THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

FOSUN PHARMA
复星医药

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

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

(Stock Code: 02196)

PLAN IN RELATION TO THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND NOTICE OF EGM

A letter from the Board is set out on pages 5 to 19 of this circular. The notice convening the EGM of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* to be held at Shanghai Film Art Center, No. 160 Xinhua Road, Shanghai, the PRC on Tuesday, 29 December 2020 at 1:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. The form of proxy for use at the EGM is enclosed herewith and also published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.fosunpharma.com).

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar for H Shares, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 24 hours before the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

* *for identification purposes only*

8 December 2020

CONTENTS

Unless the context otherwise requires, the following expressions in this circular have the following meanings:

"A Share(s)"	the domestic share(s) of the Company with a nominal value of RMB1.00 per share in the share capital, which is (are) listed on the SSE and traded in RMB
"AGM"	the annual general meeting of the Company held on 30 June 2020, at which the Shareholders granted, among others, the General Mandate
"Articles of Association" or "Articles"	the articles of association of the Company
"Price Determination Date"	the price determination date for the Proposed Non-public Issuance. In accordance with the Implementation Rules, the Price Determination Date for the Proposed Non-public Issuance is the first day of the issuance period
"Board"	the board of Directors
"Company Law"	the Company Law of the People's Republic of China, as amended, supplemented or otherwise modified from time to time
"Company"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the main board of the Hong Kong Stock Exchange and the SSE, respectively
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the 2020 third extraordinary general meeting of the Company to be held at 1:00 p.m. on Tuesday, 29 December 2020 at Shanghai Film Art Center, No. 160 Xinhua Road, Shanghai, the PRC or any adjournment thereof

"General Mandate"	the general mandate granted by the Shareholders at the AGM to authorize the Board to allot, issue and deal with A Shares not exceeding 20% of the Company's A Shares in issue as at the date of the AGM
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Co., Ltd.* (上海復星高科技(集團)有限公司), a company registered in the PRC with limited liability, and a wholly-owned subsidiary of Fosun International and the controlling shareholder of the Company
"Fosun International"	Fosun International Limited, a company registered in Hong Kong with limited liability, the shares of which are listed on the main board of the Hong Kong Stock Exchange (stock code: 00656), and the controlling shareholder of the Company
"Group"	the Company and its subsidiaries
"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 is (are) listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on Hong Kong Stock Exchange as amended from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Implementation Rules"	Implementation Rules for the Non-public Offering of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》) (amended in 2020)
"Plan of the Proposed Non-public Issuance of A Shares"	the issuance plan in relation to the Proposed Non-public Issuance
"Proposed Non-public Issuance"	the proposed non-public issuance of no more than 5% of the total number of the Shares prior to the Proposed Non-public Issuance (i.e. no more than 128,144,927 A Shares (inclusive) calculated on the basis of the total number of the Shares as at the date of the first Board resolution approving the Proposed Non-public Issuance) to no more than 35 particular investors by the Company under the General Mandate

"Proposal for the Proposed Non-Public Issuance"	Proposal for the Non-public Issuance of A Shares of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司非公開發行A股股票預案》)
"Feasibility Report on the Use of Proceeds from the Proposed Non-Public Issuance"	Feasibility Report on the Use of Proceeds from the Proposed Non-Public Issuance of A Shares of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司非公開發行A股股票募集資金使用可行性分析報告》)
"Latest Practicable Date"	3 December 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Administrative Measures"	Administrative Measures for the Issuance of Securities by Listed Companies* (《上市公司證券發行管理辦法》)
"PRC" or "China"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan region
"Report on the Use of Proceeds Previously Raised"	Report on the Use of Proceeds Previously Raised as of 30 September 2020 of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司截至2020年9月30日前次募集資金使用情況報告》)
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholders' Return Plan for the Next Three Years (2020–2022)"	Shareholders' Return Plan for the Next Three Years (2020–2022) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司未來三年(2020年–2022年)股東回報規劃》)
"Shanghai Stock Exchange" or "SSE"	the Shanghai Stock Exchange (上海證券交易所)
"Securities Law"	the Securities Law of the People's Republic of China (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
"Share(s)"	A Shares and H Shares

"Shareholder(s)"	holder(s) of the Share(s)
"subsidiary(ies)"	has the meaning given to it under the Hong Kong Listing Rules
"%"	per cent

FOSUN PHARMA
复星医药

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

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

(Stock Code: 02196)

Executive Directors:
Mr. WU Yifang *(Chairman and CEO)*

Non-executive Directors:
Mr. CHEN Qiyu
Mr. YAO Fang
Mr. XU Xiaoliang
Mr. GONG Ping
Mr. PAN Donghui
Mr. ZHANG Houlin

Independent Non-executive Directors:
Mr. JIANG Xian
Dr. WONG Tin Yau Kelvin
Ms. LI Ling
Mr. TANG Guliang

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

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

Principal place of business in Hong Kong:
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

8 December 2020

To the Shareholders

Dear Sir or Madam,

PLAN IN RELATION TO THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND NOTICE OF EGM

I. INTRODUCTION

The purpose of this circular is to give you the notice of EGM enclosed herewith, and to provide you with information regarding certain resolutions to be proposed at the EGM regarding the Plan of the Proposed Non-public Issuance of A Shares and other relevant matters as set out below, to enable you to make informed decisions on whether to vote for or against such resolutions:

(1) the resolution on the fulfilment of the conditions for the non-public issuance of A shares by the Company;

(2) the resolutions on the Plan of the Proposed Non-public Issuance of A Shares;

(3) the resolution on the Proposal for the Proposed Non-public Issuance;

(4) the resolution on the feasibility report on the use of proceeds from the Proposed Non-public Issuance;

(5) the resolution on the report on the use of proceeds previously raised;

(6) the resolution on the dilution of immediate return resulting from the Proposed Non-public Issuance and its remedial measures;

(7) the resolution on the undertakings given by the relevant responsible parties in respect of the remedial measures for the dilution of immediate return resulting from the Proposed Non-public Issuance;

(8) the resolution on the shareholders' return plan for the next three years (2020–2022); and

(9) the resolution on the proposal for authorizing the Board and the persons authorized by the Board to deal with all matters in relation to the Proposed Non-public Issuance at the general meeting.

II. PLAN IN RELATION TO THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER GENERAL MANDATE

1. Resolution on the Fulfilment of the Conditions for the non-public issuance of A Shares by the Company

According to the related requirements of laws, regulations and regulatory documents such as the Company Law, the Securities Law, the Administrative Measures and the Implementation Rules, the Board believes that the Company fulfills the conditions of non-public issuance of A shares.

The resolution will be put to Shareholders for approval at the EGM as an ordinary resolution.

2. Consideration and Approval of the Resolutions on the Plan of the Proposed Non-public Issuance of A Shares on an Individual Basis

(1) *Class and nominal value of the shares to be issued*

The shares under the Proposed Non-public Issuance are domestic listed RMB ordinary shares (A Shares), with the nominal value of RMB1.00 each.

(2) ***Method of issuance***

The Proposed Non-public Issuance shall be conducted by way of non-public issuance of A Shares to particular subscribers. The Company will proceed with the Proposed Non-public Issuance in due course during the validity period of the relevant CSRC approval.

(3) ***Subscribers and subscription method***

The subscribers of the Proposed Non-public Issuance shall be no more than 35 particular investors. The subscribers shall be securities investment fund management companies, securities companies, finance companies, asset management companies, insurance institutional investors, trust companies, qualified foreign institutional investors and other qualified investors which meet the requirements of the CSRC. Any securities investment fund management company, securities company, qualified foreign institutional investor or RMB qualified foreign institutional investor subscribing through more than two funds managed by it shall be deemed to be a subscriber. Trust companies as subscribers shall only subscribe with their self-owned funds.

Upon obtaining the approval from the CSRC for the Proposed Non-public Issuance by the Company, the subscribers shall be finally determined based on the principle of price priority by the Board and its authorized persons, under the authorization granted by the Shareholders at the EGM, with the sponsor (the lead underwriter) according to the bids for the issuance in compliance with the relevant laws, regulations and regulatory documents.

As at the Latest Practicable Date, the subscribers of the Proposed Non-public Issuance have not been determined. The subscribers of the Proposed Non-public Issuance shall not comprise any related party(ies)/connected person(s) of the Company.

All subscribers shall subscribe for the A Shares to be issued under the Proposed Non-public Issuance at the same price in RMB cash.

(4) ***Price Determination Date, issue price and pricing principles***

The issue price is determined through bidding under the Proposed Non-public Issuance. The Price Determination Date shall be the first day of the issuance period of the Proposed Non-public Issuance. The issue price of the Proposed Non-public Issuance shall be no less than 80% of the average trading price of A Shares over the 20 trading days (excluding the Price Determination Date) prior to the Price Determination Date (the average trading price of A Shares over the 20 trading days prior to the Price Determination Date = the total value of A Shares traded over the 20 trading days prior to the Price Determination Date/the total volume of A Shares traded over the 20 trading days prior to the Price Determination Date) (the "**Minimum Issue Price**").

Upon obtaining the approval from the CSRC for the Proposed Non-public Issuance by the Company, the final issue price shall be determined based on the principle of price priority by the Board and its authorized persons, under the authorization granted at the EGM, with the sponsor (the lead underwriter) according to the bids for the issuance in compliance with the relevant laws, regulations and regulatory documents.

During the period from the date of the first Board resolution approving the Proposed Non-public Issuance to the issuance date, in the event of ex-entitlement and ex-dividend activities in relation to the Company such as cash dividend distribution, bonus issue or conversion of capital reserve into share capital, the Minimum Issue Price of the Proposed Non-public Issuance shall be adjusted accordingly.

(5) ***Number of the shares to be issued***

The number of A Shares to be issued under the Proposed Non-public Issuance shall be no more than 5% of the total number of the Shares prior to the Proposed Non-public Issuance (i.e. no more than 128,144,927 Shares (inclusive) calculated on the basis of the total number of the Shares as at the date of the first Board resolution approving the Proposed Non-public Issuance). The final number of the Shares to be issued is subject to the bidding results of the Proposed Non-public Issuance and the number of the Shares approved by the CSRC.

The calculation formula for the final number of the Shares to be issued under the Proposed Non-public Issuance is: the number of the Shares to be issued = total proceeds from the Proposed Non-public Issuance/issue price of the Proposed Non-public Issuance. If the number of the Shares obtained is not a whole number, the remaining Shares of less than one Share shall be processed according to the principle of rounding down.

During the period from the date of the first Board resolution approving the Proposed Non-public Issuance to the issuance date, if the total number of the Shares changes before the Proposed Non-public Issuance due to ex-entitlement and ex-dividend activities in relation to the Company such as bonus issue, conversion of capital reserve into share capital, and other reasons, the maximum number of the Shares to be issued under the Proposed Non-public Issuance shall be adjusted accordingly.

Upon obtaining the approval from the CSRC for the Proposed Non-public Issuance, the final number of the Shares to be issued shall be determined by the Board and its authorized persons, under the authorization granted at the EGM, with the sponsor (the lead underwriter) according to the bids for the issuance in compliance with the relevant laws, regulations and regulatory documents, within the above maximum number of the Shares to be issued. In the event that any regulatory authority such as the CSRC makes adjustments to the above number of the Shares to be issued, such number approved by it shall prevail.

(6) ***Amount and use of proceeds***

The total proceeds from the Proposed Non-public Issuance shall be no more than RMB4,982.83 million (inclusive), and the net proceeds after deducting issuance fees shall be used for the following projects of the Company:

No.	Project name	Total investment amount *(RMB million)*	Proposed investment amount from the proceeds *(RMB million)*
1	Innovative drug clinical, license in and relevant marketing preparation	2,220.43	2,220.43
2	Intensive comprehensive base for APIs and preparations	1,352.62	1,352.62
3	Replenishment of working capital	1,409.78	1,409.78
Total		**4,982.83**	**4,982.83**

Once the proceeds of the Proposed Non-public Issuance are received, if the actual net proceeds are less than the above proposed amount to be invested by utilizing the proceeds, the Board and its authorized persons, subject to compliance with relevant laws and regulations and the scope of the above investment projects to be funded by the proceeds, may adjust and finally determine the specific investment projects to be funded by utilizing the proceeds, the order of priority, and the specific investment amounts for each project according to the actual net proceeds based on, among other things, the actual situation such as the progress of the investment projects funded by the proceeds and the capital demand, and will make up for the shortfall by utilizing the self-owned funds of the Group or through other financing methods.

Within the scope of the above investment projects to be funded by the proceeds, the Board may make appropriate adjustments to the investment amount of the above projects based on the actual demand of the project and in accordance with the procedures under the relevant laws and regulations.

To ensure a seamless process of the investment projects to be invested by utilizing the proceeds, and protect the interests of all Shareholders, before the proceeds from the Proposed Non-public Issuance are received in full, the Group may use its self-raised funds so required based on the actual situation of the investment projects to be invested by utilizing the proceeds. When the proceeds are available, such funds used shall be replaced by the proceeds in accordance with the procedures under the relevant laws and regulations.

(7) ***Lock-up period***

Upon completion of the Proposed Non-public Issuance, the A Shares to be subscribed by the subscribers under the Proposed Non-public Issuance shall be subject to a lock-up period for 6 months from the date of completion of the Proposed Non-public Issuance.

During the period from the completion of the Proposed Non-public Issuance to the end of the lock-up period, any additional Shares to be acquired by subscribers due to, among other things, bonus issue or conversion of capital reserve into share capital of the Company shall also be subject to the above lock-up arrangement.

After the expiry of the above lock-up period, the transfer and trading of these A Shares shall be implemented in accordance with the laws and regulations in force at that time and the relevant regulations of the CSRC and the SSE.

(8) ***Place of Listing***

The A Shares to be issued under the Proposed Non-public Issuance shall be listed for trading on the SSE.

(9) ***Arrangements for the Accumulated Profits of the Company Prior to the Proposed Non-public Issuance***

After the completion of the Proposed Non-public Issuance, the new and existing Shareholders shall be entitled to the undistributed accumulated profits of the Company prior to the Proposed Non-public Issuance.

(10) ***Validity Period of the Resolutions in Relation to the Plan of the Proposed Non-public Issuance of A Shares***

The resolutions in relation to the Plan of the Proposed Non-public Issuance of A Shares shall remain valid for 12 months from the date on which the resolutions in relation to the Plan of the Proposed Non-public Issuance of A Shares are passed at the EGM.

If the Proposed Non-public Issuance is still pending approval or permission from, or registration with, the regulatory authority before the expiry of the General Mandate (from the date of passing at the AGM to the date of the next annual general meeting of the Company or to the date when a resolution is passed to revoke or modify the General Mandate at a general meeting of the Company), the Proposed Non-public Issuance may proceed in accordance with the limit of a general mandate of the Company as approved by the Shareholders from time to time, and the Company is not required to convene another general meeting or class meetings of Shareholders to reconsider and approve the matters relating to the Proposed Non-public Issuance, provided that the maximum

number of the Shares to be issued under the Proposed Non-public Issuance does not exceed the limit of the general mandate of the Company as approved by the Shareholders from time to time.

These resolutions will be submitted to Shareholders for consideration and approval on an individual basis at the EGM as special resolutions.

3. Resolution on the Proposal for the Proposed Non-public Issuance

In accordance with the Guidelines for the Contents and Formats of Information Disclosure by Companies Publicly Issuing Securities No. 25 — Listed Companies' Non-public Issuance of Stock Plans and Issuance Status Report (Zheng Jian Fa Xing Zi [2007] No. 303) (《公開發行證券的公司信息披露內容與格式準則第25號—上市公司非公開發行股票預案和發行情況報告書》(證監發行字[2007]303號)) of the CSRC, the Company has prepared the Proposal for the Proposed Non-public Issuance in respect of the Proposed Non-public Issuance. For details, please refer to Appendix I to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution will be submitted to Shareholders for consideration and approval at the EGM as a special resolution.

4. Resolution on the Feasibility Report on the Use of Proceeds from the Proposed Non-public Issuance

In accordance with the relevant requirements under the Company Law, the Securities Law, the Administrative Measures, and the Implementation Rules, the Company has prepared the Feasibility Report on the Use of Proceeds from the Proposed Non-public Issuance for the Proposed Non-public Issuance. For details, please refer to Appendix II to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution will be submitted to Shareholders for consideration and approval at the EGM as a special resolution.

5. Resolution on the Report on the Use of Proceeds Previously Raised

In accordance with the relevant requirements under the Regulation on the Report on the Use of Proceeds Previously Raised (Zheng Jian Fa Xing Zi [2007] No. 500)* (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)) of the CSRC, the Company has prepared the Report on the Use of Proceeds Previously Raised, and Ernst & Young Hua Ming LLP has issued the Assurance Report on the Use of Proceeds Previously Raised of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司前次募集資金使用情況鑒證報告》) For details of the Report on the Use of Proceeds Previously Raised, please refer to Appendix III to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution will be submitted to Shareholders for consideration and approval at the EGM as a special resolution.

6. Resolution on the dilution of immediate return resulting from the Proposed Non-public Issuance and its remedial measures

In accordance with the requirements stated in the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110)* (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and the Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization* (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) issued by the CSRC and other relevant documents, the Company has conducted analysis of the impact of dilution of immediate return as a result of the Proposed Non-public Issuance on the Group's major financial indicators, and proposed specific remedial measures for returns. For details, please refer to Appendix IV to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution will be submitted to Shareholders for consideration and approval at the EGM as an ordinary resolution.

7. Resolution on the undertakings given by the relevant responsible parties in respect of the remedial measures for the dilution of immediate return resulting from the Proposed Non-public Issuance

In accordance with the requirements stated in the Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization* (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) and other documents, the Company's controlling shareholder, *de facto* controller, Directors and senior management have made relevant undertakings to ensure that the Company's remedial measures can be effectively implemented. For details, please refer to Appendix IV to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution will be submitted to Shareholders for consideration and approval at the EGM as an ordinary resolution.

8. Resolution on the shareholders' return plan for the next three years (2020–2022)

According to the Company Law, the Notice on Further Implementation of Relevant Matters on Distribution of Cash Dividends of Listed Companies* (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No. 37), the Regulatory Guidelines for Listed Companies No. 3 — Cash Dividends of Listed Companies* (《上市公司監管指引第3號 — 上市公司現金分紅》) (CSRC Announcement [2013] No. 43) and other laws and regulations, regulatory documents and relevant provisions such as the Articles of Association, the Company pays attention to self-development and focuses on reasonable return for investment from shareholders. The Company has formulated the Shareholders' Return Plan for the Next Three Years (2020–2022). For details, please refer to Appendix V to this circular. In case of any discrepancy between the Chinese version and its English translation, the Chinese version shall prevail.

The resolution will be submitted to Shareholders for consideration and approval at the EGM as an ordinary resolution.

9. Resolution for authorizing the Board and the persons authorized by the board to deal with all matters in relation to the Proposed Non-public Issuance at the general meeting

The Board has resolved that a resolution will be proposed at a general meeting to authorize the Board and its authorized persons, at their absolute discretion, to deal with all matters in relation to the Proposed Non-public Issuance including, but not limited to:

(a) to formulate and implement the specific plan of the Proposed Non-public Issuance based on the actual circumstances including, among other things, the terms of issuance, the timing of issuance, the number of the shares to be issued, the issue price, the designated account for the proceeds, and relevant matters in respect of the Plan of the Proposed Non-public Issuance of A Shares;

(b) to amend the Plan of the Proposed Non-public Issuance of A Shares in accordance with relevant laws and regulations or as required by the relevant securities regulatory authorities (except for matters subject to re-voting at the general meeting in accordance with the laws and regulations and the Articles of Association), and adjust the Plan of the Proposed Non-public Issuance of A Shares based on various factors including the approval by the relevant authorities on specific matters, changes in market conditions and arrangement regarding the use of proceeds;

(c) to deal with the reporting procedures for issuance in relation to the Proposed Non-public Issuance;

(d) to determine and engage intermediaries for the Proposed Non-public Issuance, and prepare, amend and execute all agreements and documents in relation to the Proposed Non-public Issuance, including but not limited to sponsor agreement, underwriting agreement and agreements in relation to engagement of intermediaries, circulars, announcements and other disclosure documents;

(e) to execute, amend, supplement, deliver, submit and implement the agreements and documents in relation to the Proposed Non-public Issuance, and deal with necessary or appropriate application, reporting and registration procedures in relation to the Proposed Non-public Issuance;

(f) to make adjustments to the specific arrangements in respect of the use of proceeds from the Proposed Non-public Issuance within the scope as approved at the general meeting according to the requirements of the relevant regulatory authorities and the actual circumstances;

(g) to establish a special deposit account for the proceeds raised from the Proposed Non-public Issuance;

(h) to process matters in relation to registration, lock-up and listing of the shares to be issued under the Proposed Non-public Issuance on the SSE and with the Shanghai Branch of China Securities Depository and Clearing Co., Ltd. upon completion of the Proposed Non-public Issuance;

(i) to process matters in relation to, among other things, the amendments to the Articles of Association and change in registration of industry and commerce upon completion of the Proposed Non-public Issuance;

(j) in the event of implementation of new regulation under laws, regulations and other regulatory documents, and required by securities regulatory authorities in respect of the policy of non-public issuance of A shares, except for matters to be re-approved at a general meeting or by the Board as required under the relevant laws and regulations, the Articles of Association, and regulatory authorities, within the scope permitted by relevant laws and regulations, in accordance with laws, regulations and other regulatory documents and new policies and regulations of the securities regulatory authority, the Plan of the Proposed Non-public Issuance of A Shares will be adjusted, revised and supplemented accordingly;

(k) to deal with other matters in relation to the Proposed Non-public Issuance within the scope as permitted by the laws, regulations, the relevant regulatory documents and the Articles of Association; and

(l) the above authorization shall remain valid for a 12-month period from the date of approval of the Shareholders at the general meeting.

If the Proposed Non-public Issuance is still pending approval or permission from, or registration with, the regulatory authority before the expiry of the General Mandate (from the date of passing at the AGM to the date of the next annual general meeting of the Company or to the date when a resolution is passed to revoke or modify the General Mandate at a general meeting of the Company), the Proposed Non-public Issuance may proceed in accordance with a general mandate as approved by the Shareholders from time to time, provided that the maximum number of the Shares to be issued under the Proposed Non-public Issuance does not exceed the limit of such further general mandate as approved by the Shareholders from time to time, and the Company is not required to convene another general meeting or class meetings of Shareholders to reconsider and approve matters relating to the Proposed Non-public Issuance.

The resolution will be submitted to Shareholders for consideration and approval at the EGM as a special resolution.

III. GENERAL MANDATE

The A Shares to be issued under the Proposed Non-public Issuance shall be issued by the Company pursuant to the General Mandate. Accordingly, the Board was authorized to allot, issue and deal with up to 20% of the A Shares in issue as at the date of the AGM (being 402,191,609 A Shares). As at the Latest Practicable Date, the Company has not issued any A Shares under the General Mandate.

IV. CONDITIONS PRECEDENT OF THE PROPOSED NON-PUBLIC ISSUANCE

The Proposed Non-public Issuance shall be considered and approved by the Shareholders at the EGM and approved by the CSRC. Upon obtaining the approval of the CSRC, the Company will apply to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and the SSE and other relevant authorities for the share issuance, registration and listing of the A Shares to be issued under the Proposed Non-public Issuance, to complete all the filing, registration and approval procedures for the Proposed Non-public Issuance.

V. EFFECT OF THE PROPOSED NON-PUBLIC ISSUANCE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the total number of issued Shares is 2,562,898,545 Shares, which comprises 2,010,958,045 A Shares and 551,940,500 H Shares. The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Proposed Non-public Issuance (assuming that (a) the maximum amount of 128,144,927 A Shares is issued; and (b) there is no change in the total number of issued Shares and the number of the Shares held by Mr. Guo Guangchang as the beneficial owner and through controlled corporation during the period from the Latest Practicable Date to the date of completion of the Proposed Non-public Issuance, save for the Proposed Non-public Issuance) is as follows:

		Number of the Shares held as at the Latest Practicable Date		**Number of the Shares held immediately after the completion of the Proposed Non-public Issuance**	
	Capacity/Nature of interest	**Number of Shares**	**Approximate percentage of the total Shares in issue**	**Number of Shares**	**Approximate percentage of the total Shares in issue**
A Shares					
Guo Guangchang	Beneficial owner	114,075	0.0045%	114,075	0.0042%
	Interest in controlled corporation	938,095,290	36.60%	938,095,290	34.86%
Other holders of A Shares		1,072,748,680	41.86%	1,072,748,680	39.87%
Subscribers of A Shares to be issued under the Proposed Non-public Issuance		—	—	128,144,927	4.76%
A Shares subtotal		2,010,958,045	78.46%	2,139,102,972	79.49%
H Shares					
Guo Guangchang	Interest in controlled corporation	51,753,000	2.02%	51,753,000	1.92%
Other holders of H Shares		500,187,500	19.52%	500,187,500	18.59%
H Shares subtotal		551,940,500	21.54%	551,940,500	20.51%
Total		2,562,898,545	100%	2,691,043,472	100%

It is expected that there will be no change in control of the Company upon the completion of the Proposed Non-public Issuance.

VI. FUND RAISING ACTIVITIES WITHIN THE PAST 12 MONTHS

The Company did not conduct any fund raising activities involving the issue of equity securities within 12 months immediately prior to the Latest Practicable Date.

VII. REASONS AND BENEFITS FOR THE PROPOSED NON-PUBLIC ISSUANCE

The Group's business covers the entire pharmaceutical and health industry chain, and its business development is based in China and proactively pursues a global collaboration. The Group focuses on pharmaceutical manufacturing and R&D, and its business covers medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail. The Group's pharmaceutical manufacturing and R&D business, medical device and medical diagnostics business are in a leading position in the industry, and the healthcare services business is also leading in private hospitals in terms of business development and operational capabilities.

Chinese pharmaceutical industry is in a critical period of comprehensive transformation. Innovation orientation and patent breakthroughs, improvement of quality and efficiency, and cost reduction will comprehensively become an important manifestation of the competitiveness of pharmaceutical companies in future. Chinese pharmaceutical manufacturing companies are facing unprecedented opportunities and challenges.

The Proposed Non-public Issuance may facilitate the Group in promoting the "4+3" R&D platform (four platforms: biological drugs, small molecule innovative drugs, high-value generic drugs, and new technology treatments; three systems: internal R&D, license-in, deep incubation), to further expand the Group's innovative product pipeline in addressing the unmet medical needs, and accelerate the transition from me-too, me-better to first-in-class, best-in-class R&D of innovative drugs. On the other hand, with the continuous expansion of the Group's pharmaceutical product pipeline, the Group needs to strengthen intensive production in order to continuously meet the medical needs brought by the launch of new products and the increase in penetration rate and compliance for patients in respect of the old products, and achieve economies of scale, and thereby achieve the goal of reducing costs and increasing efficiency. In addition, by using the proceeds from the Proposed Non-public Issuance for working capital replenishment, it may optimize the Group's debt structure and enhance the Group's creditworthiness.

In future, the Group will adhere to the innovation strategy, improve the efficiency of operations and R&D, realize the transformation and implementation of global innovative cutting-edge technologies, strengthen the upgrading and optimization of manufacturing, supply chain and marketing systems, and actively promote its internationalized business, which will provide patients with more valuable drugs/treatment options; continue to promote cost reduction and efficiency enhancement, and improve profitability.

Having taken into account the above reasons and benefits, the Directors (including independent non-executive Directors) are of the view that the Proposed Non-public Issuance is in the interests of the Company and the Shareholders as a whole.

VIII. EGM

The notice convening the EGM to be held at 1:00 p.m. on Tuesday, 29 December 2020 at Shanghai Film Art Center, No. 160 Xinhua Road Shanghai, the PRC is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed herewith and also published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.fosunpharma.com).

IX. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of H Shareholders to attend and vote at the EGM, the register of members of the Company for H Shares will be closed from Wednesday, 23 December 2020 to Tuesday, 29 December 2020, both days inclusive, during which time no share transfers of H Shares will be effected. In order to qualify for attending and voting at the EGM, unregistered H Shareholders should ensure that all transfer documents for H Shares together with the relevant share certificates should be lodged for registration with the Company's Hong Kong share registrar for H Shares, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 22 December 2020.

X. VOTING BY POLL

In accordance with Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders in respect of all the resolutions put forward at the EGM must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company by means set out in Rule 13.39(5) of the Hong Kong Listing Rules after the EGM.

XI. RECOMMENDATIONS

The Board considers that all resolutions set out in the notice of EGM for consideration and approval by the Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders to vote in favor of the resolutions proposed at the EGM as set out in the notice of EGM.

XII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

XIII. FURTHER INFORMATION

Your attention is drawn to the appendices to this circular.

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

* *for identification purposes only*

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

Proposal of the Non-public Issuance of A Shares

November 2020

DECLARATIONS OF THE COMPANY

1. Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司) and all members of the Board warrant that the contents of the Proposal are true, accurate and complete and do not contain false information, misleading statements or material omissions, and are severally and jointly liable for their truthfulness, accuracy and completeness of its contents.

2. The Proposal is formulated in accordance with the requirements including the Implementation Rules for the Non-public Offering of Stocks by Listed Companies (amended in 2020) (《上市公司非公開發行股票實施細則》(2020年修正)) and the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 25 — Proposal on Non-Public Offering of Stocks by Listed Companies Proposal and Offering Report (《公開發行證券的公司信息披露內容與格式準則第25號上市公司非公開發行股票預案和發行情況報告書》) of the CSRC.

3. The Company assumes the liabilities for any changes in operation and revenue of the Group upon the Non-public Issuance of A Shares. Any investment risks arising from the Non-public Issuance of A Shares shall be borne by the investors. If the investors are in any doubt, they should consult their stock brokers, legal advisers, professional accountants or other professional advisers.

4. The Proposal is a description given by the Board for the Non-public Issuance of A Shares, and any inconsistent statements will constitute misrepresentations.

5. The matters mentioned in the Proposal do not represent that substantive judgment, confirmation, authorization and approval in relation to the Non-public Issuance of A Shares have been obtained from the approving authorities. The matters mentioned in the Proposal in relation to the Non-public Issuance of A Shares shall become effective and completed upon approval by relevant authorities.

SPECIAL NOTICE

1. The proposal for the Non-public Issuance of A Shares has been considered and approved at the 30th meeting of the eighth session of the Board of the Company held on 25 November 2020, subject to consideration and approval at the General Meeting and approval by the CSRC.

2. The subscribers of the Non-public Issuance of A Shares shall be no more than 35 particular investors. The subscribers shall be securities investment fund management companies, securities companies, finance companies, asset management companies, insurance institutional investors, trust companies, qualified foreign institutional investors and other qualified investors which meet the requirements of the CSRC. Any securities investment fund management company, securities company, qualified foreign institutional investor or RMB qualified foreign institutional investor subscribing through more than two products managed by it shall be deemed to be a subscriber. Trust companies as subscribers shall only subscribe with their self-owned funds.

