: 000028). Mr. Wen was a director of CQ Pharma Holdings (stock code: 000950), a company listed on the Shenzhen Stock Exchange. Mr. Wen graduated from West China University of Medical Sciences (華西醫科大學), which is now known as West China Medical Center of Sichuan University (四川大學華西醫學中心), in September 1995, and obtained a Master of Business Administration Degree from Donghua University (東華大學) in December 2007.

Mr. Wang Donghua (王冬華), aged 51, joined the Group in October 2015 and is currently a senior vice president of the Company (appointed in October 2020). He was a vice president of the Company. Prior to joining the Group, Mr. Wang was the deputy manager and manager of the corporate culture department, deputy general manager of the investment development department, deputy general manager and spokesman of the brand development department, and deputy general manager, executive general manager and joint general manager of the public affairs department of Fosun High Tech. Mr. Wang obtained a bachelor degree in agriculture from Yangzhou University in July 1994, and a master degree in business administration from Shanghai University of Finance and Economics in February 2004.

Mr. Li Dongjiu (李東久), aged 55, re-joined the Group in March 2021 and is currently the senior vice president of the Company (appointed in March 2021). He was the vice president and senior vice president of the Company. Mr. Li served as the deputy general manager and chief financial officer of North China Pharmaceutical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600812), the vice president and general counsel of Sinopharm, a company listed on the Stock Exchange (stock code: 01099), a director of China National Pharmaceutical Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600511) and a director of Sinopharm Group Accord Pharmaceutical Co., Ltd. (國藥集團一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028). Mr. Li obtained a bachelor's degree in chemical engineering from Dalian Institute of Technology (now known as Dalian University of Technology) in July 1987, a master's degree in management science and engineering from Wuhan Jiaotong University of Science and Technology in July 1999, and a master's degree in international economic and trade relations from Flinders University, Australia, and a Ph.D. degree in transportation planning and management from Wuhan University of Technology in June 2013. Mr. Li also obtained an EMBA degree from China Europe International Business School.

Mr. Li Shengli (李勝利), aged 47, joined the Group in April 2004 and is currently the Company's senior vice president (appointed in March 2021). He was the Company's vice president. Prior to joining the Group, Mr. Li served at Xuzhou Nhwa Pharmaceutical Group Co., Ltd.* (徐州恩華藥業集團有限責任公司). Mr. Li obtained a master's degree in business administration from Shanghai Jiao Tong University in December 2011.

Ms. Feng Rongli (馮蓉麗), aged 45, joined the Group in April 2020 and is currently the senior vice president of the Company (appointed in March 2021). She was a vice president of the Company. Ms. Feng is currently the chairman of the board of supervisors of Shanghai Henlius (stock code: 02696), a non-executive director of Sinopharm (stock code: 01099), and a non-executive director of Sisram Medical (stock code: 01696), all of which are companies listed on the Stock Exchange. Prior to joining the Group, Ms. Feng served as a human resources supervisor of Sealed Air Packaging (Shanghai) Co., Ltd. (希悦爾包裝(上海)有限公司), a human resources manager of Grundfos Pumps (Shanghai) Co., Ltd. (格蘭富水泵(上海)有限公司), the Asia-Pacific human resources manager of Emerson Electric (China) Holdings Co., Ltd. (艾默生電氣(中國)投資有限公司), the China human resources planning manager of Dow Chemical (China) Co., Ltd. (陶氏化學(中國)有限公司), the director of human resources of Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司), the senior director of human resources at F. Hoffmann-La Roche AG, the deputy chief human resources officer of Fosun High Tech and the managing director of the human resources of Shanghai Fosun Venture Capital Investment Management Co., Ltd. (上海復星創業投資管理有限公司). Ms. Feng graduated from Shanghai University with a major in computer application in 1996 and obtained a master's degree in business administration from Columbia Southern University in 2002.

Mr. Wang Yao (汪曜), aged 47, joined the Group in September 2014 and is currently a vice president of the Company (appointed in September 2014). Mr. Wang is a non-executive director of Sisram Medical, a company listed on the Hong Kong Stock Exchange (stock code: 01696). Prior to joining the Group, Mr. Wang was the director in merger and acquisition of Asian-Pacific Region of PENTAIR LTD, a company listed on the New York Stock Exchange (stock code: PNR), during which he was concurrently the general manager of Beijing Pentair-Jieming Environmental Protection Equipment Co., Ltd.* (北京濱特爾潔明環保設備有限公司), an affiliate of PENTAIR LTD. He was also the vice president of group investment and asset management of Suntech Power Holdings Co., Ltd., a company listed on the New York Stock Exchange (stock code: STP). Mr. Wang obtained a bachelor degree in metal casting from Shanghai University (上海大學) in 1995 and a master degree in business administration from CEIBS in 1999.

Ms. Dong Xiaoxian (董曉嫻), aged 39, joined the Group in July 2003, and is currently a vice president (appointed in June 2016), the secretary to the Board and a joint company secretary of the Company. Ms. Dong worked as the securities affairs assistant, securities affairs representative, deputy director and director of the Board Secretary Office of the Company. Ms. Dong graduated from Shanghai University (上海大學) with a Bachelor of Laws in July 2003, and graduated with a Master of Business Administration Degree from Fudan University (復旦大學) in January 2015.

Mr. Liu Yi (劉毅), aged 45, joined the Group in November 2015 and is currently a vice president of the Company (appointed in January 2017). Mr. Liu is the executive Director and chairman of the board of directors of Sisram Medical (stock code: 01696), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group, Mr. Liu was a student in Young Cadre Training Class of Chinese Academy of Governance (國家行政學院青年幹部培訓班), a deputy section officer of medical equipment department and a section officer of market supervision department of State Food and Drug Administration, which is now known as CFDA and the deputy head and head of Beijing Medical Equipment Laboratory (北京市醫療器械檢驗所). Mr. Liu obtained a bachelor degree in engineering from Beijing Institute of Technology in July 1998, and a master degree in management from Peking University in January 2006.

Mr. Zhang Yuejian (張躍建), aged 51, re-joined the Group in February 2005 and is currently the Company's vice president (appointed in June 2019). Prior to joining the Group, Mr. Zhang was a lecturer at Shanghai Medical University (上海醫藥大學) and had a postdoctoral research at Boston University. Mr. Zhang obtained a bachelor's degree in medicine from Shanghai Medical University in July 1993, a master's degree in medicine from Shanghai Medical University in June 1997, and a doctorate in medicine from Shanghai Medical University in July 2000.

Mr. Hu Hang (胡航), aged 37, joined the Group in September 2010 and is currently the Company's vice president (appointed in January 2020). Prior to joining the Group, Mr. Hu served as an auditor at PricewaterhouseCoopers Zhong Tian LLP, a senior auditor at Ernst & Young Hua Ming LLP, and a senior adviser on risk control at PricewaterhouseCoopers Management Consulting (Shanghai) Limited. Mr. Hu obtained a bachelor's degree in economics from Fudan University in July 2006, and a master's degree in business administration from Shanghai Jiao Tong University in March 2013.

Mr. Bao Qingui (包勤貴), aged 36, joined the Group in July 2010 and is currently the Company's vice president (appointed in January 2020). Mr. Bao was the R&D manager of Shanghai Henlius Biotech Co., Ltd. (currently Shanghai Henlius), senior manager of the strategic planning department and business affairs assistant to chairman, director of strategic planning of the medical service management committee and the chief investment officer of the medical service management committee of the Company, and the assistant to the president of Fosun Healthcare. Mr. Bao received a bachelor's degree in engineering from Hefei University of Technology in July 2007 and a Master of Science degree from Fudan University in June 2010.

Ms. Lihui Zou, aged 52, joined the Group in February 2017 and is currently the vice president of the Company (appointed in March 2021). Ms. Lihui Zou is currently a director of Nature's Sunshine Products, Inc. (stock code: NATR), a company listed on Nasdaq in the United States. Prior to joining the Group, Ms. Lihui Zou served as a consultant for Bain & Company, senior manager of strategy and R&D pipeline management at Wyeth LLC., deputy director of business development for Bristol-Myers Squibb Medical Imaging, Inc., director of alliance and business development for Coley Pharmaceutical Group, Inc., director of business development for ArQule, Inc., executive director of business development and licensing of Sandoz Inc., etc. Ms. Lihui Zou received a bachelor's degree in microbiology from Peking University in July 1991, a doctorate in microbiology from Cornell University in the United States in January 1997, and a master's degree in business administration from the MIT Sloan School of Management in the United States in June 2000.

Mr. Hequn Yin was the Company's senior vice president from February 2019 to May 2020.

Ms. Dai Kun (戴昆) was the Company's vice president from January 2020 to April 2020.

Mr. Li Jianqing (李建青) was the Company's vice president from January 2020 to May 2020.

Mr. Peng Yiran (彭奕然) was the Company's vice president from January 2020 to October 2020.

Mr. Li Xinlei (李鑫磊) was the Company's vice president from January 2020 to December 2020.

Mr. Chen Zhanyu (陳戰宇) was the Company's vice president from January 2020 to February 2021.

JOINT COMPANY SECRETARIES

Ms. Dong Xiaoxian (董曉嫻), aged 39, a joint company secretary, is also a senior vice president of the Company and secretary to the Board. Please refer to page 142 of this annual report for her biography.

Ms. Kam Mei Ha Wendy (甘美霞), aged 53, a joint company secretary, is also an executive director of corporate services at Tricor Services Limited. Prior to joining Tricor Services Limited, Ms. Kam served as manager of the company secretarial department of Ernst & Young, Hong Kong and Tricor Tengis Limited. Ms. Kam is named company secretary of six listed companies on the Hong Kong Stock Exchange (including the Company) as at the end of the Reporting Period. Ms. Kam is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Institute of Chartered Secretaries (HKICS) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators (ICSA)). Ms. Kam is also a member of the customer liaison group of the Hong Kong Companies Registry. She graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a professional diploma in company secretaryship and administration in November 1990.

Independent Auditor's Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話 : +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 149 to 275, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to RMB8,677,249,000 as at 31 December 2020. In accordance with HKFRSs, the Group is required to perform impairment test for goodwill at least on an annual basis. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated. The recoverable amount of each cash-generating unit is its value in use using cash flow projection based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of goodwill are included in note 2.4 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 17 "Goodwill", which specifically explains the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, discount rate and growth rate beyond a forecast period. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of each cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.
Impairment of indefinite-life intangible assets	
The carrying value of indefinite-life intangible assets (medicine licences, trademarks, patents and technical know-how and operating concession rights) in the consolidated financial statements amounted to RMB1,207,528,000 as at 31 December 2020. In accordance with HKFRSs, the Group is required to perform impairment test for indefinite-life intangible assets at least on an annual basis. The impairment test is based on the recoverable amount of each individual asset or the corresponding cash-generating unit, which is its value in use using cash flow projections based on a financial budget or a forecast. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates. The disclosures about impairment of indefinite-life intangible assets are included in note 2.4 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 18 "Other Intangible Assets", which specifically explains the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, discount rate and growth rate beyond a forecast period used in the cash flow forecast of each individual asset or the corresponding cash-generating unit. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with historical performance and product revenue plan of each individual asset or the corresponding cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development expenditures	
During the year ended 31 December 2020, expenditure incurred on projects to develop new pharmaceutical products of RMB1,232,363,000 was capitalised in "other intangible assets — deferred development costs" in the consolidated financial statements. The expenditure on development activities was capitalised and deferred when all criteria mentioned in note 2.4 "Summary of Significant Accounting Policies" were satisfied. This matter was significant to our audit because significant management's estimation and judgement were required in determining whether development expenditure met the capitalisation criteria. The disclosures about capitalisation of development expenditure are included in note 2.4 "Summary of Significant Accounting Policies", note 3 "Significant Accounting Judgements and Estimates" and note 18 "Other Intangible Assets".	Our audit procedures included, among others, assessing whether the capitalisation policy adopted to be in line with HKFRSs, obtaining an understanding of the Group's internal approval procedures regarding the capitalisation of development expenditures by conducting interview with key management members in charge of research, development and industrialisation of various projects, and obtaining certifications related to different stage of development activities and commercial and technical feasibility reports prepared by the management. We also focused on the adequacy of the disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2021

Consolidated
Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**30,163,260**	28,389,277
Cost of sales		**(13,431,178)**	(11,543,421)
Gross profit		**16,732,082**	16,845,856
Other income	6	**420,764**	336,656
Selling and distribution expenses		**(8,463,943)**	(9,846,757)
Administrative expenses		**(3,036,109)**	(2,654,743)
Impairment losses on financial assets		**(104,836)**	(97,114)
Research and development expenses		**(2,795,494)**	(2,041,401)
Other gains	8	**1,278,251**	1,897,033
Other expenses		**(251,861)**	(457,149)
Interest income		**199,609**	186,648
Finance costs	9	**(880,952)**	(1,074,690)
Share of profits and losses of:			
Joint ventures		**(133,257)**	(64,599)
Associates		**1,713,592**	1,496,013
PROFIT BEFORE TAX	7	**4,677,846**	4,525,753
Income tax expense	12	**(737,865)**	(782,231)
PROFIT FOR THE YEAR		**3,939,981**	3,743,522
Attributable to:			
Owners of the parent		**3,662,813**	3,321,618
Non-controlling interests		**277,168**	421,904
		3,939,981	3,743,522
Earnings per share attributable to ordinary equity holders of the parent:	14		
Basic		**RMB1.43**	RMB1.30
Diluted		**RMB1.43**	RMB1.30

Consolidated
Statement of Comprehensive Income

Year ended 31 December 2020

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

Consolidated
Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**12,579,873**	10,720,960
Right-of-use assets	16	**2,666,402**	2,454,742
Goodwill	17	**8,677,249**	9,013,990
Other intangible assets	18	**9,577,741**	9,036,246
Investments in joint ventures	19	**381,616**	381,332
Investments in associates	20	**21,870,966**	20,491,557
Equity investments designated at fair value through other comprehensive income	21	**1,043**	107,709
Financial assets at fair value through profit or loss	27	**1,460,769**	1,983,155
Deferred tax assets	22	**244,937**	196,095
Other non-current assets	23	**1,083,724**	1,273,605
Total non-current assets		**58,544,320**	55,659,391
CURRENT ASSETS			
Inventories	24	**5,162,800**	3,940,537
Trade and bills receivables	25	**4,807,059**	4,607,722
Prepayments, other receivables and other assets	26	**2,554,165**	1,420,087
Financial assets at fair value through profit or loss	27	**1,970,096**	456,651
Debt investments at fair value through other comprehensive income	25	**628,881**	445,103
Cash and bank balances	28	**9,961,802**	9,533,268
Total current assets		**25,084,803**	20,403,368
CURRENT LIABILITIES			
Trade and bills payables	29	**3,289,021**	2,397,315
Other payables and accruals	30	**5,597,564**	5,376,193
Interest-bearing bank and other borrowings	31	**14,488,946**	8,560,202
Lease liabilities	32	**151,084**	143,786
Contract liabilities	33	**1,020,309**	503,683
Tax payable		**325,429**	452,587
Total current liabilities		**24,872,353**	17,433,766
NET CURRENT ASSETS		**212,450**	2,969,602
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,756,770**	58,628,993

Consolidated
Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,756,770**	58,628,993
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**8,475,685**	12,576,907
Lease liabilities	32	**627,291**	410,188
Deferred tax liabilities	22	**2,852,997**	2,994,048
Contract liabilities	33	**121,712**	223,009
Deferred income	34	**482,201**	417,345
Other long-term liabilities	35	**269,488**	2,860,170
Total non-current liabilities		**12,829,374**	19,481,667
Net assets		**45,927,396**	39,147,326
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	**2,562,899**	2,562,899
Reserves	37	**34,375,748**	29,268,280
		36,938,647	31,831,179
Non-controlling interests		**8,988,749**	7,316,147
Total equity		**45,927,396**	39,147,326

