

FOSUN PHARMA



上海復星醫藥(集團)股份有限公司
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*

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

Stock Code: 02196

INTERIM REPORT 2021

*For identification purposes only

Our Vision

We strive to be a leading enterprise in the global pharmaceutical and healthcare markets.

Our Mission

Better health for families worldwide.

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Corporate Information

Directors

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

Ms. Li Ling (李玲)

Mr. Tang Guliang (湯谷良)

Mr. Wang Quandi (王全弟)¹

Mr. Yu Tze Shan Hailson (余梓山)¹

Mr. Jiang Xian (江憲)²

Dr. Wong Tin Yau Kelvin (黃天祐)²

Supervisors

Ms. Ren Qian (任倩) *(Chairman)*

Mr. Cao Genxing (曹根興)

Mr. Guan Yimin (管一民)

Joint Company Secretaries

Ms. Dong Xiaoxian (董曉嫻)

Ms. Kam Mei Ha Wendy (甘美霞)

Authorized Representatives

Mr. Wu Yifang (吳以芳)

Ms. Kam Mei Ha Wendy (甘美霞)

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. Wang Quandi (王全弟)¹

Mr. Gong Ping (龔平)

Mr. Jiang Xian (江憲)²

Nomination Committee

Mr. Wang Quandi (王全弟)¹ *(Chairman)*

Ms. Li Ling (李玲)

Mr. Pan Donghui (潘東輝)

Mr. Jiang Xian (江憲)²

Remuneration and Appraisal Committee

Mr. Yu Tze Shan Hailson (余梓山)¹ *(Chairman)*

Mr. Tang Guliang (湯谷良)

Mr. Wang Quandi (王全弟)¹

Mr. Chen Qiyu (陳啟宇)

Mr. Pan Donghui (潘東輝)

Mr. Jiang Xian (江憲)²

Dr. Wong Tin Yau Kelvin (黃天祐)²

Environmental, Social and Governance Committee

Mr. Yu Tze Shan Hailson (余梓山)¹ *(Chairman)*

Ms. Li Ling (李玲)

Mr. Wu Yifang (吳以芳)

Dr. Wong Tin Yau Kelvin (黃天祐)²

Registered Office

9th Floor, No. 510 Caoyang Road

Putuo District

Shanghai, 200063, China

Principal Place of Business in the PRC

Building A

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¹ Appointed on 11 June 2021

² Retired on 11 June 2021

Principal Place of Business in Hong Kong

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

Legal Advisers in Hong Kong

Reed Smith Richards Butler

Legal Advisers in the PRC

Grandall Law Firm (Shanghai)

Auditors

Ernst & Young

Principal Banks

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

Company Name

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

Stock Abbreviation

FOSUN PHARMA

Share Listing

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

A Share Registrar and Transfer Office in the PRC

China Securities Depository & Clearing Corporation Limited
(CSDCC) Shanghai Branch
188 South Yanggao Road
Pudong District
Shanghai, China

H Share Registrar and Transfer Office in Hong Kong

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

Company's Website

<http://www.fosunpharma.com>

Financial Highlights

For the six months ended 30 June

	2021 RMB million	2020 RMB million
Operating results		
Revenue	16,878	13,965
Gross profit	8,767	7,749
Operating profit	1,343	1,292
Profit before tax	3,304	2,302
Profit for the period attributable to owners of the parent	2,482	1,715
EBITDA	4,670	3,566
Profitability		
Gross margin	51.94%	55.49%
Operating profit margin	7.96%	9.25%
Net profit margin	16.32%	13.67%
Earnings per share (RMB Yuan)		
Earnings per share — basic	0.97	0.67
Earnings per share — diluted	0.97	0.67
Of which: Pharmaceutical manufacturing segment		
Revenue	12,179	9,952
Gross profit	7,072	6,198
Segment results	1,353	1,116
Segment profit for the period	1,257	1,115

	30 June 2021 RMB million	31 December 2020 RMB million
Assets		
Total assets	88,422	83,629
Equity attributable to owners of the parent	37,804	36,939
Total liabilities	41,383	37,702
Cash and bank balances	10,489	9,962
Debt-to-asset ratio	46.80%	45.08%

Management Discussion and Analysis

FINANCIAL REVIEW

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

During the Reporting Period, the revenue of the Group amounted to RMB16,878 million, representing a period-on-period increase of 20.86%.

During the Reporting Period, the Group recorded the profit for the period attributable to owners of the parent amounted to RMB2,482 million, representing a period-on-period increase of 44.77%. Net cash flow from operating activities amounted to RMB1,707 million, representing a period-on-period increase of 16.79%. The total R&D expenditure amounted to RMB1,954 million, representing a period-on-period increase of 15.69%. In particular, the R&D expenses amounted to RMB1,562 million, representing a period-on-period increase of RMB358 million or 29.73%. The increase in profit attributable to owners of the parent was mainly due to the following reasons: (1) revenue sustained growth and product structure continued to be optimized in the first half of the year: new products, such as Han Qu You (trastuzumab injection), Su Ke Xin (avatrombopag maleate tablets) and Han Li Kang (rituximab injection), were launched in the market with increasing sales quantities, the revenue of Gland Pharma recorded a significant period-on-period increase, and Sinopharm, an associate, recorded a significant period-on-period growth in performance; (2) the fair value of financial assets such as BioNTech held during the Reporting Period increased.

During the Reporting Period, earnings per share of the Group increased by 44.78% to RMB0.97 as compared to the corresponding period of 2020.

REVENUE

During the Reporting Period, the revenue of the Group amounted to RMB16,878 million, representing a period-on-period increase of 20.86%. The Group recorded revenue from Chinese Mainland in the amount of RMB11,680 million. Revenue of an equivalent of RMB5,198 million was recorded from other countries or regions. The proportion of the Group's revenue from other countries or regions was 30.80%.

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB12,179 million, representing a period-on-period increase of 22.38%. The segment results amounted to RMB1,353 million, representing a period-on-period increase of 21.24%. The segment profit amounted to RMB1,257 million (excluding the gains from changes in the fair value of the shares of BioNTech), which increased by 12.74% period-on-period.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased by 30.49% to RMB8,111 million from RMB6,216 million for the corresponding period of 2020.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, the gross profit of the Group increased by 13.14% to RMB8,767 million from RMB7,749 million for the corresponding period of 2020. The gross margin of the Group for the Reporting Period and the corresponding period of 2020 were 51.94% and 55.49%, respectively.

Management

Discussion and Analysis

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 10.84% to RMB4,357 million from RMB3,931 million for the corresponding period of 2020.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, the Group continued to increase R&D expenditure. The total R&D expenditure amounted to RMB1,954 million, representing a period-on-period increase of 15.69%. In particular, the R&D expenses amounted to RMB1,562 million, representing a period-on-period increase of RMB358 million or 29.73%. During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment amounted to RMB1,777 million, representing a period-on-period increase of RMB236 million or 15.31%, accounting for 14.51% of the revenue from the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB1,385 million, representing a period-on-period increase of RMB326 million or 30.78%, accounting for 11.31% of the revenue from the pharmaceutical manufacturing segment, which was mainly due to the increase in R&D expenditure in biopharmaceutical drugs, small molecular innovative drugs and imported innovative drugs, and the increase in investment in innovation incubation platform during the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, the share of profits of associates of the Group increased by 32.47% to RMB926 million from RMB699 million for the corresponding period of 2020.

PROFIT FOR THE PERIOD

Due to the above reasons, during the Reporting Period, the profit for the period of the Group increased by 44.19% to RMB2,754 million from RMB1,910 million for the corresponding period of 2020. The net profit margin for the period of the Group during the Reporting Period and the corresponding period of 2020 were 16.32% and 13.67%, respectively.

PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, the profit for the period attributable to owners of the parent of the Group amounted to RMB2,482 million, representing an increase of 44.77% as compared to RMB1,715 million for the corresponding period of 2020. The increase in profit attributable to owners of the parent was mainly due to the following reasons: (1) revenue sustained growth and product structure continued to be optimized in the first half of the year: new products, such as Han Qu You (trastuzumab injection), Su Ke Xin (avatrombopag maleate tablets) and Han Li Kang (rituximab injection), were launched in the market with increasing sales quantities, the revenue of Gland Pharma recorded a significant period-on-period increase, and Sinopharm, an associate, recorded a significant period-on-period growth in performance; (2) the fair value of financial assets such as BioNTech held during the Reporting Period increased.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 30 June 2021, total debts of the Group increased to RMB25,213 million from RMB23,743 million as at 31 December 2020 mainly due to new borrowings during the Reporting Period. As at 30 June 2021, mid-to-long-term debts of the Group accounted for 36.57% of its total debts, representing a decrease of 1.77 percentage points as compared to 38.34% as at 31 December 2020. During the Reporting Period, the proportion of mid-to-long-term debts decreased mainly because of the issuance of super short-term commercial papers. As at 30 June 2021, cash and bank balances rose by 5.29% to RMB10,489 million from RMB9,962 million as at 31 December 2020.

As at 30 June 2021, the equivalent amount of RMB7,642 million (31 December 2020: RMB7,981 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 30 June 2021, cash and bank balances of the Group denominated in foreign currencies amounted to RMB3,220 million (31 December 2020: RMB4,748 million).

Unit: million Currency: RMB

Cash and cash equivalents denominated in:	30 June 2021	31 December 2020
RMB	7,269	5,214
US dollars	164	2,194
Rupees	2,564	2,305
HK dollars	72	41
Others	420	208
Total	10,489	9,962

Gearing Ratio

As at 30 June 2021, the gearing ratio, calculated as total interest-bearing bank and other borrowings and lease liabilities over total assets, was 28.51%, as compared to 28.39% as at 31 December 2020.

Interest Rate

As at 30 June 2021, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB10,638 million (31 December 2020: RMB11,039 million).

Management

Discussion and Analysis

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	30 June 2021	31 December 2020
Within 1 year	15,992	14,640
1 to 2 years	2,847	7,801
2 to 5 years	4,564	548
Over 5 years	1,810	754
Total	25,213	23,743

Available Facilities

As at 30 June 2021, besides cash and bank balances of RMB10,489 million, the Group had unutilized banking facilities of RMB34,357 million in aggregate. The Group has also entered into cooperation agreements with various major banks. According to such agreements, the banks granted the Group general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the banks in accordance with banking regulations. As at 30 June 2021, total available banking facilities under these arrangements were approximately RMB50,198 million in aggregate, of which RMB15,841 million had been utilized.

Collateral and Pledged Assets

As at 30 June 2021, the Group had placed the following as collateral for bank borrowings: property, plant and equipment amounting to RMB459 million (31 December 2020: RMB188 million), prepaid land lease payments amounting to RMB565 million (31 December 2020: RMB529 million), debt investments at fair value through other comprehensive income amounting to RMB63 million, trade receivables amounting to RMB4 million (31 December 2020: RMB4 million) and other receivables amounting to RMB6 million (31 December 2020: RMB5 million).

As at 30 June 2021, debt investments at fair value through other comprehensive income amounting to RMB1 million (31 December 2020: Nil) were pledged as bank acceptance draft deposits.

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

Cash Flow

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

Unit: million Currency: RMB

	January – June 2021	January – June 2020
Net cash flows from operating activities	1,707	1,461
Net cash flows used in investing activities	(2,450)	(2,379)
Net cash flows from financing activities	770	827
Net decrease in cash and cash equivalents	27	(91)
Cash and cash equivalents at the beginning of the year	7,325	8,284
Cash and cash equivalents at the end of the period	7,248	8,177

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB2,041 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 30 June 2021, the Group had capital commitments contracted but not provided for amounting to RMB3,668 million and capital commitments authorized but not signed for amounting to RMB3,194 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 19 to the financial statements.

Contingent Liabilities

As at 30 June 2021, the Group did not have any contingent liabilities.

Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBITDA divided by interest expenditure, was 10.91 times (corresponding period of 2020: 8.14 times). The increase of the interest coverage was mainly due to the increase in EBITDA by RMB1,104 million as compared to the corresponding period of the previous year.

Management

Discussion and Analysis

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. Discussion and Analysis on Operations

In 2021, despite the fact that our existing products were under pressure of price reduction from centralized procurement of pharmaceutical products, the Group adhered to the implementation of the "4IN" strategy and achieved steady development in the overall business performance. (1) Innovation and transformation, as well as the development, launching and implementation of innovative products and technologies were continuously promoted. In particular, Yi Kai Da of Fosun Kite, a joint venture, was approved for launch in China during the Reporting Period, becoming the first CAR-T cell therapy product approved for domestic launch. Its second indication was also included in the Drug List of the Procedure for Breakthrough Therapy Designation by the NMPA in August 2021; Comirnaty (mRNA COVID-19 vaccine) was included in the government vaccination programs in Hong Kong and Macau in the first half of the year. (2) The integration of research and development (R&D), supply chain, production and commercialization systems and the business collaboration between segments were expedited, so as to improve operational quality and operating efficiency. During the Reporting Period, the initial integration of the diagnosis business and the medical cosmetic business was completed with business development showing a positive momentum. (3) The international operation capability was further improved, with revenue from regions outside Chinese Mainland and other countries accounting for 30.80% of the total revenue during the Reporting Period.

During the Reporting Period, the revenue of the Group amounted to RMB16,878 million, representing a period-on-period increase of 20.86%. Profit attributable to owners of the parent amounted to RMB2,482 million, representing a period-on-period increase of 44.77%. Net cash flow from operating activities amounted to RMB1,707 million, representing a period-on-period increase of 16.79%. The total R&D expenditure amounted to RMB1,954 million, representing a period-on-period increase of 15.69%. In particular, the R&D expenses amounted to RMB1,562 million, representing a period-on-period increase of RMB358 million or 29.73%. The increase in profit attributable to owners of the parent was mainly due to the following reasons: (1) revenue sustained growth and product structure continued to be optimized in the first half of the year: new products, such as Han Qu You (trastuzumab injection), Su Ke Xin (avatrombopag maleate tablets) and Han Li Kang (rituximab injection), were launched in the market with increasing sales quantities, the revenue of Gland Pharma recorded a significant period-on-period increase, and Sinopharm, an associate, recorded a significant period-on-period growth in performance; (2) the fair value of financial assets such as BioNTech held during the Reporting Period increased.

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

Unit: million Currency: RMB

	Revenue Jan – Jun 2021		Revenue Jan – Jun 2020		Period-on- period increase/ decrease (%)
	Amount	Percentage of revenue (%)	Amount	Percentage of revenue (%)	
By business segment					
Pharmaceutical manufacturing	12,179	72.16	9,952	71.26	22.38
Medical devices and medical diagnosis (Note)	2,832	16.78	2,639	18.90	7.31
Healthcare services	1,843	10.92	1,359	9.73	35.61
By geographical locations					
Chinese Mainland	11,680	69.20	9,894	70.85	18.05
Regions outside Chinese Mainland and other countries	5,198	30.80	4,071	29.15	27.68

Note: The agreement entered into between the Group and the associates Intuitive Fosun (i.e. Intuitive Fosun Shanghai and Intuitive Fosun HK) in relation to the transfer of distribution rights of Da Vinci surgical robotic systems in Chinese Mainland, Hong Kong and Macau expired at the end of 2020. Since 2021, the revenue from such business has been transferred to Intuitive Fosun. Excluding the effects of the changes in such business, the revenue from the medical devices and medical diagnosis segment increased by 14.29% on the same basis.

Segment Performance Overview

Pharmaceutical manufacturing

Performance summary

During the Reporting Period, the pharmaceutical manufacturing segment of the Group generated revenue of RMB12,179 million, representing a period-on-period increase of 22.38%. The segment results amounted to RMB1,353 million, representing a period-on-period increase of 21.24%. The segment profit amounted to RMB1,257 million (excluding the gains from changes in the fair value of the shares of BioNTech), which increased by 12.74% period-on-period. During the Reporting Period, the R&D expenditures in the pharmaceutical manufacturing segment of the Group amounted to RMB1,777 million, representing a period-on-period increase of 15.31%. Total R&D expenditures in the pharmaceutical manufacturing segment accounted for 14.51% of the revenue of the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB1,385 million, representing a period-on-period increase of RMB326 million or 30.78%, accounting for 11.31% of the revenue from the pharmaceutical manufacturing segment.

