

Innovation  
for good  
health



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

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

Stock Code: 02196

INTERIM REPORT 2014



## Our Vision

To become the first-tier enterprise in the global mainstream pharmaceutical and healthcare market.

## Our Mission

Fosun Pharma will continue to strengthen its innovation capability, service quality and internationalization level through the investment, management and integration of excellent enterprises in the industry, so as to become the leading company for innovative healthy products and services.

# Contents

02	Corporate Information
03	Financial Highlights
04	Management Discussion and Analysis
20	Statutory Disclosures
25	Interim Condensed Consolidated Statement of Profit or Loss
26	Interim Condensed Consolidated Statements of Comprehensive Income
27	Interim Condensed Consolidated Statements of Financial Position
29	Interim Condensed Consolidated Statements of Changes in Equity
31	Interim Condensed Consolidated Statements of Cash Flows
33	Notes to Interim Condensed Consolidated Financial Statements
57	Definitions

# Corporate Information

## Directors

### Executive Directors

Mr. Chen Qiyu (陳啟宇) (*Chairman*)  
Mr. Yao Fang (姚方) (*Vice Chairman, President, Chief Executive Officer*)

### Non-executive Directors

Mr. Guo Guangchang (郭廣昌)  
Mr. Wang Qunbin (汪群斌)  
Mr. Wang Pinliang (王品良)  
Ms. Kang Lan (康嵐)  
Mr. John Changzheng Ma<sup>1</sup>  
Mr. Zhang Guozheng (章國政)<sup>2</sup>

### Independent Non-executive Directors

Mr. Han Jiong (韓炯)  
Dr. Zhang Weijiong (張維炯)  
Mr. Li Man-kiu Adrian David (李民橋)  
Mr. Cao Huimin (曹惠民)

## Supervisors

Mr. Zhou Wenyue (周文岳) (*Chairman*)  
Mr. Cao Genxing (曹根興)  
Mr. Guan Yimin (管一民)<sup>1</sup>  
Mr. Li Haifeng (李海峰)<sup>2</sup>

## Joint Company Secretaries

Mr. Zhou Biao (周颯)  
Ms. Lo Yee Har Susan (盧綺霞)

## Authorized Representatives

Mr. Chen Qiyu (陳啟宇)  
Ms. Lo Yee Har Susan (盧綺霞)

## Strategic Committee

Mr. Chen Qiyu (陳啟宇) (*Chairman*)  
Mr. Yao Fang (姚方)  
Mr. Guo Guangchang (郭廣昌)  
Mr. Wang Qunbin (汪群斌)  
Dr. Zhang Weijiong (張維炯)

## Audit Committee

Mr. Cao Huimin (曹惠民) (*Chairman*)  
Mr. Han Jiong (韓炯)  
Mr. Wang Pinliang (王品良)

## Nomination Committee

Mr. Han Jiong (韓炯) (*Chairman*)  
Dr. Zhang Weijiong (張維炯)  
Ms. Kang Lan (康嵐)

## Remuneration and Appraisal Committee

Dr. Zhang Weijiong (張維炯) (*Chairman*)  
Mr. Cao Huimin (曹惠民)  
Ms. Kang Lan (康嵐)  
Mr. Chen Qiyu (陳啟宇)  
Mr. Han Jiong (韓炯)

## Registered Office

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

## Principal Place of Business in the PRC

Fosun Commercial Building  
No. 2 Fuxing Road East  
Huangpu District  
Shanghai, 200010, China

## Principal Place of Business in Hong Kong

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

## Legal Advisers in Hong Kong

Morrison & Foerster

## Legal Advisers in the PRC

Grandall Law Firm (Shanghai)<sup>3</sup>

## Auditors

Ernst & Young

## Compliance Adviser

Haitong International Capital Limited

## Principal Banks

China Merchants Bank Shanghai Jiangwan Sub-branch  
Bank of Beijing Shanghai Branch  
Bank of Communications Shanghai Zhabei Sub-branch

## Stock Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

## Stock Abbreviation

FOSUN PHARMA

## Share Listing

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

## A Share Registrar and Transfer Office in the PRC

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

## H Share Registrar and Transfer Office in Hong Kong<sup>4</sup>

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Company's Website

<http://www.fosunpharma.com>

<sup>1</sup> Appointed on 30 June 2014

<sup>2</sup> Resigned on 30 June 2014

<sup>3</sup> Appointed since March 2014

<sup>4</sup> The address of the Company's H Share registrar and transfer office in Hong Kong has been relocated from 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to the current address with effect from 31 March 2014

# Financial Highlights

	Six months ended 30 June	
	2014 RMB million	2013 RMB million
<b>Operating results</b>		
Revenue	5,502	4,474
Gross profit	2,316	1,959
Operating profit	517	469
Profit before tax	1,338	1,451
Profit for the period attributable to owners of the parent	1,002	1,053
<b>Profitability</b>		
Gross margin	42.09%	43.79%
Operating profit margin	9.40%	10.48%
Profit margin for the period	20.67%	26.87%
<b>Earnings per share attributable to ordinary owners of the parent</b> (RMB)		
<b>Earnings per share attributable to ordinary owners of the parent</b> — basic	0.44	0.47
<b>Earnings per share attributable to ordinary owners of the parent</b> — diluted	0.44	0.47
<b>Assets</b>		
Total assets	30,991	29,418
Equity attributable to owners of the parent	15,373	15,275
Total liabilities	13,492	11,811
Cash and bank balances	3,653	3,067
Debt-to-asset ratio	43.54%	40.15%
<b>Of which: Pharmaceutical manufacturing and R&amp;D segment</b>		
Segment revenue	3,360	3,035
Segment gross profit	1,649	1,546
Segment results	480	526
Segment profit for the period	485	451

# Management Discussion and Analysis

## FINANCIAL REVIEW

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

During the Reporting Period, revenue of the Group amounted to RMB5,502 million, representing an increase of 22.98% as compared to the corresponding period of 2013.

During the Reporting Period, profit before tax and profit for the period attributable to owners of the parent of the Group were RMB1,338 million and RMB1,002 million, slightly decreased as compared to the corresponding period of 2013, respectively.

During the Reporting Period, earnings per share attributable to owners of the parent of the Group decreased by 6.38% to RMB0.44 as compared to the corresponding period of 2013.

## REVENUE

During the Reporting Period, revenue of the Group increased by 22.98% to RMB5,502 million as compared to the corresponding period of 2013. The increase in revenue of the Group was mainly due to (1) the growth in the revenue of the healthcare services segment and the manufacturing of medical diagnosis and medical devices segment; and (2) the business contribution of the entities newly acquired and merged last year.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB3,360 million, representing an increase of 10.71% as compared to the corresponding period of 2013, segment results of RMB480 million, representing a decrease of 8.59% as compared to the corresponding period of 2013, and segment profit of RMB485 million, representing an increase of 7.67% as compared to the corresponding period of 2013.

## COST OF SALES

During the Reporting Period, cost of sales of the Group increased by 26.74% to RMB3,187 million from RMB2,514 million for the corresponding period of 2013.

## GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group increased by 18.22% to RMB2,316 million from RMB1,959 million for the corresponding period of 2013. The gross margin of the Group for the Reporting Period and the corresponding period of 2013 were 42.09% and 43.79%, respectively.

## SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 14.86% to RMB1,017 million from RMB886 million for the corresponding period of 2013, which was mainly due to the changes in the scope of the consolidated statements and increase in the revenue of major products.

## R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, R&D expenses of the Group increased by 54.56% to RMB254 million from RMB164 million for the corresponding period of 2013, primarily because the Group continued to increase R&D investments, with a focus on the R&D of generic biopharmaceutical drugs and innovative drugs.

During the Reporting Period, R&D expenditure of the Group amounted to RMB297 million, accounting for 5.40% of the revenue for the Reporting Period.

## SHARE OF PROFITS OR LOSSES OF ASSOCIATES

During the Reporting Period, share of profits or losses of associates of the Group increased by 27.04% to RMB498 million from RMB392 million for the corresponding period of 2013, which was mainly due to the continuous growth in the operating results of major associates of the Group.

## PROFIT FOR THE PERIOD

Due to the above reasons, during the Reporting Period, profit for the period of the Group decreased by 5.41% to RMB1,137 million from RMB1,202 million for the corresponding period of 2013. Profit for the period of the Group during the Reporting Period and the corresponding period of 2013 were 20.67% and 26.87%, respectively.

## PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group slightly decreased to RMB1,002 million from RMB1,053 million for the corresponding period of 2013 due to the gross profit of RMB595 million and net profit after tax of RMB446 million from the deemed disposal resulting from the completion of placing of H shares by Sinopharm, an investee company of the Group, in the corresponding period of 2013.

## DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

### Total debt

As at 30 June 2014, total debt of the Group increased to RMB6,803 million from RMB5,624 million as at 31 December 2013 mainly due to the expenditure on external merger and acquisition activities. As at 30 June 2014, cash and bank balances increased by 19.11% to RMB3,653 million from RMB3,067 million as at 31 December 2013.

As at 30 June 2014, the equivalent amount of RMB512 million (31 December 2013: RMB510 million) out of the total debt of the Group was denominated in foreign currencies, and the remainder was denominated in RMB. As at 30 June 2014, cash and bank balances of the Group denominated in foreign currencies amounted to RMB1,215 million (31 December 2013: RMB495 million).

Unit: RMB million

<b>Cash and bank balances denominated in:</b>	<b>30 June 2014</b>	31 December 2013
RMB	2,438	2,572
US dollars	282	162
HK dollars	916	294
Others	17	39
<b>Total</b>	<b>3,653</b>	<b>3,067</b>



# Management Discussion and Analysis

## Gearing ratio

As at 30 June 2014, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets as at 30 June 2014, was 21.95%, as compared with 19.12% as at 31 December 2013.

## Interest rate

As at 30 June 2014, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB1,842 million (31 December 2013: RMB1,261 million).

As at 30 June 2014, the Group issued the 5-year medium-term notes with an aggregate amount of RMB2,600 million, which bore interest at a floating interest rate.

## Maturity structure of outstanding debts

Unit: RMB million

	30 June 2014	31 December 2013
Within 1 year	1,656	1,424
1 to 2 years	2,882	1,035
2 to 5 years	2,154	3,165
Over 5 years	111	—
Total	6,803	5,624

## Available facilities

As at 30 June 2014, save for cash and bank balances of RMB3,653 million, the Group had unutilized banking facilities of RMB9,027 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "Banks") in China. According to such agreements, the Banks granted the Group with general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations in China. As at 30 June 2014, total available banking facilities under these arrangements were approximately RMB12,846 million in aggregate, of which RMB3,819 million had been utilized. Besides, the Group obtained the approval from the CSRC for issuing short-term bonds in tranches with the aggregate principal amount of not more than RMB2,000 million on 31 October 2012, and the balance of short-term bonds payable by the Group was nil on 30 June 2014.

## Pledged assets

As at 30 June 2014, the Group had pledged the following for bank borrowings: property, plant and equipment amounting to RMB75 million (31 December 2013: RMB124 million), prepaid land lease payments amounting to RMB31 million (31 December 2013: RMB26 million), interest in 268,371,532 shares of Guilin Pharma held by the Group (30 June 2013: interest in 268,371,532 shares of Guilin Pharma held by the Group), interest in 113,328,000 shares of Wanbang Pharma held by the Group (31 December 2013: nil), and 100% equity interest in Sisram Medical Ltd. held by the Group and Pramerica-Fosun China Opportunity Fund, L.P. (31 December 2013: nil). Details of the pledged assets are set out in note 15 to the financial statements.



## Cash flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principals of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for the Reporting Period and the corresponding period of 2013.

Unit: RMB million

	January–June 2014	January–June 2013
Net cash flows from operating activities	404	311
Net cash flows used in investing activities	(195)	(1,716)
Net cash flows from financing activities	776	307
Net increase/(decrease) in cash and cash equivalents	985	(1,097)
Cash and cash equivalents at the beginning of the year	2,416	4,172
Cash and cash equivalents at the end of the year	3,415	3,052

## Capital commitments and capital expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB643 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments. Details of capital expenditures are set out in note 4 to the financial statements.

As at 30 June 2014, the Group's capital commitments contracted but not provided for and capital commitments authorized but not contracted amounted to RMB2,526 million and RMB133 million, respectively. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 18 to the financial statements.

## CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any contingent liabilities.

## INTEREST COVERAGE

During the Reporting Period, the interest coverage, which is calculated by EBITDA divided by financial costs was 9.63 times as compared with 10.12 times for the corresponding period of 2013. The interest coverage increased mainly because the Group's EBITDA for the Reporting Period decreased by 1.67% to RMB1,800 million from RMB1,831 million for the corresponding period of 2013.