Wu Yifang
Director

Consolidated
Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent										
	Issued share capital RMB'000 (note 36)	Share premium RMB'000	Treasury shares RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	2,563,061	11,386,711*	(1,711)	30,105*	2,374,998*	(701,196)*	(293,315)*	12,562,197*	27,920,850	5,614,977	33,535,827
Profit for the year	—	—	—	—	—	—	—	3,321,618	3,321,618	421,904	3,743,522
Other comprehensive loss for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	(19,590)	—	—	—	—	(19,590)	26	(19,564)
Share of other comprehensive loss of associates	—	—	—	(45,278)	—	—	—	—	(45,278)	—	(45,278)
Share of other comprehensive loss of joint ventures	—	—	—	(783)	—	—	—	—	(783)	—	(783)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(127,563)	—	(127,563)	(24,638)	(152,201)
Total comprehensive income for the year	—	—	—	(65,651)	—	—	(127,563)	3,321,618	3,128,404	397,292	3,525,696
Profit appropriation to reserves	—	—	—	—	148,801	—	—	(148,801)	—	—	—
Repurchase and cancellation of restricted A shares	(162)	(1,549)	1,711	—	—	—	—	—	—	—	—
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	4,040	4,040
Deemed disposal of partial interests in subsidiaries without losing control	—	—	—	—	—	1,445,816	—	—	1,445,816	1,518,086	2,963,902
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(250,084)	(250,084)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	103,531	103,531
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	158,614	158,614
Disposal of associates	—	—	—	—	—	(69,522)	—	—	(69,522)	—	(69,522)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(100)	(100)
Deemed acquisition of non-controlling interests	—	—	—	—	—	42,552	—	—	42,552	(42,552)	—
Deemed disposal of partial interests in associates	—	—	—	—	—	49,433	—	—	49,433	6,878	56,311
Acquisition of non-controlling interests	—	—	—	—	—	(147,129)	—	—	(147,129)	(146,601)	(293,730)
Subsidiaries' equity-settled share-based payment	—	—	—	—	—	—	—	—	—	135,817	135,817
Fair value adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries	—	—	—	—	—	278,471	—	—	278,471	(183,751)	94,720
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	931	—	—	931	—	931
Final 2018 dividend declared and paid	—	—	—	—	—	—	—	(818,627)	(818,627)	—	(818,627)
At 31 December 2019	2,562,899	11,385,162*	—	(35,546)*	2,523,799*	899,356*	(420,878)*	14,916,387*	31,831,179	7,316,147	39,147,326

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

Consolidated
Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent										
	Issued share capital RMB'000 (note 36)	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 2020	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 year	—	—	—	—	—	—	—	3,662,813	3,662,813	277,168	3,939,981
Other comprehensive loss for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	(13,458)	—	—	—	—	(13,458)	10	(13,448)
Share of other comprehensive income of associates	—	—	—	109,901	—	—	—	—	109,901	(25)	109,876
Share of other comprehensive income of joint ventures	—	—	—	585	—	—	—	—	585	—	585
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(640,841)	—	(640,841)	(46,017)	(686,858)
Total comprehensive income for the year	—	—	—	97,028	—	—	(640,841)	3,662,813	3,119,000	231,136	3,350,136
Profit appropriation to reserves	—	—	—	—	204,805	—	—	(204,805)	—	—	—
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	19,220	19,220
Disposal of partial interests in subsidiaries without losing control	—	—	—	—	—	1,635,889	—	—	1,635,889	795,007	2,430,896
Deemed disposal of partial interests in subsidiaries without losing control	—	—	—	—	—	558,102	—	—	558,102	538,298	1,096,400
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(289,600)	(289,600)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	86,300	86,300
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	(7,860)	(7,860)
Disposal of associates	—	—	—	—	—	(18,505)	—	—	(18,505)	(5,656)	(24,161)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(109,771)	(109,771)
Deemed acquisition of non-controlling interests	—	—	—	—	—	16,161	—	—	16,161	(16,161)	—
Acquisition of non-controlling interests	—	—	—	—	—	(996,266)	—	—	(996,266)	(1,013,373)	(2,009,639)
Subsidiaries' equity-settled share-based payment (notes 30 and 42)	—	—	—	—	—	—	—	—	—	213,156	213,156
Fair value adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries	—	—	—	—	—	1,194,072	—	—	1,194,072	1,226,424	2,420,496
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	599,520	—	—	599,520	5,482	605,002
Final 2019 dividend declared and paid	—	—	—	—	—	—	—	(1,000,505)	(1,000,505)	—	(1,000,505)
Transfer other comprehensive income to retained profits	—	—	—	78,228	—	—	—	(78,228)	—	—	—
At 31 December 2020	2,562,899	11,385,162*	—	139,710*	2,728,604*	3,888,329*	(1,061,719)*	17,295,662*	36,938,647	8,988,749	45,927,396

* The reserve accounts comprise the consolidated reserves of RMB34,375,748,000 (2019: RMB29,268,280,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,677,846**	4,525,753
Adjustments for:			
Finance costs	9	**880,952**	1,074,690
Share of profits and losses of joint ventures		**133,257**	64,599
Share of profits and losses of associates		**(1,713,592)**	(1,496,013)
Depreciation of items of property, plant and equipment	7	**1,006,023**	926,245
Depreciation of right-of-use assets	7	**207,218**	158,139
Amortisation of other intangible assets	7	**514,896**	436,095
Loss/(Gain) on disposal of items of property, plant and equipment and other tangible assets	7	**4,399**	(7,728)
Gain on disposal of interests in associates and joint ventures	8	**(220,275)**	(1,740,697)
(Gain)/Loss on disposal of subsidiaries	7	**(8,146)**	5,548
Dividend income from financial assets at fair value through profit or loss	6	**(25,583)**	(22,728)
Dividend income from equity investments at fair value through other comprehensive income	6	**(1,554)**	(876)
Impairment of inventories	7	**64,399**	12,357
Impairment losses on financial assets	7	**104,836**	97,114
Impairment of items of property, plant and equipment	7	**—**	4,977
Impairment of goodwill	7	**—**	75,000
Impairment of investments in associates	7	**83,855**	297,633
Gain on fair value change and disposal of financial assets at fair value through profit or loss, net	7	**(1,026,745)**	(22,168)
Covid-19-related rent recessions from lessors	16	**(6,548)**	—
Equity settled share-based payment		**55,220**	109,066
		4,730,458	4,497,006
Increase in inventories		**(1,253,381)**	(505,188)
Increase in trade and bills receivables		**(238,527)**	(189,980)
Increase in debt investments at fair value through other comprehensive income		**(183,778)**	(445,103)
Increase in prepayments, other receivables and other assets		**(1,137,611)**	(228,189)
Increase in trade and bills payables		**879,574**	39,559
Increase in contract liabilities		**414,970**	104,884
Increase in other payables and accruals		**637,310**	929,055
Increase in pledged bank balances to secure bills payable		**(287,603)**	(192,903)
Cash generated from operations		**3,561,412**	4,009,141
Income tax paid		**(981,638)**	(786,728)
Net cash flows from operating activities		**2,579,774**	3,222,413

Consolidated
Statement of Cash Flows

Year ended 31 December 2020

	Notes	**2020 RMB'000**	2019 RMB'000
Net cash flows from operating activities		**2,579,774**	3,222,413
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**(4,437,119)**	(3,962,059)
Acquisitions of subsidiaries, net of cash acquired	38	**(153,938)**	(822,665)
Acquisition of interests in associates and joint ventures		**(429,888)**	(305,551)
Purchases of financial assets at fair value through profit or loss		**(640,214)**	(212,365)
Disposal and partial disposal of associates and joint ventures		**840,642**	3,338,592
Disposal of financial assets at fair value through profit or loss		**528,889**	1,009,460
Disposal of equity instruments at fair value through other comprehensive income		**94,737**	—
Disposal of subsidiaries	39	**13,603**	3,882
Dividends from associates		**544,217**	533,573
Dividends from a joint venture		**—**	3,039
Dividends received from financial assets at fair value through profit or loss		**26,977**	30,622
Dividends received from equity investments designated at fair value through other comprehensive income		**1,708**	887
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**8,881**	33,980
Deposit for construction projects		**35,244**	10,346
(Increase)/decrease in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions		**(1,100,421)**	315,523
Other payments relating to investing activities		**(39,547)**	(149,226)
Net cash flows used in investing activities		**(4,706,229)**	(171,962)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings	40	**17,972,653**	11,548,539
Repayment of bank and other borrowings	40	**(15,535,227)**	(13,833,338)
Principal portion of lease payments	40	**(194,632)**	(135,361)
Interest paid		**(810,164)**	(1,007,722)
Capital injections from non-controlling shareholders of subsidiaries		**1,247,962**	3,190,489
Payments of listing expenses of subsidiaries		**(49,183)**	(154,008)
Dividends paid to owners of the parent		**(1,002,377)**	(831,998)
Dividends paid to non-controlling shareholders of subsidiaries		**(357,885)**	(253,227)
Acquisitions of non-controlling interests		**(2,166,429)**	(445,439)
Proceeds received from the disposal of partial interests in subsidiaries without losing control		**2,430,896**	—
Other payments relating to financing activities		**(68,485)**	(13,914)
Net cash flows from/(used in) financing activities		**1,467,129**	(1,935,979)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(659,326)**	1,114,472
Cash and cash equivalents at beginning of year		**8,284,371**	7,175,005
Effect of foreign exchange rate changes, net		**(300,164)**	(5,106)
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	**7,324,881**	8,284,371

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Company name*	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Shanghai Henlius Biotech Co., Ltd. ("Henlix") (上海復宏漢霖生物技術股份有限公司)***	PRC/ Chinese Mainland	RMB543,495	—	55.01	Research and development, manufacture and trading of medicine
Fosun Industrial Co., Ltd.("Fosun Industrial") (復星實業(香港)有限公司)	PRC/ Hong Kong	Not applicable	100	—	Investment management
Shanghai Fosun Medical (Group) Co., Ltd. ("Fosun Medical") (上海復星醫療(集團)有限公司)**	PRC/ Chinese Mainland	RMB3,500,000	100	—	Investment management
Chongqing Yao Pharmaceutical Co., Ltd. ("Yao Pharmaceutical") (重慶藥友製藥有限責任公司)***	PRC/ Chinese Mainland	RMB196,540	—	61.04	Manufacture and trading of medicine
Jiangsu Wanbang Biopharmaceutical (Group) Co., Ltd. ("Jiangsu Wanbang") (江蘇萬邦生化醫藥集團有限責任公司)***	PRC/ Chinese Mainland	RMB440,455	4.80	95.20	Manufacture and trading of medicine
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)***	PRC/ Chinese Mainland	RMB285,030	—	96.39	Manufacture and trading of medicine

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation/ registration and business	Issued ordinary/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Jiangsu Wanbang Pharmaceutical Marketing & Distribution Company ("Wanbang Marketing & Distribution") (江蘇萬邦醫藥營銷有限公司) ***	PRC/ Chinese Mainland	RMB274,000	—	100	Trading of medicine
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Industrial Development") (上海復星醫藥產業發展有限公司)**	PRC/ Chinese Mainland	RMB2,253,308	100	—	Investment management
Jinzhou Aohong Pharmaceutical Co., Ltd. ("Aohong Pharma") (錦州奧鴻藥業有限責任公司)***	PRC/ Chinese Mainland	RMB510,000	—	100	Manufacture and trading of medicine
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程有限公司)***	PRC/ Chinese Mainland	RMB51,120	—	51	Manufacture and trading of medicine
Chindex Medical Limited (美中互利醫療有限公司)	PRC/ Hong Kong	Not applicable	—	100	Investment management
Foshan City Chancheng District Central Hospital Co., Ltd. ("Chancheng Hospital") (佛山市禪城區中心醫院有限公司)***	PRC/ Chinese Mainland	RMB50,000	—	87.41	Healthcare services
Suzhou Erye Pharmaceutical Co., Ltd. ("Erye Pharma") (蘇州二葉製藥有限公司)***	PRC/ Chinese Mainland	RMB238,420	—	90	Manufacture and trading of medicine
Gland Pharma Limited ("Gland Pharma")	India	Not applicable	—	58.36	Manufacture and trading of medicine
Tridem Pharma S.A.S ("Tridem Pharma")	France	Not applicable	—	100	Trading of medicine

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

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

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

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

During the year ended 31 December 2020, certain lease payments of the Group have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. According, a reduction in the lease payments arising from the rent concessions of RMB6,548,000 has been accounted for as a variable lease payment by derecognizing part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework* for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

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

Related parties

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

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

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

- (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) (Continued)

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

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

Property, plant and equipment and depreciation

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

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

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

Land	Indefinite
Buildings	10 to 45 years
Plant and machinery	3 to 16 years
Medical devices	5 to 10 years
Office equipment	2 to 15 years
Motor vehicles	3 to 10 years
Leasehold improvements	5 to 10 years

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

Intangible assets (other than goodwill)

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

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

Trademarks

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

Medicine licences, technical know-how and operating concession rights

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

Patents

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

Office software

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

Business networks

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

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

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

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

Leases

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

Group as a lessee

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

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

(a) Right-of-use assets

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

Buildings	2 to 20 years
Plant and machinery	5 to 10 years
Motor vehicles	3 years
Prepaid land lease payments	20 to 50 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

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

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

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

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

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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

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

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

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

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

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

Simplified approach

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Current versus non-current classification

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Treasury shares

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and bank balances

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

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

Provision

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

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) *Sale of industrial products*

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

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

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

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

Revenue from rendering technical consultancy services and maintenance services is recognised over time, as the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from other sources

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

Other income

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

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

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

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

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

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

Retirement benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accommodation benefits

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

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

Provision for expected credit losses on trade and bills receivables

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

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

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

Leases — Estimating the incremental borrowing rate

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

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

Net realisable value of inventories

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

Useful lives of property, plant and equipment

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

Useful lives of intangible assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Unrecognised deductible temporary differences and tax losses are set out in note 22 to the financial statements.

Development costs

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2020

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2019

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about major customers

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

5. REVENUE

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

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

5. REVENUE (Continued)

(i) Disaggregated revenue information

For the year ended 31 December 2020

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

5. REVENUE (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2019

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

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

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

5. REVENUE (Continued)

(ii) Performance obligations

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

Sale of goods
The performance obligation is satisfied upon delivery of the products.

Rendering of services

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

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

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

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

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

6. OTHER INCOME

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

7. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Cost of inventories sold		**10,546,838**	9,009,606
Cost of services provided		**2,884,340**	2,533,815
Staff costs (including directors', supervisors' and chief executive's remuneration *(note 10)*):			
Salaries and other staff costs		**5,196,102**	4,481,645
Retirement benefits:			
Defined contribution fund		**118,727**	272,860
Accommodation benefits:			
Defined contribution fund		**187,663**	144,163
Share-based payment expense		**55,220**	109,066
		5,557,712	5,007,734
Research and development expenses:			
Current year expenditure excluding amortisation of other intangible assets		**2,682,613**	1,965,520
Less: Government grants for R&D projects*		**(104,714)**	(63,516)
		2,577,899	1,902,004
Auditors' remuneration		**4,700**	4,700
Depreciation of property, plant and equipment	15	**1,006,023**	926,245
Amortisation of other intangible assets	18	**514,896**	436,095
Provision for impairment of property, plant and equipment		**—**	4,977
Provision for impairment of inventories		**64,399**	12,357
Impairment losses on financial assets	25 & 26	**104,836**	97,114
Provision for impairment of goodwill	17	**—**	75,000
Provision for impairment of investments in associates	20	**83,855**	297,633
Depreciation of right-of-use assets	16	**207,218**	158,139
Lease payments not included in the measurement of lease liabilities		**28,141**	30,010
Gain on fair value change and disposal of financial assets at fair value through profit or loss, net	8	**(1,026,745)**	(22,168)
Foreign exchange loss/(gain), net		**24,790**	(40,758)
(Gain)/Loss on disposal of subsidiaries		**(8,146)**	5,548
Loss/(gain) on disposal of items of property, plant and equipment and other intangible assets		**4,399**	(7,728)
Donations		**40,384**	15,037

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

8. OTHER GAINS

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

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank loans and other borrowings (excluding lease liabilities)	867,673	1,068,815
Interest on lease liabilities	29,824	25,451
Less: Interest capitalised *(note 15)*	(16,545)	(19,576)
Interest expenses, net	880,952	1,074,690

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

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

	2020 RMB'000	2019 RMB'000
Fees	1,200	1,202
Other emoluments:		
Salaries, allowances and benefits in kind	12,530	12,964
Performance related bonuses	19,049	14,016
Pension scheme contributions	27	196
	31,606	27,176
	32,806	28,378

(a) Independent non-executive directors

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

	2020 RMB'000	2019 RMB'000
Mr. Cao Huimin*	—	146
Mr. Jiang Xian	300	300
Dr. Huang Tianyou	300	300
Mr. Wei Shaokun**	—	146
Mr. Tang Guliang***	300	155
Ms. Li Ling****	300	155
	1,200	1,202

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

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

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

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

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

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

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

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2020					
Executive directors					
Mr. Chen Qiyu*	—	4,427	5,098	8	9,533
Mr. Yao Fang **	—	4,438	6,644	8	11,090
Mr. Wu Yifang	—	2,657	6,550	3	9,210
	—	11,522	18,292	19	29,833
Mr. Wu Yifang is also Chief Executive of the Company.					
Non-executive directors					
Mr. Xu Xiaoliang	—	—	—	—	—
Mr. Gong Ping***	—	—	—	—	—
Mr. Pan Donghui****	—	—	—	—	—
Mr. Wang Can*****	—	—	—	—	—
Ms. Mu Haining******	—	—	—	—	—
Mr. Zhang Houlin*******	—	—	—	—	—
Mr. Liang Jianfeng********	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Ms. Ren Qian	—	1,008	757	8	1,773
Mr. Guan Yimin	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—
	—	1,008	757	8	1,773
	—	12,530	19,049	27	31,606
2019					
Executive directors					
Mr. Chen Qiyu	—	4,675	6,572	49	11,296
Mr. Yao Fang	—	4,815	2,909	49	7,773
Mr. Wu Yifang	—	2,512	4,032	49	6,593
	—	12,002	13,513	147	25,662
Non-executive directors					
Mr. Xu Xiaoliang*********	—	—	—	—	—
Mr. Wang Qunbin**********	—	—	—	—	—
Mr. Liang Jianfeng	—	—	—	—	—
Mr. Wang Can	—	—	—	—	—
Ms. Mu Haining	—	—	—	—	—
Mr. Zhang Xueqing***********	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Ms. Ren Qian	—	962	503	49	1,514
Mr. Guan Yimin	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—
	—	962	503	49	1,514
	—	12,964	14,016	196	27,176

* Mr. Chen Qiyu retired as an executive director and was elected as a non-executive director of the Company in October 2020.
** Mr. Yao Fang retired as an executive director and was elected as a non-executive director of the Company in October 2020.
*** Mr. Gong Ping was elected as a non-executive director of the Company in June 2020.
**** Mr. Pan Donghui was elected as a non-executive director of the Company in June 2020.
***** Mr. Wang Can retired as a non-executive director of the Company in January 2020.
****** Ms. Mu Haining retired as a non-executive director of the Company in June 2020.
******* Mr. Zhang Houlin was elected as a non-executive director of the Company in October 2020.
******** Mr. Liang Jianfeng retired as a non-executive director of the Company in January 2020.
********* Mr. Xu Xiaoliang was elected as a non-executive director of the Company in June 2019.
********** Mr. Wang Qunbin retired as a non-executive director of the Company in June 2019.
*********** Mr. Zhang Xueqing retired as a non-executive director of the Company in June 2019.