Management Discussion and Analysis

During the Reporting Period, with You Li Tong (febuxostat tablets), Bang Zhi (pitavastatin calcium tablets) and other existing drugs being incorporated into centralized procurement, the pharmaceutical manufacturing segment faced pressure of reduced sales prices, nevertheless, it sustained growth in revenue and continued to optimize product structure in the first half of the year. The increase was mainly attributable to: (1) the contribution from the launch and increasing sales quantities of new products: Han Li Kang (rituximab injection) achieved substantial sales growth, with cumulative revenue amounting to RMB724 million for the first half of the year, representing a period-on-period increase of 223.21%; Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets), which were launched in the second half of 2020, recorded revenue of RMB325 million and RMB206 million in the first half of the year, respectively; (2) benefited from the contribution from Micafungin, enoxaparin sodium injection and new product launch, revenue of Gland Pharma during the Reporting Period increased by 32.08% period-on-period (note: based on the financial statements of Gland Pharma using its presentation currency); (3) Comirnaty (mRNA COVID-19 vaccine), which was included in the government vaccination programs in Hong Kong and Macau in the first half of the year, recorded revenue of over RMB500 million during the Reporting Period; (4) the continuous optimization of the life cycle management of existing products and expansion of marketing channels. In particular, the sales revenue of Atomolan tablets (glutathione tablets) increased by 60.70% period-on-period.

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	Jan – Jun 2021	Jan – Jun 2020*	Period-on-period increase on the same basis (%)
Major products of anti-tumor and immune modulation (Notes 1, 7)	1,705	478	256.69
Major products of metabolism and alimentary system (Notes 2, 7)	1,415	1,767	-19.92
Major products of anti-infection (Notes 3, 7)	2,656	1,828	45.30
Major products of central nervous system (Notes 4, 7)	616	755	-18.41
Major products of cardiovascular system (Notes 5, 7)	1,024	1,248	-17.95
Major products of APIs and intermediate products (Notes 6, 7)	577	452	27.65

Note 1: The revenue from major products of anti-tumor and immune modulation recorded a period-on-period increase of 256.69%, mainly due to the growth contribution from Han Li Kang (rituximab injection), Han Qu You (trastuzumab injection) and Su Ke Xin (avatrombopag maleate tablets).

Note 2: The revenue from major products of metabolism and alimentary system recorded a period-on-period decrease of 19.92%, mainly due to the decreased unit selling price of You Li Tong (febuxostat tablets) after the execution of centralized procurement.

Note 3: The revenue from major products of anti-infection recorded a period-on-period increase of 45.30%, mainly due to the revenue contribution from Comirnaty (mRNA COVID-19 vaccine) and the growth in sales revenue of Micafungin during the Reporting Period.

Note 4: The revenue from major products of central nervous system recorded a period-on-period decrease of 18.41%, mainly due to the combined effect of the sales decline of Ao De Jin (deproteinized calf blood injection), the decreased unit selling price of Qi Wei (quetiapine fumarate tablets) after the execution of centralized procurement, and the growth in sales revenue of Chang Tuo Ning (penehyclidine hydrochloride injection).

Note 5: The revenue from major products of cardiovascular system recorded a period-on-period decrease of 17.95%, which was mainly due to the decreased unit selling price of Bang Zhi (pitavastatin calcium tablets) after the execution of centralized procurement.

Note 6: The revenue from major products of APIs and intermediate products recorded a period-on-period increase of 27.65%, mainly due to the sales growth of amino acid series.

Note 7: 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), Kai Lai Zhi (epinastine hydrochloride capsules), ondansetron, Yi Luo Ze (pemetrexed disodium for injection), paclitaxel and oxaliplatin.

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-infection comprise: Comirnaty (mRNA COVID-19 vaccine), 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, antituberculosis 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), Chang Tuo Ning (penehyclidine hydrochloride injection) and Ao De Jin (deproteinized calf blood 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 data from January to June 2020 were restated according to the basis of January to June 2021, that is, the data from January to June 2020 included sales revenue of new major products, such as Micafungin, during the Reporting Period.

R&D innovation

The Group upgraded and established the global R&D center at the beginning of 2020 to coordinate project management 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, leveraging the resources of its global business development (BD) team, the Group had 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 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, such as RNA, oncolytic viruses, gene therapy and Protac, to enhance its innovation capabilities. As at the end of the Reporting Period, there were nearly 2,600 R&D personnel, of which approximately 1,400 persons obtained a master's degree or above, representing approximately 7.45% of the total number of employees in the Group; it had 240 major pipeline innovative drugs, generic drugs, biosimilars and consistency evaluation items of generic drugs (for details, please refer to Table 1 — Major pipeline drug projects). During the Reporting Period, a total of 80 patents had been applied for in the pharmaceutical manufacturing segment of the Group, including 10 U.S. patent applications, 20 PCT applications, with 35 licensed invention patents obtained.

Management

Discussion and Analysis

Important events

- *Approval for launch of Yi Kai Da (Ejilunsai injection)*

In June 2021, Yi Kai Da of Fosun Kite, a joint venture, became the first CAR-T cell therapy product approved for launch in China. It is mainly used for the treatment of adult patients with relapsed or refractory large B-cell lymphoma after two or more lines of systemic therapy. Yi Kai Da is a cell therapy product of Fosun Kite which is authorized to carry out the product's localized production in China following the technology transfer of Yescarta, a CAR-T cell therapy product, from Kite Pharma.

The 1-year follow-up results of Yescarta's ZUMA-1 study show that the best overall response rate (ORR) was 82%, and the complete response rate (CR) reached 54%; the 2-year follow-up (median follow-up 27.1 months) results show that the objective response rate (ORR), complete response rate (CR) and sustained response rate (SR) were 83%, 58% and 39%, respectively; the ≥ 4 -years follow-up (median follow-up 51.1 months) results show that the median overall survival period was 25.8 months, and the 4-year overall survival rate reached 44%. Also, since the launch of Yescarta in 2017, the data of more than 4,600 patients in the real world are highly similar to clinical research data. In respect of Yi Kai Da, Fosun Kite has completed a multi-center bridging clinical trial in China, the data of which shows that the best overall response rate (ORR) reached 79.2%. The data of Yi Kai Da, Yescarta and their real world studies are highly similar in terms of safety and effectiveness, showing the significant improvement of the response rate and overall survival period of patients.

Yi Kai Da is a customized drug. In order to control the quality of drugs and ensure the accuracy and speed of manufacturing and delivery, Fosun Kite has established for the development of Yi Kai Da a rigorous product identification chain and chain of custody system covering the whole treatment course from apheresis to reinfusion, to ensure that the drugs will not be confused and are traceable. In terms of commercialization preparation, Fosun Kite has established and officially put into operation a 10,000-square-meter GMP industrialized production base in the Shanghai Zhangjiang Innovative Drugs Industrial Base. According to CAR-T treatment center's screening standards, the center provides training for its medical staffs on using CAR-T products in medical, clinical, and operation procedures. After passing the audit by the quality department of Fosun Kite and a third-party quality organization, the treatment-related activities of CAR-T products will begin and dynamics monitoring will be conducted. Currently, it has received certification from a large number of high-level hospital-side treatment center in China, in the future, it will expand to more treatment centers that meet the requirements according to the treatment needs.

As the first personalized cell therapy product launched in the domestic market, Yi Kai Da brings the possibility of continuous remission for lymphoma patients after the second-line treatment. At the same time, Fosun Kite is actively expanding the indications, continuously optimizing costs, exploring diversified payment methods including commercial insurance, and increasing the product accessibility to benefit more patients.

- *Progress of mRNA COVID-19 vaccine*

During the Reporting Period, the COVID-19 vaccine BNT162b2 developed based on an mRNA technology platform and for which the Group is authorized to carry out exclusive development and commercialization in Chinese Mainland, Hong Kong, Macau and Taiwan, obtained the approval for emergency use from the government of Hong Kong and the special import authorization from the government of Macau, and was put into use in the government vaccination programs of Hong Kong and Macau. As at 20 August 2021, a total of approximately 4.314 million doses and 0.087 million doses of the vaccine had been administered in Hong Kong and Macau, respectively. In addition, in July 2021, the Group also entered into sales agreements for a total of 15 million doses of mRNA COVID-19 vaccines with TSMC, Foxconn, Yongling Foundation and Tzu Chi Foundation. These vaccines will be donated by the Buyers to the disease control authority in the Taiwan region of China for local vaccination. The provision of high-quality vaccines to Taiwan compatriots to strengthen pandemic prevention and control has helped the Taiwan region establish a COVID-19 immune barrier.

Meanwhile, phase II clinical trials of mRNA COVID-19 vaccine BNT162b2 in Chinese Mainland (excluding Hong Kong, Macau and Taiwan) and other works were also progressing in an orderly manner.

Besides, in order to further implement the localized production of mRNA COVID-19 vaccine, in May 2021, Fosun Pharmaceutical Industrial, a subsidiary of the Company, and BioNTech reached an agreement for the formation of a joint venture. According to the agreement, each of Fosun Pharmaceutical Industrial and BioNTech proposed to subscribe for 50% of the registered capital of the joint venture, in particular: Fosun Pharmaceutical Industrial proposed to make capital contribution in cash and/or in tangible or intangible assets (comprising plants and manufacturing facilities), and BioNTech proposed to make capital contribution in intangible assets including licensing of the relevant manufacturing technology and know-how. As at the date of this report, the related matters of the formation of the joint venture are subject to further negotiation and entering into final agreement by both parties, and the terms under such final agreement shall prevail.

Table 1 — Major pipeline drug projects

Type	Number	Remarks
Innovative drugs	72	/
Including: Small molecular innovative drugs under independent development	30	For details of the major items under clinical study and application for sales, please refer to Table 2.
Biopharmaceutical innovative drugs under independent development	29	For details of the major items under clinical study and application for sales, please refer to Table 3. Comprising 1 item under application for sales and 6 items under phase III clinical trial.
License-in innovative drugs	13	For details, please refer to Table 4. Comprising 1 item under application for sales.
Biosimilars under independent development	18	For details, please refer to Table 5. Comprising 5 items under application for sales and 3 items under phase III clinical trial.
Generic drugs	103	/
Including: Imported generic drugs	20	/
Consistency evaluation items	38	/
Others	9	/
Sub-total	240	/

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

Note 2: This table does not include Yi Kai Da (奕凱達) (ejilunsai injection) of the joint venture Fosun Kite. The product has been approved for launch by the NMPA for the treatment of adult patients with relapsed and refractory large B-cell lymphoma.

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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		FN-1501	Advanced hepatocellular carcinoma	Approved for 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	Phase I clinical trial	Approved for clinical trial (in the U.S.)
6		ORIN1001	Solid tumor	Phase I clinical trial	Phase I clinical trial (in the U.S.)
7		FCN-647	Relapsed or refractory malignant B-cell lymphoma	Phase I clinical trial	—
8		FCN-011	Solid tumor	Phase I clinical trial	—
9		FCN-338	Hematological malignancies	Phase I 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		FCN-098	Advanced malignant tumor	Approved for clinical trial	—
12		YP01001	Advanced solid tumor	Approved for clinical trial	—
13		HLX-208	Solid tumor	Phase I clinical trial	—
14	Metabolism and alimentary system	Wanpagliflozin Tablets	Diabetes	Phase I clinical trial	—
15		FCN-207	Hyperuricemia	Phase I clinical trial	—
16	Others	ORIN103	Idiopathic pulmonary fibrosis	—	Phase I clinical trial (in the U.S.)
17		ET-26	Anesthesia	Phase I clinical trial	—

Table 3 — Biopharmaceutical innovative drugs under independent development

No.	Therapeutic area	Drug name/code	Indications	R&D progress in China as at the end of the Reporting Period	R&D progress in other countries as at the end of the Reporting Period
1	Anti-tumor	Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection (HLX07)	Solid tumor	Phase Ib/II clinical trial ^(Note 1)	Approved for clinical trial (in the U.S.)
2		Recombinant Anti-PD-1 Humanized Monoclonal Antibody Injection (HLX10) (including combination therapies and chemotherapy)	Microsatellite instability-high solid tumor (MSI-H)	New Drug Application ^(Note 2)	Approved for clinical trial (in the U.S.)
3			Locally advanced or metastatic esophageal squamous cell carcinoma (ESCC)	Phase III clinical trial	—
4			Squamous non-small cell lung cancer (sqNSCLC)	Phase III clinical trial	Phase III clinical trial (in Turkey and others)
5			Extensive-stage small cell lung cancer (ES-SCLC)	Phase III clinical trial	Phase III clinical trial (in Turkey and others)
6			GC neoadjuvant/adjuvant	Phase III clinical trial	—
7			Recurrent or metastatic head and neck squamous cell carcinoma (HNSCC)	Phase II clinical trial	—
8			Non-squamous non-small cell lung cancer (nsNSCLC)	Phase III clinical trial	—
9			Hepatocellular carcinoma (HCC)	Phase II clinical trial	—
10			Metastatic colorectal cancer (mCRC)	Phase I/III clinical trial	—
11			Recombinant Anti-PD-L1 Fully Human Monoclonal Antibody Injection (HLX20)	Solid tumor	Approved for clinical trial
12		HLX22 Monoclonal Antibody Injection	Gastric cancer (GC) and breast cancer (BC)	Phase I clinical trial	—
13		HLX55 Monoclonal Antibody Injection	Solid tumor	Phase I clinical trial	—
14		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	—
15	Recombinant Anti-LAG-3 Human Monoclonal Antibody Injection	Solid tumor and lymphoma	Approved for clinical trial	—	
16	Recombinant Anti-CD73 Fully Humanized Monoclonal Antibody Injection	Advanced solid tumor	—	Approved for clinical trial (in the U.S.)	
17	Anti-infection	Anti-S1 Fully Human Monoclonal Neutralizing Antibody (HLX70)	COVID-19	—	Approved for clinical trial (in the U.S.)
18		ACE2-Fc Receptor Fusion Protein (HLX71)	COVID-19	—	Phase I clinical trial (in the U.S.)
19	Blood system	Recombinant Human Erythropoietin-HyFc Fusion Protein Injection	Anemia	Phase I clinical trial	—
20	Eye disease	Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Wet age-related macula degeneration (wAMD)	Approved for clinical trial	Approved for clinical trial (in Australia, the U.S. and others)

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 Taiwan, China was completed.

Note 2: At the stage of phase I clinical trial for solid tumor indications in Taiwan, 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 and has reached primary endpoints.

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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	Approved for clinical trial
4		SurvaxM Injection	Malignant glioblastoma	Preparation for clinical trial application
5	Anti-infection	mRNA Vaccine BNT162b2	Prevention of COVID-19	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	New Drug Application
8	Blood system	Avatrombopag Maleate Tablets	Chronic immune thrombocytopenia (ITP)	Phase III clinical trial
9		Tenapanor Tablets	Hyperphosphatemia in end-stage renal disease dialysis patients (ESRD-HD)	Phase III clinical trial
10	Others	Bremelanotide Injection	Impaired female sexual desire (HSDD)	Phase I clinical trial
11		Fortacin Spray (Lidocaine Prilocaine Spray)	Premature ejaculation	Approved for clinical trial
12		RT002	Moderate to severe glabellar lines in adults (GL)	Phase III clinical trial
13			Cervical dystonia (CD)	Phase III clinical trial

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)	New Drug 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)	Approved for clinical trial
8	Metabolism and alimentary system	Insulin Glargine Injection	Diabetes	New Drug Application
9		Recombinant Human Insulin Injection	Diabetes	Supplemental application
10		Recombinant Insulin Lispro Injection	Diabetes	New Drug 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

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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 actively participated in centralized and bulk purchase of drugs. During the Reporting Period, the CAR-T cell therapy product Yi Kai Da (奕凱達) of the joint venture Fosun Kite was approved for launch in Chinese Mainland, and a total of 11 generic drugs of Gland Pharma received approval from the U.S. FDA for launch (for details, please refer to the Table 6 — Major 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 (zoledronic acid concentrated solution, dexrazoxane for injection, zoledronic acid injections and ondansetron hydrochloride injection) of Gland Pharma for imported drug registration and Import Drug Licenses (IDL).

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

No.	Name of drugs	Classification of registration	Indications	Remarks
1	Yi Kai Da (Ejilunsai injection) ^(Note 1)	Class 1 therapeutic biological product	Relapsed or refractory large B-cell lymphoma after two or more lines of systemic therapy (r/r DLBCL)	The first CAR-T product approved for launch in China
2	Artemether-lumefantrine Dispersible Tablets	WHO PQ	Malaria	
3	Empagliflozin Tablets and other 9 products	Class 4 chemical drug	—	During the Reporting Period, a total of 10 generic drugs of the Group received approval from the NMPA for launch.
4	Tobramycin Injection and other 10 products	US 505(j) ^(Note 2)	—	During the Reporting Period, a total of 11 generic drugs of Gland Pharma received approval from the U.S. FDA for launch.

Note 1: Product of Fosun Kite, a joint venture;

Note 2: According to the US registration classification, 505(j) represents generic drugs.

As at the end of the Reporting Period, a total of 19 products of the Group that have passed or deemed to have passed the consistency evaluation of generic drugs have been selected in five batches of centralized drug procurement bidding (see Appendix 7 — Selected products for centralized procurement for details), among which, existing products febuxostat tablets and pitavastatin calcium tablets also participated in the third batch of centralized procurement in 2020. For the existing products included in centralized procurement, the Group leveraged the advantages of multi-channel marketing and refined production to strengthen the life cycle management of centralized procurement products while sacrificing price for volume, and actively promoted incremental products to quickly enter the market through centralized procurement and effectively smooth the impact of existing products participating in centralized procurement.

