FOSUNPHARMA

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 2016

* *For identification purposes only*

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, integration capabilities and internationalization level through the investment, management and highly efficient operation of outstanding enterprises in the industry, so as to become the leading company in providing health products and services.

Contents

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

Corporate Information

Directors

Executive Directors
Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方) *(Vice Chairman)*

Non-executive Directors
Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Ms. Kang Lan (康嵐)
Mr. Wang Can (王燦)[1]
Mr. Wang Pinliang (王品良)[2]
Mr. John Changzheng Ma[4]

Independent Non-executive Directors
Mr. Cao Huimin (曹惠民)
Mr. Jiang Xian (江憲)
Dr. Wong Tin Yau Kelvin (黃天祐)
Mr. Wai Shiu Kwan Danny (韋少琨)[1]
Dr. Zhang Weijiong (張維炯)[5]

Supervisors
Mr. Li Chun (李春) *(Chairman)*[1]
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)
Mr. Zhou Wenyue (周文岳)[5]

Joint Company Secretaries
Ms. Dong Xiaoxian (董曉嫻)[6]
Ms. Lo Yee Har Susan (盧綺霞)
Mr. Zhou Biao (周飚)[7]

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)
Mr. Wai Shiu Kwan Danny (韋少琨)[1]
Dr. Zhang Weijiong (張維炯)[5]

Audit Committee
Mr. Cao Huimin (曹惠民) *(Chairman)*
Mr. Jiang Xian (江憲)
Mr. Wang Can (王燦)[1]
Mr. Wang Pinliang (王品良)[2]
Mr. John Changzheng Ma[3,5]

Nomination Committee
Mr. Jiang Xian (江憲) *(Chairman)*
Mr. Cao Huimin (曹惠民)[1]
Ms. Kang Lan (康嵐)
Dr. Zhang Weijiong (張維炯)[5]

Remuneration and Appraisal Committee
Dr. Wong Tin Yau Kelvin (黃天祐) *(Chairman)*[1]
Mr. Chen Qiyu (陳啟宇)
Ms. Kang Lan (康嵐)
Mr. Cao Huimin (曹惠民)
Mr. Jiang Xian (江憲)
Dr. Zhang Weijiong (張維炯)[5]

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

Principal Place of Business in Hong Kong
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisers in Hong Kong
Reed Smith Richards Butler

Legal Advisers in the PRC
Grandall Law Firm (Shanghai)

Auditors
Ernst & Young

Principal Banks
The Export-Import Bank of China
China Merchants Bank Shanghai branch
Bank of Beijing Shanghai Branch
Standard Chartered Bank

Company Name
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation
FOSUN PHARMA

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

A Share Registrar and Transfer Office in the PRC
China Securities Depository & Clearing Corporation Limited (CSDCC)
Shanghai Branch
China Insurance Building
166 East Lujiazui Road
Pudong District
Shanghai, China

H Share Registrar and Transfer Office in Hong Kong
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Company's Website
http://www.fosunpharma.com

1 Appointed on 7 June 2016
2 Resigned on 2 March 2016
3 Appointed on 2 March 2016
4 Resigned on 29 June 2016
5 Retired on 7 June 2016
6 Appointed on 29 June 2016
7 Resigned on 27 June 2016

Financial Highlights

	Six months ended 30 June	
	2016	2015
	RMB million	RMB million
Operating results		
Revenue	**6,878**	5,871
Gross profit	**3,649**	2,942
Operating profit	**998**	760
Profit before tax	**1,930**	1,810
Profit for the period attributable to owners of the parent	**1,500**	1,303
Profitability		
Gross margin	**53.05%**	50.11%
Operating profit margin	**14.51%**	12.94%
Profit margin for the year	**25.43%**	25.82%
Earnings per share (RMB)		
Earnings per share — basic	**0.65**	0.56
Earnings per share — diluted	**0.65**	0.56
Assets		
Total assets	**40,887**	38,145
Equity attributable to owners of the parent	**18,936**	18,125
Total liabilities	**19,118**	17,532
Cash and bank balances	**4,724**	4,029
Debt-to-asset ratio	**46.76%**	45.96%
Of which: Pharmaceutical manufacturing and R&D segment		
Segment revenue	**4,797**	4,077
Segment gross profit	**2,788**	2,187
Segment results	**812**	602
Segment profit for the period	**857**	613

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 RMB6,878 million, representing an increase of 17.15% as compared to the corresponding period of 2015. Excluding the impact of the disposal of Handan Pharmaceutical, the revenue would have increased by 18.77% on the same basis as compared with the corresponding period of 2015.

During the Reporting Period, profit before tax and profit attributable to owners of the parent of the Group were RMB1,930 million and RMB1,500 million, increased by 6.61% and 15.10% as compared to the corresponding period of 2015, respectively.

During the Reporting Period, earnings per share attributable to owners of the parent of the Group increased by 16.07% to RMB0.65 as compared to the corresponding period of 2015.

REVENUE

During the Reporting Period, revenue of the Group amounted to RMB6,878 million, representing an increase of 17.15% as compared to the corresponding period of 2015. Excluding the impact of the disposal of Handan Pharmaceutical, the revenue would have increased by 18.77% on the same basis as compared with the corresponding period of 2015.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB4,797 million, representing an increase of 17.66% as compared to the corresponding period of 2015, segment results of RMB812 million, representing an increase of 34.87% as compared to the corresponding period of 2015 and segment profit of RMB857 million, representing an increase of 39.78% as compared to the corresponding period of 2015.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased by 10.21% to RMB3,229 million from RMB2,929 million for the corresponding period of 2015.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group increased by 24.03% to RMB3,649 million from RMB2,942 million for the corresponding period of 2015. The gross margin of the Group for the Reporting Period and the corresponding period of 2015 were 53.05% and 50.11%, respectively.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 31.16% to RMB1,680 million from RMB1,281 million for the corresponding period of 2015, which was mainly due to the growth in the sales volume of major products in the major therapeutic area of the Group and extensive expansion of market.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, R&D expenses of the Group increased by 2.69% to RMB307 million from RMB299 million for the corresponding period of 2015, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB243 million, representing an increase of 4.14% from the corresponding period of 2015 and accounting for 5% of the revenue of the pharmaceutical manufacturing and R&D segment. The increase was mainly due to the continuous increase in research and development efforts, with the focus on the research and development of generic biopharmaceutical drugs and innovative drugs of the Group.

During the Reporting Period, R&D expenditure of the Group amounted to RMB488 million, accounting for 7% of the revenue for the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased by 14.38% to RMB716 million from RMB626 million for the corresponding period of 2015, 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 increased by 15.37% to RMB1,749 million from RMB1,516 million for the corresponding period of 2015. Net profit margin for the period of the Group during the Reporting Period and the corresponding period of 2015 were 25.43% and 25.82%, 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 increased by 15.10% to RMB1,500 million from RMB1,303 million for the corresponding period of 2015 mainly due to (1) the steady business growth maintained by the Group; (2) the rapid growth maintained by Sinopharm, an associate of the Company.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 30 June 2016, total debts of the Group increased to RMB12,450 million from RMB10,895 million as at 31 December 2015 mainly due to the increase in domestic and overseas acquisitions. As at 30 June 2016, mid- to long-term debts of the Group accounted for 42.44% of its total debts as compared to 32.79% as at 31 December 2015. The increase in proportion of the long-term debts was mainly due to the issuance of First Tranche of the Corporate Bonds of RMB3,000 million during the Reporting Period. As at 30 June 2016, cash and bank balances increased by 17.25% to RMB4,724 million from RMB4,029 million as at 31 December 2015.

As at 30 June 2016, the equivalent amount of RMB3,804 million (31 December 2015: RMB3,726 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 30 June 2016, cash and bank balances of the Group denominated in foreign currencies amounted to RMB773 million (31 December 2015: RMB1,040 million).

Unit: RMB million

Cash and bank balances denominated in:	30 June 2016	31 December 2015
RMB	3,951	2,989
US dollars	588	906
Hong Kong dollars	60	67
Others	125	67
Total	4,724	4,029

Gearing Ratio

As at 30 June 2016, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 30.45%, as compared with 28.56% as at 31 December 2015.

Interest Rate

As at 30 June 2016, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB5,160 million (31 December 2015: RMB5,472 million).

Maturity Structure of Outstanding Debts

Unit: RMB million

	30 June 2016	31 December 2015
Within 1 year	7,166	7,323
1 to 2 years	402	1,837
2 to 5 years	4,768	1,521
Over 5 years	114	214
Total	12,450	10,895

Available Facilities

As at 30 June 2016, save for cash and bank balances of RMB4,724 million, the Group had unutilized banking facilities of RMB12,746 million in aggregate. The Group has also entered into cooperation agreements with various major banks in China. According to such agreements, these 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 these banks in accordance with banking regulations in China. As at 30 June 2016, total available banking facilities under these arrangements were approximately RMB20,211 million in aggregate, of which RMB7,465 million had been utilized. On 26 March 2015, the Group obtained a "Letter of Acceptance of Registration" issued by the National Association of Financial Market Institutional Investors for accepting the registration of the medium-term notes of RMB2,000 million of the Company. The registered amount shall be effective within a period of two years from the date of the letter, in which, medium-term notes of RMB400 million has been issued on 10 September 2015. On 1 December 2015, the Group obtained a"Letter of Acceptance of Registration" issued by the National Association of Financial Market Institutional Investors for accepting the registration of the super short-term commercial papers of RMB4,500 million of the Company. The registered amount shall be effective within a period of two years from the date of the letter, in which, super short-term commercial papers of RMB500 million has been issued on 20 May 2016. The Group obtained the approval for public issuance of Corporate Bonds in the amount of no more than RMB5,000 million to qualified investors from the CSRC on 30 December 2015. The approval shall be effective within a period of 24 months from the date on which the approval of the CSRC is obtained, in which, the First Tranche of Corporate Bonds of RMB3,000 million has been issued on 4 March 2016.

Collateral and Pledged Assets

As at 30 June 2016, the Group had placed the following as collateral for bank borrowings: Property, plant and equipment amounting to RMB42 million (31 December 2015: RMB59 million) and prepaid land lease payments amounting to RMB32 million (31 December 2015: RMB34 million), 268,371,532 shares in Guilin Pharma held by the Group (31 December 2015: 268,371,532 shares in Guilin Pharma held by the Group) and the entire equity interest in Sisram held by the Group and Magnificent View (31 December 2015: the entire equity interest in Sisram held by the Group and Magnificent View). Details of the collateral and 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 2015.

Unit: RMB million

	January – June 2016	January – June 2015
Net cash flows from operating activities	**936**	677
Net cash flows used in investing activities	**(1,128)**	(627)
Net cash flows from financing activities	**668**	(201)
Net increase/(decrease) in cash and cash equivalents	**476**	(151)
Cash and cash equivalents at the beginning of the year	**3,349**	3,010
Cash and cash equivalents at the end of the year	**3,846**	2,855

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB888 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 30 June 2016, the Group's capital commitments contracted but not provided for amounted to RMB2,852 million. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 18 to the financial statements.

Contingent Liabilities

As at 30 June 2016, the Group did not have any contingent liabilities.

Interest Coverage

As at 30 June 2016, the interest coverage, which is calculated by EBITDA divided by financial costs was 10.87 times as compared with 10.55 times for the corresponding period of 2015. The interest coverage increased mainly because the Group's EBITDA for 2015 increased by 8.12% to RMB2,543 million from RMB2,352 million for the corresponding period of 2015.

RISK MANAGEMENT

Foreign Currency Exposure

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

Interest Rate Exposure

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

BUSINESS REVIEW

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

In the first half of 2016, amidst the severe situation that was full of challenges and uncertainties in the economies of the world and the PRC, continuous reform of the medical system in the PRC and the limited growth of pharmaceutical manufacturing industry 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, thereby maintaining the balanced growth of its principal businesses.

During the Reporting Period, the revenue of the Group increased by 17.15% as compared to the corresponding period of 2015 to RMB6,878 million, and excluding the impact of the disposal of Handan Pharmaceutical, revenue would have increased by 18.77% as compared with the corresponding period of 2015. Of which, the revenue from pharmaceutical manufacturing and research and development (R&D) segment of the Group amounted to RMB4,797 million, representing an increase of 17.66% as compared to the corresponding period of 2015, and excluding the impact of the disposal of Handan Pharmaceutical, revenue from pharmaceutical manufacturing and R&D would have increased by 20.03% as compared with the corresponding period of 2015. The revenue from healthcare service business amounted to RMB752 million, representing an increase of 11.57% as compared to the corresponding period of 2015.