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2019: three directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2019: two) highest paid employees who are not a director, supervisor, or the chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	5,746	5,668
Performance related bonuses	12,783	11,571
Pension scheme contributions	106	210
	18,635	17,449

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

	Number of employees	
	2020	2019
HKD8,500,001 to HKD9,000,000	—	1
HKD10,000,001 to HKD10,500,000	1	—
HKD10,500,001 to HKD11,000,000	—	1
HKD12,000,001 to HKD12,500,000	1	—
	2	2

12. INCOME TAX

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

12. INCOME TAX (Continued)

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable profits arising in Hong Kong during the year. The provision of current income tax of Sisram Medical Limited ("Sisram"), a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 6%. The provision of current tax of Gland Pharma Limited ("Gland Pharma"), a subsidiary of the Company incorporated in India, was based on a statutory rate of 34.94% from 1 April 2018 to 31 March 2019 and is based on a statutory rate of 25.17% after 31 March 2019. The provision of current tax of Breas Medical Holdings AB ("Breas"), a subsidiary of the Company incorporated in Sweden, is based on a statutory rate of 22%. The provision of current tax of Tridem Pharma S.A.S ("Tridem Pharma"), a subsidiary of the Company incorporated in France, is based on a statutory rate of 33.33%.

	2020 **RMB'000**	2019 RMB'000
Current	**854,479**	791,919
Deferred *(note 22)*	**(116,614)**	(9,688)
Total tax charge for the year	**737,865**	782,231

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2020 **RMB'000**	2019 RMB'000
Profit before tax	**4,677,846**	4,525,753
Tax at the statutory tax rate	**1,096,167**	1,084,431
Lower tax rates for certain entities	**(246,686)**	(208,175)
Adjustments in respect of current tax of previous years	**15,589**	8,890
Profit attributable to joint ventures and associates	**(413,725)**	(372,566)
Income not subject to tax	**(83,411)**	(29,558)
Expenses not deductible for tax	**40,316**	47,462
Influence of the change of tax rate on the deferred income tax balance	**(3,975)**	(183,707)
Tax losses utilised from previous periods	**(141,963)**	(31,459)
Tax incentives on eligible expenditures	**(123,401)**	(84,330)
Deductible temporary differences and tax losses not recognised	**598,954**	551,243
Tax charge at the Group's effective rate	**737,865**	782,231

13. DIVIDENDS

Cash dividend

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

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

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

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

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

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2020								
	Land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2020	188,044	5,799,237	5,919,844	691,326	642,369	117,337	284,420	3,149,906	16,792,483
Additions	25,295	32,333	387,114	74,404	131,137	13,216	203,555	2,181,787	3,048,841
Acquisitions of subsidiaries *(note 38)*	—	619	137,667	—	11,914	318	37,210	3,111	190,839
Disposals	—	(61,012)	(124,280)	(32,518)	(31,087)	(12,020)	(24,123)	(100,878)	(385,918)
Disposal of a subsidiary *(note 39)*	—	(27,101)	(1,394)	(10,069)	(1,652)	(804)	(1,048)	(2,645)	(44,713)
Transferred from construction in progress	—	647,792	441,123	8,246	9,367	3,208	—	(1,109,736)	—
Exchange realignment	(16,760)	(29,542)	(94,683)	(395)	(6,517)	(576)	—	—	(148,473)
At 31 December 2020	196,579	6,362,326	6,665,391	730,994	755,531	120,679	500,014	4,121,545	19,453,059
Accumulated depreciation:									
At 1 January 2020	—	(2,105,341)	(2,990,934)	(440,188)	(333,414)	(72,222)	(123,732)	—	(6,065,831)
Depreciation charge for the year *(note 7)*	—	(246,741)	(522,588)	(80,321)	(82,592)	(11,865)	(61,916)	—	(1,006,023)
Acquisitions of subsidiaries *(note 38)*	—	(515)	(66,207)	—	(4,166)	(318)	—	—	(71,206)
Disposals	—	54,177	110,325	27,116	19,868	9,916	8,249	—	229,651
Disposal of a subsidiary *(note 39)*	—	121	125	636	137	94	92	—	1,205
Exchange realignment	—	3,102	37,949	228	3,012	418	—	—	44,709
At 31 December 2020	—	(2,295,197)	(3,431,330)	(492,529)	(397,155)	(73,977)	(177,307)	—	(6,867,495)
Impairment losses:									
At 1 January 2020	—	(3,272)	(2,144)	—	(276)	—	—	—	(5,692)
Disposals	—	—	1	—	—	—	—	—	1
At 31 December 2020	—	(3,272)	(2,143)	—	(276)	—	—	—	(5,691)
Net carrying amount:									
At 31 December 2020	196,579	4,063,857	3,231,918	238,465	358,100	46,702	322,707	4,121,545	12,579,873
At 1 January 2020	188,044	3,690,624	2,926,766	251,138	308,679	45,115	160,688	3,149,906	10,720,960

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB16,545,000 (2019: RMB19,576,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

As at 31 December 2020, the Group has not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB65,537,000 (2019: RMB74,010,000). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2020.

As at 31 December 2020, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB188,426,000 (2019: RMB133,710,000) were pledged to secure certain of the Group's bank and other borrowings (note 31).

As at 31 December 20, the net carrying values of the group's property, plant and equipment leased out for operating purposes are as follows:

	2020 **RMB'000**	2019 RMB'000
Buildings	**89,731**	129,631
Plant and equipment	**279**	599
	90,010	130,230

16. LEASE

The Group as a lessee

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

(a) Right-of-use assets

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

	Buildings RMB'000	**Plant and machinery RMB'000**	**Motor vehicles RMB'000**	**Prepaid Land lease payments RMB'000**	**Total RMB'000**
As at 1 January 2020	**456,853**	**55,317**	**12,627**	**1,929,945**	**2,454,742**
Additions	**418,690**	**—**	**5,610**	**98,556**	**522,856**
Disposal	**(22,166)**	**—**	**—**	**—**	**(22,166)**
Disposal of a subsidiary	**—**	**—**	**—**	**(68,129)**	**(68,129)**
Depreciation charge	**(157,338)**	**(5,184)**	**(5,189)**	**(39,507)**	**(207,218)**
Effect of foreign exchange rate changes, net	**(12,950)**	**—**	**(733)**	**—**	**(13,683)**
As at 31 December 2020	**683,089**	**50,133**	**12,315**	**1,920,865**	**2,666,402**

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

As at 31 December 2020, certain of the Group's prepaid land lease payments with a net carrying amount of RMB528,904,000 were pledged to secure certain of the Group's bank and other borrowings (note 31).

16. LEASE(Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	553,974	412,221
New leases	424,300	246,744
Accretion of interest recognised during the year	29,824	25,451
Covid–19-related rent concessions from lessors	(6,548)	—
Payments	(194,632)	(135,361)
Lease termination	(26,079)	—
Effect of foreign exchange rate changes, net	(2,464)	4,919
As at 31 December 2020	778,375	553,974
Analysed into:		
Current portion	151,084	143,786
Non-current portion	627,291	410,188

Included in the Group's lease liabilities are amounts due to the Group's other related companies of RMB7,076,000.

The maturity analysis of lease liabilities is disclosed in note 32 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

16. LEASE(Continued)

The Group as a lessee (Continued)

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**29,824**	25,451
Depreciation charge of right-of-use assets	**207,218**	158,139
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**27,531**	28,499
Expense relating to leases of low-value assets	**610**	1,511
Covid–19-related rent concessions from lessors	**(6,548)**	—
Total amount recognised in profit or loss	**258,635**	213,600

The Group as a lessor

The Group leases part of its buildings, plant and equipment (note 15) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB35,319,000 (2019: RMB39,981,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**35,103**	28,752
After one year but within two years	**27,795**	14,069
After two years but within three years	**8,544**	14,069
Over three years	**34**	28,646
	71,476	85,536

17. GOODWILL

	2020	2019
	RMB'000	RMB'000
Cost and net carrying amount at 1 January	**9,013,990**	8,853,913
Acquisitions of subsidiaries	**—**	171,555
Provision for impairment of goodwill	**—**	(75,000)
Consideration adjustment	**—**	(22,000)
Exchange realignment	**(336,741)**	85,522
Net carrying amount at 31 December	**8,677,249**	9,013,990

	2020	2019
	RMB'000	RMB'000
At 31 December		
Cost	**9,034,749**	9,371,490
Accumulated impairment	**(357,500)**	(357,500)
Net carrying amount	**8,677,249**	9,013,990

	2020	2019
	RMB'000	RMB'000
Goodwill of Gland Pharma*	**3,718,750**	3,975,961
Goodwill of Aohong Pharma and subsidiaries	**946,231**	946,231
Goodwill of Sisram and subsidiaries*	**725,457**	775,707
Goodwill of Hengsheng Hospital	**636,933**	636,933
Goodwill of Erye Pharma	**503,373**	503,373
Goodwill of Chongqing Yao Pharma and subsidiaries	**459,967**	459,967
Goodwill of Chancheng Hospital & Zhuhai Chancheng	**329,804**	329,804
Goodwill of Breas*	**267,644**	291,666
Goodwill of Hongqi Pharma	**205,952**	205,952
Goodwill of Dalian Aleph	**183,920**	183,920
Goodwill of Tridem Pharma[@]	**176,304**	171,701
Goodwill of Wanbang Pharma and subsidiaries	**143,009**	143,009
Goodwill of other subsidiaries	**379,905**	389,766
	8,677,249	9,013,990

* Goodwill of Gland Pharma, Sisram and Breas is measured in USD.

@ Goodwill of Tridem Pharma is measured in EUR.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

17. GOODWILL (Continued)

Impairment testing of goodwill

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

2020	**At beginning of year RMB'000**	**Additions RMB'000**	**Disposals RMB'000**	**At end of year RMB'000**
Provisions for impairment of:				
Goodwill of Dalian Aleph	**202,500**	**—**	**—**	**202,500**
Goodwill of Chancheng Hospital & Zhuhai Chancheng	**15,000**	**—**	**—**	**15,000**
Goodwill of Aohong Pharma and subsidiaries	**60,000**	**—**	**—**	**60,000**
Goodwill of Breas	**80,000**	**—**	**—**	**80,000**
	357,500	**—**	**—**	**357,500**

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

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

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

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

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

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

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

Pharmaceutical manufacturing

The goodwill arising from pharmaceutical manufacturing segment is allocated to the corresponding subsidiaries, and each subsidiary is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined by the carrying amount of the estimated future cash flows of the asset group according to the cash flow projection based on a 5 to 9 year financial budget. The discount rate used for the cash flow projections of the asset group is 15% to 20%, which infer that the inflation rate after the projection period is 3%.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Pharmaceutical manufacturing (Continued)

Goodwill of Gland Pharma

Gland Pharma, founded in 1978 and headquartered in Hyderabad, India, is a generic injection company with R&D capabilities for original pharmaceuticals and preparations. At present, it mainly provides manufacturing services of generic injection for large-scale pharmaceutical companies worldwide. Gland Pharma is the first Indian manufacturer of injectable pharmaceuticals approved by United States. Food and Drug Administration, and has the ability to register and sell drugs in the regulatory markets. Its products are mainly sold to the United States and Europe. On November 2020, Gland Pharma was listed on BSE limited and national stock exchange of India limited. The Group regularly evaluates the above-mentioned operating activities and, unifies the resource allocation based on the evaluation results. Therefore, Gland Pharma as a whole is recognized as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Gland Pharma's asset group. The Group believes that there is no impairment of the goodwill during 2020.

Goodwill of Aohong Pharma and subsidiaries

Aohong Pharma and subsidiaries focus on pharmaceutical products relating to operation period, major products of which include Adegold (Deproteinised calf blood serum injection), Bangting (Hemocoagulase for injection), Changtuoning (Penehyclidine hydrochloride injection) and others. Aohong Pharm and subsidiaries enhanced R&D of the innovating new medicine and accelerated the progress of innovating new medicine (current innovative medicine include anti-cancer drug such as FCN437), and imported oversea listed products such as Dexrazoxane injection and Zoledronic acid injection from various channels. Moreover, various projects of R&D about the highly difficult generic drug were moving forward.

The group will have overall assessment for mentioned-above operating activities regularly, and allocate resources accordingly; therefore, Aohong Pharm and subsidiaries as a whole are regarded as an asset group. The Group believes that there is no further impairment of the goodwill arising during 2020.

Goodwill of Erye Pharma

Erye Pharma is a comprehensive pharmaceutical company that produces APIs, powder injections (including penicillins, cephalosporins), freeze-dried powders and oral preparations. The Group regularly evaluates the above-mentioned business activities and, unifies the resource allocation based on the evaluation results. Therefore, Erye Pharma as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Erye Pharma's asset group. The Group believes that there is no impairment of the goodwill during 2020.

For the Group's calculation of the present value (recoverable amount) of the estimated future cash flows of the above three asset groups is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s report on 26 March 2021 No. 0291 of Orient Appraisal Evaluation Report [2021] "The assessment report of the recoverable amount of 7 related asset groups for the purpose of financial reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

Medical devices and medical diagnosis

The goodwill arising from medical devices and medical diagnostics segment is allocated to the corresponding subsidiaries, and the subsidiary is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined based on the present value of the asset group's estimated future cash flows, and its estimated future cash flows are determined based on a nine-year financial budget. The discount rate used for cash flow projections is 15% to 19%, which is used to infer that the cash flow growth rate after the projection period is 3%, which is the inflation rate.

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Medical devices and medical diagnosis (Continued)

Goodwill of Sisram and subsidiaries

Sisram is a manufacturer of medical lasers, photonics and Radio Frequency equipment in Israel. Sisram ranks in the forefront of the medical beauty market, and has formed a strong competitive advantage in design capabilities, cost control, and customer base. Its medical laser and optical equipment is mainly used in dermatology, orthopedics, burn surgery, laser and many other fields, and Sisram and subsidiaries are dedicated to provide the comprehensive solution with core of top technology for the medical beauty market. Sisram merged downstream distributor Nova Medical Israel Ltd. to integrate its sales channels in the Israel market during 2019. The Group regularly evaluates the above-mentioned business activities and, unifies resource allocation based on the evaluation results. Therefore, Sisram as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Sisram's asset group. The Group believes that there is no impairment of the goodwill during 2020.

For the Group's calculation of the present value (recoverable amount) of the expected future cash flows of the above asset group is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s reports on 22 March 2021, No.0536 of Orient Appraisal Evaluation Report [2021] "The recoverable value assessment report about the related asset group of Alma Lasers, Ltd. which is a subsidiary of Sisram for the purpose of financial reporting on Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

Healthcare service

The goodwill arising from healthcare service segment is allocated to the corresponding subsidiary, and the subsidiary of goodwill is recognised as an asset group for goodwill impairment test. The recoverable amount of the goodwill asset group is determined by the present value of the estimated future cash flows of the asset group according to the cash flow projections based on a nine-year financial budget. The discount rate used for asset group cash flow projections is 16% to 19%, which infer that the inflation rate after the projection period is 3%.