   Upon obtaining the approval from the CSRC for the Non-public Issuance by the Company, the subscribers shall be finally determined based on the principle of price priority by the Board and its authorized persons, under the authorization granted at the General Meeting, with the sponsor (the lead underwriter) according to the bids for the issuance in compliance with the relevant laws, regulations and regulatory documents.

   All subscribers shall subscribe for the A Shares to be issued under the Non-public Issuance in RMB cash.

   As at the date of the Proposal, the subscribers of the Non-public Issuance have not been determined. The subscribers of the Non-public Issuance of A Shares shall not comprise any related party(ies)/connected person(s) of the Company.

3. The issue price is determined through bidding under the Non-public Issuance. The Price Determination Date shall be the first day of the issuance period of the Non-public Issuance. The issue price of the Non-public Issuance shall be no less than 80% of the average trading price of A Shares of the Company over the 20 trading days prior to the Price Determination Date (average trading price of A Shares of the Company over the 20 trading days (excluding the Price Determination Date, the same below) prior to the Price Determination Date = total transaction amount of A Shares of the Company over the 20 trading days prior to the Price Determination Date/total trading volume of A Shares of the Company over the 20 trading days prior to the Price Determination Date) (the "**Minimum Issue Price**").

   During the period from the date of the first Board resolution approving the Non-public Issuance to the issuance date, in the event of ex-entitlement and ex-dividend activities in relation to the Company such as dividend distribution, bonus issue or conversion of capital reserve into share capital, the Minimum Issue Price of the Proposed Non-public Issuance will be adjusted accordingly.

Upon obtaining the approval from the CSRC for the Non-public Issuance of A Shares by the Company, based on the above Minimum Issue Price, the issue price of the Shares shall be finally determined based on the prices offered by the subscribers through book building by the Board and its authorized persons, under the authorization granted at the General Meeting, with the sponsor (the lead underwriter) according to the relevant requirements.

4. The number of A Shares to be issued under the Non-public Issuance shall be no more than 128,144,927 Shares (inclusive). The final number of the shares to be issued is subject to the bidding results of the Non-public Issuance and the number of the shares approved by the CSRC.

   Upon obtaining the approval from the CSRC for the Non-public Issuance of A Shares, the final number of the shares to be issued shall be determined based on the maximum number of the shares approved by the CSRC and the prices offered by the subscribers by the Board and its authorized persons, under the authorization granted at the General Meeting, with the sponsor (the lead underwriter) according to the relevant requirements.

   During the period from the date of the first Board resolution on the Non-public Issuance to the issuance date, if the total number of the shares of the Company changes before the Non-public Issuance due to ex-entitlement and ex-dividend activities in relation to the Company such as bonus issue, conversion of capital reserve into share capital, and other reasons, the maximum number of the shares to be issued under the Non-public Issuance shall be adjusted accordingly.

5. The proceeds from the Non-public Issuance of A Shares shall be no more than RMB4,982.83 million (inclusive), and the net proceeds after deducting issuance fees shall be used for the following projects:

No.	**Project name**	**Total investment amount** *(RMB'0,000)*	**Proposed investment from the proceeds** *(RMB'0,000)*
1	Innovative drug clinical, license in and relevant marketing preparation	222,043	222,043
2	Intensive comprehensive base for APIs and preparations	135,262	135,262
3	Replenishment of working capital	140,978	140,978
Total		**498,283**	**498,283**

Once the proceeds of the Non-public Issuance are received, if the actual net proceeds are less than the above proposed amount to be invested by utilizing the proceeds, the Board and its authorized persons, subject to compliance with relevant laws and regulations and the scope of the above investment projects to be funded by the proceeds, may adjust and finally determine the specific investment projects to be funded by the proceeds, the order of priority, and the specific investment amounts for each project according to the actual net proceeds based on, among other things, the actual situation such as the progress of the investment projects funded by the proceeds and the capital demand, and will make up for the shortfall by utilizing the self-owned funds of the Group or through other financing methods.

Within the scope of the above investment projects to be funded by the proceeds, the Board may make appropriate adjustments to the investment amount of the above projects based on the actual demand of the project and in accordance with the procedures under the relevant laws and regulations.

To ensure a seamless process of the investment projects to be invested by utilizing the proceeds, and protect the interests of all Shareholders, before the proceeds from the Non-public Issuance are received in full, the Group may use its self-raised funds so required based on the actual situation of the investment projects to be invested by utilizing the proceeds. When the proceeds are available, such funds used shall be replaced by the proceeds in accordance with the procedures under the relevant laws and regulations.

6. After the completion of the Non-public Issuance, the new and existing shareholders of the Company shall be entitled to the undistributed accumulated profits of the Company prior to the Non-public Issuance of A Shares.

7. The A Shares of the Company subscribed by the subscribers under the Non-public Issuance shall not be transferred within six months from the date of completion of the issuance.

   Upon the completion of the Non-public Issuance until the expiry of the lock-up period, any additional shares of the subscribers due to, among other things, bonus issue or conversion of capital reserve into share capital of the Company shall also be subject to the above lock-up arrangement.

   After the expiry of the above lock-up period, the transfer and trading of these shares shall be implemented in accordance with the laws and regulations in force at that time and the relevant regulations of the CSRC and the SSE.

8. Upon the completion of the Non-public Issuance, there will be no change to the controlling shareholder and de facto controller of the Company and the shareholding structure of the Company shall remain applicable for listing.

9. In accordance with the requirements of the Notice on Further Implementation of Relevant Matters on Distribution of Cash Dividends of Listed Companies (關於進一步落實上市公司現金分紅有關事項的通知) and the Regulatory Guidelines for Listed Companies No. 3 — Cash Dividends of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》), the Articles of Association determine the provisions on profit distribution policy. For details of the profit distribution policy, usage of cash dividends and undistributed profit usage in the recent three years, and shareholder return plans for the next three years of the Company, please refer to the "V Profit Distribution Policy and Profit Distribution Information of the Company" of the Proposal.

10. In accordance with the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) and the Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), the Company has analyzed the impact of the dilution of immediate return resulting from the Non-public Issuance of A Shares on the major financial indicators of the Group and developed the mitigation and remedial measures for the immediate return dilution resulting from the issuance. The controlling shareholder, de facto controller, directors and senior management of the Company have made corresponding commitments for the implementation of the relevant mitigation and remedial measures. For details, please refer to "VI Dilution of Immediate Return Resulting from the Non-public Issuance and the Mitigation and Remedial Measures" of the Proposal.

The Company reminds investors to be aware of the risk of the dilution of immediate return of the Non-public Issuance of A Shares. Investors are advised to be aware of that the Company develops measures to make up the returns is not equal to a guarantee of the Group's future profits; that investors shall not make investment decisions accordingly. The Company is not liable for any losses caused due to any investment decisions so made by investors. Investors are advised to be aware of relevant risks.

CONTENTS

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in the Proposal:

I. General terms

"Company", "Fosun Pharma", "Issuer" or "Listed Company"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司)
"Group"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* and its subsidiaries/entities
"Controlling Shareholder" or "Fosun High Tech"	Shanghai Fosun High Technology (Group) Co., Ltd.* (上海復星高科技(集團)有限公司)
"Non-public Issuance of A Shares" or "Non-public Issuance"	the proposed non-public issuance of no more than 128,144,927 A Shares (the final number of which is subject to the bidding results of the Non-public Issuance and the number of the shares approved by the CSRC) to no more than 35 particular investors by Fosun Pharma
"Proposal"	Proposal for the Non-public Issuance of A Shares of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司非公開發行A股股票預案》)
"Price Determination Date"	the price determination date for the Proposed Non-public Issuance of A Shares. In accordance with the Implementation Rules for the Non-public Offering of Stocks by Listed Companies (amended in 2020)* (《上市公司非公開發行股票實施細則》(2020年修正)), the Price Determination Date for the Proposed Non-public Issuance of A Shares is the first day of the issuance period
"DRC"	the National Development and Reform Commission or the Local Development and Reform Commission

"CSRC"	China Securities Regulatory Commission* (中國證券監督管理委員會)
"Shanghai Stock Exchange" or "SSE"	the Shanghai Stock Exchange* (上海證券交易所)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"A Share(s)"	RMB ordinary share(s) with a nominal value of RMB1.00 per share issued by the Issuer, which is (are) listed and traded on the Shanghai Stock Exchange
"H Share(s)"	overseas listed foreign share(s) with a nominal value of RMB1.00 per share issued by the Issuer, which is (are) listed and traded on the Hong Kong Stock Exchange
"Company Law"	the Company Law of the People's Republic of China (amended in 2018)
"Securities Law"	the Securities Law of the People's Republic of China (amended in 2019)
"Articles of Association"	the Articles of Association of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*
"Board"	the board of directors of the Company
"Supervisory Committee"	the supervisory committee of the Company
"General Meeting"	the general meeting of the Company
"the recent three years and the latest period"	2017, 2018 and 2019 and the period from January to September 2020
"recent three years"	2017, 2018 and 2019
"RMB", "RMB'0,000" and RMB'00,000,000"	Renminbi, Renminbi ten thousand and Renminbi one hundred million

"NMPA"	National Medical Products Administration* (國家藥品監督管理局)
"NHC"	National Health Commission* (國家衛生健康委員會)
"U.S. FDA"	U.S. Food and Drug Administration

II. Professional terms

"GMP"	Good Manufacturing Practices
"WHO"	World Health Organization
"cGMP"	Current good manufacturing practice
"Gland Pharma"	Gland Pharma Limited, which is established in India
"vaccine efficacy"	the percentage reduction of disease in a vaccinated group of people compared to an unvaccinated group
"Sinopharm Group"	Sinopharm Group Co. Ltd.* (國藥控股股份有限公司)
"Guilin Pharma"	Guilin South Pharma Company Limited* (桂林南藥股份有限公司)
"Fosun Pharmaceutical Industrial Development"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司)
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司)
"Jiangsu Wanbang"	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司)
"Shanghai Henlius"	Shanghai Henlius Biotech, Inc.* (上海復宏漢霖生物技術股份有限公司)
"Avanc Pharmaceutical"	Avanc Pharmaceutical Co., Ltd.* (錦州奧鴻藥業有限責任公司)
"BNTX"	BioNTech SE

"related party(ies)"	as defined under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
"connected person(s)"	as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

In the Proposal, any discrepancies between some totals and the sums of the amounts are due to rounding.

SECTION I SUMMARY OF THE PLAN OF THE NON-PUBLIC ISSUANCE OF A SHARES

I. Basic information of the issuer

Chinese name of the Company: 上海復星醫藥(集團)股份有限公司

English name of the Company: Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*

Unified social credit code: 913100001330605412

Legal representative: Wu Yifang

Registered capital: RMB2,562,898,545

Date of incorporation: 13 July 1998

Place of listing of the shares of the Company: SSE/Hong Kong Stock Exchange

Short name of the Company: Fosun Pharma

Stock Code: 600196.SH/02196.HK

Board secretary: Dong Xiaoxian

Registered address: 9th Floor, 510 Caoyang Road, Shanghai

Business address: Building A, No. 1289 Yishan Road, Shanghai

Postal code: 200233

Telephone: 021-33987000

Fax: 021-33987871

Website: www.fosunpharma.com

Scope of business: Biochemical products, reagents, biological four technical services, manufacturing and sales of self-developed products, instrument and apparatus, electronic products, computers, chemical materials (excluding hazardous materials), consultancy services; export businesses in respect of its self-manufactured products and relevant technologies, import businesses in respect of raw and auxiliary materials, mechanical equipment, instruments and apparatuses, spare and accessory parts and relevant technologies. (Projects that must be approved under the laws shall be approved by the relevant regulatory authorities before commencement of the business activities).

II. Background and purpose of the Non-public Issuance

(I) Background of the Non-public Issuance

1. *The pharmaceutical industry is an important industry related to the national economy and people's livelihood, and a national strategic emerging industry*

The pharmaceutical industry is an important part of China's economy, an important industry related to the national economy and people's livelihood, and a national strategic emerging industry. With the deepening of the country's aging degree and the improvement of people's living standards, people's demand for medical treatment and medicine has further increased. People's health is the biggest livelihood of the people, and the Party Central Committee and the State Council attaches great importance to this. From the perspective of industry development, the pharmaceutical industry has undergone earth-shaking changes in recent years. Medical insurance, medical care, and pharmaceutical reforms have been linked together, and the "medicine for medical treatment" model has become the past. The industry structure is facing reshaping, and pharmaceutical innovation and industrial upgrading have become a trend.

2. *Policy changes in the medical and pharmaceutical industry favor innovative drugs*

With the deepening of China's medical and health system reforms, policies such as national drug procurement and drug price negotiation, consistency evaluation, drug marketing authorization holder system, strict control of medical insurance fees, accelerated price reduction of new anti-cancer drugs into medical insurance, accelerated new drug review and other policies have continued. With the launch, the pharmaceutical industry is facing a reshuffle, and pharmaceutical companies with real innovation capabilities and core competitiveness usher in development opportunities. Since 2017, the NMPA has accelerated the review and approval of new drugs, driving the development of Chinese innovative drug companies and the transformation of traditional pharmaceutical companies. In 2018 and 2019, the number of new drugs approved by NMPA was about 50, of which domestic new drugs accounted for about 20%. Both in terms of the number of approvals and the number of approvals of local companies, they are far ahead of previous years. China encourages and guides the development of innovative drugs, and through medical insurance negotiations, more innovative drugs can be included in the

scope of medical insurance payment faster, providing a better development environment for innovative drug R&D. Chinese pharmaceutical companies need to seize the opportunity to accelerate the development of innovative drugs.

3. *The Non-Public Issuance is in line with the mission, purpose and development strategy of the Group*

Fosun Pharma is a leading enterprise in the pharmaceutical industry in the PRC and is listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange. Focusing on the modern healthcare industry while seizing great opportunities presented by the rapid growth of the pharmaceutical market in China and Chinese enterprises' expansion into the world mainstream markets, the Group has become a professional pharmaceutical group with considerable size that maintains a leading market position in healthcare services, diagnostic products and medical devices with the focus on R&D of pharmaceutical products. PRC pharmaceutical market is a huge industry of trillions in value. In the past decades, the market has maintained sustainable and stable growth due to the development of emerging economies and investments in construction of national healthcare infrastructure. However, problems such as large population base, lower consumption per capita, lower medical insurance coverage, and intense competition among pharmaceutical enterprises have existed in the PRC pharmaceutical market. The implementation of new healthcare reform policies aims to change the existing conditions of the PRC pharmaceutical industry, achieve industry transformation and adjustment, and improve industry concentration and efficiency of pharmaceutical enterprises by adjusting PRC pharmaceutical industry structure, promoting integration of industry chain sectors in line with the development trend of developed countries in the world.

On the one hand, the Group has taken the development direction of innovative drug R&D, seized the opportunities arising from the policies encouraging pharmaceutical innovation in China, promoted the transition from me-too, me-better to first-in-class, best-in-class R&D of innovative drugs, and actively laid out in the direction of PCG (protein drug therapy, cell therapy, gene therapy). On the other hand, the Group deepens its internationalization progress in the pharmaceutical field. Since the listing of H Shares of the Company in 2012, the Group has successively carried out a series of material overseas mergers and investments, and accelerated the approval process for pipeline and licensed drugs as well as the progress of clinical trials for licensed projects, aggressively promoting the implementation of international strategies. The Non-public Issuance will also enable the establishment of a solid foundation for the Group to further strengthen its

international research platforms and to promote development of its principal businesses. In addition, the proceeds from the Non-public Issuance will further strengthen the R&D capabilities of innovative drugs, expand the intensive production capacity of APIs and preparations, and supplement liquidity, promote the Group's core business of medicine and health, adhere to product innovation and management improvement, international development, and actively promote the strategic development direction of "innovative transformation, integrated operation, and steady growth".

(II) Purpose of the Non-public Issuance

The Group's business covers the entire pharmaceutical and health industry chain, and its business development is based in China and proactively pursues a global collaboration. The Group focuses on pharmaceutical manufacturing and R&D, and its business covers medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail. The Group's pharmaceutical manufacturing and R&D business, medical device and medical diagnostics business are in a leading position in the industry, and the healthcare services business is also leading in private hospitals in terms of business development and operational capabilities.

China's pharmaceutical industry is in a critical period of comprehensive transformation. Innovation orientation and patent breakthroughs, improvement of quality and efficiency, and cost reduction will comprehensively become an important manifestation of the competitiveness of pharmaceutical companies in future. Chinese pharmaceutical manufacturing companies are facing unprecedented opportunities and challenges.

The Non-public Issuance may facilitate the Group in promoting the "4+3" R&D platform (four platforms: biological drugs, small molecule innovative drugs, high-value generic drugs, and new technology treatments; three systems: internal R&D, license-in, depth incubation), to further expand the Group's innovative product pipeline in addressing unmet medical needs, and accelerate the transition from me-too, me-better to first-in-class, best-in-class R&D of innovative drugs. On the other hand, with the continuous expansion of the Group's pharmaceutical product pipeline, the Group shall put greater efforts into intensive production in order to continuously meet the medical needs brought by the launch of new products and the increase in penetration rate and compliance for patients in respect of the old products, and achieve economies of scale, and thereby achieve the goal of reducing costs and increasing efficiency. In addition, by using the proceeds from the Non-public Issuance for working capital replenishment, it may optimize the Group's debt structure and enhance the Group's creditworthiness.

In future, the Group will adhere to the innovation strategy, improve the efficiency of operations and R&D, realize the transformation and implementation of global innovative cutting-edge technologies, strengthen the upgrading and optimization of manufacturing, supply chain and marketing systems, and actively promote its internationalized business, which will provide patients with more valuable drugs/treatment options; continue to promote cost reduction and efficiency enhancement, and improve profitability.

III. Relationship between the subscribers and the Company

The subscribers of the Non-public Issuance shall be no more than 35 particular investors. The subscribers shall be securities investment fund management companies, securities companies, finance companies, asset management companies, insurance institutional investors, trust companies, qualified foreign institutional investors and other qualified investors which meet the requirements of the CSRC. Any securities investment fund management company, securities company, qualified foreign institutional investor or RMB qualified foreign institutional investor subscribing through more than two products managed by it shall be deemed to be a subscriber. Trust companies as subscribers shall only subscribe with their self-owned funds.

Upon obtaining the approval from the CSRC for the Proposed Non-public Issuance by the Company, the subscribers shall be finally determined based on the principle of price priority by the Board and its authorized persons, under the authorization granted at the General Meeting, with the sponsor (the lead underwriter) according to the bids for the issuance in compliance with the relevant laws, regulations and regulatory documents.

As at the date of the Proposal, the subscriber is to be determined for the Non-public Issuance. The subscribers of the Non-public Issuance of A Shares shall not include the related parties/ connected persons of the Company.

IV. Overview of the plan of the Non-public Issuance

(i) Class and nominal value of the shares under the Non-public Issuance

The shares to be issued in the Non-public Issuance are domestic listed RMB ordinary shares (A Shares) with a nominal value of RMB1.00 per share.

(ii) Method of issuance

The Non-public Issuance shall be conducted by way of non-public issuance of RMB ordinary shares (A Shares) to particular subscribers. The Company will proceed with the Non-public Issuance in due course during the validity period of the relevant CSRC approval.

(iii) Subscribers and Subscription Method

The subscribers of the Non-public Issuance shall be no more than 35 particular investors. The subscribers shall be securities investment fund management companies, securities companies, finance companies, asset management companies, insurance institutional investors, trust companies, qualified foreign institutional investors and other qualified investors which meet the requirements of the CSRC. Any securities investment fund management company, securities company, qualified foreign institutional investor or RMB qualified foreign institutional investor subscribing through more than two funds managed by it shall be deemed to be a subscriber. Trust companies as subscribers shall only subscribe with their self-owned funds.

Upon obtaining the approval from the CSRC for the Non-public Issuance by the Company, the subscribers shall be finally determined based on the principle of price priority by the Board and its authorized persons, under the authorization granted at the General Meeting, with the sponsor (the lead underwriter) according to the bids for the issuance in compliance with the relevant laws, regulations and regulatory documents.

As at the date of the Proposal, the subscribers of the Non-public Issuance have not been determined. The subscribers of the Non-public Issuance of A Shares shall not comprise any related parties/connected persons of the Company.

All subscribers shall subscribe for the A Shares to be issued under the Non-public Issuance at the same price in cash.

(iv) Price Determination Date, Issue Price and Pricing Principles

The issue price is determined through bidding under the Non-public Issuance. The Price Determination Date shall the first day of the issuance period of the Non-public Issuance. The issue price of the Non-public Issuance of A Shares shall be no less than 80% of the average trading price of A Shares of the Company over the 20 trading days (excluding the Price Determination Date) prior to the Price Determination Date (the average trading price of A

Shares over the 20 trading days prior to the Price Determination Date = total transaction amount of A Shares over the 20 trading days prior to the Price Determination Date/total trading volume of A Shares over the 20 trading days prior to the Price Determination Date).

Upon obtaining the approval from the CSRC for the Non-public Issuance by the Company, the final issue price shall be determined based on the principle of price priority by the Board and its authorized persons, under the authorization granted at the General Meeting, with the sponsor (the lead underwriter) according to the bids for the issuance in compliance with the relevant laws, regulations and regulatory documents.

During the period from the date of the first Board resolution approving the Non-public Issuance to the issuance date, in the event of ex-entitlement and ex-dividend activities in relation to the Company such as cash dividend distribution, bonus issue or conversion of capital reserve into share capital, the Minimum Issue Price of the Non-public Issuance shall be adjusted accordingly.

(v) Number of the Shares to be Issued

The number of A Shares to be issued under the Non-public Issuance shall be no more than 5% of the total number of the shares prior to the Non-public Issuance (i.e. no more than 128,144,927 shares (inclusive) calculated on the basis of the total number of the shares as at the date of the first Board resolution approving the Non-public Issuance). The final number of the shares to be issued is subject to the bidding results of the Non-public Issuance and the number of the shares approved by the CSRC.

The calculation formula for the final number of the shares to be issued under the Non-public Issuance is: the number of the Shares to be issued = total proceeds from the Non-public Issuance/issue price of the Non-public Issuance. If the number of the shares obtained is not a whole number, the remaining shares of less than one share shall be processed according to the principle of rounding down.

During the period from the date of the first Board resolution approving the Non-public Issuance to the issuance date, if the total number of the shares of the Company changes before the Non-public Issuance due to ex-entitlement and ex-dividend activities in relation to the Company such as bonus issue, conversion of capital reserve into share capital, and other reasons, the maximum number of the shares to be issued under the Non-public Issuance shall be adjusted accordingly.

Upon obtaining the approval from the CSRC for the Non-public Issuance, the final number of the shares to be issued shall be determined by the Board and its authorized persons, under the authorization granted at the General Meeting, with the sponsor (the lead

underwriter) according to the bids for the issuance in compliance with the relevant laws, regulations and regulatory documents, within the above maximum number of the shares to be issued. In the event that any regulatory authority such as the CSRC makes adjustments to the above number of the shares to be issued, such number approved by it shall prevail.

(vi) Amount and Use of Proceeds

The proceeds from the Non-public Issuance of A Shares shall be no more than RMB4,982.83 million (inclusive), and the net proceeds after deducting issuance fees shall be used for the following projects of the Group:

No.	**Project name**	**Total investment amount** *(RMB'0,000)*	**Proposed investment from the proceeds** *(RMB'0,000)*
1	Innovative drug clinical, license in and relevant marketing preparation	222,043	222,043
2	Intensive comprehensive base for APIs and preparations	135,262	135,262
3	Replenishment of working capital	140,978	140,978
Total		**498,283**	**498,283**

Once the proceeds of the Non-public Issuance are received, if the actual net proceeds are less than the above proposed amount to be invested by utilizing the proceeds, the Board and its authorized persons, subject to compliance with relevant laws and regulations and the scope of the above investment projects to be funded by the proceeds, may adjust and finally determine the specific investment projects to be funded by the proceeds, the order of priority, and the specific investment amounts for each project according to the actual net proceeds based on, among other things, the actual situation such as the progress of the investment projects funded by the proceeds and the capital demand, and will make up for the shortfall by utilizing the self-owned funds of the Group or through other financing methods.

Within the scope of the above investment projects to be funded by the proceeds, the Board may make appropriate adjustments to the investment amount of the above projects based on the actual demand of the project and in accordance with the procedures under the relevant laws and regulations.

To ensure a seamless process of the investment projects to be invested by utilizing the proceeds, and protect the interests of all shareholders of the Company, before the proceeds from the Non-public Issuance are received in full, the Group may use its self-raised funds so required based on the actual situation of the investment projects to be invested by utilizing the proceeds. When the proceeds are available, such funds used shall be replaced by the proceeds in accordance with the procedures under the relevant laws and regulations.

(vii) Lock-up Period

Upon completion of the Non-public Issuance, the A Shares to be subscribed by the subscribers under the Non-public Issuance shall be subject to a lock-up period for 6 months from the date of completion of the issuance.

During the period from the completion of the Non-public Issuance to the end of the lock-up period, any additional shares to be acquired by the subscribers due to, among other things, bonus issue or conversion of capital reserve into share capital of the Company shall also be subject to the above lock-up arrangement.

After the expiry of the above lock-up period, the transfer and trading of these shares shall be implemented in accordance with the laws and regulations in force at that time and the relevant regulations of the CSRC and the SSE.

(viii) Place of Listing

The shares under the Non-public Issuance shall be listed for trading on the SSE.

(ix) Arrangement for the Accumulated Profits of the Company prior to the Non-public Issuance

After the completion of the Non-public Issuance, the new and existing shareholders of the Company shall be entitled to the undistributed accumulated profits of the Company prior to the Non-public Issuance.

(x) Validity Period of the Resolutions in Relation to the Non-public Issuance

The resolutions in relation to the Non-public Issuance shall remain valid for 12 months from the date on which the resolutions in relation to the Non-public Issuance are passed at the General Meeting.

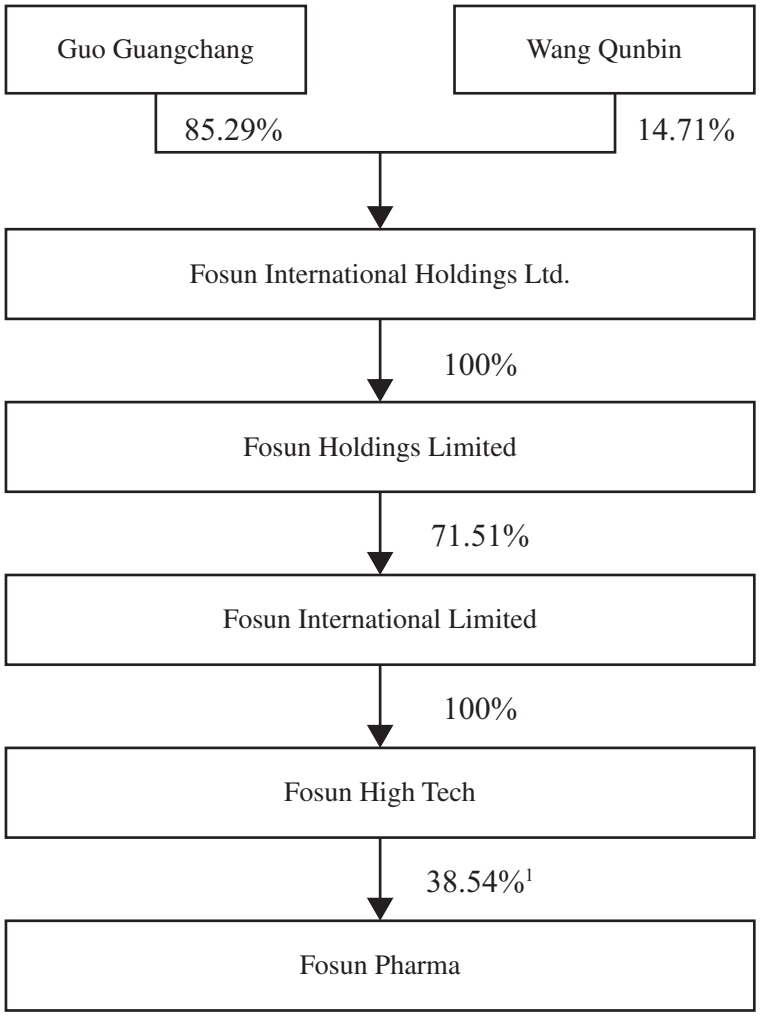
If the Non-public Issuance is still pending approval or permission from, or registration with, the regulatory authority before the expiry of the general mandate for 2020 as granted pursuant to the Resolution on the Grant of General Mandate to Issue A Shares and/or H Shares passed at the 2019 annual general meeting of the Company (from the date of passing of such resolution at the 2019 annual general meeting of the Company to the date of the 2020 annual general meeting or to the date when a resolution is passed to revoke or modify the general mandate), the Non-public Issuance may proceed in accordance with the limit of the general mandate for the following year, provided that the maximum number of the shares to be issued under the Non-public Issuance does not exceed the limit of the general mandate for the following year as approved at the annual general meeting of the Company. In addition, it is not necessary for the Company to convene another general meeting or class meetings of shareholders for the purpose of reconsidering the matters relating to the Non-public Issuance.

V. Whether the Non-public Issuance constitutes a related party transaction/connected transaction

As at the date of the Proposal, the subscriber is to be determined for the Non-public Issuance. The subscribers of the Non-public Issuance of A Shares shall not comprise any related party(ies)/ connected person(s) of the Company.

VI. Whether the Non-public Issuance results in any change in control of the Company

As at the date of the Board resolution approving the Non-public Issuance, the controlling shareholder of the Company was Fosun High Tech, and the de facto controller of the Company was Mr. Guo Guangchang. The shareholding relationship between the Company, and the controlling shareholders and the de facto controller of the Company is set out below:



Note 1: These include A Shares which account for approximately 36.60% of the total shares of Fosun Pharma directly held by Fosun High Tech, and H Shares which account for approximately 1.94% of the total shares of Fosun Pharma held through HKSCC NOMINEES LIMITED.

The number of the shares under the Non-public Issuance of A Shares shall not be more than 128,144,927 shares (inclusive, the final number of the shares to be issued is subject to the bidding results of the Non-public Issuance and the number of the shares approved by the CSRC). Assuming that the maximum amount of A Shares in the Non-public Issuance is taken into account, and Fosun High Tech, Mr. Guo Guangchang and other related parties of Fosun Pharma do not participate in the subscription of the shares under the Non-public Issuance, after the completion of the Non-public Issuance, the number of the shares of the Company (including A Shares and H Shares) held by Fosun High Tech will account for 36.70% of the Company's total shares and Fosun High Tech will remain to be the controlling shareholder of the Company; and Mr. Guo Guangchang will remain to be the de facto controller of the Company. Therefore, the Non-public Issuance of A Shares will not lead to changes in the control over the Company.

