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

Annual Report 2016

*For identification purposes only

Our Vision

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

Our Mission

We continuously enhance the capabilities for innovation, service, integration and international operations to efficiently operate, manage and invest in outstanding enterprises in the industry so that we can become a leading provider of healthcare products and services.

Contents

Corporate Information

Directors

Executive Directors

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方) *(Co-Chairman)*
Mr. Wu Yifang (吳以芳)
(President and Chief Executive Officer)[1]

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)[2]
Mr. John Changzheng Ma[7]
Mr. Wang Pinliang (王品良)[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)[2]
Dr. Zhang Weijiong (張維炯)[5]

Supervisors

Mr. Li Chun (李春) *(Chairman)*[2]
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 (周飈)[8]

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)[2]
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)[2]
Mr. John Changzheng Ma[3, 5]
Mr. Wang Pinliang (王品良)[4]

Nomination Committee

Mr. Jiang Xian (江憲) *(Chairman)*
Ms. Kang Lan (康嵐)
Mr. Cao Huimin (曹惠民)[2]
Dr. Zhang Weijiong (張維炯)[5]

Remuneration and Appraisal Committee

Dr. Wong Tin Yau Kelvin (黃天祐) *(Chairman)*[2]
Mr. Cao Huimin (曹惠民)
Ms. Kang Lan (康嵐)
Mr. Chen Qiyu (陳啟宇)
Mr. Jiang Xian (江憲)
Dr. Zhang Weijiong (張維炯)[5]

1 Appointed on 31 August 2016 as an executive Director
2 Appointed on 7 June 2016
3 Appointed on 2 March 2016
4 Resigned on 2 March 2016
5 Retired on 7 June 2016
6 Appointed on 29 June 2016
7 Resigned on 29 June 2016
8 Retired on 27 June 2016

Corporate Information

Registered Office

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

Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

Legal Advisers in Hong Kong

Reed Smith Richards Butler

Legal Advisers in the PRC

Grandall Law Firm (Shanghai)

Auditors

Ernst & Young

Principal Banks

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

Corporate Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation

FOSUN PHARMA

Share Listing

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

Corporate Information

A Share Registrar and Transfer Office in the PRC

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

H Share Registrar and Transfer Office in Hong Kong

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

Corporate Website

http://www.fosunpharma.com

Financial Highlights

	2016 RMB million	2015 RMB million
Operating results		
Revenue	**14,506**	12,502
Gross profit	**7,787**	6,194
Operating profit	**1,742**	1,473
Profit before tax	**3,572**	3,372
Profit for the year attributable to owners of the parent	**2,806**	2,460
Profitability		
Gross margin	**53.68%**	49.54%
Operating profit margin	**12.01%**	11.78%
Profit margin for the year	**22.21%**	22.96%
Earnings per share (RMB)		
Earnings per share — basic	**1.21**	1.07
Earnings per share — diluted	**1.20**	1.06
Assets		
Total assets	**43,711**	38,145
Equity attributable to owners of the parent	**22,133**	18,125
Total liabilities	**18,517**	17,532
Cash and bank balances	**5,996**	4,029
Debt-to-asset ratio	**42.36%**	45.96%
Of which: Pharmaceutical manufacturing and R&D segment		
Segment revenue	**10,150**	8,843
Segment gross profit	**6,048**	4,705
Segment results	**1,580**	1,270
Segment profit for the year	**1,640**	1,238

Chairman's Statement

Dear Shareholders,

In 2016, amidst the severe situation that was full of challenges and uncertainties in the economies of the world and the PRC, there was ongoing further reform of the medical system in the PRC. The pharmaceutical manufacturing industry resumed growth at a slower pace, and the medical technology and medical services continued to be benefited from the policies with opportunities for rapid development. 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 as well as international development, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining the balanced growth of its principal businesses.