Goodwill of Hengsheng Hospital

Hengsheng Hospital is a large-scale modern comprehensive Tertiary Hospital approved by the Health and Family Planning Commission of Guangdong Province, which integrates medical treatment, scientific research, teaching, rehabilitation and preventive health care. It is mainly engaged in healthcare service and is the designated medical institution for social medical insurance in Shenzhen. Shenzhen Workers' Injury Insurance Hospital, Shenzhen Children's Medical Insurance Hospital, Shenzhen 120 Emergency Medical Center Network Hospital, Shenzhen Hospital Association First Board of Directors, Shenzhen Baoan District Science Education Base, China Cervical Cancer Prevention and Control Project Hospital . The Group regularly evaluates the above-mentioned operating activities, unifies resource allocation based on the evaluation results. Hengsheng Hospital specialises in healthcare service and generates operating cash flow independently. Therefore, Hengsheng Hospital as a whole is recognised as an asset group. According to the calculation, the present value of the estimated future cash flow is higher than the carrying amount of the Hengsheng Hospital's asset group. The Group believes that there is no impairment of the goodwill during 2020.

The Group's calculation of the present value (recoverable amount) of the estimated future cash flows of the above asset groups is also referred to the results of Shanghai Orient Appraisal Co., Ltd.'s reports on 26 March 2021 No. 0291 of Orient Appraisal Evaluation Report [2021] "The assessment report of the recoverable amount of 7 related asset groups for the purpose of financial reporting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.".

18. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2020							
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2020	931,398	3,806,485	178,982	282,228	1,987,984	3,051,928	426,610	10,665,615
Additions	9,472	109,375	44,926	78,007	—	1,220,903	18,868	1,481,551
Acquisition of subsidiaries *(note 38)*	—	2,557	609	26	—	11,460	233	14,885
Transfer	1,089,449	74,509	—	—	—	(1,271,328)	107,370	—
Disposals	—	(1,034)	(2,276)	—	—	(182,234)	—	(185,544)
Disposal of a subsidiary *(note 39)*	—	—	(9)	—	—	—	—	(9)
Exchange realignment	(317)	(217,827)	(697)	(12,660)	(101,766)	—	—	(333,267)
At 31 December 2020	2,030,002	3,774,065	221,535	347,601	1,886,218	2,830,729	553,081	11,643,231
Accumulated amortisation:								
At 1 January 2020	(43,423)	(854,627)	(118,622)	(2,804)	(519,243)	(1,711)	(3,850)	(1,544,280)
Amortisation for the year *(note 7)*	(42,053)	(283,383)	(33,455)	(8,016)	(138,215)	—	(9,774)	(514,896)
Acquisition of subsidiaries *(note 38)*	—	(2,418)	(370)	—	—	—	(117)	(2,905)
Disposals	—	384	1,086	—	—	—	—	1,470
Disposal of a subsidiary *(note 39)*	—	—	1	—	—	—	—	1
Exchange realignment	(30)	48,540	216	52	31,431	—	—	80,209
At 31 December 2020	(85,506)	(1,091,504)	(151,144)	(10,768)	(626,027)	(1,711)	(13,741)	(1,980,401)
Impairment losses:								
At 1 January 2020 and 31 December 2020	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2020	1,880,496	2,661,947	70,391	336,833	1,260,191	2,829,018	538,865	9,577,741
At 1 January 2020	823,975	2,931,244	60,360	279,424	1,468,741	3,050,217	422,285	9,036,246

18. OTHER INTANGIBLE ASSETS (Continued)

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

18. OTHER INTANGIBLE ASSETS (Continued)

As at 31 December 2020, the indefinite-life intangible assets of the Group are as follows:

Asset types	Holders	Net carrying amount RMB'000	Reasons of indefinite life
Medicine licences	Aohong Pharma, Dalian Aleph, Dongting Pharma, Hongqi Pharma, Erye Pharma	495,000	The extension cost is low and the assets can be used indefinitely
Trademarks	Aohong Pharma, Dalian Aleph, Dongting Pharma, Huanghe Pharma, Erye Pharma	53,000	The extension cost is low and the assets can be used indefinitely
Trademarks	CML, Alma*	188,897	The extension cost is low and the assets can be used indefinitely
Operating concession rights	Hengsheng Hospital	421,710	The extension cost is low and the assets can be used indefinitely
Patents and technical know-how	Henlix	48,921	The extension cost is low and the assets can be used indefinitely
		1,207,528	

* Trademarks of CML and Alma are measured in USD.

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

Medicine licences

The recoverable amounts of medicine licences have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a period of five to nine years period approved by senior management. The discount rates applied to the cash flow projections are in the range of 15% to 18%. The growth rate used to extrapolate the cash flows beyond the forecast period is 3%, which is also an estimate of the rate of inflation.

Trademarks

The recoverable amounts of trademarks have been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a period of five to nine years period approved by senior management. The discount rates applied to the cash flow projections are in the range of 15% to 18%. The growth rate used to extrapolate the cash flows beyond the five-year is 3%, which is also an estimate of the rate of inflation.

18. OTHER INTANGIBLE ASSETS (Continued)

Operating concession rights

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

Assumptions were used in the value-in-use calculation for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite-life intangible assets:

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

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

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

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

19. INVESTMENTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	243,722	243,438
Goodwill on acquisition	137,894	137,894
	381,616	381,332

19. INVESTMENTS IN JOINT VENTURES (Continued)

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

Company name	Place of registration and business	Registered share capital ('000)	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Fosun Kite Biotechnology Co., Ltd.*	PRC/ Chinese Mainland	USD98,000	50	50	60	Research and development of medicine

* The English name of the company registered in the PRC represents the best efforts made by the management of the Company in directly translating the Chinese name of this company.

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

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

	2020 RMB'000	2019 RMB'000
Share of the joint ventures' loss for the year	(133,257)	(64,599)
Share of the joint ventures' other comprehensive income/(loss)	585	(783)
Share of the joint ventures' total comprehensive loss	(132,672)	(65,382)
Aggregate carrying amount of the Group's investments in the joint ventures	381,616	381,332

20. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	20,566,789	18,842,349
Goodwill on acquisition	1,627,362	1,955,441
	22,194,151	20,797,790
Provision for impairment	(323,185)	(306,233)
	21,870,966	20,491,557

20. INVESTMENTS IN ASSOCIATES (Continued)

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

2020	**At beginning of year RMB'000**	**Additions RMB'000**	**Disposals RMB'000**	**At end of year RMB'000**
Provisions for impairment of:				
Sovereign Medical Services, Inc.	**110,850**	**83,855**	**—**	**194,705**
Amerigen Pharmaceuticals Ltd.	**81,355**	**—**	**—**	**81,355**
EOS Imaging	**38,525**	**—**	**—**	**38,525**
Qianglong Furniture Co., Ltd.	**8,600**	**—**	**—**	**8,600**
Others	**66,903**	**—**	**(66,903)**	**—**
	306,233	**83,855**	**(66,903)**	**323,185**

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

20. INVESTMENTS IN ASSOCIATES (Continued)

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

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)	PRC/ Chinese Mainland	RMB100,000	49	—	Manufacture and trading of medicine
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)	PRC/ Chinese Mainland	RMB674,970	25	—	Manufacture and sale of medicine
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金象復星醫藥股份有限公司)	PRC/ Chinese Mainland	RMB127,418	50	—	Distribution and retail of medicine
Chengde Jingfukang Pharmaceutical Co., Ltd. (頸復康藥業集團有限公司)	PRC/ Chinese Mainland	RMB60,000	—	25	Manufacture and trading of medicine
Nature's Sunshine Products, Inc. ("NSP")@	U.S.A./U.S.A.	Not applicable	14.86	—	Manufacture and trading of nutrition products
Sinopharm medical investment management Co., Ltd. (國藥控股醫療投資管理有限公司)	PRC/ Chinese Mainland	RMB1,000,000	45	—	Investment management
New Frontier Health Corporation ("NFH")@	Cayman Islands/ Chinese Mainland	Not applicable	—	7.16	Healthcare services
Fosun Group Finance Corporation Limited ("Fosun Finance")	PRC/ Chinese Mainland	RMB1,500,000	20	—	Advisory on deposits and loans, finance and funding, for Fosun Group member companies
Huaihai Hospital Management (Xuzhou) Co., Ltd. (淮海医院管理(徐州)有限公司)	PRC/ Chinese Mainland	RMB714,290	—	35	Investment management
Shanghai Lingjian Information Technology Co., Ltd (上海領健信息技術有限公司)@	PRC/ Chinese Mainland	RMB18,380	—	13.81	Heath consultation services

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of these companies.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2020.

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

20. INVESTMENTS IN ASSOCIATES (Continued)

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

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

	2020 **RMB'000**	2019 RMB'000
Revenue	**456,414,611**	425,272,726
Profit for the year	**12,106,511**	10,633,828
Other comprehensive income/(loss)	**16,035**	(3,668)
Total comprehensive income for the year	**12,122,546**	10,630,160
Profit for the year attributable to owners of the parent of Sinopharm Industrial	**3,631,793**	3,310,689
Current assets	**266,616,098**	229,675,022
Non-current assets	**44,565,992**	40,168,938
Current liabilities	**(203,901,142)**	(178,380,630)
Non-current liabilities	**(17,012,928)**	(14,220,244)
Net assets	**90,268,020**	77,243,086
Net assets attributable to owners of the parent of Sinopharm Industrial	**28,819,006**	25,466,012
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate	**14,121,313**	12,478,346
Goodwill on acquisition (less cumulative impairment)	**—**	—
Carrying amount of the investment	**14,121,313**	12,478,346
Dividend received by the Group	**464,961**	455,700

20. INVESTMENTS IN ASSOCIATES (Continued)

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

	2020 RMB'000	2019 RMB'000
Share of the associates' loss for the year	(65,987)	(126,224)
Share of the associates' other comprehensive incomes/(losses)	106,178	(44,019)
Share of the associates' total comprehensive incomes/(losses)	40,191	(170,243)
Aggregate carrying amount of the Group's investments in the associates	7,749,653	8,013,211

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

	2020 RMB'000	2019 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Bank of Chongqing	1,043	—
Check-cap Limited	—	1,554
	1,043	1,554
Unlisted equity investments, at fair value		
Maxigen Biotech Inc	—	51,898
Tyto Care Limited	—	38,246
Qingdao Hengda Company Limited	—	15,000
Bank of Chongqing	—	1,011
	—	106,155
	1,043	107,709

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

In 2020, the Group sold its equity interest in Maxigen Biotech Inc and Tyto Care Limited. The fair value on the date of sale was RMB93,218,000 and the accumulated losses recognised in other comprehensive income of RMB(78,228,000) were transferred to retained earnings. During the year ended 31 December 2020, the Group received dividends in the amounts of RMB1,554,000 (2019: RMB797,000) and RMBzero (2019: RMB79,000) from Maxigen Biotech Inc and others respectively.

22. DEFERRED TAX

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

Deferred tax assets

	Losses available for offsetting against future taxable RMB'000	Lease Liabilities RMB'000	Provision for impairment of assets RMB'000	Depreciation and amortisation RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Deferred income RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2019	12,863	—	43,347	294	81,927	15,808	72,044	—	226,283
Acquisitions of subsidiaries	—	—	1,932	—	—	—	—	8,798	10,730
Deferred tax credited/(charged) to the statement of profit or loss during the year	181	1,346	5,575	1,687	1,643	5,955	220	(93)	16,514
Gross deferred tax assets at 31 December 2019	13,044	1,346	50,854	1,981	83,570	21,763	72,264	8,705	253,527
Gross deferred tax assets at 1 January 2020	13,044	1,346	50,854	1,981	83,570	21,763	72,264	8,705	253,527
Acquisitions of subsidiaries *(note 38)*	—	—	—	—	—	—	—	3,180	3,180
Deferred tax (charged)/credited to the statement of profit or loss during the year	(5,809)	1,428	24,233	(794)	21,759	11,101	7,444	(1,251)	58,111
Gross deferred tax assets at 31 December 2020	7,235	2,774	75,087	1,187	105,329	32,864	79,708	10,634	314,818

22. DEFERRED TAX (Continued)

Deferred tax liabilities

	Deemed disposal of associates RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Fair value adjustments of equity investment designated at fair value RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Depreciation RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2019	1,165,615	25,572	53	1,587,182	183,085	2,961,507
Acquisitions of subsidiaries	—	—	—	80,657	—	80,657
Deferred tax (credited)/charged to the statement of profit or loss during the year	(1,095)	—	—	19,955	(12,034)	6,826
Deferred tax charged to reserves during the year	—	—	10	—	—	10
Exchange differences	—	—	—	2,480	—	2,480
Gross deferred tax liabilities at 31 December 2019	1,164,520	25,572	63	1,690,274	171,051	3,051,480
Gross deferred tax liabilities at 1 January 2020	1,164,520	25,572	63	1,690,274	171,051	3,051,480
Acquisitions of subsidiaries *(note 38)*	—	—	—	1,214	—	1,214
Deferred tax (credited)/charged to the statement of profit or loss during the year	(1,081)	(22,606)	—	(102,693)	67,877	(58,503)
Deferred tax charged to reserves during the year	—	—	3	—	—	3
Exchange differences	—	—	—	(71,316)	—	(71,316)
Gross deferred tax liabilities at 31 December 2020	1,163,439	2,966	66	1,517,479	238,928	2,922,878

22. DEFERRED TAX (Continued)

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

	2020		2019	
	Offset amount RMB'000	Net amount RMB'000	Offset amount RMB'000	Net amount RMB'000
Deferred tax assets	69,881	244,937	57,432	196,095
Deferred tax liabilities	69,881	2,852,997	57,432	2,994,048

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

	2020 RMB'000	2019 RMB'000
Tax losses	6,131,871	4,511,709
Deductible temporary differences	1,177,516	1,127,496
	7,309,387	5,639,205

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

23. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments for purchase of items of property, plant and equipment	255,248	344,495
Prepayments for acquisitions	4,187	17,163
Deposits for purchase of prepaid land lease payments	56,500	124,889
Prepayments for purchase of other intangible assets	466,219	512,009
Loans to a related party	188,840	188,840
Others	112,730	86,209
	1,083,724	1,273,605

24. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**1,945,824**	1,473,290
Work in progress	**889,563**	649,652
Finished goods	**2,313,963**	1,771,292
Spare parts and consumables	**84,670**	88,555
Others	**55,046**	38,670
	5,289,066	4,021,459
Less: Provision	**(126,266)**	(80,922)
	5,162,800	3,940,537

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

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

	2020 RMB'000	2019 RMB'000
Debt investments at fair value through other comprehensive income	**628,881**	445,103

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

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

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

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

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**4,494,796**	4,302,722
1 to 2 years	**186,530**	111,346
2 to 3 years	**42,506**	61,584
Over 3 years	**121,554**	114,549
	4,845,386	4,590,201
Less: Loss allowance for impairment	**(280,727)**	(222,601)
	4,564,659	4,367,600

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

	2020 **RMB'000**	2019 RMB'000
At beginning of year	**222,601**	157,028
Impairment losses, net	**79,684**	86,089
Amounts written off as uncollectible	**(21,558)**	(20,516)
At end of year	**280,727**	222,601

The increase (2019: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) Decrease in the loss allowance of RMB40,333,000 (2019: RMB35,112,000) as a result (2019: decrease) of the receipt of outstanding trade receivables balances;

(ii) Increase in the loss allowance of RMB120,017,000 as a result of an increase in trade receivables which were past due for over 3 months (2019: increase in the loss allowance of RMB121,201,000 as a result of an increase in trade receivables which were past due for over 3 months); and

(iii) Decrease in the loss allowance of RMB21,558,000 (2019: RMB20,516,000) as a result of the write-off of certain trade receivables.