VII. Approvals for the plan of the Non-public Issuance which have been obtained from the competent authorities and the outstanding approvals and procedures to be fulfilled

Matters in relation to the Non-public Issuance of the A Shares were considered and approved at the 30th meeting of the eighth session of the Board held on 25 November 2020. The Non-public Issuance is subject to approval at the General Meeting and the CSRC.

Upon approval by the CSRC, the Company will apply to China Securities Depository and Clearing Corporation Limited Shanghai Branch, the Shanghai Stock Exchange and other relevant institutions for handling matters in relation to share issuance, registration and listing, and will complete all approval procedures for the Non-public Issuance of A Shares.

SECTION II FEASIBILITY ANALYSIS ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE BY THE BOARD

I. The plan of the use of proceeds from the Non-public Issuance

With the deepening of the medical reform and the constant promulgation of policies that encourage innovation and optimize the drug review and approval system, the Group will continue to adhere to innovation and transformation and integrated development, in order to improve its competitive edge in pharmaceutical manufacturing. Relying on an open-ended R&D ecosystem and the dual-wheel drive of independent development and license in, the Group strives to address domestic unmet medical needs, enrich the innovation pipeline, and achieve domestic practice and fast transformation of global innovative products and advanced technologies. With the acceleration of policies on cost control for medical insurance and procurement with target quantity, as well as the remodeling of the generic drug landscape, the Group will establish an extensive and intensive comprehensive base for APIs and preparations and achieve vertical integration for the regional industrial chain, so as to improve production efficiency.

The total proceeds from the Non-public Issuance shall be no more than RMB4,982.83 million (inclusive), and the net proceeds after deducting related issuance fees shall be used for the following projects:

No.	**Project name**	**Total investment** *(RMB'0,000)*	**Proceeds proposed to be invested** *(RMB'0,000)*
1	Innovative drug clinical, license in and relevant marketing preparation	222,043	222,043
2	Intensive comprehensive base for APIs and preparations	135,262	135,262
3	Replenishment of working capital	140,978	140,978
Total		**498,283**	**498,283**

Once the proceeds of the Non-public Issuance are received, if the actual net proceeds are less than the above proposed amount to be invested by utilizing the proceeds, the Board and its authorized persons, subject to compliance with relevant laws and regulations and the scope of the above investment projects to be funded by the proceeds, may adjust and finally determine the specific investment projects to be funded by the proceeds, the order of priority, and the specific investment amounts for each project according to the actual net proceeds based on, among other things, the actual situation such as the progress of the investment projects funded by the proceeds and the capital demand, and will make up for the shortfall by utilizing the self-owned funds of the Group or through other financing methods.

Within the scope of the above investment projects to be funded by the proceeds, the Board may make appropriate adjustments to the investment amount of the above projects based on the actual demand of the project and in accordance with the procedures under the relevant laws and regulations.

To ensure a seamless process of the investment projects to be invested by utilizing the proceeds, and protect the interests of all shareholders, before the proceeds from the Non-public Issuance are received in full, the Group may use its self-raised funds so required based on the actual situation of the investment projects to be invested by utilizing the proceeds. When the proceeds are available, such funds used shall be replaced by the proceeds in accordance with the procedures under the relevant laws and regulations.

II. Basic information of the investment projects funded by the proceeds from the Non-public Issuance

(i) Innovative drug clinical, license in and relevant marketing preparation

1. *Project description*

An aggregate of RMB2,220.43 million will be invested in the clinical R&D of innovative drugs, commercialization of licenses, R&D milestone payments for license-in projects and subsequent costs such as those related to marketing preparation of certain products. The projects aim to drive the clinical progress of FCN-437, ferric pyrophosphate citrate solution (Triferic), FS-1502, FCN-159, Liraglutide, SurVaxM (recombinant polypeptide vaccine), type A Botulinum Toxin for injection (RT002), Tenapanor[1], Balixafortide[2], stem cell therapy (CTX), stem cell therapy (hRPC) and novel coronavirus mRNA vaccines and the marketing preparation of certain projects, as well as the payment of subsequent expenses, such as the milestone payments, to licensors in respect of the clinical progress of SurVaxM (recombinant polypeptide vaccine), type A Botulinum Toxin for injection (RT002), Tenapanor, Balixafortide, stem cell therapies (CTX and hRPC) and novel coronavirus mRNA vaccines. All license-in projects under this project have completed the signing of corresponding licensing agreements.

In the case of type A Botulinum Toxin for injection (RT002), in December 2018, the Group was licensed by Revance Therapeutics, Inc. of the U.S. ("**Revance**") to exclusively use, import, sell and otherwise commercialize RT002, an injecting drug containing type A Botulinum Toxin for injection, in mainland China, Hong Kong and the Macau Special Administrative Region. The product is a long-acting neuromodulator developed based on Revance's proprietary technology platforms in clinical research stage, the active pharmaceutical ingredient of which is Daxibotulinumtoxin type A Botulinum Toxin for injection. Its preparations contain no human blood-derived substances or animal-derived proteins, and are able to maintain stability for two years without the need of refrigeration. The results of pre-clinical and clinical research completed in the U.S. indicate that the product could be used for (1) cosmetic indications, such as the elimination of moderate to severe glabellar lines; and (2) curing indications such as cervical dystonia. The product is safe for use, generally well-tolerated among subjects with mild adverse reactions. It also has relatively evident clinical effects, with over 90% of subjects showing relieved wrinkles within one week of medication. As of the date of the Proposal, New Drug Application has been submitted to the U.S. FDA for its treatment of moderate to severe glabellar lines, while it is undergoing phase III clinical trial in the U.S. for the treatment of cervical dystonia. The Group is also carrying out phase III clinical trial in the PRC for both indications.

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1 The abovementioned drug is still in the stage of R&D and registration, and its generic names is subject to the review results of the Chinese Pharmacopoeia Commission, similarly hereinafter

2 The abovementioned drug is still in the stage of R&D and registration, and its generic names is subject to the review results of the Chinese Pharmacopoeia Commission, similarly hereinafter

In the case of Balixafortide, in August 2020, the Group and Polyphor Ltd. ("**Polyphor**"), a Swedish biotech company, signed an exclusive licensing agreement in respect of Balixafortide, a CXCR4 antagonist. Balixafortide is a highly potent and selective CXCR4 antagonist. CXCR4 plays a significant role to the growth, invasion, angiogenesis and metastasis of tumor and its resistance to therapeutic drugs. The U.S. FDA has granted it fast track status in 2018 for HER2-positive metastatic negative breast cancer patients who had at least received two chemotherapy regimens prior to combination treatment with eribulin. Currently, Polyphor is undergoing a randomized, positive-controlled, open-label, global multicenter phase III clinical research on Balixafortide. As its partner, the Group will jointly develop and commercialize Balixafortide with Polyphor in the PRC. In addition, as indicated by the relevant pre-clinical model, CXCR4 antagonists could enhance the activity of various anti-cancer therapies and possess great potential for combination therapy with various other drugs against various solid tumor indications, therefore not only did the cooperation enrich the Group's product line in the field of anti-tumor therapy, but it also provided more treatment options in the face of unmet medical needs in the market.

In the case of novel coronavirus mRNA vaccines, COVID-19 is currently a global pandemic, with the number of people diagnosed exceeding 58.6 million and the death toll exceeding 1.38 million globally as at 22 November 2020. The outbreak of COVID-19 has had grave ramifications to the global economic and political order, while also posing a tremendous challenge to the normalized epidemic prevention and control system of the PRC. There are major medical needs for novel coronavirus vaccines scientifically-proven to be effectively preventive and safe. In March 2020, the Group obtained BNTX license to exclusively develop and commercialize preventive COVID-19 vaccine products developed based on its proprietary mRNA technology in mainland China, Hong Kong, Macau and Taiwan region. On 13 November 2020, the Group obtained approval from the NMPA for the clinical trials of the Group's licensed novel coronavirus mRNA vaccine BNT162b2, intended for the prevention of COVID-19. As of the date of the Proposal, the Group has initiated the phase II clinical trials for the vaccine in mainland China. The proceeds from the Non-public Issuance will expedite the Group's phase II clinical trials of the vaccine in mainland China, as well as the preparations related to its launching, such as GSP warehousing and cold chain logistics, which will benefit people's health and the stability of the production and life order.

The implementation of the projects represents another step in advancing the Group's innovative development strategy and the dual-wheel drive of independent R&D and license in, which is conducive to improving the Group's R&D efficiency and speeding up of product line enrichment, and serves to lower R&D risks, meet major medical needs, enhance the Group's market competitiveness in its product lines and further consolidate the overall competitive advantages of the Group.

2. *Project investment budget*

The R&D direction and corresponding investment budgets of this project are as follows:

No.	Investment project	Total investment amount *(RMB'0,000)*	Project nature	Investment amount *(RMB'0,000)*	Overview of project details
1	FCN-437	17,073	Clinical R&D	17,073	Phase III clinical trials of combination therapy for advanced breast cancer in mainland China
2	Ferric pyrophosphate citrate solution (Triferic)	10,646	Clinical R&D	10,646	Phase III clinical trials of monotherapy for iron deficiency in dialysis patients in mainland China
3	FS-1502	5,705	Clinical R&D	5,705	Phase III clinical trials of monotherapy for breast cancer in mainland China
4	FCN-159	18,256	Clinical R&D	7,228	Phase II clinical trials of combination therapy for advanced melanoma in mainland China
			Clinical R&D	11,028	Phase II clinical trials of combination therapy for neurofibroma type I in mainland China, the United States and Europe, including dose ramping/ expansion
5	Liraglutide	15,197	Clinical R&D	8,375	Phase III clinical trials of combination therapy for diabetes in mainland China
			Clinical R&D	6,822	Phase III clinical trials of monotherapy for obesity in mainland China
6	SurVaxM (recombinant polypeptide vaccine)	26,660	Clinical R&D	19,728	Phase III clinical trials of combination therapy for glioblastoma in mainland China, Hong Kong and Macau
			R&D milestone payments	6,932	Introduce SurVaxM (recombinant polypeptide vaccine) from MimiVax for the exclusive clinical R&D and commercialization license of glioblastoma, and pay the subsequent expenses such as R&D milestone payments

No.	Investment project	Total investment amount *(RMB'0,000)*	Project nature	Investment amount *(RMB'0,000)*	Overview of project details
7	Type A Botulinum Toxin for injection (RT002)	34,595	Clinical R&D	3,228	Phase III clinical trials of monotherapy for cervical dystonia in mainland China, Hong Kong and Macau
			Clinical R&D	9,185	Phase III clinical trials of monotherapy for moderate to severe glabellar lines in mainland China, Hong Kong and Macau
			R&D milestone payments	22,182	Introduce type A Botulinum Toxin for injection (RT002) from Revance for the exclusive clinical R&D and commercialization license of cervical dystonia and moderate to severe glabellar lines, and pay the subsequent expenses such as R&D milestone payments
8	Tenapanor	10,278	Clinical R&D	4,733	Phase III clinical trials of monotherapy for hyperphosphatemia in end-stage renal disease hemodialysis in mainland China
			R&D milestone payments	5,545	Introduce Tenapanor from Ardelyx for the exclusive clinical R&D and commercialization license of hyperphosphatemia in end-stage renal disease hemodialysis, and pay the subsequent expenses such as R&D milestone payments
9	Balixafortide	28,782	Clinical R&D	19,078	Phase III clinical trials of combination therapy for breast cancer in mainland China
			R&D milestone payments	9,704	Introduce Balixafortide from Polyphor for the exclusive clinical R&D and commercialization license of breast cancer, and pay the subsequent expenses such as R&D milestone payments

No.	Investment project	Total investment amount *(RMB'0,000)*	Project nature	Investment amount *(RMB'0,000)*	Overview of project details
10	Stem cell therapy (CTX)	11,365	Clinical R&D	8,702	Phase IIb clinical trials for disability after ischemic stroke in mainland China and Taiwan region
			R&D milestone payments	2,663	Introduce stem cell therapy (CTX) from ReNeuron Group Plc for the exclusive clinical R&D and commercialization license of disability after ischemic stroke, and pay the subsequent expenses such as R&D milestone payments
11	Stem cell therapy (hRPC)	11,029	Clinical R&D	5,703	Phase IIb clinical trials for retinitis pigmentosa in mainland China and Taiwan region
			R&D milestone payments	5,326	Introduce stem cell therapy (hRPC) from ReNeuron Group Plc for the exclusive clinical R&D and commercialization license of retinitis pigmentosa, and pay the subsequent expenses such as R&D milestone payments
12	Novel coronavirus mRNA vaccines	32,457	Clinical and supporting	24,139	Including investment in phase II clinical trials of the novel coronavirus mRNA vaccine (BNT162b2) in mainland China, and marketing preparations for GSP storage and cold chain logistics related to the novel coronavirus mRNA vaccines
			R&D milestone payments	8,318	Introduce novel coronavirus mRNA vaccines from BNTX for the exclusive clinical R&D and commercialization license, and pay the subsequent expenses such as R&D milestone payments
Total				**222,043**	

Note: The investment in the above R&D projects and different indications of the projects can be adjusted appropriately according to the clinical research progress and actual situation of the Group.

3. *Necessity of project*

(1) *Go in line with the development trend of the innovative drug industry with favorable policies*

In recent years, China has issued a number of policies to promote the development of China's innovative drug industry. As reflected in the redefinition of classification in the Administrative Measures for Drug Registration, the focus of China's drug registration management is tilting towards innovative drugs. Documents such as the Technical Guidelines for Conditional Approval for Listing of Drugs in Urgent Need for Clinical Medicine, the Working Procedures for Breakthrough Therapeutics, the Working Procedures for Priority Review and Approval and the Opinions on Encouraging Drug Innovation and Implementing Priority Review and Approval are all promulgated for providing policy support to improve the approval efficiency of innovative drugs. In addition, the series of policies in respect of generic drugs, such as the Opinions on Reforming and Improving the Policies Regarding the Security of Supply of Generic Drugs and Use of Generic Drugs issued by the State Council in April 2018 and the First Batch of Recommended List of Encouraged Generic Drugs issued by the National Health Commission in June 2019, explicitly promoted the development of generic drugs with medical needs/scientific basis, while also encouraging the R&D of drugs with authentic innovative value to some extent.

The R&D of innovative drugs is an important driving force for the development of pharmaceutical companies, and it is also a key field supported by China at this stage. With the strong support of policies, the Chinese innovative drug market will undergo rapid development. With the continuous development of China's pharmaceutical industry and the influence of policies on innovative drugs and centralized procurement, the business focus of pharmaceutical companies has gradually shifted from generic drugs in the past to innovative drugs. In particular, large pharmaceutical companies in the industry are gradually increasing the investment in the R&D of innovative drugs, so as to maintain their market position in the pharmaceutical industry. Against this backdrop, it is necessary for the Group to strengthen the R&D of innovative drugs, consolidate the Group's competitive advantages in the industry, and enhance the core competitiveness of the Company.

(2) *Pioneer innovative drug R&D to satisfy medical needs*

The products in this project involve indications such as malignant tumors, metabolic diseases, digestive system diseases, COVID-19 etc., which are diseases with high clinical demand in the market and a steady growth trend. With the progress in the project, the project will be able to provide new treatment and prevention methods for patients and improve the medication needs for patients. The implementation of the project will accelerate the domestic R&D and industrialization process of the Group's varieties related to innovative drugs. In

addition to meeting major medical needs, the Group has accumulated years of R&D experience in the related fields with multiple products having been launched, the implementation of the project is conducive to enhancing the market competitiveness of the Group's related product lines.

(3) *Improve the R&D system with independent research and license in as dual driving forces, and accelerate innovation and transformation and product iteration*

The Group relies on its own global resource network and independent R&D platform to create an open innovative R&D ecosystem, and continuously expands its product lines with independent R&D and license-in products as dual driving forces. In addition, with the clinical registration, market access and academic promotion capacity accumulated from years of development in the industry, the Group effectively achieves the implementation and commercialization of innovative varieties, so as to build an efficient and sustainable innovative R&D system.

The investment of proceeds from the Non-public Issuance into the milestone payments for clinical trials will accelerate the Group's innovation and transformation and its product iteration process, continuously improve the Group's open-ended R&D ecosystem, strengthen the Group's core competence and ensure the long-term growth of the Group's performance.

4. *Project investment feasibility*

(1) *Pharmaceutical industry policy support*

Innovative R&D is the driving force for the development of the pharmaceutical industry, while policy support, encouragement and guarantee are especially critical. In terms of drug R&D, the State Council and relevant ministries and commissions have successively issued the Guidelines for the Diagnosis and Treatment of Rare Diseases (2019 Edition), the First Batch of Encouraged Generic Drugs List, the Third Batch of Encouraged Research and Development List of Children's Drugs, and the Second Batch of Clinical List of New Drugs Urgently Needed Abroad point out the variety direction for drug innovation and R&D. In terms of innovation support, China, centering on Major Science and Technology Projects, has also developed the layout in advance. The Department of Science and Education of the National Health Commission has successively issued policy documents including the Notice on Application for Organizing Major New Drug Innovation and Science and Technology Major Projects in 2020, the Announcement on Solicitation of Major Research Topics in the Early Stage of the "14th Five-Year Plan" for Health, and the Notice on Work Rules and Management Measures Related to Major Science and Technology Projects, which further optimize and improve the

government's mechanisms and measures to support and encourage pharmaceutical innovation. The support of China's pharmaceutical industry policy provides a good policy guarantee for the implementation of the project.

(2) *Continuous R&D and innovation*

Centering on pharmaceutical manufacturing and R&D, the Group adheres to and continuously optimizes its development strategy. On the basis of performing well in the current business and industrial upgrading, it focuses on the fields where treatment efficacy is proven and which are in line with the development trend of modern medicine, and adheres to enhancing its R&D capability at the early stage and its industrialization development capability at subsequent stages. In the first half of 2020, the Group's R&D investment totaled RMB1.689 billion, representing an increase of 25.02% over the same period in 2019. At present, the Group has formed an international R&D layout and possessed strong R&D capabilities. It has established interactive and integrated R&D systems in China, the United States, India etc., as well as international R&D platforms for small molecule innovative drugs, high-value generic drugs, biological drugs, cells treatment and others. In addition, adhering to the principle of open cooperation, it also connects the world's outstanding scientists, leading technologies and high-value products through a diversified and multi-level cooperation model such as license introduction, in-depth incubation and venture capital, which promotes the development and transformation of innovative technologies and products over the globe. The Company's continuous R&D innovation has laid a solid foundation for the implementation of the project.

(3) *Strong technical reserves and R&D capacity*

With innovation and R&D as its core driving force, the Group continues to optimize its pharmaceutical R&D system that integrated generic and innovative drugs, enhance the construction of the "4+3" R&D platform (four platforms: biological drugs, small molecule innovative drugs, high-value generic drugs and new technology treatments; three systems: internal R&D, license-in and deep incubation), and deploy an international high-level R&D and manufacturing system with cost advantages. Through multi-level innovation, the Group continues to optimize product structure, improve product layout, and accelerate the launch of first-line therapeutic drugs. As of 31 December 2019, the Group had 264 projects on pipeline new drugs, generic drugs, biosimilars and consistency evaluation of generic drugs; 136 patent applications in the pharmaceutical manufacturing and R&D sector and obtained 47 invention patent authorizations. Through continuous R&D and innovation, the Group has formed strong technical reserves, which provide strong support for the smooth implementation of the project.

The R&D and innovation of medicine require a professional R&D team. Talents are the key factor for the Group's survival and development. The Group attaches great importance to the external introduction and in-house training of high-

quality R&D talents. After years of development, the Group has established a R&D team with excellent professional quality, reasonable age structure and extensive industry experience. As of the end of 2019, the Group has a R&D team of nearly 2,200 persons with extensive R&D experience in small molecule innovative drugs, monoclonal antibody bio-innovative drugs and biosimilars, CAR-T cell drugs etc., offering powerful support for the subsequent R&D and smooth industrialization of introduced projects.

(4) *Good collaboration with partners and mature product clinical registration capability*

With the dual driving forces of independent R&D and license in, through years of deep development in the industry and good collaboration with all partners, the Group has gained the mature capabilities of full process cooperation with partners, from joint product development, advancing clinical progress to drug registration and launching.

In the case of Avatrombopag Maleate Tablet, the Group obtained from AkaRx Inc. of the U.S. the license for exclusive sales of the product in mainland China and the Hong Kong Special Administrative Region in March 2018, and obtained the Registration Certificate of Imported Medicines from the NMPA for Avatrombopag Maleate Tablet in April 2020, approving the application of the new drug for thrombocytopenia associated with elective diagnostic procedures or surgery of adult chronic liver disease patients.

For the investment project by way of the Non-public Issuance, in the case of the novel coronavirus mRNA vaccines, in March 2020, the Group obtained BNTX license to exclusively develop and commercialize preventive COVID-19 vaccine products developed based on its proprietary mRNA technology in mainland China, Hong Kong, Macau and Taiwan regions. On such basis, the Group actively commenced the clinical advancement for candidate vaccine products, with BNT162b1 having obtained approval from the NMPA for clinical trials in July 2020. As at the date of the Proposal, BNT162b1 has completed the phase I clinical subject vaccination procedure, and is in the process of data statistical analysis. The R&D of BNT162b1 enabled the Group to accumulate experience and assemble a team for vaccine clinical trials, and laid a solid foundation for the R&D of BNT162b2. On 13 November 2020, the Group obtained the clinical trial approval from the NMPA of BNT162b2 for the prevention of COVID-19. As at the date of the Proposal, the Group has commenced phase II clinical trial of the vaccine in mainland China.

(5) *Strong marketing implementation capabilities*

As of 31 December 2019, the Group has formed a marketing team of nearly 5,300 persons. Its marketing capabilities for high-end medical, primary medical, retail chain and other markets have been further improved, thus establishing a strong capability and management system. The Group facilitates marketing transformation and realizes digital marketing through online innovative platforms. The Group strengthens its capabilities in bidding, market access and key customer management to lay solid foundation for the subsequent marketing of launched products. In addition, by virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's strengths in distribution network and logistics to facilitate the expansion of sales channels of the Group's pharmaceutical products. The Group's strong integration capabilities have laid a solid foundation for the smooth implementation of the project.

5. *Implementation entity of the project*

The implementation entities of this project are wholly-owned subsidiaries of the Company, namely Fosun Pharmaceutical Industrial Development, Jiangsu Wanbang, Avanc Pharmaceutical Co., Ltd. and Fosun Pharmaceutical AG.

6. *Approval status of the project*

The Group will strive to proceed with the relevant filing and approval matters related to this project.

(ii) APIs and Preparations Production Base Construction Project

1. *Project description*

The total investment of this project amounts to RMB1,352.62 million, and the construction period is 3 years. This project comprises the specialty APIs base projects and the preparations intensive comprehensive base projects. The intensive comprehensive base projects for APIs and preparations will focus on the opening up in Xuzhou region, vertically integrate the industry chains of APIs and preparations, and achieve intensive mass production. The projects will also cover major disease areas, such as products in anti-tumor, immune system, anti-infection and nervous system fields, which will be highly compatible with the Group's existing products and R&D pipeline, thereby further improving the Group's competitive advantages in the pharmaceutical industry.

The specialty APIs base projects aim at establishing a GMP production workshop, improving existing production technology, and process standards, introducing advanced automated production lines, and enhancing the Group's intelligent APIs production

capacity, while ensuring product quality, achieving large-scale production, and reducing production costs, so as to meet the market demand for high-quality specialty APIs for a variety of major diseases.

The preparations intensive comprehensive base is positioned as a comprehensive production base for intensive, large-capacity product manufacturing and innovative drugs and special preparations. In the context of the implementation of the Marketing Authorization Holder system, the construction of this project will rely on the Group's extensive experience from years of deep cultivation in the entire industry chain, deepen production integration, and improve operational efficiency. It is planned to provide multi-dimensional services such as technology transfer, R&D collaboration, and customized production for the Group and its external partners. On the basis of providing customized production services, it is also planned to extend to the Group's existing APIs for major diseases in order to cover the R&D and optimization of process flows, formula development and trial production services required for preparations production based on the actual needs. This project will reserve room for the future development of sustained-release preparations and highly difficult generic drug formulations, and will create possibilities for expansion in technologies such as the dynamic follow-up and implementation of the currently rapidly developing blow-fill-seal three-in-one aseptic filling process, process analysis technology and continuous manufacturing for process transformation and upgrading. The implementation of this project will enable the Group to further enhance its competitive advantage in the pharmaceutical industry through the integration of internal advantageous production capacity.

2. ***Necessity of project***

(1) *Grasp the structural changes after the in-depth medical reform and improve the production quality of specialty APIs and preparation products*

China's medical reform has adopted a series of policies and systems to adjust the structure of the pharmaceutical industry, with an aim to promoting the R&D and production of innovative drugs and high-quality generic drugs. Starting from March 2016, the General Office of the State Council has implemented the Opinion on Conducting the Consistency Evaluation of the Quality and Efficacy of Generic Drugs and other laws and regulations, aiming at adopting scientific and reasonable evaluation methods to comprehensively improve the quality evaluation of generic drugs and eliminate inferior generic drugs. Hence, amid the backdrop of deep medical reform, it is necessary to rationally optimize resources, coordinate management and control, optimize drug production processes, and improve the quality of preparations production.

(2) *Vertically integrate specialty APIs and preparations to adapt to changes in industry policies and improve the Group's operation efficiency*

This project includes two projects: specialty APIs production bases and preparations intensive comprehensive bases. Among them, part of the APIs produced in the specialty APIs production base project will be used in the Group's production of preparation products. In the context of the gradual implementation of the centralized and bulk purchase policy, the pressure on price reduction of preparations continues to increase, which will adversely affect the profitability of preparations. In order to cope with the pressure of falling prices of preparations and provide the market with high-quality and low-priced pharmaceutical products, it is necessary for the Group to achieve production scale effect by rationally optimizing production capacity layout, build production bases with cost advantages, and vertically integrate specialty APIs and downstream preparations to realize the independent supply of some APIs and develop a more price-competitive product pipeline, thereby improving the overall operation efficiency of the Group.

(3) *Integrate production capacity and improve efficiency to meet the growing market demand*

In recent years, as the number of patented medicines with expired patents has been increasing, the variety and quantity of generic drugs have also risen rapidly, bringing huge market opportunities to the API market. At the same time, in order to control production costs, large multinational pharmaceutical companies have taken steps to procure APIs and transfer pharmaceutical production business to international markets, which provides sufficient market opportunities for the Group's specialty APIs base projects, and also opens up business opportunities for the Group's intensive comprehensive preparations base.

Although China's contract development and manufacturing service has developed relatively late, it has developed rapidly, which has begun to form a contract development and manufacturing service industry platform covering APIs, chemical preparations and biological drugs. The development of the contract development and manufacturing service industry is conducive to new drug R&D companies concentrating their funds and energy on new drug R&D, speeding up the R&D process. Meanwhile, it reduces the construction of new drug R&D companies' own asset-heavy production facilities, reduces R&D and production risks caused by high-risk, high-input, and refined systematic construction, while reducing their production costs and improving the effectiveness of resource allocation. The Group must continuously improve its own technical standards and continue to build core technical barriers to adapt to the ever-changing technological environment in the pharmaceutical development sector. In addition, the implementation of the Marketing Authorization Holder system allows pharmaceutical companies, especially new drug R&D companies, to choose self-produced or commissioned

production as drug marketing authorization holders, which specifies the rights and responsibilities of R&D companies and manufacturing companies from the legal perspective. It also promotes the specialization of the pharmaceutical industry, encourages drug R&D innovation and curbs low-level redundant construction.

In summary, China's API and contract development and manufacturing service markets are large and fast-growing. It is necessary for the Group to build advanced and specialty APIs base and preparations intensive comprehensive production bases to integrate its production capacity and improve efficiency, achieve large-scale production while ensuring product quality, and reduce production costs to meet the market demand for high-quality specialty APIs and preparations for a variety of major diseases.

3. *Project feasibility*

(1) *National industrial policy support*

The pharmaceutical industry is an important foundation to support the development of medical and health industry and healthcare service industry. It is a sunrise industry with strong growth, relevance and driving force, which plays an active role in benefiting people's livelihood and stabilizing growth. The "Made in China 2025" initiative clearly proposes to vigorously promote the breakthrough development of the biomedicine industry and develop new products of chemical drugs, traditional Chinese medicines and biotechnology drugs for major diseases. The Guiding Catalogue of Key Products and Services for Strategic Emerging Industries clearly states that chemical drugs and API manufacturing are listed as key strategic emerging industries. The Guiding Opinions of the General Office of the State Council on Promoting the Healthy Development of the Pharmaceutical Industry proposes to guide the development of industrial agglomeration, and promote the large-scale production, intensification and parkization of pharmaceutical industry. It is also proposed, by integrating chemical APIs layout adjustment and industrial transfer, to establish high-standard chemical API production base in the chemical and pharmaceutical parks with strong carrying capacity, comprehensive ancillary facilities and convenient supply of raw materials. The Guiding Opinions on Promoting the Green Development of the API Industry proposes that by 2025, the structure of China's API industry will be more reasonable, the proportion of APIs produced with green processes will be further increased, the market share of high-end specialty APIs will increase significantly, and the industrial layout will be more optimized. The production of APIs in the park will basically have been realized, with a batch of concentrated production bases of APIs built. The state's policy support for the API industry has laid a solid foundation for the smooth implementation of this project.

(2) *Rich experience in large-scale production*

The Group has been engaging in the R&D, production and sales of pharmaceuticals for a long period of time, thus accumulating extensive management experience and large-scale production experience in the R&D and production of APIs and preparations. As of 31 December 2019, all subsidiaries of the Group that engaged in pharmaceutical manufacturing business met the new national GMP standard. Meanwhile, the Group actively participated in putting international cGMP certifications of the U.S., the EU and WHO into practice. More than 10 of the Group's domestic and overseas APIs received cGMP certifications from national health authorities including the U.S., EU and Japan; 4 pharmaceutical manufacturing sites and various aseptic production lines of Gland Pharma passed audit/certifications in accordance with the GMP of drugs in the U.S., the EU, Japan, Australia, Brazil and other countries. 1 production line for oral solid dosage formulation and 3 production lines for injections of Guilin Pharma obtained certification from the WHO-PQ; 1 production line for oral solid dosage formulation of Yao Pharma was certified by Health Canada and the U.S. FDA; 1 freeze-dried aseptic production line of Wanbang Pharma received cGMP certifications from the EU; and 1 production line for oral formulation of Jiangsu Wanbang received cGMP certifications from the U.S. FDA. The Group's extensive experience in large-scale production has provided a solid foundation for the smooth implementation of the project.

4. *Implementation entities of the project*

The implementation entity of the specialty API base project (filing name: Xingnuo API engineering center and industrialized production base project) is Jiangsu Xingnuo Pharmaceutical Technology Co., Ltd., a wholly-owned subsidiary of the Company, while the implementation entity of the preparations intensive comprehensive base project (intended filing name: Fosun Pharma (Xuzhou) Industrial Park (phase I) project) is Fosun Pharmaceutical (Xuzhou) Co., Ltd., a wholly-owned subsidiary of the Company.