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

Unit: RMB million

Business segment	Revenue for January to June 2016	Revenue for January to June 2015	Year-on-year increase/decrease (%)
Pharmaceutical manufacturing and R&D *(Note 1)*	**4,797**	4,077	17.66
Healthcare services	**752**	674	11.57
Manufacturing of medical diagnosis and medical devices	**945**	827	14.27
Distribution of medical diagnosis and medical devices *(Note 2)*	**371**	283	31.10

Note 1: Excluding the impact of disposal of Handan Pharmaceutical, the revenue of pharmaceutical manufacturing and R&D would have increased by 20.03% on the same basis as compared to the corresponding period of 2015.

Note 2: The increase in revenue of distribution business was mainly due to an increase in sales of consumables brought by the accelerated sales of Da Vinci surgical robotic system and the increased volume of surgery.

From January to June 2016, the Group recorded profit before tax of RMB1,930 million and profit attributable to owners of the parent of RMB1,500 million, representing an increase of 6.61% and 15.10%, respectively, as compared to the corresponding period of 2015. The increase in each of the profit before tax and profit attributable to owners of the parent was mainly due to (1) the steady growth maintained by businesses of the Group, the further optimized sales structure, the construction of marketing system and emergence of effects arising from supply chain integration ; (2) the rapid growth maintained by Sinopharm, an associate of the Company.

During the Reporting Period, net cashflow from operating activities continued to rise, increasing to RMB936 million for the first half of 2016, representing an increase of 38.17% as compared to the corresponding period of 2015. The profitability and operational quality of the Group further enhanced.

During the Reporting Period, the Group continued to increase the investment in R&D. The R&D expense of pharmaceutical manufacturing and R&D segment amounted to RMB243 million, representing a 4.14% growth from the corresponding period of 2015 and accounting for 5% of the revenue of the pharmaceutical manufacturing and R&D segment. During the Reporting Period, the R&D expenses of the Group amounted to RMB307 million, representing an increase of 2.69% as compared to the corresponding period of 2015. R&D expenditure (including capitalized expenditure) amounted to RMB488 million, representing an increase of 37.06% as compared with the corresponding period of 2015. As at the end of the Reporting Period, the Group had 172 pipeline drug, generic drug, generic biopharmaceutical drug and vaccine projects. During the Reporting Period, the Group applied for 37 patents, including 13 U.S. patent applications and 2 PCT applications, in the pharmaceutical manufacturing and R&D segment. The pharmaceutical manufacturing and R&D segment of the Group obtained 13 licensed patents, all of which were invention patents. N-Acetyl Cysteine and Histidine hydrochloride APIs of Hubei Shine Star, Fasudil Hydrochloride APIs of Yao Pharma and thymopentinfor injection of Erye Pharmaceutical obtained production approval.

During the Reporting Period, the Group continued to reinforce its substantially completed 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. It established regional medical centers and a supply chain spanning major health industries and explored models of cooperation with local large state-owned enterprises, public hospitals and university-affiliated hospitals to accelerate its internet medical development and enhance operating capabilities and profitability. During the Reporting Period, the "Phase II district project of Qingdao Qilu Hospital of Shandong University" and the healthcare business reorganization of relevant medical institutions that were owned by the Xuzhou Coal Mining Group, in which the Group took part, have already started, Wenzhou Geriatric Hospital invested by the Group commenced operation and the Group commenced its blood dialysis specialty franchise medical operation through Hunan Jingren.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB4,797 million, representing an increase of 17.66% as compared to the corresponding period of 2015, and excluding the impact of the disposal of Handan Pharmaceutical, revenue would have increased by 20.03% as compared with the corresponding period of 2015. During the Reporting Period, segment results and segment profit of the pharmaceutical manufacturing and R&D segment of the Group amounted to RMB812 million and RMB857 million, which increased by 34.87% and 39.78% as compared to the corresponding period of 2015 respectively.

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 2016, the sales of the Group's major products in therapeutic areas such as cardiovascular system, anti-infection and central nervous system maintained rapid growth. Among new and recent products, the cardiovascular therapeutic product You Di Er (alprostadil dried emulsion) and the metabolism system therapeutic product You Li Tong (febuxostat tablets) maintained prominent growth exceeding 100% as compared to the corresponding period last year. During the Reporting Period, the 19 formulation items and series with sales over RMB100 million in 2015 increased by 26.45% as compared to the corresponding period of 2015.

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

Unit: RMB million

Pharmaceutical manufacturing and R&D	**January to June 2016**	January to June 2015	Changes compared to the corresponding period of 2015 (%)
Major products of cardiovascular system therapeutic area *(Note 1)*	**585**	395	48.00
Major products of central nervous system therapeutic area *(Note 2)*	**488**	387	26.38
Major products of blood system therapeutic area *(Note 3)*	**114**	112	1.10
Major products of metabolism and alimentary system therapeutic area *(Note 4)*	**847**	816 *(note 4*)*	12.91
Major products of anti-infection therapeutic area *(Note 5)*	**936**	714	31.12
Major products of anti-tumor therapeutic area *(Note 6)*	**155**	127	22.44
Major products of APIs and intermediate products *(Note 7)*	**544**	456	19.19

Note 1: Major products of cardiovascular system therapeutic area include 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) and heparin series preparations;

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);

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

Note 4:* The comparative figures of the corresponding period last year as shown in the above table include Mo Luo Dan products;

Note 5: Major products of anti-infection therapeutic area include anti-tuberculosis series, antimalarial series such as artesunate, Xi Chang (cefmetazole sodium), Shaduolika (potassium sodium dehydroandrographolide succinate), Qiang Shu Xi Lin (Piperacillin Sodium and Sulbactam Sodium 1.5g), Qin Shu (Piperacillin Sodium and Sulbactam Sodium 3g), Gu Shu Xi Lin (Piperacillin Sodium and Tazobactam Sodium) and Er Ye Bi (Ceftizoxime Sodium);

Note 6: Major products of anti-tumor therapeutic area include Xihuang capsules, pemetrexed disodium and Zhao Hui Xian (bicalutamide);

Note 7: Major products of APIs and intermediate products include amino acid, tranexamic acid and clindamycin hydrochloride.

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 reaction monitoring mechanisms at each stage of the production chain from R&D to pulling off shelf of products, so as to ensure the R&D, registration, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing and R&D segment has 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, Corrective and Preventive Actions (CAPA) and audit on suppliers. In the first half of 2016, the Group issued a series of pharmaceutical quality system guidance documents and completed its interim quality objective. The Group continued to push forward the improvement of qualification certifications. As at the end of the Reporting Period, 19 subsidiaries of the Group that engaged in pharmaceutical manufacturing business obtained 49 Good Manufacturing Practices (GMP) certificates (2010) in aggregate, which included 32 production lines for sterile preparation, 29 production lines for oral formulation and 61 APIs. All subsidiaries that engaged in pharmaceutical manufacturing business fulfilled the new GMP in China. While ensuring the production lines to fulfil the new GMP in China, the Group strove for its quality system to comply with international Current Good Manufacturing Practice (cGMP) certifications such as the U.S., European Union and World Health Organization (WHO) into practice and encouraged its products to comply with international advanced standards such as European Pharmacopoeia, United States Pharmacopeia (USP) and International Pharmacopoeia (InP). As at the end of the Reporting Period, 13 APIs of the Group received certifications from the U.S. FDA, EU, Ministry of Health, Labor and Welfare of Japan and Federal Ministry of Health of Germany; 1 production line for oral solid dosage formulation, 3 production lines for injection and 5 production lines for APIs of Guilin Pharma, a subsidiary, obtained PreQualification from the WHO-PQ; and 1 production line of oral solid dosage formulation of Yao Pharma, a subsidiary, was recognized by Canada FDA and the U.S. FDA and its many formulations products were sold overseas.

The Group has focused on innovation and R&D in long run and continued to increase investment in R&D. During the Reporting Period, expenses recognized as R&D expenditures were RMB307 million, representing an increase of 2.69% as compared to the corresponding period of 2015, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB243 million, accounting for 5% of the revenue of the pharmaceutical manufacturing and R&D segment. During the Reporting Period, the Group continued to optimize its pharmaceutical R&D system that integrated generic and innovator drugs, increased investment in the Four Major R&D Platforms, improved its innovation system, enhanced R&D capabilities, and strengthened the core competitiveness of the Group. The Group had national level enterprise technical centers and had established highly-efficient international R&D teams in Shanghai, Chongqing, San Francisco and Taiwan. In order to leverage its competitive strengths, the Group focused its R&D projects on therapeutic areas including cardiovascular system, nervous system, blood system, metabolism and alimentary system, anti-infection and anti-tumor, and the major products had gained a leading position in their respective market segments.

As at the end of the Reporting Period, the Group had 172 pipeline drugs, generic drugs, biosimilars and vaccine projects, During the Reporting Period, applications for clinical trial had been tendered to the CFDA for PA-824 type 1.1 innovative API and tablets; research on monoclonal antibody products further accelerated and recombinant murine/human chimeric anti-CD20 monoclonal antibody injection, recombinant humanized anti-HER2 monoclonal antibody injection, recombinant anti-TNFα fully human monoclonal antibody injection, recombinant humanized anti-VEGF monoclonal antibody injection and HLX07 (anti-EGFR humanized monoclonal antibody) injection were in or approved to commence clinical trial. Recombinant murine/human chimeric anti-CD20 monoclonal antibody injection was in phase III of the trial; recombinant humanized anti-HER2 monoclonal antibody injection was approved to commence the trial; HLX07 (anti-EGFR humanized monoclonal antibody) injection intended to commence phase I of the trial in Taiwan. During the Reporting Period, approval of clinical trial was obtained for 22 products. In addition, during the Reporting Period, N-Acetyl Cysteine and Histidine hydrochloride APIs of Hubei Shine Star, Fasudil Hydrochloride APIs of Yao Pharma and thymopentinfor injection of Erye Pharmaceutical obtained production approval.

During the Reporting Period, a total of 37 patents had been applied for in the pharmaceutical manufacturing and R&D segment, including 13 U.S. patent applications and 2 PCT applications, and 13 licensed patents had been obtained, all of which were invention parents.

Healthcare Services

In the first half of 2016, the Group continued to reinforce its substantially completed 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. It established regional medical centers and a supply chain spanning major health industries and explored models of cooperation with local large state-owned companies, public hospitals and university-affiliated hospitals to accelerate its internet medical development strategy and enhance operating capabilities and profitability. During the Reporting Period, the "Phase II district project of Qingdao Qilu Hospital of Shandong University" and the Wenzhou Geriatric Hospital, in both of which the Group took part, commenced and started operation respectively, laying foundations of a new model for social enterprises' participation in the healthcare services segment. The Group participated in the reorganization of healthcare operations of relevant medical institutions previously in the Xuzhou Coal Mining Group, which was a breakthrough of the Group in reorganizing healthcare operations of state-owned companies as it would facilitate the exploration of co-operating and managing medical institutions with such large local institutions and large insurers. Such a breakthrough was momentous towards the reformation of hospital with mixed ownership and integration of the healthcare supply chain. Furthermore, the Group commenced its blood dialysis specialty franchise medical operation through Hunan Jingren. Moreover, through further involvement in the "B" round financing of "Mingyi Zhudao" platform, a seamless integration of online and offline services was achieved and a closed circuit of O2O was formed so as to explore the innovation of medical services operation and model.

During the Reporting Period, the healthcare services entities controlled by the Group realized total revenue of RMB752 million, representing an increase of 11.57% as compared to the corresponding period of 2015, segment results of RMB133 million, representing an increase of 14.06% as compared to the corresponding period of 2015, and segment profit of RMB112 million, representing an increase of 66.64% as compared to the corresponding period of 2015. As at the end of the Reporting Period, the total number of beds available for the public in Chancheng Hospital, Jimin Cancer Hospital, Guangji Hospital, Zhongwu Hospital and Wenzhou Geriatrics Hospital, etc. controlled by the Group was 3,018 in aggregate.