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	0.1g	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
18	The fifth round	Alfacalcidol Tablets	1. Improve the symptoms of patients with chronic renal insufficiency, hypoparathyroidism, vitamin D-resistant rickets and osteomalacia due to abnormal vitamin D metabolism, such as hypocalcemia, convulsions, ostealgia and bone damage. 2. Osteoporosis.	0.25µg	30	36.90	9,300
19		Bicalutamide	1. 50mg per day: For the treatment for advanced prostate cancer together with luteinizing hormone-releasing hormone (LHRH) analogue or surgical orchiectomy. 2. 150mg per day: For the treatment of patients with locally advanced prostate cancer without distant metastasis who are not suitable or unwilling to receive surgical castration or other medical treatments.	50mg	14	162.73	350

Management

Discussion and Analysis

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, branding and digital development. As at the end of the Reporting Period, the Group's commercialization team consists of over 6,500 employees, and was organized into a number of divisions based on the major product lines, covering more than 2,000 Class III hospitals, 10,000 Class I and Class II hospitals and nearly 200,000 retail pharmacies. 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 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, 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 continued to expand and favor its commercialized team to strengthen market entrance and hospital coverage. Currently, the Group had 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 exploration and practice in the field of chronic diseases, the Group formed 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 to realize the empowerment of consumption terminals to the industry, and offered comprehensive services to consumers and patients with the help of digital medical treatments, continuously improving its multi-channel and spatial marketing capabilities.

- *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, and 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 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 in China.

Production and quality

With a focus on improving the cost competitiveness of its products, the Group strengthened operational efficiency and implemented the internationalization strategy. By streamlining its competitive internal production capacity and enhancing supply chain management, the Group sped up the construction of competitive production bases, and advanced strategic integration on the production end. In China, the Group strengthened the construction of supply chain system security system. The deployment and construction of three API bases in Changde, Xinyi and Changshou ensured the supply of APIs for existing preparations and the development of innovative drugs. Meanwhile, the Group deepened the CMO management of its products and established a production management committee, so as to facilitate the realization of star production lines for its products. The Group expedited the construction of comprehensive production bases in Xuzhou (Wanbang Pharma) and Chongqing (Yao Pharma). In particular, the production capacity of freeze-dried powder for injection and oral preparations of Chongqing base has reached a sizeable scale. The Group continued to accelerate the construction of Songjiang base of Shanghai Henlius so as to develop an advantage of large-scale production as soon as possible. The commercial production capacity of Shanghai Henlius' Xuhui base has reached 20,000 liters, and the base also received GMP certification from the EU; with a planned production capacity of 24,000 liters, Phase I of Songjiang base is expected to put into operation in 2022; Phase II of Songjiang base is under accelerated construction, and is expected to have a production capacity of 36,000 liters after completion of construction. In the overseas market, despite the impacts of the COVID-19, the newly built freeze-dried line and hormone product line of Gland Pharma had entered equipment commissioning and verification stages, laying a foundation for further increase in production capacity.

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 LIMS (Laboratory Information Management System) and SCADA (Supervisory Control and Data Acquisition) to further enhance production efficiency and cost advantages.

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. The FOPEX system was further upgraded.

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. 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 to conduct internal quality auditing on the subsidiaries under the pharmaceutical manufacturing segment in accordance with cGMP.

Furthermore, the Group procured its subsidiaries to establish a quality system that meets domestic and international requirements through different means such as system research, special inspection, themed training 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 20 official inspections as well as official sample tests on over 300 batches, all of which were passed smoothly.

Management Discussion and Analysis

Medical Devices and Medical Diagnosis

During the Reporting Period, the Group recorded revenue of RMB2,832 million from the medical devices and medical diagnosis segment, representing a period-on-period increase of 7.31%; segment results amounted to RMB434 million, which decreased by 14.90% period-on-period; segment profit amounted to RMB454 million, which increased by 4.61% period-on-period. The agreement entered into between the Group and the associate Intuitive Fosun in relation to the transfer of distribution rights of Da Vinci surgical robotic systems in Chinese Mainland, Hong Kong and Macau expired at the end of 2020. Since 2021, the revenue from such business has been transferred to Intuitive Fosun. Excluding the effect of the change in such business, the revenue from the medical devices and medical diagnosis segment increased by 14.29% on the same basis, segment results increased by 24.36% on the same basis, and segment profit increased by 34.72% on the same basis. The increase in revenue and net profit of the segment on the same basis was mainly attributable to the strong business growth of Sisram Medical in the two major markets North America and China, as well as the significant growth in the installation volume and surgical volume of Da Vinci surgical robotic system of the associate Intuitive Fosun. In the first half of 2021, 42 Da Vinci surgical robotic systems were installed, an increase of 12 as compared to the corresponding period of last year.

The Group's medical device business has initially formed three major business divisions with medical cosmetology, respiratory health and professional medical care as the core. In the field of medical cosmetology, during the Reporting Period, the revenue of Sisram Medical amounted to US\$125 million and net profit amounted to US\$17 million (note: based on the financial statements of Sisram Medical in its reporting currency), both recording significant period-on-period growth, the driving factor of which was the strong business growth in core regions such as North America and China. The rapid business recovery and growth were benefited from the platform's dynamic management and control under the pandemic, multi-dimensional product portfolios and channel expansion and synergy. During the Reporting Period, while actively expanding its existing energy-based medical aesthetics equipment business, Sisram Medical carried out business integration on strategic tracks such as aesthetic dentistry and injectables. In July 2021, Sisram Medical completed the merger of Foshion's assets, aiming to create a brand new digital dental brand by leveraging its existing global channel and resource advantages. In the same month, Sisram Medical and Fosun Pharmaceutical Industrial entered into a sublicensing agreement for the aesthetic indications of RT002 in Greater China, to further enrich its injectables business pipeline and to collect strategic products for future expansion into the C-end market. In the field of respiratory health, Breas continued to increase its efforts to expand into the U.S. and Chinese markets while exploring in depth the European market. It was the first to launch the Everyware digital solution in the U.S. market, and entered a strategic cooperation agreement with Drager Medical, a world-renowned ventilator company. At the same time, it also commenced the iteration, upgrade and localized production of imported products based on the market needs in China. In the professional medical field, the "Da Vinci surgical robot" product series sold by the associate Intuitive Fosun still maintained a strong growth trend, with significant growth in both installation volume and operation volume. Its third-party product portfolio centering on the fields of tumor diagnosis and treatment, orthopedics and neurology continued to be enriched. For our new pre-hospital first-aid business, stroke ambulance, mobile nucleic acid test laboratories, vaccination vehicles, mobile intelligent cleaning and disinfection centers and other products became the special products of the industry, ranking the top in the domestic market in terms of market share and becoming the Group's new extension into the fields of pre-hospital first-aid and public health.

In addition, the medical devices segment has built a marketing network that combines global direct sales and distribution. In particular, the marketing network of Sisram Medical covers more than 90 countries and regions in the world, including 7 direct sales territories such as the U.S., Korea and Israel. 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; the sales network of Breas mainly covers Europe, the U.S., China, Japan and Australia.

During the Reporting Period, the diagnosis segment the Group actively promoted strategic upgrading and internal integration. According to the business focus and characteristics of the subsidiaries under the diagnosis segment, the Group specified the positioning and functions of each of these subsidiaries as R&D and manufacturing center, differentiated instrument R&D platform, inspection service business platform and reagent manufacturing base. As at the end of the Reporting Period, centering on six major therapeutic areas (tumor, infection, digestion and metabolism, reproduction, cerebro-cardiovascular and central nervous system), the medical diagnosis business of the Group has formed a cross-methodological product portfolio as well as a matrix R&D thinking that expands to different disease fields under the same methodology. In our existing product lines, genetic testing reagents for HPV and Thalassemias occupied a leading position in the market; the biochemical product line deployment was complete and the reagent quality enjoyed a high market reputation. In addition, the Group created a number of special products, such as the MyCare series (monitoring kits for drug concentration in blood), NG-Test CARBA 5 (carbapenemase test kits), I-SPOT TB (Mycobacterium tuberculosis specific cellular immune response test kits), fully automatic fluorescent drug sensitivity test system etc. Meanwhile, the Group actively promoted the R&D and market launch of its new products. During the Reporting Period, new products such as F-i3000 fully automated chemiluminescence instrument, F-C800 fully automated biochemical analyzer and microbial mass spectrometer (ASTA) were launched successively. The product pipeline included diagnostic products with high clinical value such as Glycotest HCC Panel (early liver cancer diagnosis and screening solution) and Volition (bowel cancer early screening and prognostic testing solution).

Healthcare services

After the COVID-19 pandemic, online consultations and online drug purchases have become a new trend in residents' online medical care. During the Reporting Period, the Group promoted medical Internet transformation by actively exploring online and offline integrated service models. In the first half of 2021, the Group's medical service operation and management main body Fosun Healthcare was renamed as Fosun Health. Taking "medical-grade, one-stop and full-scenario health ecosystem" as the vision and "making families healthier and life better" as the mission, after such strategic upgrade, Fosun Health provides users with one-stop healthcare services based on medical-grade trust and closed-loop solutions throughout the treatment course. As at the end of the Reporting Period, 5 invested medical institutions (including associated hospitals) and Wanbang Cloud Health, an internet medical platform, have obtained 6 internet hospital licenses in total. Through its own Internet healthcare platform, it has built core online service capabilities such as online diagnosis and treatment, health mall and health management. The Group took self-operated flagship hospitals as the starting point to explore integrated online and offline service processes with offline regional hospital networks. It improved health profile of users and gradually formed full life cycle healthcare services for users by starting with the advantageous vertical disease field. During the Reporting Period, the online business of a number of member hospitals that obtained Internet hospital licenses quickly launched, the integrated operation of the Internet medical platform was on track, and online and offline services realized a closed loop.

During the Reporting Period, the revenue from healthcare services segment amounted to RMB1,843 million, representing a period-on-period increase of 35.61%. Affected by increased investments in digital and online operation, the initial loss of newly opened hospitals and other factors, segment results during the Reporting Period amounted to RMB-19 million, representing a period-on-period decrease of RMB50 million. Segment profit amounted to RMB-15 million, representing a period-on-period decrease of RMB17 million.

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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 health service industrial chain. As at the end of the Reporting Period, the Group completed a strategic deployment of healthcare services in specialty and general hospitals focusing on regional focus such as the Greater Bay Area and Yangtze River Delta. 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, Wuhan Jihe Hospital, Chongqing Xingrong Medical Cosmetology Hospital and Xuzhou Xingchen Women's and Children's Hospital, with a total of 4,732 authorized beds available for the public. With respect to operation management of healthcare services, the management systems of medical, nursing, technical and other medical professions and functions were continuously improved and optimized, thereby constantly strengthening the segment's asset management efficiency.

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, the Group has established 12 major specialty alliances, including obstetrics and gynecology, cardiology, rehabilitation and orthopedics, to promote the vertical connection between the specialties of member hospitals, and form various work mechanisms such as business discussion and co-construction. Many of its controlling hospitals have completed the achievement of key specialties at a municipal level and provincial level in their regions, while the applications for projects from the National Natural Science Foundation of China by certain disciplines were completed. As at the end of the Reporting Period, the groundwork for the business roadmap has been laid, which involves 9 Class II hospitals led and supported by 4 Class III hospitals in terms of business and discipline development, all playing an important role in the strategic planning of healthcare services in key regions such as the Pearl River Delta and the Yangtze River Delta, as well as the business expansion in developed coastal cities and regions.

Pharmaceutical Distribution and Retail

In the first half of 2021, Sinopharm realized revenue of RMB249,120 million, net profit of RMB6,029 million and net profit attributable to shareholders of the parent of RMB3,583 million, represented an increase of 22.26%, 25.51% and 23.73% as compared to the corresponding period of last year, respectively.

In respect of the pharmaceutical distribution sector, Sinopharm has responded to the rapid transformation of the competitive landscape of the industry, coordinated the network distribution and supply chain resources within the Group, continuously promoted the orderly increase of market share and facilitated the high-quality transformation of the service model. In the first half of 2021, Sinopharm's revenue from the pharmaceutical distribution business increased by 20.92% period-on-period to RMB190,446 million.

In respect of medical devices, through constantly strengthening the systematic construction of the distribution service team, Sinopharm continuously improved the network coverage and service capability and promoted a rapid growth of the medical device segment. In the first half of 2021, the revenue of Sinopharm's medical device business reached RMB47,780 million, representing a period-on-period increase of 33.19%.

In respect of retail pharmacy, Sinopharm implemented the development strategy of "wholesale and retail synergy", coordinated procurement and logistics resources, and promoted the coordinated development of "retail and wholesale", "drugs and devices", and "professional pharmacies and social pharmacies". Thus, the Group continued to improve the accessibility of prescription varieties and pharmaceutical services in retail pharmacies. As at the end of the Reporting Period, the total number of retail stores of Sinopharm reached 9,782. In the first half of 2021, Sinopharm's sales revenue from retail pharmacy reached RMB13,722 million, representing an increase of 24.57% as compared to the corresponding period of last year.

Digital Transformation, Cost Reduction and Efficiency Enhancement

During the Reporting Period, the Group continued to optimize management measures, promoted digital technology innovation and centralized procurement, and drove the improvement of operational efficiency.

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. In respect of data middle-end platform, the Group initially established a big data warehouse and BI analysis platform for medicine, visualizing and making indicators transparent.

In respect of 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 launched a total of 16 inter-industry and intra-industry centralized procurement projects, further expanded the coverage of centralized procurement categories, promoted standardization of procurement and optimization of supply channels, and strengthened the synergy and empowerment of the upstream and downstream of the supply chain.

Environment, Health and Safety (EHS)

During the Reporting Period, the Group further built up and improved the environment, health and safety (EHS) management system. The reporting system for regular meetings of the EHS Special Committee was implemented to ensure the orderly promotion and implementation of each of the EHS-related policies and to formulate EHS management strategic goals. At the same time, in order to ensure the continuous improvement of the EHS management system, the Group carried out the iteration and upgrade of EHS management review standards and requirements, as well as the corresponding publicity, implementation and training for its manufacturing member companies. In addition, the Group formulated the second round of EHS five-year strategic goals after basically completing the first round of five-year strategic goals. Based on the second round of EHS five-year strategic goals, the Group will continue to increase investment in environmental protection, focus on improving environmental management level, actively respond to climate change, and be committed to achieving the harmonious development between the enterprise, society and environment.

“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. During the Reporting Period, the Group has continued to promote the management of pollutant emissions, water resources, packaging materials, greenhouse gases etc., to reduce energy and resource consumption, promote the use of renewable energy and the recycling of waste, facilitate the reduction of pollutants, practice the concept of low-carbon green development, and improve environmental management.

In respect of occupational health and safety, during the Reporting Period, the Group further strengthened and implemented our safe production responsibility, established a mechanism of corporate responsibility, senior management attention and extensive employee participation; operated in compliance with national and local safe production laws, regulations and standards, carried out the hierarchical management and control of safety risks and the investigation and management of hidden dangers, strengthened the management of safety production, and promoted safe production standardized construction.

Management Discussion and Analysis

Financing

During the Reporting Period, the Group continued to optimize its debt structure and reasonably controlled the debt scale and comprehensive financing cost. In the first half of 2021, the Company successfully issued a tranche of corporate bonds and two tranches of super short-term commercial papers. It also actively deepened its good cooperation with domestic and foreign financial institutions, and obtained credit support of US\$200 million from the IFC (International Finance Corporation). The Company took the variety of its financing channels to a higher level, and its corporate image in the domestic and foreign capital markets was enhanced.

2. Major Operations in the Reporting Period

A. Analysis on Principal Operations

(1) Analysis of Changes in Relevant Items of Financial Statements

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Period-on- period change (%)
Revenue ^(Note 1)	16,878	13,965	20.86
Cost of sales ^(Note 2)	8,111	6,216	30.49
Sales and distribution expense	4,357	3,931	10.84
Administrative expenses	1,505	1,322	13.84
R&D expenses ^(Note 3)	1,562	1,204	29.73
Finance costs	421	428	-1.64
Net cash flow generated from operating activities	1,707	1,461	16.79
Net cash flow generated from investment activities	-2,450	-2,379	-2.98
Net cash flow generated from financing activities	770	827	-6.89

Note 1: For the reasons for the change in revenue, please refer to "Segment Performance Overview" in "Discussion and Analysis on Operations".

Note 2: The cost of sales mainly increased along with the increase in revenue.

Note 3: Mainly due to the continued increase in the R&D expenditure in biopharmaceutical drugs, small molecular innovative drugs and imported innovative drugs, and the increase in investment in innovation incubation platform during the Reporting Period.