Mr. Chen Qiyu
Chairman

Chairman's Statement

2016 Review

During the Reporting Period, the Group realized revenue of RMB14,506 million, representing an increase of 16.03% as compared to 2015; excluding the impact of the disposal of Handan Pharmaceutical in 2015 and the new acquisition of Wanbang Tiancheng and the new establishment of Wenzhou Geriatric Hospital and other companies in 2016, the revenue would have increased by 16.16% on the same basis as compared to 2015. The Group realized revenue of RMB10,150 million in pharmaceutical manufacturing and research and development (R&D) segment, representing an increase of 14.78% as compared to 2015; excluding the impact of the disposal of Handan Pharmaceutical in 2015 and the new acquisition of companies including Wanbang Tiancheng in 2016, the revenue would have increased by 16.24% on the same basis as compared to 2015. Revenue from healthcare service business amounted to RMB1,676 million, representing an increase of 21.71% as compared to 2015. Excluding the impact of the new establishment of Wenzhou Geriatric Hospital and other companies in 2016, the revenue would have increased by 13.61% on the same basis as compared to 2015. The Group recorded revenue of RMB12,384 million in the Mainland China, representing an increase of 14.57% as compared to 2015 and recorded revenue of RMB2,122 million in foreign countries or regions, representing an increase of 25.37% as compared to 2015. The Group's revenue generated from foreign countries or regions further increased.

The Board proposed to distribute a final dividend of RMB0.35 (inclusive of tax) per share for the year ended 31 December 2016.

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 2016, there were 18 formulation products or 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 set up interactive and integrated R&D systems in Shanghai, Chongqing, San Francisco and Taiwan. It has also established an efficient R&D platform in areas of small molecular innovative drugs, large-molecule biosimilars, generic drugs with high value and specialized formulation technology. During the Reporting Period, the Group strengthened its presence in the production of anti-tumor drugs. After years of research and development and as at the end of the Reporting Period, there were 173 pipeline drugs, generic drugs, biosimilars and vaccine projects, 6 projects under clinical trial applications, 22 projects under clinical trial, and 42 projects awaiting official approval for sales. It is expected that 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 nearly 1,000 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 enhancing the competitiveness of its products, the Group also focused on developing its marketing capabilities. 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, put 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.

Chairman's Statement

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

In addition, the Group's capabilities in investment, merger and acquisition activities and consolidation have been widely recognized in the pharmaceutical industry, providing a solid foundation for the Group to make a leap-forward development in the future. The listings in two markets have created favorable condition for the Group to rapidly expand its scale of operation and enhance its competitiveness through merger and acquisition activities.

Outlook

In 2017, the pharmaceutical and healthcare industry will maintain stable growth. For the market demand, the quickening aging process and liberalization of two-child policy, the further increased investment in the medical and healthcare industry from the government and the increase in per capita disposable income in China will become three major drivers for the further development of pharmaceutical industry in China. Besides, with the continual growth in morbidity rate of geriatric, chronic diseases and tumors, these drivers will persist and further encourage industry development at a speed faster than the GDP growth in the near future. With respect to industry structure, the domestic economy will sustain stable growth while the government will guide and encourage the strategically emerging industries to proceed with industry upgrading and structure optimization, thereby supporting the development of the innovation-driven pharmaceutical industry. In terms of national policies, the promulgation of "Healthy China 2030" has devised a brighter future for the major health industries in China. The implementation of "paying for pharmaceutical products and medical insurance with benchmark price" policy, amendments to the "National List of Essential Drugs", "consistency evaluation" and other policies will lay a relatively more stable business foundation for domestic pharmaceutical enterprises. Upon the formulation and promulgation of China's Thirteenth Five-year Plan for the pharmaceutical industry, there will be more demanding requirements in respect of the overall industry structure. Pharmaceutical enterprises with advantages in size, technology, brand and marketing will embrace rare opportunities. In view of the specific industry environment, the coexistence of challenges and opportunities will remain in future.

In terms of challenges, on the one hand, the consistent concern about the drug quality, system standards and standardized operation of pharmaceutical enterprises from the government, especially the increasingly demanding planning and requirements on pharmaceutical distribution channels and marketing environment, have procured the industry to be more regulated, standardized and efficient, which may bring great pressure and challenges for certain enterprises in China in short term. However, in the long run, such efforts will facilitate the upgrading of the entire industry structure and the further concentration of industry. The accelerated implementation of regulation and control over prices and classification of pharmaceutical products, and further improvement in the centralized tender system for procurement of pharmaceutical products will facilitate and accelerate the consolidation in the domestic pharmaceutical industry. The level of industrial concentration will rapidly increase by way of acquisition and reorganization. On the other hand, under the influence of slow recovery in the global economy, the trend of anti-globalization and populism, unbalanced development between different regions, exchange rate risk and other factors, the international expansion of domestic enterprises will be subject to various challenges. However, it will be difficult for the trend of transnational information, technology, talents and capital flows to change in the long run. The expiration of patents of pharmaceutical products in major markets such as Europe and the U.S. will present opportunities for the rapid development of PRC companies with capabilities to innovate and carry out international expansion. While facing with favorable capital market conditions and product market opportunities, the international expansion of PRC pharmaceutical enterprises is also consistent with the policy directions of the government's industry plans.