In addition, during the Reporting Period, the Group actively supported and facilitated 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 2016, the United Family Hospital maintained its brand awareness and prominent positions in high-end healthcare segment in major cities such as Beijing, Shanghai and Tianjin. The construction of Guangzhou United Family Hospital was at full steam.

While devoting itself to the domestic healthcare services industry, the Group also paid close attention to exploring new service models in healthcare services segment of the global mainstream market.

Medical Diagnosis and Medical Devices

The Company continued to push the development of the medical diagnosis and medical devices segment forward. During the Reporting Period, the Group actively fostered the business development of Alma Lasers, commenced preparations for the listing of Sisram Group and Yaneng Bio in Hong Kong and enhanced the expansion of the distribution business of CML. The volume of surgery by Da Vinci surgical robotic system maintained a significant increase in the first half of 2016. In the first half of 2016, Alma Lasers continued to accelerate the development of the global market and especially key emerging markets such as China and India and recorded revenue of RMB383 million for the first half of 2016, representing an increase of 15.99% as compared to the corresponding period of 2015. Alma Lasers also strengthened its new product portfolio, in particular, by increasing R&D of medical devices and extending its production line into the clinical treatment area. In the first half of 2016, the products of Alma Lasers obtained 5 new EU CE certifications in aggregate. Furthermore, dental digitized product lines became the new source of growth. The first half of 2016 saw a growth rate of 175% as compared to the corresponding period of 2015.

During the Reporting Period, the Group realized revenue of RMB945 million from the manufacturing of medical diagnosis and medical devices segment, representing an increase of 14.27% as compared to the corresponding period of 2015. The revenue of medical diagnosis and medical device distribution business amounted to RMB371 million, representing an increase of 31.10% as compared to the corresponding period of 2015. The results and profit of this segment amounted to RMB245 million and RMB189 million, which increased by 21.52% and 23.62% as compared to the corresponding period of 2015 respectively. The increase in revenue of distribution business was mainly due to an increase in sales of consumables brought by the increase in sales of equipment resulting from an increase in sales and volume of surgery by Da Vinci surgical robotic system. In the first half of 2016, 12 Da Vinci surgical robotic systems were sold in Mainland China and Hong Kong with a volume of surgery amounting to approximately 8,000, representing growth of approximately 49% as compared to the corresponding period of 2015.

Pharmaceutical Distribution and Retail

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 2016, Sinopharm realized revenue of RMB125,888 million, net profit of RMB3,730 million and net profit attributable to shareholders of the Company RMB2,529 million, which represented an increase of 13.35%, 29.14% and 32.15% as compared to the corresponding period of 2015, respectively. As at the end of the Reporting Period, the distribution network of Sinopharm covered 31 provinces, autonomous regions and municipalities in China. The number of its direct customers reached 13,841 (only referring to hospitals with ranking, including 1,880 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 13.63% as compared to the corresponding period of 2015 to RMB119,779 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB4,909 million realized during the Reporting Period, representing an increase of 19.69% as compared to the corresponding period of 2015, while its pharmaceutical retail network further expanded with retail pharmacies owned by GuoDa Drug Store, its subsidiary, amounted to 3,268 as at the end of the Reporting Period.

Internal Integration and Operation Enhancement

During the Reporting Period, the Group continued to increase its investment in internal integration, further strengthened the internal communication of the Group and proactively improved operational efficiency.

During the Reporting Period, the Company's centralized procurement and procurement management department further enhanced the operation efficiency in aspects such as centralized procurement, strategic procurement, procurement management system and platform establishment so as to cut cost and improve efficiency. During the Reporting Period, the centralized procurement projects implemented by the subsidiaries of each segments of the Group comprised twelve projects including raw materials, equipment, medical materials, medical equipment, IT equipment and non-production services. In the first half of 2016, the average decrease of the procurement costs of the project bids through centralized procurement was about 18%, and the highest decrease for the procurement price of an item was 43%. While cutting costs and making improvement, the Group further integrated the supplier resources of each category and strengthened its cooperation with the leading industry peers so as to reduce supply risk and enhance the quality of its own products and services. In respect of the establishment of management system, based on the Basic Guidelines for Procurement and Tendering of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Trial), the Company refined the procurement business management for production, construction and non-production and published and organized 20 business templates and 14 business processes covering business procedures such as budgeting and procurement and tendering. In respect of supplier management, the Group participated in the "Shanghai 100+ Enterprises Green Chain Project" organized by Shanghai Environmental Protection Bureau, by which it strengthened the assessment on supplier green management system on the basis of concerning the supply quality of suppliers. In order to enable the Group to comply with higher international environment standards, motivate the suppliers to strengthen self-regulation in environment and in the industry, facilitate a more healthy and more sustainable supply chain in the whole industry, the Group established a green supply chain management committee and issued the Basic Guidelines for Green Suppliers Management of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Trial). In respect of platform construction, the Group further promoted the application of its procurement and tendering platform, thereby strengthening the business synergies of the Group's subsidiaries in respect of project tendering, supplier sourcing and strategic agreements and improving business efficiency. Meanwhile, the Company also assisted the implementation of ERP system and further prepared the standardized procurement categories and materials information of the Group.

Environment, Health and Safety

During the Reporting Period, the Group continued to proceed at the subsidiary level with the establishment and deepening implementation of the management system of EHS. Through a series of proactive improvements ranging from the comprehensive EHS compliance and risk assessment, modification and upgrade of EHS governance facilities to risk self-assessment, reporting and rectification, the Group further lowered its EHS risk. The management at each level had set up the system of regular EHS review and decision making and further consolidated the organizational structure, human resources, the management process and the securing of resources. Improvement to the EHS taskforce was promoted and its expertise enhanced, while the EHS awareness and consciousness of all staff heightened, so as to ensure the compliance and continuous improvement of the Group's EHS.

During the Reporting Period, the Group announced the updated EHS policy (2016) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. and devised and initiated various EHS-related management and improvement activities, such as EHS cross-audit spanning different segments and units, and a platform for sharing information of internal affairs and excellent practices. These efforts rendered the Group's EHS management more professional and refined and continuously procured the lowering of operational EHS risks and the wide increase in staff participation. Meanwhile, with regard to EHS risk control, the Group continued to tighten its control measures and put into full implementation the accountability of chief officers. Defects were tracked and rectified under a red and yellow cards mechanism and zero tolerance was given to any violation of laws or regulations. As a result, the whole Group had consistently adopted an EHS risk management philosophy of early identification and early resolution.

The Group, in light of its rapid development and needs arising during the course of internationalization, conducted EHS due diligence against all of its domestic and overseas investment, acquisition or merger projects and set this as a significant consideration when making investment decisions. It further promptly took over management of investees and introduced and enforced its EHS management system in them.

Financing

During the Reporting Period, the proposed non-public issuance of A Shares was approved by CSRC, and the total proceeds of approximately RMB2,300 million were proposed to be used for the purposes of the repayment of interest-bearing debts and replenishment of working capital. Meanwhile, during the Reporting Period, the Company completed the issue of RMB3,000 million Corporate Bonds and the First Tranche of Super Short-term Commercial Papers for 2016 of RMB500 million, and adjusted its debt structure to further reduce financing costs. Fosun Industrial, a subsidiary of the Company, entered into an agreement for a syndicated loan of US$500 million equivalent with an overseas bank consortium. Meanwhile, the Company also extended cooperation with the Export-Import Bank of China, China Development Fund Co., Ltd., and International Finance Corporation (IFC) to obtain facilities at low interest rates. The Company extended and maintained solid partnerships and further increased credit facilities with major principal banks domestically and overseas, enabling the Group to continuously further its mergers and acquisitions of domestic and overseas pharmaceutical companies, enhance the construction of international R&D platform, and strengthen the development of its principal businesses.

A Analysis on Principal Operations

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

Unit: RMB million

Items	January to June 2016	January to June 2015	Year-on-year change (%)
Revenue	**6,878**	5,871	17.15
Cost of sales	**3,229**	2,929	10.21
Selling and distribution expenses	**1,680**	1,281	31.16
Administrative expenses	**664**	602	10.30
R&D expenses	**307**	299	2.69
Finance costs	**234**	223	4.93
Net cash flow generated from operating activities	**936**	677	38.17
Net cash flow generated from investment activities	**–1,128**	–627	–80.01
Net cash flow generated from financing activities	**668**	–201	431.67
R&D expenditure	**488**	357	37.06

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

The change in selling and distribution expenses was mainly due to the growth in the sales volume of major products in the major therapeutic areas of the Group and the extensive expansion of market;

The increase in net cash flow generated from operating activities was mainly due to the sound sales performance and enhancement in operation of the Group during the Reporting Period;

The decrease in net cash flow generated from investment activities was mainly due to more cash received from disposal of subsidiaries and returns of investments during the corresponding period of the previous year;

The increase in net cash flow generated from financing activities was mainly due to the issuance of bonds by the Group during the Reporting Period included in the comparative figures;

The increase in R&D expenditure was mainly due to the increase in the investment in R&D by the Group during the Reporting Period.

(2) *R&D Expenditures*

① R&D expenditures

Unit: RMB million

R&D expenditures expensed for the period	307
R&D expenditures capitalized for the period	181
Total R&D expenditures	488
Percentage of total R&D expenditures on net assets (%)	2.24
Percentage of total R&D expenditures on revenue (%)	7

② Description

During the Reporting Period, the R&D expenses were RMB307 million, representing an increase of 2.69% as compared to last year, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB243 million, representing an increase of 4.14% as compared to the corresponding period in 2015 and accounting for 5% of the revenue of the pharmaceutical manufacturing and R&D segment, mainly because the Group had increased its investments on R&D of biosimilars 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.

B Industry and Regional Operations

(1) Principal Business by Segment

Unit: RMB million

Segments	Revenue	Cost of sales	Gross margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin
	Business by segment					
Pharmaceutical manufacturing and R&D	4,797	2,009	58.12	17.66	6.27	increase of 4.48 percentage points
Healthcare services	752	534	28.99	11.57	11.75	decrease of 0.09 percentage point
Medical diagnosis and medical devices	1,316	668	49.24	18.56	22.17	decrease of 1.48 percentage points

(2) Business by Geographical Location

Unit: RMB million

Region	Revenue	Year-on-year change in revenue (%)
Mainland China	5,952	15.73
Overseas countries or regions	926	27.23

C Analysis on Major Subsidiaries and Investee Companies

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

① Operation and Results of Major Subsidiaries

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	197	2,174	1,326	1,489	175	195
Wanbang Pharma	Pharmaceutical manufacturing	Wan Su Lin, Wan Su Ping, Xihuang capsules, EPO, heparin series, etc.	440	2,620	1,152	1,265	157	134
Hubei Shine Star	Manufacturing of amino acid	Amino acid series products	51	804	552	562	56	44
Aohong Pharma *(Note)*	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	1,595	1,137	490	237	202

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

② Status of Major Subsidiaries of Other Business Segments

Unit: RMB million

Name	Nature of business	Major products	Registered Capital	Total assets	Net assets	Net profit
Alma Lasers *(note)*	Medical Devices	Medical devices for beauty treatment and medical devices for medical purposes	N/A	1,106	876	62
Chancheng Hospital *(note)*	Healthcare services	Healthcare services	50	1,531	1,054	76

Note: The figures of Alma Lasers and Chancheng Hospital included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

(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 business	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)	Pharmaceutical investment	Pharmaceutical investment	100	152,592	44,000	125,685	4,426	3,723

(3) *Acquisition and Disposal of 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 2015)	Net profit (from acquisition date to the end of June)	Acquisition date
Wanbang Cloud Pharmacy *(Note)*	Equity transfer	0.14	–0.22	9 March 2016
Hunan Jingren	Equity transfer	58.08	–1.92	26 April 2016
Wanbang Tiancheng *(Note)*	Equity transfer	20.24	—	23 June 2016

Note: The figures of Wanbang Cloud Pharmacy (萬邦雲藥房) and Wanbang Tiancheng (萬邦天誠) included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

D Core Competence Analysis

The Group has formed a relatively complete product portfolio in the six major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary system, central nervous system, blood system, anti-infection and anti-tumor) 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 2015, there were 19 formulation products and series of the Group that each recorded revenue of over RMB100 million.