5. *Approval status of the project*

As of the date of the Proposal, the specialty API base projects have obtained "Xu Fa Gai Bei Fa [2019] No. 11", namely the Notice of the Municipal Development and Reform Commission on the Filing of the Xinyi API Engineering Center and Industrialized Production Base Projects of Jiangsu Xingnuo Pharmaceutical Technology Co., Ltd., and "Xin Huan Xu [2020] No. 109", namely the Approval on the Environmental Impact Report of the Xinyi API Engineering Center and Industrialized Production Base Projects of Jiangsu Xingnuo Pharmaceutical Technology Co., Ltd. The relevant procedures related to DRC filing and environmental impact assessment of the preparations intensive comprehensive base project are in progress.

(iii) Replenishment of working capital

1. *Basic information*

RMB1,409.78 million out of the proceeds from the Non-public Issuance will be utilized to supplement the working capital to meet the daily liquidity requirements, thereby enhancing the Group's ability to resist risks and realize sustainable profitability.

2. *Analysis of the necessity of replenishing working capital*

(1) *Business expansion requires adequate working capital as guarantee*

Under the guidance of the "4IN" strategy (Innovation, Internationalization, Integration, and Intelligentization), the Group adheres to the development model of "innovative transformation, integrated operation and steady growth". Focusing on unmet medical needs, the Group has been enhancing its product power and brand power, continuously improving innovation, integration and internationalization capabilities, and operating efficiently, with the business scale of the Group continuously expanding. In 2017, 2018 and 2019, the Group's revenue from the major business was RMB18.534 billion, RMB24.918 billion and RMB28.585 billion, respectively, demonstrating a steady growth trend. Business expansion requires reorganized working capital as a guarantee.

(2) *Pharmaceutical industry involves large R&D investment and requires sufficient working capital as guarantee*

Taking innovation and R&D as the core driving factors, the Group focuses on the fields that are clinically demand-oriented, has definite curative effects, and in line with the development of modern medicine. It insists on improving R&D, clinical and industrialization capabilities, and invests enormous funds in the R&D of products and technologies every year. In 2019, the Group's R&D investment totaled RMB3.463 billion, of which the R&D investment in the pharmaceutical business was RMB3.131 billion, with the R&D investment in the pharmaceutical business accounting for 14.38% of the revenue from the pharmaceutical business. With the implementation of the investment projects utilizing proceeds from the non-public issuance and the expansion of the Group's business scale, the Group will need to continue to invest in R&D in the future to enrich its technical reserves and expand its product line. At the same time, the pharmaceutical R&D has a relatively long cycle with high level of difficulty, thus incurring high R&D costs. Therefore, the characteristics of the R&D in the industry determine that the Group must reserve sufficient working capital to support corporate R&D.

3. ***Analysis of the necessity of working capital replenishment***

The Company will establish a special storage and use management system for proceeds in strict accordance with the relevant regulations issued by the CSRC and the Shanghai Stock Exchange, as well as the "Proceeds Management System of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*". According to the business development needs of the Group, the investment direction, progress and amount of such portion of funds will be reasonably arranged on the basis of scientific calculation and reasonable scheduling, so as to ensure the safe and efficient use of proceeds. As to the fund settlement, the utilization of the proceeds by the Company will strictly follow the financial management system and be subject to the fund approval authority procedures.

III. Analysis of the impact of the Non-public Issuance on the Group

(i) Impact of the Non-public Issuance on the Group's business management

The proceeds will be used for innovative drug clinical, license in and relevant marketing preparation projects, intensive comprehensive base for APIs and preparations projects and replenishment of working capital. The projects funded by the proceeds from the Non-public Issuance are in line with the national industrial policy and the Group's future strategic development plan, which will help the Group promote new drug R&D, production capacity integration and efficiency improvement, achieve high-quality and efficient development in the pharmaceutical industry and further enhance the profitability of the Group. In the short term, the production capacity of APIs and generic drugs will be integrated with significant improvement in production efficiency, and the ability to continuously supply customers will be effectively enhanced. In the long term, the development of innovative drug R&D will help expand the Group's future product layout and improve business structure upgrade to meet the ever-increasing demand for precise and individualized clinical treatment. The Non-public Issuance is conducive to the sustainable development of the Group and is in the interests of the Company and all shareholders of the Company.

(ii) Impact of the Non-public Issuance on the Group's financial position

Upon completion of the Non-public Issuance, the total assets and net assets of the Group will increase at the same time. The financial structure of the Group will be further optimized, while the risk tolerant capability will be strengthened. Upon completion of the Non-public Issuance, the total shares of the Company will increase, and the scale of assets will be further expanded. The profitability of the Group will be further enhanced as the expected benefits of projects funded by the proceeds raised are realized.

In conclusion, the Group will also further strengthen its comprehensive competitiveness upon the Non-public Issuance.

SECTION III DISCUSSION AND ANALYSIS OF THE BOARD ON THE IMPACTS OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE GROUP

I. Changes in the Operations of the Group, the Articles of Association, Shareholder Structure, Senior Management Structure and Business Revenue Structure

(i) Effect on the operations of the Group

The proceeds will be used for innovative drug clinical, license in and relevant marketing preparation projects, intensive comprehensive base for APIs and preparations projects and replenishment of working capital. The investment projects are in line with the national industrial policy and the Group's future strategic development plan, which will help the Group promote new drug R&D, production capacity integration and efficiency improvement, achieve high-quality and efficient development in the pharmaceutical industry and further enhance the profitability of the Group. In the short term, the production capacity of APIs and generic drugs will be integrated with significant improvement in production efficiency, and the ability to continuously supply customers will be effectively enhanced. In the long term, the development of innovative drug R&D will help expand the Group's future product layout and improve business structure upgrade to meet the ever-increasing demand for precise and individualized clinical treatment. Upon the completion of the Non-public Issuance, the Group's principal business scope and business income structure will not undergo major changes.

(ii) Effect on the Articles of Association

Upon the completion of the Non-public Issuance of A Shares, there will be changes in the registered capital, total number of the shares and shareholding structure of the Company. The Company will make amendments to the relevant articles of the Articles of Association based on the results of the issuance and proceed with the procedures for changes in business registration.

(iii) Effect on the shareholder structure

Upon the completion of the Non-public Issuance of A Shares, the Company's shareholder structure will be changed, and the Company's original shareholder's shareholding ratio will also be changed accordingly; however, according to a calculation based on the maximum amount of the A Shares which may be issued in the Non-public Issuance of A Shares upon the completion of the Non-public Issuance, Fosun High Tech will remain to be the controlling shareholder of the Company, and Mr. Guo Guangchang will remain to be the de facto controller of the Company. Therefore, the Non-public Issuance of A Shares will not cause any changes to the control over the Company.

(iv) Effect of on the composition of senior management

The Non-public Issuance of A Shares will not cause any changes to the composition of the senior management of the Company.

As at the date of the Proposal, the Company has no plan to adjust the composition of the senior management. If the Company intends to adjust the senior management structure, it will perform the necessary legal procedures and information disclosure obligations in accordance with the relevant provisions.

(v) Effect on the business income structure

Upon completion of the Non-public Issuance and the completion of the projects funded by the proceeds, the Group's income composition will be more diversified, and the Group's sustainable development capabilities and subsequent development scope will be greatly improved, providing a guarantee for the further improvement of the operating performance.

II. Changes in Financial Position, Profitability and Cash Flows of the Group

(i) Effect on the financial position of the Group

Upon completion of the Non-public Issuance, the total assets and net assets of the Group will increase at the same time. The capital base of the Group will be enhanced significantly. The financial structure of the Group will be further optimized, while the risk tolerant capability will be strengthened.

(ii) Effect on profitability of the Group

Upon completion of the Non-public Issuance, the total shares of the Company will increase, and the scale of assets will be further expanded. As the economic benefits of projects funded by the proceeds raised will take some time to realize, therefore, it may lead to a certain degree of decline in financial indicators such as rate of return on net assets in the short term. However, in the long run, the profitability of the Group will be further enhanced as the expected benefits of projects funded by the proceeds raised are realized.

(iii) Effect on cash flows of the Company

Upon completion of the Non-public Issuance and the receipt of the proceeds, the cash inflow from the financing activities of the Group will increase, the capital strength will be significantly increased, and the risk tolerant capability will be significantly enhanced, laying a foundation for achieving sustainable development.

III. Changes in Business Relationship, Management Relationship and Related Party Transactions Between the Company, the Controlling Shareholder and Its Related Parties and Competition Within the Industry

Upon completion of the Non-public Issuance of A Shares, there will be no changes to the controlling shareholder and the de facto controller of the Company. There will be no significant change in the business relationship and management relationship between the Company, its controlling shareholder and its related parties. Furthermore, there will not be any competition or other new related party/connected transactions as a result of the Non-public Issuance.

At the same time, the Company will strictly comply the with relevant laws and regulations and rules regarding related party transactions of listed companies, strictly perform information disclosure obligations and approval procedure for related party transactions, upheld independence of the Company and protect the interest of the Company and other shareholders.

IV. Utilization of Capital and Asset of the Company By the Controlling Shareholder and Its Related Parties or Provision of Guarantee By the Listed Company For the Controlling Shareholder and Its Related Parties Upon the Completion of the Non-public Issuance

Upon completion of the Non-public Issuance of A Shares, the capital and asset of the Company will not be illegal utilized by the Company's controlling shareholder and its related parties, and no guarantee will be illegally provided by the Company in favor of the controlling shareholder and its related parties.

V. Effect of the Non-public Issuance on the Liability of the Group

Upon the receipt of proceeds from the Non-public Issuance, the total assets and net assets of the Group will increase at the same time. The debt-to-asset ratio of the Company will be further lowered. The solvency will be strengthened and the financial position and financial structure will be optimized, which will enhance the risk tolerant capability of the Group and help achieve long-term sustainable development.

SECTION IV RISKS IN RELATION TO THE NON-PUBLIC ISSUANCE

I. Market Risks

(i) Industry policy and drug tendering risks

The pharmaceutical industry is an industry closely related to the people's livelihood and has been subject to strong supervision by the state. In recent years, with the deepening of the reform of the national medical system, industry policies have been continuously adjusted. As for drug R&D, PRC encourages drug innovation and prioritizes the review and approval of innovative drugs; in the field of circulation, the two-invoice system has been implemented and business tax has been replaced by value-added tax; in the field of medical reform, Catalogue of Medical Insurance underwent dynamic adjustment and medical insurance payment standards, drug price negotiations, and bidding procurement method were reformed. Affected by the mass purchase of generic drugs, the prices of a large number of drugs have fallen sharply. At the same time, there is a risk of losing bids due to the price reduction. Even if the bid is won, the lower bid price also places stringent requirements on the Group's production and operation capabilities, and the profit level is low. The reduction has led to a large reduction in marketing and promotion personnel in the industry. Therefore, if the Group cannot assess the situation and make timely adjustments and responses based on changes in industry policies and trends, it will have an adverse impact on the Group's production and operation.

(ii) Market competition risks

In recent years, the financing speed of pharmaceutical companies has accelerated. Innovative drugs are the key R&D direction of pharmaceutical companies. In the future, the speed of product upgrades will accelerate. The acceleration of product iteration and upgrade will cause certain risks to products that originally have R&D and registered clinical advantages in losing their leading position. Further intensification of the competition may lead to substantial price reductions and increasing difficulty in market promotion of products, which puts forward higher requirements on the Group's R&D and registration capabilities. If the Group is not able to develop competitive innovative products and rationally lay out the progress of the clinical trial of follow-up product pipeline, the Group will lag behind in market competition.

II. Management Risks

(i) Control risk of product/service quality

As special commodities, the quality of pharmaceutical products, medical devices and diagnostic products has a deep effect on the society. The Issuer Group has a large number of companies with wide distribution and the many production stages for pharmaceutical products. The Group has always adhered to the principle of operating in compliance with laws and regulations, and the Group has formulated corresponding management measures and

established management agencies to ensure the procurement, inventory, preparation, and sales of pharmaceuticals, medical devices, and diagnostic products in accordance with GMP and other requirements in order to ensure all subsidiaries/entities to be operated in accordance with the laws. However, notwithstanding this, there may still be the risk that the relevant operating entities be punished for failing to strictly abide by relevant PRC 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.

(ii) Safety and environmental protection risks

The Group's manufacturing companies are exposed to safety and environmental risks during the production process. In the process of production of drugs, because of the dangerous chemical substances involved in the bulk drug, improper operation or inadequate maintenance measures during loading, unloading, handling, storage and use may cause production safety incident. Residue, waste gas, waste liquid and other pollutant produced during the production of drugs or provision of healthcare services will be harmful to the nearby environment if they are not treated properly. Despite the strict compliance by the Group of the relevant production safety and environmental protection laws, regulations and standards in its regulation and management, the production operation of the Group may still face risk in production safety and environmental protection in light of the enhanced social awareness on production safety and environmental protection over time, and the potential implementation of more stringent environmental protection laws and regulations by any central and local government.

(iii) 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 business scope, there are higher requirements on the operating and management ability of the Group. If the Group's capability regarding production, marketing, quality control, risk management, compliance with integrity and talent training does not align with the development pace of the internationalization of the Group or the requirement for the expansion of the Group, the Group will be exposed to operating and management risks.

(iv) Risks arising from acquisitions and reorganizations

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

(v) Risks in relation to the controlling shareholder

As at the date of the Proposal, Mr. Guo Guangchang is the de facto controller of the Company. Mr. Guo Guangchang and Fosun High Tech have influence over important issues of the Group, including its development strategies, production and operation decisions and profit distribution. If the de facto controller and controlling shareholder take any action which is not in the best interest of the Company or other shareholders of the Company by using their controlling power, the interest of the Company and other shareholders may be affected. Currently, the Company has established a more comprehensive corporate governance structure and internal decision-making procedures, in order to ensure the independent operation of the Group.

III. Financial Risks

(i) Profit reduction risks

After the projects funded by the proceeds are completed and put into production, a large amount of fixed assets, intangible assets and R&D investment will be added, and the average annual increase in depreciation, amortization and expenses will be relatively larger. If the projects funded by the proceeds realize the expected benefits, the Group expects that the increase in its main business income can offset the new depreciation, amortization and expenses of the projects funded by the proceeds. However, on one hand, the investment, construction, and operation of projects funded by the proceeds have a certain cycle, and the economic benefits cannot be reflected immediately. Therefore, there is a certain degree of dilution risk in the indicators such as return on equity and earnings per share of the Listed Company in the short-term. On the other hand, if there are major adverse changes in the industry and market environment or R&D of projects funded by the proceeds and the Group's operating conditions, and the projects funded by the proceeds cannot achieve the expected returns, the depreciation, amortization and expenses of the projects funded by the proceeds will increase, which may lead to a certain degree of decline in the Group's profit.

(ii) R&D capitalization risks

At the end of 2017, 2018 and 2019, the R&D investment of the Group was RMB1,026,410,500, RMB2,040,773,500 and RMB3,050,217,200, respectively. The Group strictly complies with the requirements of accounting standards to calculate R&D investment.

However, as the Group's R&D investment continue to increase and the R&D pipelines continue to extend, the possibility of R&D project failure cannot be ruled out. If R&D projects are terminated, the Group will accrue impairment for the capitalized R&D expenditures. The Group's operating results will be adversely affected.

(iii) Risks for accounts receivable

At the end of 2017, 2018 and 2019, the book value of the Group's accounts receivable was RMB3,247,537,700, RMB3,623,640,700 and RMB4,367,599,400, respectively. The downstream customers of the Group are mainly large-scale pharmaceutical distribution companies with high reputation. The Group grants a certain credit period for settlement to certain customers. If the operating conditions of downstream customers deteriorate or payments from terminal hospitals are delayed, it will increase the difficulty in the Group's recovery of accounts receivable, and the Group will face the risk of bad debt losses on the accounts receivable.

IV. Risks in Relation to the Projects Funded by the Proceeds

(i) R&D risks in relation to the projects funded by the proceeds

The proceeds from the Non-public Issuance will be used for projects comprising innovative drug R&D related projects and innovative product licensing introduction projects. First of all, the investment in innovative drug R&D is large. The cycle for innovative drug R&D is long, and there are many unpredictable factors. Uncertain affect, security issues, and other reasons might lead to R&D failures, resulting in R&D risks. Secondly, the review cycle of innovative drugs is long and the time required is very uncertain, and the review policy may change to a certain extent in the future. Therefore, the products face the risk of not being able to obtain drug registration approval and marketing authorization.

Regarding the novel coronavirus mRNA vaccines, one of the projects to be funded by the proceeds from the Non-public Issuance, no preventive vaccine based on the mRNA technology platform has been approved for marketing globally at present. There are uncertainties about whether the vaccines under development for COVID-19 can be approved by drug regulatory authorities (including but not limited to the NMPA) in mainland China and Hong Kong, Macau and Taiwan regions, and when it will be on the market.

(ii) Marketing risks in relation to the projects funded by the proceeds

The original business structure of the Group is dominated by generic drug products and will gradually transform to the marketing and promotion of innovative drug products in the future. Different from the traditional generic drug business, innovative drug products require a professional marketing promotion team for academic promotion to improve doctors and patients' understanding of the products, thereby increasing product recognition and utilization, which places higher requirements on the Group's marketing capabilities. In addition, the marketing promotion team needs to have a timely and in-depth understanding of the changes

in national medical insurance and bidding policies, and formulate reasonable marketing strategies to ensure the smooth product marketing. As national policies continue to tighten compliance requirements for pharmaceutical marketing, the Group needs to continue to expand the professional marketing team and cultivate the ability of compliant marketing. Therefore, the Group faces certain marketing promotion risks.

(iii) Risks in relation to the projects funded by the proceeds falling below expectations

The main business of the Group centers around pharmaceutical manufacturing and R&D, covering medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retailing. The Non-public Issuance intends to use the proceeds in innovative drug R&D related and introduction projects, and the pharmaceutical industrialization base construction project, in order to increase short-term supply and enhance long-term industrial upgrade. Although the Group has certain technology and market accumulation in the pharmaceutical field, the Group's new business expansion is affected by various internal factors such as technology R&D, channel construction and human resources, and external factors such as policy environment and competitors' conditions, causing certain uncertainty in future development. In addition, although the current development of PRC pharmaceutical industry is supported by national industrial policies and there is also a huge domestic demand market support, with the continuous emergence of innovative drugs and new technologies, continuous development in the field of tumor immunotherapy, new product launch of innovative biological drugs and small molecule targeted drugs, there is a certain degree of uncertainty in the market prospects of the construction projects funded by proceeds raised in the Non-public Issuance of the Company, and there is an inevitable risk that the business expansion falls below expectations.

V. Risks in Relation to the Non-public Issuance

(i) Approval risks

The Non-public Issuance is subject to approval at the General Meeting and the competent department of the CSRC. The grant of the approvals and permits and the timing of the final approval remain uncertain.

(ii) Issuance risks

As the Non-public Issuance can only raise proceeds by issuing shares to no more than 35 qualified subscribers, and the issuance results will be affected by the overall situation of the securities market, the Company's A Share price trends, and investors' degree of recognition on the plan of the Non-public Issuance and other internal and external factors. Therefore, the Non-public Issuance of the Company also has the risk of insufficient proceeds raised.

(iii) Risks of the Non-public Issuance diluting the immediate return

As the total equity and net assets of the Listed Company will increase by a certain percentage after the proceeds from the Non-public Issuance are received, and it takes a certain period of time to realize the impact of the projects funded by the proceeds. Before the projects funded by the proceeds realize the benefits, the profit of the Group and the return of Shareholders still mainly rely on existing businesses. Therefore, the Non-public Issuance may cause the Group's immediate return to be diluted in the short term.

In addition, if the projects funded by the proceeds from the Non-public Issuance fail to realize the expected benefits, which in turn causes the Group's future business scale and profit level fail to generate corresponding growth, earnings per share, net assets and other financial indicators of the Listed Company will see a certain degree of decline. Investors are hereby reminded to pay attention to the risk that the Non-public Issuance may dilute the immediate return.

VI. Risks in Relation to Share Price Fluctuation

The A Shares and H Shares of the Company are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively. Apart from the operating conditions and financial position, the price of the Company's A Shares and H Shares may be affected by overseas and PRC macro-economic conditions, the capital market trends, the market appetite and various significant unexpected events. When considering the investment in the Company's shares, investors should take into account of the potential investment risks arising from various factors mentioned above and make careful judgments.

SECTION V PROFIT DISTRIBUTION POLICY AND PROFIT DISTRIBUTION INFORMATION OF THE COMPANY

I. Profit Distribution Policy of the Company

According to the Articles of Association, the Company's profit distribution policy is set out as follows:

(i) The principle for profit distribution

The Company implements continuous and stable profit distribution policies which lay emphasis on bringing reasonable investment returns for the investors and maintaining sustainable development of the Company.

(ii) Means of profit distribution and the interval

The Company may distribute its profit by means of cash, shares or a combination of cash and shares. If the Company satisfies the conditions for cash dividends, priority should be given to profit distribution by means of cash dividends.

The Company makes a profit distribution each year in principle, and the Board may propose to distribute interim cash dividends under the circumstances of the Company.

(iii) Specific conditions and ratios of cash dividend

Under the circumstances that the profit for the year and the accumulated undistributed profit are both positive, the cash dividends for the year of the Company should not be less than 10% of the distributable profit realized for the year in principle if the Company does not have any major investment plans or incur any significant cash expenses. The specific plan for distribution shall be decided at the General Meeting according to the Company's actual operation status of the year.

The Board of the Company shall comprehensively take account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is significant capital expenditure arrangement in distinguishing the following situations and form different cash dividend distribution proposals:

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

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

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

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

(iv) Specific conditions for distribution of dividend in shares

The Company mainly adopts cash dividends as its profit distribution policies. If the operating revenue of the Company is growing rapidly and the Board considers that the Company's share price does not match the size of the share capital of the Company, and the distribution of dividends in shares would be in the interests of all shareholders of the Company as a whole, the Company may propose and implement a proposal on distribution of dividends in shares provided that the above conditions for distributing cash dividends have been satisfied.

(v) Mechanism and procedures for decision making on profit distribution

The Board shall propose a reasonable dividend distribution proposal and plan based on profitability, capital needs, and the shareholders' return plan of the Company. The proposal for profit distribution of the Company is formulated by the Board and, upon consideration and approval by the Board, shall be proposed at the general meeting for approval. The independent non-executive Directors shall express clearly independent opinions.

The Board should fully consider the opinions of the independent non-executive directors, the Supervisory Committee and public investors in formulating the proposal for profit distribution. The independent non-executive directors may collect the opinions of small and medium shareholders and prepare a dividend distribution proposal and submit it directly to the Board for consideration and approval.

If the Company is able to pay cash dividends and the Board of the Company does not prepare a cash dividend proposal, the Board shall specify the reason for non-payment of cash dividends, the consistency between such reason and the actual circumstances and the use and proceeds of the funds retained by the Company not distributed as dividends. The independent non-executive Directors should express independent opinions in this regard.

If the Company is able to pay dividends and the Board of the Company does not prepare a cash dividend proposal, the Company shall perform its information disclosure obligation in accordance with the procedure as mentioned above.

(vi) Adjustments in and amendments to profit distribution policies

The Company shall strictly implement its cash dividend policy as required in the Articles of Association and the specific cash dividend proposal as considered and approved at the General Meeting.

If the Company adjusts the profit distribution policies due to material changes in external business environment or its own operation conditions, it should justify the adjustments in detail which, upon consideration of the Board, shall be proposed at the general meeting for approval by way of special resolution, and the independent non-executive Directors shall express their independent opinions on the modifications of the profit distribution policies.

The resolution on adjustments in cash dividend policy is formulated by the Board. Independent non-executive Directors shall express clearly independent opinions. The adjusted cash dividend policy, upon consideration and approval by the Board, shall be proposed at the general meeting for approval and shall be implemented upon being passed by at least two-thirds (2/3) of the voting rights held by the shareholders attending the General Meeting.

(vii) Mechanism for dividend supervision

The Supervisory Committee shall supervise the implementation of the profit distribution policies and the shareholders' return plan of the Company by the Board and the management and their decision making procedures.

The Board and the General Meeting of the Company should fully consider the opinions of the independent non-executive Directors and small and medium investors in making decision on and justifying the profit distribution policy. When the specific cash dividend proposal is considered at the General Meeting, the General Meeting should proactively communicate and exchange ideas through multiple channels, including but not limited to setting up hotlines and investor relations mail box, with shareholders, and the small and medium shareholders in particular, and fully listen to the demands of small and medium shareholders.

(viii) Other matters

In case of the misappropriation of the Company's funds by any shareholders, the Company shall deduct the cash dividends distributed to such shareholders, in order to repay the funds misappropriated.

II. Cash Dividends Distribution and Arrangements For Use of Undistributed Profits of the Company in the Last Three Years

(i) Cash dividends distribution of the Company in the last three years

On 27 June 2018, the Company held the 2017 annual general meeting and reviewed and approved the 2017 profit distribution proposal. According to the 2017 profit distribution proposal, the Company used the total share capital of 2,563,060,895 shares on 2 August 2018, i.e. the record date of the profit distribution proposal, as a basis, and distributed cash dividends of RMB3.80 for every 10 shares to all shareholders (inclusive of tax) out of the undistributed profit. The above profit proposal was completed in August 2018.

On 25 June 2019, the Company held the 2018 annual general meeting and reviewed and approved the 2018 profit distribution proposal of the Company. According to the 2018 profit distribution proposal, the Company used the total share capital of 2,562,898,545 shares on 1 August 2019, i.e. the record date of the profit distribution proposal, as a basis, and distributed cash dividends of RMB3.20 for every 10 shares to all shareholders (inclusive of tax) out of the undistributed profit. The above profit proposal was completed in August 2019.

On 30 June 2020, the Company held the 2019 annual general meeting and reviewed and approved the 2019 profit distribution proposal of the Company. According to the 2019 profit distribution proposal, the Company used the total share capital of 2,562,898,545 shares on 29 July 2020, i.e. the record date of the profit distribution proposal, as a basis, and distributed cash dividends of RMB3.90 for every 10 shares to all shareholders (inclusive of tax) out of the undistributed profit. The above profit proposal was completed in August 2020.

Profit distribution of the Company in the last three years is as follows:

Unit: RMB

Distribution year	Number of bonus shares per 10 shares (share)	Amount of dividends (inclusive of taxes) per 10 shares	Number of shares converted by capital reserve per 10 shares (share)	Amount of cash dividends (inclusive of taxes)	Net profit attributable to shareholders of the Listed Company during the year of dividend distribution in the consolidated financial statements	Percentage in net profit attributable to shareholders of the Listed Company in the consolidated financial statements (%)
2017	0	3.80	0	948,149,797.10	3,124,499,549.35	30.35
2018	0	3.20	0	818,626,825.98	2,707,923,418.34	30.23
2019	0	3.90	0	999,530,432.55	3,321,617,566.05	30.09

(ii) Use of the undistributed profits of the Company in the last three years

The Company has always focused on the balance between shareholder returns and its own development. On the premise of providing reasonable returns to shareholders, the undistributed profits of the Company will mainly be used for business development, replenishing its working capital required for operation, supporting new product development and market expansion, further improving the core competitiveness of the Company, and consolidating its leading position in the industry.

III. Shareholders' Return Plan For the Next Three Years

(i) Considerations of the shareholders' return plan

Taking into account its operation and expansion, cost of capital and the financing environment as well as its long-term sustainable development, the Company aims to develop standardized arrangements for profit distribution through sustainable, stable and rational plans for and mechanisms of returns to shareholders, and ensures the consistency and stability of its profit distribution policy.

(ii) Basis of formulation of the Shareholders' return plan

The Company shall comply with laws and regulations, regulatory documents and the relevant provisions of the Articles of Association regarding profit distribution, and fully consider and listen to the opinions of shareholders (especially minority shareholders and public investors), the independent non-executive directors, and the Supervisory Committee. Subject to the actual operating conditions and sustainable development of the Group, the Group adheres to the basic principle of giving priority to cash dividends over other profit distribution methods, and makes stable and reasonable return arrangements for investors. Profit to be distributed by the Company shall not exceed its accumulated distributable profit nor be detrimental to its ability in maintain sustainable development.

(iii) Shareholders' return plan for the next three years (2020-2022)

1. ***Means of profit distribution***

The Company may distribute its profit by means of cash, shares or a combination of cash and shares. If the Company satisfies the conditions for cash dividends, priority should be given to profit distribution by cash dividends.

2. ***Conditions of cash dividend***

Where the profit for the year and the accumulated undistributed profit are both positive after making up for losses of previous years and transfer to statutory reserves in accordance with the laws, the Company should distribute its profit in cash if the Company does not have any major investment plans or incur any significant cash expenses.

3. *Intervals of profit distribution and the interval*

The Company makes a profit distribution each year in principle,, and the Board may propose to distribute interim cash dividends based on actual circumstances.

4. *Ratios of cash dividends*

The cash dividends for the year of the Company should not be less than 10% of the distributable profit realized for the year in principle. The specific plan for distribution shall be decided at the General Meeting according to the Group's actual operation status of the year.

The Board of the Company shall comprehensively take account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is significant capital expenditure arrangement in distinguishing the following situations and form different cash dividend distribution proposals:

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

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

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

If it is difficult to distinguish the Group's stage of development but there is significant capital expenditure arrangement, the profit distribution may be handled pursuant to the requirements under the preceding paragraph.

5. *Specific conditions for distribution of dividend in shares*

The Company mainly adopts cash dividends as its profit distribution policies. If the operating revenue of the Group is growing rapidly and the Board considers that the Company's share price does not match the size of its share capital, and the distribution of dividends in shares would be in the interests of all shareholders of the Company as a whole, the Company may propose and implement a proposal on distribution of dividends in shares provided that the above conditions for distributing cash dividends have been satisfied.

(iv) Mechanism and procedures for decision making on profit distribution

The Board shall propose a reasonable dividend distribution proposal and plan based on profitability, capital needs, and the shareholders' return plan of the Group. The proposal for profit distribution of the Company is formulated by the Board and, upon consideration and approval by the Board, shall be proposed at the General Meeting for approval. The independent non-executive directors shall clearly express their independent opinions thereon.

The Board should fully consider the opinions of the independent non-executive directors, the Supervisory Committee and public investors in formulating the proposal for profit distribution. The independent non-executive directors may collect the opinions of small and medium shareholders and prepare a dividend distribution proposal and submit it directly to the Board for consideration and approval.

If the Company is able to pay cash dividends and the Board does not prepare a cash dividend proposal, the Board shall specify the reason for non-payment of cash dividends, the consistency between such reason and the actual circumstances and the use and proceeds of the funds retained by the Company not distributed as dividends. The independent non-executive directors should express independent opinions in this regard.