## RISK MANAGEMENT

### Foreign currency exposure

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

### Interest rate exposure

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

# Management Discussion and Analysis

## BUSINESS REVIEW

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

#### A. Discussion and Analysis on Operations for the Reporting Period

In 2014, the global economic downturn, slow domestic economy growth and continuing reform of medical system in the PRC brought policy opportunities to the development of medical services. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management, actively promoted the strategies of organic growth, external expansion and integrated development, and thereby maintaining a rapid growth of the principal businesses.

During the Reporting Period, the Group realized revenue of RMB5,502 million, representing an increase by 22.98% as compared with the corresponding period of 2013; of which, the Group realized revenue of RMB3,360 million in pharmaceutical manufacturing and R&D segment, representing an increase by 10.71% as compared with the corresponding period of 2013. Revenue from healthcare services segment amounted to RMB550 million, representing an increase by 231.33% as compared with the corresponding period of 2013.

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

Unit: RMB million

Business segments	January to June 2014 Revenue	January to June 2013 Revenue	Year-on-year change (%)
Pharmaceutical manufacturing and R&D	3,360	3,035	10.71
Pharmaceutical distribution and retail	757	708	6.92
Healthcare services	550	166	231.33
Manufacturing of medical diagnosis and medical devices	709	429	65.27
Distribution of medical diagnosis and medical devices	118	129	(8.53)

For the first half of 2014, the Group recorded profit before tax of RMB1,338 million and profit for the period attributable to owners of the parent of RMB1,002 million, each representing a slight decrease as compared with the corresponding period of 2013 due to the gross profit of RMB595 million and net profit of RMB446 million from the deemed disposal resulting from the completion of placing of H shares by Sinopharm, an investee company of the Group in the corresponding period of 2013.

During the Reporting Period, the Group continued to increase its investments, and completed its capital increase in Shanghai Henlius and Fochon Pharma so as to effectively advance the R&D of generic biopharmaceutical drugs and innovative drugs. During the Reporting Period, the Group applied for 24 patents, including 4 U.S. patents, in its pharmaceutical manufacturing and R&D segment. Each of Shanghai Henlius and Chongqing Pharma Research obtained clinical approvals of their rituximab biosimilars and loxoprofen sodium gels and iloperidone APIs and tablets, respectively. As at the end of the Reporting Period, the Group invented 125 pipeline drugs and vaccines.

In addition, the Group has further cooperated with its investee Saladax Biomedical, Inc. in product development within the medical diagnosis segment. During the Reporting Period, the Group, through introduction of technologies of such investee, registered three products, namely the "5-fluorouracil assay kit (latex immuno-turbidimetric assays)", "paclitaxel assay kit (latex immuno-turbidimetric assays)" and "docetaxel assay kit (latex immuno-turbidimetric assays)", which further enriched the product line of the diagnosis reagents.

During the Reporting Period, the Group further increased its investment in the healthcare services segment. The Group proposed to participate in the privatization of Chindex by contributing not more than US\$223.62 million with a view to further strengthening Chindex's working capital, expanding its presence in the high-end healthcare services segment in the PRC and increasing its business scale and improving profitability, and reinforcing the Group's strategic deployment of healthcare services segment with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC.

Meanwhile, the Group vigorously promoted its international strategy. During the Reporting Period, the Group invested in 21,304 ordinary shares of miacom Diagnostics GmbH, a German enterprise principally engaged in developing low-cost, efficient and convenient in-vitro diagnostic reagents, representing 37% of the total enlarged outstanding share capital of miacom Diagnostics GmbH. The Group also entered into a share subscription agreement with Nature's Sunshine Products, Inc. ("NSP"), a company listed on NASDAQ principally engaged in manufacturing and sale of healthcare products, to subscribe for approximately 15% equity interest in NSP, for a consideration of not more than US\$46.26 million.

## Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB3,360 million, representing an increase of 10.71% as compared with the corresponding period of 2013, segment results of RMB480 million, representing a year-on-year decrease of 8.59% as compared with the corresponding period of 2013, and segment profit of RMB485 million, representing an increase of 7.67% as compared with the corresponding period of 2013.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group continued to grow steadily and the development of its professional operational team was further strengthened. In the first half of 2014, the sales of the Group's major products in therapeutic areas such as cardiovascular system, metabolism and alimentary tract and anti-infection maintained rapid growth, recording a year-on-year growth of 30.12%, 12.19% and 58.41%, respectively. Among the new products, the sales of You Di Er (alprostadil dried emulsion), a product in the cardiovascular system therapeutic area, and You Li Tong (febuxostat tablets), a product in the metabolism and alimentary tract therapeutic area, had experienced prominent growth. The revenue generated by certain products at the beginning of the year was not satisfactory due to unstable operations and under-utilization of facilities in the course of the adaptation of the new Good Manufacturing Practice (GMP) to certain production lines. Such revenue, however, has improved gradually in the second quarter of the year.

Revenues of major products of the Group in the major therapeutic areas during the Reporting Period are set out in the following table:

Unit: RMB million

Pharmaceutical manufacturing and R&D	January to June 2014	January to June 2013	Year-on-year change (%)
Major products of cardiovascular system therapeutic area (note 1)	317	244	30.12
Major products of central nervous system therapeutic area (note 2)	331	354	(6.62)
Major products of blood system therapeutic area (note 3)	87	121	(28.29)
Major products of metabolism and alimentary tract therapeutic area (note 4)	713	636	12.19
Major products of anti-infection therapeutic area (note 5)	564	356	58.41
Major products of APIs and intermediate products (note 6)	434	497	(12.64)

Note 1: Major products of cardiovascular system therapeutic area include heparin series preparations, Xin Xian An (meglumine adenosine cyclophosphate for injection), Ke Yuan (calcium dobesilate), Bang Tan (Telmisartan), Bang Zhi (pitavastatin) and You Di Er (alprostadil dried emulsion);

Note 2: Major products of central nervous system therapeutic area include Ao De Jin (deproteinised calf blood injection) and quetiapine fumarate (quetiapine fumarate tablets);

Note 3: Major products of blood system therapeutic area include Bang Ting (hemocoagulase for injection);

# Management

## Discussion and Analysis

*Note 4:* Major products of metabolism and alimentary tract therapeutic area include Atomolan series, Wan Su Ping (glimepiride), animal insulin and its formulation, recombinant human erythropoietin (Yi Bao), compound aloe capsules, Mo Luo Dan and You Li Tong (febuxostat tablets);

*Note 5:* Major products of anti-infection therapeutic area include anti-tuberculosis series, artesunate series, Xi Chang (cefmetazole sodium) and Shaduolika (potassium sodium dehydroandrographolide succinate);

*Note 6:* Major products of APIs and intermediate products include amino acid, tranexamic acid and clindamycin hydrochloride.

During the Reporting Period, the Group acquired 51% equity interest in Huanghe Pharma at a consideration of RMB58.08 million, proposed to acquire 23% equity interest in Aohong Pharma at a consideration of not more than RMB1,524.90 million, and completed its capital injection into Shanghai Henlius and Fochon Pharma, which further strengthened the Group's pharmaceutical manufacturing and R&D segment.

The Group has placed great emphasis on quality and risk management of the life cycle of its products and implemented stringent quality and safety control mechanisms and adverse drug reaction monitoring mechanisms at each stage of the production chain from R&D to sales, so as to ensure the R&D, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing segment fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, change management, deviation management, out-of-specification (OOS) investigation and audit on suppliers. The Group's pharmaceutical manufacturing segment continued to push forward qualification certifications, ensure fulfillment of the new GMP in China, push forward international standards, and encourage voluntary adoption of international standards such as the European Directorate for the Quality of Medicines (EDQM), the United States Pharmacopeia (USP) and IP in the production processes. As at the end of the Reporting Period, 13 APIs of the Group received certifications from the U.S. FDA, EU Certification, Ministry of Health, Labour and Welfare of Japan and Federal Ministry of Health of Germany. 1 production line for oral solid dosage formulation and 2 production lines for injection and 2 for APIs of Guilin Pharma also obtained PreQualification from the World Health Organization (WHO-PQ) and 1 production line of oral solid dosage formulation of Yao Pharma was recognized by the Canada FDA and the U.S. FDA.

The Group has focused on innovation and R&D in long run and continued to increase investment in R&D. During the Reporting Period, the R&D expenses were RMB254 million, increased by 54.56% as compared with the corresponding period of 2013, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB195 million, representing 5.80% of the revenue of the pharmaceutical manufacturing and R&D segment. The Group continued to optimize its pharmaceutical R&D system that integrates imitation and innovation, increased investment in the "4+1" R&D platform, improved its innovation system, enhanced R&D capabilities, launched new products, and strengthened the core competitiveness of the Group. The Group owned national-level enterprise technical centers and established highly-efficient international R&D teams in Shanghai, Chongqing and San Francisco. In order to leverage its competitive strengths, the Group focused its R&D on therapeutic areas including metabolism and alimentary tract, cardiovascular system, central nervous system, anti-tumor and immune modulating and anti-infection, and the major products have gained leading position in their respective market segments.

As at the end of the Reporting Period, the Group had 125 pipeline drugs and vaccines. The Group has completed construction and selection of high-expressing production cell lines for five monoclonal antibody products, tendered applications for clinical trial to the SFDA for four monoclonal antibody products (six indications), obtained approval of clinical trial and commenced clinical trial for one monoclonal antibody product (rituximab biosimilars), and obtained approval for the clinical trial for a new small molecular innovative chemical drug. During the Reporting Period, Chongqing Pharma Research obtained clinical approvals of loxoprofen sodium gels and iloperidone APIs and tablets. In addition, the Group continued to implement its patent strategy and the Group applied for a total of 24 patents, including 4 U.S. patents, in its pharmaceutical manufacturing segment.

Meanwhile, the Group creatively integrated domestic resources and continued to enhance its R&D capabilities. The "Technology Innovation Strategic Alliance" formed by the Company with prestigious research institutes in China is one of the "industry, academia and research strategic alliances" under the national major project of innovation and manufacturing of new drugs. The Group has also successfully passed inspection by the panel members of the Major Special Project Office of China, and received municipal government and major special project subsidies for three projects.

## *Pharmaceutical Distribution and Retail*

The pharmaceutical distribution and retail business of the Group realized revenue of RMB757 million for the first half of 2014, representing an increase of 6.92% as compared with the corresponding period of 2013. As at the end of the Reporting Period, the Group's pharmaceutical retail brands, For Me Pharmacy and Golden Elephant Pharmacy, had a total of over 670 retail pharmacies. In the first half of 2014, For Me Pharmacy and Golden Elephant Pharmacy realized sales of RMB427 million, maintaining leading market share in the regional pharmaceutical retail markets of Shanghai and Beijing. Meanwhile, the Group actively explored the transformation of the pharmaceutical retail business model and tried new business models.

During the Reporting Period, Sinopharm, an associate of the Group, put continuous efforts in accelerating industry consolidation, expanding distribution network of pharmaceutical products and maintaining rapid growth in business. In the first half of 2014, Sinopharm realized revenue of RMB94,836 million, net profit of RMB2,308 million and net profits attributable to shareholders of RMB1,465 million, which represented an increase of 18.45%, 28.50% and 27.24% as compared with the corresponding period of 2013, respectively. As at the end of the Reporting Period, the distribution network of Sinopharm covered 31 provinces, autonomous regions and municipalities in China. Its direct customers included 12,142 hospitals (only referring to hospitals with ranking, including 1,668 of the tier-three hospitals, which are the largest and most highly-ranked hospitals). During the Reporting Period, Sinopharm's revenue from pharmaceutical distribution business increased by 18.72% as compared with the corresponding period of the previous year to RMB90,581 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB2,798 million generated during the Reporting Period, representing an increase of 23.01% as compared with the corresponding period of 2013, while its pharmaceutical retail network further expanded with retail pharmacies owned by Sinopharm Holding GuoDa Drug Store Co., Ltd. (國藥控股國大藥房有限公司), its subsidiary, amounted to 1,944 as at the end of the Reporting Period.

## *Healthcare Services*

In the first half of 2014, the Group, based on its substantially completed deployment of its healthcare services business integrating high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC, further strengthened the operating capabilities of the healthcare institutions controlled by the Group, deepened hospitals' internal management, progressively promoted total cost management, increased efforts in recruiting talents, and facilitated the regional development of the Group's healthcare services business. During the Reporting Period, a new complex of Chancheng Hospital (禪城醫院) was completed and commenced operation, which established a foundation for creating the differentiated healthcare service platform. The tumor centre jointly established by Chancheng Hospital (禪城醫院) and Nanyang Cancer Hospital (南洋腫瘤醫院) and the project in respect of establishment of a rehabilitation and body-check hospital initiated by Zhongwu Hospital (鐘吾醫院) have further diversified the healthcare service platform of the Group. In the first half of 2014, the healthcare services entities controlled by the Group realized total revenue of RMB550 million. As at the end of the Reporting Period, the total number of beds available for the public in Jimin Cancer Hospital (濟民腫瘤醫院), Guangji Hospital (廣濟醫院), Zhongwu Hospital (鐘吾醫院) and Chancheng Hospital (禪城醫院), controlled by the Group, was 2,090.