The Group has developed internationalized R&D structure and strong R&D capabilities. It has national level enterprise technical centers and has established international R&D teams in Shanghai, Chongqing, San Francisco and Taiwan. It continuously optimizes its pharmaceutical R&D system that integrates imitation and innovation by increasing investment in the Four Major R&D Platforms, improves its innovation system, enhances R&D capabilities, launches new products, and strengthens the core competitiveness of the Group. As at the end of the Reporting Period, the Group had 172 pipeline drugs, generic drugs, biosimilars and vaccine projects. During the Reporting Period, applications for clinical trial had been tendered to the CFDA for PA-824 type 1.1 innovative API and tablets and approval of clinical trial was obtained for 22 products. These projects under development will provide a solid foundation to maintain sustainable growth of the Group in the future. As at the end of the Reporting Period, there were over 900 staff members 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 increasing innovation in systems, the Group also focuses on integrating and developing its product marketing systems. With a marketing team consisting of over 3,000 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 investee 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, puts the synergy into full play.

The Group is one of the first enterprises in the PRC pharmaceutical industry to develop internationally. Its production has expanded overseas with several production lines recognized by relevant international certifications, and some of the formulations and APIs have also entered into the international markets in a considerable scale. As at the end of the Reporting Period, 13 APIs of the Group received GMP certifications from national health departments such as the U.S. FDA, EU, Ministry of Health, Labor and Welfare of Japan and Federal Ministry of Health of Germany. 1 production line for oral solid dosage formulation, 3 production lines for injection and 5 APIs of Guilin Pharma have also obtained PreQualification from the WHO-PQ, and 1 production line of oral solid dosage formulation of Yao Pharma has been recognized by Canada Health and the U.S. FDA. Globally, it is the leading provider and researcher of anti-malaria medicines.

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. Furthermore, it has established regional medical centers and a supply chain spanning major health industries and exploring models of cooperation with local large state-owned companies, public hospitals and university-affiliated hospitals to accelerate its internet medical development strategy.

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. The A-share and H-share markets have created favorable conditions for the Group to rapidly expand its scale of operation and enhance its competitiveness through merger and acquisition activities.

E Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 18,498 employees. The employee's remuneration policies of the Group were formulated on the basis of the results, work experience and salary level prevailing in the market.

2. Business Outlook for the Second Half of 2016

In the second half of 2016, the Group will continue to be committed to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and it will endeavor to capture the opportunities presented by the broad pharmaceutical market in China as well as the rapid growth of generic drugs in mainstream markets such as Europe and the U.S. and emerging markets in the world, in order to insist on the development strategies of organic growth, external expansion and integrated development, and step up its efforts to acquire and integrate with domestic and overseas quality pharmaceutical manufacturing companies. By strengthening product innovation, production and manufacturing systems and product marketing systems, the Group will proactively implement internationalization. Meanwhile, the Group will seize the development opportunities of healthcare services to strengthen its investment and management in the healthcare services segment. The Group will further enhance its core competence to improve its operating results. At the same time, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

Pharmaceutical Manufacturing and R&D

In the second half of 2016, the Group will continue to focus on innovation and international development, and strive to develop strategic products. The Group will actively seek opportunities for mergers and acquisitions as well as consolidation in the industry. The Group will proactively process the approval and completion matters in relation to the acquisition of Gland Pharma. Existing products line and resources of the Group will be integrated and coordinated and businesses for the international market will be developed in order to scale up this segment and achieve continuous and rapid growth of its revenue and profit.

The Group will continue to proactively push forward the development of professional marketing teams and follow-on products in therapeutic areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary system, anti-infection and anti-tumor. In addition to solidifying the market position and product growth in its existing products in key areas, the Group will step up its efforts to promote products such as the anti-malaria medicines such as artesunate series, You Li Tong (febuxostat tablets), Qi Cheng (escitalopram tablets), Yi Bao (recombinant human erythropoietin), You Di Er (alprostadil dried emulsion) and Ke Yuan (calcium dobesilate) so as to maintain and promote their leading position in their respective market segments.

The Group will continue to adopt the R&D strategy to integrate 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 pharmaceutical products 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 key products including monoclonal antibody products and small molecular innovative drugs. The Group will also accelerate 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 its pharmaceutical manufacturing and R&D segment.

At the same time, the Company will also push forward the quotation of Shanghai Henlius on NEEQ.

Healthcare Services

In the second half of 2016, 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 and establish modern hospital management and operation models. The Group will continue to promote the construction of the "Phase II district project of Qingdao Qilu Hospital of Shandong University", the reorganization of healthcare operations of relevant medical institutions in the Xuzhou Coal Mining Group and the "Yulin cardiovascular and neurologist specialty hospital project". It will further strengthen healthcare institutions it controls in terms of their disciplines and quality management, operational efficiency and business development, whilst positively seeking new opportunities for merger and acquisition of healthcare services. Furthermore, the Group will continue to support and promote the development of "United Family Hospital", a high-end brand for healthcare services under Chindex, and in particular the establishment and business expansion of hospitals in Guangzhou in order to accelerate 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 2016, 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 to be newly introduced and registered in the second half of 2016, and actively seek opportunities to invest in quality companies both domestically and internationally.

In the second half of 2016, 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, accelerate the establishment of laser beauty centers and aesthetic medicine clinics, and actively explore synergy and innovation in service models with other business segments in order to extend its business from device supply to services. Meanwhile, the dental business will gradually expand to R&D and manufacturing of dental materials and equipment, the development of online dental business and the feasibility of dental services from being an agent of imported products. Furthermore, the Group will continue to leverage its strengths in expanding international operations, and with its existing overseas companies as platforms, vigorously explore cooperation with overseas companies on the basis of proactive integration, so as to achieve growth in the scale of its medical devices business.

Meanwhile, procedures for the listing of the Sisram Group and Yaneng Bio in Hong Kong will be performed.

Pharmaceutical Distribution and Retail

In 2016, 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. Meanwhile, the Group will actively seek the industry chain synergy with the internet healthcare and internet pharmaceutical platforms invested by the Group.

Financing

The Group will continue to explore the financing channels domestically and internationally, optimize its financing channels 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) The Restricted A Share Incentive Scheme

On 7 January 2016, the Board considered and approved, the resolution in relation to the fulfillment of the conditions for unlocking the second tranche of the Restricted A Shares in respect of the Restricted A Share Incentive Scheme, and the conditions for unlocking the Restricted A Shares have been satisfied by 24 grantees. As a result, a total of 1,222,320 Restricted A Shares were unlocked, and trading of such Restricted A Shares commenced on 14 January 2016.

(b) Proposed Non-public Issuance

The shareholders of the Company approved, among other things, the Proposed Non-Public Issuance on 29 June 2015.

On 23 February 2016, the Company entered into termination agreements to the subscription agreements/termination agreements to the subscription agreements and supplemental agreements with China Merchants Wealth Asset Management Co., Ltd., China Fund Management Co., Ltd. and China Universal Asset Management Company Limited, pursuant to which they no longer participated in the Proposed Non-Public Issuance. The number of new A Shares to be issued was adjusted to no more than 99,052,541 shares. The total proceeds raised from such offer amounted to no more than RMB2,300,000,002.02 with an issue price remained RMB23.22.

On 8 July 2016, the Company received an approval from the CSRC in relation to the Proposed Non-Public Issuance approving the non-public issuance of no more than 99,052,541 new A Shares by the Company.

Since the distribution of the Company's final dividend for 2015 was completed in July 2016, according to the proposal on the Proposed Non-Public Issuance, the issue price of the Proposed Non-Public Issuance was adjusted to RMB22.90 per share and the number of A Shares to be issued was adjusted to no more than 100,436,681 new A Shares.

(c) The public issuance of Corporate Bonds to qualified investors (first tranche)

The Shareholders of the Company approved, among other things, the public issuance of Corporate Bonds on 16 November 2015.

The approval on the public issuance of the Corporate Bonds to the qualified investors was issued by CSRC on 30 December 2015, pursuant to which it approved the Company to publicly issue the Corporate Bonds not exceeding RMB5,000 million to qualified investors. For the issuance according to the "Announcement on the Public Issuance of Corporate Bonds to Qualified Investors (First Tranche) in 2016 by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*", the First Tranche of the Corporate Bonds completed on 4 March 2016 and the issuance size was RMB3,000 million.

The value date for the First Tranche of the Corporate Bonds issued is 4 March 2016, with the final coupon rate at 3.35%.

(d) Issuance of Super Short-term Commercial Papers

The shareholders of the Company approved, among other things, the issuance of inter-bank market debt financing instruments on 29 June 2015.

On 1 December 2015, the National Association of Financial Market Institutional Investors issued a "Letter of Acceptance of Registration" for accepting the registration of the Company's super short-term commercial papers with a register amount of RMB4,500 million. The registered amount shall be effective within a period of two years from the date of the letter. The Company can issue super short-term commercial papers in tranches during the valid period of registration.

The issuance of the First Tranche of Super Short-term Commercial Papers for 2016 was completed on 20 May 2016. The term of the First Tranche of Super Short-term Commercial Papers for 2016 was 180 days and the actual issuance size thereof is RMB500 million. The value date for the First Tranche of Super Short-term Commercial Papers for 2016 is 20 May 2016, with the coupon rate at 2.98%.

The issuance of the Second Tranche of Super Short-term Commercial Papers for 2016 was completed on 18 August 2016. The term of the Second Tranche of Super Short-term Commercial Papers for 2016 was 270 days and the actual issuance size thereof is RMB500 million. The value date for the Second Tranche of Super Short-term Commercial Papers for 2016 is 18 August 2016, with the coupon rate at 2.66%.

(e) Proposed Overseas Listing of Sisram Group

On 30 June 2016, the Board considered and approved, among other things, the resolution in relation to the proposed overseas listing of Sisram Group. It was proposed by the Company that Sisram Group or the Sisram Listco be spun off and listed overseas on Hong Kong Stock Exchange.

As at the date hereof, the proposed overseas listing of Sisram Group is subject to approvals of the shareholders of the Company, CSRC and Hong Kong Stock Exchange.

(f) Acquisition of the Controlling Interest in Gland Pharma

On 28 July 2016, the Board considered and approved, among other things, the resolution in relation to the acquisition of the controlling interest in Gland Pharma.

The Company proposed to invest in no more than US$1,261.37 million through its subsidiaries to acquire in aggregate approximately 86.08% equity interest in Gland Pharma, including contingent consideration of no more than US$50 million for the launch of Enoxaparin in the U.S.

As at the date hereof, the acquisition of the controlling interest in Gland Pharma is subject to approval of the shareholders of the Company.

(g) Potential Quotation of Shanghai Henlius on NEEQ

On 10 August 2016, the Board considered and approved, among other things, the resolution in relation to the potential quotation of Shanghai Henlius on NEEQ. The Company intended to convert Shanghai Henlius from a limited liability company (sino-foreign joint venture) into a limited corporation, and apply for the quotation of Shanghai Henlius on NEEQ upon obtaining approvals from relevant authorities in due course.

As at the date hereof, the potential quotation of Shanghai Henlius on NEEQ is subject to approvals of the Hong Kong Stock Exchange and NEEQ.

Statutory Disclosures

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group at 30 June 2016 are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 27 to 58.

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

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

DIRECTORS

As of the end of the Reporting Period, the Board was constituted by ten Directors. The Directors are as follows:

Executive Directors

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方) *(Vice Chairman)*

Non-executive Directors

Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Ms. Kang Lan (康嵐)
Mr. Wang Can (王燦)

Independent Non-executive Directors

Mr. Cao Huimin (曹惠民)
Mr. Jiang Xian (江憲)
Dr. Wong Tin Yau Kelvin (黃天祐)
Mr. Wai Shiu Kwan Danny (韋少琨)

During the Reporting Period, the Company held an election of a new session of the Board. On 7 June 2016, the AGM re-elected Mr. Chen Qiyu and Mr. Yao Fang as the executive Directors of the seventh session of the Board; re-elected Mr. Guo Guangchang, Mr. Wang Qunbin, Mr. John Changzheng Ma and Ms. Kang Lan as the non-executive Directors of the seventh session of the Board and elected Mr. Wang Can as the non-executive Director of the seventh session of the Board; and re-elected Mr. Cao Huimin, Mr. Jiang Xian and Dr. Wong Tin Yau Kelvin as the independent non-executive Directors of the seventh session of the Board and elected Mr. Wai Shiu Kwan Danny as the independent non-executive Director of the seventh session of the Board. On 7 June 2016, Dr. Zhang Weijiong retired from the office as an independent non-executive Director.