Technology Innovation

Chairman's Statement

In terms of opportunities, the innovation capacity of enterprises will have rapid development. In particular, some quality pharmaceutical enterprises will realize the market value of their excellent R&D results built up during the Twelfth Five-year Plan period, thus further encouraging domestic pharmaceutical enterprises to increase R&D expenditure and develop high-value added industry. Besides, in view of the international market, the pace of international development of the domestic pharmaceutical industry as a whole has accelerated. Various quality products have obtained approvals for market access in Europe, the U.S., Japan and other developed countries. There have been more and more international mergers and acquisitions year by year as well. These factors ensure the acceleration of international and global development of PRC pharmaceutical enterprises in terms of products and investment while conforming to the overall policy direction of the government's industry plans.

At the same time, the healthcare services segment in China will further open up and the participation in the segment by social enterprises has been highly encouraged, such as by further opening up of market access and encouraging social enterprises to participate in the public hospital reform. In addition, the scheme of multiple practices has been further introduced and approvals on acquisition of medical equipment have been gradually loosened, and basic medical insurance has been introduced into the hospital system. The Group has entered the healthcare services segment since 2009 and is accelerating its deployment of the medical services network while accumulating operation and management experience in medical services.

The Board of the Company is of the opinion that the Group, as a pharmaceutical enterprise with a considerable size and the first pharmaceutical group to develop internationally with the use of internet technology while creating product vitality, will benefit from the current government policies for the pharmaceutical market and industry. The Group will continue to strengthen its business operation and invest more resources to support product innovation and market expansion, and will also continue to proactively carry out mergers and acquisitions in therapeutic areas and rapidly extend the scale of its business to continuously enhance its overall competitiveness. As for the healthcare service sector, the Group will seize the opportunities and speed up its expansion amid the favorable policies.

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

Mr. Chen Qiyu
Chairman

28 March 2017

Management Discussion and Analysis

FINANCIAL REVIEW

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

During the Reporting Period, revenue of the Group amounted to RMB14,506 million, representing an increase of 16.03% as compared to 2015.

During the Reporting Period, the Group recorded profit before tax of RMB3,572 million and profit attributable to owners of the parent of RMB2,806 million, representing an increase of 5.92% and 14.05%, respectively, as compared to 2015.

During the Reporting Period, earnings per share of the Group increased by 13.08% to RMB1.21 compared to 2015.

Management
Discussion and Analysis

REVENUE

During the Reporting Period, the Group realized revenue of RMB14,506 million, representing an increase of 16.03% as compared to 2015; excluding the impact of the disposal of Handan Pharmaceutical in 2015 and the new acquisition of Wanbang Tiancheng and the new establishment of Wenzhou Geriatric Hospital and other companies in 2016, the revenue would have increased by 16.16% on the same basis as compared to 2015. The Group recorded revenue of RMB12,384 million in the Mainland China, representing an increase of 14.57% as compared to 2015 and recorded revenue of RMB2,122 million in foreign countries or regions, representing an increase of 25.37% as compared to 2015. The Group's revenue generated from foreign countries or regions further increased.

During the Reporting Period, The Group realized revenue of RMB10,150 million in pharmaceutical manufacturing and research and development (R&D) segment, representing an increase of 14.78% as compared to 2015. Excluding the impact of the disposal of Handan Pharmaceutical in 2015 and the new acquisition of companies including Wanbang Tiancheng in 2016, the revenue would have increased by 16.24% as compared with 2015. The revenue of major products in pharmaceutical manufacturing and R&D segment for 2016 increased by 20.41% as compared to 2015, representing an increase of 22.30% on the same basis. During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group achieved segment results and segment profit amounting to RMB1,580 million and RMB1,640 million, which increased by 24.39% and 32.50% as compared with 2015 respectively.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased to RMB6,718 million from RMB6,308 million for 2015, representing an increase of 6.50% as compared to 2015.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group amounted to RMB7,787 million compared to RMB6,194 million for 2015, representing an increase of 25.72% as compared to 2015. The gross margin of the Group for 2016 and 2015 were 53.68% and 49.54%, respectively. In 2016, the gross profit margin of the Group had an increase of 4.14 percentage points as compared to 2015 primarily due to the improvement in the sales structure and economics of scale, centralized procurement and optimized raw materials supply chain, and energy saving and consumption reduction of the Group.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, the selling and distribution expenses of the Group increased to RMB3,704 million from RMB2,815 million for 2015, representing an increase of 31.58% as compared to 2015. The change in selling 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.