In addition, the Group proposed to participate in the privatization of Chindex by contributing not more than US\$223.62 million and actively support and facilitate the development and deployment of hospital and clinic network under "United Family Hospital", a leading premium healthcare services brand under Chindex. In the first half of 2014, the United Family Hospital's businesses in Beijing, Shanghai and Tianjin grew significantly and maintained a good momentum. During the Reporting Period, revenue of the United Family Hospital increased by 20.33% to US\$105.34 million as compared with the corresponding period of 2013, reflecting the growing market demand for premium healthcare services and the strong brand recognition of "United Family Hospital".

## *Medical Diagnosis and Medical Devices*

In the first half of 2014, the Group furthered its development in the medical diagnosis and medical devices segment by increasing investments and enhancing business cooperation. During the Reporting period, the Group has invested in 21,304 ordinary shares of miacom Diagnostics GmbH, a German enterprise principally engaged in developing low-cost, efficient and convenient in-vitro diagnostic reagents of low cost, efficiency and convenience, representing 37% of the enlarged total share capital in issue of miacom Diagnostics GmbH, so as to further increase cooperation with international diagnosis companies and to extend the influence of the Group's diagnostic products in the international market. In addition, the Group has further cooperated with its investee Saladax Biomedical, Inc. in product development within the medical diagnosis segment. During the Reporting Period, the Group introduced and registered three products, namely the "5-fluorouracil assay kit (latex immuno-turbidimetric assays)", "paclitaxel assay kit (latex immuno-turbidimetric assays)" and "docetaxel assay kit (latex immuno-turbidimetric assays)", which further enriched the product line of the diagnostic reagents.

# Management Discussion and Analysis

In respect of the medical devices segment, during the Reporting Period, the Group actively fostered the business development of Alma Lasers and reorganized the business operations of CML. In 2014, Alma Lasers strengthened its new product portfolio, in particular, by increasing R&D of medical devices and extending its production line into the clinical treatment area. Its desktop diode laser device was approved by the U.S. FDA and its 1470 nano-surgical laser system also passed the qualifications for CE marking in July 2014.

During the Reporting Period, the Group realized revenue of RMB709 million from the manufacturing of medical diagnosis and medical devices segment, representing an increase of 65.27% as compared with the corresponding period of 2013. Excluding the impact of Alma Lasers, the Group's revenue from the manufacturing of medical diagnosis and medical devices segment during the Reporting Period increased by 17.06% as compared with the corresponding period of 2013. The revenue of distribution operations amounted to RMB118 million, representing a decrease of 8.53% as compared with the corresponding period of 2013. This was mainly due to adjustments to the agency business of the Group.

## B. Analysis on Principal Operations

### (1) Table of Analysis of Changes in Relevant Items of the Financial Statements

Unit: RMB million

Items	January to June 2014	January to June 2013	Year-on-year change (%)
Revenue	5,502	4,474	22.98
Cost of sales	3,187	2,514	26.74
Selling and distribution expenses	1,017	886	14.86
Administrative expenses	527	441	19.67
R&D expenses	254	164	54.56
Finance costs	187	181	3.31
Net cash flow generated from operating activities	404	311	29.60
Net cash flow generated from investment activities	(195)	(1,716)	(88.63)
Net cash flow generated from fund-raising activities	776	307	152.94
R&D expenditure	297	183	62.36

Note: Items (other than R&D expenditures) are extracted from the consolidated income statement and consolidated statement of cash flows.

### (2) R&D Expenditures

#### (1) Table for R&D expenditures

Unit: RMB million

R&D expenditures expensed for the Reporting Period	254
R&D expenditures capitalized for the Reporting Period	43
<b>Total R&amp;D expenditures</b>	<b>297</b>
Percentage of total R&D expenditures on net assets (%)	1.70
Percentage of total R&D expenditures on revenue (%)	5.40

(2) Description

During the Reporting Period, R&D expenses amounted to RMB254 million, representing an increase over 54.56% as compared with the corresponding period of the previous year, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB195 million, accounting for 5.80% of the revenue of the pharmaceutical manufacturing and R&D segment. The increase was mainly due to the increase in the Group's investments in R&D of generic biopharmaceutical drugs and innovative drugs.

(3) Introduction on the progress of operation plans

During the Reporting Period, the Group adhered to its strategies of "organic growth, external expansion and integrated development", focused its competitive strengths and resources on its major business of pharmaceutical manufacturing and R&D, insisted on product innovation and further enhanced the competitiveness of its products. Meanwhile, the Group continued to increase its investment in the healthcare services segment and substantially completed the strategic deployment of its healthcare services segment to combine high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC. In addition, the Group actively promoted its internationalization strategies, accelerated the pace of its international mergers and acquisitions and increased its business scale.

## C. Industry, Products and Regional Operations

### (1) Principal Business by Segment and Product

Unit: RMB million

Segments	Business by segment			Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin (%)
	Revenue	Cost of sales	Gross margin (%)			
Pharmaceutical manufacturing and R&D	3,360	1,711	49.08	10.72	14.93	(1.86)
Pharmaceutical distribution and retail	757	648	14.40	6.87	7.80	(0.74)
Medical diagnosis and medical devices (note 1)	827	409	50.54	48.21	40.02	2.89
Healthcare services (note 2)	550	412	25.09	232.15	229.65	0.57

Products	Business by product			Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin (%)
	Revenue	Cost of sales	Gross margin (%)			
Western medicine and APIs immediate products	3,237	1,671	48.38	10.14	14.33	(1.89)
Medical diagnosis and medical device products (notes 1 & 3)	709	333	53.03	65.43	59.15	1.85
Chinese patent drugs	123	40	67.48	28.51	47.49	(4.18)

*Note 1:* The significant increase in revenue of the medical diagnosis and medical devices segment and the medical diagnosis and medical devices products were mainly due to the increase in sales of existing subsidiaries and the consolidation of Alma Lasers into the financial statements on 27 May 2013.

*Note 2:* The significant increase in revenue of the healthcare services segment was mainly due to the consolidation of Chancheng Hospital into the financial statements on 12 November 2013.

*Note 3:* The medical diagnosis and medical devices products refer to the products manufactured by the Group, excluding products distributed by the Group.



# Management Discussion and Analysis

## (2) Business by Geographical Location

Unit: RMB million

Region	Revenue	Year-on-year change in revenue (%)
Mainland China	4,789	20.23
Overseas countries or regions	713	45.42

Note: The significant increase in revenue in Mainland China and overseas countries or regions was mainly due to the increase in scale of principal businesses and the consolidation of Alma Lasers into the financial statements since 27 May 2013.

## D. Analysis on Major Subsidiaries and Investee Companies

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

Unit: RMB million

Name	Nature of business	Main products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Potassium Sodium Dehydroandrographolide Succinate, V Jialin etc.	197	1,700	840	1,011	112	98
Wanbang Pharma	Pharmaceutical manufacturing	Wan Su Lin, Wan Su Ping etc.	440	2,025	877	847	106	84
Shine Star	Manufacturing of amino acid	Amino acid series products	51	1,001	460	602	27	25
Aohong Pharma (note)	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	951	736	319	202	157

Note: Aohong Pharma's data include fair value adjustment and relevant amortization.

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

Unit: RMB million

Name	Nature of business	Main products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.	Pharmaceutical investment	Chemical APIs, chemical agent, antibiotic, Chinese patent drug, biochemicals, wholesale of diagnostic drugs, industrial investment, trustee management and capital reorganization for pharmaceutical companies, domestic trading, retail chain, logistics and relevant advisory services	100	113,143	30,782	94,658	2,898	2,315

(3) *Acquisition and Disposal of Major Subsidiaries during the Reporting Period (including the Methods of the Acquisitions and Disposals and the Effects on the Group's Overall Operation and Results)*

Unit: RMB million

Name	Method of acquisition	Net assets (as at 30 June 2014)	Net profit (from acquisition date to the end of June)	Acquisition date
Huanghe Pharma	Equity transfer	(2)	—	16 June 2014

Unit: RMB million

Name	Method of disposal	Net assets (disposal date)	Net profit (from the beginning of the Reporting Period to disposal date)	Disposal date
Chongqing Kangle Pharmaceutical Co., Ltd. (重慶康樂製藥有限公司)	Equity transfer	34	0.10	29 January 2014

## E. Core Competence

The Group has formed a relatively complete product portfolio in the five major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary tract, central nervous system, blood system and anti-infection) which are areas with the greatest potential to grow in China's pharmaceutical market. Each of the major pharmaceutical products of the Group has its own competitive advantages in their respective segments. In 2013, 15 formulation products and series of the Group each realized revenue of over RMB100 million.

The Group has developed internationalized R&D deployment and strong R&D capabilities. It has set up interactive and integrated R&D systems in Shanghai, Chongqing and San Francisco. It has also established a high-efficient R&D platform in areas of small molecular innovative drugs, monoclonal antibodies, generic drugs with high barriers-to-entry and special administration technology. As at the end of the Reporting Period, there were 125 pipeline drugs and vaccines projects, 23 projects under clinical trial application, 10 projects under clinical trial, and 29 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation for the continuous improvement of the operating results of the Group in the future. As at the end of the Reporting Period, there was 825 staff in the R&D team. Meanwhile, the Group diversified its innovative research through strategic alliances, cooperative projects, joint ventures and other means so as to further strengthen its R&D capabilities.

Whilst enhancing the competitiveness of its products, the Group also focuses on developing its marketing capabilities. With a marketing team consisting of over 3,900 employees and a sales network covering most of the major domestic markets, the Group has been improving its capabilities in sales and marketing. Sinopharm, an associate of the Group for over a decade, has developed into the largest pharmaceutical and healthcare distributor and a leading supply chain service provider in China possessing and operating China's largest drug distribution and delivery network. The Group, leveraging its long-established strategic cooperation with Sinopharm, put the synergy into full play.

The Group was one of the first enterprises in the pharmaceutical industry in the PRC to develop internationally, and its production capacity has met the international standards, with several production lines recognized by related international certifications and some of the formulations and APIs entered into the international markets in a considerable scale. In the global market, the Group has been a pioneer in the manufacturing and R&D of anti-malaria products. The solid dosage formulation production line of Yao Pharma was recognized by the U.S. FDA.

# Management

## Discussion and Analysis

The Group has taken the lead in entering into the healthcare service segment in China and has completed the strategic deployment of its healthcare services business with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC.

In addition, the Group's capabilities in investment, merger and acquisition activities and consolidation have been widely recognized in the pharmaceutical industry, providing a solid foundation for the Group to make a leap-forward development in the future. Being listed on both the A-share market and the H-share market has created favorable condition for the Group to rapidly expand its scale of operation and enhance its competitiveness through merger and acquisition activities. In order to maintain its rapid growth, the Group will follow the direction of China's Twelfth Five-year Plan in relation to the pharmaceutical industry, take advantage of its competitive strengths and adhere to the strategies of organic growth, external expansion and integrated development.

### F. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 17,529 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

## 2. Business Outlook for the Second Half of 2014

In 2014, the Group will continue to be committed to its mission of improving human health, adhere to its company philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the development of the pharmaceutical market in China as well as the rapid growth of generic drugs in mainstream markets such as Europe and the U.S.. It will adhere to the development strategies of organic growth, external expansion and integrated development, and further its efforts in acquiring quality companies in the pharmaceutical industry. By continuing to optimize and integrate resources in the pharmaceutical industry chain, strengthening product innovation and product marketing systems, positively implementing Internationalization and enhancing the core competence of the Group, the Group strives to further enhance its operating results. Meanwhile, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

### Pharmaceutical R&D and Manufacturing

In the second half of 2014, the Group will continue to focus on innovation and international development, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group seeks to achieve continuous and rapid growth of its revenue and profit.

The Group will actively push forward the development of professional marketing teams and follow-on products in areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary tract, and anti-infection. In addition to solidifying the market position and product growth in its existing key segments and products, the Group will further its efforts in promoting products such as You Di Er, You Li Tong, EPO, Bang Ting, Ao De Jin and Atomolan so as to maintain and further improve the leading position in their respective market segments.