If the Company is able to pay dividends and the Board does not prepare a cash dividend proposal, the Company shall perform its information disclosure obligation in accordance with the procedure as mentioned above.

(v) Adjustments in and amendments to profit distribution policies

The Company shall strictly implement its cash dividend policy as required in the Articles of Association and the specific cash dividend proposal as considered and approved at the General Meeting.

If the Group adjusts the profit distribution policies due to material changes in external business environment or its own operation conditions, it should justify the adjustments in detail which, upon consideration of the Board, shall be proposed at the General Meeting for approval by way of special resolution, and the independent non-executive directors shall express their independent opinions on the modifications of the profit distribution policies.

The resolution on adjustments in cash dividend policy is formulated by the Board. Independent non-executive directors shall express clearly independent opinions. The adjusted cash dividend policy, upon consideration and approval by the Board, shall be proposed at the General Meeting for approval and shall be implemented upon being passed by at least two-thirds (2/3) of the voting rights held by the shareholders attending the General Meeting.

(vi) Mechanism for dividend supervision

The Supervisory Committee shall supervise the implementation of the profit distribution policies and the shareholders' return plan of the Company by the Board and the management and their decision making procedures.

The Board and the General Meeting should fully consider the opinions of the independent non-executive directors and small and medium investors in making decision on and justifying the profit distribution policy. When the specific cash dividend proposal is considered at the General Meeting, the General Meeting should proactively communicate and exchange ideas through multiple channels, including but not limited to setting up hotlines and investor relations mail box, with shareholders, and the small and medium shareholders in particular, and fully listen to the demands of small and medium shareholders.

(vii) Other matters

In case of the misappropriation of the Company's funds by any shareholders, the Company shall deduct the cash dividends distributed to such shareholders, in order to repay the funds misappropriated.

SECTION VI DILUTION OF IMMEDIATE RETURN RESULTING FROM THE NON-PUBLIC ISSUANCE AND THE MITIGATION AND REMEDIAL MEASURES

I. Impact of the Non-public Issuance on Earnings Per Share and Other Major Financial Indicators of the Group

(i) Main assumptions for financial indicator calculation

The impact of dilution of immediate return due to the Non-public Issuance on major financial indicators of the Group is estimated primarily based on the following assumptions:

1. There are no major adverse changes in the macroeconomic environment, industry policies, industry development, operating environment, as well as conditions of the stock market.

2. It is assumed that the plan of the Non-public Issuance will be completed in March 2021. The completion time, which will be used only for the purpose of estimation, shall be subject to the time when the Non-public Issuance is actually completed as approved by the CSRC.

3. It is assumed that the total proceeds from the Non-public Issuance will be RMB4,982.83 million, without considering the impact of deducting the issuance fees. The price determination date will be the first day of the issuance period. Since it is uncertain about the share price on the first day of the issuance period, it is temporarily estimated that the number of the shares to be issued would be no more than 128,144,927 shares (inclusive, calculated on the basis of the total number of the shares as at the date of the first Board resolution approving the Non-public Issuance, and subject to the bidding results of the Non-public Issuance and the number of the issued shares as approved by the CSRC), representing no more than 5% of the total number of the shares in the Company prior to the Non-public Issuance.

4. It is assumed that the net profit attributable to shareholders of the Listed Company in 2020 is the annualized data of the data in the third quarterly report of 2020, that is, the net profit attributable to shareholders of the Listed Company in 2020 is RMB3,305.3074 million. It is assumed that the net profit attributable to shareholders of the Listed Company in 2021 will be the same as that assumed in 2020.

5. Based on the principle of prudence, the impacts on the production, operation, financial position and other aspects of the Group upon the receipt of the proceeds from the Non-public Issuance have not taken into account.

6. When estimating the total shares of the Company as at the end of the period prior to and after the Non-public Issuance, only the impact of the Non-public Issuance on the total shares will be taken into account, and other changes in shares that might arise will not be taken into account.

7. It is assumed that there will be no conversion of capital reserve into share capital, bonus issue, share capital repurchase and dividend distribution in 2020 and 2021.

The above assumptions are only used for estimating the impact of the dilution of immediate return due to the Non-public Issuance on the Group's major financial indicators, and do not represent the Company's judgment on its operating and financial position in 2020 and 2021 nor constitute a profit forecast. Investors should not make investment decisions in reliance thereon. If investors make investment decisions based on these assumptions, and suffer loss, for which the Company shall not be liable.

(ii) Estimated impact of the Non-public Issuance on major financial indicators of the Group (including earnings per share)

Based on the above assumptions, the impact of the Non-public Issuance on major financial indicators of the Company is projected as follows:

			Year 2021/31 December 2021	
Item	**Year 2019/ 31 December 2019**	**Year 2020/ 31 December 2020**	**Prior to the Non-public Issuance**	**After the Non-public Issuance**
Total share capital as at the end of the period ('0,000 shares)	256,289.85	256,289.85	256,289.85	269,104.35
Net profit attributable to shareholders of the Listed Company (RMB'0,000)	332,161.76	330,530.74	330,530.74	330,530.74
Basic earnings per share (RMB/share)	1.30	1.29	1.29	1.24
Diluted earnings per share (RMB/share)	1.30	1.29	1.29	1.24
Weighted average return on equity (%)	11.55	9.90	9.90	8.90

Note 1: Earnings per share and weighted average return on equity are calculated based on Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Rate of Return on Equity and Earnings Per Share (amended in 2010) of the CSRC.

Note 2: The major financial indicators for 2020 and 2021 in the above table are assumptions made for measuring the dilutive impact of the Non-public Issuance on the major financial indicators of the Group's immediate return, which neither represent the Company's operations and financial position in 2020 and 2021, nor constitute a profit forecast.

Based on the above estimation, the current basic earnings per share, diluted earnings per share and average weighted return on equity would be diluted to a certain extent upon the completion of the Non-public Issuance.

II. Special Risk Reminder for the Dilution of Immediate Return Due to the Non-public Issuance

Upon the completion of the Non-public Issuance, the share capital and net assets of the Listed Company will increase by a certain percentage. Due to the time needed for the implementation of investment projects funded by the proceeds raised and the generation of economic benefits, earnings per shares, return on equity and other indicators of the Listed Company will decline in the short run. There will be risk exposure in relation to dilution of immediate return. The Company would like to remind investors of the possible risk of dilution of immediate return due to the Non-public Issuance.

III. Necessity and Rationality of the Non-public Issuance

The proceeds from the Non-public Issuance will be used for innovative drug clinical, license in and relevant marketing preparation, intensive comprehensive base for APIs and preparations, as well as replenishment of working capital, which will be beneficial for the Group to optimize product structure, improve reputation in the industry, and enhance the core competitiveness and profitability. The projects to be funded by the proceeds from the Non-public Issuance are in line with relevant state industry policies, the development trend in the industry where the Group operates and the future development strategies of the Company. These projects have prosperous market outlook and economic benefits, and are in line with the interests of the Company and all shareholders. For the analysis on the necessity and rationality of projects to be funded by the proceeds from the Non-public Issuance, please refer to "II Feasibility Analysis on the Use of Proceeds from the Non-public Issuance by the Board" of the Proposal.

IV. The Relationship Between the Projects to be Funded By the Proceeds Raised and the Existing Businesses of the Group, As Well As the Personnel, Technology, Market Reserve and Other Reserves of the Group For Such Projects to be Funded By the Proceeds Raised

(i) The relationship between the projects to be funded by the proceeds from the Non-public Issuance and the existing businesses of the Group

The business scope of the Group covers the whole industry chain of pharmaceutical and healthcare industry, developing across domestic markets in China and actively expanding its businesses into international markets. The Group focuses on pharmaceutical manufacturing and R&D, and its businesses cover medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail. At this crucial moment of comprehensive transformation in the pharmaceutical industry, the Group will focus on its existing businesses and industry upgrade, and adhere to innovative and international development. In respect of innovation R&D, the Group continues to put greater investments, optimize its pharmaceutical R&D system that integrated generic and innovative drugs, put greater efforts in the construction of "4+3" R&D platform (four platforms: small molecular innovative drugs, generic drugs with high value, biopharmaceutical drugs and cell therapy; three systems: in-licensing, deep

incubation and venture capital), link up talent scientist teams, leading companies and technology platforms across the world through the diversified, multi-layered cooperative mode, facilitate build-up of innovative capability and improve product lines.

The projects to be funded by the proceeds from the Non-public Issuance cover innovative drug clinical, license in and relevant marketing preparation, and intensive comprehensive base for APIs and preparations. The projects to be funded by the proceeds from the Non-public Issuance will optimize the product structure of the Group in the pharmaceutical field, expand business scale and improve profitability, thus enhancing the core competitiveness of the enterprise.

Moreover, the operations of the Group continue to improve over the years, with continuous growth in different business segments. Part of the proceeds from the Non-public Issuance will be used for replenishment of liquidity of the Group in terms of the capital requirement in management, technology, talent investment and other aspects arising from expansion in operating scale of the Group, which will be favorable for enhancing the competitiveness of the Group and reducing operating risks, thus providing a solid foundation for the sustainable, healthy development and reflecting a high necessity.

(ii) Personnel, Technology, Market Reserve and Other Reserves For Projects to be Funded By the Proceeds Raised

(1) ***Personnel reserve***

Through continuous development and optimization of organizational structure, the Group promotes communication and cooperation between teams, facilitates value creation, continues to establish talent-orientated organizational structure, and strives to realize the vision of co-development of the Group and its employees. The personnel required for the implementation of projects to be funded by the proceeds from the Non-public Issuance will be acquired through internal training and external recruitment, while the management personnel required will be acquired mainly through internal talent selection so as to ensure the general strengths of project management personnel.

(2) ***Technology reserve***

The Group has been adhering to pharmaceutical R&D and innovation, thus creating greater competitive edges in terms of core technologies. It has introduced full range of cost-effective products with advanced technology, and possessed numerous intellectual property rights. As at 31 December 2019, the Group had 264 pipeline innovative drugs, generic drugs, biosimilars and consistency evaluation projects of generic drugs (including 19 small molecular innovative drugs, 12 biopharmaceutical innovative drugs, 21 biosimilars, 133 generic drugs of international standards, 49 consistency evaluation projects, 2 traditional Chinese medicine drugs, 28 external projects (including 8 imported innovative drugs and 20 generic drugs were introduced)). There were 8 projects applying for clinical trials, 32 projects under clinical trials and 38 projects pending approval for

marketing. As at 31 December 2019, a total of 136 patents had been applied for in the pharmaceutical manufacturing and R&D segment of the Group, including 13 U.S. patent applications, 3 Japan patent applications, 7 Europe patent applications and 6 PCT applications, with 47 licensed invention patents obtained.

(3) ***Market reserve***

The Group continues to put greater efforts in the construction of its marketing system. As at 31 December 2019, the marketing team has around 5,300 staff, including an overseas drug and medical device marketing team that comprised of around 1,000 staff. For marketing, due to the uniqueness of China pharmaceutical market, there is a huge gap between products of the Group and market characteristics. There are numerous products sold in the market, covering multi-layered, diversified markets. The Group primarily adopts the sales mode combining self-operated sale outlets and agency sales. Based on industry environment, the Group continues to explore and improve its marketing systems, and establish innovative new marketing models. The Group continues to enhance its market capability in tendering, market entrance, key customer management and other aspects. In addition, through the cooperation and linkage with its investee Sinopharm, the Group also fully utilized Sinopharm's strengths in distribution network and logistics to facilitate the expansion of sales channels of the Group's pharmaceutical products.

In conclusion, there is a good foundation for projects to be funded by the proceeds from the Non-public Issuance in terms of personnel, technology, market and other aspects. With the progressing of projects to be funded by the proceeds and the expanding business scope, the Group will proactively enhance its personnel, technology and market reserve so as to meet the demands for continuous business development, transformation and upgrade.

V. Specific Remedial Measures For Returns Regarding Dilution of Immediate Return Resulting from the Non-public Issuance

(i) Business operation, development trend, main risks exposures and improvement

The businesses of the Group cover whole industry chain of pharmaceutical and healthcare industry, developing across China and proactively expanding to international markets. The Group focuses on pharmaceutical manufacturing and R&D, and its businesses cover medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail and other areas. In 2019, the pharmaceutical manufacturing and R&D segment of the Group recorded operating revenue of RMB21,765.8734 million, up by 16.51% as compared to 2018. As affected by the COVID-19 pandemic, the Group recorded operating

revenue of RMB22,102.7443 million during January to September 2020, up by 4.12% as compared to the corresponding period of 2019. The Group primarily exposes to the following major risk exposures:

1. *Industry Policy Risks*

The pharmaceutical industry is an industry that is closely related to the livelihoods of citizens, thus has been under strict control by the state. With the intensified efforts in the reform of China pharmaceutical system, the industry policies have been modifying over the years. In respect of drug R&D, the PRC government encourages drug innovation, and prioritizes innovative drug review and approval. In respect of pharmaceutical distribution, the pharmaceutical industry adopts the "two-invoice system" and the "value-added tax in place of business tax". In respect of medical reform, the state dynamically adjusted the Medical Insurance Catalogue, modified the Medical Insurance payment standard, and conducted reform on drug price negotiation and tendering methods. Due to the centralized procurement of generic drugs in quantity, the prices of numerous drugs dropped significantly. Meanwhile, there is potential risk of bidding due to decline in prices. Even if a company won a bid, strict requirements are imposed on the production and operating capability of the Group despite a lower bidding price. The decline in profitability has resulted in significant cut in number of marketing personnel within the industry. Therefore, if the Group fails to judge and evaluate prevailing trends, and timely make adjustment and response in line with changes and trends in industry policy, the production and operation of the Group could be adversely affected.

2. *Innovative Drugs R&D Risks*

Over the years, the pace of financing of pharmaceutical enterprises has been accelerating. Innovative drugs become the key R&D direction of pharmaceutical enterprises. Looking forward, product upgrade will speed up. The accelerated product iteration and upgrade may result in potential drag down of products possessing R&D and clinical registration edges from their leading position. Furthermore, the intensified competition may result in significant drop in product price and increase in difficulty in marketing, bringing a stricter requirement on the Group in terms of R&D and registration capability. If the Group fails to develop competitive innovative products and properly arrange subsequent clinical tests for product pipelines, the Group will lag behind in market competition.

3. *Business Model Risks*

The proceeds from the Non-public Issuance will be used for "innovative drug clinical, license in and relevant marketing preparation projects". First of all, innovative drug R&D is characterized by huge investment, long cycles and high level of unpredictable factors. During the R&D phase, numerous factors, such as uncertain treatment efficacy and safety issue, may cause failure in R&D, thus creating R&D risks.

Secondly, innovative drugs are subject to relatively long approval cycles, and there is higher uncertainty in terms of schedule. Approval policies may change in the future. Hence, products are exposed to risk of failure in obtaining drug registration approval and commercialization permits.

4. ***Risk management***

The Group will timely adopt measures in response to various risk exposures based on the market condition and its own condition.

The Group will maintain stable R&D investment, including investment for the establishment of R&D environment, the recruitment and cultivation of professional personnel, and the improvement of R&D systems, thereby strengthening the overall R&D capability. Meanwhile, the Group will proactively enhance its industry-university-research cooperation with science research institutions, effectively integrate internal and external R&D and industrial resources, and strengthen the Group's capability in technology innovation and production.

(ii) Specific measures for improving operating results of the Company

The Non-public Issuance may lead to decline in short-term returns for investors. By proactively facilitating R&D transformation, enhancing proceeds utilization efficiency, improving corporate governance system, increasing returns for investors and adopting other measures, the Group intends to actively promote healthy, excellent business development, fully protect interests of shareholders of the Company, especially those of minority shareholders, and secure stable returns for shareholders in medium- to long-term. Specific measures are set out below:

1. ***Continuously enhancing whole industry chain operation integration and internationalization capability with innovation and R&D as the core driving factors***

At this critical moment of comprehensive transformation in pharmaceutical industry, the Group, with innovation and R&D as the core driving factors, focuses on the clinical-orientated fields where treatment efficacy is proven and which are in line with the development trend of modern medicine, and adheres to enhancing its R&D, clinical and industrialization development capability. At present, the Group had developed an internationalized R&D structure with relatively strong R&D capabilities through the establishment of interactive and integrated R&D systems in China, the U.S., India and other countries, establishing international R&D platforms in areas such as biopharmaceutical drugs, small molecular innovative drugs, generic drugs with high value and new technology therapy. In addition, adhering to the principle of open cooperation, the Company will link up talent scientist teams, advanced technologies and high-value products across the world through the diversified, multi-layered cooperative

mode covering internal R&D, in-licensing and deep incubation, so as to facilitate the development and commercialization of innovative technologies and products across the world.

While adhering to innovation, the Group continues to strengthen the development and integration of the marketing system, and transforms its marketing mode to specialization, branding and digitization. It has formed a domestic and foreign marketing network and marketing team matching the existing products and the products to be marketed, to realize the sustainable development of marketing.

In addition, the Group will proactively integrate external quality resources, enrich product lines, expand market, as well as lowering costs, improving efficiency and creating synergies through deep integration. While strengthening its existing operating edges, the Group facilitates the expansion in operating scale and profitability, as well as improves its market competitiveness. Through cooperation and interaction between different segments, the Group further integrates its internal resources so as to realize internal integration and facilitate business development.

2. ***Enhancing the management of the proceeds and improving its utilization***

Upon the receipt of the proceeds from the Non-public Issuance, the Company will enhance the management of use of proceeds strictly in accordance with relevant rules under the Regulatory Guidelines for Listed Companies No. 2 — Regulatory Requirements for the Management and Usage of Funds Raised by Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Administrative Measures on Funds Raised by Companies Listed on the Shanghai Stock Exchange and the Administrative Measures on Funds Raised by Shanghai Fosun Pharmaceutical (Group) Co., Ltd*. The Board will continue to monitor the deposit of proceeds raised in the special account, ensure the proposed use of proceeds raised in sequence, cooperate with the independent financial advisor, underwriter and other institutions in the inspection and supervision of use of proceeds raised, ensure the rational and regulated use of proceeds raised, prevent risk exposures in relation to use of proceeds raised, and enhance the utilization efficiency of proceeds raised.

By conducting projects on innovative drug clinical, license in and relevant marketing preparation, intensive comprehensive base for APIs and preparations, and replenishment of working capital to be funded by the proceeds from the Non-public Issuance, the innovative drug product line of the Group can be greatly enriched. This will facilitate product innovation and achieve economies of scale, thus securing the sustainable business development and operating results in the future.

3. *Constantly improving corporate governance and providing systematic guarantee for the development of the Company*

The Company has established and improved its corporate governance structure to regulate its operation. It has a sound, independent operating mechanism for general meetings, the Board, the Supervisory Committee and management team. The Company has set up functional departments that adapt to the production and operation of the Company, and has in place different position units to perform position duties. All corporate departments have clear division of duties with checks and balances. The organizational structure of the Company has been properly deployed and running effectively. There is a clear division of powers and duties between the General Meeting, the Board, the Supervisory Committee and the management, which formed checks and balances and created a reasonable, complete and effective corporate governance and operation and management structure. The Company will continue to strictly comply with the requirements of laws and regulations and regulatory documents, including the Company Law, the Securities Law and the Administrative Measures for the Issuance of Securities by Listed Companies of the CSRC. The Company will continue to improve its corporate governance structure to ensure shareholders can fully exercise their rights; the Board can exercise its rights in accordance with laws and regulations and the Articles of Association and make scientific, prompt and prudent decisions; the independent non-executive directors can duly perform their duties so as to protect the overall interests of the Company, especially the legitimate rights of minority shareholders, thereby offering systematic protection for the development of the Group.

4. *Strengthening the investor return mechanism and creating the image of a return-generating listed company in capital market*

The Company attaches great importance to the reasonable return on investment of shareholders while paying attention to the corporate sustainable development. It has formulated a continuous, steady and scientific dividend policy. The Company will continue to amend and optimize the Articles of Association and formulate corresponding shareholder return plans in accordance with relevant requirements under the Opinions on Further Enhancing the Works on Protecting the Legitimate Rights of Minority Investors in Capital Market issued by the State Council, and the Notice on Further Implementation of Matters in Relation to the Cash Dividend of Listed Companies and the Regulatory Guidelines for Listed Companies No. 3 — Cash Dividends of Listed Companies issued by the CSRC.

The Company will strictly implement the profit distribution policy in accordance with the Articles of Association, enhance the concept of investment return, proactively facilitate profit distribution for shareholders, and maintain the continuity and stability of profit distribution policy, thereby creating the image of a return-generating listed company in the capital market.

VI. Undertakings Given By All Directors, Senior Management and Controlling Shareholder, De Facto Controller of the Company

(i) Undertakings given by all Directors and senior management

Upon the completion of the Non-public Issuance of A shares, all directors and senior management of the Company will duly and faithfully perform their duties, protect the legitimate rights of the Company and all shareholders, and have made the following undertakings to ensure the implementation of remedial measures for returns of the Company in accordance with relevant regulations of the CSRC:

"1. We undertake not to transfer benefits to other organizations or individuals at nil consideration or on unfair terms nor otherwise prejudice the interests of the Company.

2. We undertake to control relevant duty-related expenses.

3. We undertake not to utilize the Company's assets for the purpose of investment and consumption activities that are irrelevant to their duties.

4. We undertake to ensure the remuneration system formulated by the Board or the Remuneration and Appraisal Committee to be related to the execution of the remedial measures for returns of the Company.

5. If the Company introduces the equity incentive plan subsequently, we undertake to ensure the exercise conditions under the equity incentive of the Company to be announced by the Company to be related to the execution of the remedial measures for returns of the Company.

6. From the date of undertaking until the completion of the Non-public Issuance, if the CSRC issues other new regulatory rules related to remedial measures for returns and its undertakings, resulting in the aforesaid undertakings fail to meet those rules of the CSRC, we undertake to make additional undertakings in accordance with the new rules of the CSRC.

7. We undertake to duly fulfill these undertakings, and assume the legal liability to compensate the Company or its shareholders for any losses suffered by the Company or its shareholders as a result of violation of these undertakings.

If we, as one of the responsible parties of the remedial measures for returns, violate the aforesaid undertakings or refuse to fulfill the aforesaid undertakings, we agree that the CSRC, the SSE or other security regulators can penalize us or take relevant administrative measures against us in accordance with relevant rules promulgated or issued by them."

(ii) Undertakings given by the controlling shareholder and the de facto controller of the Company

Fosun High Tech, the controlling shareholder of the Company, and Guo Guangchang, the de facto controller, have made the following undertakings to ensure the implementation of remedial measures for returns of the Company:

"The company/I will continue to ensure the independence of the Listed Company, and will not interfere with the operation and management activities of the Listed Company nor encroach on the interests of the Listed Company.

If the company/I, as one of the responsible parties of the remedial measures for returns, violate(s) the aforesaid undertakings or refuse(s) to fulfill the aforesaid undertakings and resulted in losses suffered by the Listed Company or its shareholders, the company/I agree(s) to assume the legal liability to compensate the Listed Company or its shareholders.

From the date of undertaking until the completion of the Non-public Issuance, if the CSRC issues other new regulatory rules related to remedial measures for returns and its undertakings, resulting in the aforesaid undertakings fail to meet those rules of the CSRC, the company/I undertake(s) to make additional undertakings in accordance with the new rules of the CSRC."

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

25 November 2020

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

Feasibility Analysis Report on The Use of Proceeds from the Non-public Issuance of A Shares

November 2020

I. PLAN OF THE USE OF PROCEEDS

With the deepening of the medical reform and the constant promulgation of policies that encourage innovation and optimize the drug review and approval system, Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the "**Company**") and its subsidiaries/entities (the "**Group**") will continue to adhere to innovation and transformation and integrated development, in order to improve its competitive edge in pharmaceutical manufacturing. Relying on an open-ended R&D ecosystem and the dual-wheel drive of independent development and license in, the Group strives to address domestic unmet medical needs, enrich the innovation pipeline, and achieve domestic practice and fast transformation of global innovative products and advanced technologies. With the acceleration of policies on cost control for medical insurance and procurement with target quantity, as well as the remodeling of the generic drug landscape, the Group will establish an extensive and intensive comprehensive base for APIs and preparations and achieve vertical integration for the regional industrial chain, so as to improve production efficiency.

The total proceeds from the Non-public Issuance shall be no more than RMB4,982.83 million (inclusive) (all amounts are denominated in RMB unless otherwise specified), and the net proceeds after deducting related issuance fees shall be used for the following projects:

No.	**Project name**	**Total investment** *(RMB'0,000)*	**Proceeds proposed to be invested** *(RMB'0,000)*
1	Innovative drug clinical, license in and relevant marketing preparation	222,043	222,043
2	Intensive comprehensive base for APIs and preparations	135,262	135,262
3	Replenishment of working capital	140,978	140,978
Total		**498,283**	**498,283**

Once the proceeds of the Non-public Issuance are received, if the actual net proceeds are less than the above proposed amount to be invested by utilizing the proceeds, the Board and its authorized persons, subject to compliance with relevant laws and regulations and the scope of the above investment projects to be funded by the proceeds, may adjust and finally determine the specific investment projects to be funded by the proceeds, the order of priority, and the specific investment amounts for each project according to the actual net proceeds based on, among other things, the actual situation such as the progress of the investment projects funded by the proceeds and the capital demand, and will make up for the shortfall by utilizing the self-owned funds of the Group or through other financing methods.

Within the scope of the above investment projects to be funded by the proceeds, the Board may make appropriate adjustments to the investment amount of the above projects based on the actual demand of the project and in accordance with the procedures under the relevant laws and regulations.

To ensure a seamless process of the investment projects to be invested by utilizing the proceeds, and protect the interests of all shareholders of the Company, before the proceeds from the Non-public Issuance are received in full, the Group may use its self-raised funds so required based on the actual situation of the investment projects to be invested by utilizing the proceeds. When the proceeds are available, such funds used shall be replaced by the proceeds in accordance with the procedures under the relevant laws and regulations.

II. INVESTMENT PROJECTS FUNDED BY THE PROCEEDS

(i) Innovative drug clinical, license in and relevant marketing preparation

1. *Project description*

An aggregate of RMB2,220.43 million will be invested in the clinical R&D of innovative drugs, commercialization of licenses, R&D milestone payments for license-in projects and subsequent costs such as those related to marketing preparation of certain products. The projects aim to drive the clinical progress of FCN-437, ferric pyrophosphate citrate solution (Triferic), FS-1502, FCN-159, Liraglutide, SurVaxM (recombinant polypeptide vaccine), type A Botulinum Toxin for injection (RT002), Tenapanor[1], Balixafortide[2], stem cell therapy (CTX), stem cell therapy (hRPC) and novel coronavirus mRNA vaccines and the marketing preparation of certain projects, as well as the payment of subsequent expenses, such as the milestone payments, to licensors in respect of the clinical progress of SurVaxM (recombinant polypeptide vaccine), type A Botulinum Toxin for injection (RT002), Tenapanor, Balixafortide, stem cell therapies (CTX and hRPC) and novel coronavirus mRNA vaccines. All license-in projects under this project have completed the signing of corresponding licensing agreements.

In the case of type A Botulinum Toxin for injection (RT002), in December 2018, the Group was licensed by Revance Therapeutics, Inc. of the U.S. ("**Revance**") to exclusively use, import, sell and otherwise commercialize RT002, an injecting drug containing type A Botulinum Toxin for injection, in mainland China, Hong Kong and the Macau Special Administrative Region. The product is a Revance-based long-acting neuromodulator developed on proprietary technology platforms in clinical research stage,

1 The abovementioned drug is still in the stage of R&D and registration, and its generic names is subject to the review results of the Chinese Pharmacopoeia Commission, similarly hereinafter

2 The abovementioned drug is still in the stage of R&D and registration, and its generic names is subject to the review results of the Chinese Pharmacopoeia Commission, similarly hereinafter

the active pharmaceutical ingredient of which is Daxibotulinumtoxin type A Botulinum Toxin for injection. Its preparations contain no human blood-derived substances or animal-derived proteins, and are able to maintain stability for two years without the need of refrigeration. The results of pre-clinical and clinical research completed in the U.S. indicate that the product could be used for (1) cosmetic indications, such as the elimination of moderate to severe glabellar lines; and (2) curing indications such as cervical dystonia. The product is safe for use, generally well-tolerated among subjects with mild adverse reactions. It also has relatively evident clinical effects, with over 90% of subjects showing relieved wrinkles within one week of medication. As of the date of this feasibility report, New Drug Application has been submitted to the U.S. FDA (i.e. the U.S. Food and Drug Administration, similarly hereinafter) for its treatment of moderate to severe glabellar lines, while it is undergoing phase III clinical trial in the U.S. for the treatment of cervical dystonia. The Group is also carrying out phase III clinical trial in the PRC for both indications.

In the case of Balixafortide, in August 2020, the Group and Polyphor Ltd. ("**Polyphor**"), a Swedish biotech company, signed an exclusive licensing agreement in respect of Balixafortide, a CXCR4 antagonist. Balixafortide is a highly potent and selective CXCR4 antagonist. CXCR4 plays a significant role to the growth, invasion, angiogenesis and metastasis of tumor and its resistance to therapeutic drugs. The U.S. FDA has granted it fast track status in 2018 for HER2-positive metastatic negative breast cancer patients who had received at least two chemotherapy regimens prior to combination treatment with eribulin. Currently, Polyphor is undergoing a randomized, positive-controlled, open-label, global multicenter phase III clinical research on Balixafortide. As its partner, the Group will jointly develop and commercialize Balixafortide with Polyphor in the PRC. In addition, as indicated by the relevant pre-clinical model, CXCR4 antagonists could enhance the activity of various anti-cancer therapies and possess great potential for combination therapy with various other drugs against various solid tumor indications, therefore not only did the cooperation enrich the Group's product line in the field of anti-tumor therapy, but it also provided more treatment options in the face of unmet medical needs in the market.

In the case of novel coronavirus mRNA vaccines, COVID-19 is currently a global pandemic, with the number of people diagnosed exceeding 58.6 million and the death toll exceeding 1.38 million globally as at 22 November 2020. The outbreak of COVID-19 has had grave ramifications to the global economic and political order, while also posing a tremendous challenge to the normalized epidemic prevention and control system of the PRC. There are major medical needs for a novel coronavirus vaccine scientifically-proven to be effectively preventive and safe. In March 2020, the Group obtained BNTX license to exclusively develop and commercialize preventive COVID-19 vaccine products developed based on its proprietary mRNA technology in mainland China, Hong Kong, Macau and Taiwan region. In November 2020, the Group's partner BioNTech SE ("**BNTX**") announced the main efficacy analysis results of the global multi-center phase

III clinical trial of its BNT162b2 vaccine under development. Approximately 43,000 participants were recruited for the clinical trial in 150 centers worldwide. The vaccine indicates an efficacy rate of 95%, and no serious safety issues related to the vaccine have been found. The efficacy of the vaccine is consistent across age, gender, race and ethnic groups. The above-mentioned trial data fully demonstrates the efficacy and safety of the vaccine, and the vaccine is expected to become one of the world's leading COVID-19 vaccines. On 13 November 2020, the Group obtained approval from the National Medical Products Administration (the "**NMPA**") for the clinical trials of the Group's licensed novel coronavirus mRNA vaccine BNT162b2, intended for the prevention of COVID-19. As of the date of this feasibility report, the Group has initiated the phase II clinical trials for the vaccine in mainland China. The proceeds from the Non-public Issuance will expedite the Group's phase II clinical trials of the vaccine in mainland China, as well as the preparations related to its launching, such as GSP warehousing and cold chain logistics, which will benefit people's health and the stability of the production and life order.