During the Reporting Period, Mr. Wang Pinliang resigned from his office as non-executive Director with effect from 2 March 2016 as he wished to pursue personal development, and Mr. John Changzheng Ma resigned from his office as non-executive Director with effect from 29 June 2016 as he wished to pursue personal development.

SUPERVISORS

As of the end of the Reporting Period, the Supervisors are as follows:

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

During the Reporting Period, the Company held an election of a new session of the Supervisory Committee. On 7 June 2016, the AGM re-elected Mr. Cao Genxing and Mr. Guan Yimin as Supervisors of the seventh session of the Supervisory Committee. Mr. Li Chun was elected by the employee congress of the Company to hold the position of staff Supervisor of the seventh session of the Supervisory Committee with effect from 7 June 2016. On 7 June 2016, Mr. Zhou Wenyue retired from the office as a Supervisor.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Cao Huimin, an independent non-executive Director, has been served as an independent director of Shanghai Flyco Electrical Appliance Co., Ltd. (上海飛科電器股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603868) on 18 April 2016.

Dr. Wong Tin Yau Kelvin, an independent non-executive Director, retired as an independent non-executive director of AAG Energy Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2686), with effect from 28 April 2016. Dr. Wong Tin Yau Kelvin also retired as an independent non-executive director of Xinjiang Goldwind Science & Technology Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 02208) and Shenzhen Stock Exchange (stock code: 2202) with effect from 29 June 2016.

Save as disclosed above, during the Reporting Period and as of the date of this report, 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.

OPTIONS OF SISRAM

The Shareholders approved, among other things, the proposed grant of options of Sisram on 29 June 2015.

The total number of shares in Sisram which may be issued upon exercise of all options to be granted under the Sisram Plan is 106,500 Sisram Shares, representing approximately 14.49% of the issued share capital of Sisram as at the date hereof. An aggregate of up to 100,000 Sisram shares may be issued under the Sisram plan and they represent approximately 13.61% of the issued share capital of Sisram as at the date hereof. However, the maximum number is subject to adjustment under the terms of the Sisram Plan.

During the six months ended 30 June 2016, no options of Sisram were granted under the Sisram Plan.

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

As at 30 June 2016, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

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

Name of Directors/ Chief executive	Capacity	Class of Shares	Number of Shares(1)	Approximate percentage of Shares in relevant class of shares
Mr. Guo Guangchang	Interest of a controlled corporation	A Share	923,453,264 (L)(2)	48.32%
	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	781,000 (L)	0.04%
Mr. Wu Yifang	Beneficial owner	A Share	240,000 (L)(3)	0.01%

Notes:

(1) (L) — Long position

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.48% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 64.45% by Mr. Guo Guangchang, he is deemed to be interested in the Shares owned by the above-mentioned companies.

(3) Mr. Wu Yifang was appointed as the President and Chief Executive Officer of the Company on 7 June 2016.

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

Name of Directors/ chief executive	Name of associated corporation	Class of shares	Capacity	Number of shares(1)	Approximate percentage of shares in relevant class of shares
Mr. Guo Guangchang	Fosun International Holdings	Ordinary share	Beneficial owner	29,000 (L)(2)	64.45%
	Fosun Holdings	Ordinary share	Interest of a controlled corporation	1 (L)(2)	100%
	Fosun International	Ordinary share	Interest of a controlled corporation	6,155,972,473 (L)(2)	71.48%
	Fosun High Tech	Ordinary share	Interest of a controlled corporation	3,800,000,000 (L)(2)	100%
Mr. Wang Qunbin	Fosun International Holdings	Ordinary share	Beneficial owner	5,555 (L)	11.11%
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	14,353,000 (L)	0.17%
Ms. Kang Lan	Fosun International	Ordinary share	Beneficial owner	7,370,000 (L)	0.09%
Mr. Wang Can	Fosun International	Ordinary share	Beneficial owner	4,225,000 (L)(3)	0.05%

Notes:

(1) (L) — Long position

(2) Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.48% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 64.45% by Mr. Guo Guangchang, he is deemed to be interested in the shares owned by the above-mentioned companies.

(3) Mr. Wang Can was appointed as the non-executive Director on 7 June 2016.

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

As at 30 June 2016, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Nature of interest	Class of Shares	Number of Shares[(1)]	Approximate percentage of Shares in relevant class of shares
Fosun High Tech	Beneficial owner	A Share	923,453,264 (L)[(2)]	48.32%
Fosun International	Interest of a controlled corporation	A Share	923,453,264 (L)[(2)]	48.32%
Fosun Holdings	Interest of a controlled corporation	A Share	923,453,264 (L)[(2)]	48.32%
Fosun International Holdings	Interest of a controlled corporation	A Share	923,453,264 (L)[(2)]	48.32%
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500 (L)	8.15%
The Capital Group Companies, Inc.	Interest of controlled corporations	H Share	48,465,000 (L)	12.02%
JPMorgan Chase & Co.	Beneficial owner/ Investment manager/ Custodian — corporation/approved lending agent	H Share	32,262,652 (L)	7.99%
	Beneficial owner	H Share	223,000 (S)	0.05%
	Custodian — corporation/approved lending agent	H Share	29,114,323 (P)	7.21%

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 71.48% 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 and its 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.

Statutory Disclosures

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 of 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 is of the view that the Company has complied with all the code provisions contained in the CG Code during the Reporting Period.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT 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. Jiang Xian, an independent non-executive Director, and Mr. Wang Can, a non-executive Director. The main duties of the Audit Committee are to review and monitor the financial reporting procedures, risk management and internal control system of the Company, and to provide recommendations and advice to the Board.

The Audit Committee of the Company has reviewed the unaudited interim results and the interim report of the Group for the six months ended 30 June 2016.

On Behalf of the Board
Chen Qiyu
Chairman

Shanghai, the PRC
23 August 2016

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
REVENUE	5	**6,877,865**	5,871,372
Cost of sales		**(3,228,575)**	(2,929,465)
Gross profit		**3,649,290**	2,941,907
Other income	6	**85,548**	59,272
Selling and distribution expenses		**(1,679,761)**	(1,280,684)
Administrative expenses		**(663,711)**	(601,546)
Research and development expenses		**(307,236)**	(299,182)
Other gains	7	**375,268**	624,777
Other expenses		**(48,344)**	(53,194)
Interest income		**35,973**	25,493
Finance costs	9	**(234,453)**	(223,375)
Share of profits and losses of:			
Joint ventures		**868**	(8,976)
Associates		**716,328**	625,601
PROFIT BEFORE TAX	8	**1,929,770**	1,810,093
Income tax expense	10	**(181,145)**	(293,988)
PROFIT FOR THE PERIOD		**1,748,625**	1,516,105
Attributable to:			
Owners of the parent		**1,500,266**	1,303,484
Non-controlling interests		**248,359**	212,621
		1,748,625	1,516,105
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
— Basic		**RMB0.65**	RMB0.56
— Diluted		**RMB0.65**	RMB0.56

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2016

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	**1,748,625**	1,516,105
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Available-for-sale investments		
Changes in fair value	**(69,921)**	1,093,230
Reclassification adjustments for gains included in the consolidated statement of profit or loss — Gain on disposal	**(95,637)**	(523,906)
Income tax effect	**39,465**	(142,034)
	(126,093)	427,290
Share of other comprehensive income of associates	**58,732**	(196,518)
Exchange differences on translation of foreign operations	**(10,841)**	(6,237)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(78,202)**	224,535
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,670,423**	1,740,640
Attributable to:		
Owners of the parent	**1,419,695**	1,527,633
Non-controlling interests	**250,728**	213,007
	1,670,423	1,740,640

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**6,004,075**	5,777,567
Prepaid land lease payments		**1,040,198**	1,041,705
Goodwill		**3,337,696**	3,303,379
Other intangible assets		**2,533,388**	2,204,086
Investments in joint ventures		**226,162**	225,285
Investments in associates		**15,326,401**	13,637,584
Available-for-sale investments		**2,774,513**	3,314,452
Deferred tax assets		**110,027**	102,477
Other non-current assets		**175,256**	212,927
Total non-current assets		**31,527,716**	29,819,462
CURRENT ASSETS			
Inventories		**1,698,533**	1,648,773
Trade and bills receivables	13	**2,428,669**	2,146,570
Prepayments, deposits and other receivables		**465,429**	399,719
Equity investments at fair value through profit or loss		**26,974**	33,751
Available-for-sale investments		**15,979**	67,928
Cash and bank balances		**4,723,910**	4,028,637
Total current assets		**9,359,494**	8,325,378

Interim Condensed Consolidated
Statement of Financial Position

30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	14	1,100,576	1,048,650
Other payables and accruals		2,225,498	2,155,959
Interest-bearing bank and other borrowings	15	7,166,195	7,323,428
Tax payable		318,007	411,163
Total current liabilities		10,810,276	10,939,200
NET CURRENT LIABILITIES		(1,450,782)	(2,613,822)
TOTAL ASSETS LESS CURRENT LIABILITIES		30,076,934	27,205,640
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	5,284,050	3,571,526
Deferred tax liabilities		1,795,569	1,844,762
Deferred income		320,899	169,318
Other long term liabilities		907,260	1,007,272
Total non-current liabilities		8,307,778	6,592,878
Net assets		21,769,156	20,612,762
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		2,314,075	2,314,075
Treasury shares		(36,062)	(43,494)
Reserves		16,657,925	15,854,102
		18,935,938	18,124,683
Non-controlling interests		2,833,218	2,488,079
Total equity		21,769,156	20,612,762

Chen Qiyu
Director

Yao Fang
Director

Interim Condensed Consolidated
Statement of Changes in Equity

Six months ended 30 June 2016

	Attributable to owners of the parent										
	Issued share capital RMB'000	Share premium RMB'000	Treasury shares 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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (Audited)	2,314,075	5,020,109	(43,494)	975,271	1,995,419	1,180,612	(44,955)	6,727,646	18,124,683	2,488,079	20,612,762
Profit for the Period	—	—	—	—	—	—	—	1,500,266	1,500,266	248,359	1,748,625
Other comprehensive income for the Period:											
Changes in fair value of available for sale investments, net of tax	—	—	—	(124,166)	—	—	—	—	(124,166)	(1,927)	(126,093)
Share of other comprehensive income of associates	—	—	—	58,732	—	—	—	—	58,732	—	58,732
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(15,137)	—	(15,137)	4,296	(10,841)
Total comprehensive income for the Period	—	—	—	(65,434)	—	—	(15,137)	1,500,266	1,419,695	250,728	1,670,423
Unlocking of restricted A shares	—	—	7,432	—	—	—	—	—	7,432	—	7,432
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	204,083	—	—	204,083	(204,083)	—
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(91,447)	(91,447)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	908	—	—	908	341,772	342,680
Acquisition of non-controlling interests	—	—	—	—	—	(18,328)	—	—	(18,328)	491	(17,837)
Disposal of partial interest in an associate	—	—	—	—	—	(9,857)	—	—	(9,857)	—	(9,857)
Acquisitions of subsidiaries *(note 18)*	—	—	—	—	—	—	—	—	—	25,049	25,049
Equity-settled share-based payment	—	22,394	—	—	—	(9,093)	—	—	13,301	—	13,301
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	25,508	25,508
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	42	—	—	42	(2,879)	(2,837)
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	(65,517)	—	—	(65,517)	—	(65,517)
Final 2015 dividend declared and paid *(note 16)*	—	—	—	—	—	—	—	(740,504)	(740,504)	—	(740,504)
At 30 June 2016 (Unaudited)	2,314,075	5,042,503*	(36,062)	909,837*	1,995,419*	1,282,850*	(60,092)*	7,487,408*	18,935,938	2,833,218	21,769,156

* These reserve accounts comprise the consolidated reserves of RMB16,657,925,000 (31 December 2015: RMB15,854,102,000) in the consolidated statement of financial position.