(2) R&D expenditure

① R&D expenditure

Unit: million Currency: RMB

R&D expenditure expensed for the period	1,562
R&D expenditure capitalized for the period	392
Total R&D expenditure	1,954
Total R&D expenditure as a percentage of revenue (%)	11.53
R&D expenditure in the pharmaceutical manufacturing segment as a percentage of the revenue from the pharmaceutical manufacturing segment (%)	14.51
Percentage of R&D expenditure capitalized (%)	20.06

② Descriptions

During the Reporting Period, the R&D expenditure in the pharmaceutical manufacturing segment amounted to RMB1,777 million, representing a period-on-period increase of RMB236 million or 15.31%, accounting for 14.51% of the revenue from the pharmaceutical manufacturing segment. With the continuous advancement of the innovation and transformation strategy, the pipeline layout of biopharmaceutical drugs was gradually transitioning from biosimilars to biopharmaceutical innovative drugs. As small molecular innovative drugs gradually entered the clinical stage, R&D expenditure was also increasing steadily. The increase in R&D expenditure during the Reporting Period was mainly due to the increase in R&D expenditure in biopharmaceutical drugs, small molecular innovative drugs and imported innovative drugs, and the increase in investment in innovation incubation platform.

B. Segment and Regional Operations

(1) Principal Operations by Segments and Products

Unit: million Currency: RMB

By segments	Principal operations by segments			Period-on-period change in revenue (%)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
	Revenue	Cost of sales	Gross profit margin (%)			
Pharmaceutical manufacturing ^(Note 1)	12,179	5,107	58.07	22.38	36.04	decrease of 4.21 percentage points
Medical devices and medical diagnosis ^(Note 2)	2,832	1,480	47.74	7.31	13.06	decrease of 2.66 percentage points
Healthcare services	1,843	1,511	18.01	35.61	33.72	increase of 1.19 percentage points

Management Discussion and Analysis

Principal operations by products

By products	Revenue	Cost of sales	Gross profit margin (%)	Period-on-period change in revenue (%) ^(Note 7)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
Major products of anti-tumor and immune modulation ^(Note 3)	1,705	383	77.54	256.69	208.87	increase of 3.48 percentage points
Major products of metabolism and alimentary system ^(Note 4)	1,415	283	80.00	-19.92	1.80	decrease of 4.27 percentage points
Major products of anti-infection ^(Note 5)	2,656	1,161	56.29	45.30	78.89	decrease of 8.21 percentage points
Major products of central nervous system	616	43	93.02	-18.41	-10.42	decrease of 0.62 percentage point
Major products of cardiovascular system ^(Note 6)	1,024	602	41.21	-17.95	24.38	decrease of 20.01 percentage points
Major products of APIs and intermediate products	577	423	26.69	27.65	28.57	decrease of 0.52 percentage point

Principal operations by geographical locations

By geographical locations	Revenue	Cost of sales	Gross profit margin (%)	Period-on-period change in revenue (%)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
Chinese Mainland	11,680	5,289	54.72	18.05	29.22	decrease of 3.91 percentage points
Regions outside Chinese Mainland and other countries	5,198	2,822	45.71	27.68	32.93	decrease of 2.13 percentage points

Note 1: The decline in the gross profit margin of the pharmaceutical manufacturing business was mainly due to: 1. The gross profit margin of existing products such as You Li Tong (febuxostat tablets) and Bang Zhi (pitavastatin calcium tablets) decreased after being selected for centralized procurement; 2. Some core products were affected by the increase in prices of main raw and auxiliary materials, and thus the unit costs rose and the gross profit margin fell.

Note 2: The agreement entered into between the Group and the associate Intuitive Fosun in relation to the transfer of distribution rights of Da Vinci surgical robotic systems in Chinese Mainland, Hong Kong and Macau has expired at the end of 2020. Since 2021, the revenue from that business has been transferred to Intuitive Fosun. Excluding the effects of the change in such business, the gross profit margin of medical devices and medical diagnosis business increased by 0.57 percentage point on the same basis.

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 increase in sales quantities of new products such as Han Li Kang (rituximab injection), Han Qu You (trastuzumab for injection) and Su Ke Xin (Avatrombopag Maleate Tablet).

Note 4: The decrease in gross profit margin of the major products of metabolism and alimentary system as compared with the same period last year was mainly due to the decreased unit selling price of You Li Tong (febuxostat tablets) after the execution of centralized procurement.

Note 5: The decrease in gross profit margin of the major products of anti-infection as compared with the same period last year was mainly due to the changes of product structure in such therapeutic area.

Note 6: 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 the price of major raw materials of some products, and thus the cost of sales rose and the gross profit margin fell.

Note 7: 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 "Discussion and Analysis on Operations".

C. Subsidiaries and Investees

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

① Operation and Results of Major Subsidiaries

Unit: million Currency: RMB

Company name	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), You Di Er (alprostadiol dried emulsion), Sha Duo Li Ka (potassium sodium dehydroandrographolide succinate for injection), Xi Chang/Bi Li Shu (cefmetazole sodium for injection)	197	6,172	4,209	2,691	430	385
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	5,463	3,044	3,343	347	318
Gland Pharma	Pharmaceutical manufacturing	Heparin sodium, vancomycin, rocuronium bromide, etc.	N/A	8,495	7,102	1,803	618	461

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

Company name	Nature of business	Major products	Registered capital	Total assets	Net assets	Revenue	Net profit
Jinzhou Aohong	Pharmaceutical manufacturing	Ao De Jin (deproteinized calf blood injection), Bang Ting (hemocoagulase for injection), Chang Tuo Ning (penehyclidine hydrochloride injection), etc.	510	2,782	2,025	614	64
Shanghai Henlius	Pharmaceutical manufacturing	Han Li Kang (rituximab injection), Han Qu You (trastuzumab injection)	543	6,930	2,871	634	-394
Foshan Chancheng Hospital	Healthcare services	Healthcare services	50	3,080	1,935	900	103
Sisram Medical	Medical cosmetology	Medical cosmetics devices, medical devices	N/A	2,944	2,223	811	112

Note 1: The data for Jinzhou Aohong included appreciation of asset evaluation and amortization of appreciation of asset evaluation;

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Note 2: The data for Shanghai Henlius is extracted from its interim results prepared in accordance with International Financial Reporting Standards;

Note 3: The data for Foshan Chancheng Hospital included appreciation of asset evaluation and amortization of appreciation of asset evaluation;

Note 4: The data for Sisram Medical is extracted from its interim results prepared in accordance with International Financial Reporting Standards.

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

Unit: million Currency: RMB

Company name	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial	Pharmaceutical investment	Pharmaceutical investment	100	344,274	94,590	249,120	7,694	6,033

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

① Acquisition of Subsidiaries during the Reporting Period

On 9 November 2020, Shenzhen Hengsheng Hospital, a subsidiary, entered into an equity transfer agreement with Lin Shaoqin and Qiu Honghao, pursuant to which Shenzhen Hengsheng Hospital acquired 100% equity interest in Guangdong Huixin Pharmaceutical Co., Ltd.* (廣東匯信藥業有限公司) (now renamed as Shenzhen Xinsheng) held by Lin Shaoqin and Qiu Honghao. As at the end of the Reporting Period, Shenzhen Hengsheng Hospital held 100% equity interest in Shenzhen Xinsheng.

On 5 April 2021, Foshion Medical, a subsidiary, entered into an equity transfer agreement with Anji Jianchi Medical Technology Partnership (Limited Partnership)* (安吉健齒醫療科技合夥企業(有限合夥)) and Anji Haiyue Medical Technology Partnership (Limited Partnership)* (安吉海躍醫療科技合夥企業(有限合夥)), pursuant to which Foshion Medical acquired 70% equity interest in Xingyuanda. As at the end of the Reporting Period, Foshion Medical held 70% equity interest in Xingyuanda.

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

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets (as at the end of the Reporting Period)	Net profit (from date of merger/ acquisition up to the end of the Reporting Period)	Date of acquisition/ merger
Shenzhen Xinsheng	Equity transfer	3	—	29 March 2021
Xingyuanda	Equity transfer	31	-1	15 April 2021

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

② Disposal of Subsidiaries during the Reporting Period

On 1 February 2021, the deregistration of Research Institute Pharmaceutical, a subsidiary, was completed.

On 26 March 2021, the deregistration of Kelin Huodai, a subsidiary, was completed.

On 26 April 2021, the deregistration of Shanghai Lilin, a subsidiary, was completed.

On 27 April 2021, the deregistration of Shanghai Boyiya, a subsidiary, was completed.

On 9 April 2021, Wanbang Tiansheng, a subsidiary, entered into an equity transfer framework agreement with Shenyang Tianshengda, pursuant to which, Wanbang Tiansheng transferred its 100% equity interest in Fareast Casings to Shenyang Tianshengda. As at the end of the Reporting Period, Wanbang Tiansheng no longer held any equity interest in Fareast Casings.

On 26 April 2021, Foshan Chancheng Hospital, Fosun Healthcare and Foshan Chanxi, all of which were subsidiaries, entered into an equity transfer and loan assignment contract with Yuyuan, pursuant to which, Foshan Chancheng Hospital and Fosun Healthcare transferred their 100% equity interest in Foshan Chanxi and assigned their respective shareholder's loan to Foshan Chanxi as at 31 December 2020 to Yuyuan or its designed subsidiaries as agreed. As at the end of the Reporting Period, the Group no longer held any equity interest in Foshan Chanxi.

On 31 May 2021, Fosun Healthcare, a subsidiary, entered into an equity transfer agreement with Taizhou Investment, pursuant to which, Fosun Healthcare transferred its 75% equity interest in Taizhou Zhedong Medical Care to Taizhou Investment. As at the end of the Reporting Period, Fosun Healthcare no longer held any equity interest in Taizhou Zhedong Medical Care.

Management Discussion and Analysis

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

Unit: million Currency: RMB

Name of subsidiary	Disposed through	Net assets as at date of disposal	Net profit from beginning of the Reporting Period to date of disposal	Date of disposal
Research Institute Pharmaceutical	Deregistration	—	—	1 February 2021
Kelin Huodai	Deregistration	—	—	26 March 2021
Fareast Casings	Equity transfer	7	1	26 April 2021
Shanghai Lilin	Deregistration	—	—	26 April 2021
Shanghai Boyiya	Deregistration	—	—	27 April 2021
Foshan Chanxi	Equity transfer	97	-1	31 May 2021
Taizhou Zhedong Medical Care	Equity transfer	703	1	30 June 2021

Note: The data for Fareast Casings included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

D. 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 RMB1,954 million, accounting for 11.53% 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 over 6,500 employees, including about 1,500 employees in the innovative drug commercialization team, nearly 1,000 employees in the new retail team for OTC and online channels, and nearly 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, while drug clinical and registration teams in the U.S., Africa, Europe and India 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.

E. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 34,375 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. Outlook for Operations in the Second Half of 2021

A. Competition and Development Trends of the Industry

In the second half of 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 and strengthen R&D efficiency. In addition, the Group will continue to optimize operational efficiency in the healthcare service industry, accelerate the construction of competitive disciplines, enhance quality management, push forward the transformation of health industry to internet healthcare services and further promote breakthroughs in the consumer health sector 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.

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.

Pharmaceutical Manufacturing

In the second half of 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 the launch of new products, among others, mRNA COVID-19 vaccine and Opicapone and the sales volume of key products, as well as the progress of license-in projects including the strategic cooperation with Suzhou Kintor Pharmaceutical, Inc.* (蘇州開拓藥業股份有限公司) on their 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 the 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 the second half of 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.

Management Discussion and Analysis

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.

Medical Devices and Medical Diagnosis

In the second half of 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 expenditure, license-in products and cooperation, the professional and platform development of the medical devices business will be further promoted. With respect to medical beauty, 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 exploration as well as 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 expenditure, 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.

With respect to medical diagnosis, the Group will continue to deepen our product structure and foster a closed-loop model in application areas in the second half of 2021 in order to 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 the field of medical devices, the Group will comprehensively structure a cascading R&D plan, aiming to cover the mainstream market needs for medical devices, and to realize future automation and intelligence of central laboratory, compactization of devices giving immediate results in A&E units of primary medical institutions. Regarding diagnostic reagents, the Group will quickly expand the R&D team and actively search for external collaboration opportunities. By leveraging both internal R&D and external collaborations, the Group can offer diverse healthcare services and products to create a closed loop in product applications and value. In addition, the Group will optimize the product and service structure in precision medicine, maintain a forward-looking capability of the industry, continually produce exclusive products and signature products, increase differentiated competitiveness and shape the brand image.

In addition, the Group will continue to strengthen the domestic sales network and professional sales team of medical devices and medical diagnosis business; improve the clinical value-oriented market technical team; optimize the layout of after-sales service team; actively build the support capabilities of middle and back offices, improve smart manufacturing capabilities, optimize supply chains, realize smart production process management, centralize product production capacity; improve brand capacity building; intensify integration to improve its integrated operation capabilities and efficiency, 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 the second half of 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 groups (DRGs), resource-based relative value scale (RBRVS) and big data diagnosis-intervention packet (DIP), improve operational modules such as disciplines and talents, quality and safety, care and services, and performance and evaluation, accelerate the formation of doctor teams and specialist alliances, push forward the promotion and implementation of centralized procurement, infrastructure construction, information technology development and internet transformation and integrate internal resources to realize cost reduction and efficiency. Meanwhile, the Group will also promote the reconstruction and expansion of the newly-built and existing hospitals, and positively seek new opportunities for mergers and acquisitions of healthcare services.

In addition, the Group will continuously enhance the layout and implementation of Internet healthcare services, and accelerate the establishment of the integrated model of online and offline healthcare services. In regions with quality medical resources, the Group will build a radiated system centering self-owned flagship hospitals, widely expand the network of collaborating hospitals so as to realize a replicable integrated operation model of online and offline healthcare services. It will also further enhance online platform user operating system and healthcare services for patients of vertical diseases, so as to gradually construct a one-stop healthcare service platform in which the users can have full confidence.

Pharmaceutical Distribution and Retail

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

4. Potential Risks

A. 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. As the connection between the elements in “Three Medical Linkages” grow stronger, the promotion and implementation of policies on national and regional centralized procurement in quantity for drugs, rational use of drugs, restriction on adjuvant drugs and new policies including medical expense growth control, price and payment method adjustments for medical insurance payments, National Essential Medicine List adjustments, 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.

With respect to medical devices, the newly amended and implemented Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) recognizes the system of the registrant as the core system. It encourages the integration of the Company’s resources and advantage complementation, and putting innovation as the development focus, which leads to an increase of innovative content and intensifies the support for the R&D and innovation of high-end devices, and thus the technology levels of clinical products are continually improved. The centralized procurement in quantity for 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 medical services, it requires more strategic and diversified thinking on how socially-organized medical institutions can achieve closer cooperation, differentiated development and collaborative expansion with the mainstay of healthcare services to explore new areas of healthcare services. Internet healthcare-related policies have been quickly improved and standardized due to COVID-19, which accelerated the new stage of healthcare service industry development from the mode of solely offline services into an integrated business of both online and offline services.

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.

B. 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, the competition for generic drugs in the overseas markets 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 change in development trend of the industry, strengthen innovation R&D expenditure, enrich product lines, optimize product structure, and enhance the R&D efficiency 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.

C. 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 the profitability and development of the Group.

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

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

Pharmaceutical products, medical devices and diagnostic products are special commodities, and the society pays a great deal of attention to their quality. The Group has been continuously increasing its management efforts and investment in technological transformation in terms of quality management. The technology and equipment standards of each subsidiary/unit have been significantly improved. However, due to the large number of companies with wide geographical 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 relevant requirements in order to ensure all subsidiaries/units 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 formulate and implement 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 incidents. Residue, waste gas, waste liquid and other pollutants 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 may 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 the 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 Group will continuously attach importance to fulfilling its social responsibility for environmental protection, adhere to the principle that green development is implemented on the basis of sustainable development, increase investment in environmental protection, ensure the normal operation of environmental protection facilities, and ensure that the target of emissions is met.

D. 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, there will be 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 mergers, acquisitions and business consolidations

The Group facilitates mergers, 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 mergers, acquisitions and business consolidations. Upon successful acquisitions, the requirements on the operation and management of the Group will become higher. If mergers and acquisitions cannot bring about a synergistic impact, the operating results of the Group may be adversely affected.

E. 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.

F. Force majeure risks

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

5. Other Events

A. Shareholding Increase Plan of the Controlling Shareholder

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) 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, Fosun High Tech and Fosun International, its controlling shareholder, had acquired a total number of 27,930,500 H shares of the Company for an aggregate amount of approximately RMB967 million, representing approximately 1.09% 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.

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B. The Mandate to Issue Inter-bank Market Debt Financing Instruments

The issuance of the first tranche of super short-term commercial papers for 2021 was completed by the Company in February 2021 in an aggregate principal amount of RMB1.5 billion. The value date of such super short-term commercial papers issued is 26 February 2021, with the final coupon rate at 3.10% and a term of 90 days.