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

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

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

As at 31 December 2020

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	**1.70%**	**3.95%**	**100.00%**	**100.00%**	**100.00%**	**5.79%**
Gross carrying amount (RMB'000)	**3,566,769**	**1,102,192**	**44,060**	**68,021**	**64,344**	**4,845,386**
Expected credit losses (RMB'000)	**60,747**	**43,555**	**44,060**	**68,021**	**64,344**	**280,727**

As at 31 December 2019

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

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

Included in the Group's trade receivables are amounts due from the Group's associates of RMB742,391,000 (2019: RMB792,562,000), the Group's joint ventures of RMB3,772,000 (2019: RMB982,000) and other related companies of RMB1,803,000 (2019: RMB3,023,000).There was no bills receivable due from the Group's associates (2019: nil). Included in the Group's debt investments at fair value through other comprehensive income are amounts due from the Group's associates of RMB222,003,000 (2019: RMB172,720,000). These balances due from associates, joint ventures and other related companies were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2020, trade receivables with a book value of RMB4,300,000 (2019: RMB5,300,000) were used to obtain bank loans.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	RMB'000	RMB'000
Advances to suppliers	**1,495,176**	415,675
Deposits	**113,141**	81,402
Other receivables	**967,741**	962,154
	2,576,058	1,459,231
Impairment allowance	**(21,893)**	(39,144)
	2,554,165	1,420,087

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

	2020	2019
	RMB'000	RMB'000
Within 1 year	**2,416,295**	1,331,500
1 to 2 years	**93,205**	81,706
2 to 3 years	**46,818**	24,445
Over 3 years	**19,740**	21,580
	2,576,058	1,459,231
Less: Loss allowance for impairment of other receivables	**(21,893)**	(39,144)
	2,554,165	1,420,087

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The changes in the impairment allowance for other receivables based on 12-month and the entire life expectancy expected credit losses are as follows:

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
at 1 January 2020	**39,144**	**—**	**—**	**39,144**
The balance of 1 January 2020 in this year				
— transfer to the stage 2	**—**	**—**	**—**	**—**
— transfer to the stage 3	**(405)**	**—**	**405**	**—**
Provision for impairment losses for this year	**11,623**	**—**	**41,998**	**53,621**
Impairment losses reversed for this year	**(28,469)**	**—**	**—**	**(28,469)**
Amounts written off as uncollectible for this year	**—**	**—**	**(42,403)**	**(42,403)**
	21,893	**—**	**—**	**21,893**

	Stage 1 12-month ECLs RMB'000	Stage 2 Lifetime ECLs RMB'000	Stage 3 Lifetime ECLs RMB'000	Total RMB'000
at 1 January 2019	30,381	—	—	30,381
The balance of 1 January 2019 in this year				
— transfer to the stage 2	—	—	—	—
— transfer to the stage 3	(2,262)	—	2,262	—
Provision for impairment losses for this year	12,082	—	—	12,082
Impairment losses reversed for this year	(1,057)	—	—	(1,057)
Amounts written off as uncollectible for this year	—	—	(2,262)	(2,262)
	39,144	—	—	39,144

Included in the Group's prepayments, other receivables and other assets are amounts due from the Group's associates of RMB35,333,000 (2019: RMB106,101,000), the Group's joint ventures of RMB301,000 (2019: RMB22,884,000) and other related companies of RMB6,159,000 (2019: RMB6,400,000), respectively. These balances were non-interest-bearing and collectible on demand.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **RMB'000**	2019 RMB'000
Listed equity investments, at fair value	**1,916,837**	614,082
Other unlisted investments, at fair value	**1,514,028**	1,825,724
	3,430,865	2,439,806
Current portion	**1,970,096**	456,651
Non-current portion	**1,460,769**	1,983,155

The above equity investments at 31 December 2020 and 31 December 2019 were classified as financial assets at fair value through profit or loss as they were held for trading, or as the group has not elected to recognize the fair value gain or loss through other comprehensive income.

28. CASH AND BANK BALANCES

	2020 **RMB'000**	2019 RMB'000
Cash on hand	**1,918**	3,102
Cash at banks, unrestricted	**6,875,213**	7,301,734
Deposits in Fosun Finance*	**447,750**	979,535
Cash and cash equivalents as stated in the consolidated statement of cash flows	**7,324,881**	8,284,371
Pledged bank balances to secure bills payable	**992,703**	705,100
Term deposits with original maturity of more than three months	**1,644,218**	543,797
Cash and bank balances as stated in the consolidated statement of financial position	**9,961,802**	9,533,268

* Fosun Group Finance Corporation Limited ("Fosun Finance") is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Fosun High Tech. Details of the deposits are given in note 44(d) to the financial statements.

As at 31 December 2020, the cash and bank balances of the Group denominated in foreign currencies amounted to RMB4,747,973,000 (2019: RMB4,396,056,000). The RMB is not freely convertible into other currencies. However, under Chinese Mainland's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

28. CASH AND BANK BALANCES (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Term deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and three years. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Details of interest earned on deposits in Fosun Finance are set out in note 44(e) to the financial statements.

29. TRADE AND BILLS PAYABLES

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

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

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

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

Included in the Group's trade payables are amounts due to the Group's associates, joint ventures and other related companies of RMB273,991,000 (2019: RMB77,419,000), Nil (2019: Nil) and RMB49,667,000 (2019: RMB446,000), respectively. These balances due to associates, joint ventures and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the associates, joint ventures and other related companies to their major customers.

30. OTHER PAYABLES AND ACCRUALS

	Notes	**2020 RMB'000**	2019 RMB'000
Payables relating to purchases of items of property, plant and equipment		**268,082**	193,678
Deposits received		**512,237**	533,890
Payroll		**916,179**	697,397
Value-added tax		**170,286**	244,039
Other taxes		**69,017**	63,002
Accrued interest expenses		**198,284**	216,562
Dividends payable to non-controlling shareholders of subsidiaries and shareholders of the Company		**62,036**	127,956
Other accrued expenses		**2,772,797**	2,467,277
Payables for acquisitions of non-controlling interests, and subsidiaries	(i)	**27,144**	63,933
Loans from third parties	(ii)	**393,079**	263,939
Current portion of government grants *(note 34)*		**4,782**	7,533
Subscription to restricted shares		**61,912**	209,528
The share redemption option granted to non-controlling shareholders of subsidiaries	(iv)	**73,503**	209,286
Others	(iii)	**77,926**	87,873
		5,607,264	5,385,893
Less: Non-current portion of payables for acquisitions of non-controlling interests and subsidiaries *(note 34)*	(i)	**(9,700)**	(9,700)
		5,597,564	5,376,193

Notes:

(i) The balances as at 31 December 2020 mainly represent the cash considerations for the acquisitions of Wuhan Jihe Hospital, Yiyanyun, Fosun Beiling, Guangji Hospital and Zhongwu Hospital of RMB7,000,000, RMB4,500,000, RMB5,527,000, RMB7,700,000 and RMB2,000,000 respectively. The non-current portion of payables for acquisitions of the non-controlling interests and subsidiaries as at 31 December 2020 mainly consists of the non-current portion of unpaid cash considerations of RMB7,700,000 and RMB2,000,000 for the acquisitions of equity interests in Guangji Hospital and Zhongwu Hospital, respectively, which will be paid after 12 months.

(ii) Loans from third parties of RMB393,079,000 as at 31 December 2020 (2019: RMB263,939,000) bear no interest (2019: Nil) and are repayable on demand.

(iii) Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables are amounts due to the Group's associates, joint ventures and other related companies of RMB1,750,000 (2019: RMB3,172,000), RMB9,439,000 (2019: RMB6,428,000) and RMB27,064,000 (2019: RMB7,082,000), respectively. These balances were non-interest-bearing and repayable on demand.

(iv) The share redemption option granted to non-controlling shareholders of Nova is RMB73,503,000, represents the liability of the Group to acquire the non-controlling interests owned by the non-controlling shareholders as at 31 December 2020.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Bank loans — unsecured	0.50–4.57	2021	7,720,173	0.75–5.44	2020	6,288,646
Bank loans — secured *(note (a))*	2.69–4.35	2021	189,173	4.00–5.40	2020	60,292
Current portion of long term						
bank loans — unsecured	0.30–6.20	2021	1,182,891	0.98–4.75	2020	392,985
bank loans — secured *(note (a))*	2.77–4.50	2021	106,403	0.98–7.50	2020	71,933
Corporate bonds — unsecured	4.50–5.10	2021	5,290,306	4.50–4.70	2020	1,746,346
			14,488,946			8,560,202
Non-current						
Bank loans — unsecured	0.30–5.27	2022–2029	6,346,829	1.70–6.20	2021–2026	7,081,083
Bank loans — secured *(note (a))*	3.98–4.55	2022–2030	799,055	4.90–7.50	2021–2028	211,961
			7,145,884			7,293,044
Corporate bonds *(note (b))*	4.47–4.50	2022–2023	1,329,801	3.35–5.10	2021–2023	5,283,863
			8,475,685			12,576,907
			22,964,631			21,137,109

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

	2020 **RMB'000**	2019 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**9,198,640**	6,813,856
In the second year	**6,213,132**	3,871,902
In the third to fifth years, inclusive	**256,387**	3,099,747
Beyond five years	**676,365**	321,395
	16,344,524	14,106,900
Other borrowings repayable:		
Within one year	**5,290,306**	1,746,346
In the second year	**1,329,801**	2,988,175
In the third to fifth years, inclusive	**—**	2,295,688
	6,620,107	7,030,209
	22,964,631	21,137,109

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

Foreign currency loans

	2020 RMB'000	2019 RMB'000
USD:		
Secured	—	22,345
Unsecured	6,000,520	7,965,169
	6,000,520	7,987,514
EUR:		
Secured	—	—
Unsecured	1,935,074	722,339
	1,935,074	722,339
SEK:		
Secured	22,592	—
Unsecured	15,120	—
	37,712	—
TWD:		
Secured	7,891	2,675
Unsecured	—	6,629
	7,891	9,304

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB188,426,000 (2019: RMB75,895,000);

(ii) at the end of the reporting period, the Group had no equipment used as mortgaged (2019: RMB29,751,000);

(iii) mortgages over the Group's prepaid land lease payments, which had a net carrying value at the end of the reporting period of approximately RMB528,904,000 (2019: RMB303,453,000);

(iv) at the end of the reporting period, the Group had no construction in progress used as mortgaged (2019: RMB28,064,000);

(v) the pledge of certain of the Group's trade receivables totalling RMB4,300,000 (2019: RMB5,300,000);

(vi) the pledge of certain of the Group's other receivables totalling RMB5,305,000 (2019: RMB2,846,000);

(vii) at the end of the reporting period, Fosun International Limited and the Company provided guarantee for Fosun Medical Holding AB, a subsidiary of the Company, to obtain loans at respective proportion of shares.

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

Notes: (Continued)

(b) On 4 March 2016, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB3,000,000,000, which bear interest at 4.50% per annum. Interest is payable annually in arrears and the maturity date is 4 March 2021. The corporate bonds were presented as current liabilities as at 31 December 2020.

On 14 March 2017, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,250,000,000, which bear interest at 4.50% per annum. Interest is payable annually in arrears and the maturity date is 14 March 2022.

On 13 August 2018, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,300,000,000, which bear interest at 5.10% per annum. Interest is payable annually in arrears and the maturity date is 13 August 2023. Since holders of these corporate bond have the right, at their option, to require the Company to repurchase for cash the corporate bond in whole or in part at the interest payment date of the third interest-bearing year (namely 2021), the corporate bond were present as current liabilities as at 31 December 2020.

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

On 30 November 2018, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,000,000,000, which bear interest at 4.69% per annum. Interest is payable annually in arrears and the maturity date is 30 November 2023. Since holders of these corporate bonds have the right, at their option, to require the Company to repurchase for cash the corporate bonds in whole or in part at the interest payment date of the third interest-bearing year (namely 2021), the corporate bonds were present as current liabilities as at 31 December 2020.

32. LEASE LIABILITIES

	31 December 2020			31 December 2019		
	Effective Interest rate (%)	**Maturity**	**RMB'000**	Effective Interest rate (%)	Maturity	RMB'000
Current						
Lease liability	**weighted average 4.72**	**2021**	**151,084**	weighted average 4.72	2020	143,786
Non-current						
Lease liability	**weighted average 4.72**	**2021–2038**	**627,291**	weighted average 4.72	2020–2038	410,188
			778,375			553,974

32. LEASE LIABILITIES (Continued)

	2020 **RMB'000**	2019 RMB'000
Analysed into:		
Lease liabilities:		
Within one year	**151,084**	143,786
In the second year	**258,164**	156,062
In the third to fifth years, inclusive	**291,690**	196,081
Beyond five years	**77,437**	58,045
	778,375	553,974

33. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2020 are as follows:

	31 December 2020 **RMB'000**	31 December 2019 RMB'000
Warranty services	**50,138**	56,658
Advances from customers	**1,091,883**	670,034
Total contract liabilities	**1,142,021**	726,692
Current portion	**1,020,309**	503,683
Non-current portion	**121,712**	223,009

Contract liabilities include advances received to deliver products and warranty services. The increase in contract liabilities in 2020 was mainly due to the increase in advances received from customers at the end of the year.

Included in the Group's contract liabilities are amounts due to the Group's associates, joint ventures and other related companies of RMB24,796,000 (2019: RMB16,889,000), RMB8,000 (2019: RMB226,000) and RMB14,514,000 (2019: RMB5,000), respectively. These balances were non-interest-bearing and repayable on demand.

34. DEFERRED INCOME

	Notes	2020 RMB'000	2019 RMB'000
Government grants	(i)	**486,983**	424,878
Less: Government grants classified as current portion *(note 30)*		**(4,782)**	(7,533)
		482,201	417,345

Notes:

(i) Government grants were received by the Group as financial subsidies for some research and development projects, industrial development funds and value-added tax refund. Government grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. There are no unfulfilled conditions or contingencies relating to these grants.

The movements in government grants during the year are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	**424,878**	356,421
Additions	**127,538**	108,430
Recognised as income during the year	**(65,433)**	(39,973)
At 31 December	**486,983**	424,878

35. OTHER LONG-TERM LIABILITIES

	Notes	2020 RMB'000	2019 RMB'000
Staff placement fees	(i)	**24,997**	26,964
Payables for acquisitions of non-controlling interests and subsidiaries	(ii)	**9,700**	9,700
Share redemption option granted to non-controlling shareholders of subsidiaries	(iii)	**—**	2,608,958
Others		**234,791**	214,548
		269,488	2,860,170

Notes:

(i) Staff placement fees represent liabilities incurred by certain subsidiaries of the Group before 2008 in respect of the retirement benefits of certain employees and retirees.

(ii) Payables for acquisitions of non-controlling interests and subsidiaries as at 31 December 2020 mainly represent the non-current portion of unpaid cash considerations of RMB7,700,000 and RMB2,000,000 for the acquisitions of non-controlling interests in Guangji Hospital and Zhongwu Hospital, respectively, which will be paid after 12 months (note 30(i)).

(iii) Shares redemption option granted to non-controlling shareholders of Gland Pharma was derecognized as a result of listing of Gland Pharma, leading to transfer out from other long-term liabilities at RMB2,556,085,000. Share redemption option granted to non-controlling shareholders of a subsidiary of Sisram will expire in the year of 2021, which was transferred to other payables and accruals at RMB52,873,000.

36. SHARE CAPITAL

	2020		2019	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Shares				
Unrestricted shares				
A Shares of RMB1 each	2,010,958	2,010,958	2,010,958	2,010,958
H Shares of RMB1 each	551,941	551,941	551,941	551,941
	2,562,899	2,562,899	2,562,899	2,562,899

Movements in the issued share capital during the year were as follows:

		2020		2019	
	Notes	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
At 1 January		2,562,899	2,562,899	2,563,061	2,563,061
Repurchase and cancellation of restricted A shares	(i)	—	—	(162)	(162)
At 31 December		2,562,899	2,562,899	2,562,899	2,562,899

Notes:

(i) The Company repurchased and cancelled 162,350 restricted A-shares on 29 April 2019.

37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 153 to 154 of the financial statements.

Statutory surplus reserve

According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

38. BUSINESS COMBINATIONS

The major acquisitions of subsidiaries accounted for as business combinations are set out as follows:

On 19 March 2020, Shanghai Fosun Changzheng 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.

On 20 November 2020, Chongqing Yao Pharmaceutical Co., Ltd., a subsidiary of the Company, acquired a 100% equity interest in Jisimei (Wuhan) Pharmaceutical Technology Co., Ltd ("Jisimei") (former named Fresenius Kabi (Wuhan))from a third party. The purchase consideration for the acquisition was RMB120,000,000 After the acquisition, the Group holds 100% equity interest in Jisimei.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

The above acquisitions were undertaken under the Group's strategy to further improve the Group's pharmaceutical manufacturing.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

38. BUSINESS COMBINATIONS (Continued)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired as at the dates of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	15	119,633
Other intangible assets	18	11,980
Deferred tax assets	22	3,180
Inventories		34,138
Trade and bills receivables		40,494
Prepayments, other receivables and other assets		15,996
Cash and cash equivalents		16,992
Trade and bills payables		(12,132)
Other payables and accruals		(72,969)
Contract liabilities		(359)
Deferred tax liabilities	22	(1,214)
Total identifiable net assets at fair value		155,739
Non-controlling interests		—
		155,739
Gain on bargain purchase of a subsidiary		(3,645)
		152,094
Satisfied by:		
Cash consideration paid		130,970
Cash consideration payable		5,180
Fair value of equity investments held before as at acquisition date		15,944
		152,094

The fair values of trade and bills receivables and other receivables as at the dates of acquisitions amounted to RMB40,494,000 and RMB10,527,000, respectively.

38. BUSINESS COMBINATIONS (Continued)

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

	RMB'000
Cash consideration paid	(130,970)
Cash and cash equivalents acquired	16,992
	(113,978)
Payment of unpaid cash consideration as at 31 December 2019	(39,960)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(153,938)

Since the acquisitions, the acquired subsidiaries contributed RMB338,229,000 to the Group's revenue and RMB63,700,000 to the Group's profit after tax for the year ended 31 December 2020.

Had the combinations taken place at the beginning of the year ended 31 December 2020, the revenue and the profit after tax of the Group for the year ended 31 December 2020 would have been RMB30,191,528,000 and RMB3,928,274,000, respectively.