Interim Condensed Consolidated
Statement of Changes in Equity

Six months ended 30 June 2016

	Attributable to owners of the parent										
	Issued share capital RMB'000	Share premium RMB'000	Treasury shares 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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015 (Audited)	2,311,611	4,995,572	(23,925)	1,133,611	1,662,373	1,292,672	(1,674)	5,247,722	16,617,962	2,428,153	19,046,115
Profit for the Period	—	—	—	—	—	—	—	1,303,484	1,303,484	212,621	1,516,105
Other comprehensive income for the Period:											
Changes in fair value of available for sale investments, net of tax	—	—	—	424,754	—	—	—	—	424,754	2,536	427,290
Share of other comprehensive income of associates	—	—	—	(196,472)	—	—	—	—	(196,472)	(46)	(196,518)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(4,133)	—	(4,133)	(2,104)	(6,237)
Total comprehensive income for the Period	—	—	—	228,282	—	—	(4,133)	1,303,484	1,527,633	213,007	1,740,640
Repurchase and cancellation of restricted A shares**	(231)	(1,173)	1,404	—	—	—	—	—	—	—	—
Unlocking of restricted A shares	—	—	7,507	—	—	—	—	—	7,507	—	7,507
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	5,358	—	—	5,358	25,920	31,278
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(183,425)	(183,425)
Disposal of subsidiaries *(note 18)*	—	—	—	—	—	17,125	—	—	17,125	(90,958)	(73,833)
Acquisition of non-controlling interests	—	—	—	—	—	(41,034)	—	—	(41,034)	(88,966)	(130,000)
Deemed acquisition of additional interests in subsidiaries	—	—	—	—	—	(9,921)	—	—	(9,921)	9,921	—
Equity-settled share-based payment	—	—	—	—	—	3,177	—	—	3,177	—	3,177
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	56,622	56,622
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	1,896	—	—	1,896	(936)	960
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	(46,270)	—	—	(46,270)	—	(46,270)
Final 2014 dividend declared and paid *(note 16)*	—	—	—	—	—	—	—	(647,122)	(647,122)	—	(647,122)
At 30 June 2015 (Unaudited)	2,311,380	4,994,399*	(15,014)	1,361,893*	1,662,373*	1,223,003*	(5,807)*	5,904,084*	17,436,311	2,369,338	19,805,649

* These reserve accounts comprise the consolidated reserves of RMB15,139,945,000 (31 December 2014: RMB14,330,276,000) in the consolidated statement of financial position.

** The Company repurchased and cancelled 231,000 restricted A shares on 13 February 2015.

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2016

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cash generated from operations	**1,232,431**	869,258
Income tax paid	**(296,377)**	(191,786)
Net cash inflow from operating activities	**936,054**	677,472
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets	**(906,370)**	(495,665)
Acquisition of subsidiaries, net of cash acquired *(Note 17)*	**(33,466)**	2,296
Acquisition of interests in associates and joint ventures	**(622,384)**	(684,029)
Purchases of available-for-sale investments	**(66,361)**	(365,211)
Disposal of associates	**119,220**	98,652
Disposal of available-for-sale investments	**400,891**	617,930
Disposal of subsidiaries	**—**	219,052
Dividends from associates	**21,248**	17,189
Dividends from available-for-sale investments	**7,781**	30,987
Withdrawal/(Payment) of deposit for planned acquisition	**20,000**	(156,216)
(Increase)/Decrease in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions	**(98,114)**	58,363
Others	**29,369**	29,909
Net cash outflow used in investing activities	**(1,128,186)**	(626,743)

Interim Condensed Consolidated
Statement of Cash Flows

Six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
New bank and other borrowings	**7,212,387**	2,641,603
Repayment of bank and other borrowings	**(5,827,673)**	(2,378,204)
Interest paid	**(298,976)**	(238,747)
Capital injections from non-controlling shareholders of subsidiaries	**425,448**	87,721
Dividends paid to owners of the parent	**(609,205)**	—
Dividends paid to non-controlling shareholders of subsidiaries	**(56,639)**	(120,632)
Acquisition of non-controlling interests	**(177,046)**	(193,238)
Net cash inflow/(outflow) from financing activities	**668,296**	(201,497)
Net increase/(decrease) in cash and cash equivalents	**476,164**	(150,768)
Cash and cash equivalents at beginning of the period	**3,348,594**	3,010,155
Effect of foreign exchange rate changes, net	**20,970**	(4,643)
Cash and cash equivalents at end of the Period	**3,845,728**	2,854,744
Analysis of balances of cash and cash equivalents:		
Cash and bank balances at end of the Period	**4,723,910**	3,325,138
Less: Pledged bank balances and term deposits with original maturity of more than three months	**(878,182)**	(470,394)
Cash and cash equivalents at end of the Period	**3,845,728**	2,854,744

1. CORPORATE AND GROUP INFORMATION

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

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.

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 2016 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 2016 (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 2015.

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 2015, 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 2016.

Several new standards and amendments apply for the first time in 2016 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.

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

HKFRS 14 *Regulatory Deferral Accounts*

HKFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of HKFRS. Entities that adopt HKFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. HKFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing HKFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

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

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

Amendments to HKFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to HKFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant HKFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to HKAS 16 and HKAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

Amendments to HKAS 27: *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of HKFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to HKFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's separate financial statements as the Group does not elect to change to the equity method in their separate financial statements.

Annual Improvements *2012–2014 Cycle*

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in HKFRS 5. This amendment must be applied prospectively.

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

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

HKFRS 7 *Financial Instruments: Disclosures*

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to HKFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

HKAS 19 *Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

HKAS 34 *Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

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 healthcare service mainly engages in the provision of healthcare service and hospital management;

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that dividend income from available-for-sale investments, gain or loss on disposal of available-for-sale investments, gain or loss on disposal of subsidiaries, fair value gain or loss on equity investments at fair value through profit or loss, impairment of available-for-sale investments 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 corporate 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 corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2016 (unaudited)

	Pharmaceutical manufacturing and R&D RMB'000	Healthcare Service RMB'000	Medical diagnosis and medical devices RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	4,796,657	752,150	1,315,954	—	13,104	—	6,877,865
Intersegment sales	6,710	—	—	—	16,369	(23,079)	—
Total revenue	4,803,367	752,150	1,315,954	—	29,473	(23,079)	6,877,865
Segment results*	812,431	132,660	245,118	—	5,593	(12,995)	1,182,807
Other income	69,572	77	4,091	—	—	—	73,740
Other gains	101,752	67	4,873	—	—	(2,450)	104,242
Interest income	9,126	2,500	4,140	—	280	—	16,046
Finance costs	(41,510)	(3,208)	(16,285)	—	(5,341)	31,755	(34,589)
Other expenses	(5,175)	(4,179)	(10,838)	—	(17)	2,450	(17,759)
Share of profits and losses of:							
Joint ventures	(1,199)	669	—	—	1,398	—	868
Associates	76,543	18,576	(5,518)	694,625	(50,198)	—	734,028
Unallocated other income, interest income and other gains							285,061
Unallocated finance cost							(199,864)
Unallocated expenses							(214,810)
Profit before tax	1,021,540	147,162	225,581	694,625	(48,285)	18,760	1,929,770
Tax	(164,351)	(35,216)	(36,489)	—	—	—	(236,056)
Unallocated tax							54,911
Profit for the period	857,189	111,946	189,092	694,625	(48,285)	18,760	1,748,625
Segment assets:	15,990,694	5,274,836	4,480,443	9,652,826	2,281,881	(137,022)	37,543,658
Including:							
Investments in joint ventures	15,718	200,669	—	—	9,775	—	226,162
Investments in associates	1,688,535	2,038,467	399,720	9,652,826	1,546,853	—	15,326,401
Unallocated assets							3,343,553
Total assets							40,887,211
Segment liabilities:	7,554,962	747,313	1,361,811	—	538,436	(5,407,364)	4,795,158
Unallocated liabilities							14,322,896
Total liabilities							19,118,054
Other segment information:							
Depreciation and amortisation	292,376	38,027	37,982	—	10,281	—	378,666
Provision for impairment of inventories	1,463	—	2,821	—	—	—	4,284
Provision for impairment of trade and other receivables	(1,175)	18,321	1,137	—	—	—	18,283
Capital expenditure**	766,326	65,592	30,996	—	25,413	—	888,327

* 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).

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2015 (unaudited)

	Pharmaceutical manufacturing and R&D RMB'000	Healthcare Service RMB'000	Medical diagnosis and medical devices RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	4,077,237	673,938	1,109,713	—	10,484	—	5,871,372
Intersegment sales	27	—	—	—	11,322	(11,349)	—
Total revenue	4,077,264	673,938	1,109,713	—	21,806	(11,349)	5,871,372
Segment results*	602,382	116,307	201,709	—	1,002	616	922,016
Other income	23,025	—	2,945	—	—	—	25,970
Other gains	44,674	319	420	—	17,303	—	62,716
Interest income	15,781	890	3,816	—	305	—	20,792
Finance costs	(62,228)	(4,500)	(18,532)	—	(5,585)	42,004	(48,841)
Other expenses	(7,173)	1,621	(9,160)	—	(10)	—	(14,722)
Share of profits and losses of:							
Joint ventures	(821)	(6,686)	—	—	(1,469)	—	(8,976)
Associates	103,921	(12,482)	(432)	529,510	5,084	—	625,601
Unallocated other income, interest income and other gains							600,064
Unallocated finance cost							(174,534)
Unallocated expenses							(199,993)
Profit before tax	719,561	95,469	180,766	529,510	16,630	42,620	1,810,093
Tax	(106,307)	(28,290)	(27,802)	—	(4,326)	—	(166,725)
Unallocated tax							(127,263)
Profit for the period	613,254	67,179	152,964	529,510	12,304	42,620	1,516,105
Segment assets:	14,419,729	4,556,838	3,183,888	8,799,077	798,875	(224,169)	31,534,238
Including:							
Investments in joint ventures	20,105	65,962	—	—	7,100	—	93,167
Investments in associates	1,828,036	1,865,336	219,334	8,760,701	107,237	—	12,780,644
Unallocated assets							4,755,187
Total assets							36,289,425
Segment liabilities:	6,455,805	681,473	1,208,177	—	76,015	(4,233,757)	4,187,713
Unallocated liabilities							12,296,063
Total liabilities							16,483,776
Other segment information:							
Depreciation and amortisation	216,411	57,062	33,164	—	11,952	—	318,589
Provision for impairment of inventories	685	—	3,246	—	—	—	3,931
Provision for impairment of trade and other receivables	1,809	(2,228)	2,025	—	—	—	1,606
Provision for impairment of investments in associates	—	—	—	—	16,200	—	16,200
Capital expenditure**	359,096	80,251	20,121	—	16,636	—	476,104

* 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).

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:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of goods	**5,995,030**	5,121,126
Rendering of services	**881,916**	748,082
Sale of materials	**919**	2,164
	6,877,865	5,871,372

6. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends income from available-for-sale investments	**3,285**	32,747
Government grants	**82,263**	26,525
	85,548	59,272

7. OTHER GAINS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of available-for-sale investments	**267,005**	527,731
Gain on disposal of interests in associates	**91,313**	59,659
Gain on disposal of subsidiaries	**—**	30,950
Exchange gain	**12,095**	—
Fair value gains on an equity investment at fair value through profit or loss	**—**	3,220
Others	**4,855**	3,217
	375,268	624,777

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,701,925**	2,440,003
Cost of services provided	**526,650**	489,462
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**942,149**	857,743
Retirement benefits:		
Defined contribution fund	**77,695**	78,048
Accommodation benefits:		
Defined contribution fund	**36,208**	32,302
Share-based payment expense	**13,301**	3,180
	1,069,353	971,273
Research and development expenses:		
Current period expenditure excluding amortisation of other intangible assets	**283,049**	274,995
Less: Government grants for R&D projects	**8,718**	8,289
	274,332	266,706
Operating lease payments	**23,933**	18,263
Depreciation of items of property, plant and equipment	**286,030**	261,512
Amortisation of prepaid land lease payments	**10,896**	9,973
Amortisation of other intangible assets	**81,740**	47,104
Provision for impairment of inventories	**4,284**	3,931
Provision for impairment of trade and other receivables	**18,283**	1,606
Fair value loss/(gain) on equity investments at fair value through profit or loss	**7,415**	(3,220)
Foreign exchange (gain)/loss, net	**(12,095)**	2,181
Provision for impairment of investments in joint ventures	**—**	16,200
Loss on disposal of items of property, plant and equipment and other intangible assets	**3,687**	914

9. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**236,980**	226,149
Less: Interest capitalised	**(2,527)**	(2,774)
Interest expenses, net	**234,453**	223,375

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 2015: 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 2015: 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 ended 30 June 2015: 16%).