The issuance of the second tranche of super short-term commercial papers for 2021 was completed by the Company in May 2021 in an aggregate principal amount of RMB1.5 billion. The value date of such super short-term commercial papers issued is 25 May 2021, with the final coupon rate at 2.90% and a term of 120 days.

C. The Public Issuance of Corporate Bonds to Qualified Investors

The Company completed the public issuance of corporate bonds (first tranche) in 2021 on 2 February 2021, with the aggregate principal amount of RMB1.6 billion and a final coupon rate of 3.98%. The bonds had a term of four years with the Company's option to adjust the coupon rate and the investors' option to sell back the corporate bonds at the end of the second year.

D. Proposed non-public issuance of A shares

On 29 December 2020, the non-public issuance of A shares, among others, was approved upon consideration and approval at the 2020 third extraordinary general meeting. 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 issuance of A shares submitted by the Company in accordance with the law.

On 6 April 2021, the Company made the adjustment to the proceeds and the issuance plan in the plan of the non-public issuance of A shares. The total proceeds were adjusted to no more than RMB4,483.78 million (inclusive) from no more than RMB4,982.83 million (inclusive) before the adjustment, and the use of proceeds was adjusted accordingly. Meanwhile, the Company submitted a report on reply to feedback (amended) to the CSRC.

On 27 July 2021, the CSRC issued the "Approval in relation to the Non-public Issuance of Shares by Shanghai Fosun Pharmaceutical (Group) Co., Ltd." (Zheng Jian Xu Ke [2021] No. 2501) to approve the Company to undertake the non-public issuance of not more than 128,144,927 new shares (A shares). The approval shall be valid for a period of 12 months from the date of the approval (i.e. 27 July 2021).

E. 2021 Restricted Share Incentive Scheme

The relevant resolutions in relation to the 2021 restricted share incentive scheme and the proposed grant were proposed to the Shareholders at the general meeting to be considered, and if thought fit, approved by way of special resolutions. Such resolutions were duly passed by the holders of more than two-thirds of total shares with valid rights of voting at the Annual General Meeting and the A shareholders' class meeting of the Company convened on 11 June 2021. However, such resolutions were not passed by the holders of more than two-thirds of total H shares with valid rights of voting at the H shareholders' class meeting convened on the same day, the underlying matters of such resolutions were deemed considered but not approved. Therefore, the 2021 restricted share incentive scheme will not proceed.

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group as at 30 June 2021 are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 58 to 90.

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

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

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

DIRECTORS

As at the end of the Reporting Period, the Board consists of eleven 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

Ms. Li Ling (李玲)
Mr. Tang Guliang (湯谷良)
Mr. Wang Quandi (王全弟)
Mr. Yu Tze Shan Hailson (余梓山)

On 11 June 2021, each of Mr. Jiang Xian and Dr. Wong Tin Yau Kelvin retired as an independent non-executive Director as each of them had served as an independent non-executive Director for almost six consecutive years. At the Annual General Meeting held on 11 June 2021, Mr. Wang Quandi and Mr. Yu Tze Shan Hailson were elected by the Shareholders as independent non-executive Directors of the eighth session of the Board.

SUPERVISORS

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

Ms. Ren Qian (任倩) (*Chairman*)

Mr. Cao Genxing (曹根興)

Mr. Guan Yimin (管一民)

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Wu Yifang, an executive Director, ceased to serve as a supervisor and chairman of the supervisory committee of Sinopharm (stock code: 01099), a company listed on the Hong Kong Stock Exchange, with effect from 10 June 2021.

Mr. Yao Fang, a non-executive Director, was appointed as the vice-chairman 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, with effect from 21 May 2021.

Mr. Gong Ping, a non-executive Director, ceased to serve as a director of Shanghai Bailian Group Co., Ltd* (上海百聯集團股份有限公司) (stock code: 600827), a company listed on the Shanghai Stock Exchange, with effect from 14 June 2021.

Mr. Jiang Xian retired as an independent non-executive Director with effect from 11 June 2021.

Dr. Wong Tin Yau Kelvin ceased to serve as an independent non-executive director of I.T LIMITED (delisted from the Hong Kong Stock Exchange on 30 April 2021) with effect from 30 April 2021, and retired as an independent non-executive Director with effect from 11 June 2021.

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

SHARE INCENTIVE SCHEMES

Gland Pharma Share Option Incentive Scheme

Shareholders of the Company approved, among others, the Gland Pharma Share Option Incentive Scheme on 25 June 2019. The purpose of the Gland Pharma Share Option Incentive Scheme is to (i) reward the employees for their past 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.

Subject to the provisions of the Gland Pharma Share Option Incentive Scheme, the maximum number of Gland Pharma shares that may be issued pursuant to exercise of options granted to the participants under the Gland Pharma Share Option Incentive Scheme shall not exceed 170,444 Gland Pharma shares, representing 1.1% of the total number of issued Gland Pharma shares as at the date when shareholders of Gland Pharma approved and adopted the Gland Pharma Share Option Incentive Scheme. Subject to the limitations prescribed under the Gland Pharma Share Option Incentive Scheme, Gland Pharma reserves the right to increase or reduce such number of Gland Pharma shares as it deems fit.

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

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

The details of the changes in the outstanding options 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 ⁽¹⁾	Outstanding options as at 1 January 2021	Exercise price per share	Granted	Exercised	Forfeited or	Outstanding options as at 30 June 2021
							during the Reporting Period	during the Reporting Period	lapsed during the Reporting Period ⁽²⁾	
Employees of Gland Pharma	27-6-2019	20-11-2020	40%	20-11-2020 to 26-6-2029	1,480,500	INR542	0	954,350	2,100	524,050
		31-3-2021	30%	31-3-2021 to 26-6-2029						
		31-3-2022	30%	31-3-2022 to 26-6-2029						

Notes:

- (1) The vesting of the options granted shall be subject to the requirement for a minimum period of one year between the date of grant and vesting of the options and the relevant performance targets under the Gland Pharma Share Option Incentive Scheme.
- (2) During the Reporting Period, as one participant ceased to be an employee of Gland Pharma, the granted share options underlying 2,100 shares of Gland Pharma were lapsed and forfeited.

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

As at 30 June 2021, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules were as follows:

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

Name of Directors/ chief executive	Capacity	Class of Shares	Number of Shares⁽¹⁾	Approximate percentage of Shares in relevant class of Shares
Mr. 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	458,300 (L)	0.02%

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 corporation	Class of Shares	Capacity	Number of Shares⁽¹⁾	Approximate percentage of Shares in relevant class of Shares
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	22,998,000 (L) ⁽²⁾	0.27%
	Fosun Tourism	Ordinary share	Beneficial owner	1,478 (L)	0.00%
Mr. Yao Fang	Fosun International	Ordinary share	Beneficial owner	640,000 (L) ⁽³⁾	0.01%
	Fosun Tourism	Ordinary share	Beneficial owner	2,328 (L)	0.00%
Mr. Gong Ping	Fosun International	Ordinary share	Beneficial owner	11,280,000 (L) ⁽⁵⁾	0.13%
	Fosun Tourism	Ordinary share	Beneficial owner	988 (L)	0.00%
Mr. Pan Donghui	Fosun International	Ordinary share	Beneficial owner	11,160,000 (L) ⁽⁶⁾	0.13%
Mr. Zhang Houlin	Fosun International	Ordinary share	Beneficial owner	11,180,000 (L) ⁽⁷⁾	0.13%

Notes:

(1) (L) — Long position

(2) On 31 March 2021, Fosun International granted Mr. Chen Qiyu 1,920,000 award shares and 1,500,000 share options.

(3) On 31 March 2021, Fosun International granted Mr. Yao Fang 240,000 award shares and 400,000 share options.

(4) On 31 March 2021, Fosun International granted Mr. Xu Xiaoliang 1,920,000 award shares and 1,500,000 share options.

(5) On 31 March 2021, Fosun International granted Mr. Gong Ping 470,000 award shares and 1,000,000 share options.

(6) On 31 March 2021, Fosun International granted Mr. Pan Donghui 590,000 award shares and 1,000,000 share options.

(7) On 31 March 2021, Fosun International granted Mr. Zhang Houlin 590,000 award shares and 1,000,000 share options.

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

As at 30 June 2021, 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	71,533,500(L)	12.96%
Fosun High Tech	Beneficial owner	A Share	938,095,290(L)	46.65%
Fosun International	Beneficial owner	H Share	6,000,000(L) ⁽²⁾	1.09%
Fosun International	Interest of a controlled corporation	H Share	71,533,500(L) ⁽²⁾	12.96%
Fosun International	Interest of a controlled corporation	A Share	938,095,290(L) ⁽³⁾	46.65%
Fosun Holdings	Interest of a controlled corporation	H Share	77,533,500(L) ⁽²⁾	14.05%
Fosun Holdings	Interest of a controlled corporation	A Share	938,095,290(L) ⁽³⁾	46.65%
Fosun International Holdings	Interest of a controlled corporation	H Share	77,533,500(L) ⁽²⁾	14.05%
Fosun International Holdings	Interest of a controlled corporation	A Share	938,095,290(L) ⁽³⁾	46.65%
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	77,533,500(L) ⁽²⁾	14.05%
	Interest of a controlled corporation	A Share	938,095,290(L) ⁽³⁾	46.65%
	Beneficial owner	A Share	114,075(L)	0.01%
Black Rock, Inc.	Interest of a controlled corporation	H Share	29,166,189(L)	5.28%
			1,252,500(S)	0.23%
Citigroup Inc.	Interest of a controlled corporation	H Share	5,781,169(L)	1.05%
			5,664,939(S)	1.02%
		Nominee	H Share	22,045,080(L)

Notes:

- (1) (L) — Long position; (S) — Short position
- (2) These Shares, of which 71,533,500 shares, are held by Fosun High Tech and, of which 6,000,000 shares, are held by Fosun International. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 72.14% by Fosun Holdings, and Fosun Holdings is a wholly-owned subsidiary of Fosun International Holdings. Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang. Therefore, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.
- (3) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 72.14% by Fosun Holdings, and Fosun Holdings is a wholly-owned subsidiary of Fosun International Holdings. Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang. Therefore, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code and has formulated the Written Code as its codes of conduct regarding securities transactions.

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

COMPLIANCE WITH THE CG CODE

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

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

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and not be 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. On the same day, the Board announced the election of Mr. Wu Yifang ("Mr. Wu"), an executive Director, 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 in the past 16 years. Although Mr. Wu serving as both the chairman of the Board and chief executive officer deviates from code provision A.2.1, his familiarity with business operation of the Group and the role of 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 Group within the authority granted by the Articles of Association and Shareholders at the general meetings. Further, 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 code provision A.2.1 of the CG Code is appropriate in such circumstances.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT BY THE AUDIT COMMITTEE

On 11 June 2021, Mr. Jiang Xian retired as an independent non-executive Director and a member of the audit committee of the Company. At the forty-third meeting of the eighth session of the Board held on 11 June 2021, the appointment of Mr. Wang Quandi, an independent non-executive Director, as an additional member of the audit committee of the eighth session of the Board was approved.

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

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

The audit committee of the Company has reviewed the unaudited interim results and the interim report of the Group for the six months ended 30 June 2021.

On Behalf of the Board

Wu Yifang

Chairman

Shanghai, the PRC
23 August 2021

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	5	16,877,537	13,965,179
Cost of sales		(8,110,878)	(6,215,872)
Gross profit		8,766,659	7,749,307
Other income	6	141,714	180,429
Selling and distribution expenses		(4,356,975)	(3,931,067)
Administrative expenses		(1,505,057)	(1,322,239)
Research and development expenses		(1,561,885)	(1,204,425)
Impairment losses on financial assets		(14,804)	(42,765)
Other gains	7	1,645,255	603,622
Other expenses		(338,367)	(52,138)
Interest income		116,605	96,436
Finance costs	8	(420,725)	(427,878)
Share of profits and losses of:			
Joint ventures		(93,817)	(46,558)
Associates		925,626	698,964
PROFIT BEFORE TAX	9	3,304,229	2,301,688
Income tax expense	10	(550,647)	(392,081)
PROFIT FOR THE PERIOD		2,753,582	1,909,607
Attributable to:			
Owners of the parent		2,482,373	1,714,710
Non-controlling interests		271,209	194,897
		2,753,582	1,909,607
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
— For profit for the period		RMB0.97 Yuan	RMB0.67 Yuan
Diluted			
— For profit for the period		RMB0.97 Yuan	RMB0.67 Yuan

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	For the six months ended	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	2,753,582	1,909,607
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(201,712)	(255,609)
Share of other comprehensive loss of joint ventures	(804)	(1,115)
Share of other comprehensive income of associates	54,912	29,073
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(147,604)	(227,651)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income		
Changes in fair value	5,200	3,727
Income tax effect	(780)	24
	4,420	3,751
Share of other comprehensive income of associates	10,725	68,933
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	15,145	72,684
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(132,459)	(154,967)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,621,123	1,754,640
Attributable to:		
Owners of the parent	2,385,072	1,660,547
Non-controlling interests	236,051	94,093
	2,621,123	1,754,640

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	11,986,909	12,579,873
Right-of-use assets		2,574,667	2,666,402
Goodwill		8,622,217	8,677,249
Other intangible assets		9,730,364	9,577,741
Investments in joint ventures		349,077	381,616
Investments in associates		22,447,860	21,870,966
Equity investments designated at fair value through other comprehensive income		6,243	1,043
Financial assets at fair value through profit or loss		1,459,128	1,460,769
Deferred tax assets		232,984	244,937
Other non-current assets		1,807,055	1,083,724
Total non-current assets		59,216,504	58,544,320
CURRENT ASSETS			
Inventories		5,485,618	5,162,800
Trade and bills receivables	14	6,028,237	4,807,059
Prepayments, other receivables and other assets		3,462,140	2,554,165
Financial assets at fair value through profit or loss		3,267,854	1,970,096
Debt investments at fair value through other comprehensive income		472,998	628,881
Cash and bank balances		10,489,133	9,961,802
Total current assets		29,205,980	25,084,803
CURRENT LIABILITIES			
Trade and bills payables	15	3,745,584	3,289,021
Other payables and accruals		6,582,248	5,597,564
Interest-bearing bank and other borrowings	16	15,852,411	14,488,946
Lease liabilities		140,052	151,084
Contract liabilities		1,447,288	1,020,309
Tax payable		389,670	325,429
Total current liabilities		28,157,253	24,872,353
NET CURRENT ASSETS		1,048,727	212,450
TOTAL ASSETS LESS CURRENT LIABILITIES		60,265,231	58,756,770

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	8,513,509	8,475,685
Lease liabilities		706,945	627,291
Deferred tax liabilities		2,935,378	2,852,997
Deferred income		506,250	482,201
Other long term liabilities		277,854	269,488
Contract liabilities		285,708	121,712
Total non-current liabilities		13,225,644	12,829,374
Net assets		47,039,587	45,927,396
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		2,562,899	2,562,899
Reserves		35,241,150	34,375,748
Non-controlling interests		37,804,049	36,938,647
		9,235,538	8,988,749
Total equity		47,039,587	45,927,396

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the parent									
	Share capital	Share premium	Fair value reserve	Statutory surplus reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (Audited)	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
Profit for the Period	—	—	—	—	—	—	2,482,373	2,482,373	271,209	2,753,582
Other comprehensive loss for the Period:										
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	2,698	—	—	—	—	2,698	1,722	4,420
Share of other comprehensive income of joint ventures and associates	—	—	64,833	—	—	—	—	64,833	—	64,833
Exchange differences on translation of foreign operations	—	—	—	—	—	(164,832)	—	(164,832)	(36,880)	(201,712)
Total comprehensive income for the period	—	—	67,531	—	—	(164,832)	2,482,373	2,385,072	236,051	2,621,123
Acquisition of non-controlling interests	—	—	—	—	(460,551)	—	—	(460,551)	(67,129)	(527,680)
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	9,600	9,600
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	169,710	169,710
Deemed disposal of partial interest in subsidiaries without losing control	—	—	—	—	9,104	—	—	9,104	37,128	46,232
Disposal of associates	—	—	—	—	(17,557)	—	—	(17,557)	—	(17,557)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	35,420	35,420
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(65,723)	(65,723)
Disposal of subsidiaries	—	—	—	(2,449)	—	—	2,449	—	(175,821)	(175,821)
Equity-settled share-based payments	—	—	—	—	—	—	—	—	58,179	58,179
Fair value adjustment on the share redemption option granted to non-controlling shareholders of subsidiaries	—	—	—	—	6,469	—	—	6,469	(4,166)	2,303
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	45,862	—	—	45,862	13,540	59,402
Final 2020 cash dividend declared (note 11)	—	—	—	—	—	—	(1,102,997)	(1,102,997)	—	(1,102,997)
At 30 June 2021 (Unaudited)	2,562,899	11,385,162*	207,241*	2,726,155*	3,471,656*	(1,226,551)*	18,677,487*	37,804,049	9,235,538	47,039,587