Management
Discussion and Analysis

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, R&D expenses amounted to RMB715 million from RMB670 million for 2015, representing an increase of 6.67% as compared to 2015, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB572 million, accounting for 5.6% of the revenue of the pharmaceutical manufacturing and R&D segment of the Group, mainly because the Group had increased its investments on R&D.

During the Reporting Period, R&D expenditure of the Group amounted to RMB1,106 million, which accounted for 7.6% of the revenue for the Reporting Period, representing an increase of 33.23% as compared to 2015.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group amounted to RMB1,342 million from RMB1,119 million for 2015, representing an increase of 19.93% as compared to 2015, which was mainly due to the continuous growth in the operating results of major associates of the Group.

PROFIT FOR THE YEAR

Due to the above reasons, during the Reporting Period, profit for the period of the Group amounted to RMB3,221 million from RMB2,871 million for 2015, representing an increase of 12.19% as compared to 2015. Net profit margin of the Group for 2016 and 2015 were 22.21% and 22.96%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group amounted to RMB2,806 million from RMB2,460 million for 2015, representing an increase of 14.07% as compared to 2015.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 31 December 2016, total debts of the Group increased to RMB11,710 million from RMB10,895 million as at 31 December 2015 mainly due to the increase in domestic and overseas acquisitions of the Group. As at 31 December 2016, mid- to long-term debts of the Group accounted for 47.57% of its total debts as compared to 32.78% as at 31 December 2015, mainly due to the Group adjusted the debt structure during the reporting period. As at 31 December 2016, cash and bank balances amounted to RMB5,996 million from RMB4,029 million as at 31 December 2015, representing an increase of 48.82% as compared to 2015.

As at 31 December 2016, the equivalent amount of RMB4,286 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 31 December 2016, cash and bank balances of the Group denominated in foreign currencies amounted to RMB1,678 million (31 December 2015: RMB1,041 million).

Management
Discussion and Analysis

Unit: million Currency: RMB

Cash and bank balances denominated in:	31 December 2016	31 December 2015
RMB	4,318	2,989
US dollars	1,443	906
HK dollars	101	67
Others	134	67
Total	5,996	4,029

Gearing Ratio

As at 31 December 2016, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 26.79%, as compared with 28.56% as at 31 December 2015.

Interest Rate

As at 31 December 2016, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB5,382 million (31 December 2015: RMB5,472 million and 5-year medium-term notes of RMB1,600 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	31 December 2016	31 December 2015
Within 1 year	6,139	7,323
1 to 2 years	763	1,837
2 to 5 years	4,717	1,521
Over 5 years	91	214
Total	11,710	10,895

AVAILABLE FACILITIES

As at 31 December 2016, save for cash and bank balances of RMB5,996 million, the Group had unutilized banking facilities of RMB17,833 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "Banks") in China. According to such agreements, the Banks granted the Group with general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations in China. As at 31 December 2016, total available banking facilities under these arrangements were approximately RMB24,931 million in aggregate, of which RMB7,098 million had been utilized. On 26 March 2015, the Company 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 Company 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 and redeemed on 20 May 2016 and 16 November 2016, respectively, and super short-term commercial papers of RMB500 million has been issued on 18 August 2016. The Company 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, corporate bonds of RMB3,000 million has been issued on 4 March 2016 and corporate bonds of RMB1,250 million has been issued on 14 March 2017.

Collateral and Pledged Assets

As at 31 December 2016, the Group had placed the following assets as collateral for bank borrowings: property, plant and equipment amounting to RMB32 million (2015: RMB63 million) and prepaid land lease payments amounting to RMB34 million (31 December 2015: RMB36 million).