The major components of tax expenses for the six months ended 30 June 2016 and 2015 are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current		
— Mainland China and Hong Kong	**186,217**	291,305
— Israel and others	**17,004**	11,408
	203,221	302,713
Deferred	**(22,076)**	(8,725)
Total tax charge for the Period	**181,145**	293,988

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future as of the balance sheet date and the weighted average number of ordinary shares of 2,310,121,004 (for the six months period ended 30 June 2015: 2,308,796,824) in issue excluding restricted shares during the year.

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

The calculation of basic and diuted earnings per share is based on:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,500,266**	1,303,484
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(1,265)**	(695)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,499,001**	1,302,789

	Number of shares	
	30 June 2016	30 June 2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,310,121,004**	2,308,694,964
Effect of dilution — weighted average number of ordinary shares: Restricted shares	**3,954,360**	2,762,400
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**2,314,075,364**	2,311,457,364

12. PROPERTY, PLANT AND EQUIPMENT

	RMB'000 (Unaudited)
Carrying value at beginning of the Period	5,777,567
Additions	492,285
Acquisition of subsidiaries *(note 17)*	40,141
Disposals	(19,868)
Depreciation charge for the Period	(286,030)
Carrying value at end of the Period	6,004,075

The Group's property, plant and equipment with a net carrying value of RMB42,356,000 (31 December 2015: RMB58,563,000), were pledged as security for interest-bearing bank loans as set out in note 15 to the interim condensed consolidated financial statements.

13. TRADE AND BILLS RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	**2,029,669**	1,736,220
Bills receivable	**399,000**	410,350
	2,428,669	2,146,570

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 reporting period, based on the invoice date, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	**2,034,124**	1,740,265
1 to 2 years	**32,293**	47,975
2 to 3 years	**36,961**	17,073
Over 3 years	**32,791**	31,415
	2,136,169	1,836,728
Less: Provision for impairment of trade receivables	**(106,500)**	(100,508)
	2,029,669	1,736,220

Included in the Group's trade receivables are amounts due from the Group's joint venture, associates and other related party of RMB54,000 (31 December 2015: Nil), RMB236,383,000 (31 December 2015: RMB203,181,000) and RMB50,259,000 (31 December 2015: Nil), respectively. Included in the Group's bills receivable are amount due from the Group's associates and other related party of RMB8,596,000 (31 December 2015: RMB21,604,000), RMB54,155,000 (31 December 2015: Nil), respectively. These balances due from associates were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

14. TRADE AND BILLS PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	1,004,422	973,220
Bills payable	96,154	75,430
	1,100,576	1,048,650

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 reporting period is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	975,781	952,031
1–2 years	13,330	6,216
2–3 years	9,383	8,920
Over 3 years	5,928	6,053
	1,004,422	973,220

Included in the Group's trade payables are amounts due to the Group's associates and other related party of RMB29,918,000 (31 December 2015: RMB33,944,000) and RMB381,000 (31 December 2015: RMB44,000), respectively. These balances due to associates and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the associates and other related companies to their major customers.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Bank loans:			
— Secured	(1)	501,823	528,146
— Unsecured		6,565,569	6,872,837
		7,067,392	7,400,983
Medium-term notes	(2)	399,415	1,997,751
Corporate bonds	(3)	4,484,345	1,496,220
Super short-term commercial paper ("超短期融資券")	(4)	499,093	—
Total		12,450,245	10,894,954
Repayable:			
Within 1 year		7,166,195	7,323,428
1 to 2 years		402,037	1,836,847
2 to 5 years		4,768,223	1,520,953
Over 5 years		113,790	213,726
		12,450,245	10,894,954
Portion classified as current liabilities		(7,166,195)	(7,323,428)
Non-current portion		5,284,050	3,571,526

Notes:

The bank loans bear interest at rates ranging from 1% to 6.80% (2015: 1.497% to 6.80%) per annum.

(1) As at 30 June 2016, certain of the Group's bank loans are secured by the pledge of certain of the Group's property, plant and equipment (note 12) amounting to RMB42,356,000 (31 December 2015: RMB58,563,000), prepaid land lease payments amounting to RMB32,460,000 (31 December 2015: RMB33,813,000), the Group's shares of 268,371,532 in Guilin South Pharma Co., Ltd. (31 December 2015: the Group's shares of 268,371,532 in Guilin South Pharma Co., Ltd.) and the Group's and Magnificent View Investment Limited's 100% equity interest in Sisram Medical Ltd. (31 December 2015: the Group's and Magnificent View Investment Limited's 100% equity interest in Sisram Medical Ltd.).

(2) Medium-term notes

On 10 September 2015, the Company issued medium-term notes with a maturity of three years in an aggregate amount of RMB400,000,000, which bear interest rate at 3.95% per annum. The interest is payable annually in arrears and the maturity date is 10 September 2018.

(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.

On 4 March 2016, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB3,000,000,000, which bear interest at 3.35% per annum. The interest is payable annually in arrears and the maturity date is 4 March 2021.

(4) The first tranche of super short-term commercial papers

On 20 May 2016, the Company issued the first tranche of super short-term commercial papers with a maturity of six months in an aggregate amount of RMB500,000,000, which bear interest at 2.98% per annum. The principal and interest is paid in lump sum on maturity and the maturity date is 16 November 2016.

16. DIVIDENDS

The Directors did not recommend the payment of an interim dividend in respect of the Period (for the six months period ended 30 June 2015: Nil).

The proposed final dividend of RMB0.32 (tax included) per ordinary share for the year ended 31 December 2015 was declared payable and approved by the shareholders at the annual general meeting of the Company on 7 June 2016.

17. BUSINESS COMBINATION

The major acquisitions of subsidiaries accounted for as business combinations are set out as follows:

In March 2016, Jiangsu Wanbangyun Jiankang Technology Co. Ltd. ("Wanbangyun Jiankang"), a subsidiary of the Group, acquired 100% equity interests in Xuzhou Wanbangyun Pharmacy Chain Co., Ltd. ("Wangbangyun Pharmacy") at a consideration of RMB2,490,000. The acquisition was completed on 9 March 2016 when the Group obtained control of the operating and financial policies of Wangbangyun Pharmacy.

In April 2016, Shanghai Fosun Hospital Investment (Group) Co., Ltd.("Hospital Investment"), a subsidiary of the Group, acquired 65% equity interests in Hunan Jingren Medical Investment Management Co., Ltd. ("Hunan Jingren") at a consideration of RMB39,000,000. The acquisition was completed on 26 April 2016 when the Group obtained control of the operating and financial policies of Hunan Jingren.

In June 2016, Jiangsu Wanbang Biopharmaceutical Co., Ltd.("Wanbang Pharma"), a subsidiary of the Group, acquired 80% equity interests in Hangzhou Wanbang Tiancheng Pharmaceutical Co., Ltd. ("Wangbang Tiancheng") at a consideration of RMB35,000,000. The acquisition was completed on 23 June 2016 when the Group obtained control of the operating and financial policies of Wangbang Tiancheng.

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.

17. BUSINESS COMBINATION (Continued)

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

	Fair value recognised on acquisition RMB '000 (Unaudited)
Property, plant and equipment *(note 12)*	40,141
Other intangible assets	59,411
Inventories	7,440
Prepayments, deposits and other receivables	18,094
Trade and bills receivables	1,603
Cash and bank balances	224
Trade and bills payables	(2,437)
Other payables and accruals	(39,328)
Deferred tax liabilities	(4,545)
Total identifiable net assets at fair value	80,603
Non-controlling interests	(25,049)
Goodwill on acquisition	20,936
	76,490
Satisfied by:	
Cash	68,690
Investment in a joint venture	7,800
	76,490

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.

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

	RMB'000 (Unaudited)
Cash consideration paid	(68,690)
Cash consideration already paid in the prior year	35,000
Cash and bank balances acquired	224
	(33,466)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(33,466)
Transaction costs of the acquisitions included in cash flows from operating activities	(20)
	(33,486)

18. COMMITMENTS

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted, but not provided for:		
In respect of:		
Plant and machinery	757,645	545,688
Investments in subsidiaries and an associate	1,647,515	1,679,347
Investment in available-for-sale financial assets	447,057	422,084
	2,852,217	2,647,119

19. RELATED PARTY TRANSACTIONS

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

(a) Sales of pharmaceutical products and services

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sinopharm Group Co., Ltd. *(notes 5 & 7)*	524,113	413,908
Chongqing Pharmaceutical Group Co., Ltd. *(notes 5 & 10)*	137,738	—
Healthy Harmony Holdings L.P. *(notes 1 & 5)*	1,626	18,204
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2 & 5)*	1,567	1,496
Chindex International, Inc. *(notes 5 & 7)*	523	28,087
Hunan Time Sun Pharmaceutical Co., Ltd. *(notes 1 & 5)*	373	210
Shanghai Xingshuangjian Investment and Management Co., Ltd. *(notes 4 & 5)*	96	—
Shanghai Yunji Information Technology Co., Ltd *(notes 4 & 5)*	72	—
Liangfu Credit Investigation Management Co., Ltd. *(notes 2 & 5)*	55	—
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 8)*	48	198
Fosun High Tech *(notes 5)*	46	1
Shanghai Yixing Sports Development Co., Ltd. *(notes 4 & 5)*	43	—
Shanghai Xing Ling Asset Management Co., Ltd. *(notes 4 & 5)*	28	—
Shanghai Xing Yi Health Management Co., Ltd. *(notes 4 & 5)*	28	—
Shanghai Zhong Heng Insurance Brokers Ltd. *(notes 4 & 5)*	28	—
Shanghai Xing Lian Commercial Factoring Co., Ltd. *(notes 4 & 5)*	26	—
Shanghai Xing Jia Investment Consulting Co., Ltd. *(notes 4 & 5)*	26	—
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 5)*	2	—
Tebon Securities Co., Ltd. *(notes 4 & 5)*	—	7
	666,438	462,111

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of pharmaceutical products and services

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sinopharm Group Co., Ltd. *(notes 5 & 7)*	**40,466**	56,995
Shanghai Golte Property Management Company Limited *(notes 4 & 5)*	**211**	164
Beijing steellex Biological Technology Co., Ltd. *(notes 1 & 5)*	**173**	—
SD Biosensor, Inc. *(notes 1 & 5)*	**108**	—
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd *(notes 1 & 5)*	**67**	20
Beijing Golte Property Management Company Limited *(notes 4 & 5)*	**51**	63
Suzhou Amerigen Pharmaceuticals Co., Ltd *(notes 5 & 7)*	**—**	5,660
	41,076	62,902

(c) Leasing and property management services

As lessor

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Fosun High Tech *(notes 6)*	**1,126**	—
Shanghai Xingshuangjian Investment and Management Co., Ltd. *(notes 4 & 6)*	**790**	123
Shanghai Yunji Information Technology Co., Ltd *(notes 4 & 6)*	**503**	—
Liangfu Credit Investigation Management Co., Ltd. *(notes 4 & 6)*	**491**	—
Sinopharm Group Co., Ltd. *(notes 6 & 7)*	**450**	450
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2 & 6)*	**365**	369
Shanghai Xing Ling Asset Management Co., Ltd *(notes 4 & 6)*	**332**	—
Tong De Equity Investment and Management (Shanghai) Co., Ltd. *(notes 6 & 8)*	**323**	305
Shanghai Xing Lian Commercial Factoring Co., Ltd *(notes 4 & 6)*	**280**	—
Shanghai Xing Yi Health Management Co., Ltd. *(notes 4 & 6)*	**269**	—
Shanghai Yixing Sports Development Co., Ltd. *(notes 4 & 6)*	**231**	235
Shanghai Zhong Heng Insurance Brokers Ltd. *(notes 4 & 6)*	**63**	—
Shanghai Yuzhi Investment and Management Co., Ltd *(notes 4 & 6)*	**—**	317
	5,223	1,799

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

As lessee

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Shanghai New Shihua Investment and Management Co., Ltd. *(notes 4 & 6)*	**3,355**	1,959
Beijing Golte Property Management Co., Ltd. *(notes 4 & 6)*	**—**	435
	3,355	2,394

Property management services

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Shanghai Golte Property Management Co., Ltd. *(notes 4 & 6)*	**2,235**	—
Beijing Golte Property Management Co., Ltd. *(notes 4 & 6)*	**410**	—
	2,645	—

(d) Loans from/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 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Fosun Finance *(note 9)*	**886,211**	407,772

19. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from a related party

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Fosun Finance *(note 9)*	**2,090**	1,947

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) They are subsidiaries of associates of the Group.