The Group will continue to adopt the strategy of "integrating imitation with innovation" to combine "international technology licenses" with "domestic industry-university-research cooperation", and increase its investments in R&D driven by the cooperation tie of "project plus technology platform". Project approval process for new products will be strictly implemented in order to enhance the efficiency of research and development. The Group will strengthen the development of the teams for the registration of pharmaceuticals in order to accelerate the approval process of existing products as well as to support innovation. The Group will actively facilitate the R&D and registration processes for insulin products and monoclonal antibody products and ensure that the development and registration processes will be completed on schedule. The Group will also accelerate its efforts to link its R&D with the market situation so that demand and supply are better matched. The Group will fully take advantage of the benefits of various R&D platforms, and strive to develop strategic product lines as well as R&D systems that are in line with international standards for new pharmaceutical products, and accelerate the development and reserve for follow-on strategic products, in order to solidify the core competence of our pharmaceutical manufacturing business.

## Pharmaceutical Distribution and Retail

In the second half of 2014, the Group will continue to facilitate consolidation and rapid development of Sinopharm in its pharmaceutical distribution business, and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical distribution and retail sector. The Group will actively support the leap-forward and integrated development of Sinopharm's pharmacy in the pharmaceutical retail segment, through which the leading position of Sinopharm in the pharmaceutical retail segment can be established. Meanwhile, faced with opportunities brought by the explosive growth of the Internet e-commerce, the Group will achieve transformation and rapid growth by leveraging its established pharmaceutical e-commerce platform and competitive edge in retail business. Moreover, the Group will further improve and enhance retail brands such as For Me Pharmacy and Golden Elephant Pharmacy, strengthen the consolidation within the industry in regions where the Group operates, and consolidate and increase market share in the regional markets.

## Healthcare Services

In the second half of 2014, the Group will continue to seize the business and investment opportunities arising from the opening up of the healthcare services segment to social enterprises. The Group will continuously increase its investments in the healthcare services segment, and strengthen the established strategic deployment of its healthcare services business which integrates high-end healthcare services in coastal developed cities and specialty hospitals and general hospitals in second-tier and third-tier cities in an effort to expand the scale of our healthcare services business. The healthcare institutions controlled by the Group will further strengthen their disciplines and quality management, enhance operational efficiency and accelerate the business development. With the new complex and tumor centre of Chancheng Hospital (禪城醫院) commencing operation, the Group will continue to expand the coverage and regional influence of healthcare services of Chancheng Hospital. The Group will also promote the implementation of the healthcare and rehabilitation project of Taizhou Municipal Zanyang Hospital (台州市立贊揚醫院) and Taizhou Zanyang Rehabilitation Centre (台州市贊揚康養中心) and positively seek new opportunities for merger and acquisition of healthcare services. Furthermore, the Group will continue to support and promote the business expansion of "United Family Hospital", a high-end brand for healthcare services under Chindex. The Group will also actively support the development of "United Family Hospital", support the development of its high-end healthcare services characterized by multiple levels, diversification and extensibility.

## Medical Diagnosis and Medical Devices

In the second half of 2014, the Group will continue to develop and introduce products, launch new products and enrich new product lines for its diagnostic business. The Group will continue to enhance the development of domestic and overseas sales network and its professional sales team, strive to increase the market share of its diagnostic products including those newly introduced and registered in 2014, and actively seek opportunities to invest in quality diagnostic companies both domestically and internationally.

In the second half of 2014, the Group will increase its investments in R&D, manufacturing and sales of medical devices. Alma Lasers will further stimulate the R&D and sales of medical devices and synergy and innovation in service models with other business segments in order to extend its business from device supply to services. Meanwhile, the Group will continue to leverage on its strengths in expanding international operation, and with its existing overseas companies as platforms, vigorously explore cooperation with overseas companies on the basis of proactive integration, so as to achieve the growth in the scale of its medical devices business.

## Financing

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

## 3. Other Events

### (a) Acquisition of 28.146% Equity Interest in Aohong Pharma

As disclosed in the announcement of the Company dated 28 February 2014 and the circular of the Company dated 8 April 2014, on 28 February 2014, the Company entered into an equity transfer agreement with Xinjiang Boze, Aohong Pharma and Mr. Yu Hongru (于洪儒), pursuant to which, Fosun Pharmaceutical Industrial, a wholly-owned subsidiary of the Company, intended to acquire an aggregate of 28.146% equity interest in Aohong Pharma from Xinjiang Boze at a consideration of not more than RMB1,866.08 million. On 29 May 2014, such transaction was approved at the 2014 first extraordinary general meeting of the Company. The transaction will be carried out in two phases. During the Reporting Period, Fosun Pharmaceutical Industrial proposed to acquire 23% equity interest in Aohong Pharma at a consideration of not more than RMB1,524.90 million, the registration of which with the industry and commerce authorities was completed on 4 June 2014.

# Management

## Discussion and Analysis

### (b) Participation in the Privatization of and Acquisition of 30% Equity Interest in Chindex

As disclosed in the announcements of the Company dated 17 February 2014, 8 April 2014, 14 April 2014, 18 April 2014 and 20 April 2014 and the circular of the Company dated 13 May 2014, Fosun Industrial, a wholly-owned subsidiary of the Company, intended to participate in the privatization of Chindex using a consideration of not more than US\$223.62 million and an aggregate of 3,157,163 class A common stock of Chindex, and to acquire 30% equity interest in CML at a consideration not exceeding US\$45.00 million. Such transaction was approved at the 2013 Annual General Meeting on 30 June 2014, subject to approval at the general meeting of Chindex.

### (c) Termination of Intellectual Property, Development & Commercialization Transfer Agreements

On 23 October 2013, Fochon Pharma, an indirectly-owned subsidiary of the Company, entered into the intellectual property, development and commercialization rights transfer agreement in respect of Fotagliptin Benzoate and the intellectual property, development and commercialization rights transfer agreement in respect of Pan-HER Inhibitors (collectively, the "Transfer Agreements") with SELLAS. As of 30 June 2014, the accumulated consideration payable by SELLAS amounted to €8 million, with the actual paid consideration amounted to €1.50 million. As disclosed in the announcement of the Company dated 30 June 2014, as SELLAS failed to timely perform its payment obligations under the Transfer Agreements and pay the balance of the consideration due and payable to Fochon Pharma upon reasonable notices and requests, Fochon Pharma sent to SELLAS a written notice to terminate the Transfer Agreements on 30 June 2014.

## 4. Use of Proceeds

- (a) In May 2010, upon approval by CSRC through the approval document (Zheng Jian Xu Ke [2010] No.334), the Company made a non-public offer of 31,820,000 domestic shares of RMB1.00 each in the PRC at the issue price of RMB20.60 per share. The total proceeds raised from such offer amounted to RMB655 million and, after deducting the underwriting commission attributable to the brokers and other expenses, the net proceeds were RMB635 million.

As at 30 June 2014, the Group applied an accumulated amount of proceeds of approximately RMB539 million.

Details of the use of proceeds of the A Shares are set out below:

Unit: RMB million

Projects undertaken	Amount of proceeds proposed to be applied	Amount of proceeds applied as at 30 June 2014
Recombinant human insulin (API + formulation) industrialized project	371	281
Artesunate high-technology industrialized model project (Note 1)	190	183
In-vitro diagnostic products production facilities project (Note 2)	74	74
		(Note 3)

Note 1: The final payment remained to be paid following the completion and acceptance of the project.

Note 2: The relevant designated account for the proceeds had been cancelled following the completion and acceptance of the project.

Note 3: The accumulated amount of proceeds applied included the interest income of RMB0.04 million from a designated account for the proceeds.

## Management Discussion and Analysis

- (b) In October 2012, upon approval by CSRC through the approval document (Zheng Jian Xu Ke [2012] No.444), the Company made a global offering of 336,070,000 H Shares of RMB1.00 each and the total proceeds were HK\$3,966 million. The net proceeds, together with relevant interest income, and after deducting the listing expenses of HK\$84 million paid overseas, were HK\$3,882 million. As at 30 June 2014, the Group applied an accumulated amount of proceeds of approximately HK\$3,116 million, in the manner consistent with the purposes set out in the prospectus of the Company dated 17 October 2012.

Details of the use of proceeds from such issue of the H Shares are set out below:

Unit: RMB million

Usage	Amount of proceeds proposed to be applied	Amount of proceeds applied as at 30 June 2014
Acquisitions and consolidation in the areas of pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services and diagnostic products and medical devices segment	1,863	1,193
Funding for existing research and development projects, expansion of research and development teams and acquiring new research and development projects	738	602
Repayment of part of principal and interest of interest-bearing debts	893	933
Supplementing our Group's general working capital	388	388

- (c) In April 2014, upon approval by CSRC through the approval document (Zheng Jian Xu Ke [2014] No.240), the Company issued an additional of 67,214,000 H Shares of RMB1.00 each, and the total proceeds raised from such issue were HK\$1,782 million. The net proceeds, together with relevant interest income, after deducting the listing expenses of HK\$20 million paid overseas, were HK\$1,762 million.

As at 30 June 2014, the Group applied an accumulated amount of proceeds of approximately HK\$1,244 million.

As at 30 June 2014, the use of proceeds from such issue of H Shares was as follows:

Unit: HK\$ million

Usage	Amount of proceeds proposed to be applied	Amount of proceeds applied as at 30 June 2014
Repayment of interest-bearing debts, replenishing the working capital of the Group and financing potential mergers and acquisitions domestically or overseas	1,762	1,244

# Statutory Disclosures

## RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group at 30 June 2014 are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 25 to 56.

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

### (a) Restricted A Share Incentive Scheme

The Restricted A Share Incentive Scheme was approved by the Shareholders at the extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting of the Company held on 20 December 2013. On 7 January 2014, the Company granted a total of 4,035,000 Restricted A Shares at the grant price of RMB6.08 each to the 28 participants (the "Grantees") pursuant to the Restricted A Share Incentive Scheme. As disclosed in the announcement of the Company dated 21 January 2014, 27 out of 28 of the Grantees have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 3,935,000 Restricted A Shares has been issued by the Company to the relevant Grantees.

### (b) Placing of H Shares

On 26 March 2014, the Company entered into a placing agreement with UBS AG, Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited and CCB International Capital Limited (as the placing agents) in relation to the placing of 67,214,000 H Shares at a placing price of HK\$26.51 per H Share (exclusive of brokerage, if any) (the "Placing").

The Company announced on 3 April 2014 that all conditions precedent to the Placing were satisfied and completion of the Placing took place on 3 April 2014. An aggregate of 67,214,000 new H Shares, representing approximately 16.67% of the total number of H Shares in issue as enlarged by the allotment and issue of the H Shares, have been successfully allotted and issued by the Company on 3 April 2014 at the placing price of HK\$26.51 per H Share to no less than six but no more than ten placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company. The net proceeds from the Placing amounted to approximately HK\$1,760.89 million.

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

## DIRECTORS

According to the prevailing Articles of Association, the Board should be constituted by eleven Directors, consisting of two executive Directors, five non-executive Directors and four independent non-executive Directors. As of the end of the Reporting Period, the Directors of the Company are as follows:

### Executive Directors

Mr. Chen Qiyu (陳啟宇) (*Chairman*)

Mr. Yao Fang (姚方) (*Vice Chairman, President, Chief Executive Officer*)

### Non-executive Directors

Mr. Guo Guangchang (郭廣昌)

Mr. Wang Qunbin (汪群斌)

Mr. Wang Pinliang (王品良)

Ms. Kang Lan (康嵐)

Mr. John Changzheng Ma

### Independent Non-executive Directors

Mr. Han Jiong (韓炯)

Dr. Zhang Weijiong (張維炯)

Mr. Li Man-kiu Adrian David (李民橋)

Mr. Cao Huimin (曹惠民)

During the Reporting Period, Mr. Zhang Guozheng resigned from his office as non-executive Director with effect from 30 June 2014. Mr. John Changzheng Ma was elected as the non-executive Director of the sixth session of the Board by the Shareholders at the AGM held on 30 June 2014.



## SUPERVISORS

According to the prevailing Articles of Association, the Supervisory Committee should be constituted by three Supervisors. As of the end of the Reporting Period, the Supervisors of the Company are as follows:

Mr. Zhou Wenyue (周文岳) (*Chairman*)  
Mr. Cao Genxing (曹根興)  
Mr. Guan Yimin (管一民)

During the Reporting Period, Mr. Li Haifeng resigned from his office as Supervisor with effect from 30 June 2014. Mr. Guan Yimin was elected as a Supervisor of the sixth session of the Supervisory Committee by the Shareholders at the AGM held on 30 June 2014.

## CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

During the Reporting Period, Mr. Yao Fang ceased to be a non-executive director of BioSino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08247), with effect from 13 March 2014. Save as disclosed above, during the Reporting Period, there was no change to information which are required to be disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules.

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

As at 30 June 2014, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

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

Name of Directors/chief executive	Capacity	Class of Shares	Number of Shares <sup>(1)</sup>	Approximate percentage of Shares in relevant class of shares
Mr. Guo Guangchang	Interest of a controlled corporation	A Share	920,641,314 (L) <sup>(2)</sup>	48.24%
Mr. Guo Guangchang	Beneficial owner	A Share	114,075 (L)	0.01%
Mr. Chen Qiyu	Beneficial owner	A Share	114,075 (L)	0.01%
Mr. Wang Qunbin	Beneficial owner	A Share	114,075 (L)	0.01%
Mr. Yao Fang	Beneficial owner	A Share	548,000 (L) <sup>(3)</sup>	0.03%

Notes:

- (1) (L) — Long position
- (2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 79.6% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 58% by Mr. Guo Guangchang, he is deemed to be interested in the Shares owned by the above-mentioned companies.
- (3) According to the Restricted A Share Incentive Scheme of the Company which was approved by the Shareholders at its extraordinary general meeting held on 20 December 2013, Mr. Yao Fang was granted 548,000 Restricted A Shares on 21 January 2014.

## Statutory Disclosures

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

Name of Directors/ chief executive	Name of associated corporation	Class of shares	Capacity	Number of Shares <sup>(1)</sup>	Approximate percentage of Shares in relevant class of shares
Mr. Guo Guangchang	Fosun International Holdings	Ordinary share	Beneficial owner	29,000(L) <sup>(2)</sup>	58%
	Fosun Holdings	Ordinary share	Interest of a controlled corporation	1(L) <sup>(2)</sup>	100%
	Fosun International	Ordinary share	Interest of a controlled corporation	5,510,793,609(L) <sup>(2)</sup>	79.6%
	Fosun High Tech	Ordinary share	Interest of a controlled corporation	3,800,000,000(L) <sup>(2)</sup>	100%
Mr. Wang Qunbin	Fosun International Holdings	Ordinary share	Beneficial owner	5,000(L)	10%
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	3,773,000(L)	0.05%

Notes:

(1) (L) — Long position

(2) Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 79.6% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 58% by Mr. Guo Guangchang, he is deemed to be interested in the shares owned by the above-mentioned companies.

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

As at 30 June 2014, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Nature of interest	Class of Shares	Number of Shares <sup>(1)</sup>	Approximate percentage of Shares in relevant class of shares
Fosun High Tech	Beneficial owner	A Share	920,641,314 (L) <sup>(2)</sup>	48.24%
Fosun International	Interest of a controlled corporation	A Share	920,641,314 (L) <sup>(2)</sup>	48.24%
Fosun Holdings	Interest of a controlled corporation	A Share	920,641,314 (L) <sup>(2)</sup>	48.24%
Fosun International Holdings	Interest of a controlled corporation	A Share	920,641,314 (L) <sup>(2)</sup>	48.24%

Name of Shareholders	Nature of interest	Class of Shares	Number of Shares <sup>(1)</sup>	Approximate percentage of Shares in relevant class of shares
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500 (L)	8.15%
JPMorgan Chase & Co.	Beneficial owner/Interest of controlled corporations/Investment manager/Custodian — corporation/approved lending agent Investment manager	H Share	37,289,464 (L)	9.25%
			55,000(S)	0.01%
			31,171,909(P)	7.73%
Wellington Management Company, LLP	Investment manager	H Share	24,656,543 (L)	6.11%

Notes:

- (1) (L) — Long position; (S) — Short position; (P) — Lending pool
- (2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 79.6% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. Therefore, Fosun International, Fosun Holdings and Fosun International Holdings are deemed to be interested in these Shares.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

## COMPLIANCE WITH THE CG CODE

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

The corporate governance practices adopted by the Company are based on the principles and code provisions of the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has complied with all the applicable code provisions contained in the CG Code during the Reporting Period.

## REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

As of the end of the Reporting Period, the Audit Committee of the Company comprised Mr. Cao Huimin (chairman), an independent non-executive Director, Mr. Han Jiong, an independent non-executive Director, and Mr. Wang Pinliang, a non-executive Director. The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Company, and to provide recommendations and advice to the Board.

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the sixth months ended 30 June 2014.

On Behalf of the Board

**Chen Qiyu**

*Chairman*

Shanghai, the PRC  
26 August 2014

# Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>REVENUE</b>	5	5,502,224	4,473,639
Cost of sales		(3,186,616)	(2,514,252)
Gross profit		2,315,608	1,959,387
Other income	6	62,569	70,663
Selling and distribution expenses		(1,017,298)	(885,686)
Administrative expenses		(527,342)	(440,662)
Research and development expenses		(254,072)	(164,382)
Other gains	7	474,927	728,762
Other expenses		(46,106)	(64,321)
Interest income		28,150	41,742
Finance costs	9	(186,906)	(180,942)
Share of profits and losses of:			
Joint ventures		(9,616)	(5,085)
Associates		498,253	391,614
<b>PROFIT BEFORE TAX</b>	8	1,338,167	1,451,090
Income tax expense	10	(201,408)	(248,939)
<b>PROFIT FOR THE PERIOD</b>		1,136,759	1,202,151
Attributable to:			
Owners of the parent		1,002,015	1,053,141
Non-controlling interests		134,744	149,010
		1,136,759	1,202,151
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
— Basic and diluted (RMB)	11	0.44	0.47

# Interim Condensed Consolidated Statements of Comprehensive Income

Six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	1,136,759	1,202,151
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	223,185	124,389
Reclassification adjustments for gains included in the consolidated statement of profit or loss		
— Gain on disposal	(314,393)	(98,290)
Income tax effect	63,438	15,631
	(27,770)	41,730
Share of other comprehensive income of associates	(5,099)	930
Exchange differences on translation of foreign operations	8,543	4,379
Other comprehensive income not being reclassified to profit or loss in subsequent periods	—	—
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	(24,326)	47,039
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	1,112,433	1,249,190
Attributable to:		
Owners of the parent	980,084	1,106,934
Non-controlling interests	132,349	142,256
	1,112,433	1,249,190

# Interim Condensed Consolidated Statements of Financial Position

30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	5,272,149	4,930,17
Prepaid land lease payments		816,818	779,873
Goodwill		3,039,575	2,976,039
Other intangible assets		1,907,698	1,859,570
Investments in joint ventures		131,061	118,177
Investments in associates		9,022,624	8,765,410
Available-for-sale investments		2,646,141	2,664,409
Deferred tax assets		90,483	88,091
Other non-current assets		241,586	250,015
<b>Total non-current assets</b>		<b>23,168,135</b>	<b>22,431,759</b>
<b>CURRENT ASSETS</b>			
Inventories		1,782,982	1,614,272
Trade and bills receivables	13	1,686,355	1,460,011
Prepayments, deposits and other receivables		438,454	593,936
Due from related companies		223,685	206,715
Equity investments at fair value through profit or loss		38,663	44,196
Cash and bank balances		3,652,793	3,067,414
<b>Total current assets</b>		<b>7,822,932</b>	<b>6,986,544</b>



# Interim Condensed Consolidated Statements of Financial Position

30 June 2014

	<i>Notes</i>	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	1,247,304	1,103,160
Other payables and accruals		2,648,470	2,514,339
Interest-bearing bank and other borrowings	15	1,656,058	1,424,210
Due to related companies		292,983	37,693
Tax payable		248,478	198,719
<b>Total current liabilities</b>		<b>6,093,293</b>	<b>5,278,121</b>
<b>NET CURRENT ASSETS</b>		<b>1,729,639</b>	<b>1,708,423</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>24,897,774</b>	<b>24,140,182</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	15	5,146,945	4,199,709
Deferred tax liabilities		1,706,555	1,783,520
Deferred income		104,896	95,624
Other long term liabilities		440,277	453,702
<b>Total non-current liabilities</b>		<b>7,398,673</b>	<b>6,532,555</b>
<b>Net assets</b>		<b>17,499,101</b>	<b>17,607,627</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued share capital		2,311,611	2,240,462
Reserves		13,061,541	12,428,848
Proposed final dividend	16	—	605,987
		<b>15,373,152</b>	<b>15,275,297</b>
<b>Non-controlling interests</b>		<b>2,125,949</b>	<b>2,332,330</b>
<b>Total equity</b>		<b>17,499,101</b>	<b>17,607,627</b>

**Chen Qiyu**  
*Director*

**Yao Fang**  
*Director*

# Interim Condensed Consolidated Statements of Changes in Equity

Six months ended 30 June 2014

	Attributable to owners of the parent										
	Issued share capital RMB'000	Share premium RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014 (Audited)	2,240,462	3,639,187	1,201,557	1,485,373	(186,563)	(8,089)	6,297,383	605,987	15,275,297	2,332,330	17,607,627
Profit for the period	—	—	—	—	—	—	1,002,015	—	1,002,015	134,744	1,136,759
Other comprehensive income for the period:											
Changes in fair value of available for sale investments, net of tax	—	—	(22,512)	—	—	—	—	—	(22,512)	(5,258)	(27,770)
Share of other comprehensive income of associates	—	—	(5,099)	—	—	—	—	—	(5,099)	—	(5,099)
Exchange differences on translation of foreign operations	—	—	—	—	—	5,680	—	—	5,680	2,863	8,543
Total comprehensive (loss)/income for the period	—	—	(27,611)	—	—	5,680	1,002,015	—	980,084	132,349	1,112,433
Issue of new shares**	71,149	1,337,256	—	—	—	—	—	—	1,408,405	461	1,408,866
Capital contribution from a non-controlling shareholder of a new subsidiary	—	—	—	—	—	—	—	—	—	12,000	12,000
Share of changes in equity other than other comprehensive income of associates	—	—	—	—	(207,288)	—	—	—	(207,288)	—	(207,288)
Acquisition of non-controlling interests	—	—	—	—	(1,445,223)	—	—	—	(1,445,223)	(163,129)	(1,608,352)
Deemed acquisition of additional interests in a subsidiary	—	—	—	—	(26,292)	—	—	—	(26,292)	26,292	—
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(161)	(161)
Acquisition of subsidiaries (note 17)	—	—	—	—	—	—	—	—	—	(459)	(459)
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(213,536)	(213,536)
Equity-settled share-based payment	—	—	—	—	14,393	—	—	—	14,393	1,488	15,881
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	(2,089)	—	—	—	(2,089)	(1,686)	(3,775)
Final 2013 dividend declared (note 16)	—	—	—	—	—	—	(18,148)	(605,987)	(624,135)	—	(624,135)
At 30 June 2014 (Unaudited)	2,311,611	4,976,443*	1,173,946*	1,485,373*	(1,853,062)*	(2,409)*	7,281,250*	—	15,373,152	2,125,949	17,499,101

\* These reserve accounts comprise the consolidated reserves of RMB13,061,541,000 (31 December 2013: RMB12,428,848,000) in the consolidated statement of financial position.

\*\* The Company issued 67,214,000 H shares at a subscription price of HK\$26.51 on 3 April 2014 and 3,935,000 restricted A shares at a subscription price of RMB6.08 on 7 January 2014.

# Interim Condensed Consolidated Statements of Changes in Equity

Six months ended 30 June 2014

	Attributable to owners of the parent										
	Issued share capital RMB'000	Share premium RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013 (Audited)	2,240,462	3,635,037	804,686	1,338,476	—	(10,462)	5,023,209	470,497	13,501,905	1,745,856	15,247,761
Profit for the period	—	—	—	—	—	—	1,053,141	—	1,053,141	149,010	1,202,151
Other comprehensive income for the period:											
Changes in fair value of available for sale investments, net of tax	—	—	47,384	—	—	—	—	—	47,384	(5,654)	41,730
Share of other comprehensive income of associates	—	—	510	—	—	—	—	—	510	420	930
Exchange differences on translation of foreign operations	—	—	—	—	—	5,899	—	—	5,899	(1,520)	4,379
Total comprehensive income for the period	—	—	47,894	—	—	5,899	1,053,141	—	1,106,934	142,256	1,249,190
Transaction costs related to issue of new shares	—	(572)	—	—	—	—	—	—	(572)	—	(572)
Capital contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	2,844	2,844
Acquisition of additional interests in a subsidiary from non-controlling shareholders	—	—	—	—	(5)	—	—	—	(5)	(3,809)	(3,814)
Deemed acquisition of additional interests in a subsidiary	—	—	—	—	(2,571)	—	—	—	(2,571)	2,571	—
Acquisition of subsidiaries (note 17)	—	—	—	—	—	—	—	—	—	132,290	132,290
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(186,731)	(186,731)
Equity-settled share-based payment	—	—	—	—	3,570	—	—	—	3,570	1,530	5,100
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	—	—	—	—	23,677	—	—	—	23,677	19,101	42,778
Fair value adjustment on the stock redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	(15,823)	—	—	—	(15,823)	(40,419)	(56,242)
Final 2012 dividend declared	—	—	—	—	—	—	—	(470,497)	(470,497)	—	(470,497)
At 30 June 2013 (Unaudited)	2,240,462	3,634,465*	852,580*	1,338,476*	8,848*	(4,563)*	6,076,350*	—	14,146,618	1,815,489	15,962,107

\* These reserve accounts comprise the consolidated reserves of RMB11,906,156,000 (31 December 2012: RMB10,790,946,000) in the consolidated statement of financial position.