* These reserve accounts comprise the consolidated reserves of RMB35,241,150,000 (31 December 2020: RMB34,375,748,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

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

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash generated from operations		2,094,337	1,928,625
Income tax paid		(387,696)	(467,328)
Net cash flows from operating activities		1,706,641	1,461,297
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, other intangible assets and other non-current assets		(2,286,070)	(1,904,148)
Acquisition of subsidiaries	17	(21,391)	(8,400)
Purchases of shareholdings in associates and joint ventures		(100,172)	(192,431)
Purchases of financial assets at fair value through profit or loss		(191,752)	(435,607)
Disposals of shareholdings in associates		537,242	151,917
Disposal of financial assets at fair value through profit or loss		80,764	474,449
Disposals of subsidiaries, net of cash paid	18	237,609	—
Dividends received from associates		61,154	67,961
Dividends received from financial assets at fair value through profit or loss		8,009	18,718
Dividends received from equity investments designated at fair value through other comprehensive income		—	1,708
Proceeds from disposals of items of property, plant and equipment, other intangible assets and other non-current assets		18,421	5,439
(Increase)/decrease in deposit for construction projects		(12,392)	3,754
Proceeds from disposals of equity investments designated at fair value through other comprehensive income		—	50,228
Increase in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions		(819,125)	(570,138)
Others		37,959	(42,383)
Net cash flows used in investing activities		(2,449,744)	(2,378,933)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	For the six months ended	
	30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	14,330,459	6,798,841
Repayment of bank and other borrowings	(12,723,895)	(4,736,755)
Interest paid	(419,549)	(441,635)
Repayment of lease liabilities	(68,914)	(67,643)
Capital injections from non-controlling shareholders of subsidiaries	251,362	61,253
Listing related charges of a subsidiary	—	(26,524)
Dividends paid to non-controlling shareholders of subsidiaries	(69,024)	(194,183)
Acquisition of non-controlling interests	(530,770)	(566,651)
Net cash flows from financing activities	769,669	826,703
Net increase/(decrease) in cash and cash equivalents	26,566	(90,933)
Cash and cash equivalents at beginning of the Period	7,324,881	8,284,371
Effect of foreign exchange rate changes, net	(103,270)	(16,493)
Cash and cash equivalents at end of the Period	7,248,177	8,176,945
Analysis of balances of cash and cash equivalents:		
Cash and bank balances at end of the Period	10,489,133	9,750,416
Less: Pledged bank balances and time deposits with original maturity of more than three months	(3,240,956)	(1,573,471)
Cash and cash equivalents at end of the Period	7,248,177	8,176,945

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

1. CORPORATE AND GROUP INFORMATION

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

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

During the six months ended 30 June 2021 (the “Period”), the Group was 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.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- (a) 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 risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 recognise 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 Group had certain interest-bearing bank and other borrowings denominated in Renminbi and foreign currencies based on the Loan Prime Rate ("LPR"), the Hong Kong Interbank Offered Rate, the London Interbank Offered rate ("LIBOR") or various Interbank Offered Rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. 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 provided that the "economically equivalent" criterion is met.

- (b) Amendments to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initial applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB30,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

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 dividend income from financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income, gain or loss on disposal of financial assets at fair value through profit or loss, fair value gain or loss on financial assets at fair value through profit or loss, as well as head office and investment management entities income and expenses are excluded from such measurement.

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

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

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

Notes to Interim Condensed Consolidated Financial Information

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4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2021 (unaudited)

	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	12,179,257	2,832,211	1,843,434	—	22,635	—	16,877,537
Intersegment sales	13,233	17,779	20,501	—	12,639	(64,152)	—
Total revenue	12,192,490	2,849,990	1,863,935	—	35,274	(64,152)	16,877,537
Segment results*	1,352,891	434,099	(19,393)	—	9,266	(23,352)	1,753,511
Other income	102,012	14,123	15,428	—	7,430	—	138,993
Other gains	201,990	2,283	87,416	—	262,270	(111,725)	442,234
Interest income	85,180	16,516	14,508	—	1,698	(14,636)	103,266
Finance costs	(80,436)	(13,698)	(25,545)	—	(5,312)	21,894	(103,097)
Other expenses	(35,582)	(34,764)	(12,181)	—	(258,830)	—	(341,357)
Share of profits and losses of:							
Joint ventures	(93,805)	—	—	—	(12)	—	(93,817)
Associates	35,707	90,143	(28,178)	896,991	(69,037)	—	925,626
Unallocated other income, interest income, other gains, finance cost, and expenses							478,870
Profit/(loss) before tax	1,567,957	508,702	32,055	896,991	(52,527)	(127,819)	3,304,229
Tax	(311,399)	(54,486)	(47,288)	—	(2)	—	(413,175)
Unallocated tax							(137,472)
Profit/(loss) for the period	1,256,558	454,216	(15,233)	896,991	(52,529)	(127,819)	2,753,582
Segment assets:	46,659,269	8,322,272	9,898,810	15,355,639	4,458,138	(2,668,056)	82,026,072
Including:							
Investments in joint ventures	342,929	—	—	—	6,148	—	349,077
Investments in associates	2,273,758	555,078	1,589,874	15,355,639	2,673,511	—	22,447,860
Unallocated assets							6,396,412
Total assets							88,422,484
Segment liabilities:	17,422,127	2,202,799	2,555,456	—	710,137	(10,426,621)	12,463,898
Unallocated liabilities							28,918,999
Total liabilities							41,382,897
Other segment information:							
Depreciation and amortisation	643,074	123,971	157,392	—	21,010	—	945,447
Impairment losses recognised in the statement of profit or loss, net	(1,288)	25,438	7,872	—	190,114	—	222,136
Capital expenditure**	1,323,129	137,508	477,910	—	102,565	—	2,041,112

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

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2020 (unaudited)

	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare Service RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	9,952,096	2,638,887	1,359,017	—	15,179	—	13,965,179
Intersegment sales	48,294	46,610	4,700	—	8,270	(107,874)	—
Total revenue	10,000,390	2,685,497	1,363,717	—	23,449	(107,874)	13,965,179
Segment results*							
Other income	1,115,513	509,746	31,373	—	(4,289)	(19,026)	1,633,317
Other gains	135,673	10,551	16,910	—	16,579	—	179,713
Interest income	157,704	14,210	3,393	—	275,233	30	450,570
Finance costs	56,129	10,345	17,531	—	185	(5,291)	78,899
Other expenses	(51,353)	(14,125)	(17,409)	—	(5,587)	26,170	(62,304)
Other expenses	27,605	(55,433)	(6,267)	—	(22,062)	—	(56,157)
Share of profits and losses of:							
Joint ventures	(45,744)	—	—	—	(814)	—	(46,558)
Associates	32,681	24,021	(31,134)	724,041	(50,645)	—	698,964
Unallocated other income, interest income, other gains, finance cost and expenses							
							(574,756)
Profit before tax	1,428,208	499,315	14,397	724,041	208,600	1,883	2,301,688
Tax	(313,433)	(65,625)	(12,784)	—	(239)	—	(392,081)
Profit for the period	1,114,775	433,690	1,613	724,041	208,361	1,883	1,909,607
Segment assets:							
Including:	41,047,332	8,262,367	9,812,781	13,877,770	4,251,314	(1,683,155)	75,568,409
Investments in joint ventures	349,474	—	—	—	6,730	—	356,204
Investments in associates	2,248,581	1,102,609	1,624,283	13,877,770	2,859,201	—	21,712,444
Unallocated assets							4,544,467
Total assets							80,112,876
Segment liabilities:							
Unallocated liabilities	18,654,179	1,937,780	2,229,824	—	386,141	(9,370,028)	13,837,896
Total liabilities							26,476,159
							40,314,055
Other segment information:							
Depreciation and amortisation	590,999	96,170	133,901	—	15,197	—	836,267
Impairment losses recognised in the statement of profit or loss, net	(32,251)	49,686	2,365	—	22,048	—	41,848
Capital expenditure**	1,309,447	97,984	356,886	—	47,953	—	1,812,270

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

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from contracts with customers	16,864,028	13,951,418
Revenue from other sources		
Gross rental income	13,509	13,761
	16,877,537	13,965,179

Disaggregated revenue information for revenue from contracts with customer

For the six months ended 30 June 2021 (unaudited)

Segments	Pharmaceutical manufacturing RMB'000	Medical devices and medical diagnosis RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Total RMB'000
Types of goods or services					
Sale of products	11,733,205	2,742,001	37,479	—	14,512,685
Rendering of services	414,422	76,259	1,804,041	11,459	2,306,181
Sale of materials	30,599	13,951	612	—	45,162
Total revenue from contracts with customers	12,178,226	2,832,211	1,842,132	11,459	16,864,028
Geographical markets					
Mainland China	8,474,661	1,339,179	1,842,132	10,040	11,666,012
Overseas countries and regions	3,703,565	1,493,032	—	1,419	5,198,016
Total revenue from contracts with customers	12,178,226	2,832,211	1,842,132	11,459	16,864,028
Timing of revenue recognition					
Goods transferred at a point in time	11,763,804	2,755,952	38,091	—	14,557,847
Services transferred at a point in time	297,157	13,239	1,804,041	11,459	2,125,896
Services transferred over time	117,265	63,020	—	—	180,285
Total revenue from contracts with customers	12,178,226	2,832,211	1,842,132	11,459	16,864,028

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

5. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers (Continued)

For the six months ended 30 June 2020 (unaudited)

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

6. OTHER INCOME

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Dividend income from financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income	8,009	20,391
Government grants	132,660	158,367
Others	1,045	1,671
	141,714	180,429

7. OTHER GAINS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Gain on disposal of shareholdings in joint ventures and associates	279,501	87,209
Gain on fair value change of financial assets at fair value through profit or loss, net	1,182,759	23,394
Gain on disposal of financial assets at fair value through profit or loss, net	47,549	415,708
Gain on disposal of subsidiaries	78,995	—
Others	56,451	77,311
	1,645,255	603,622

8. FINANCE COSTS

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on bank and other borrowings	413,098	425,687
Interest on lease liabilities	14,841	12,188
Less: Interest capitalised	(7,214)	(9,997)
Interest expenses, net	420,725	427,878

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

9. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	6,433,620	4,932,900
Cost of services provided	1,677,258	1,282,972
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	3,070,335	2,468,297
Retirement benefits:		
Defined contribution fund	180,142	66,453
Accommodation benefits:		
Defined contribution fund	101,061	83,795
Share-based payment	39,619	39,516
	3,391,157	2,658,061
Research and development expenses:		
Current period expenditure excluding amortisation of other intangible assets	1,494,528	1,167,594
Rental expenses from short term and low value assets	21,673	12,963
Depreciation of property, plant and equipment	564,429	490,945
Depreciation of right-of-use assets	101,351	91,076
Amortisation of other intangible assets	279,667	254,247
Provision/(Reversal) for impairment of inventories and property, plant and equipment	16,953	(917)
Impairment of financial assets		
Impairment of trade receivables	15,022	40,079
(Reversal)/Provision of impairment of other receivables	(218)	2,686
Impairment of investments in associates	190,379	—
Gain on fair value change of financial assets at fair value through profit or loss, net	(1,182,759)	(23,394)
Gain on disposal of financial assets at fair value through profit or loss, net	(47,549)	(415,708)
Foreign exchange gain, net	(41,939)	(69,551)
Loss/(Gain) on disposals of items of property, plant and equipment and other intangible assets	10,166	(1,621)

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

10. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% (for the six months ended 30 June 2020: 25%) of the taxable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 0% to 20%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated taxable profits arising in Hong Kong during the period. The provision of current income tax of Alma Lasers Ltd., a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 6%. The provision of current income tax of Nova Medical Israel Ltd. ("Nova"), a subsidiary of the Company incorporated in Israel, is based on a statutory rate of 23%. The provision of current income tax of Gland Pharma Limited ("Gland Pharma"), a subsidiary of the Company incorporated in India, is based on a statutory rate of 25.17%. The provision of current income tax of Breas Medical Holdings AB ("Breas"), a subsidiary of the Company incorporated in Sweden, is based on a statutory rate of 20.6%. The provision of current income tax of Tridem Pharma S.A.S ("Tridem Pharma"), a subsidiary of the Company incorporated in France, is based on a statutory rate of 26.5%.

The major components of tax expenses for the six months ended 30 June 2021 and 2020 are as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current	451,937	467,327
Deferred	98,710	(75,246)
Total tax charge for the period	550,647	392,081

11. DIVIDENDS

The Directors did not recommend the payment of an interim dividend in respect of the six months period ended 30 June 2021 (for the six months period ended 30 June 2020: Nil).

The proposed final dividend of RMB0.43 (tax included) per ordinary share for the year ended 31 December 2020 was approved by the shareholders at the annual general meeting of the Company on 11 June 2021.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,562,898,545 (for the six months period ended 30 June 2020: 2,562,898,545) in issue during the period.

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

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	2,482,373	1,714,710
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	2,482,373	1,714,710

	Number of shares For the six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,562,898,545	2,562,898,545
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	2,562,898,545	2,562,898,545

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021.

Notes to Interim Condensed Consolidated Financial Information

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13. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Carrying value at 1 January	12,579,873	10,720,960
Additions	1,481,681	1,191,624
Acquisitions of a subsidiary	790	14,953
Disposals	(46,840)	(77,353)
Disposal of subsidiaries	(1,434,727)	—
Depreciation charge for the Period	(564,429)	(490,945)
Exchange realignment	(29,439)	(45,393)
Carrying value at 30 June	11,986,909	11,313,846

The Group's property, plant and equipment with a net carrying value of RMB459,285,000 (31 December 2020: RMB188,426,000), were pledged as security for interest-bearing bank loans as set out in note 16 to the interim condensed consolidated financial statements.

14. TRADE AND BILLS RECEIVABLES

	30 June	
	2021	
	RMB'000	31 December
	(Unaudited)	2020
		RMB'000
		(Audited)
Trade receivables	5,989,288	4,564,659
Bills receivable	38,949	242,400
	6,028,237	4,807,059

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.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

14. TRADE AND BILLS RECEIVABLES (Continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	5,983,688	4,494,797
1 to 2 years	144,645	186,530
2 to 3 years	13,640	42,506
Over 3 years	140,781	121,553
Less: Provision for impairment	(293,466)	(280,727)
	5,989,288	4,564,659

As at 30 June 2021, trade receivables and bills receivable with a book value of RMB4,300,000 (2020: RMB4,300,000) were used to obtain interest-bearing bank borrowings.

15. TRADE AND BILLS PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	3,208,429	2,942,091
Bills payable	537,155	346,930
	3,745,584	3,289,021

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

15. TRADE AND BILLS PAYABLES (Continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	3,152,144	2,881,516
1–2 years	39,361	44,525
2–3 years	12,770	8,999
Over 3 years	4,154	7,051
	3,208,429	2,942,091

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank loans:			
— Secured	(1)	1,302,115	1,094,631
— Unsecured		16,335,918	15,249,893
		17,638,033	16,344,524
Super short-term commercial papers	(2)	1,500,000	—
Corporate bonds	(3)	5,227,887	6,620,107
Total		24,365,920	22,964,631
Portion classified as current liabilities		(15,852,411)	(14,488,946)
Non-current portion		8,513,509	8,475,685

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

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

A repayable analysis of interest-bearing bank and other borrowings is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Repayable:		
Within 1 year	15,852,411	14,488,946
1 to 2 years	2,664,956	7,542,933
2 to 5 years	4,226,672	256,387
Over 5 years	1,621,881	676,365
	24,365,920	22,964,631
Portion classified as current liabilities	(15,852,411)	(14,488,946)
Non-current portion	8,513,509	8,475,685

Notes:

(1) Bank loans

The bank loans bear interest at rates ranging from 0.3000% to 5.2700% (31 December 2020: 0.3000% to 6.2000%) per annum.

As at 30 June 2021, certain of the Group's bank loans are secured by the mortgage of certain of the Group's property, plant and equipment (note 13) amounting to RMB459,285,000 (31 December 2020: RMB188,426,000), prepaid land lease payments included in right-of-use assets amounting to RMB565,373,000 (prepaid land lease payments included in right-of-use-assets on 31 December 2020: RMB528,904,000).

As at 30 June 2021, certain of the Group's bank loans are secured by the pledge of the Group's accounts receivable and bills receivable amounting to RMB4,300,000 (31 December 2020: RMB4,300,000) and other receivables amounting to RMB6,455,000 (31 December 2020: RMB5,305,000).

As at 30 June 2021, certain of the Group's bank loans are secured by the pledge of the Group's debt investments at fair value through other comprehensive income amounting to RMB30,090,000 (31 December 2020: Nil)

As at 30 June 2021, the Group's debt investments at fair value through other comprehensive income with a book value of RMB32,740,000 (31 December 2020: Nil) were not derecognized when discounted.