As at 31 December 2016, the Group had pledged the following for bank borrowings: 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 Investment Limited (31 December 2015: the entire equity interest in Sisram held by the Group and Magnificent View Investment Limited). Details of the collateral and pledged assets are set out in note 31 to the financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and 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 2016 and 2015.

Unit: million Currency: RMB

	2016	2015
Net cash flows from operating activities	**2,110**	1,621
Net cash flows used in investing activities	**(2,447)**	(1,870)
Net cash flows from financing activities	**1,446**	551
Net increase/(decrease) in cash and cash equivalents	**1,109**	302
Cash and cash equivalents at the beginning of the year	**3,349**	3,010
Cash and cash equivalents at the end of the year	**4,538**	3,349

Management
Discussion and Analysis

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB1,588 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 31 December 2016, the Group's capital commitments contracted but not provided for amounted to RMB12,335 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 40 to the financial statements.

Contingent Liabilities

As at 31 December 2016, the Group did not have any contingent liabilities.

Interest Coverage

In 2016, the interest coverage, which is calculated by EBITDA divided by financial cost was 9.83 times as compared with 9.57 times for 2015. The interest coverage increased mainly because the Group's EBITDA for 2016 increased by 6.67% to RMB4,799 million from RMB4,499 million for 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 2016, amidst the severe situation that was full of challenges and uncertainties in the economies of the world and the PRC, there was ongoing further reform of the medical system in the PRC. The pharmaceutical manufacturing industry resumed growth at a slower pace, and the medical technology and medical services continued to be benefited from the policies with opportunities for rapid development. 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 as well as international development, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining the balanced growth of its principal businesses.

Management
Discussion and Analysis

During the Reporting Period, the Group realized revenue of RMB14,506 million, representing an increase of 16.03% as compared to 2015; excluding the impact of the disposal of Handan Pharmaceutical in 2015 and the new acquisition of Wanbang Tiancheng and the new establishment of Wenzhou Geriatric Hospital and other companies in 2016, the revenue would have increased by 16.16% on the same basis as compared to 2015. The Group realized revenue of RMB10,150 million in pharmaceutical manufacturing and research and development (R&D) segment, representing an increase of 14.78% as compared to 2015; excluding the impact of the disposal of Handan Pharmaceutical in 2015 and the new acquisition of companies including Wanbang Tiancheng in 2016, the revenue would have increased by 16.24% on the same basis as compared to 2015. Revenue from healthcare service business amounted to RMB1,676 million, representing an increase of 21.71% as compared to 2015. Excluding the impact of the new establishment of Wenzhou Geriatric Hospital and other companies in 2016, the revenue would have increased by 13.61% on the same basis as compared to 2015. The Group recorded revenue of RMB12,384 million in the Mainland China, representing an increase of 14.57% as compared to 2015 and recorded revenue of RMB2,122 million in foreign countries or regions, representing an increase of 25.37% as compared to 2015. The Group's revenue generated from foreign countries or regions further increased.

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

Unit: million Currency: RMB

Business segment	Revenue 2016	Revenue 2015	Year-on-year increase/ decrease (%)
Pharmaceutical manufacturing and R&D *(Note 1)*	**10,150**	8,843	14.78
Healthcare services *(Note 2)*	**1,676**	1,377	21.71
Medical devices and medical diagnosis	**2,653**	2,244	18.23 *(Note 3)*

Note 1: Excluding the impact of the disposal of Handan Pharmaceutical in 2015 and the new acquisition of companies including Wanbang Tiancheng in 2016, the revenue of pharmaceutical manufacturing and R&D would have increased by 16.24% on the same basis as compared to the corresponding period of 2015;

Note 2: Excluding the impact of the new establishment of Wenzhou Geriatric Hospital and other companies in 2016, the revenue of healthcare services would have increased by 13.61% on the same basis as compared to the corresponding period of 2015;

Note 3: The increase in revenue of medical devices and medical diagnosis was mainly due to an increase in sales of consumables brought by the rapid increases in the number of installation of Da Vinci surgical robotic system as well as the volume of surgery by Da Vinci surgical robotic system.

In 2016, the Group recorded total profit of RMB3,572 million and net profit attributable to the shareholders of the Company of RMB2,806 million, representing an increase of 5.92% and 14.05%, respectively, as compared to 2015.