# Interim Condensed Consolidated Statements of Cash Flows

Six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cash generated from operations	583,639	519,665
Income tax paid	(179,966)	(208,186)
Net cash inflow from operating activities	403,673	311,479
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets	(590,019)	(502,427)
Acquisitions of subsidiaries, net of cash acquired (Note 17)	(604,337)	(1,887,241)
Acquisition of interests in associates and joint ventures	(30,459)	(193,255)
Purchases of available-for-sale investments	(93,291)	(200)
Disposal of associates	176,624	85,501
Disposal of available-for-sale investments	481,320	169,873
Disposal of a subsidiary	48,737	—
Decrease in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions	396,076	619,061
others	20,345	(6,911)
Net cash outflow used in investing activities	(195,004)	(1,715,599)
New bank and other borrowings	3,020,635	1,505,908
Repayment of bank and other borrowings	(1,864,277)	(808,256)
Interest paid	(251,505)	(225,220)
Proceeds from issuance of new shares	1,407,680	—
Dividends paid to non-controlling shareholders of subsidiaries	(135,040)	(153,882)
Acquisition of non-controlling interests	(1,394,900)	—
Others	(6,544)	(11,732)
Net cash inflow from financing activities	776,049	306,816

# Interim Condensed Consolidated Statements of Cash Flows

Six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Net increase/(decrease) in cash and cash equivalents	984,718	(1,097,304)
Cash and cash equivalents at beginning of the period	2,416,261	4,171,574
Effect of foreign exchange rate changes, net	14,088	(21,840)
Cash and cash equivalents at end of the period	3,415,067	3,052,430
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances at end of the period	3,652,793	3,227,006
Less: Pledged bank balances and term deposits with original maturity of more than three months	(237,726)	(174,576)
Cash and cash equivalents at end of the period	3,415,067	3,052,430

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 1. CORPORATE INFORMATION

The Company was established as a joint stock company with limited liability on 31 May 1995 in the PRC. The Company's A Shares have been listed on the Shanghai Stock Exchange since 7 August 1998. The registration number of the Company's business licence is 310000000036602. The operating term is from 31 December 1998 to indefinite period.

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

During the period, the Group was principally engaged in the development, manufacture and sale of pharmaceutical products and medical equipment, import and export of medical equipment and the provision of related and other consulting services and investment management.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 30 October 2012.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2014 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months ended 30 June 2014 (the "Period"), have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of revised Hong Kong Financial Reporting Standards ("HKFRSs"), (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), as of 1 January 2014 noted below:

Several new standards and amendments apply for the first time in 2014 by the group. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 New standards, interpretations and amendments adopted by the Group (Continued)

The nature and the impact of each new standard or amendment are described below:

#### Investment Entities (Amendments to HKFRS 10, HKFRS 12 and HKAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under HKFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under HKFRS 10.

#### Offsetting Financial Assets and Financial Liabilities — Amendments to HKAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

#### Novation of Derivatives and Continuation of Hedge Accounting — Amendments to HKAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

#### HKFRIC 21 Levies

HKFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., HKAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. These amendments have no impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.



# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 4. OPERATING SEGMENT INFORMATION

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

- (a) the pharmaceutical manufacturing and R&D segment mainly engages in the production, sale and research of medicine;
- (b) the pharmaceutical distribution and retail segment mainly engages in the retail and wholesale of medicine;
- (c) the medical diagnosis and medical devices segment mainly engages in the sale of medical equipment and the provision of medical services;
- (d) the healthcare service segment mainly engages in the provision of healthcare and hospital management services; and
- (e) the other business operations segment comprises businesses other than those mentioned above.

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

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

Segment assets exclude equity investments at fair value through profit or loss, available-for-sale investments and unallocated head office and investment management entities assets as these assets are managed on a group basis.

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

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2014 (unaudited)

	Pharmaceutical manufacturing and R&D RMB'000	Pharmaceutical distribution and retail RMB'000	Medical diagnosis and medical devices RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,360,142	757,061	826,984	550,265	7,772	—	5,502,224
Intersegment sales	160	—	—	—	3,284	(3,444)	—
<b>Total revenue</b>	<b>3,360,302</b>	<b>757,061</b>	<b>826,984</b>	<b>550,265</b>	<b>11,056</b>	<b>(3,444)</b>	<b>5,502,224</b>
Segment results*	480,360	7,678	73,471	83,970	(2,050)	1,711	645,140
Other income	14,837	—	488	—	—	—	15,325
Other gains	127,833	7,006	(89)	186	2	—	134,938
Interest income	4,892	1,811	3,449	1,044	445	(3,069)	8,572
Finance costs	(54,397)	74	(18,743)	(4,240)	(4,285)	42,542	(39,049)
Other expenses	(11,813)	(1,083)	(6,609)	(3,692)	(12)	—	(23,209)
Share of profits and losses of:							
Joint ventures	(4,564)	(4,925)	—	(127)	—	—	(9,616)
Associates	56,690	440,627	(1,547)	(542)	3,025	—	498,253
Unallocated other income, interest income and other gains							406,811
Unallocated finance costs							(147,857)
Unallocated expenses							(151,141)
Profit before tax	613,838	451,188	50,420	76,599	(2,875)	41,184	1,338,167
Tax	(128,698)	(4,430)	(15,291)	(19,567)	(6)	—	(167,992)
Unallocated tax							(33,416)
<b>Profit for the period</b>	<b>485,140</b>	<b>446,758</b>	<b>35,129</b>	<b>57,032</b>	<b>(2,881)</b>	<b>41,184</b>	<b>1,136,759</b>
Segment assets:	10,624,397	8,058,512	2,973,144	1,955,738	801,797	(151,480)	24,262,108
Including:							
Investments in joint ventures	28,143	639	—	102,279	—	—	131,061
Investments in associates	1,454,697	7,145,985	252,630	4,250	165,062	—	9,022,624
Unallocated assets							6,728,959
<b>Total assets</b>							<b>30,991,067</b>
Segment liabilities	5,897,576	568,834	1,088,664	596,058	16,019	(4,041,770)	4,125,381
Unallocated liabilities							9,366,585
<b>Total liabilities</b>							<b>13,491,966</b>
Other segment information:							
Depreciation and amortisation	197,794	4,582	30,679	36,966	5,215	—	275,236
Provision for impairment of inventories	482	—	3,606	—	—	—	4,088
Provision for impairment of trade and other receivables	359	—	1,369	3,113	—	—	4,841
Capital expenditure**	408,436	12,547	20,975	166,919	34,003	—	642,880

\* Segment results represent segment revenue less cost of sales, selling and distribution expenses, administrative expenses and research and development expenses.

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

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 4. OPERATING SEGMENT INFORMATION (Continued)

### Six months ended 30 June 2013 (unaudited)

	Pharmaceutical manufacturing and R&D RMB'000	Pharmaceutical distribution and retail RMB'000	Medical diagnosis and medical devices RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,034,608	708,311	557,991	165,589	7,140	—	4,473,639
Intersegment sales	1,042	—	—	—	2,527	(3,569)	—
<b>Total revenue</b>	<b>3,035,650</b>	<b>708,311</b>	<b>557,991</b>	<b>165,589</b>	<b>9,667</b>	<b>(3,569)</b>	<b>4,473,639</b>
Segment results*	525,510	7,757	17,411	21,239	(1,487)	1,665	572,095
Other income	26,997	—	3,034	—	—	—	30,031
Other gains	2,226	587,542	359	16	7	—	590,150
Interest income	4,674	2,700	2,113	2,708	408	(2,288)	10,315
Finance costs	(47,392)	50	(6,997)	(2,961)	(3,775)	37,230	(23,845)
Other expenses	(15,518)	(1,809)	(6,420)	(1,303)	(10)	—	(25,060)
Share of profits and losses of:							
Joint ventures	(5,051)	(34)	—	—	—	—	(5,085)
Associates	37,279	357,743	(537)	252	(3,123)	—	391,614
Unallocated other income, interest income and other gains							210,671
Unallocated finance costs							(157,097)
Unallocated expenses							(142,699)
Profit before tax	528,725	953,949	8,963	19,951	(7,980)	36,607	1,451,090
Tax	(78,140)	(149,866)	(9,483)	(5,697)	(13)	—	(243,199)
Unallocated tax							(5,740)
<b>Profit for the period</b>	<b>450,585</b>	<b>804,083</b>	<b>(520)</b>	<b>14,254</b>	<b>(7,993)</b>	<b>36,607</b>	<b>1,202,151</b>
Segment assets:	11,337,302	7,890,130	1,932,964	2,664,311	751,388	(559,486)	24,016,609
Including:							
Investments in joint ventures	11,466	7,485	—	—	—	—	18,951
Investments in associates	1,642,511	6,827,383	233,937	15,699	183,095	—	8,902,625
Unallocated assets							3,528,977
<b>Total assets</b>							<b>27,545,586</b>
Segment liabilities	4,273,427	476,045	1,711,930	1,109,889	1,138,269	(153)	8,709,407
Unallocated liabilities							2,874,072
<b>Total liabilities</b>							<b>11,583,479</b>
Other segment information:							
Depreciation and amortisation	142,991	2,634	32,982	13,966	6,291	—	198,864
Provision for impairment of inventories	9,391	—	—	1,980	—	—	11,371
Provision/(reversal) for impairment of trade and other receivables	(2,214)	—	(38)	556	—	—	(1,696)
Capital expenditure**	337,669	9,695	27,881	17,099	25,330	—	417,674

\* Segment results represent segment revenue less cost of sales, selling and distribution expenses, administrative expenses and research and development expenses.

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

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered.

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Sale of goods	4,947,417	4,221,653
Rendering of services	553,820	248,125
Sale of materials	987	3,861
	<b>5,502,224</b>	473,639

## 6. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Dividends income from available-for-sale investments	45,415	21,617
Government grants	17,154	49,046
	<b>62,569</b>	70,663

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 7. OTHER GAINS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of available-for-sale investments	308,215	98,290
Gain on disposal of interests in associates (a)	133,085	—
Gain on disposal of a subsidiary (b)	15,918	—
Exchange gain	15,280	—
Gain on deemed disposal of interests in associates	—	586,960
Fair value gains on an equity investment at fair value through profit or loss	—	40,061
Others	2,429	3,451
	<b>474,927</b>	<b>728,762</b>

(a) For the six months ended 30 June 2014, the amount mainly comprises the gain on disposal of Hunan Hansen Pharmaceutical Co., Ltd. of RMB125,141,000.

(b) On 29 January 2014, Chongqing Pharmaceutical Research Institute Co., Ltd., a subsidiary of the Group, disposed 99.53% equity interest of Chongqing Kangle Pharmaceutical Co., Ltd. to a third party at a cash consideration of RMB50,100,000.

## 8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,745,599	2,391,429
Cost of services provided	441,017	122,823
Depreciation of items of property, plant and equipment	220,426	161,179
Amortisation of prepaid land lease payments	12,116	7,646
Amortisation of other intangible assets	42,694	30,039
Provision for impairment of inventories	4,088	11,371
Provision/(reversal) for impairment of trade and other receivables	4,841	(1,696)
Provision for impairment of items of property, plant and equipment	2,614	—
Reversal for impairment of available-for-sale investments	(200)	—
Loss on disposal of items of property, plant and equipment and other intangible assets	6,031	352

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 9. FINANCE COSTS

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	193,593	184,888
Interest on bank and other borrowings not wholly repayable within five years	1,189	420
	194,782	185,308
Less: Interest capitalised	(7,876)	(4,366)
Interest expenses, net	186,906	180,942

## 10. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% (for the six months ended 30 June 2013: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 0% to 20%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The provision of current income tax of Alma Lasers Ltd. ("Alma lasers"), a subsidiary of the Group incorporated in Israel, is based on a preferential rate of 16% (for the six months period ended 30 June 2013: 12.5%).