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

(9) Fosun Finance is a subsidiary of Fosun High Tech, the holding company of the Company.

(10) Chongqing Pharmaceutical Group Co., Ltd. is a non-controlling shareholder of a subsidiary of the Group.

(f) Compensation of key management personnel of the Group

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Performance related bonuses	**24,044**	23,687
Salaries, allowances and benefits in kind	**13,370**	10,682
Restricted A share incentive scheme	**8,284**	2,967
Pension scheme contributions	**466**	400
	46,164	37,736

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	**30 June 2016 RMB'000 (Unaudited)**	31 December 2015 RMB'000 (Audited)
Financial Assets:				
Available-for-sale investments, listed	**1,061,913**	1,324,302	**1,061,913**	1,324,302
Equity investments at fair value through Profit or loss	**26,974**	33,751	**26,974**	33,751
	1,088,887	1,358,053	**1,088,887**	1,358,053
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**1,897,914**	1,676,202	**1,885,786**	1,634,659
Other borrowings	**4,883,760**	3,493,971	**4,860,048**	3,538,851
Other long-term liabilities	**880,527**	979,509	**880,527**	979,509
	7,662,201	6,149,682	**7,626,361**	6,153,019

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 2016 was assessed to be insignificant.

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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 2016, 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 RMB1,712,600,000 (31 December 2015: RMB1,990,150,000). 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.

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 2016 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Available-for-sale investments — Listed	**1,061,913**	**—**	**—**	**1,061,913**
Equity investments at fair value through profit or loss	**—**	**26,974**	**—**	**26,974**
	1,061,913	**26,974**	**—**	**1,088,887**

As at 31 December 2015 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments — Listed	1,324,302	—	—	1,324,302
Equity investments at fair value through profit or loss	—	33,751	—	33,751
	1,324,302	33,751	—	1,358,053

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 30 June 2016 (Unaudited)

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

As at 31 December 2015 (Audited)

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities	—	—	64,460	64,460

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

	Six months ended 30 June 2016 RMB'000 (Unaudited)	Year ended 31 December 2015 RMB'000 (Audited)
Amounts included in other long-term liabilities:		
At 1 January	64,460	88,019
Addition	—	4,161
Reclassification	(64,460)	(27,720)
	—	64,460

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 2016 (31 December 2015: nil).

Liabilities for which fair values are disclosed:

As at 30 June 2016 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Non-current portion of interest-bearing bank borrowings	**—**	**1,885,786**	**—**	**1,885,786**
Non-current portion of other borrowings	**4,461,113**	**398,935**	**—**	**4,860,048**
Amounts included in other long-term liabilities	**—**	**880,527**	**—**	**880,527**
	4,461,113	**3,165,248**	**—**	**7,626,361**

As at 31 December 2015 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	1,634,659	—	1,634,659
Non-current portion of other borrowings	1,541,100	1,997,751	—	3,538,851
Amounts included in other long-term liabilities	—	915,049	—	915,049
	1,541,100	4,547,459	—	6,088,559

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 (for the six months ended 30 June 2015: nil).

21. CONTINGENT LIABILITIES

As at 30 June 2016 and 31 December 2015, the Group did not have any contingent liabilities.

22. EVENTS AFTER THE REPORTING PERIOD

(a) Proposal on the acquisition of the controlling interest in Gland Pharma Limited

On 28 July 2016, the Group proposes to invest in no more than US$1,261.37 million to acquire in aggregate approximately 79.997% equity interest in the Gland Pharma Limited ("Gland") and to subscribe for the Convertible Preference Shares to be issued by Gland representing approximately 6.083% equity interest of Gland. A contingent consideration with the upper limit of US$50 million should be paid by the Company based on the sale of enoxaparin products by Gland.

(b) Approval in relation to the Non-public Issuance of A Shares

On 8 July 2016, the Company received the "Approval in relation to the Non-public Issuance of Shares by Shanghai Fosun Pharmaceutical (Group) Co., Ltd." (Zheng Jian Xu Ke [2016] No. 1230) issued by the China Securities Regulatory Commission (the "CSRC"). The Company is approved to make non-public issuance of no more than 99,052,541 new A Shares. As the profit distribution scheme of 2015 has been implemented in July 2016, the Company adjusted the plan to issue no more than 100,436,681 A shares to the subscribers at the issue price of RMB 22.90 per share according to the Non-public Issuance of A Shares scheme.

(c) Capital increase agreement in relation to Sinopharm Medical Investment

On 7 July 2016, the Company, Sinopharm Group Co., Ltd. ("Sinopharm") and Tebon Innovation entered into the Capital Increase Agreement, pursuant to which the parties propose to increase their capital contribution into Sinopharm Medical Investment, in proportion to their respective equity interest holding therein, in the aggregate amount of RMB500 million. According to the Capital Increase Agreement, the Company proposes to contribute RMB225 million, Sinopharm proposes to contribute RMB225 million and Tebon Innovation proposes to contribute RMB50 million into the registered capital of Sinopharm Medical Investment. Upon completion of the transactions contemplated under the Capital Increase Agreement, the percentage of shareholding of each of the Company, Sinopharm and Tebon Innovation in Sinopharm Medical Investment will remain unchanged.

(d) Establishment of a subsidiary

On 5 August 2016, Shanghai Fosun Hospital Investment (Group) Co., Ltd. ("Fosun Hospital Investment"), a subsidiary of the Company, entered into a joint venture establishment agreement for Yulin Cardiovascular Specialist Hospital Co., Ltd. ("the investment agreement") with Yulin City First People's Hospital ("Yulin First Hospital"). Fosun Hospital Investment and Yulin First Hospital intend to jointly invest and establish Yulin Cardiovascular Specialist Hospital Co., Ltd (Temporary name, which would be subject to relevant registration authority approval) ("the New Company"). The registered capital of the New Company is preliminary determined as RMB429,000,000, of which RMB219,000,000 is to be subscribed by the Company at a cash contribution. Thus, the Group will indirectly hold 51% equity interest therein. Yulin First Hospital will contribute with assets assessed as RMB210,000,000 to the New Company, equivalent to 49% of the total registered capital. The assessed assets include construction in process, buildings, structures and attachments of Health Industry Building projects, as well as usage right of state-owned land and customized medical apparatus for cardiovascular. The actual registered capital, the actual investment amount and investment proportion of the New Company will be subject to the results of the assets valuation of Yulin City First People's Hospital.

(e) Issuance of the second tranche of the super short-term commercial paper

On 18 August 2016, the Company completed the issuance of the second tranche of the 2016 super short-term commercial paper with a par value of RMB500 million and a coupon rate of 2.66%. The term of the 2016 super short-term commercial paper is 270 days, which began on 18 August 2016.

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 23 August 2016.

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, a subsidiary of the Company
"Aohong Pharma"	Jinzhou Aohong Pharmaceutical Company Limited (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"API(s)"	active pharmaceutical ingredient of medical agents
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Board" or "Board of Directors"	the board of directors of the Company
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局), the PRC governmental authority responsible for the regulation of food and drugs
"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), and a subsidiary of the Company
"Chindex"	Chindex International, Inc.
"CML"	Chindex Medical Limited (美中互利醫療有限公司), a company incorporated in Hong Kong, a subsidiary of the Company
"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, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech
"Corporate Bonds"	the proposed public issuance of corporate bonds of the Company in the amount of no more than RMB5,000 million to qualified investors in the PRC that approved by the Shareholders on 16 November 2015
"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 the Company
"EBITDA"	earnings before interest, taxes, depreciation and amortization

Definitions

"EHS"	environment, health and safety
"EPO"	European Patent Office
"Erye Pharmaceutical"	Suzhou Erye Pharmaceutical Co. Ltd. (蘇州二葉製藥有限公司), a subsidiary of the Company
"FDA"	Food and Drug Administration
"First Tranche of Super Short-term Commercial Papers for 2016"	the first tranche of super short-term commercial papers for 2016 issued by the Company on 20 May 2016
"First Tranche of the Corporate Bonds"	the public issuance of the first tranche of corporate bonds to qualified investors in 2016 by the Company on 4 March 2016
"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, a company listed on the Hong Kong Stock Exchange (stock code: 0656)
"Fosun International Holdings"	Fosun International Holdings Limited (復星國際控股有限公司), which is held as to approximately 64.45%, 24.44% and 11.11% by Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin, respectively, and a Controlling Shareholder of the Company
"Four Major R&D Platforms"	the R&D platforms for small molecular innovative chemical drugs, large molecular biosimilars, generic drugs with high entry barriers and special formulation technology
"Gland Pharma"	Gland Pharma Limited, a company established in India
"GMP"	guidelines and regulations issued from time to time pursuant to the Law of the PRC on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) and to provide quality assurance and ensure that pharmaceutical products subject to the guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended uses
"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), a subsidiary of the Company
"Guilin Pharma"	Guilin South Pharma Company Limited (桂林南藥股份有限公司), a subsidiary of the Company
"GuoDa Drug Store"	Sinopharm Holding GuoDa Drugstores Co., Ltd. (國藥控股國大藥房有限公司)
"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
"Handan Pharmaceutical"	Handan Pharmaceutical Co., Ltd. (邯鄲製藥股份有限公司)
"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 as amended from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hubei Shine Star"	Shine Star (Hubei) Biological Engineering Company Limited (湖北新生源生物工程股份有限公司), a subsidiary of the Company
"Hunan Jingren"	Hunan Jingren Medical Investment Management Co., Ltd. (湖南景仁醫療投資管理有限公司), a 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 a subsidiary of the Company
"Magnificent View"	Magnificent View Investment Limited
"Mingyi Zhudao"	A mobile medical surgery platform operated by Shanghai Chuangxian Network Technology Co., Ltd. (上海創賢網絡科技有限公司)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"NEEQ"	the National Equities Exchange and Quotations System
"PCT"	The Patent Cooperation Treaty
"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
"Proposed Non-Public Issuance"	the proposed non-public issuance of new A Shares by the Company to the relevant subscribers
"R&D"	research and development
"Reporting Period"	the six-month period from 1 January 2016 to 30 June 2016
"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
"Second Tranche of Super Short-term Commercial Papers for 2016"	the second tranche of super short-term commercial papers for 2016 issued by the Company on 18 August 2016
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Henlius"	Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術有限公司), a subsidiary of the Company
"Shanghai Listing Rules"	the Rules Governing the Listing of Stocks on Shanghai Exchange (《上海證券交易所股票上市規則》) as amended from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)

Definitions

"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
"Sinopharm"	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01099)
"Sisram"	Sisram Medical Limited, a company incorporated in the State of Israel, a subsidiary of the Company
"Sisram Group"	Sisram and its subsidiaries
"Sisram Listco"	Sisram Group or a holding company subsidiary to be established by the Company for the purpose of a spin-off of the business of Sisram
"Sisram Plan"	the 2013 employee incentive compensation plan and the proposed grant of options to purchase one or more shares in Sisram pursuant to the terms thereof approved by the Shareholders on 29 June 2015
"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 dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"Wanbang Cloud Pharmacy"	Xuzhou Wanbang Cloud Pharmacy Co., Ltd., a subsidiary of the Company
"Wanbang Pharma"	Jiangsu Wanbang Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥股份有限公司), a subsidiary of the Company
"Wanbang Tiancheng"	Wanbang Hangzhou Tiancheng Commercial Co., Ltd., a subsidiary of the Company
"Wenzhou Geriatric Hospital"	Wenzhou Geriatric Hospital Limited Company (溫州老年病醫院有限公司), a subsidiary of the Company
"Written Code"	Written Code for Securities Transactions by Directors/Relevant Employees (《董事/有關僱員進行證券交易的書面指引》) of the Company
"Xuzhou Coal Mining Group"	Xuzhou Coal Mining Group Co., Ltd. (徐州礦務集團有限公司)
"Yaneng Bio"	Yaneng Bioscience (Shenzhen) Co., Ltd., a subsidiary of the Company
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Zhongwu Hospital"	Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司), a subsidiary of the Company
"%"	per cent

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