The implementation of the projects represents another step in advancing the Group's innovative development strategy and the dual-wheel drive of independent R&D and license in, which is conducive to improving the Group's R&D efficiency and speeding up of product line enrichment, and serves to lower R&D risks, meet major medical needs, enhance the Group's market competitiveness in its product lines and further consolidate the overall competitive advantages of the Group.

2. ***Project investment budget***

The corresponding investment budgets of this project are as follows:

No.	Investment project	Total investment amount *(RMB'0,000)*	Project nature	Investment amount *(RMB'0,000)*	Overview of project details
1	FCN-437	17,073	Clinical R&D	17,073	Phase III clinical trials of combination therapy for advanced breast cancer in mainland China
2	Ferric pyrophosphate citrate solution (Triferic)	10,646	Clinical R&D	10,646	Phase III clinical trials of monotherapy for iron deficiency in dialysis patients in mainland China
3	FS-1502	5,705	Clinical R&D	5,705	Phase III clinical trials of monotherapy for breast cancer in mainland China

No.	Investment project	Total investment amount *(RMB'0,000)*	Project nature	Investment amount *(RMB'0,000)*	Overview of project details
4	FCN-159	18,256	Clinical R&D	7,228	Phase II clinical trials of combination therapy for advanced melanoma in mainland China
			Clinical R&D	11,028	Phase II clinical trials of combination therapy for neurofibroma type I in mainland China, the United States and Europe, including dose ramping/ expansion
5	Liraglutide	15,197	Clinical R&D	8,375	Phase III clinical trials of combination therapy for diabetes in mainland China
			Clinical R&D	6,822	Phase III clinical trials of monotherapy for obesity in mainland China
6	SurVaxM (recombinant polypeptide vaccine)	26,660	Clinical R&D	19,728	Phase III clinical trials of combination therapy for glioblastoma in mainland China, Hong Kong and Macau
			R&D milestone payments	6,932	Introduce SurVaxM (recombinant polypeptide vaccine) from MimiVax for the exclusive clinical R&D and commercialization license of glioblastoma, and pay the subsequent expenses such as R&D milestone payments
7	Type A Botulinum Toxin for injection (RT002)	34,595	Clinical R&D	3,228	Phase III clinical trials of monotherapy for cervical dystonia in mainland China, Hong Kong and Macau
			Clinical R&D	9,185	Phase III clinical trials of monotherapy for moderate to severe glabellar lines in mainland China, Hong Kong and Macau
			R&D milestone payments	22,182	Introduce type A Botulinum Toxin for injection (RT002) from Revance for the exclusive clinical R&D and commercialization license of cervical dystonia and moderate to severe glabellar lines, and pay the subsequent expenses such as R&D milestone payments

No.	Investment project	Total investment amount *(RMB'0,000)*	Project nature	Investment amount *(RMB'0,000)*	Overview of project details
8	Tenapanor	10,278	Clinical R&D	4,733	Phase III clinical trials of monotherapy for hyperphosphatemia in end-stage renal disease hemodialysis in mainland China
			R&D milestone payments	5,545	Introduce Tenapanor from Ardelyx for the exclusive clinical R&D and commercialization license of hyperphosphatemia in end-stage renal disease hemodialysis, and pay the subsequent expenses such as R&D milestone payments
9	Balixafortide	28,782	Clinical R&D	19,078	Phase III clinical trials of combination therapy for breast cancer in mainland China
			R&D milestone payments	9,704	Introduce Balixafortide from Polyphor for the exclusive clinical R&D and commercialization license of breast cancer, and pay the subsequent expenses such as R&D milestone payments
10	Stem cell therapy (CTX)	11,365	Clinical R&D	8,702	Phase IIb clinical trials for disability after ischemic stroke in mainland China and Taiwan region
			R&D milestone payments	2,663	Introduce stem cell therapy (CTX) from ReNeuron Group Plc for the exclusive clinical R&D and commercialization license of disability after ischemic stroke, and pay the subsequent expenses such as R&D milestone payments

No.	Investment project	Total investment amount *(RMB'0,000)*	Project nature	Investment amount *(RMB'0,000)*	Overview of project details
11	Stem cell therapy (hRPC)	11,029	Clinical R&D	5,703	Phase IIb clinical trials for retinitis pigmentosa in mainland China and Taiwan region
			R&D milestone payments	5,326	Introduce stem cell therapy (hRPC) from ReNeuron Group Plc for the exclusive clinical R&D and commercialization license of retinitis pigmentosa, and pay the subsequent expenses such as R&D milestone payments
12	Novel coronavirus mRNA vaccines	32,457	Clinical and supporting	24,139	Including investment in phase II clinical trials of the novel coronavirus mRNA vaccine (BNT162b2) in mainland China, and marketing preparations for GSP storage and cold chain logistics related to the novel coronavirus mRNA vaccines
			R&D milestone payments	8,318	Introduce novel coronavirus mRNA vaccines from BNTX for the exclusive clinical R&D and commercialization license, and pay the subsequent expenses such as R&D milestone payments
Total				**222,043**	

Note: The investment in the above R&D projects and different indications of the projects can be adjusted appropriately according to the clinical research progress and actual situation of the Group.

3. ***Necessity of project***

(1) *Go in line with the development trend of the innovative drug industry with favorable policies*

In recent years, China has issued a number of policies to promote the development of China's innovative drug industry. As reflected in the redefinition of classification in the Administrative Measures for Drug Registration, the focus of China's drug registration management is tilting towards innovative drugs. Documents such as the Technical Guidelines for Conditional Approval for Listing of Drugs in Urgent Need for Clinical Medicine, the Working Procedures for Breakthrough Therapeutics, the Working Procedures for Priority Review and Approval and the Opinions on Encouraging Drug Innovation and Implementing Priority Review and Approval are all promulgated for providing policy support to improve the approval efficiency of innovative drugs. In addition, the series of policies in respect of generic drugs, such as the Opinions on Reforming and Improving the Policies Regarding the Security of Supply of Generic Drugs and Use of Generic Drugs issued by the State Council in April 2018 and the First Batch of Recommended List of Encouraged Generic Drugs issued by the National Health Commission (the "**NHC**") in June 2019, explicitly promoted the development of generic drugs with medical needs/scientific basis, while also encouraging the R&D of drugs with authentic innovative value to some extent.

The R&D of innovative drugs is an important driving force for the development of pharmaceutical companies, and it is also a key field supported by China at this stage. With the strong support of policies, the Chinese innovative drug market will undergo rapid development. With the continuous development of China's pharmaceutical industry and the influence of policies on innovative drugs and centralized procurement, the business focus of pharmaceutical companies has gradually shifted from generic drugs in the past to innovative drugs. In particular, large pharmaceutical companies in the industry are gradually increasing the investment in the R&D of innovative drugs so as to maintain their market position in the pharmaceutical industry. Against this backdrop, it is necessary for the Group to strengthen the R&D of innovative drugs, consolidate the Group's competitive advantages in the industry, and enhance the core competitiveness of the Company.

(2) *Pioneer innovative drug R&D to satisfy medical needs*

The products in this project involve indications such as malignant tumors, metabolic diseases, digestive system diseases, COVID-19 etc., which are diseases with high clinical demand in the market and a steady growth trend. With the progress in the project, the project will be able to provide new treatment and prevention methods for patients and improve the medication needs for patients. The implementation of the project will accelerate the domestic R&D and

industrialization process of the Group's varieties related to innovative drugs. In addition to meeting major medical needs, the Group has accumulated years of R&D experience in the related fields with multiple products having been launched, the implementation of the project is conducive to enhancing the market competitiveness of the Group's related product lines.

(3) *Improve the R&D system with independent research and license in as dual driving forces, and accelerate innovation and transformation and product iteration*

The Group relies on its own global resource network and independent R&D platform to create an open innovative R&D ecosystem, and continuously expands its product lines with independent R&D and license-in products as dual driving forces. In addition, with the clinical registration, market access and academic promotion capacity accumulated from years of development in the industry, the Group effectively achieves the implementation and commercialization of innovative varieties, so as to build an efficient and sustainable innovative R&D system.

The investment of proceeds from the Non-public Issuance into the milestone payments for clinical trials will accelerate the Group's innovation and transformation and its product iteration process, continuously improve the Group's open-ended R&D ecosystem, strengthen the Group's core competence and ensure the long-term growth of the Group's performance.

4. *Project investment feasibility*

(1) *Pharmaceutical industry policy support*

Innovative R&D is the driving force for the development of the pharmaceutical industry, while policy support, encouragement and guarantee are especially critical. In terms of drug R&D, the State Council and relevant ministries and commissions have successively issued the Guidelines for the Diagnosis and Treatment of Rare Diseases (2019 Edition), the First Batch of Encouraged Generic Drugs List, the Third Batch of Encouraged Research and Development List of Children's Drugs, and the Second Batch of Clinical List of New Drugs Urgently Needed Abroad point out the variety direction for drug innovation and R&D. In terms of innovation support, China, centering on Major Science and Technology Projects, has also developed the layout in advance. The Department of Science and Education of the NHC has successively issued policy documents including the Notice on Application for Organizing Major New Drug Innovation and Science and Technology Major Projects in 2020, the Announcement on Solicitation of Major Research Topics in the Early Stage of the "14th Five-Year Plan" for Health, and the Notice on Work Rules and Management Measures Related to Major Science and Technology Projects, which further optimize and improve the government's

mechanisms and measures to support and encourage pharmaceutical innovation. The support of China's pharmaceutical industry policy provides a good policy guarantee for the implementation of the project.

(2) *Continuous R&D and innovation*

Centering on pharmaceutical manufacturing and R&D, the Group adheres to and continuously optimizes its development strategy. On the basis of performing well in the current business and industrial upgrading, it focuses on the fields where treatment efficacy is proven and which are in line with the development trend of modern medicine, and adheres to enhancing its R&D capability at the early stage and its industrialization development capability at subsequent stages. In 2019, the Group's R&D investment totaled RMB3.463 billion, representing an increase of 38.15% over 2018. At present, the Group has formed an international R&D layout and possessed strong R&D capabilities. It has established interactive and integrated R&D systems in China, the United States, India etc., as well as international R&D platforms for small molecule innovative drugs, high-value generic drugs, biological drugs, cells treatment and others. In addition, adhering to the principle of open cooperation, it also connects the world's outstanding scientists, leading technologies and high-value products through a diversified and multi-level cooperation model such as license introduction, in-depth incubation and venture capital, which promotes the development and transformation of innovative technologies and products over the globe. The Group's continuous R&D innovation has laid a solid foundation for the implementation of the project.

(3) *Strong technical reserves and R&D capacity*

With innovation and R&D as its core driving force, the Group continues to optimize its pharmaceutical R&D system that integrated generic and innovative drugs, enhance the construction of the "4+3" R&D platform (four platforms: biological drugs, small molecule innovative drugs, high-value generic drugs and new technology treatments; three systems: internal R&D, license-in and deep incubation), and deploy an international high-level R&D and manufacturing system with cost advantages. Through multi-level innovation, the Group continues to optimize product structure, improve product layout, and accelerate the launch of first-line therapeutic drugs. As of 31 December 2019, the Group had 264 projects on pipeline new drugs, generic drugs, biosimilars and consistency evaluation of generic drugs; 136 patent applications in the pharmaceutical manufacturing and R&D sector and obtained 47 invention patent authorizations. Through continuous R&D and innovation, the Group has formed strong technical reserves, which provide strong support for the smooth implementation of the project.

The R&D and innovation of medicine require a professional R&D team. Talents are the key factor for the Group's survival and development. The Group attaches great importance to the external introduction and in-house training of high-quality R&D talents. After years of development, the Group has established a R&D team with excellent professional quality, reasonable age structure and extensive industry experience. As of the end of 2019, the Group has a R&D team of nearly 2,200 persons with extensive R&D experience in small molecule innovative drugs, monoclonal antibody bio-innovative drugs and biosimilars, CAR-T cell drugs etc., offering powerful support for the subsequent R&D and smooth industrialization of introduced projects.

(4) *Good collaboration with partners and mature product clinical registration capability*

With the dual driving forces of independent R&D and license in, through years of deep development in the industry and good collaboration with all partners, the Company has gained the mature capabilities of full process cooperation with partners, from joint product development, advancing clinical progress to drug registration and launching.

In the case of Avatrombopag Maleate Tablet, the Group obtained from AkaRx Inc. of the U.S. the license for exclusive sales of the product in mainland China and the Hong Kong Special Administrative Region in March 2018, and obtained the Registration Certificate of Imported Medicines from the NMPA for Avatrombopag Maleate Tablet in April 2020, approving the application of the new drug for thrombocytopenia associated with elective diagnostic procedures or surgery of adult chronic liver disease patients.

For the investment project by way of the Non-public Issuance, in the case of the novel coronavirus mRNA vaccines, in March 2020, the Group obtained BNTX license to exclusively develop and commercialize preventive COVID-19 vaccine products developed based on its proprietary mRNA technology in mainland China, Hong Kong, Macau and Taiwan regions. On such basis, the Group actively commenced the clinical advancement for candidate vaccine products, with BNT162b1 having obtained approval from the NMPA for clinical trials in July 2020. As at the date of this feasibility report, BNT162b1 has completed the phase I clinical subject vaccination procedure, and is in the process of data statistical analysis. The R&D of BNT162b1 enabled the Group to accumulate experience and assemble a team for vaccine clinical trials, and laid a solid foundation for the R&D of BNT162b2. On 13 November 2020, the Group obtained the clinical trial approval from the NMPA of BNT162b2 for the prevention of COVID-19. As at the date of this feasibility report, the Group has commenced phase II clinical trial of the vaccine in mainland China.

(5) *Strong marketing implementation capabilities*

As of 31 December 2019, the Group has formed a marketing team of nearly 5,300 persons. Its marketing capabilities for high-end medical, primary medical, retail chain and other markets have been further improved, thus establishing a strong capability and management system. The Group facilitates marketing transformation and realizes digital marketing through online innovative platforms. The Group strengthens its capabilities in bidding, market access and key customer management to lay solid foundation for the subsequent marketing of launched products. In addition, by virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's strengths in distribution network and logistics to facilitate the expansion of sales channels of the Group's pharmaceutical products. The Group's strong integration capabilities have laid a solid foundation for the smooth implementation of the project.

5. *Implementation entity of the project*

The implementation entities of this project are wholly-owned subsidiaries of the Company, namely Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd., Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd., Avanc Pharmaceutical Co., Ltd. and Fosun Pharmaceutical AG.

6. *Approval status of the project*

The Group will strive to proceed with the relevant filing and approval matters related to this project.

(ii) APIs and Preparations Intensive Comprehensive Bases

1. *Project description*

The total investment of this project amounts to RMB1,352.62 million, and the construction period is 3 years. This project comprises the specialty APIs base projects and the preparations intensive comprehensive base projects. The intensive comprehensive base projects for APIs and preparations will focus on the opening up in Xuzhou region, vertically integrate the industry chains of APIs and preparations, and achieve intensive mass production. The projects will also cover major disease areas, such as products in anti-tumor, immune system, anti-infection and nervous system fields, which will be highly compatible with the Group's existing products and R&D pipeline, thereby further improving the Group's competitive advantages in the pharmaceutical industry.

The specialty APIs base projects aim at establishing a GMP production workshop, improving existing production technology, and process standards, introducing advanced automated production lines, and enhancing the Group's intelligent APIs production capacity, while ensuring product quality, achieving large-scale production, and reducing production costs, so as to meet the market demand for high-quality specialty APIs for a variety of major diseases.

The preparations intensive comprehensive base is positioned as a comprehensive production base for intensive, large-capacity product manufacturing and innovative drugs and special preparations. In the context of the implementation of the Marketing Authorization Holder system, the construction of this project will rely on the Group's extensive experience from years of deep cultivation in the entire industry chain, deepen production integration, and improve operational efficiency. It is planned to provide multi-dimensional services such as technology transfer, R&D collaboration, and customized production for the Group and its external partners. On the basis of providing customized production services, it is also planned to extend to the Group's existing APIs for major diseases in order to cover the R&D and optimization of process flows, formula development and trial production services required for preparations production based on the actual needs. This project will reserve room for the future development of sustained-release preparations and highly difficult generic drug formulations, and will create possibilities for expansion in technologies such as the dynamic follow-up and implementation of the currently rapidly developing blow-fill-seal three-in-one aseptic filling process, process analysis technology and continuous manufacturing for process transformation and upgrading. The implementation of this project will enable the Group to further enhance its competitive advantage in the pharmaceutical industry through the integration of internal advantageous production capacity.

2. ***Necessity of project***

(1) *Grasp the structural changes after the in-depth medical reform and improve the production quality of specialty APIs and preparation products*

China's medical reform has adopted a series of policies and systems to adjust the structure of the pharmaceutical industry, with an aim to promoting the R&D and production of innovative drugs and high-quality generic drugs. Starting from March 2016, the General Office of the State Council has implemented the Opinion on Conducting the Consistency Evaluation of the Quality and Efficacy of Generic Drugs and other laws and regulations, aiming at adopting scientific and reasonable evaluation methods to comprehensively improve the quality evaluation of generic drugs and eliminate inferior generic drugs. Hence, amid the backdrop of deep medical reform, it is necessary to rationally optimize resources, coordinate management and control, optimize drug production processes, and improve the quality of preparations production.

(2) *Vertically integrate specialty APIs and preparations to adapt to changes in industry policies and improve the Group's operation efficiency*

This project includes two projects: specialty APIs production bases and preparations intensive comprehensive bases. Among them, part of the APIs produced in the specialty APIs production base project will be used in the Group's production of preparation products. In the context of the gradual implementation of the centralized and bulk purchase policy, the pressure on price reduction of preparations continues to increase, which will adversely affect the profitability of preparations. In order to cope with the pressure of falling prices of preparations and provide the market with high-quality and low-priced pharmaceutical products, it is necessary for the Group to achieve production scale effect by rationally optimizing production capacity layout, build production bases with cost advantages, and vertically integrate specialty APIs and downstream preparations to realize the independent supply of some APIs and develop a more price-competitive product pipeline, thereby improving the overall operation efficiency of the Group.

(3) *Integrate production capacity and improve efficiency to meet the growing market demand*

In recent years, as the number of patented medicines with expired patents has been increasing, the variety and quantity of generic drugs have also risen rapidly, bringing huge market opportunities to the API market. At the same time, in order to control production costs, large multinational pharmaceutical companies have taken steps to procure APIs and transfer pharmaceutical production business to international markets, which provides sufficient market opportunities for the Group's specialty APIs base projects, and also opens up business opportunities for the Group's intensive comprehensive preparations base.

Although China's contract development and manufacturing service has developed relatively late, it has developed rapidly, which has begun to form a contract development and manufacturing service industry platform covering APIs, chemical preparations and biological drugs. The development of the contract development and manufacturing service industry is conducive to new drug R&D companies concentrating their funds and energy on new drug R&D, speeding up the R&D process. Meanwhile, it reduces the construction of new drug R&D companies' own asset-heavy production facilities, reduces R&D and production risks caused by high-risk, high-input, and refined systematic construction, while reducing their production costs and improving the effectiveness of resource allocation. The Group must continuously improve its own technical standards and continue to build core technical barriers to adapt to the ever-changing technological environment in the pharmaceutical development sector. In addition, the implementation of the Marketing Authorization Holder system allows pharmaceutical companies,

especially new drug R&D companies, to choose self-produced or commissioned production as drug marketing authorization holders, which specifies the rights and responsibilities of R&D companies and manufacturing companies from the legal perspective. It also promotes the specialization of the pharmaceutical industry, encourages drug R&D innovation and curbs low-level redundant construction.

In summary, China's API and contract development and manufacturing service markets are large and fast-growing. It is necessary for the Group to build advanced and specialty APIs base and preparations intensive comprehensive production bases to integrate its production capacity and improve efficiency, achieve large-scale production while ensuring product quality, and reduce production costs to meet the market demand for high-quality specialty APIs and preparations for a variety of major diseases.

3. *Project feasibility*

(1) *National industrial policy support*

The pharmaceutical industry is an important foundation to support the development of medical and health industry and healthcare service industry. It is a sunrise industry with strong growth, relevance and driving force, which plays an active role in benefiting people's livelihood and stabilizing growth. The "Made in China 2025" initiative clearly proposes to vigorously promote the breakthrough development of the biomedicine industry and develop new products of chemical drugs, traditional Chinese medicines and biotechnology drugs for major diseases. The Guiding Catalogue of Key Products and Services for Strategic Emerging Industries clearly states that chemical drugs and API manufacturing are listed as key strategic emerging industries. The Guiding Opinions of the General Office of the State Council on Promoting the Healthy Development of the Pharmaceutical Industry proposes to guide the development of industrial agglomeration, and promote the large-scale production, intensification and parkization of pharmaceutical industry. It is also proposed, by integrating chemical APIs layout adjustment and industrial transfer, to establish high-standard chemical API production base in the chemical and pharmaceutical parks with strong carrying capacity, comprehensive ancillary facilities and convenient supply of raw materials. The Guiding Opinions on Promoting the Green Development of the API Industry proposes that by 2025, the structure of China's API industry will be more reasonable, the proportion of APIs produced with green processes will be further increased, the market share of high-end specialty APIs will increase significantly, and the industrial layout will be more optimized. The production of APIs in the park will basically have been realized, with a batch of concentrated production bases of APIs built. The state's policy support for the API industry has laid a solid foundation for the smooth implementation of this project.

(2) *Rich experience in large-scale production*

The Group has been engaging in the R&D, production and sales of pharmaceuticals for a long period of time, thus accumulating extensive management experience and large-scale production experience in the R&D and production of APIs and preparations. As of 31 December 2019, all subsidiaries of the Group that engaged in pharmaceutical manufacturing business met the new national GMP standard. Meanwhile, the Group actively participated in putting international cGMP certifications of the U.S., the EU and WHO into practice. More than 10 of the Group's domestic and overseas APIs received cGMP certifications from national health authorities including the U.S., EU and Japan; 4 pharmaceutical manufacturing sites and various aseptic production lines of Gland Pharma Limited passed audit/certifications in accordance with the GMP (Good Manufacturing Practice) of drugs in the U.S., the EU, Japan, Australia, Brazil and other countries. 1 production line for oral solid dosage formulation and 3 production lines for injections of Guilin South Pharma Company Limited obtained certification from the WHO-PQ; 1 production line for oral solid dosage formulation of Chongqing Yao Pharmaceutical Company Limited was certified by Health Canada and the U.S. FDA; 1 freeze-dried aseptic production line of Jiangsu Wanbang Biopharmaceutical Company Limited received cGMP (Current Good Manufacture Practice) certifications from the EU; and 1 production line for oral formulation of Jiangsu Wanbang received cGMP certifications from the U.S. FDA. The Group's extensive experience in large-scale production has provided a solid foundation for the smooth implementation of the project.

4. *Implementation entities of the project*

The implementation entity of the specialty API base project (filing name: Xingnuo API engineering center and industrialized production base project) is Jiangsu Xingnuo Pharmaceutical Technology Co., Ltd., a wholly-owned subsidiary of the Company, while the implementation entity of the preparations intensive comprehensive base project (intended filing name: Fosun Pharma (Xuzhou) Industrial Park (phase I) project) is Fosun Pharmaceutical (Xuzhou) Co., Ltd., a wholly-owned subsidiary of the Company.

5. *Approval status of the project*

As of the date of this feasibility report, the specialty API base projects have obtained the Notice of the Municipal Development and Reform Commission on the Filing of the Xinyi API Engineering Center and Industrialized Production Base Projects of Jiangsu Xingnuo Pharmaceutical Technology Co., Ltd. (Xu Fa Gai Bei Fa [2019] No. 11) and the Approval on the Environmental Impact Report of the Xinyi API Engineering Center and Industrialized Production Base Projects of Jiangsu Xingnuo Pharmaceutical

Technology Co., Ltd. (Xin Huan Xu [2020] No. 109). The relevant procedures related to the filing and environmental impact assessment of the Development and Reform Commission for the preparations intensive comprehensive base project are in progress.

(iii) Replenishment of working capital

1. *Basic information*

RMB1,409.78 million out of the proceeds from the Non-public Issuance will be utilized to supplement the working capital to meet the daily liquidity requirements, thereby enhancing the Group's ability to resist risks and realize sustainable profitability.

2. *Analysis of the necessity of replenishing working capital*

(1) *Business expansion requires adequate working capital as guarantee*

Under the guidance of the "4IN" strategy (Innovation, Internationalization, Integration, and Intelligentization), the Group adheres to the development model of "innovative transformation, integrated operation and steady growth". Focusing on unmet medical needs, the Group has been enhancing its product power and brand power, continuously improving innovation, integration and internationalization capabilities, and operating efficiently, with the business scale of the Group continuously expanding. In 2017, 2018 and 2019, the Group's revenue from the major business was RMB18.534 billion, RMB24.918 billion and RMB28.585 billion, respectively, demonstrating a steady growth trend. Business expansion requires sufficient working capital as a guarantee.

(2) *Pharmaceutical industry involves large R&D investment and requires sufficient working capital as guarantee*

Taking innovation and R&D as the core driving factors, the Group focuses on the fields that are clinically demand-oriented, has definite curative effects, and in line with the development of modern medicine. It insists on improving R&D, clinical and industrialization capabilities, and invests enormous funds in the R&D of products and technologies every year. In 2019, the Group's R&D investment totaled RMB3.463 billion, of which the R&D investment in the pharmaceutical business was RMB3.131 billion, with the R&D investment in the pharmaceutical business accounting for 14.38% of the revenue from the pharmaceutical business. With the implementation of the investment projects utilizing proceeds from the non-public issuance and the expansion of the Group's business scale, the Group will need to continue to invest in R&D in the future to enrich its technical reserves and expand its product line. At the same time, the pharmaceutical R&D has a relatively

long cycle with high level of difficulty, thus incurring high R&D costs. Therefore, the characteristics of the R&D in the industry determine that the Group must reserve sufficient working capital to support corporate R&D.

3. ***Analysis of the necessity of working capital replenishment***

The Company will establish a special storage and use management system for proceeds in strict accordance with the relevant regulations issued by the CSRC and the Shanghai Stock Exchange, as well as the "Proceeds Management System of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.". According to the business development needs of the Group, the investment direction, progress and amount of such portion of funds will be reasonably arranged on the basis of scientific calculation and reasonable scheduling, so as to ensure the safe and efficient use of proceeds. As to the fund settlement, the utilization of the proceeds by the Company will strictly follow the financial management system and be subject to the fund approval authority procedures.

III. IMPACT OF THE ISSUANCE ON THE GROUP'S BUSINESS MANAGEMENT AND FINANCIAL POSITION

(i) Impact on the Group's business management

The proceeds will be used for innovative drug clinical, license in and relevant marketing preparation projects, intensive comprehensive base for APIs and preparations projects and replenishment of working capital. The projects funded by the proceeds from the Non-public Issuance are in line with the national industrial policy and the Group's future strategic development plan, which will help the Group promote new drug R&D, production capacity integration and efficiency improvement, achieve high-quality and efficient development in the pharmaceutical industry and further enhance the profitability of the Group. In the short term, the production capacity of APIs and generic drugs will be integrated with significant improvement in production efficiency, and the ability to continuously supply customers will be effectively enhanced. In the long term, the development of innovative drug R&D will help expand the Group's future product layout and improve business structure upgrade to meet the ever-increasing demand for precise and individualized clinical treatment. The Non-public Issuance is conducive to the sustainable development of the Group and is in the interests of the Company and all shareholders of the Company.

(ii) Impact on the Group's financial position

Upon completion of the Non-public Issuance, the total assets and net assets of the Group will increase at the same time. The financial structure of the Group will be further optimized, while the risk tolerant capability will be strengthened. Upon completion of the Non-public Issuance, the total shares of the Company will increase, and the scale of assets will be further expanded. The profitability of the Group will be further enhanced as the expected benefits of projects funded by the proceeds raised are realized.

In conclusion, the Group will further strengthen its comprehensive competitiveness upon the Non-public Issuance.

IV. CONCLUSION

In conclusion, the use of the proceeds from the Non-public Issuance of the Company is reasonable and feasible, which is in line with the national industrial policy orientation and the Company's strategic development plan. The implementation of the projects funded by the proceeds from the Non-public Issuance will help the Group promote new drug R&D, production capacity integration and efficiency improvement, achieve high-quality and efficient development in the pharmaceutical industry and further enhance the profitability of the Group. In the short term, the production capacity of APIs and generic drugs will be improved, and the ability to continuously supply customers will be effectively enhanced. In the long term, the development of innovative drug R&D will help expand the Group's future product layout and improve business structure upgrade to meet the ever-increasing demand for precise and individualized clinical treatment. The implementation of the projects funded by the proceeds from the Non-public Issuance is conducive to sustainable development and in the interests of all shareholders of the Company. Therefore, the projects funded by the proceeds from the Non-public Issuance are necessary and feasible.

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

25 November 2020

SHANGHAI FOSUN PHARMACEUTICAL (GROUP) CO., LTD.*
REPORT ON THE USE OF PROCEEDS PREVIOUSLY RAISED
AS OF 30 SEPTEMBER 2020

I. BASIC SITUATION OF THE PROCEEDS PREVIOUSLY RAISED

(i) Proceeds from the 2010 Non-public Issuance of Shares

As approved by the China Securities Regulatory Commission in the Approval of the Non-public Issuance of Shares of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《關於核准上海復星醫藥(集團)股份有限公司非公開發行股票的批覆》) (Zheng Jian Xu Ke [2010] No. 334), Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司) ("**Fosun Pharma**" or the "**Company**") conducted a non-public issuance of shares in China. As of 4 May 2010, the Company had completed the non-public issuance of 31,820,000 RMB ordinary shares (A shares) at an issue price of RMB20.60 per share. The total proceeds amounted to RMB655,492,000, and the actual net amount of proceeds (after deducting underwriting commission for securities firms and other issuance fees) was RMB635,392,000. As of 19 April 2010, the proceeds had been deposited into a designated account.

As at 30 September 2020, the net proceeds of RMB642,833,400 were utilized, and the balance of the designated account for the proceeds amounted to RMB6,609,900 (including interest income from the designated account of RMB13,563,300, and the capital increase of RMB488,000 in aggregate in Guilin South Pharma Company Limited* (桂林南藥股份有限公司) ("**Guilin Pharma**") and Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司) ("**Jiangsu Wanbang**") by Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司) ("**Industrial Development**") using its self-owned funds).