39. DISPOSAL OF SUBSIDIARIES

In 2020, the Group entered into equity interest transfer agreements with third parties to dispose 60% of equity interest in Huai'an Xinghuai Hospital*, for a consideration of RMB172,500,000 These subsidiaries will not be included in the consolidated financial statements of the Group hereafter.

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies.

The financial information of above subsidiaries at the date of disposal is as follows:

	Notes	**2020** **RMB'000**
Net assets disposed of:		
Property, plant and equipment	15	**43,508**
Right-of-use assets		**68,129**
Other intangible assets	18	**8**
Inventory		**917**
Prepayments, other receivables and other assets		**3,514**
Cash and cash equivalents		**158,897**
Trade and bills payables		**(490)**
Other payables and accruals		**(302)**
		274,181
Non-controlling interests		**(109,827)**
Gain on disposal of a subsidiary	7	**8,146**
		172,500
Satisfied by:		
Cash consideration received		**172,500**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	172,500
Cash and bank balances disposed of	(158,897)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	13,603

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2020

	Bank and other loans RMB'000	Lease liabilities RMB'000	Loans from third parties included in other payables and accruals RMB'000	Loans from third parties included in other long-term liabilities RMB'000	Interest payable RMB'000
At 1 January 2020	21,137,109	553,974	263,939	—	216,562
Changes from financing cash flows	2,308,286	(194,632)	129,140	—	—
New leases	—	424,300	—	—	—
Covid–19-related rent recessions from lessors	—	(6,548)	—	—	—
Lease termination	—	(26,079)	—	—	—
Interest paid	—	—	—	—	(810,164)
Foreign exchange movement	(485,383)	(2,464)	—	—	(57,651)
Interest expense	4,619	29,824	—	—	832,992
Interests capitalised under construction in progress	—	—	—	—	16,545
At 31 December 2020	22,964,631	778,375	393,079	—	198,284

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Changes in liabilities arising from financing activities (Continued)

2019

	Bank and other loans RMB'000	Lease liabilities RMB'000	Loans from third parties included in other payables and accruals RMB'000	Loans from third parties included in other long-term liabilities RMB'000	Interest payable RMB'000
At 31 December 2018	23,203,140	22,569	181,660	29,733	187,344
Effect of adoption of HKFRS 16	—	389,652	—	—	—
At 1 January 2019	23,203,140	412,221	181,660	29,733	187,344
Changes from financing cash flows	(2,337,345)	(135,361)	82,279	(29,733)	—
New leases	—	246,744	—	—	—
Interest paid	—	—	—	—	(1,007,722)
Foreign exchange movement	258,459	4,919	—	—	14,676
Interest expense	5,462	25,451	—	—	1,002,688
Interests capitalised under construction in progress	—	—	—	—	19,576
Increase arising from acquisitions of subsidiaries	7,393	—	—	—	—
At 31 December 2019	21,137,109	553,974	263,939	—	216,562

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flow is as follows:

	2020 RMB'000
Within operating activities	28,141
Within financing activities	194,632
	222,773

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020
Percentage of equity interest held by non-controlling interests:	
Gland Pharma	41.64%

	2020 RMB'000
Profit for the year allocated to non-controlling interests:	
Gland Pharma	193,058

	2020 RMB'000
Accumulated balances of non-controlling interests at the reporting date:	
Gland Pharma	2,815,124

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Gland Pharma RMB'000
2020	
Revenue	3,025,864
Total expenses	(343,075)
Profit for the year	719,396
Total comprehensive income for the year	719,396
Current assets	4,380,773
Non-current assets	3,522,836
Current liabilities	(502,426)
Non-current liabilities	(640,364)
Net cash flows from operating activities	594,703
Net cash flows used in investing activities	(1,146,813)
Net cash flows from financing activities	1,093,695
Net increase in cash and cash equivalents	541,585

42. SHARE-BASED PAYMENTS

(a) Subsidiaries' share-based payments

As at 14 April 2018, approved by the second extraordinary general meeting of Henlix, a subsidiary of the Company, passed a share incentive scheme and granted 22,750,000 restricted shares to eligible participants at a price of RMB9.21 per share. As at 10 December 2020, Henlix granted 2,780,700 restricted shares to eligible participants at a price of RMB9.21 per share. Henlix has recognised an amount of RMB46,050,000 as related expenses and R&D investment for the year ended 31 December 2020.

As at 27 June 2019, Gland, a subsidiary of the Company, passed a share incentive scheme and granted 154,650 restricted shares to eligible participants at a price of equivalent RMB540 per share. Gland has recognised an amount of RMB19,490,000 as expenses for the year ended 31 December 2020.

43. COMMITMENTS

The Group had the following capital commitments as at 31 December 2020:

	2020 **RMB'000**	2019 RMB'000
Contracted, but not provided for:		
Prepared land lease payments, plant and machinery	**2,672,447**	2,191,767
Investments in a subsidiary and associates	**807,635**	929,930
Investments in financial assets at fair value through profit or loss	**342,798**	273,236
Authorized, but not signed:		
Prepaid land lease payments, plant and machinery	**4,003,225**	4,285,335
	7,826,105	7,680,268

44. RELATED PARTY TRANSACTIONS

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

(a) Sales of products and rendering of services

	2020 RMB'000	2019 RMB'000
Sinopharm Group Co., Ltd and its subsidiaries *(notes 4 & 7 & 9)*	2,980,593	3,134,238
C.Q. pharmaceutical Holding Co.,Ltd and its subsidiaries *(notes 1 & 7 & 11)*	457,304	448,804
Intuitive Surgical-Fosun (Hongkong) Co., Ltd. *(notes 1 & 7)*	177,954	217,368
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 7)*	153,284	66,288
Fosun International Limited and its subsidiaries *(notes 6 & 7 & 11 & 12)*	117,801	608
Shanghai Fosun Public Welfare Foundation *(notes 3 & 7)*	85,459	—
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 7)*	11,992	8,111
Huaihai Hospital Management Co., Ltd *(notes 1 & 7)*	9,292	—
Zhejiang Di'an Diagnostics Co., Ltd. *(notes 3 & 7)*	7,036	46,203
Gland Chemicals Pvt Ltd *(notes 3 & 7)*	6,229	—
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 7)*	4,617	3,573
KOLLER FORMENBAU GMBH *(notes 3 & 7)*	3,595	—
Suzhou Fund *(notes 1 & 7 & 11)*	3,407	—
Shanghai Diai Medical Instrument Co., Ltd *(notes 1 & 7)*	3,246	5,102
Jingfukang Pharmaceutical Group Co., Ltd *(notes 1 & 7)*	3,008	3,104
Tianjin Fund *(notes 1 & 7 & 11)*	2,202	—
New Frontier Health Corporation and its subsidiaries. *(notes 1 &7)*	2,083	4,042
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 7 & 18)*	1,612	17,696
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(notes 2 & 7)*	1,575	1,677
Fosun United Health Insurance Company Ltd *(notes 3 & 7)*	56	—
Shanghai Xingmai Information Technology Co., Ltd *(notes 1 & 7 & 11)*	38	118
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	35	36
Shanghai Fosun Bund Property Co., Ltd *(notes 3 & 7)*	24	—
StarKids Children's Hospital Shanghai *(notes 1 & 7)*	8	—
Fosun Aidi Pharmaceutical Science Co., Ltd (Original name : CMIC (Suzhou) Pharmaceutical Technology Co., Ltd.) *(notes 7 & 19)*	—	134
Integrated Endoscopy, Inc. *(notes 1 & 7)*	—	29
Shanghai Qinmiao Technology Co., Ltd *(notes 1 & 7 & 11)*	—	27
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	—	4
	4,032,450	3,957,162

44. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of products and services

	2020 RMB'000	2019 RMB'000
Sinopharm Group Co., Ltd and its subsidiaries *(notes 4 & 7 & 9)*	**304,213**	263,224
Fosun International Limited and its subsidiaries *(notes 6 & 7 & 11 & 13)*	**241,806**	1,520
Gland Chemicals Pvt Ltd *(notes 3 & 7)*	**124,864**	101,389
C.Q. pharmaceutical Holding Co., Ltd and its subsidiaries *(notes 1 & 7 & 11)*	**28,323**	5,602
Saladax Biomedical, Inc. *(notes 1 & 7)*	**7,465**	7,520
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	**2,281**	2,710
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. *(notes 1 & 7)*	**2,243**	6,254
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 7 & 18)*	**907**	4,231
Zhejiang Di'an Diagnostics Co., Ltd. *(notes 3 & 7)*	**510**	6,591
Fosun United Health Insurance Company Ltd *(notes 3 & 7)*	**229**	752
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 7)*	**58**	109
Fosun Aidi Pharmaceutical Science Co., Ltd (Original name: CMIC (Suzhou) Pharmaceutical Technology Co., Ltd.) *(notes 7 & 19)*	**—**	3,237
Tebon Securities Co. Ltd *(notes 3 & 7)*	**—**	1,620
	712,899	404,759

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services

As lessor

	2020 RMB'000	2019 RMB'000
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 8)*	**9,451**	12,247
Fosun International Limited and its subsidiaries *(notes 6 & 8 & 11 & 14)*	**5,715**	14,638
Shanghai Xingmai Information Technology Co., Ltd *(notes 1 & 8 & 11)*	**1,466**	—
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 8)*	**942**	907
New Frontier Health Corporation and its subsidiaries. *(notes 1 & 8)*	**630**	264
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 8 & 18)*	**578**	1,877
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(notes 2 & 8)*	**539**	647
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 8)*	**290**	166
StarKids Children's Hospital Shanghai *(notes 1 & 8)*	**119**	—
Shanghai Qinmiao Technology Co., Ltd *(notes 1 & 8 & 11)*	**—**	352
	19,730	31,098

As lessee

	2020 RMB'000	2019 RMB'000
Fosun International Limited and its subsidiaries *(notes 6 & 8 & 11 & 15)*	**6,467**	5,718
Dhananjaya Properties LLP *(notes 3 & 8)*	**229**	230
Sasikala Properties LLP *(notes 3 & 8)*	**84**	83
	6,780	6,031

44. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

Management services

	2020 RMB'000	2019 RMB'000
Subsidiaries of Fosun International Limited *(notes 6 & 8 & 11 & 16)*	**7,904**	7,279

(d) Loans from/to related parties

Maximum daily outstanding balance of deposits in Fosun Finance

	2020 RMB'000	2019 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**979,619**	979,535

The Company entered into a financial service agreement with Fosun Finance, pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for the period from 1 January 2020 to 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 the loans granted by Fosun Finance to the Group is RMB1,000,000,000.

Loans to Fosun Kite Biological Technology Co., Ltd

	2020 RMB'000	2019 RMB'000
Fosun Kite Biological Technology Co., Ltd *(note 2)*	**188,840**	188,840

Industrial Development provided a five-year loans of RMB188,840,000 to Fosun Kite Biological Technology Co., Ltd. The interest rate is 10% higher than the benchmark interest rate for the same period.

Loans to Nature's Sunshine (Far East) Limited

	2020 RMB'000	2019 RMB'000
Nature's Sunshine (Far East) Limited *(note 1)*	**7,898**	10,556

Fosun Industrial provided a one-year loans of RMB7,898,000 to Nature's Sunshine (Far East) Limited. The annual interest rate is 3%.

44. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from related parties

	2020 RMB'000	2019 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**4,707**	2,825
Fosun Kite Biological Technology Co., Ltd *(note 2)*	**9,467**	5,716
Nature's Sunshine (Far East) Limited *(note 1)*	**288**	303

The interest rate for deposits in Fosun Finance is made reference to the benchmark interest rates on deposits issued by the People's Bank of China ("PBOC"), and is no less than the higher of (i) the interest rate payable to the Group by the domestic commercial banks; and (ii) that to others by Fosun Finance for the deposit service with similar terms and amounts.

(f) Commitments with related parties

As lessor

As at 31 December 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2020 RMB'000	2019 RMB'000
Shanghai Xingmai Information Technology Co., Ltd *(note 1)*	**24,196**	1,546
Fosun Kite Biological Technology Co., Ltd *(note 2)*	**20,153**	26,251
Subsidiaries of Fosun International *(note 6)*	**12,320**	7,704
StarKids Children's Hospital Shanghai *(note 1)*	**479**	—
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(note 1)*	**160**	307
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(note 5)*	**123**	993
New Frontier Health Corporation and its subsidiaries *(note 1)*	**42**	300
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(note 2)*	**—**	470
Shanghai Xingyao Medical Technology Development Co., Ltd. *(note 18)*	**—**	29,743
	57,473	67,314

As lessee

As at 31 December 2020, the Group had total future minimum lease payments (not included in the measurement of lease liabilities) under non-cancellable operating leases and a property management service agreement with related parties in respect of land and buildings which fall due as follows:

	2020 RMB'000	2019 RMB'000
Subsidiaries of Fosun International *(note 6)*	**8,300**	886

44. RELATED PARTY TRANSACTIONS (Continued)

(f) Commitments with related parties (Continued)

Notes:

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

(3) They are other associates of the Group.

(4) They are the subsidiaries of the Group's associates.

(5) They are the subsidiaries of the Group's joint ventures.

(6) They are the subsidiaries of Fosun International Limited, the holding company of the Company.

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

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

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

(10) Fosun Finance is a subsidiary of Fosun High Tech, the holding company of the Company.

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

(12) During the year of 2020, the Group offered Fosun International Limited and its subsidiaries with other services and products at market prices. Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Company limited., Shanghai Xingyi Health Management Co., Ltd., Shanghai FuHeng Insurance Broker Co., Ltd., Liangfu Credit Investigation Management Co., Ltd., Shanghai Yunji Information Technology Co., Ltd., Shanghai Zzkur Information Technology. Co., Ltd., Beijing Golte Property Management Co., Ltd., Shanghai Pingao investment Management Co., Ltd, Shanghai Yilian Enterprise Management Co., Ltd, Shanghai Fosun Zhijian Information Technology Co., Ltd, Shanghai Fosun Venture Capital Management Co., Ltd, Fosun Finance, Zhejiang Fuyi Cosmetics Co., Ltd, Shanghai Fosun Industry and Technology Development Co., Ltd, Shanghai Fuxing Tourism Management Co., Ltd, Glsmed Trade S.A,etc.

(13) During the year of 2020, the Group received services and purchased products from the subsidiaries of Fosun International Limited at market prices. The subsidiaries of Fosun International Limited include Shanghai Fosun High Tech (Group) Company limited., Shanghai Yunji Information Technology Co., Ltd, Shanghai Pingao investment Management Co., Ltd, Kuyi International Travel Agency Co., Ltd, Shanghai Zhuqun Information Technology Co., Ltd, Shanghai Xingyi Health Management Co., Ltd., Zhejiang Fuyi Cosmetics Co., Ltd, Shanghai Yilian Enterprise Management Co., Ltd and Shanghai Xingfu Enterprise Management Consulting Co., Ltd.

(14) During the year of 2020, the Group leased out the office buildings to Fosun International Limited and its subsidiaries. Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Company limited, Liangfu Credit Investigation Management Co., Ltd., Shanghai Pingao investment Management Co., Ltd, Shanghai Zzkur Information Technology. Co., Ltd. and Shanghai Fosun Zhijian Information Technology Co., Ltd.

(15) During the year of 2020, the Group leased office buildings from subsidiaries of Fosun International Limited. The subsidiaries of Fosun International Limited include Shanghai New Shihua Investment and Chuangfu Financial Lease Co., LTD.

(16) During the year of 2020, the Group received management services from subsidiaries of Fosun International Limited. The subsidiaries of Fosun International Limited include Shanghai Golte Property Management Co., Ltd and Beijing Golte Property Management Co., Ltd.

(17) Fosun International Limited is the ultimate holding company of the Group.

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

(19) Fosun Aidi Pharmaceutical Science Co., Ltd (Original name: CMIC (Suzhou) Pharmaceutical Co., Ltd) was acquired by the Group on 9 May 2020.

44. RELATED PARTY TRANSACTIONS (Continued)

(g) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 25, 26, 29 and 30 to the financial statements.

(h) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	33,816	34,822
Performance-related bonuses	56,178	42,593
Pension scheme contributions	282	1,247
Equity-settled share incentive scheme expense	—	—
	90,276	78,662

Further details of directors', supervisors' and the chief executive's emoluments are included in note 10 to the financial statements.

(i) Donations

	2020 RMB'000	2019 RMB'000
Fosun Charity Fund	25,783	11,915

For the year ended 31 December 2020, the Group donated RMB25,783,000 (2019: RMB11,915,000) to social welfare projects through Fosun Charity Fund.

45. CONTINGENT LIABILITIES

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

46. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 31 to the financial statements.