Management
Discussion and Analysis

During the Reporting Period, net cash flow from operating activities continued to rise, increasing to RMB2,110 million in 2016, representing an increase of 30.17% as compared to 2015. The profitability and operational quality of the Group were further enhanced.

During the Reporting Period, the Group continued to increase the investment in R&D. R&D expenditure (including capitalized expenditure) amounted to RMB1,106 million, representing an increase of 33.23% as compared to 2015. During the Reporting Period, the R&D expenses of the Group amounted to RMB715 million, representing an increase of 6.67% as compared to 2015. In particular, the R&D expense of pharmaceutical manufacturing and R&D segment amounted to RMB572 million, representing 6.36% growth from 2015 and accounting for 5.6% of the revenue of the pharmaceutical manufacturing and R&D segment. As at the end of the Reporting Period, the Group had 173 pipeline drugs, generic drugs, generic biopharmaceutical drugs and vaccine projects. During the Reporting Period, the Group applied for 103 patents, including 21 U.S. patent applications, 2 Japanese patent applications, 3 European patent applications and 6 PCT applications, in the pharmaceutical manufacturing and R&D segment, and obtained 30 licensed patents, including 22 invention patents (including 2 U.S. patents). The venlafaxine hydrochloride tablets of Yao Pharma obtained the launching approval from U.S. FDA. Rabies vaccine (Vero cells) for human use of Dalian Aleph, N-Acetyl Cysteine and Histidine hydrochloride APIs of Hubei Shine Star, Fasudil Hydrochloride APIs of Yao Pharma and Clindamycin Phosphate injection, Cefepime Dihydrochloride injection, thymopentin for injection, Diammonium Glycyrrhizinate injection and Aceglutamide injection of Erye Pharmaceutical obtained production approvals from the CFDA.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB10,150 million, representing an increase of 14.78% as compared to 2015. Excluding the impact of the disposal of Handan Pharmaceutical in 2015 and the new acquisition of companies including Wanbang Tiancheng in 2016, revenue would have increased by 16.24% as compared with 2015. The revenue of major products in the pharmaceutical manufacturing segment for the year increased by 20.41% as compared to 2015, representing an increase of 22.30% on the same basis. During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group achieved segment results and segment profit amounting to RMB1,580 million and RMB1,640 million, which increased by 24.39% and 32.50% as compared to 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 2016, the sales of the Group's major products in therapeutic areas such as cardiovascular system, central nervous system and anti-tumor, antimalarial series such as artesunate and anti-tuberculosis series products, maintained rapid growth. Among new and recent products, the cardiovascular therapeutic product alprostadil dried emulsion (You Di Er) and the metabolism system therapeutic product febuxostat tablets (You Li Tong) maintained rapid growth.

In 2016, the Group had 18 formulation items or series with sales over RMB100 million. The sales of the products or series such as Ao De Jin, You Di Er, cefmetazole sodium series and Atomolan exceeded RMB500 million.

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

Unit: million Currency: RMB

Pharmaceutical manufacturing and R&D	**2016**	2015	Year-on-year increase on the same basis (%)
Major products of cardiovascular system therapeutic area *(Note 1)*	**1,200**	847	41.76
Major products of central nervous system therapeutic area *(Note 2)*	**1,076**	788	36.46
Major products of blood system therapeutic area *(Note 3)*	**357**	324 *(Note 3*)*	10.14 *(Note 3*)*
Major products of metabolism and alimentary system therapeutic area *(Note 4)*	**1,867**	1,740 *(Note 4*)*	13.87 *(Note 8)*
Major products of anti-infection therapeutic area *(Note 5)*	**1,863**	1,594	16.82
Major products of anti-tumor therapeutic area *(Note 6)*	**305**	225	35.43
Major products of APIs and intermediate products *(Note 7)*	**1,115**	945	17.98

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

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

Note 3: Major products of blood system therapeutic area include hemocoagulase for injection (Bang Ting) and Cobamamide for injection (Mi Le Ka);

Note 3:* the 2015 data is restated for comparison with the 2016 data on the same basis, i.e. the 2015 data including the revenue of Cobamamide for injection (Mi Le Ka), a new core product.

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

Note 4:* the 2015 data include Mo Luo Dan products;

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

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

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

Note 8: The year-on-year increase (%) excludes the sales of Mo Luo\ Dan products in 2015.