(ii) Proceeds from the 2016 Non-public Issuance of Shares

As approved by the China Securities Regulatory Commission in the Approval of the Non-public Issuance of Shares of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《關於核准上海復星醫藥(集團)股份有限公司非公開發行股票的批覆》) (Zheng Jian Xu Ke [2016] No. 1230), the Company conducted a non-public issuance of shares in China. As of 8 November 2016, the Company had completed the Non-public Issuance of 100,440,000 RMB ordinary shares (A shares) at an issue price of RMB22.90 per share. The total proceeds amounted to RMB2,300,000,000, and the actual net amount of proceeds (after deducting the underwriting commission for securities firms and other issuance fees) was RMB2,275,249,600. As of 1 November 2016, the proceeds had been deposited into a designated account.

As of 30 September 2020, the net proceeds of RMB2,276,120,900 were utilized (including interest income from the designated account of RMB871,300). All the proceeds raised were used, and the designated bank account for the proceeds was closed.

II. MANAGEMENT OF THE PROCEEDS PREVIOUSLY RAISED

In order to regulate the management of the proceeds raised of the Company and protect the rights of investors, the Company has formulated the Management System for Proceeds Raised of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司募集資金管理制度》), which sets out specific requirements on the deposit and utilization of proceeds raised, the management of project implementation, as well as the supervision on the use of proceeds.

(i) Proceeds from the 2010 Non-public Issuance of Shares

The Company and its subsidiaries, namely Industrial Development, Jiangsu Wanbang, Guilin Pharma and Shanghai Fosun Long March Medical Science Co., Ltd.* (上海復星長征醫學科學有限公司) ("**Fosun Long March**"), opened designated accounts for proceeds with the Jiangwan Sub-branch of the Shanghai Branch of China Merchants Bank, the Xuzhou Yunlonghu Sub-branch of Agricultural Bank of China Limited, the Xiangshan Sub-branch of the Guilin Branch of China Construction Bank and the Zhabei Sub-branch of the Shanghai Branch of Bank of Communications (collectively the "**2010 Designated Account Banks**"), respectively and deposited the proceeds into designated accounts.

On 10 May 2010, the Company and its subsidiaries, namely Industrial Development, Jiangsu Wanbang, Guilin Pharma and Fosun Long March, entered into the Tripartite Supervision Agreement on the Deposit of Proceeds Raised in Designated Account (《募集資金專戶存儲三方監管協定》) (the "**2010 Original Supervision Agreement**") with the 2010 Designated Account Banks and the sponsor, namely Haitong Securities Co., Ltd. ("**Haitong Securities**"). In April 2015, the Company proposed to implement a proposal of non-public issuance of A shares. In July 2015, the Company entered into the Sponsorship Agreement with each of UBS Securities Co., Ltd. ("**UBS Securities**") and Tebon Securities Co., Ltd. ("**Tebon Securities**"), pursuant to which, each of UBS Securities and Tebon Securities was appointed as a joint sponsor for the non-public issuance of A shares, and UBS Securities and Tebon Securities were responsible for the continuous supervision of the 2010 Non-public Issuance of A shares of the Company. On 7 September 2015, the Company, along with Industrial Development, Jiangsu Wanbang and Guilin Pharma, entered into the Tripartite Supervision Agreement on the Proceeds Raised from the Non-public Issuance of A Shares (For Remaining Proceeds Raised from the 2010 Non-public Issuance Project) (《非公開發行A股股票募集資金三方監管協議(2010年非公開發行項目募集資金剩餘部分)》) (the "**2010 New Supervision Agreement**") with 2010 Designated Account Banks, UBS Securities and Tebon Securities. There were no significant discrepancies between each of the 2010 Original Supervision Agreement and the 2010 New Supervision Agreement and the Tripartite Supervision Agreement on the Deposit of Proceeds Raised in a Designated Account (Sample Text) (《募集資金專戶存儲三方監管協定(範本)》) of the Shanghai Stock Exchange. The Company implemented the utilization of proceeds raised for special purposes. All parties to the agreement performed their respective duties in accordance with the provisions of the tripartite supervision agreement.

The proceeds from the 2010 non-public issuance of the Company deposited into different bank accounts as at 30 September 2020 are as follows:

Unit: RMB'0,000

Account holder	Account opening bank	Account no.	Amount
Fosun Pharma	Dalian Road Sub-branch, Shanghai Branch, China Merchants Bank[1]	021900070310801	29.37
Industrial Development	Dalian Road Sub-branch, Shanghai Branch, China Merchants Bank[1]	121902808710901	12.80
Jiangsu Wanbang[2]	Xuzhou Yunlonghu Sub-branch, Agricultural Bank of China Limited	231401040011992	—
Guilin Pharma	Xiangshan Sub-branch, Guilin Branch, China Construction Bank Corporation	45001637101050702134	618.82
Fosun Long March[3]	Zhabei Sub-branch, Shanghai Branch, Bank of Communications	310066441018170091430	—
Total			660.99

Note 1: In 2015, the original Jiangwan Sub-branch, Shanghai Branch, China Merchants Bank was renamed as Dalian Road Sub-branch, Shanghai Branch, China Merchants Bank due to relocation.

Note 2: All the proceeds raised for the Jiangsu Wanbang project funded by proceeds were used, and the designated account was closed.

Note 3: The Fosun Long March project funded by proceeds was completed, all the proceeds were used, and the designated account was closed.

(ii) Proceeds from the 2016 Non-public Issuance of Shares

The Company opened a designated account for the proceeds with Shanghai Zhongshan Park Sub-branch of China CITIC Bank and deposited the proceeds into the designated account for management.

Upon the receipt of proceeds raised in 2016, on 9 November 2016, the Company entered into the 2016 Tripartite Supervision Agreement on Non-public Issuance of A Shares (《2016年非公開發行A股股票募集資金三方監管協議》) (the "**2016 Supervision Agreement**") with the Shanghai Branch of China CITIC Bank Co., Ltd. and the sponsors, namely UBS Securities and Tebon Securities.

There were no significant discrepancies between the 2016 Supervision Agreement and the Tripartite Supervision Agreement on the Deposit of Proceeds Raised in a Designated Account (Sample Text) of the Shanghai Stock Exchange. The Company implemented the utilization of proceeds raised for special purposes. All parties to the agreement performed their respective duties in accordance with the provisions of the tripartite supervision agreement.

The proceeds from the 2016 non-public issuance of the Company deposited into bank accounts as at 30 September 2020 are as follows:

Unit: RMB'0,000

Account holder	Account opening bank	Account no.	Amount
Fosun Pharma	Shanghai Zhongshan Park Sub-branch, China CITIC Bank	8110201013100448092	—
Total			—

Note: All the proceeds from the 2016 non-public issuance of the Company were used, and the designated account was closed.

III. ACTUAL USE OF PROCEEDS PREVIOUSLY RAISED

(i) Proceeds from the 2010 Non-public Issuance of Shares

According to the plan of the non-public issuance of the Company, the Company would increase the capital of Industrial Development, a wholly-owned subsidiary, using the proceeds from the non-public issuance, and Industrial Development would increase the capital of each of Jiangsu Wanbang and Guilin Pharma. The increased capital would be used for the implementation of the recombinant human insulin (raw material + preparation) industrialization project and the artesunate high-tech industrialization demonstration project. In addition, the Company would provide an entrusted loan to Fosun Long March, a wholly-owned subsidiary, for the implementation of the in vitro diagnostic product production base project using the proceeds from the non-public issuance. In 2011, according to the arrangement of the non-public issuance of the Company, an entrusted loan provided to Fosun Long March, a wholly-owned subsidiary, was converted into a capital increase for Fosun Long March. The relevant progress as of 30 September 2020 is as follows:

1. As of 30 September 2020, Jiangsu Wanbang had used proceeds of RMB382,187,900 (including interest income from the designated account of RMB10,667,900 and Industrial Development's capital increase of RMB50,000 with its own funds). The balance of the bank account for the proceeds was used up. The designated bank account for the proceeds was closed.

As of the date of this report, the "recombinant human insulin and analogue (raw material + preparation) industrialization project" of Jiangsu Wanbang has not been completed and put into production.

2. As of 30 September 2020, Guilin Pharma had used proceeds of RMB186,269,800. The balance of the designated bank account for the proceeds amounted to RMB6,188,200 (including interest income from the designated account of RMB2,432,000 and Industrial Development's capital increase of RMB438,000 with its own funds). The "artesunate high-tech industrialization demonstration project" of Guilin Pharma had been completed, and passed the acceptance inspection.

3. As of 30 September 2020, Fosun Long March had used proceeds of RMB74,375,700 (including interest income from the designated account of RMB41,700). The "in vitro diagnostic product production base project" of Fosun Long March had been completed, and passed the acceptance inspection. The designated bank account for the proceeds was closed.

4. In order to adapt to the development trend of the insulin market, make full use of resources and maximize the benefits of the projects funded by the proceeds, as considered and approved at the 2012 first extraordinary general meeting of the Company held on 31 January 2012, it was agreed that the Company would change "recombinant human insulin (raw material + preparation) industrialization project" to "recombinant human insulin and analogue (raw material + preparation) industrialization project". It was estimated that the project would reach usable status in January 2015. In order to cooperate with the implementation of the national drug clinical trial guidelines and new policies, the clinical plan must be adjusted and optimized accordingly, and the advancement of clinical trials would be affected to a certain extent. As considered and approved at the 70th meeting of the seventh session of the board of directors and the 2018 fifth meeting of the seventh session of the supervisory committee held on 27 August 2018, it was agreed that the expected usable status date of "recombinant human insulin and analogue (raw material + preparation) industrialization project" would be extended to December 2020.

5. In order to improve the efficiency of the use of proceeds, promote the healthy development of the Company and enhance the Company's operating efficiency, Jiangsu Wanbang and Guilin Pharma used their respective idle proceeds to temporarily replenish the working capital in line with the principle of maximizing the interests of shareholders, under the premise of ensuring the capital needs for the construction of the projects funded by the proceeds and in accordance with the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Notice on Further Regulating the Use of Funds Raised by Listed Companies (《關於進一步規範上市公司募集資金使用的通知》), the Measures for the Management of Funds Raised by Listed Companies of the

Shanghai Stock Exchange (Revised in 2013) (《上海證券交易所上市公司募集資金管理辦法(2013年修訂)》) and other regulatory documents and relevant provisions of the Management System of Funds Raised by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司募集資金管理制度》) The matter was considered and approved by the Company's board of directors and the supervisory committee. The independent directors had issued independent opinions on the matter as follows:

(1) As considered and approved at the 43rd meeting of the fifth session of the board of directors (a regular meeting) and the 2011 third meeting of the fifth session of the supervisory committee (a regular meeting) of the Company held on 26 August 2011, Jiangsu Wanbang and Guilin Pharma used their respective idle proceeds of RMB40 million and RMB20 million to temporarily replenish the working capital. The usage period shall not exceed 6 months from the date of approval of the proposal by the board of directors. The replenished working capital shall only be used for production and operation related to the principal business activity. As the above amount accounted for 9.44% of the Company's net proceeds and did not exceed 10% of the net proceeds, it was not subject to consideration at the general meeting of the Company. The independent directors expressed their opinions and agreed to the above matter. On 23 February 2012, Jiangsu Wanbang and Guilin Pharma had refunded the total amount for temporary working capital replenishment of RMB60 million to their respective designated accounts for the proceeds.

(2) As considered and approved at the 57th meeting of the fifth session of the board of directors (a regular meeting) and the 2012 second meeting of the fifth session of the supervisory committee (a regular meeting) of the Company held on 22 March 2012, Jiangsu Wanbang and Guilin Pharma used their respective idle proceeds of RMB40 million and RMB20 million to temporarily replenish the working capital again. The usage period shall not exceed 6 months from the date of approval of the proposal by the board of directors. The replenished working capital shall only be used for production and operation related to the principal business activity. As the above amount accounted for 9.44% of the Company's net proceeds and did not exceed 10% of the net proceeds, it was not subject to consideration at the general meeting of the Company The independent directors expressed their opinions and agreed to the above matter. On 20 September 2012, Jiangsu Wanbang and Guilin Pharma had refunded the total amount for temporary working capital replenishment of RMB60 million to their respective designated accounts for the proceeds.

(3) As considered and approved at the 71st meeting of the fifth session of the board of directors (an extraordinary meeting) and the 2012 fifth meeting of the fifth session of the supervisory committee (an extraordinary meeting) held on 15 October 2012, Jiangsu Wanbang and Guilin Pharma used their respective

idle proceeds of RMB40 million and RMB20 million to temporarily replenish the working capital. The usage period shall not exceed 6 months from the date of approval of the proposal by the board of directors. The replenished working capital shall only be used for production and operation related to the principal business activity. As the above amount accounted for 9.44% of the Company's net proceeds and did not exceed 10% of the net proceeds, it was not subject to consideration at the general meeting of the Company. The independent directors expressed their opinions and agreed to the above matter. On 9 April 2013 and 10 April 2013, Jiangsu Wanbang and Guilin Pharma had refunded the respective amount for temporary working capital replenishment of RMB40 million and RMB20 million to their respective designated accounts for the proceeds.

(4) As considered and approved at the 90th meeting of the fifth session of the board of directors (a regular meeting) and the 2013 second meeting of the fifth session of the supervisory committee (a regular meeting) held on 25 April 2013, Jiangsu Wanbang and Guilin Pharma used their respective idle proceeds of RMB40 million and RMB20 million to temporarily replenish the working capital. The usage period shall not exceed 6 months from the date of approval of the proposal by the board of directors. The replenished working capital shall only be used for production and operation related to the principal business activity. As the above amount accounted for 9.44% of the Company's net proceeds and did not exceed 10% of the net proceeds, it was not subject to consideration at the general meeting of the Company. The independent non-executive directors expressed their opinions and agreed to the above matter. On 22 October 2013, Jiangsu Wanbang and Guilin Pharma had refunded the respective amount for temporary working capital replenishment of RMB40 million and RMB20 million to their respective designated accounts for the proceeds.

(5) As considered and approved at the 10th meeting of the sixth session of the board of directors (an extraordinary meeting) and the 2013 fifth meeting of the sixth session of the supervisory committee (an extraordinary meeting) held on 9 December 2013, Jiangsu Wanbang and Guilin Pharma used their respective idle proceeds of RMB40 million and RMB12 million to temporarily replenish the working capital. The usage period shall not exceed 6 months and 3 months respectively from the date of approval of the proposal by the board of directors. The replenished working capital shall only be used for production and operation related to the principal business activity. As the above amount accounted for 8.18% of the Company's net proceeds and did not exceed 10% of the net proceeds, it was not subject to consideration at the general meeting of the Company. The independent non-executive directors expressed their opinions and agreed to the above matter. On 7 March 2014 and 5 June 2014,

Guilin Pharma and Jiangsu Wanbang had refunded the respective amount for temporary working capital replenishment of RMB12 million and RMB40 million to their respective designated accounts for the proceeds.

(6) As considered and approved at the 28th meeting of the sixth session of the board of directors (an extraordinary meeting) and the 2014 fourth meeting of the sixth session of the supervisory committee (an extraordinary meeting) held on 14 July 2014, Jiangsu Wanbang used its idle proceeds of RMB40 million to temporarily replenish the working capital. The usage period shall not exceed 3 months from the date of approval of the proposal by the board of directors. The replenished working capital shall only be used for production and operation related to the principal business activity. As the above amount accounted for 6.30% of the Company's net proceeds and did not exceed 10% of the net proceeds, it was not subject to consideration at the general meeting of the Company. The independent non-executive directors expressed their opinions and agreed to the above matter. On 13 October 2014, Jiangsu Wanbang had refunded the amount for temporary working capital replenishment of RMB40 million to its designated account for the proceeds.

(7) As considered and approved at the 38th meeting of the sixth session of the board of directors (an extraordinary meeting) and the 2014 seventh meeting of the sixth session of the supervisory committee (an extraordinary meeting) held on 17 December 2014, Jiangsu Wanbang used its idle proceeds of RMB40 million to temporarily replenish the working capital. The usage period shall not exceed 6 months from the date of approval of the proposal by the board of directors. The replenished working capital shall only be used for production and operation related to the principal business activity. As the above amount accounted for 6.30% of the Company's net proceeds and did not exceed 10% of the net proceeds, it was not subject to consideration at the general meeting of the Company. The independent non-executive directors expressed their opinions and agreed to the above matter. On 15 June 2015, Jiangsu Wanbang had refunded the amount for temporary working capital replenishment of RMB40 million to its designated account for the proceeds.

(8) As considered and approved at the 52nd meeting of the sixth session of the board of directors (an extraordinary meeting) and the 2015 sixth meeting of the sixth session of the supervisory committee (an extraordinary meeting) held on 21 July 2015, Jiangsu Wanbang used its idle proceeds of RMB40 million to temporarily replenish the working capital. The usage period shall not exceed 6 months from the date of approval of the proposal by the board of directors. The replenished working capital shall only be used for production and operation related to the principal business activity. As the above amount accounted for 6.30% of the Company's net proceeds and did not exceed 10% of the net proceeds, it was not subject to consideration at the general meeting

of the Company. The independent non-executive directors expressed their opinions and agreed to the above matter. On 12 January 2016, Jiangsu Wanbang had refunded the amount for temporary working capital replenishment of RMB40 million to its designated account for the proceeds.

6. For the comparison table of the use of proceeds raised in 2010, please refer to Schedule 1 of this report.

(ii) Proceeds from the 2016 Non-public Issuance of Shares

According to the Company's non-public issuance plan, the Company would use RMB1.6 billion of the proceeds from the non-public issuance to repay interest-bearing debts due, and all the remaining proceeds would be used to replenish the working capital. The relevant progress as of 30 September 2020 is as follows:

1. On 9 November 2016, the Company held the fifteenth meeting of the seventh session of the board of directors (an extraordinary meeting) and the 2016 fifth meeting of the seventh session of the supervisory committee (an extraordinary meeting). The meetings considered and approved the Resolution on Use of Proceeds to Replace the Investment of the Self-raised Funds into the Projects Funded by Proceeds, and agreed to use the proceeds of RMB1.6 billion to replace the self-raised proceeds that had been invested. As of 30 September 2020, the proceeds of RMB1.6 billion for repaying interest-bearing debts due had been fully used.

2. As of 30 September 2020, the Company had used the proceeds of RMB676,120,900 (including interest income from the designated account of RMB871,300) to replenish the working capital.

3. As of 30 September 2020, all the proceeds had been used, and the designated account for the proceeds was closed.

4. For the comparison table of the use of proceeds raised in 2016, please refer to Schedule 2 of this report.

IV. ACHIEVEMENTS OF PROJECTS FUNDED BY PROCEEDS PREVIOUSLY RAISED

(i) Proceeds from the 2010 Non-public Issuance of Shares

In 2011, the production of the "in vitro diagnostic product production base project" of Fosun Long March commenced after its construction was completed and passed the acceptance inspection. In March 2014, the production of the "artesunate high-tech industrialization demonstration project" of Guilin Pharma commenced after its construction was completed and passed the acceptance inspection. As of the date of this report, the "recombinant human insulin and analogue (raw material + preparation) industrialization project" of Jiangsu

Wanbang has not been completed and put into production. For the comparison table of the achievements of projects funded by proceeds raised in 2010, please refer to Schedule 3 of this report.

(ii) Proceeds from the 2016 Non-public Issuance of Shares

In 2016, the Company utilized proceeds of RMB1,600 million to replace the self-raised funds which had made the upfront repayment of the interest-bearing debts due, and utilized proceeds of RMB675.2496 million to replenish the working capital. In 2017, the Company utilized proceeds of RMB871,300 to replenish the working capital. For the comparison table of the achievements of projects funded by proceeds raised in 2016: Not applicable.

V. CHANGES IN THE USE OF PROCEEDS IN THE PROJECTS FUNDED BY PROCEEDS PREVIOUSLY RAISED

(i) Proceeds from the 2010 Non-public Issuance of Shares

On 12 January 2012, as considered and approved at the 54th meeting of the fifth session of the board of directors of the Company (an extraordinary meeting), it was agreed that the Company would change the "recombinant human insulin (raw material + preparation) industrialization project" to "recombinant human insulin and analogue (raw material + preparation) industrialization project". The total investment of the new project was RMB510.76 million, of which: RMB371.47 million was funded by the proceeds, and the remaining investment of RMB139.29 million was funded by Jiangsu Wanbang, the entity for the implementation of the project. As part of the construction content of the new investment project was the same as that of the original investment project, the actual change in the investment from the proceeds was RMB221,862,100, which accounted for 59.73% of the net proceeds of the project. The resolution was considered and approved at the 2012 first extraordinary general meeting of the Company.

(ii) Proceeds from the 2016 Non-public Issuance of Shares

Not applicable.

VI. COMPARISON OF INFORMATION DISCLOSURE ON THE ACTUAL USE OF PROCEEDS PREVIOUSLY RAISED

There is no difference between the actual use of the Company's proceeds previously raised and those stated in the Company's periodic reports for each year and other information disclosure documents.

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

25 November 2020

Schedule 1:

Comparison table of the use of proceeds from the 2010 non-public issuance of shares

Unit: RMB'0,000

Total proceeds raised	65,549.20	Accumulated total proceeds used	64,283.34
Total proceeds with changed use	22,186.21	Total proceeds used over the years	64,283.34
		Year 2016 and previous years	63,649.29
		Year 2017	633.56
Proportion of total proceeds with changed use	33.85%	Year 2018	0.15
		Year 2019	0.13
		January–September 2020	0.21

Investment project		Total proceeds invested			Accumulated proceeds invested as of the cut-off date				
Committed investment projects	**Whether there is any change**	**Committed investment amount before fund raising**	**Committed investment amount after fund raising**	**Actual investment amount**	**Committed investment amount before fund raising**	**Committed investment amount after fund raising**	**Actual investment amount**	**Difference between actual investment amount and committed investment amount after fund raising**	**Expected time for the project ready for its intended use**
Recombinant human insulin (raw material + preparation) industrialization project	Yes *(Note 1)*	37,147.00	37,147.00	38,218.79 *(Note 2)*	37,147.00	37,147.00	38,218.79 *(Note 2)*	1,071.79	December 2020
Artesunate high-tech industrialization demonstration project	No	18,958.80	18,958.80	18,626.98	18,958.80	18,958.80	18,626.98	(331.82)	March 2014
In-vitro diagnostic product production base project	No	7,433.40	7,433.40	7,437.57 *(Note 3)*	7,433.40	7,433.40	7,437.57 *(Note 3)*	4.17	December 2011
Total		63,539.20	63,539.20	64,283.34	63,539.20	63,539.20	64,283.34	744.14	

Note 1: In January 2012, the Company changed the "recombinant human insulin (raw material + preparation) industrialization project" to the "recombinant human insulin and analogue (raw material + preparation) industrialization project". For details, please see V. Changes in the Use of Proceeds in the Projects Funded by Proceeds Previously Raised.

Note 2: The accumulated investment amount included the interest income from a designated account for the proceeds of RMB10,667,900 and the capital increase of RMB50,000 from Industrial Development with its own funds.

Note 3: The accumulated investment amount included the interest income from a designated account for the proceeds of RMB41,700.

Schedule 1 (Continued):

Reasons for not meeting the scheduled progress (by specific investment project)	In order to adapt to the development trend of the insulin market, make full use of resources and maximize the benefits of investment project, as considered and approved at the 2012 first extraordinary general meeting of the Company held on 31 January 2012, it was agreed that the Company would change "recombinant human insulin (raw material + preparation) industrialization project" to "recombinant human insulin and analogue (raw material + preparation) industrialization project". The total investment of the new project was RMB510.76 million, of which: RMB371.47 million was funded by the proceeds, and the remaining investment of RMB139.29 million was funded by Jiangsu Wanbang, the entity for the implementation of the project. As part of the construction content of the new investment project was the same as that of the original investment project, the actual change in the investment from the proceeds was RMB221,862,100, which accounted for 59.73% of the net proceeds of the project. It was expected that the project would be ready for its intended use in January 2015. In order to comply with the guiding principles and the implementation of new policies of the state on drug clinical trials, the clinical protocol should be adjusted and optimized accordingly. Hence, the progress of clinical trials was affected to a certain extent. As considered and approved at the 70th meeting of the seventh session of the board of the directors and the 2018 fifth meeting of the seventh session of the supervisory committee held on 27 August 2018, it was agreed that the scheduled date of the "recombinant human insulin and analogue (raw material + preparation) industrialization project" would be postponed to December 2020.

Upfront investment and fund swap of investment projects funded by the proceeds previously raised	As considered and approved at the 2010 third extraordinary general meeting held on 17 August 2010, it was agreed that the investment of the self-raised funds into the projects funded by proceeds should be replaced by the proceeds of RMB128,731,061.11 in aggregate. Ernst & Young Hua Ming had verified the upfront investment in the project funded by the proceeds from the non-public issuance of shares as of 15 July 2010, and issued the Special Assurance Report on the Upfront Investment on artesunate high-tech industrialization demonstration project and Other Projects Funded by Proceeds (Ernst & Young Hua Ming (2010) Zhuan Zi Di No. 60469139_B03) (安永華明(2010)專字第60469139_B03號《青蒿琥酯高技術產業化示範工程等募集資金項目先期投入情況專項鑒證報告》). Haitong Securities, the sponsor, also issued opinions on the Company's proceeds to replace the investment of the self-raised funds into the projects funded by proceeds. On 18 August 2010, the Company completed the above fund replacement. The Company's proceeds previously raised to replace the investment of the self-raised funds into the projects funded by proceeds is as follows: both the invested amount and the replacement amount of the artesunate high-tech industrialization demonstration project implemented by Guilin Pharma, a subsidiary, were RMB83,256,998.61, both the invested amount and the replacement amount of the recombinant human insulin (raw material + preparation) industrialization project implemented by Jiangsu Wanbang, a subsidiary, were RMB11,212,594.50, and the invested amount and the replacement amount for the in vitro diagnostic product production base project implemented by Fosun Long March, a subsidiary, were RMB34,261,468.00. The above amounts totaled RMB128,731,061.11.
Temporary replenishment of working capital with idle proceeds	Please refer to III. 5 for details.
Balance of proceeds previously raised and its causes	The project has not been completed.
Other uses of proceeds previously raised	None.

Schedule 2:

Comparison table of the use of proceeds from the 2016 non-public issuance of shares

Unit: RMB'0,000

Total proceeds raised	230,000.00	Accumulated total proceeds used	227,612.09
Total proceeds with changed use	—	Total proceeds used over the years	227,612.09
Proportion of total proceeds with changed use	—	Year 2016	227,524.96
		Year 2017	87.13

Investment project		Total proceeds invested			Accumulated proceeds invested as of the cut-off date				
Committed investment projects	**Whether there is any change**	**Committed investment amount before fund raising**	**Committed investment amount after fund raising**	**Actual investment amount**	**Committed investment amount before fund raising**	**Committed investment amount after fund raising**	**Actual investment amount**	**Difference between actual investment amount and committed investment amount after fund raising**	**Expected time for the project ready for its intended use**
Repayment of interest-bearing debts due	No	160,000.00	160,000.00	160,000.00	160,000.00	160,000.00	160,000.00	—	Not applicable
Replenishment of the working capital	No	67,524.96	67,524.96	67,612.09 *(Note 1)*	67,524.96	67,524.96	67,612.09 *(Note 1)*	87.13	Not applicable
Total		227,524.96	227,524.96	227,612.09	227,524.96	227,524.96	227,612.09	87.13	

Note 1: The accumulated investment amount included the interest income from a designated account for the proceeds of RMB871,300.

Schedule 2(Continued):

Reasons for not meeting the scheduled progress (by specific investment project)	Not applicable.
Upfront investment and fund replacement of investment projects funded by proceeds previously raised	On 9 November 2016, the Company held the fifteenth meeting of the seventh session of the board of directors (an extraordinary meeting) and the 2016 fifth meeting of the seventh session of the supervisory committee (an extraordinary meeting). The meetings considered and approved the Resolution on Use of Proceeds to Replace the Investment of the Self-raised Funds into the Projects Funded by Proceeds (《關於使用募集資金置換預先投入募投項目的自籌資金的議案》), and agreed to use the proceeds of RMB1.6 billion to replace the self-raised funds that had been invested.
Temporary replenishment of working capital with idle proceeds	Not applicable.
Balance of proceeds previously raised and its causes	Not applicable.
Other uses of proceeds previously raised	None.

Schedule 3:

Comparison table of the achievements of projects funded by proceeds raised in the 2010 Non-public Issuance of shares (as of 30 September 2020)

Unit: RMB'0,000

Actual investment project			Achievements in the last three years			Accumulated benefits achieved as of the cut-off date (Unaudited)	Whether the expected benefits are achieved
No.	Project name	Committed benefits	Year 2018	Year 2019	January–September 2020 (Unaudited)		
1	Recombinant human insulin (raw material + preparation) industrialization project	After the project is put into production, it can generate an average annual operating revenue of RMB1,022,240,000	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
2	Artesunate high-tech industrialization demonstration project	After the project is put into production, it can generate an average annual operating revenue of RMB341,487,800	84,798.72	87,268.45	72,198.46	511,907.86	Yes
3	In vitro diagnostic product production base project	After the project is put into production, it can generate an average annual operating revenue of RMB297,257,700	58,924.00	56,468.29	72,774.61	424,850.71	Yes

In accordance with the requirements in the Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17 號)), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)), and the Guiding Opinions on Matters Concerning the Immediate Return Dilution by IPO, Refinancing and Material Asset Reorganization (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)) published by the China Securities Regulatory Commission (the "**CSRC**"), in order to protect the interests of small and medium investors, Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥（集團）股份有限公司) (the "**Company**" or the "**Listed Company**"), based on latest circumstances, analyzed the impact of the Non-public Issuance of A shares (the "**Non-public Issuance**") on the dilution of immediate return and formulated specific remedial measures for returns regarding dilution of immediate return. Specific details are set out below:

I. IMPACT OF THE NON-PUBLIC ISSUANCE ON MAJOR FINANCIAL INDICATORS OF THE GROUP (INCLUDING THE COMPANY AND ITS SUBSIDIARIES/ENTITIES, THE SAME APPLIES BELOW) (INCLUDING EARNINGS PER SHARE)

(i) Major assumptions for financial indicator calculation

The impact of dilution of immediate return due to the Non-public Issuance on major financial indicators of the Group is estimated primarily based on the following assumptions:

1. It is assumed that there are no major adverse changes in the macroeconomic environment, industry policies, industry development, operating environment, as well as conditions of the stock market.

2. It is assumed that the plan of the Non-public Issuance will be completed in March 2021. The completion time, which will be used only for the purpose of estimation, shall be subject to the time when the Non-public Issuance is actually completed as approved by the CSRC.