As at 30 June 2021, the Group's debt investments at fair value through other comprehensive income with a book value of RMB983,000 (31 December 2020: Nil) were pledged as bank acceptance draft deposits.

(2) Super Short-term Commercial Paper

On 25 May 2021, the Company issued super short-term commercial papers in an aggregate amount of RMB1,500,000,000, which bear interest at 2.90% per annum. The interest of super short-term commercial papers is payable on its maturity date that is 22 September 2021.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

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

Notes: (Continued)

(3) Corporate bonds

On 14 March 2017, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,250,000,000, which bear interest at 4.50% per annum. The interest is payable annually in arrears and the maturity date is 14 March 2022. On 14 March 2020, a total redemption amount of RMB158,050,000 was paid by the Company, and the remaining bondholders chose to continue holding until 14 March 2022. In the remaining interest-bearing years, the interest rate is changed to 3.48%. The corporate bonds were presented as current liabilities as at 30 June 2021.

On 13 August 2018, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,300,000,000, which bear interest at 5.10% per annum. The interest is payable annually in arrears and the maturity date is 13 August 2023. 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 presented as current liabilities as at 30 June 2021.

On 30 November 2018, the Company issued corporate bonds with a maturity of four years in an aggregate amount of RMB500,000,000 and corporate bonds with a maturity of five years in an aggregate amount of RMB1,000,000,000, which bear interest at 4.47% and 4.68% per annum respectively. The interest of the corporate bonds with a maturity of four years is payable annually in arrears and the maturity date is 30 November 2022. On 29 November 2020, a total redemption amount of RMB260,000,000 was paid by the Company, and the remaining bondholders chose to continue holding until 29 November 2022. In the remaining interest-bearing years, the interest rate is changed to 3.83%. The interest of the corporate bonds with a maturity of five years is payable annually in arrears and the maturity date is 30 November 2023. Since holders of the corporate bonds with a maturity of five years, 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 presented as current liabilities as at 30 June 2021.

On 2 February 2021, the Company issued corporate bonds with a maturity of four years in an aggregate amount of RMB1,600,000,000, which bear interest at 3.98% per annum. The interest is payable annually in arrears and the maturity date is 2 February 2025.

17. BUSINESS COMBINATION

On 29 March 2021, Shenzhen Hengsheng Hospital, a subsidiary of the Company, acquired 100% equity interest in Shenzhen Xinsheng Pharmaceutical Co., Ltd.* (深圳信生藥業有限公司) ("Shenzhen Xinsheng") from a third party. The consideration for the acquisition was RMB3,450,000. After the acquisition, the Group holds 100% equity interest in Shenzhen Xinsheng.

On 15 April 2021, Shanghai Fosun Medical System Co., Ltd., a subsidiary of the Company, acquired 70% equity interest in Shanghai Xingyuanda Medical Technology Co., Ltd.* (上海星苑達醫療科技有限公司) ("Shanghai Xingyuanda") from a third party. The consideration for the acquisition was RMB22,400,000. After the acquisition, the Group holds 70% equity interest in Shanghai Xingyuanda.

* 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.

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

17. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the period as at the dates of acquisition were as follows:

	<i>Note</i>	Fair value recognised on acquisition RMB'000 (Unaudited)
Property, plant and equipment	13	790
Other intangible assets		34,306
Inventories		7,348
Cash and bank balances		7,099
Trade and bills payable		(4,641)
Deferred tax liabilities		(9,452)
Total identifiable net assets at fair value		35,450
Non-controlling interests		(9,600)
		25,850
Satisfied by:		
Consideration		25,850

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

	RMB'000 (Unaudited)
Cash consideration paid	(12,950)
Cash and cash equivalents acquired	7,099
	(5,851)
Payment of unpaid cash consideration as at 31 December 2020	(15,540)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(21,391)

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17. BUSINESS COMBINATION (Continued)

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

	RMB'000 (Unaudited)
Gross carrying amount	
At 1 January 2021	9,034,749
Exchange realignment	(55,032)
At 30 June 2021	8,979,717
Accumulated impairment losses	
At 1 January 2021	(357,500)
Impairment losses recognised during the period	—
At 30 June 2021	(357,500)
Net book value	
At 1 January 2021	8,677,249
At 30 June 2021	8,622,217

Since the acquisitions, the acquired subsidiaries contributed RMB288,000 to the Group's revenue and a loss of RMB177,000 to the consolidated profit for the six months ended 30 June 2021.

Had the combinations taken place at the beginning of the period, the revenue and the profit of the Group for the period would have been RMB16,877,537,000 and RMB2,753,582,000, respectively.

18. DISPOSAL OF SUBSIDIARIES

During the period ended 30 June 2021, the Group entered into equity interest transfer agreements with third parties to dispose of 100% of equity interest in Far-Eastern Casing Foodstuff Co., Ltd.* (遠東腸衣食品有限公司), for a consideration of RMB3,540,000.

During the period ended 30 June 2021, the Group entered into equity interest transfer agreements with third parties to dispose of 75% of equity interest in Taizhou Zhedong Medical Care Investment Management Co., Ltd.* (台州市立浙東醫養投資管理有限公司), for a consideration of RMB531,467,000.

During the period ended 30 June 2021, the Company's subsidiary Foshan City Chancheng District Central Hospital Co., Ltd. ("Chancheng Hospital"), Shanghai Fosun Health Technology (Group) Co., Ltd. ("Fosun Health Group"), Foshan ChanXi Real Estate Development Co., Ltd. ("Foshan ChanXi") and Shanghai Yuyuan Tourism Mart (Group) Co., Ltd. ("Yuyuan Garden"), the Company's related party, signed the contract of equity and debt transfer of Foshan ChanXi.

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18. DISPOSAL OF SUBSIDIARIES (Continued)

It was agreed that Chancheng Hospital and Fosun Health Group transferred their 100% equity shares of Foshan Chanxi and creditor's rights as at 31 December 2020 to Yuyuan Garden(or its subsidiary appointed). The consideration of the total transfer price was RMB550,000,000 through negotiation by all parties based on the appraisal results of the value of equity and creditor's rights in the asset appraisal report (Dazheng pingbao Zi (2021) No. 100A) with the benchmark date of 31 December 2020, of which consideration of equity transfer was amounted to RMB176,113,000 and the total transfer consideration of creditor's rights was amounted to RMB373,887,000. The change of equity involved in this transfer was completed in May 2021, and the industrial and commercial change registration was completed in May 2021. After the transfer, the Group no longer held the equity of Foshan Chanxi.

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 dates of disposal is as follows:

	Notes	For the six months ended 30 June 2021 RMB'000
Net assets disposed of:		
Property, plant and equipment	13	1,434,727
Right of use assets		177,657
Other intangible assets		120
Deferred tax assets		154
Inventory		8,490
Trade and bills receivables		3,859
Prepayments, other receivables and other assets		70,315
Cash and cash equivalents		108,084
Trade and bills payables		(3,058)
Tax payable		(271)
Contract liabilities		(131,908)
Other payables and accruals		(751,915)
Deferred tax liabilities		(870)
Long term interest-bearing bank and other borrowings		(107,438)
		807,946
Non-controlling interests		(175,821)
Gain on disposal of subsidiaries	7	78,995
		711,120
Satisfied by:		
Cash consideration received		711,120

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18. DISPOSAL OF SUBSIDIARIES (Continued)

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	711,120
Cash receipt	345,693
Cash and bank balances disposed of	(108,084)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	237,609

19. COMMITMENTS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	2,334,273	2,672,447
Investments in subsidiaries and associates	834,921	807,635
Investment in Financial assets at fair value through profit or loss	498,805	342,798
Authorized, but not signed:		
Prepaid land lease payments included in right-of-use assets, property, plant and equipment	3,193,706	4,003,225
	6,861,705	7,826,105

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20. RELATED PARTY TRANSACTIONS

(a) Sales of pharmaceutical products and services

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sinopharm Group Co., Ltd. and its subsidiaries (notes 4 & 6 & 15)	1,809,891	1,395,932
C.Q. Pharmaceutical Holding Co., Ltd. and its subsidiaries (notes 1 & 4 & 16)	326,501	188,335
Shanghai Lingjian Information Technology Co., Ltd. (notes 1 & 4)	7,936	4,030
Suzhou Fujian Xingyi Venture Investment Partnership (Limited Partnership) (notes 1 & 4)	5,139	—
Tianjin Fosun Haihe Healthcare Industry Fund Partnership (Limited Partnership) (notes 1 & 4)	2,436	—
New Frontier Health Corporation and its subsidiaries (notes 1 & 4 & 6)	2,039	737
Fosun Kite Biological Technology Co., Ltd. (notes 2 & 4)	2,030	14
Jingfukang Pharmaceutical Group Co., Ltd. (notes 1 & 4)	1,251	1,777
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (notes 2 & 4)	671	406
Shanghai Di'ai Medical Instrument Co., Ltd. (notes 1 & 4)	637	2,555
Fosun International Limited and its subsidiaries (notes 3 & 4 & 10 & 16)	252	98,576
Gland Chemicals Pvt Ltd. (notes 4 & 8)	148	4,315
Shanghai Fosun Public Welfare Foundation (notes 4 & 8)	40	84,471
Shanghai Xingmai Information Technology Co., Ltd. (notes 1 & 4)	26	13
Tongde Equity Investment and Management (Shanghai) Co., Ltd. (notes 4 & 7)	19	16
Intuitive Surgical — Fosun Medical Technology (Shanghai) Co., Ltd. (notes 1 & 4)	6	68,855
Shanghai Fosun Bund Property Co., Ltd. (notes 4 & 8)	6	16
Fosun United Health Insurance co., Ltd. (notes 4 & 8)	4	42
StarKids Children's Hospital Shanghai (notes 1 & 4)	3	3
Intuitive Surgical — Fosun (Hong Kong) Co., Ltd. (notes 1 & 4)	—	92,686
Zhejiang Di'an Diagnostics Co., Ltd. and its subsidiaries (notes 4 & 8)	—	7,036
Shanghai Xingyao Medical Technology Development Co., Ltd. (notes 2 & 4 & 17)	—	1,612
Saladax Biomedical, Inc. (notes 1 & 4)	—	1,262
	2,159,035	1,952,689

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20. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of pharmaceutical products and services

	For the six months ended	
	30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sinopharm Group Co., Ltd. and its subsidiaries (notes 4 & 6 & 15)	178,674	128,644
Gland Chemicals Pvt Ltd. (notes 4 & 8)	34,544	87,769
Fosun International Limited and its subsidiaries (notes 3 & 4 & 11 & 16)	22,575	96,578
C.Q. Pharmaceutical Holding Co., Ltd. and its subsidiaries (notes 1 & 4 & 16)	18,434	2,266
Saladax Biomedical, Inc. (notes 1 & 4)	12,041	—
SINNOWA Medical Science & Technology Co., Ltd. (notes 1 & 4)	1,306	1,071
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. (notes 1 & 4)	1,034	1,007
Fosun United Health Insurance co., Ltd. (notes 4 & 8)	627	33
Huaihai Hospital Management Co., Ltd. (notes 1 & 4)	105	—
Shanghai Lingjian Information Technology Co., Ltd. (notes 1 & 4)	55	23
Shanghai Xingyao Medical Technology Development Co., Ltd. (notes 2 & 4 & 17)	—	907
Zhejiang Di'an Diagnostics Co., Ltd. and its subsidiaries (notes 4 & 8)	—	510
	269,395	318,808

(c) Leasing and property management services

As lessor	For the six months ended	
	30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Fosun Kite Biological Technology Co., Ltd. (notes 2 & 5)	5,068	6,106
Fosun International Limited and its subsidiaries (notes 3 & 5 & 12 & 16)	1,458	3,529
Shanghai Xingmai Information Technology Co., Ltd. (notes 1 & 5)	732	733
Tong De Equity Investment and Management (Shanghai) Co., Ltd. (notes 5 & 7)	471	471
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (notes 2 & 5)	252	216
New Frontier Health Corporation and its subsidiaries (notes 1 & 5 & 6)	149	413
Intuitive Surgical — Fosun Medical Technology (Shanghai) Co., Ltd. (notes 1 & 5)	140	145
Shanghai Xingyao Medical Technology Development Co., Ltd. (notes 2 & 5 & 17)	—	578
StarKids Children's Hospital Shanghai (notes 1 & 5)	—	65
	8,270	12,256

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20. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

	For the six months ended	
	30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
As lessee		
Fosun International Limited and its subsidiaries (notes 3 & 5 & 13 & 16)	5,242	2,952
Dhananjaya Properties LLP (notes 5 & 8)	114	117
Sasikala Properties LLP (notes 5 & 8)	41	43
	5,397	3,112

	For the six months ended	
	30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Property management services		
Fosun International Limited and its subsidiaries (notes 3 & 5 & 14 & 16)	6,818	6,904

(d) Loans from/to a related parties

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

	30 June	31 December
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Audited)
Deposits in Fosun Finance		
Fosun Finance (notes 3 & 16)	965,024	447,750

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20. RELATED PARTY TRANSACTIONS (Continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
A loan from a related party		
Fosun Finance (notes 3 & 16)	73,450	59,300

Fosun Industrial Co, Limited ("Fosun Industrial") offered Nature's Sunshine (Far East) Limited a one-year loan of RMB5,814,000 at a rate of 3%.

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

Shanghai Fosun Health Technology (Group) Co., Ltd offered StarKids Children's Hospital Shanghai a short-term loan of RMB3,400,000 at a rate of 3.85%.

Shanghai Fosun Children's Hospital Management Co., Ltd offered StarKids Children's Hospital Shanghai a short-term loan of RMB4,291,000 at a rate of the benchmark lending rate for the same period.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Loans to related parties		
Nature's sunshine (Far East) limited (note 1)	5,814	7,830
Fosun Kite Biological Technology Co., Ltd. (note 2)	188,840	188,840
StarKids Children's Hospital Shanghai (note 1)	7,691	—
	202,345	196,670

(e) Interest income from/interest expense to related parties

	Six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income		
Fosun Kite Biological Technology Co., Ltd. (note 2)	4,678	4,706
Fosun Finance (notes 3 & 16)	4,560	3,358
StarKids Children's Hospital Shanghai (note 1)	182	—
Nature's Sunshine (Far East) Limited (note 1)	112	160
	9,532	8,224

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20. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from/interest expense to related parties (continued)

The interest rate for deposits in Fosun Finance is made reference to the benchmark interest rate and the market interest rate. The annual interest rate of demand deposits is 0.35% (for the six months ended 30 June 2020: 0.35%), the seven-day notice deposit interest rate is 1.89% (for the six months ended 30 June 2020: 1.89%), the agreed deposit interest rate is 1.15% (for the six months ended 30 June 2020: 1.15%), and the fixed deposits interest rate is 1.55%–1.755% (for the six months ended 30 June 2020: 1.55%–3.85%).

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest expense		
Fosun Finance (notes 3 & 16)	1,432	1,058

Notes:

- (1) They are associates of the Group.
- (2) They are joint ventures of the Group.
- (3) They are subsidiaries of Fosun International Limited, the intermediate holding company of the Group.
- (4) The sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.
- (5) The fees for the leasing and property management services received from or paid to these related companies were determined based on prices available to third party customers of these related companies.
- (6) They are subsidiaries of associates of the Group.
- (7) They are subsidiaries of joint ventures of the Group.
- (8) They are other related parties of the Group.
- (9) In April 2021, the Company's subsidiary Chancheng Hospital, Fosun Health Group, Foshan ChanXi and Yuyuan Garden signed the contract of equity and debt transfer of Foshan ChanXi. It was agreed that Chancheng Hospital and Fosun Health Group transferred their 100% equity shares of Foshan Chanxi and creditor's rights to Yuyuan Garden, a subsidiary of Fosun International Limited. For details, refer to note 18. Disposal of subsidiaries.
- (10) During this period, the Group offered Fosun International Limited and its subsidiaries with products and other services at market prices. The Fosun International Limited and its subsidiaries include Shanghai Fosun High Tech (Group) Co., Ltd., Shanghai Gaodi Real Estate Management Co., Ltd., Beijing Gaodi Real Estate Management Co., Ltd., Shanghai Yunji Information Technology Co., Ltd., Shanghai Ping'ao Investment Management Co., Ltd., Shanghai Fosun Zhijian Information Technology Co., Ltd, Shanghai Fosun Venture Capital Management Co., Ltd, Shanghai Fosun Tourism Management Co., Ltd., Shanghai Xingchuang Health Technology Co., Ltd., Shanghai Fosun Chuangfu Investment Management Co., Ltd., Shanghai Xingyi Health Management Co., Ltd., Shanghai Fu Heng Insurance Brokers Ltd., Liang Fu Credit Investigation Management Co., Shanghai Zzkur Information Technology Co., Ltd., Zhangxingbao (Shanghai) Network Technology Co. Ltd., Fosun Industrial Investment Co., Ltd., Shanghai Xingpian management Consulting Co., Ltd, Glsmmed Trade S.A, Ltd. and so on.
- (11) During this period, the Group received products and services from the Fosun International Limited and its subsidiaries at market prices. The Fosun International Limited and its subsidiaries include Fosun High Tech (Group) Co., Ltd., Shanghai Yunji Information Co., Ltd., Zhejiang Fuyi Cosmetics Co.,Ltd., Hainan Fosun Trading Co., Ltd, Shanghai Xingyi Health Management Co., Ltd., Shanghai Gaodi Real Estate Management Co., Ltd., and Shanghai Yilian Enterprise Management Co., Ltd.