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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 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, OOS investigation, Corrective and Preventive Actions (CAPA) and audit on suppliers. The Group's pharmaceutical manufacturing segment continued to push forward the improvement of qualification certifications. As at the end of the Reporting Period, subsidiaries of the Group that engaged in pharmaceutical manufacturing business had 53 GMP certificates (2010) in aggregate, which included 32 production lines for sterile preparation, 37 production lines for oral formulation and 61 APIs. All subsidiaries that engaged in pharmaceutical manufacturing business fulfilled national new GMP requirements. While ensuring the production lines to fulfill the new GMP in China, the Group encouraged the companies in the pharmaceutical manufacturing segment to comply with international standards and pushed them forward to put international cGMP certifications such as the U.S., European Union and WHO into practice. As at the end of the Reporting Period, 13 APIs of the Group received GMP certifications from the U.S. FDA, EU, Ministry of Health, Labour and Welfare of Japan and Federal Ministry of Health of Germany. 1 production line for oral solid dosage formulation and 5 APIs of Guilin Pharma also obtained PreQualification from the WHO-PQ, and 1 production line of oral solid dosage formulation of Yao Pharma was recognized by Canada Health 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 RMB715 million, representing an increase of 6.67% as compared to 2015, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB572 million, accounting for 5.6% 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, central 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 173 pipeline drugs, generic drugs, biosimilars and vaccine projects. During the Reporting Period, application for clinical trial was tendered to the CFDA for PA-824 type 1.1 innovative API and tablets; research on monoclonal antibody products further accelerated; as at the end of the Reporting Period, application for clinical trial was tendered to the CFDA for recombinant anti-TNFα fully human monoclonal antibody injection (psoriasis indications) and such application was accepted; recombinant murine/human chimeric anti-CD20 monoclonal antibody injection, recombinant humanized anti-HER2 monoclonal antibody injection, recombinant anti-TNFα fully human monoclonal antibody injection (rheumatoid arthritis indications), recombinant humanized anti-VEGF monoclonal antibody injection, recombinant murine/human chimeric anti-EGFR monoclonal antibody injection and anti-EGFR humanized monoclonal antibody injection were in clinical trial or were approved to commence clinical trial. Recombinant murine/human chimeric anti-CD20 monoclonal antibody injection and recombinant humanized anti-HER2 monoclonal antibody injection were in phase III of the trial; anti-EGFR humanized monoclonal antibody injection commenced clinical trial in Taiwan. During the Reporting Period, approval of clinical trial was obtained for 50 products in the pharmaceutical manufacturing and R&D segment. In addition, during the Reporting Period, the venlafaxine hydrochloride tablets of Yao Pharma obtained the launching approval from U.S. FDA. Rabies vaccine (Vero cells) for human use of Dalian Aleph, N-Acetyl Cysteine and Histidine hydrochloride APIs of Hubei Shine Star, Fasudil Hydrochloride APIs of Yao Pharma and Clindamycin Phosphate injection, Cefepime Dihydrochloride injection, thymopentin for injection, Diammonium Glycyrrhizinate injection and Aceglutamide injection of Erye Pharmaceutical obtained production approvals from the CFDA.

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During the Reporting Period, the Group applied for 103 patents, including 21 U.S. patent applications, 2 Japanese patent applications, 3 European patent applications and 6 PCT applications, in the pharmaceutical manufacturing and R&D segment, and obtained 30 licensed patents, including 22 invention patents (including 2 U.S. patents).

During the Reporting Period, the Group continued to focus on innovation and international development, and strived to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group also consolidated and integrated its current product lines and various resources and proactively expanded its international market in order to expand its pharmaceutical manufacturing and R&D segment while achieving continuous and rapid growth of its revenue and profit. During the Reporting Period, the Group also commenced and proceeded the application for listing of Shanghai Henlius on the National Equities Exchange and Quotations System ("NEEQ").

Healthcare Services

In 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", the reconstruction and expansion of Zhongwu Hospital and Guangji Hospital, Wenzhou Geriatric Hospital and Yulin Guanghai, which is responsible for the operation and management of Yulin Cardiovascular Specialty Hospital (玉林心血管專科醫院) and Yulin Brain Hospital (玉林腦科醫院), in which the Group was involved, commenced, started operation and was established 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 and the establishment of Huaihai Medical 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 explored the potential in a new model by cooperating and establishing third party medical examination with public hospitals through its investment in Qilu Clinical Laboratory. 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. Moreover, the Group also entered into a series of framework agreements with local governments, universities and hospitals to further reserve and consolidate various resources in achieving complementary advantages and mutual development.