3. It is assumed that the total proceeds from the Non-public Issuance will be RMB4,982.83 million, without considering the impact of deducting the issuance fees. The price determination date will be the first day of the issuance period. Since it is uncertain about the share price on the first day of the issuance period, it is temporarily estimated that the number of shares to be issued would be no more than 128,144,927 shares (i.e. no more than 128,144,927 A Shares (inclusive) calculated on the basis of the total number of the shares as at the date of the first board resolution approving the Non-public Issuance and the final number of the shares to

be issued is subject to the bidding results of the Non-public Issuance and the number of the shares approved by the CSRC), representing not more than 5% of the total share capital of the Company prior to the Non-public Issuance.

4. It is assumed that the net profit attributable to shareholders of the Listed Company in 2020 is the annualized data for the third quarter in 2020, i.e. the net profit attributable to shareholders of the Listed Company of RMB3,305.3074 million. It is assumed that the net profit attributable to shareholders of the Listed Company in 2021 will be the same as that assumed in 2020.

5. Based on the principle of prudence, the impacts on the production, operation, financial position and other aspects of the Group upon the receipt of the proceeds from the Non-public Issuance have not taken into account.

6. When estimating the total shares of the Company as at the end of the period prior to and after the Non-public Issuance, only the impact of the Non-public Issuance on the total shares will be taken into account, and other changes in shares that might arise will not be taken into account.

7. It is assumed that there will be no conversion of capital reserve into share capital, bonus issue, share capital repurchase and dividend distribution in 2020 and 2021.

The above assumptions are only used for estimating the impact of the dilution of immediate return due to the Non-public Issuance on the Group's major financial indicators, and do not represent the Company's judgment on its operating and financial position in 2020 and 2021 nor constitute a profit forecast. Investors should not make investment decisions in reliance thereon. If investors make investment decisions based on these assumptions, and suffer loss, for which the Company shall not be liable.

(ii) Estimated impact of the Non-public Issuance on major financial indicators of the Company (including earnings per share)

Based on the above assumptions, the impact of the Non-public Issuance on major financial indicators of the Group is estimated as follows:

Item	Year 2019/ 31 December 2019	Year 2020/ 31 December 2020	Year 2021/ 31 December 2021	
			Prior to the Non-public Issuance	After the Non-public Issuance
Total share capital as at the end of the period ('0,000 shares)	256,289.85	256,289.85	256,289.85	269,104.35
Net profit attributable to shareholders of the Listed Company (RMB'0,000)	332,161.76	330,530.74	330,530.74	330,530.74
Basic earnings per share (RMB/share)	1.30	1.29	1.29	1.24
Diluted earnings per share (RMB/share)	1.30	1.29	1.29	1.24
Weighted average return on equity (%)	11.55	9.90	9.90	8.90

Note 1: Earnings per share and weighted average return on equity are calculated based on Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share (amended in 2010) (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》(2010年修訂)) of the CSRC.

Note 2: The major financial indicators for 2020 and 2021 in the above table are assumptions made for measuring the dilutive impact of the Non-public Issuance on the major financial indicators of the Group's immediate return, which neither represent the Company's operations and financial position in 2020 and 2021, nor constitute a profit forecast.

Based on the above estimation, the current basic earnings per share, diluted earnings per share and average weighted return on equity would be diluted to a certain extent upon the completion of the Non-public Issuance.

II. SPECIAL RISK REMINDER FOR THE DILUTION OF IMMEDIATE RETURN DUE TO THE NON-PUBLIC ISSUANCE

Upon the completion of the Non-public Issuance, the share capital and net assets of the Listed Company will increase by a certain percentage. Due to the time needed for the implementation of investment projects funded by the proceeds raised and the generation of economic benefits, earnings per shares, return on equity and other indicators of the Listed Company will decline in the short run. There will be risk exposure in relation to dilution of immediate return. The Company would like to remind investors of the possible risk of dilution of immediate return due to the Non-public Issuance.

III. NECESSITY AND RATIONALITY OF THE NON-PUBLIC ISSUANCE

The proceeds from the Non-public Issuance will be used for innovative drug clinical, license in and relevant marketing preparation, intensive comprehensive base for APIs and preparations, as well as replenishment of working capital, which will be beneficial for the Group to optimize product structure, improve reputation in the industry, and enhance the core competitiveness and profitability. The projects to be funded by the proceeds from the Non-public Issuance are in line with relevant state industry policies, the development trend in the industry where the Group operates and the future development strategies of the Company. These projects have prosperous market outlook and economic benefits, and are in line with the interests of the Company and all shareholders. For the analysis on the necessity and rationality of projects to be funded by the proceeds from the Non-public Issuance, please refer to "II Feasibility Analysis of the Board on the Use of Proceeds from the Non-public Issuance" in the Proposal for the Non-public Issuance of A Shares of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*.

IV. THE RELATIONSHIP BETWEEN THE PROJECTS TO BE FUNDED BY THE PROCEEDS RAISED FROM THE NON-PUBLIC ISSUANCE AND THE EXISTING BUSINESSES OF THE GROUP, AS WELL AS THE PERSONNEL, TECHNOLOGY, MARKET RESERVE AND OTHER RESERVES FOR SUCH PROJECTS TO BE FUNDED BY THE PROCEEDS RAISED

(i) The relationship between the projects to be funded by the proceeds from the Non-public Issuance and the existing businesses of the Group

The business scope of the Group covers the whole industry chain of pharmaceutical and healthcare industry, developing across domestic markets in China and actively expanding its businesses into international markets. The Group focuses on pharmaceutical manufacturing and R&D, and its businesses cover medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail. At this crucial moment of comprehensive transformation in the pharmaceutical industry, the Group will focus on its existing businesses and industry upgrade, and adhere to innovative and international development. In respect of innovation R&D, the Group continues to put greater investments, optimize its pharmaceutical R&D system that integrated generic and innovative drugs, put greater efforts in the construction of "4+3" R&D platform (four platforms: small molecular innovative drugs, generic drugs with high value, biopharmaceutical drugs and cell therapy; three systems: in-licensing, deep incubation and venture capital), link up talent scientist teams, leading companies and technology platforms across the world through the diversified, multi-layered cooperative mode, facilitate build-up of innovative capability and improve product lines.

The projects to be funded by the proceeds from the Non-public Issuance cover innovative drug clinical, license in and relevant marketing preparation, and intensive comprehensive base for APIs and preparations. The projects to be funded by the proceeds from the Non-public

Issuance will optimize the product structure of the Group in the pharmaceutical field, expand business scale and improve profitability, thus enhancing the core competitiveness of the Group.

Moreover, the operations of the Group continue to improve over the years, with continuous growth in different business segments. Part of the proceeds from the Non-public Issuance will be used for replenishment of liquidity of the Group in terms of the capital requirement in management, technology, talent investment and other aspects arising from expansion in operating scale of the Group, which will be favorable for enhancing the competitiveness of the Group and reducing operating risks, thus providing a solid foundation for the sustainable, healthy development and reflecting a high necessity.

(ii) Personnel, technology, market reserve and other reserves for projects to be funded by the proceeds raised

1. ***Personnel reserve***

Through continuous development and optimization of organizational structure, the Group promotes communication and cooperation between teams, facilitates value creation, continues to establish talent-orientated organizational structure, and strives to realize the vision of co-development of the Group and its employees. The personnel required for the implementation of the projects to be funded by the proceeds from the Non-public Issuance will be acquired through internal training and external recruitment, while the management personnel required will be acquired mainly through internal talent selection so as to ensure the general strengths of project management personnel.

2. ***Technology reserve***

The Group has been adhering to pharmaceutical R&D and innovation, thus creating greater competitive edges in terms of core technologies. It has introduced full range of cost-effective products with advanced technology, and possessed numerous intellectual property rights. As at 31 December 2019, the Group had 264 pipeline innovative drugs, generic drugs, biosimilars and consistency evaluation projects of generic drugs (including 19 small molecular innovative drugs, 12 biopharmaceutical innovative drugs, 21 biosimilars, 133 generic drugs of international standards, 49 consistency evaluation projects, 2 traditional Chinese medicine drugs, 28 external projects (including 8 imported innovative drugs and 20 generic drugs were introduced)). There were 8 projects applying for clinical trials, 32 projects under clinical trials and 38 projects pending approval for marketing. As at 31 December 2019, a total of 136 patents had been applied for in the pharmaceutical manufacturing and R&D segment of the Group, including 13 U.S. patent applications, 3 Japan patent applications, 7 Europe patent applications and 6 PCT applications, with 47 licensed invention patents obtained.

3. ***Market reserve***

The Group continues to put greater efforts in the construction of marketing system. As at 31 December 2019, the marketing team has around 5,300 staff, including an overseas drug and medical device marketing team that comprised of around 1,000 staff. For marketing, due to the uniqueness of China pharmaceutical market, there is a huge gap between products of the Group and market characteristics. There are numerous products sold in the market, covering multi-layered, diversified markets. The Group primarily adopts the sales mode combining self-operated sale outlets and agency sales. Based on industry environment, the Group continues to explore and improve its marketing systems, and establish innovative new marketing models. The Group continues to enhance its market capability in tendering, market entrance, key customer management and other aspects. In addition, through the cooperation and linkage with its investee Sinopharm Group Co. Ltd. ("**Sinopharm**"), the Group also fully utilized Sinopharm's strengths in distribution network and logistics to facilitate the expansion of sales channels of the Group's pharmaceutical products.

In conclusion, the Group has a good foundation for projects to be funded by the proceeds from the Non-public Issuance in terms of personnel, technology, market and other aspects. With the progressing of the projects to be invested with the proceeds from the Non-public Issuance and the expanding business scope, the Group will proactively enhance its personnel, technology and market reserve so as to meet the demands for continuous business development, transformation and upgrade.

V. SPECIFIC REMEDIAL MEASURES FOR RETURNS REGARDING DILUTION OF IMMEDIATE RETURN AS A RESULT OF THE NON-PUBLIC ISSUANCE

(i) Business operation, development trend, major risk exposures and improvements

The businesses of the Group cover whole industry chain of pharmaceutical and healthcare industry, developing across China and proactively expanding to international markets. The Group focuses on pharmaceutical manufacturing and R&D, and its businesses cover medical devices and medical diagnosis, healthcare services, pharmaceutical distribution and retail and other areas. In 2019, the pharmaceutical manufacturing and R&D segment of the Group recorded operating revenue of RMB21,765.8734 million, up by 16.51% as compared to 2018. As affected by the COVID-19 pandemic, the Group recorded operating

revenue of RMB22,102.7443 million during January to September 2020, up by 4.12% as compared to the corresponding period of 2019. The Group primarily exposes to the following major risk exposures:

1. ***Industry policy risks***

The pharmaceutical industry is an industry that is closely related to the livelihoods of citizens, thus has been under strict control by the state. With the intensified efforts in the reform of pharmaceutical system in China, the industry policies have been modifying over the years. In respect of drug R&D, the Chinese government encourages drug innovation, and prioritizes innovative drug review and approval. In respect of pharmaceutical distribution, the pharmaceutical industry adopts the "two-invoice system" and the "value-added tax in place of business tax". In respect of medical reform, the state dynamically adjusted the Medical Insurance Catalogue, modified the Medical Insurance payment standard, and conducted reform on drug price negotiation and tendering methods. Due to the centralized procurement of generic drugs in quantity, the prices of numerous drugs dropped significantly. Meanwhile, there is potential risk of bidding due to decline in prices. Even if a company won a bid, strict requirements are imposed on the production and operating capability of the Group despite a lower bidding price. The decline in profitability has resulted in significant cut in number of marketing personnel within the industry. Therefore, if the Group fails to judge and evaluate prevailing trends, and timely make adjustment and response in line with changes and trends in industry policy, the production and operation of the Group could be adversely affected.

2. ***Innovative drug R&D risks***

Over the years, the pace of financing of pharmaceutical enterprises has been accelerating. Innovative drugs become the key R&D direction of pharmaceutical enterprises. Looking forward, products upgrade will speed up. The accelerated product iteration and upgrade may result in potential drag down of products possessing R&D and clinical registration edges from their leading position. Furthermore, the intensified competition may result in significant drop in product price and increase in difficulty in marketing, bringing a stricter requirement on the Group in terms of R&D and registration capability. If the Group fails to develop competitive innovative products and properly arrange subsequent clinical tests for product pipelines, the Group will lag behind in market competition.

3. ***Business model risks***

The proceeds from the Non-public Issuance will be used for innovative drug clinical, license in and relevant marketing preparation projects. First of all, innovative drug R&D is characterized by huge investment, long cycles and high level of

unpredictable factors. During the R&D phase, numerous factors, such as uncertain treatment efficacy and safety issue, may cause failure in R&D, thus creating R&D risks. Secondly, innovative drugs are subject to relatively long approval cycles, and there is higher uncertainty in terms of schedule. Approval policies may change in the future. Hence, products are exposed to risk of failure in obtaining drug registration approval and commercialization permits.

4. ***Risk management***

The Group will timely adopt measures in response to various risk exposures based on the market condition and its own condition.

The Group will maintain stable R&D investment, including investment for the establishment of R&D environment, the recruitment and cultivation of professional personnel, and the improvement of R&D systems, thereby strengthening the overall R&D capability. Meanwhile, the Group will proactively enhance its industry-university-research cooperation with science research institutions, effectively integrate internal and external R&D and industrialization resources, and strengthen the Group's capability in technology innovation and production.

(ii) Specific measures for improving operating results of the Group

The Non-public Issuance may lead to decline in short-term returns for investors. By proactively facilitating R&D transformation, enhancing proceeds utilization efficiency, improving corporate governance system, increasing returns for investors and adopting other measures, the Group intends to actively promote healthy, excellent business development, fully protect interests of shareholders of the Company, especially those of minority shareholders, and secure stable returns for shareholders in medium- to long-term. Specific measures are set out below:

1. ***Continuously enhancing whole industry chain operation integration and internationalization capability with innovation and R&D as the core driving factors***

At this critical moment of comprehensive transformation in pharmaceutical industry, the Group, with innovation and R&D as the core driving factors, focuses on the clinical-orientated fields where treatment efficacy is proven and which are in line with the development trend of modern medicine, and adheres to enhancing its R&D, clinical and industrialization development capability. At present, the Group had developed an internationalized R&D structure with relatively strong R&D capabilities through the establishment of interactive and integrated R&D systems in China, the U.S., India and other countries, establishing international R&D platforms in areas such as biopharmaceutical drugs, small molecular innovative drugs, generic drugs with high

value and new technology therapy. In addition, adhering to the principle of open cooperation, the Company will link up talent scientist teams, advanced technologies and high-value products across the world through the diversified, multi-layered cooperative mode covering internal R&D, in-licensing and deep incubation, so as to facilitate the development and commercialization of innovative technologies and products across the world.

While adhering to innovation, the Group continues to strengthen the development and integration of the marketing system, and transforms its marketing mode to specialization, branding and digitization. It has formed a domestic and foreign marketing network and marketing team matching the existing products and the products to be marketed, to realize the sustainable development of marketing.

In addition, the Group will proactively integrate external quality resources, enrich product lines, expand market, as well as lowering costs, improving efficiency and creating synergies through deep integration. While strengthening its existing operating edges, the Group facilitates the expansion in operating scale and profitability, as well as improves its market competitiveness. Through cooperation and interaction between different segments, the Group further integrates its internal resources so as to realize internal integration and facilitate business development.

2. ***Enhancing the management of proceeds raised and improving its utilization***

Upon the receipt of the proceeds from the Non-public Issuance, the Company will enhance the management of use of proceeds strictly in accordance with relevant rules under the Regulatory Guidelines for Listed Companies No. 2 — Regulatory Requirements for the Management and Usage of Funds Raised by Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Administrative Measures on Funds Raised by Companies Listed on the Shanghai Stock Exchange and the Administrative Measures on Funds Raised by Shanghai Fosun Pharmaceutical (Group) Co., Ltd*. The Board will continue to monitor the deposit of proceeds raised in the special account, ensure the proposed use of proceeds raised in sequence, cooperate with the independent financial advisor, underwriter and other institutions in the inspection and supervision of use of proceeds raised, ensure the rational and regulated use of proceeds raised, prevent risk exposures in relation to use of proceeds raised, and enhance the utilization efficiency of proceeds raised.

By conducting projects on innovative drug clinical, license in and relevant marketing preparation, intensive comprehensive base for APIs and preparations, and replenishment of working capital to be funded by the proceeds from the Non-public Issuance, the innovative drug product line of the Group can be greatly enriched. This will facilitate product innovation and achieve economies of scale, thus securing the sustainable business development and operating results in the future.

3. ***Constantly improving corporate governance and providing systematic guarantee for the development of the Company***

The Company has established and improved its corporate governance structure to regulate its operation. It has a sound, independent operating mechanism for general meetings, the Board, the supervisory committee and management team. The Company has set up functional departments that adapt to the production and operation of the Company, and has in place different position units to perform position duties. All corporate departments have clear division of duties with checks and balances. The organizational structure of the Company has been properly deployed and running effectively. There is a clear division of powers and duties between the general meetings, the Board, the supervisory committee and the management, which formed checks and balances and created a reasonable, complete and effective corporate governance and operation and management structure. The Company will continue to strictly comply with the requirements of laws and regulations and regulatory documents, including the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Administrative Measures for the Issuance of Securities by Listed Companies issued by the CSRC. The Company will continue to improve its corporate governance structure to ensure shareholders can fully exercise their rights; the Board can exercise its rights in accordance with laws and regulations and the Articles of Association and make scientific, prompt and prudent decisions; the independent non-executive directors can duly perform their duties so as to protect the overall interests of the Company, especially the legitimate rights of minority shareholders, thereby offering systematic protection for the development of the Group.

4. ***Strengthening the investor return mechanism and creating the image of a return-generating listed company in capital market***

The Company attaches great importance to the reasonable return on investment of shareholders while paying attention to the enterprises' sustainable development. It has formulated a continuous, steady and scientific dividend policy. The Company will continue to amend and optimize the Articles of Association and formulate corresponding shareholder return plans in accordance with relevant requirements under the Opinions on Further Enhancing the Works on Protecting the Legitimate Rights of Minority Investors in Capital Market issued by the State Council, and the Notice on Further Implementation of Matters in Relation to the Cash Dividend of Listed Companies and the Regulatory Guidelines for Listed Companies No. 3 — Cash Dividends of Listed Companies issued by the CSRC.

The Company will strictly implement the profit distribution policy in accordance with the Articles of Association, enhance the concept of investment return, proactively facilitate profit distribution for shareholders, and maintain the continuity and stability of profit distribution policy, thereby creating the image of a return-generating listed company in the capital market.

VI. UNDERTAKINGS GIVEN BY ALL DIRECTORS, SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER

(i) Undertakings given by all directors and senior management

Upon the completion of the Non-public Issuance of A shares, all directors and senior management of the Company will duly and faithfully perform their duties, protect the legitimate rights of the Company and all shareholders, and have made the following undertakings to ensure the implementation of remedial measures for returns of the Company in accordance with relevant regulations of the CSRC:

"1. We undertake not to transfer benefits to other organizations or individuals at nil consideration or on unfair terms nor otherwise prejudice the interests of the Company.

2. We undertake to control relevant duty-related expenses.

3. We undertake not to utilize the Company's assets for the purpose of investment and consumption activities that are irrelevant to their duties.

4. We undertake to ensure the remuneration system formulated by the Board or the Remuneration and Appraisal Committee to be related to the execution of the remedial measures for returns of the Company.

5. If the Company introduces the equity incentive plan subsequently, we undertake to ensure the exercise conditions under the equity incentive to be announced by the Company to be related to the execution of the remedial measures for returns of the Company.

6. From the date of undertaking until the completion of the Non-public Issuance, if the CSRC issues other new regulatory rules related to remedial measures for returns and its undertakings, resulting in the aforesaid undertakings fail to meet those rules of the CSRC, we undertake to make additional undertakings in accordance with the new rules of the CSRC.

7. We undertake to duly fulfill these undertakings, and assume the legal liability to compensate the Company or its shareholders for any losses suffered by the Company or its shareholders as a result of violation of these undertakings.

If we, as one of the responsible parties of the remedial measures for returns, violate the aforesaid undertakings or refuse to fulfill the aforesaid undertakings, we agree that the CSRC, the Shanghai Stock Exchange or other security regulators can penalize us or take relevant administrative measures against us in accordance with relevant rules promulgated or issued by them.''

(ii) Undertakings given by the controlling shareholder and the de facto controller of the Company

Shanghai Fosun High Technology (Group) Co., Ltd.*, the controlling shareholder of the Company, and Guo Guangchang, the de facto controller, have made the following undertakings to ensure the implementation of remedial measures for returns of the Company:

''The company/I will continue to ensure the independence of the Listed Company, and will not interfere with the operation and management activities of the Listed Company nor encroach on the interests of the Listed Company.

If the company/I, as one of the responsible parties of the remedial measures for returns, violate(s) the aforesaid undertakings or refuse(s) to fulfill the aforesaid undertakings and resulted in losses suffered by the Listed Company or its shareholders, the company/I agree(s) to assume the legal liability to compensate the Listed Company or its shareholders.

From the date of undertaking until the completion of the Non-public Issuance, if the CSRC issues other new regulatory rules related to remedial measures for returns and its undertakings, resulting in the aforesaid undertakings fail to meet those rules of the CSRC, the company/I undertake(s) to make additional undertakings in accordance with the new rules of the CSRC.''

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

25 November 2020

In order to further standardize and optimize the dividend distribution plan of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司) (the "**Company**"), increase the transparency of dividend distribution, ensure investors can be benefit from the development of the Company, and create steady return expectation for investors, the Company formulated the Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* Shareholders' Return Plan for the Next Three Years (2020–2022) (《上海復星醫藥(集團)股份有限公司未來三年 (2020年–2022年) 股東回報規劃》) (the "**Plan**") in accordance with relevant rules under the Notice on Matters in Relation to Further Implementing Cash Dividend Distribution of Listed Companies, the Regulatory Guideline for Listed Companies No. 3 — Cash Dividends Distribution of Listed Companies and the Articles of Association of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the "**Articles of Association**"), as well as based on the actual situation of the Company. Details are as follow:

I. FACTORS CONSIDERED UNDER THE PLAN

Taking into consideration of the actual operation development, capital cost, financing environment and other factors, the Company focuses on its long-term and sustainable development, and makes systematic arrangements for dividend distribution by establishing continuous, steady and scientific dividend distribution plan and mechanism, so as to ensure the continuity and stability of dividend distribution policy of the Company.

II. PRINCIPLES OF FORMULATION OF THE PLAN

The Company shall, in accordance with relevant rules in relation to dividend distribution under laws and regulations, regulatory documents and the Articles of Association, taking into consideration and carefully listening to the opinions of shareholders (especially minority shareholders and public investors), the independent non-executive directors and the supervisory committee, as well as on the premise of taking into account of the actual operating situation and sustainable development of both the Company and its subsidiaries/entities (the "**Group**"), adhere to the basic principle of prioritizing cash dividend distribution to other dividend distribution methods, and steadily make reasonable dividend distribution arrangements for investors. The dividends to be distributed by the Company shall not exceed the cap of accumulated distributable profits, nor prejudice the capability of the Group in maintaining sustainable development.

III. SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2020–2022)

(i) Means of profit distribution

The Company may distribute its profit by means of cash, shares or a combination of cash and shares. If the Company satisfies the conditions for cash dividends, priority should be given to profit distribution by means of cash dividends.

(ii) Conditions of cash dividend

If the Company records profits in a particular year and the accumulated undistributed profit is positive after making up for losses of previous years and transfer to statutory reserves in accordance with the laws, provided that there is no major investment plan or major capital expense of the Group, the profits distribution shall be conducted by means of cash dividends.

(iii) Interval of profit distribution

The Company makes a profit distribution each year in principle, and the board may propose to distribute interim cash dividends under the circumstances of the Company.

(iv) Ratios of cash dividend

The cash dividends for the year of the Company should not be less than 10% of the distributable profit realized for the year in principle. The specific plan for distribution shall be decided at the general meeting according to the Group's actual operation status of the year.

The board of the Company shall comprehensively take account of the features of the industry where the Company operates, its stage of development, its own business model, and profitability and the factors such as whether there is significant capital expenditure arrangement in distinguishing the following situations and form different cash dividend distribution proposals:

1. If the Group is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends shall be at least 80% in the profit distribution;

2. If the Group is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends shall be at least 40% in the profit distribution;

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

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

(v) Specific conditions for distribution of dividend in shares

The Company mainly adopts cash dividends as its profit distribution policies. If the operating revenue of the Group is growing rapidly and the board considers that the Company's share price does not match the size of its share capital, and the distribution of dividends in shares would be in the interests of all shareholders of the Company as a whole, the Company may propose and implement a proposal on distribution of dividends in shares provided that the above conditions for distributing cash dividends have been satisfied.

IV. MECHANISM AND PROCEDURES FOR DECISION MAKING ON PROFIT DISTRIBUTION

The board shall propose a reasonable dividend distribution proposal and plan based on profitability, capital needs, and the shareholders' return plan of the Group. The proposal for profit distribution of the Company is formulated by the board and, upon consideration and approval by the board, shall be proposed at the general meeting for approval. The independent non-executive directors shall express clearly independent opinions.

The board should fully consider the opinions of the independent non-executive directors, the supervisory committee and public investors in formulating the proposal for profit distribution. The independent non-executive directors may collect the opinions of minority shareholders and prepare a dividend distribution proposal and submit it directly to the board for consideration and approval.

If the Company is able to pay cash dividends and the board of the Company does not prepare a cash dividend proposal, the board shall specify the reason for non-payment of cash dividends, the consistency between such reason and the actual circumstances and the use and proceeds of the funds retained by the Company not distributed as dividends. The independent non-executive directors should express independent opinions in this regard.

If the Company is able to pay dividends and the board of the Company does not prepare a cash dividend proposal, the Company shall perform its information disclosure obligation in accordance with the procedure as mentioned above.

V. ADJUSTMENTS IN AND AMENDMENTS TO PROFIT DISTRIBUTION POLICIES

The Company shall strictly implement its cash dividend policy as required in the Articles of Association and the specific cash dividend proposal as considered and approved at the general meeting.

If the Group adjusts the profit distribution policies due to material changes in external business environment or its own operation conditions, it should justify the adjustments in detail which, upon consideration of the board, shall be proposed at the general meeting for approval by way of special resolutions, and the independent non-executive directors shall express their independent opinions on the modifications of the profit distribution policies.

The resolution on adjustments in cash dividend policy is formulated by the board. Independent non-executive directors shall express clearly independent opinions. The adjusted cash dividend policy, upon consideration and approval by the board, shall be proposed at the general meeting for approval and shall be implemented upon being passed by at least two-thirds (2/3) of the voting rights held by the shareholders attending the general meeting.

VI. MECHANISM FOR DIVIDEND SUPERVISION

The supervisory committee shall supervise the implementation of the profit distribution policies of the Company and the Plan by the board and the management and their decision making procedures.

The board and the general meeting of the Company should fully consider the opinions of the independent non-executive directors and minority shareholders in making decision on and justifying the profit distribution policy. When the specific cash dividend proposal is considered at the general meeting, the general meeting should proactively communicate and exchange ideas through multiple channels, including but not limited to setting up hotlines and investor relations mail box, with shareholders, and the minority shareholders in particular, and fully listen to the demands of minority shareholders.

VII. OTHER MATTERS

In case of the misappropriation of the Company's funds by any shareholders, the Company shall deduct the cash dividends distributed to such shareholders, in order to repay the funds misappropriated.

VIII. For matters that have not been mentioned in the Plan, they shall be conducted in accordance with relevant laws and regulations, regulatory documents and the Articles of Association. If there is any conflict with laws, regulations and regulatory documents to be issued by the state in the future or the Articles of Association as amended in accordance with laws, the Plan shall be amended in a timely manner.

IX. The board of the Company is responsible for the interpretation of the Plan, which will be effective and implemented from the date of passing of relevant resolution at the general meeting of the Company.

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

25 November 2020

FOSUN PHARMA
復星医药

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

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

(Stock Code: 02196)

NOTICE OF THE 2020 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 third extraordinary general meeting (the "**EGM**") of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the "**Company**") will be held at 1:00 p.m. on Tuesday, 29 December 2020 at Shanghai Film Art Center, No. 160 Xinhua Road, Shanghai, the PRC for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions. Unless the context otherwise specified, capitalized terms used herein shall have the same meanings as defined in the circular of the Company dated 8 December 2020 (the "**Circular**").

ORDINARY RESOLUTION

1. To consider and approve the resolution on the fulfilment of the conditions for the non-public issuance of A shares by the Company

SPECIAL RESOLUTIONS

2. To consider and approve the resolutions on the Plan of the Proposed Non-public Issuance of A shares on an individual basis:

   (1) Class and nominal value of the shares to be issued

   (2) Method of issuance

   (3) Subscribers and subscription method

   (4) Price Determination Date, issue price and pricing principles

   (5) Number of the shares to be issued

   (6) Amount and use of proceeds

   (7) Lock-up period

   (8) Place of listing

   (9) Arrangements for the accumulated profits of the Company prior to the Proposed Non-public Issuance

(10) Validity period of the resolutions in relation to the Plan of the Proposed Non-public Issuance of A Shares

3. To consider and approve the resolution on the Proposal for the Proposed Non-public Issuance

4. To consider and approve the feasibility report on the use of proceeds from the Proposed Non-public Issuance

5. To consider and approve the report on the use of proceeds previously raised

ORDINARY RESOLUTIONS

6. To consider and approve the dilution of immediate return resulting from the Proposed Non-public Issuance and its remedial measures

7. To consider and approve the resolution on the undertakings given by the relevant responsible parties in respect of the remedial measures for the dilution of immediate return resulting from the Proposed Non-public Issuance

8. To consider and approve the shareholders' return plan for the next three years (2020–2022)

SPECIAL RESOLUTION

9. To consider and approve the resolution for authorizing the Board and the persons authorized by the Board to deal with all matters in relation to the Proposed Non-public Issuance at the general meeting

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

8 December 2020

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

Notes:

1. A holder of H Shares entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote by poll instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of H Shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's Hong Kong share registrar for H Shares, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Return of the form of proxy will not preclude any holder of H Shares from attending the EGM and voting in person if such shareholder so wishes and in such event, the form of proxy will be deemed to be revoked.

3. For the purpose of determining the entitlement of shareholders to attend and vote at the EGM, the register of members of the Company for H Shares will be closed from Wednesday, 23 December 2020 to Tuesday, 29 December 2020, both days inclusive, during which time no share transfers of H Shares will be effected. In order to qualify for attending and voting at the EGM, all transfer documents for H Shares together with the relevant share certificates should be lodged for registration with the Company's Hong Kong share registrar for H Shares, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 22 December 2020.

4. Shareholders who attend the EGM in person or by proxy shall bear their own travelling and accommodation expenses.

5. This notice of EGM is despatched to holders of H Shares only. The notice of EGM to holders of A Shares and proxy form are separately published on the website of the SSE (http://www.sse.com.cn).

* *for identification purposes only*