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20. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from/interest expense to related parties (continued)

Notes: (Continued)

- (12) During this period, the Group leased out the office buildings to the Fosun International Limited and its subsidiaries. The Fosun International Limited and its subsidiaries include Fosun High Tech (Group) Co., Ltd., Shanghai Ping'ao Investment Management Co., Ltd., Shanghai Fosun Zhijian Information Technology Co., Ltd., Liang Fu Credit Investigation Management Co., Ltd. and Shanghai Zzkur Information Technology Co., Ltd.
- (13) During this period, the Group leased office buildings from the Fosun International Limited and its subsidiaries. The Fosun International Limited and its subsidiaries include Shanghai New Shihua Investment and Management Co., Ltd. and Chuangfu Finance Leasing Co., Ltd.
- (14) During this period, the Group received management services from the Fosun International Limited and its subsidiaries. The Fosun International Limited and its subsidiaries include Shanghai Gaodi Real Estate Management Co., Ltd. and Beijing Gaodi Real Estate Management Co., Ltd.
- (15) Sinopharm Group Co.,Ltd. is a major subsidiary of Sinopharm Industrial Investment Co., Ltd., an associate of the Group.
- (16) The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.
- (17) Shanghai Xingyao Medical Technology Development Co.,Ltd. was acquired by the Group on 19 March 2020, and become a subsidiary of the Company.

(f) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Performance related bonuses	49,724	50,051
Salaries, allowances and benefits in kind	17,451	15,410
Pension scheme contributions	526	243
	67,701	65,704

(g) Guarantees

	Guarantee amount	Start date	End date	Fulfilled or not
Fosun International Co., Ltd.	108,952,000	2021/6/22	2021/12/2	Not
Fosun International Co., Ltd.	43,606,000	2021/6/17	2021/12/2	Not

For the period ended 30 June 2021, Fosun International Co., Ltd. and the group obtained short-term bank loans based on the respective equity ratio to the company's subsidiary Fosun medical holdings AB.

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20. RELATED PARTY TRANSACTIONS (Continued)

(h) Donations

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Fosun Charity Fund	8,708	17,959

For the six months ended 30 June 2021, the Group donated RMB8,708,000 (six months ended 30 June 2020: RMB17,959,000) to social welfare projects through Fosun Charity Fund.

(i) Outstanding balances with related parties:

- (i) As at 30 June 2021, the Group had a balance due from the intermediate holding company and its subsidiaries of RMB1,832,622,000 (31 December 2020: RMB453,466,000). The balances were unsecured, interest-free and had no fixed terms of collection, except for deposit in Fosun Finance.
- (ii) As at 30 June 2021, the Group had a balance due from its associate companies and their subsidiaries of RMB1,007,723,000 (31 December 2020: RMB999,726,000). The balances were unsecured, interest-free and had no fixed terms of collection, except for loan offered to Nature's Sunshine (Far East) Limited and StarKids Children's Hospitals Shanghai.
- (iii) As at 30 June 2021, the balances due from its joint ventures and their subsidiaries of RMB195,567,000 (31 December 2020: RMB192,914,000) were unsecured, interest-free and had no fixed terms of collection, except for loan offered to Fosun Kate.
- (iv) As at 30 June 2021, the balances due from other related companies of RMB4,041,000 (31 December 2020: RMB2,570,000) were unsecured, interest-free and repayable on demand.
- (v) As at 30 June 2021, the Group had a balance due to intermediate holding company and its subsidiaries of RMB186,447,000 (31 December 2020: RMB132,698,000). The balances were unsecured, interest-free and had no fixed terms of repayment, except for borrowings from Fosun Finance.
- (vi) As at 30 June 2021, the balances due to its associate companies and their subsidiaries include an amount of RMB235,923,000 (31 December 2020: RMB300,538,000) which was unsecured, interest-free and had no fixed terms of repayment.
- (vii) As at 30 June 2021, the balance due to its joint ventures and their subsidiaries with the amount of RMB9,439,000 (31 December 2020: RMB9,446,000) was non-trade in nature, unsecured, interest-free and had no fixed terms of repayment.
- (viii) As at 30 June 2021, the balances due to other related companies include an amount of RMB139,000 (31 December 2020: RMB10,563,000) which was unsecured, interest-free and had no fixed terms of repayment, except for lease liabilities.

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20. RELATED PARTY TRANSACTIONS (Continued)

(i) Outstanding balances with related parties: (Continued)

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

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial Assets:				
Equity investments designated at fair value through other comprehensive income	6,243	1,043	6,243	1,043
Debt investments at fair value through other comprehensive income	472,998	628,881	472,998	628,881
Financial assets at fair value through profit or loss	4,726,982	3,430,865	4,726,982	3,430,865
Other non-current assets	294,076	188,840	297,354	188,840
	5,500,299	4,249,629	5,503,577	4,249,629
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	6,674,021	7,145,884	6,694,426	7,172,117
Other borrowings (other than lease liabilities)	5,227,887	6,620,107	5,195,438	6,673,003
Financial liabilities included in other long-term liabilities	248,335	241,773	248,335	241,773
Other payables and accruals	71,200	73,503	71,200	73,503
	12,221,443	14,081,267	12,209,399	14,160,396

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

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings as at 30 June 2021 was assessed to be insignificant.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2021:

Unobservable inputs for Level 3 assets

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

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

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

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 RMB71,200,000 (31 December 2020: RMB73,503,000) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Nova during the year 2020.

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 30 June 2021 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	3,017,461	206,237	1,503,284	4,726,982
Equity investments designated at fair value through other comprehensive income	—	6,243	—	6,243
Debt investments at fair value through other comprehensive income	—	472,998	—	472,998
	3,017,461	685,478	1,503,284	5,206,223

As at 31 December 2020 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	1,215,451	701,386	1,514,028	3,430,865
Equity investments designated at fair value through other comprehensive income	—	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

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

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

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

For the six months ended 30 June 2021

	Financial assets at fair value through profit and loss RMB'000 (Unaudited)	Equity investments Designated at fair value through other comprehensive income RMB'000 (Unaudited)
As at 1 January 2021	1,514,028	—
Total losses recognised in the statement of profit or loss included in other gains	(159,575)	—
Total losses recognised in other comprehensive income	(9,123)	—
Addition	191,582	—
Disposal	(33,628)	—
As at 30 June 2021	1,503,284	—

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

For the six months ended 30 June 2020

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

During the period, the fair value measurements of financial assets at fair value through profit or loss held by the Group with the carrying amount of RMB354,697,000 were transferred from Level 2 to Level 1 (six months ended 30 June 2020: Nil) due to the fact that the investee companies were listed and have passed the restricted sale period. And there were no transfers from or to Level 3 for financial assets (six months ended 30 June 2020: Nil).

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

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

Fair value hierarchy (Continued)

Liabilities measured at fair value:
As at 30 June 2021 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Amounts included in other payables and accruals	—	—	71,200	71,200

As at 31 December 2020 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Amounts included in other payables and accruals	—	—	73,503	73,503

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
As at 1 January	73,503	2,818,244
Losses recognised in other reserve	(2,303)	—
Addition	—	35,026
Settlement	—	(209,286)
As at 30 June	71,200	2,643,984

During the period, there were no transfer of fair value measurement between Level 1 and Level 2 for financial liabilities (six months ended 30 June 2020: Nil).

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

22. CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group did not have any contingent liabilities.

23. EVENTS AFTER THE REPORTING PERIOD

Sold back of the “18 Fosun Pharma 01” Corporate Bonds

The bondholders of “18 Fosun Pharma 01” registered to sell back of all or part of their holdings of “18 Fosun Pharma 01” during the period from 19 July 2021 to 23 July 2021. The sold back price was the par value of the bonds as RMB100 each. According to the statistics of the Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on the current bond sold back, 974,999 lots of “18 Fosun Pharma 01” (bond code: 143422) were registered to be sold back during the sold back period, which were amounted at RMB974,999,000. The coupon rate of the unsold bonds is adjusted to 3.50% and the maturity date is 12 August 2023. The remaining of “18 Fosun Pharma 01” were transferred from interest-bearing bank and other borrowings in current liabilities as at 30 June 2021 to interest-bearing bank and other borrowings in non-current liabilities as at the date of approval of this report.

Placing of new shares of Sisram Medical Ltd

A total of 24,000,000 new shares (“Placing Shares”) of Sisram Medical Ltd, a subsidiary of the Company, have been placed to no less than six placees. The Company’s share holding decreased from 74.76% to 70.91% as a result of the issue of the Placing Shares.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 23 August 2021.

Definitions

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

“%”	per cent
“A Share(s)”	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“A Shareholder(s)”	holder(s) of A Shares
“Annual General Meeting”	the annual general meeting of the Company
“Articles of Association”	the articles of association of the Company
“Australia”	Commonwealth of Australia
“BI”	Business Intelligence
“BioNTech”	BioNTech SE, a company registered in Germany, which is listed on the National Association of Securities Dealers Automated Quotations (Stock Code: BNTX)
“Board”	the board of Directors
“Breas”	Breas Medical Holdings AB, a company registered in Sweden, and a subsidiary of the Company
“BSE”	BSE Limited, an Indian stock exchange located in Mumbai
“CG Code”	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
“cGMP”	Current Good Manufacture Practices
“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
“CMO”	Contract Manufacture Organization
“Company”	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
“controlling shareholder(s)”	has the meaning given to it under the Hong Kong Listing Rules and in the context of our Company, means Messrs. Guo Guangchang, Wang Qunbin, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech

Definitions

“CSRC”	China Securities Regulatory Commission* (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities market
“Director(s)”	director(s) of our Company
“DTP”	Direct to Patient
“EU”	European Union
“Fareast Casings”	Far-Eastern Casing Co., Ltd.* (遠東腸衣食品有限公司)
“Foshan Chancheng Hospital”	Foshan Fosun Chancheng Hospital Limited* (佛山復星禪誠醫院有限公司), formerly known as 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 Chanxi”	Foshan Chanxi Real Estate Development Co., Ltd.* (佛山禪曦房地產開發有限公司)
“Foshion Medical”	Shanghai Foshion Medical System Co., Ltd.* (上海復星醫療系統有限公司), a subsidiary of the Company
“Fosun Healthcare”	Shanghai Fosun Health Technology (Group) Co., Ltd.* (上海復星健康科技(集團)有限公司), formerly known as Shanghai Fosun Healthcare (Group) Co., Ltd.* (上海復星醫療(集團)有限公司), a subsidiary of the Company
“Fosun High Tech”	Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a controlling shareholder of the Company. Fosun High Tech is a connected person under Rule 14A.07(1) of the Hong Kong Listing Rules
“Fosun Holdings”	Fosun Holdings Limited (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a controlling shareholder of the Company
“Fosun International Holdings”	Fosun International Holdings Limited (復星國際控股有限公司), which is held as to 85.29% and 14.71% by Messrs. Guo Guangchang and Wang Qunbin as at the end of the Reporting Period, respectively, and a controlling shareholder of the Company
“Fosun International”	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and a controlling shareholder of the Company, which is listed on the Hong Kong Stock Exchange (Stock Code: 00656)
“Fosun Kite”	Fosun Kite Biological Technology Co., Ltd.* (復星凱特生物科技有限公司), a joint venture of the Company
“Fosun Pharmaceutical Industrial”	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a subsidiary of the Company

“Gland Pharma Share Option Incentive Scheme”	the share option incentive scheme adopted by Gland Pharma, the adoption of which was approved by the Shareholders at the Annual General Meeting held on 25 June 2019 and the shareholders of Fosun International at its annual general meeting held on 5 June 2019
“Gland Pharma”	Gland Pharma Limited, a company registered in India and a subsidiary of the Company, which is 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)
“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
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong 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”	the Hong Kong Special Administrative Region of the PRC
“INR”	Rupees, the lawful currency of India
“Intuitive Fosun HK”	Intuitive Surgical-Fosun (Hongkong) Co., Limited, a company registered in Hong Kong and an associate 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
“Intuitive Fosun”	Intuitive Fosun HK and Intuitive Fosun Shanghai
“Japan”	Japan
“Jinzhou Aohong”	Jinzhou Aohong Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
“Kelin Huodai”	Shanghai Kelin International Freight Forwarding Co., Ltd.* (上海科麟國際貨運代理有限公司), deregistered on 26 March 2021

Definitions

“Kite Pharma”	KP EU C.V., a company registered in the Netherlands
“LIMS”	Laboratory Information Management System
“Macau”	the Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NMPA”	National Medical Products Administration* (中華人民共和國國家藥品監督管理局), the PRC governmental authority responsible for the regulation of drugs
“NSE”	The National Stock Exchange of India Limited, an Indian stock exchange located in Mumbai
“R&D”	research and development
“Reporting Period”	the 6-month period from 1 January 2021 to 30 June 2021
“Research Institute Pharmaceutical”	Chongqing Research Institute Pharmaceutical Co., Ltd.* (重慶醫工院製藥有限責任公司), deregistered on 1 February 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Boyiya”	Shanghai Boyiya Medical Equipment Co., Ltd.* (上海博億雅醫療器械有限責任公司), deregistered on 27 April 2021
“Shanghai Henlius”	Shanghai Henlius Biotech, Inc.* (上海復宏漢霖生物技術股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock code: 02696) and a subsidiary of the Company
“Shanghai Lilin”	Shanghai Lilin Medical Management Partnership (Limited Partnership)* (上海礪麟醫療管理合夥企業(有限合夥)), deregistered on 26 April 2021
“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)
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shenyang Tianshengda”	Shenyang Tianshengda Trading Company* (瀋陽天晟達商貿有限公司)

Definitions

“Shenzhen Xinsheng”	Shenzhen Xinsheng Pharmaceutical Co., Ltd.* (深圳信生藥業有限公司), formerly known as Guangdong Huixin Pharmaceutical Co., Ltd.* (廣東匯信藥業有限公司), and a subsidiary of the Company as at the end of the Reporting Period
“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 listed on the Hong Kong Stock Exchange (stock code: 01099) and a subsidiary of Sinopharm Industrial
“Sisram Medical”	Sisram Medical Ltd, a company listed on the Hong Kong Stock Exchange (Stock code: 01696) and a subsidiary of the Company
“substantial shareholder(s)”	has the meaning given to it under the Hong Kong Listing Rules
“Supervisors”	the members of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Suqian Zhongwu Hospital/ Suqian Cancer Hospital”	Suqian Zhongwu Hospital Co., Ltd.* (宿遷市鐘吾醫院有限責任公司)/Suqian Cancer Hospital* (宿遷市腫瘤醫院), a subsidiary of the Company
“Taizhou Investment”	Taizhou Investment Co., Ltd.* (台州市投資有限公司)
“Taizhou Zhedong Medical Care”	Taizhou Zhedong Medical Care Investment Management Co., Ltd.* (台州浙東醫養投資管理有限公司)
“Turkey”	The Republic of Turkey
“U.S” or “United States”	United States of America, its territories and possessions, any State of the United States and the District of Columbia
“U.S. FDA”	U.S. Food and Drug Administration
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Wanbang Cloud Health”	Jiangsu Wanbang Cloud Health Technology Co., Ltd.* (江蘇萬邦雲健康科技有限公司), a subsidiary of the Company
“Wanbang Pharma”	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
“Wanbang Tiansheng”	Shenyang Wanbang Tiansheng Biological Technology Co., Ltd.* (瀋陽萬邦天晟生物科技有限公司), a subsidiary of the Company
“WHO-PQ”	World Health Organization-Prequalification
“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》)

Definitions

“Wuhan Jihe Hospital”	Wuhan Jihe Hospital Co., Ltd.* (武漢濟和醫院有限公司), a subsidiary of the Company
“Xingyuanda”	Shanghai Xingyuanda Medical Technology Co. Ltd.* (上海星苑達醫療科技有限公司), a subsidiary of the Company as at the end of the Reporting Period
“Xuzhou Xingchen Women’s and Children’s Hospital”	Xuzhou Xingchen Women’s and Children’s Hospital Co., Ltd.* (徐州星晨婦兒醫院有限公司), a subsidiary of the Company
“Yao Pharma”	Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司), a subsidiary of the Company
“Yuyuan”	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd.* (上海豫園旅遊商城(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600655)

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