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000	Total RMB'000
		Debt investments RMB'000	Equity investments RMB'000		
Equity investments designated at fair value through other comprehensive income	—	—	1,043	—	1,043
Financial assets at fair value through profit or loss	3,430,865	—	—	—	3,430,865
Debt investments at fair value through other comprehensive income	—	628,881	—	—	628,881
Trade and bills receivables	—	—	—	4,807,059	4,807,059
Financial assets included in prepayments, other receivables and other assets	—	—	—	407,517	407,517
Other non-current assets	—	—	—	188,840	188,840
Cash and bank balances	—	—	—	9,961,802	9,961,802
	3,430,865	628,881	1,043	15,365,218	19,426,007

Financial liabilities	Financial liabilities at fair value through profit or loss Designated as such up on initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	3,289,021	3,289,021
Financial liabilities included in other payables and accruals	73,503*	4,291,364	4,364,867
Interest-bearing bank and other borrowings	—	22,964,631	22,964,631
Lease liabilities	—	778,375	778,375
Financial liabilities included in other long-term liabilities	—	241,773	241,773
	73,503	31,565,164	31,638,667

47. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2019

Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income: Debt investments RMB'000	Financial assets at fair value through other comprehensive income: Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	—	—	107,709	—	107,709
Financial assets at fair value through profit or loss	2,439,806	—	—	—	2,439,806
Debt investments at fair value through other comprehensive income	—	445,103	— —	—	445,103
Trade and bills receivables	—	—	—	4,607,722	4,607,722
Financial assets included in prepayments, other receivables and other assets	—	—	—	498,978	498,978
Other non-current assets	—	—	—	188,840	188,840
Cash and bank balances	—	—	—	9,533,268	9,533,268
	2,439,806	445,103	107,709	14,828,808	17,821,426

Financial liabilities	Financial liabilities at fair value through profit or loss: Designated as such up on initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	2,397,315	2,397,315
Financial liabilities included in other payables and accruals	209,286*	3,935,690	4,144,976
Interest-bearing bank and other borrowings	—	21,137,109	21,137,109
Lease liabilities	—	553,974	553,974
Financial liabilities included in other long-term liabilities	2,608,958*	223,765	2,832,723
	2,818,244	28,247,853	31,066,097

* The amounts include the share redemption options granted to non-controlling shareholders of subsidiaries amounting to RMB73,503,000 (2019:RMB2,818,244,000), with the current portion of RMB73,503,000 (2019: RMB209,286,000) and the non-current portion of RMBzero (2019: RMB2,608,958,000), of which fair value change is recognised in reserves due to the nature of equity transaction with non-controlling shareholders of the subsidiaries of the Group.

47. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

At December 31, 2020, there were bank acceptance bills of RMB21,246,000 that the Group has discounted to the bank (2019: Nil). The Group believes that it retains almost all of its risks and rewards, including its related defaults risk. Therefore, the Group continues to confirm it in full and short-term borrowing. After discounting, the Group will not retain the use rights of it, including the right to sell, transfer or pledge it to other third parties.

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,135,487,000 (2019: RMB1,168,291,000). In addition, the Group discounted certain bills accepted by banks in the PRC included in bills receivable and debt investments at fair value through other comprehensive income (the "Discounted Bills") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB549,575,000 (2019: RMB519,262,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

48. 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	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
Equity investments designated at fair value through other comprehensive income	**1,043**	107,709	**1,043**	107,709
Debt investments at fair value through other comprehensive income	**628,881**	445,103	**628,881**	445,103
Financial assets at fair value through profit or loss	**3,430,865**	2,439,806	**3,430,865**	2,439,806
	4,060,789	2,992,618	**4,060,789**	2,992,618
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**7,145,884**	7,293,044	**7,172,117**	7,460,377
Interest-bearing other borrowings	**6,620,107**	7,030,209	**6,673,003**	7,124,156
Financial liabilities included in other long-term liabilities	**241,773**	2,832,723	**241,773**	2,832,723
	14,007,764	17,155,976	**14,086,893**	17,417,256

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial assets included in other non-current assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments or the interest rate is approximate to the discount rate of current market.

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

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:

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2020 was assessed to be insignificant.

The fair values of listed corporate bond issued by the Company and equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 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 liquidity discount. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Unobservable inputs for Level 3 liabilities

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of subsidiaries included in other payables and accruals and other long-term liabilities of RMB73,503,000 (31 December 2019: RMB2,818,244,000) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of subsidiaries.

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

Fair value hierarchy

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

Assets measured at fair value:
As at 31 December 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
Financial assets at fair value through profit or loss *(note 27)*	1,215,451	701,386	1,514,028	3,430,865
Equity investments designated at fair value through other comprehensive income *(note 21)*	—	1,043	—	1,043
Debt investments at fair value through other comprehensive income	—	628,881	—	628,881
	1,215,451	1,331,310	1,514,028	4,060,789

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss *(note 27)*	561,348	52,734	1,825,724	2,439,806
Equity investments designated at fair value through other comprehensive income *(note 21)*	1,554	52,909	53,246	107,709
Debt investments at fair value through other comprehensive income	—	445,103	—	445,103
	562,902	550,746	1,878,970	2,992,618

48. 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 within Level 3 during the year are as follows:

	Financial assets at fair value through profit or loss RMB'000	Equity investments Designated at fair value through other comprehensive income RMB'000
As at 1 January 2020	1,825,724	53,246
Transferred in	249,785	—
Transferred out	(614,237)	—
Total losses recognised in the statement of profit or loss included in other gains	(83,892)	—
Total losses recognised in other comprehensive income	—	(10,548)
Addition	252,439	—
Settlement	(68,023)	(42,698)
Exchange realignment	(47,768)	—
As at 31 December 2020	1,514,028	—

During the year, the fair value measurements of financial assets at fair value through profit or loss held by the Group with the carrying amount of RMB614,237,000 were transferred from Level 3 to Level 2 (2019: Nil) due to the fact that the investee companies were listed but still in the restricted sale period. The fair value measurements of financial assets at fair value through profit or loss with the carrying amount of RMB249,785,000 were transferred from Level 2 to Level 3 due to there are no recent market finance transactions with significant observable inputs in 2020 (2019: Nil). And there were no transfers from Level 2 to Level 1 for both financial assets and financial liabilities (2019: RMB42,130,000).

Liabilities measured at fair value:

As at 31 December 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 payable and accruals	—	—	73,503	73,503

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

Fair value hierarchy (Continued)

Liabilities measured at fair value: (Continued)

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other payable and accruals	—	—	209,286	209,286
Amounts included in other long-term liabilities *(note 35)*	—	—	2,608,958	2,608,958
	—	—	2,818,244	2,818,244

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

	2020 RMB'000	2019 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	**2,818,244**	2,913,876
Total losses/(gains) recognised in other reserve	**20,630**	(45,557)
Total gains recognised in the statement of profit or loss included in other gains	**—**	(59,619)
Addition	**—**	52,873
Transferred out *(note)*	**(2,556,085)**	—
Settlement	**(209,286)**	(43,329)
At 31 December	**73,503**	2,818,244

Note: Share redemption option granted to non-controlling shareholders of Gland Pharma was derecognised as a result of listing of Gland Pharma, leading to transfer out from other long-term liabilities at RMB2,556,085,000.

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 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
Non-current portion of interest-bearing bank borrowings	—	7,172,117	—	7,172,117
Interest-bearing other borrowings	5,357,695	1,315,308	—	6,673,003
Amounts included in other long-term liabilities	—	241,773	—	241,773
	5,357,695	8,729,198	—	14,086,893

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	7,460,377	—	7,460,377
Interest-bearing other borrowings	5,288,087	1,836,069	—	7,124,156
Amounts included in other long-term liabilities	—	223,765	—	223,765
	5,288,087	9,520,211	—	14,808,298

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2020, the total interest-bearing bank borrowings of RMB11,039,056,000 (31 December 2019: RMB12,678,950,000) of the Group were with floating interest rates denominated in RMB, USD or EUR.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings.

Increase/(decrease) in the Group's profit after tax

	Increase/ (decrease) in basis %	Increase/ (decrease) in profit after tax RMB'000
2020		
RMB	**1**	**(39,963)**
USD	**1**	**(40,357)**
EUR	**1**	**(2,473)**
RMB	**(1)**	**39,963**
USD	**(1)**	**40,357**
EUR	**(1)**	**2,473**
2019		
RMB	1	(33,820)
USD	1	(58,316)
EUR	1	(2,956)
RMB	(1)	33,820
USD	(1)	58,316
EUR	(1)	2,956

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD, EUR and HKD exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair value of monetary assets and liabilities.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit after tax RMB'000
2020		
If RMB weakens against USD	**5**	**25,242**
If RMB strengthens against USD	**(5)**	**(25,242)**
If RMB weakens against EUR	**5**	**(71,222)**
If RMB strengthens against EUR	**(5)**	**71,222**
If RMB weakens against HKD	**5**	**20,669**
If RMB strengthens against HKD	**(5)**	**(20,669)**
2019		
If RMB weakens against USD	5	51,109
If RMB strengthens against USD	(5)	(51,109)
If RMB weakens against EUR	5	(18,900)
If RMB strengthens against EUR	(5)	18,900
If RMB weakens against HKD	5	40,752
If RMB strengthens against HKD	(5)	(40,752)

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group trades only with related companies and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	4,807,059	4,807,059
Debt investments at fair value through other comprehensive income*	628,881	—	—	—	628,881
Financial assets included in prepayments, other receivables and other assets — Normal**	407,517	—	—	—	407,517
Other non-current assets	188,840	—	—	—	188,840
Cash and bank balances — Not yet past due	9,961,802	—	—	—	9,961,802
	11,187,040	—	—	4,807,059	15,994,099

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk (Continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	4,607,722	4,607,722
Debt investments at fair value through other comprehensive income*	445,103	—	—	—	445,103
Financial assets included in prepayments, other receivables and other assets					
— Normal**	498,978	—	—	—	498,978
Other non-current assets	188,840	—	—	—	188,840
Cash and bank balances					
— Not yet past due	9,533,268	—	—	—	9,533,268
	10,666,189	—	—	4,607,722	15,273,911

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 25 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2020, 61% (31 December 2019: 39%) of the Group's borrowings would mature in less than one year based on the carrying values of the borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2020					
Interest-bearing bank and other borrowings	**—**	**14,836,060**	**8,096,615**	**784,511**	**23,717,186**
Lease liabilities	**—**	**151,084**	**607,767**	**82,173**	**841,024**
Trade and bills payables	**—**	**3,289,021**	**—**	**—**	**3,289,021**
Financial liabilities included in other payables and accruals	**3,991,782**	**373,085**	**—**	**—**	**4,364,867**
Financial liabilities included in other long-term liabilities	**—**	**—**	**241,773**	**—**	**241,773**
	3,991,782	**18,649,250**	**8,946,155**	**866,684**	**32,453,871**
2019					
Interest-bearing bank and other borrowings	—	9,222,956	12,926,541	363,314	22,512,811
Lease liabilities	—	143,786	350,455	73,267	567,508
Trade and bills payables	—	2,397,315	—	—	2,397,315
Financial liabilities included in other payables and accruals	3,568,740	576,236	—	—	4,144,976
Financial liabilities included in other long-term liabilities	—	—	2,832,723	—	2,832,723
	3,568,740	12,340,293	16,109,719	436,581	32,455,333

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 27) and equity investments at fair value through other comprehensive Income (note 21) as at 31 December 2020. The Group's listed investments are listed on the stock exchanges in Shenzhen, Hong Kong, New York and NASDAQ are valued at quoted market prices or using valuation techniques at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2020	High/low 2020	31 December 2019	High/low 2019
Shenzhen — GEM Index	2,966	2,966/1,796	1,798	1,802/1,215
Shenzhen — A-share Index	2,438	2,442/1,683	1,802	1,865/1,303
New York — NASDAQ Index	12,888	12,899/6,861	8,973	9,022/6,464
New York — NYSE Index	14,525	14,525/8,777	13,913	13,944/11,190
Hong Kong — HSI Index	27,231	29,056/21,696	28,190	30,157/25,064

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period. For the purposes of this analysis, for the equity investments at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve revaluation reserve, respectively.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2020				
Investments listed in:				
New York — Financial assets at fair value through profit or loss	10	92,845	9,285	—
New York — Financial assets at fair value through profit or loss	(10)	92,845	(9,285)	—
Shenzhen GEM — Financial assets at fair value through profit or loss	10	17,641	1,323	—
Shenzhen GEM — Financial assets at fair value through profit or loss	(10)	17,641	(1,323)	—
Shenzhen — Financial assets at fair value through profit or loss	10	211,471	15,939	—
Shenzhen — Financial assets at fair value through profit or loss	(10)	211,471	(15,939)	—
NASDAQ — Financial assets at fair value through profit or loss	10	1,058,243	105,824	—
NASDAQ — Financial assets at fair value through profit or loss	(10)	1,058,243	(105,824)	—
Taiwan — Financial assets at fair value through profit or loss	10	32,003	3,200	—
Taiwan — Financial assets at fair value through profit or loss	(10)	32,003	(3,200)	—
Hong Kong — Financial assets at fair value through profit or loss	10	504,634	50,463	—
Hong Kong — Financial assets at fair value through profit or loss	(10)	504,634	(50,463)	—
Hong Kong — Equity investments at fair value through other comprehensive income	10	1,043	—	89
Hong Kong — Equity investments at fair value through other comprehensive income	(10)	1,043	—	(89)
Total financial assets at fair value through profit or loss		1,916,837		
Total equity investments at fair value through other comprehensive income		1,043		

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2019				
Investments listed in:				
New York — Financial assets at fair value through profit or loss	10	104,697	10,470	—
New York — Financial assets at fair value through profit or loss	(10)	104,697	(10,470)	—
Shenzhen GEM — Financial assets at fair value through profit or loss	10	110,939	8,320	—
Shenzhen GEM — Financial assets at fair value through profit or loss	(10)	110,939	(8,320)	—
Shenzhen — Financial assets at fair value through profit or loss	10	261,502	19,678	—
Shenzhen — Financial assets at fair value through profit or loss	(10)	261,502	(19,678)	—
NASDAQ — Financial assets at fair value through profit or loss	10	51,639	5,164	—
NASDAQ — Financial assets at fair value through profit or loss	(10)	51,639	(5,164)	—
NASDAQ — Equity investments at fair value through other comprehensive income	10	1,554	—	117
NASDAQ — Equity investments at fair value through other comprehensive income	(10)	1,554	—	(117)
Taiwan — Financial assets at fair value through profit or loss	10	52,735	5,273	—
Taiwan — Financial assets at fair value through profit or loss	(10)	52,735	(5,273)	—
Hong Kong — Financial assets at fair value through profit or loss	10	32,570	3,257	—
Hong Kong — Financial assets at fair value through profit or loss	(10)	32,570	(3,257)	—
Total financial assets at fair value through profit or loss		614,082		
Total equity investments at fair value through other comprehensive income		1,554		

* Excluding retained profits

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, lease liabilities, other long-term liabilities less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	2020 **RMB'000**	2019 RMB'000
Interest-bearing bank and other borrowings *(note 31)*	**22,964,631**	21,137,109
Lease liabilities *(note 32)*	**778,375**	553,974
Less: Cash and bank balances *(note 28)*	**(9,961,802)**	(9,533,268)
Net debt	**13,781,204**	12,157,815
Total equity	**45,927,396**	39,147,326
Total equity and net debt	**59,708,600**	51,305,141
Gearing ratio	**23%**	24%

50. EVENTS AFTER THE REPORTING PERIOD

(a) Issuance of First Tranche of the Corporate Bonds 2021

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

(b) Maturity of the Corporate Bonds 2016

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

(c) 2021 Share Award Scheme

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

(d) Proposed profit distribution of 2020

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

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	7,006	5,733
Other intangible assets	1,376	1,239
Investments in subsidiaries	11,269,800	10,865,236
Investments in associates	8,626,331	8,710,187
Equity instruments designated at fair value through other comprehensive income	—	38,246
Financial assets at fair value through profit or loss	151,914	137,437
Other non-current assets	6,723,401	5,295,917
Total non-current assets	26,779,828	25,053,995
CURRENT ASSETS		
Prepayments, deposits and other receivables	7,089,058	7,792,394
Cash and bank balances	344,611	905,360
Total current assets	7,433,669	8,697,754
CURRENT LIABILITIES		
Other payables and accruals	3,702,506	3,053,603
Interest-bearing bank and other borrowings	8,109,298	4,741,346
Total current liabilities	11,811,804	7,794,949
NET CURRENT (LIABILITIES)/ASSETS	(4,378,135)	902,805
TOTAL ASSETS LESS CURRENT LIABILITIES	22,401,693	25,956,800
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,863,351	5,630,603
Deferred income	—	250
Deferred tax liability	968,947	968,947
Total non-current liabilities	3,832,298	6,599,800
Net assets	18,569,395	19,357,000
EQUITY		
Share capital	2,562,899	2,562,899
Reserves	16,006,496	16,794,101
Total equity	18,569,395	19,357,000

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's treasury shares and reserves is as follows:

	Share premium RMB'000	Treasury shares RMB'000	Fair value reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	14,030,874	(1,711)	(90,447)	1,247,566	1,582,615	16,768,897
Total comprehensive income for the year	—	—	620	—	857,249	857,869
Profit appropriation to reserve	—	—	—	33,883	(33,883)	—
Repurchase and cancellation of restricted A shares	(1,548)	1,711	—	—	—	163
Acquisition of subsidiary	(14,201)	—	—	—	—	(14,201)
Final 2018 dividend declared and paid	—	—	—	—	(818,627)	(818,627)
At 31 December 2019	14,015,125	—	(89,827)	1,281,449	1,587,354	16,794,101

	Share premium RMB'000	**Treasury shares RMB'000**	**Fair value reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Retained profits RMB'000**	**Total RMB'000**
At 31 December 2019 and 1 January 2020	**14,015,125**	**—**	**(89,827)**	**1,281,449**	**1,587,354**	**16,794,101**
Total comprehensive income for the year	**—**	**—**	**16,749**	**—**	**196,151**	**212,900**
Transfer other comprehensive income to retained profits	**—**	**—**	**85,374**	**—**	**(85,374)**	**—**
Final 2019 dividend declared and paid	**—**	**—**	**—**	**—**	**(1,000,505)**	**(1,000,505)**
At 31 December 2020	**14,015,125**	**—**	**12,296**	**1,281,449**	**697,626**	**16,006,496**

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2021.