The major components of tax expenses for the six months ended 30 June 2014 and 2013 are as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current		
— Mainland China	214,621	127,468
— Elsewhere	13,786	—
	228,407	127,468
Deferred	(26,999)	121,471
Total tax charge for the Period	201,408	248,939

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

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

The calculation of basic earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,278,004,364 (for the six months ended 30 June 2013: 2,240,462,364 ordinary shares) in issue during the Period, as adjusted to reflect the issuance of H shares and restricted A shares during the Period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those Periods. Chindex Medical Limited's Share option plan was not considered as a potential dilutive event as the options granted were in respect of the common shares of Chindex International, Inc., which is not an entity within the Group.

## 12. PROPERTY, PLANT AND EQUIPMENT

	RMB'000 (Unaudited)
Carrying value at beginning of the Period	4,930,175
Additions	569,307
Acquisition of subsidiaries ( <i>note 17</i> )	33,478
Disposal of an subsidiary	(26,553)
Disposals	(11,218)
Depreciation charge for the Period	(220,426)
Impairment losses	(2,614)
Carrying value at end of the Period	5,272,149

The Group's property, plant and equipment with a net carrying value of RMB74,764,000 (31 December 2013: RMB123,652,000), were pledged as security for interest-bearing bank loans as set out in note 15 to the interim condensed consolidated financial statements.

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 13. TRADE AND BILLS RECEIVABLES

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Trade receivables	1,369,035	1,164,220
Bills receivable	317,320	295,791
	<b>1,686,355</b>	1,460,011

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

An aged analysis of trade receivables as at the end of the Period, based on the invoice date, is as follows:

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within 1 year	1,355,228	1,161,231
1 to 2 years	25,352	18,479
2 to 3 years	10,821	7,397
Over 3 years	25,784	21,100
	<b>1,417,185</b>	1,208,207
Less: Provision for impairment of trade receivables	<b>(48,150)</b>	(43,987)
	<b>1,369,035</b>	1,164,220



# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 14. TRADE AND BILLS PAYABLES

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Trade payables	1,099,109	957,572
Bills payable	148,195	145,588
	<b>1,247,304</b>	1,103,160

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

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within 1 year	1,079,667	947,748
1–2 years	14,953	4,878
2–3 years	786	944
Over 3 years	3,703	4,002
	<b>1,099,109</b>	957,572

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<i>Notes</i>	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Bank loans:			
— Secured	(1)	1,093,537	228,950
— Unsecured		1,630,977	1,321,578
		<b>2,724,514</b>	1,550,528
Medium-term notes	(2)	2,586,274	2,582,432
Corporate bonds	(3)	1,492,215	1,490,959
Total		<b>6,803,003</b>	5,623,919

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Repayable:		
Within 1 year	1,656,058	1,424,210
1 to 2 years	2,881,868	1,035,044
2 to 5 years	2,154,327	3,164,665
Over 5 years	110,750	—
Portion classified as current liabilities	<b>6,803,003 (1,656,058)</b>	5,623,919 (1,424,210)
Non-current portion	<b>5,146,945</b>	4,199,709

Notes:

The bank loans bear interest at rates ranging from 1.70% to 22.00% (2013: 1.70% to 6.90%) per annum.

(1) As at 30 June 2014, certain of the Group's bank loans are secured by the pledge of certain of the Group's property, plant and equipment amounting to RMB74,764,000 (31 December 2013: RMB123,652,000) (note 12), prepaid land lease payments amounting to RMB31,074,000 (31 December 2013: RMB25,556,000), the Group's 268,371,532 shares of Guilin Pharma (31 December 2013: the Group's 268,371,532 shares of Guilin Pharma), the Group's 113,328,000 shares of Wanbang Pharma (31 December 2013: Nil) and the Group and Pramerica-Fosun China Opportunity Fund, L.P.'s 100% equity interest in Sisram Medical Ltd. (31 December 2013: Nil).

### (2) Medium-term notes

On 8 November 2010, the Company issued medium-term notes with a maturity of five years in an aggregate amount of RMB1,000,000,000, which bear interest at the one-year term deposit bank interest rate plus 240 basis points per annum. The interest is payable annually in arrears and the maturity date is 10 November 2015.

On 31 March 2011, the Company issued medium-term notes with a maturity of five years in an aggregate amount of RMB1,600,000,000, which bear interest at the one-year term deposit bank interest rate plus 290 basis points per annum. The interest is payable annually in arrears and the maturity date is 31 March 2016.

### (3) Corporate bonds

On 25 April 2012, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,500,000,000, which bear interest at 5.53% per annum. The interest is payable annually in arrears and the maturity date is 25 April 2017.

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 16. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (for the six months ended 30 June 2013: Nil).

The proposed final dividend of RMB0.27 (tax included) per ordinary share for the year ended 31 December 2013 was declared payable and approved by the shareholders at the annual general meeting of the Company on 30 June 2014.

## 17. BUSINESS COMBINATION

On 18 May 2014, Wanbang Pharma, a subsidiary of the Group, acquired 51% equity interests in Huanghe Pharmaceutical Co., Ltd. ("Huanghe Pharma") at a consideration of RMB58,079,000. Huanghe Pharma is engaged in the manufacture and sale of tablets, capsules and traditional Chinese medicine. The acquisition was undertaken under the Group's strategy to strengthen the market of endocrine and metabolic, cardiovascular and cancer medicines. The acquisition was completed on 16 June 2014 when the Group obtained control of the operating and financial policies of Huanghe Pharma.

On 27 December 2013, Beijing Golden Elephant Pharmacy Medicine Chain Co., Ltd, a subsidiary of the Group, acquired 50.79% equity interests in Rongzhi Golden Elephant Pharmacy Medicine Chain Co., Ltd ("Rongzhi Golden Elephant") at a consideration of RMB761,000. Rongzhi Golden Elephant is engaged in the sale of medicines and medical devices. The acquisition was undertaken under the Group's strategy to strengthen the Group's retail business. The acquisition was completed on 11 April 2014 when the Group obtained control of the operating and financial policies of Rongzhi Golden Elephant.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 17. BUSINESS COMBINATION (Continued)

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

	<b>Fair value recognised on acquisition</b> RMB '000 (Unaudited)
Property, plant and equipment	33,478
Prepaid land lease payments	13,591
Other intangible assets	66,000
Other non-current assets	1,190
Inventories	24,881
Trade and bills receivables	34,214
Prepayments, deposits and other receivables	5,337
Cash and bank balances	62
Interest-bearing bank and other borrowings	(53,000)
Trade and bills payables	(47,684)
Tax payable	(599)
Other payables and accruals	(67,333)
Deferred tax liabilities	(11,080)
Total identifiable net assets at fair value	(943)
Non-controlling interests	459
	(484)
Goodwill on acquisition	59,324
	58,840
Satisfied by:	
Cash	58,840
Cash consideration unpaid	—
	58,840

The fair values of the acquired trade and notes receivables and other receivables as at the date of acquisition approximate to their gross contractual amounts. None of these receivables are expected to be uncollectible.

The Group incurred transaction costs of RMB194,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

The goodwill of RMB59,324,000 recognised above is due to the new markets entered by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore do not meet the criteria for recognition as intangible assets under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 17. BUSINESS COMBINATION (Continued)

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

	RMB'000 (Unaudited)
Cash consideration	(58,840)
Cash and bank balances acquired	62
	(58,778)
Payment of unpaid cash consideration as at 31 December 2013	(546,320)
Prepayment of cash consideration as at 31 December 2013	761
	(604,337)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(604,337)
Transaction costs of the acquisitions included in cash flows from operating activities	(194)
	(604,531)

## 18. COMMITMENTS

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Contracted, but not provided for:		
In respect of:		
Plant and machinery	178,579	347,977
Investments in a subsidiary, joint ventures and associates	2,316,590	34,892
Investment in available-for-sale financial assets	30,764	27,000
	<b>2,525,933</b>	409,869
Authorised, but not contracted for:		
In respect of:		
Plant and machinery	132,890	91,653

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 19. RELATED PARTY TRANSACTIONS

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

### (a) Sales of pharmaceutical products

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Sinopharm Group Co., Ltd. (notes (5) & (7))	346,563	256,639
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (notes (1) & (5))	10,328	10,326
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (notes (3) & (5))	3,705	4,250
Shanghai Huifeng Forme Pharmacy Co., Ltd. (notes (2) & (5))	1,694	2,137
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (notes (2) & (5))	1,392	1,972
Shanghai Liyi Pharmacy Co., Ltd. (notes (1) & (5))	778	1,002
Shanghai Yaofang Co., Ltd. (notes (1) & (5))	648	4,030
Hunan Time Sun Pharmaceutical Co., Ltd. (notes (1) & (5))	210	302
Shanghai Lianhua Fosun Pharmacy Chain-store Co., Ltd. (notes (1) & (5))	—	10,818
Suzhou Laishi Blood Transfusion Equipment Co., Ltd. (notes (5) & (10))	—	5,129
Guilin Auspicious Pharmaceutical Industrial Ltd. (notes (1) & (5))	—	343
	<b>365,318</b>	<b>296,948</b>

### (b) Purchase of pharmaceutical products

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Sinopharm Group Co., Ltd. (notes (5) & (7))	72,534	55,875
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (notes (3) & (5))	3,200	5,581
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (notes (1) & (5))	1,904	3,468
Shanghai Yaofang Co., Ltd. (notes (1) & (5))	265	1,915
Shanghai Tonghanchuntang Traditional Chinese Medicine Co., Ltd. (notes (3) & (5))	49	79
SD Biosensor, Inc. (notes (1) & (5))	44	211
Fosun Innovations (shanghai) Co., Ltd. (note (9))	6	—
Suzhou Laishi Blood Transfusion Equipment Co., Ltd. (notes (5) & (10))	—	10,112
Tongjitang Chinese Medicines Company (notes (5) & (11))	—	7,829
Shanghai Tonghanchuntang Pharmacy Co., Ltd. (notes (3) & (5))	—	113
	<b>78,002</b>	<b>85,183</b>

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (c) Leasing and property management services

#### As lessor

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Fosun Innovations (shanghai) Co., Ltd. (note (9))	376	—
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. (notes (2) & (6))	53	98
Fosun High Tech (note (6))	37	38
Guilin Auspicious Pharmaceutical Industrial Ltd (notes (1) & (6))	17	52
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (notes (1) & (6))	—	40
Shanghai Fosun Property Management Co., Ltd. (notes (4) & (6))	—	376
	<b>483</b>	<b>604</b>

#### As lessee

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Shanghai Fosun Property Management Co., Ltd. (notes (4) & (6))	3,615	3,615
Shanghai New Shihua Investment and Management Co., Ltd. (notes (4) & (6))	2,161	—
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (notes (1) & (6))	1,997	1,890
Beijing Golte Property Management Co., Ltd. (notes (4) & (6))	423	—
Shanghai Forte Investment Management Co., Ltd. (notes (4) & (6))	—	2,146
	<b>8,196</b>	<b>7,651</b>

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (d) Loans to a related party

The Company entered into a financial service agreement with Fosun Group Finance Corporation Limited (“Fosun Finance”), pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for a period from 1 January 2014 and ended 31 December 2016. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB1,000,000,000. The maximum daily outstanding balance of loans granted by Fosun Finance to the Group is RMB1,000,000,000.

#### Maximum daily outstanding balance of deposits in Fosun Finance

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Fosun Finance (note (8))	950,370	293,318

### (e) Interest income from a related party

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Fosun Finance (note (8))	894	1,340

The interest rate for deposits in Fosun Finance is made by reference to the benchmark interest rates on deposits issued by the People’s Bank of China (PBOC), and is no less than the interest rate payable (i) to the Group by the domestic commercial banks; and (ii) to others by Fosun Finance, for the deposit service of the similar term and amount, whichever is higher.

Notes:

- (1) They are associates of the Group.
- (2) They are joint ventures of the Group.
- (3) They are associates of Fosun High Tech, the holding company of the Group.
- (4) They are subsidiaries of Fosun International Limited, the ultimate holding company of the Group.
- (5) The sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.
- (6) The fees for the leasing and property management services received from or paid to these related companies were determined based on prices available to third party customers of these related companies.
- (7) Sinopharm Group Co., Ltd. is a major subsidiary of Sinopharm Investment, an associate of the Group.
- (8) Fosun Finance is a subsidiary of Fosun High Tech, the holding company of the Company.
- (9) Fosun Innovations (Shanghai) Co., Ltd. is a subsidiary of Fosun Innovations (Hong Kong) Co., Ltd., a joint venture of the Group.
- (10) As at 30 September 2013, the Group acquired Suzhou Laishi Blood Transfusion Equipment Co., Ltd. and Suzhou Laishi Blood Transfusion Equipment Co., Ltd. was no longer an associate of the Group.
- (11) As at 30 October 2013, the Group disposed of entire equity interest in Tongjitang Chinese Medicines Company and Tongjitang Chinese Medicines Company was no longer an associate of the Group.



# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (f) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Performance related bonuses	14,720	12,879
Salaries, allowances and benefits in kind	8,078	6,520
Restricted A share incentive scheme	6,486	—
Pension scheme contributions	300	286
	<b>29,584</b>	<b>19,685</b>

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY

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

	Carrying amounts		Fair values	
	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
<b>Financial Assets:</b>				
Available-for-sale investments, listed	1,426,340	1,672,788	1,426,340	1,672,788
Equity investments at fair value through profit or loss	38,663	44,196	38,663	44,196
	<b>1,465,003</b>	<b>1,716,984</b>	<b>1,465,003</b>	<b>1,716,984</b>
<b>Financial liabilities:</b>				
Non-current portion of interest-bearing bank borrowings	1,068,456	126,318	1,019,763	119,469
Non-current portion of other borrowings	4,078,489	4,073,391	4,071,274	4,022,432
Other long-term liabilities	391,117	395,228	391,117	395,228
	<b>5,538,062</b>	<b>4,594,937</b>	<b>5,482,154</b>	<b>4,537,129</b>

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings as at 30 June 2014 was assessed to be insignificant.

The fair values of listed equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 30 June 2014, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments of the Group is RMB1,219,801,000 (31 December 2013: RMB991,621,000). All of them are unlisted equity investments in China, North America and other countries held by the Group, which are intended to be disposed by the Group after getting listed in the designated stock exchange in the future.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2014:

As part of the purchases agreement, contingent consideration included in other long-term liabilities is payable, which is dependent on the profit target of Chancheng Hospital during the 24-month period subsequent to the acquisition as stated on the agreement. The amount recognised as at 30 June 2014 was RMB27,720,000 (31 December 2013: RMB55,440,000) which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders 2016. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Projected profit target of Chancheng Hospital is consistent with that estimated when the purchase agreement was signed. Discount rate and discount for own non-performance risk is nil.

A significant decrease in the profit after tax of Chancheng Hospital would result in a significant decrease in the fair value of the contingent consideration liability.

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of a subsidiary included in other long-term liabilities is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of Alma Lasers in 12 months ended 30 June 2014 and cash and bank balances of Alma Lasers as at 30 June 2014.

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

### Fair value hierarchy

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

#### Assets measured at fair value:

*As at 30 June 2014 (Unaudited)*

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments — Listed	1,426,340	—	—	1,426,340
Equity investments at fair value through profit or loss	—	38,663	—	38,663
	1,426,340	38,663	—	1,465,003

*As at 31 December 2013 (Audited)*

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments — Listed	1,672,788	—	—	1,672,788
Equity investments at fair value through profit or loss	—	44,196	—	44,196
	1,672,788	44,196	—	1,716,984

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

### Fair value hierarchy (Continued)

Liabilities measured at fair value:

*As at 30 June 2014 (Unaudited)*

	Fair value measurement using			Total RMB'000
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Amounts included in other long-term liabilities	—	—	77,899	77,899

*As at 31 December 2013 (Audited)*

	Fair value measurement using			Total RMB'000
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Amounts included in other long-term liabilities	—	—	99,804	99,804

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Amounts included in other long-term liabilities:		
At 1 January	99,804	570,389
Total losses recognised in the statement of profit or loss included in finance costs	5,815	22,109
Addition	—	55,440
Reclassification	(27,720)	(548,134)
At 31 December	<b>77,899</b>	99,804

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

### Fair value hierarchy (Continued)

#### Assets for which fair values are disclosed:

The Group did not have financial assets for which fair values are disclosed as at 30 June 2014 (31 December 2013: nil).

#### Liabilities for which fair values are disclosed:

*As at 30 June 2014 (Unaudited)*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank borrowings	—	1,019,763	—	1,019,763
Non-current portion of other borrowings	1,485,000	2,586,274	—	4,071,274
Amounts included in other long-term liabilities	—	311,498	—	311,498
	1,485,000	3,917,535	—	5,402,535

*As at 31 December 2013 (Audited)*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank borrowings	—	119,469	—	119,469
Non-current portion of other borrowings	1,440,000	2,582,432	—	4,022,432
Amounts included in other long-term liabilities	—	293,703	—	293,703
	1,440,000	2,995,604	—	4,435,604

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: nil).

# Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

## 21. CONTINGENT LIABILITIES

As at 30 June 2014 and 31 December 2013, the Group did not have any contingent liabilities.

## 22. EVENTS AFTER THE REPORTING PERIOD

### (a) Acquisition of Sinopharm Medical Investment

Passed by the Company's 27th meeting of the 6th board of directors, the Company intended to acquire 35% equity interest in Sinopharm Holding Medical Investment Management Co., Ltd. (hereinafter referred to as "Sinopharm Medical Investment") to be transferred by Sinopharm Group Co., Ltd. (hereinafter referred to as "Sinopharm Group") through bidding and tendering on China Beijing Equity Exchange for a consideration not exceeding RMB200 million. In July 2014, the Company entered into an agreement regarding the acquisition of 35% equity interest in Sinopharm Medical Investment at a consideration of RMB175,000,300 with Sinopharm Group.

### (b) Establishment of Zanyang Medical Care

Passed by the Company's 30th meeting of the 6th board of directors, Shanghai Yicheng Hospital Investment Management Company Limited (hereinafter referred to as "Yicheng Investment"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Taizhou Municipal Investment Company Limited (hereinafter referred to as "Taizhou Investment"), a company wholly owned by Taizhou Municipal Hospital, pursuant to which Yicheng Investment and Taizhou Investment will jointly establish Taizhou Zanyang Medical Care Investment Management Company Limited\* (hereinafter referred to as "Zanyang Medical Care"). Yicheng Investment shall make a cash investment of RMB511,216,396, representing 75% of the equity interest of Zanyang Medical Care, and Taizhou Investment shall contribute the land use rights of a parcel of land of 140.9085 mu for charitable medical and healthcare purposes located in Zanyang area, Haimen Street, Jiaojiang District, Taizhou valued at RMB170,405,465, representing 25% of the equity interests of Zanyang Medical Care. Upon establishment, Zanyang Medical Care will establish three subsidiaries, namely Taizhou Municipal Zanyang Hospital\* (a for-profit medical institution), Taizhou Zanyang Rehabilitation Centre\* (a for-profit medical institution) and Taizhou Zanyang Medical Device Company Limited\*.

\* The names of the entities are subject to registration with the competent authorities in the People's Republic of China.

## 23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2014.

# Definitions

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

“A Share(s)”	domestic share(s) of the Company with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“A Shareholder(s)”	holder(s) of A Shares
“AGM” or “Annual General Meeting”	the annual general meeting of the Company
“Alma Lasers”	Alma Lasers Ltd., a company incorporated in the State of Israel with limited liability
“Aohong Pharma”	Jinzhou Aohong Pharmaceutical Company Limited (錦州奧鴻藥業有限責任公司), an indirect 93% owned subsidiary of the Company
“API(s)”	active pharmaceutical ingredient(s), the biologically active substance in a pharmaceutical product, responsible for the therapeutic effect of a drug
“Articles of Association”	the articles of association of the Company
“associates”	has the meaning given to it under the Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Canada FDA”	the food and drug regulatory authority of Canada
“CG Code”	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
“Chancheng Hospital”	Foshan Chancheng Central Hospital Company Limited (佛山市禪城區中心醫院有限公司), a for-profit medical institution established with the approval by the Population, Health and Drug Administration of Chancheng District, Foshan (佛山市禪城區人口和衛生藥品監督管理局)
“Chindex”	Chindex International, Inc.
“Chongqing Pharma Research”	Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司), an indirect 56.98% owned subsidiary of the Company
“CML”	Chindex Medical Limited (美中互利醫療有限公司), a 70% owned subsidiary of the Group
“Company” or “Fosun Pharma”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares and A Shares are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“connected person(s)”	has the meaning given to it under the Hong Kong Listing Rules
“Controlling Shareholder(s)”	has the meaning given to it under the Hong Kong Listing Rules and in the context of our Company, means Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin, Fan Wei, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Director(s)”	director(s) of our Company

## Definitions

“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“Fochon Pharma”	Chongqing Fochon Pharmaceutical Research Co., Ltd (重慶復創醫藥研究有限公司), an indirect 70% owned subsidiary of the Company
“For Me Pharmacy”	Shanghai For Me Yixing Pharmacy Chain-Store Company Limited (上海復美益星大藥房連鎖有限公司), a subsidiary of the Company
“Fosun High Tech”	Shanghai Fosun High Technology (Group) Company Limited (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a Controlling Shareholder of the Company. Fosun High Tech is a connected person under Rule 14A.07(1) of the Hong Kong Listing Rules
“Fosun Holdings”	Fosun Holdings Limited (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
“Fosun Industrial”	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a wholly-owned subsidiary of the Company
“Fosun International”	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
“Fosun International Holdings”	Fosun International Holdings Limited (復星國際控股有限公司), which is held as to 58%, 22%, 10% and 10% by Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei, respectively, and a Controlling Shareholder of the Company
“Fosun Pharmaceutical Industrial”	Shanghai Fosun Pharmaceutical Industrial Development Company Limited (上海復星醫藥產業發展有限公司), a wholly-owned subsidiary of the Company
“Golden Elephant Pharmacy”	Beijing Golden Elephant Pharmacy Medicine Chain Company Limited (北京金象大藥房醫藥連鎖有限責任公司), a direct 55% owned subsidiary of the Company
“Group”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Guangji Hospital”	Yueyang Guangji Hospital Company Limited (岳陽廣濟醫院有限公司), an indirect 55% owned subsidiary of the Company
“Guilin Pharma”	Guilin South Pharma Company Limited (桂林南藥股份有限公司), an indirect 95.05% owned subsidiary of the Company
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“HKFRS”	the Hong Kong Financial Reporting Standards
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange



“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huanghe Pharma”	Jiangsu Huanghe Pharmaceutical Company Limited (江蘇黃河藥業股份有限公司), an indirect 51% owned subsidiary of the Company
“Jimin Cancer Hospital”	Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院), a people run non-enterprise unit established in the PRC and an indirect 70% owned subsidiary of the Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Nanyang Cancer Hospital”	Guangzhou Nanyang Cancer Hospital Co, Ltd. (廣州南洋腫瘤醫院有限公司), a joint venture indirectly owned by the Company
“PRC” or “China”	the People’s Republic of China, and “Chinese” shall be construed accordingly. References in this interim report to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Reporting Period”	the 6-month period from 1 January 2014 to 30 June 2014
“Restricted A Share(s)”	the A Shares granted under the Restricted A Share Incentive Scheme
“Restricted A Share Incentive Scheme”	the Restricted A Share incentive scheme of the Company, as approved by the Shareholders on 20 December 2013
“RMB”	the lawful currency of the PRC
“R&D”	research and development
“SELLAS”	SELLAS Clinicals Holding AG, a company incorporated in Switzerland with limited liability
“SFDA”	the State Food and Drug Administration (中華人民共和國國家食品藥品監督管理局), the PRC governmental authority responsible for the regulation of food and drugs
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai Henlins”	Shanghai Henlins Biotech Co., Ltd. (上海復宏漢霖生物技術有限公司), an indirect approximately 77.68% owned subsidiary of the Company
“Shanghai Listing Rules”	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Shareholders”	holders of the Shares
“Shares”	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shine Star”	Shine Star (Hubei) Biological Engineering Company Limited (湖北新生源生物工程股份有限公司), an indirect 51% owned subsidiary of the Company
“Sinopharm”	Sinopharm Group Co. Ltd. (國藥控股股份有限公司)

## Definitions

“substantial shareholder(s)”	has the meaning given to it under the Hong Kong Listing Rules
“Supervisors”	the members of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“U.S.” or “United States”	United States of America, its territories and possessions, any State of the United States and the District of Columbia
“US\$”	United States dollars, the lawful currency of the United States
“U.S. FDA”	U.S. Food and Drug Administration
“Wanbang Pharma”	Jiangsu Wanbang Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥股份有限公司), a direct 95.2% owned subsidiary of Fosun Pharmaceutical Industrial
“Xinjiang Boze”	Xinjiang Boze Equity Investment Limited Partnership (新疆博澤股權投資有限合夥企業)
“Yao Pharma”	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), a 51% owned subsidiary of Fosun Pharmaceutical Industrial
“Zhongwu Hospital”	Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司), an indirect 55% owned subsidiary of the Company
“€”	EURO, the lawful currency of the European Union
“%”	per cent

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