Definitions

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

"2020 Final Dividend"	the final dividend of RMB0.43 per share for the year ended 31 December 2020
"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"Accord"	Accord Healthcare Inc., a company incorporated in the U.S.
"Alma Lasers"	Alma Lasers Ltd., a company incorporated in Israel and a subsidiary of the Company
"Anhui Jimin Hospital"	Anhui Jimin Cancer Hospital* (安徽濟民腫瘤醫院), a private non-enterprise unit (民辦非企業單位) established in the PRC, a subsidiary of the Company
"Aohong Pharma"	Jinzhou Aohong Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Australia"	Commonwealth of Australia
"Board" or "Board of Directors"	the board of Directors
"BSE"	BSE Limited
"BioNTech"	BioNTech SE, a company registered in Germany, which is listed on the NASDAQ (Stock Code: BNTX)
"Blood Transfusion Technology"	Shanghai Blood Transfusion Technology Co., Ltd.* (上海輸血技術有限公司), a subsidiary of the Company
"Carelife Pharma"	Chongqing Carelife Pharmaceutical Co., Ltd.* (重慶凱林製藥有限公司), a subsidiary of the Company
"CG Code"	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
"Chanyi Health"	Foshan Chanyi Health Management Company Limited* (佛山市禪怡健康管理有限公司)
"Chemo Biophama"	Shanghai Chemo Wanbang Biophama Co., Ltd.* (上海凱茂生物醫藥有限公司), a subsidiary of the Company

"Chongqing Xingrong Medical Cosmetology Hospital"	Chongqing Xingrong Medical Cosmetology Hospital Management Limited* (重慶星榮醫美醫院管理有限公司), a subsidiary of the Company
"CMIC (Beijing)"	CMIC Pharmaceutical Technology Development (Beijing) Co., Ltd.* (希米科醫藥技術發展(北京)有限公司)
"Code Provision"	code provisions under the CG Code
"Company" or "Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares and A Shares are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
"connected person(s)"	has the meaning given to it under the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules and in the context of our Company, means Guo Guangchang, Wang Qunbin, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech
"CQ Pharma Holdings"	C.Q. Pharmaceutical Holding Co., Ltd.* (重藥控股股份有限公司), a joint stock company incorporated under the PRC Law with limited liability, the shares of which are listed and traded on the Shenzhen Stock Exchange (stock code: 000950)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities market
"Deed of Non-Competition"	the deed of non-competition dated 13 October 2012 and executed by our controlling shareholders in favour of the Company (for itself and as trustee of its subsidiaries from time to time)
"Director(s)"	director(s) of the Company
"Dongting Pharma"	Hunan Dongting Pharmaceutical Co., Ltd.* (湖南洞庭藥業股份有限公司), a subsidiary of the Company
"DRG"	Diagnosis Related Groups
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"EHS"	Environment, Health and Safety
"Lilly"	Eli Lilly and Company, a company incorporated in the U.S., which is listed on the New York Stock Exchange (Stock Code: LLY)
"Employee Stock Holding Committee"	Employee Stock Holding Committee of Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司職工持股會)

Definitions

"Epharma Cloud"	Epharma Cloud (Shanghai) Medical Technology Co., Ltd.* (易研雲(上海)醫療科技有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Erye Pharma"	Suzhou Erye Pharmaceutical Co., Ltd.* (蘇州二葉製藥有限公司), a subsidiary of the Company
"EU"	European Union
"Fochon Pharma"	Chongqing Fochon Pharmaceutical Research Co., Ltd.* (重慶復創醫藥研究有限公司), a subsidiary of the Company
"Foshan Chancheng Hospital"	Foshan Chancheng Central Hospital Company Limited* (佛山市禪城區中心醫院有限公司), a for-profit medical institution established with the approval of the Population, Health and Drug Administration of Chancheng District, Foshan (佛山市禪城區人口和衛生藥品監督管理局), a subsidiary of the Company
"Foshan Xinglian"	Foshan Xinglian Nursing Home Co., Ltd.* (佛山市星蓮護理院有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Fosun Aidi"	Fosun Aidi (Suzhou) Pharmaceutical Technology Co., Ltd.* (復星艾迪(蘇州)醫藥科技有限公司) (formerly known as CMIC (Suzhou) Pharmaceutical Technology Co., Ltd.* (希米科(蘇州)醫藥科技有限公司)), a subsidiary of the Company as at the end of the Reporting Period
"Fosun Finance"	Fosun Group Finance Corporation Limited* (上海復星高科技集團財務有限公司), a subsidiary of Fosun High Tech
"Fosun Healthcare"	Shanghai Fosun Healthcare (Group) Co., Ltd.* (上海復星醫療(集團)有限公司), a subsidiary of the Company
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a controlling shareholder of the Company
"Fosun 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 Holdings"	Fosun International Holdings Limited, which was held as to 85.29% and 14.71% by Guo Guangchang and Wang Qunbin, respectively, as at the end of the Reporting Period, and a controlling shareholder of the Company
"Fosun International"	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and the controlling shareholder of the Company, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 00656)
"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
"Fosun Tourism"	Fosun Tourism Group (復星旅遊文化集團), the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 01992)
"Fujian Fund"	Shanghai Fujian Equity Investment Fund Management Co., Ltd.* (上海復健股權投資基金管理有限公司), a subsidiary of the Company
"GDP"	Gross Domestic Product
"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 of the Company held on 25 June 2019 and the shareholders of Fosun International at its annual general meeting held on 5 June 2019
"Gland Pharma"	Gland Pharma Limited, a company incorporated in India and a subsidiary of the Company, the shares of which are listed on the BSE and NSE (Stock Code: GLAND)
"GMP"	Good Manufacture Practices
"Group", "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the controlling shareholder of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"Guangzhou Xinyao"	Guangzhou Xinyao Investment Management Co., Ltd. (廣州心耀投資管理有限公司)
"Guilin Pharma"	Guilin Pharmaceutical Co., Ltd.* (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
"Han Ying Biotech"	Shanghai Han Ying Biotechnology Co., Ltd.* (上海漢穎生物技術有限公司)
"Hebei Folon"	Hebei Wanbang Folon Pharmaceutical Co., Ltd.* (河北萬邦復臨藥業有限公司), a subsidiary of the Company
"Hexin Pharma"	Sichuan Hexin Pharmaceutical Co., Ltd.* (四川合信藥業有限責任公司), a subsidiary of the Company

Definitions

"HHH"	Healthy Harmony Holdings, L.P.
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Huai'an Xinghuai Hospital"	Huai'an Xinghuai International Hospital Company Limited* (淮安興淮國際醫院有限公司)
"Huanghe Medical"	Jiangsu Huanghe Medical Co., Ltd.* (江蘇黃河藥業股份有限公司), a subsidiary of the Company
"IDL"	Imported Drug License
"independent third party(ies)"	a person or persons or a company or companies that is not or are not connected person(s) of the Company
"Intas"	Intas Pharmaceuticals Ltd., a company incorporated in India
"Intuitive Fosun (HK)"	Intuitive Surgical-Fosun (Hongkong) Co., Limited, a company incorporated in Hong Kong, an associated company of the Company
"Intuitive Fosun (Shanghai)"	Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd.* (直觀復星醫療器械技術(上海)有限公司), an associated company of the Company
"Japan"	Japan
"Jiangsu Wanbang"	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
"Fosun Beiling"	Fosun Beiling (Beijing) Medical Technology Co., Ltd. (復星北鈴(北京)醫療科技有限公司*) (formerly known as Beijing Jianyou Chengye Auto Sales Co., Ltd. (北京建優成業汽車銷售有限公司*)), a subsidiary of the Company
"Kabi (Wuhan)"	Jisimei (Wuhan) Pharmaceutical Co., Ltd.* (吉斯美(武漢)製藥有限公司) (formerly known as Fresenius Kabi (Wuhan) Pharmaceutical Co., Ltd.* (費森尤斯卡比(武漢)醫藥有限公司)), a subsidiary of the Company as at the end of the Reporting Period
"Laishi Transfusion"	Suzhou Laishi Transfusion Equipment Co., Ltd.* (蘇州萊士輸血器材有限公司), a subsidiary of the Company
"LIMS"	Laboratory Information Management System

"MES"	Manufacturing Execution System Association
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"NAFMII"	The National Association of Financial Market Institutional Investors
"Nanjing Fuxin"	Nanjing Fuxin Equity Investment Management Partnership (Limited Partnership)* (南京復鑫股權投資管理合夥企業(有限合夥)), a subsidiary of the Company as at the end of the Reporting Period
"NEEQ"	National Equities Exchange and Quotations
"Ningbo Fuying "	Ningbo Fuying Investment Co., Ltd.* (寧波復瀛投資有限公司), a subsidiary of the Company as at the end of the Reporting Period
"NMPA"	National Medical Products Administration of the People's Republic of China* (中華人民共和國國家藥品監督管理局), the PRC governmental authority responsible for the regulation of drugs
"NSE"	The National Stock Exchange of India Limited
"PCT"	Patent Cooperation Treaty
"PQ"	Prequalification
"PRC Company Law"	the Company Law of the PRC* (《中華人民共和國公司法》)
"PRC Enterprise Income Tax Law"	the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》)
"PRC government"	central government of the PRC, including all governmental sub-divisions (including provincial, municipal and other regional or local government entities)
"PRC Securities Law"	the Securities Law of the PRC* (《中華人民共和國證券法》)
"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this annual report to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"R&D"	research and development
"Red Flag Pharma"	Shenyang Red Flag Pharmaceutical Co., Ltd.* (瀋陽紅旗製藥有限公司), a subsidiary of the Company
"Reporting Period"	the 12-month period from 1 January 2020 to 31 December 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SCADA"	Supervisory Control And Data Acquisition

Definitions

"SFHIH"	Shanghai Fosun Health Industrial Holdings Co., Ltd.* (上海復星健康產業控股有限公司), a subsidiary of Fosun High Tech
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Erye"	Shandong Erye Pharmaceutical Co., Ltd.* (山東二葉製藥有限公司), a subsidiary of the Company
"Shanghai Fosun Bund Property" or "Zhengda Real Estate"	Shanghai Fosun Bund Property Co., Ltd* (上海復星外灘置業有限公司), formerly known as Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited* (上海證大外灘國際金融服務中心置業有限公司), 50% of the equity interests of which is indirectly owned by Fosun International
"Shanghai Henlius"	Shanghai Henlius Biotech Company Limited (上海復宏漢霖生物技術股份有限公司), a subsidiary of the Company, a company whose H shares are listed on the Hong Kong Stock Exchange (Stock Code: 02696)
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shenzhen Fosun Health"	Shenzhen Fosun Health Information Technology Company Limited* (深圳復星健康信息科技有限公司), a subsidiary of the Company
"Shenzhen Hengsheng Hospital"	Shenzhen Hengsheng Hospital* (深圳恒生醫院), a subsidiary of the Company
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"SHINE STAR"	SHINE STAR (Hubei) Biological Engineering Co., Ltd.* (湖北新生源生物工程有限公司), a subsidiary of the Company
"Sinopharm Industrial"	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司), an associate of the Company
"Sinopharm"	Sinopharm Group Co., Ltd.* (國藥控股股份有限公司), a company whose H shares are listed on the Hong Kong Stock Exchange (stock code: 01099)
"Sisram Medical"	Sisram Medical Ltd. (復銳醫療科技有限公司*), a subsidiary of the Company, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 01696)
"SPAQ-CO Dispersible"	Amodiaquine + Sulfadoxine Pyrimidine Dispersible Tablets

"substantial shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Supervisors"	the members of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Suqian Rehabilitation Hospital"	Suqian Xingxing Rehabilitation and Medical Examination Company Limited* (宿遷市新星康復體檢有限公司), a subsidiary of the Company
"Suqian Zhongwu Hospital/Suqian Cancer Hospital"	Suqian Zhongwu Hospital Co., Ltd.* (宿遷市鐘吾醫院有限責任公司), a subsidiary of the Company
"Suzhou Fund"	Suzhou Fujian Xingyi Venture Investment Partnership (Limited Partnership)* (蘇州復健星熠創業投資合夥企業(有限合夥))
"Suzhou Xingchen"	Suzhou Xingchen Venture Investment Partnership (Limited Partnership)* (蘇州星晨創業投資合夥企業(有限合夥)), a subsidiary of the Company as at the end of the Reporting Period
"Tianjin Fund"	Tianjin Fosun Haihe Healthcare Industry Fund Partnership (Limited Partnership)* (天津復星海河醫療健康產業基金合夥企業(有限合夥))
"Tianjin Fuyao"	Tianjin Fuyao Business Management Partnership (Limited Partnership)* (天津復曜商業管理合夥企業(有限合夥))
"Tianjin Xinghai "	Tianjin Xinghai Commercial Management Partnership (Limited Partnership)* (天津星海商業管理合夥企業(有限合夥)), a subsidiary of the Company as at the end of the Reporting Period
"Tianjin Xingyao"	Xingyao (Tianjin) Investment Management Partnership (Limited Partnership)* (星耀(天津)投資管理合夥企業(有限合夥)), a subsidiary of the Company as at the end of the Reporting Period
"Tridem Pharma"	Tridem Pharma S.A.S., a company registered in France and a subsidiary of the Company
"U.K."	United Kingdom of Great Britain and Northern Ireland
"U.S. FDA"	U.S. Food and Drug Administration
"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$"	United States dollars, the lawful currency of the United States
"Wanbang Jinqiao"	Xuzhou Wanbang Jinqiao Pharmaceutical Co., Ltd.* (徐州萬邦金橋製藥有限公司), a subsidiary of the Company

Definitions

"Wenzhou Geriatric Hospital"	Wenzhou Geriatric Hospital Limited Company* (溫州老年病醫院有限公司), a subsidiary of the Company
"WHO"	World Health Organization
"Written Code"	Written Code for Securities Transactions by Directors/Relevant Employees of the Company* (《董事／有關僱員進行證券交易的書面指引》)
"Wuhan Jihe Hospital"	Wuhan Jihe Hospital Co., Ltd.* (武漢濟和醫院有限公司), a subsidiary of the Company
"Xinghui Anying"	Ningbo Meishan Free Trade Port Xinghui Anying Investment Management Partnership (Limited Partnership)* (寧波梅山保稅港區星輝安盈投資管理合夥企業(有限合夥))
"Xingjian Ruiying"	Nanjing Xingjian Ruiying Equity Investment Partnership (Limited Partnership)* (南京星健睿贏股權投資合夥企業(有限合夥))
"Xingshuangjian Investment"	Shanghai Xingshuangjian Investment Management Co., Ltd.* (上海星雙健投資管理有限公司)
"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
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Youle Information"	Youle Information Technology Company Limited* (上海有叻信息科技有限公司), an associate of Mr. Guo Guangchang, the controlling shareholder of the Company
"Yueyang Guangji Hospital"	Yueyang Guangji Hospital Company Limited* (岳陽廣濟醫院有限公司), a subsidiary of the Company
"Zhaohui Pharma"	Shanghai Zhaohui Pharmaceutical Co., Ltd.* (上海朝暉藥業有限公司), 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
"Zhuorui Outpatient"	Shanghai Zhuorui Integrated Outpatient Limited Company* (上海卓瑞綜合門診部有限公司), a subsidiary of the Company
"%"	per cent
"€"	EURO, the lawful currency of the European Union

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

FOSUN PHARMA
Innovation for Good Health

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
Address: Building A, No. 1289 Yishan Road, Shanghai
200233, P.R.China
Tel: (86 21) 3398 7000
Fax: (86 21) 3398 7020
Web: www.fosunpharma.com