During the Reporting Period, the healthcare services entities controlled by the Group realized total revenue of RMB1,676 million, representing an increase of 21.71% as compared to 2015. Excluding the impact of the new establishment of Wenzhou Geriatric Hospital and other companies in 2016, the revenue would have increased by 13.61% on the same basis as compared to 2015. Segment results amounted to RMB231 million, representing an increase of 13.96% as compared to 2015, and segment profit of RMB149 million, representing an increase of 96.06% as compared to 2015. In particular, the net profit of the subsidiaries of healthcare services segment increased by 31.29% on the same basis. 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, Wenzhou Geriatrics Hospital, etc. controlled by the Group was 3,018 in aggregate.

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In addition, during the Reporting Period, the Group continued to actively support and facilitated the development and deployment of hospital and clinic network under "United Family Hospital", a leading premium healthcare services brand under Chindex. In 2016, the United Family Hospital maintained its brand awareness and prominent positions in high-end healthcare segment in major cities such as Beijing, Tianjin and Shanghai. Qingdao United Family Hospital has commenced operation. The construction of Guangzhou United Family Hospital and Shanghai Pudong United Family Hospital was also 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 Devices and Medical Diagnosis

In 2016, the Group continued to push the development of the medical devices and medical diagnosis segment forward. During the Reporting Period, the Group realized revenue of RMB2,653 million from the medical devices and medical diagnosis segment, representing an increase of 18.23% as compared to 2015. The results and profit of the medical devices and medical diagnosis segment amounted to RMB435 million and RMB323 million, which increased by 13.47% and 18.51% as compared to the corresponding period of 2015 respectively. The increase in revenue of the medical devices and medical diagnosis segment was mainly due to an increase in sales of consumables brought by the rapid increases in the number of installation of Da Vinci surgical robotic system as well as the volume of surgery by Da Vinci surgical robotic system.

During the Reporting Period, Alma Lasers continued to accelerate the development of the global market and especially key emerging markets such as China and India. 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. Alma Lasers recorded revenue equivalent to approximately RMB786 million in 2016, representing an increase of 14.19% as compared to 2015. While the Group actively fostered the business development of Alma Lasers, the Group also commenced and proceeded the preparations for the listing of Sisram on Hong Kong Stock Exchange in 2016.

During the Reporting Period, the Group continued to enhance the expansion of the distribution business of high-end medical devices of CML. As a representative figure of minimally invasive surgery, Da Vinci surgical robotic system has an extensive application in urinary surgery, thoracic surgery and gynecology by virtue of its advantages including being more accurate, less traumatic and quick recovery. The volume of surgery by Da Vinci surgical robotic system maintained a significant increase in 2016. In 2016, the volume of surgery by Da Vinci surgical robotic system amounting to approximately 19,000 in the Mainland China and Hong Kong, representing growth of approximately 54% as compared to 2015.

Besides, by making joint investment with Intuitive Surgical, the owner of the technology and products of Da Vinci surgical robotic system, in establishing a joint venture, the Company intended to facilitate the enhancement and development of the medical devices segment of the Group by achieving concept fusion, resources matching and complementary advantages on brands and business with Intuitive Surgical with the use of the leading position of Intuitive Surgical in the field of minimally invasive surgical robots, which played a positive role in the development and popularization of high-end medical technology in China. Furthermore, dental digitized product lines became the new source of growth for the Group. The year 2016 saw a growth of sales of 149.14% as compared to 2015. In 2016, the Company also completed the "C" round investment of Spirosure, a respiratory disease testing company in Silicon Valley, further expanding the deployment in medical device products and expanding into the respiratory disease testing segment.

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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 2016, Sinopharm realized revenue of RMB258,388 million, net profit of RMB6,892 million and net profit attributable of RMB4,647 million, which represented an increase of 12.99%, 20.04% and 23.20% as compared to 2015, respectively. As at the end of the Reporting Period, the distribution network of Sinopharm covered 31 provinces, autonomous regions and municipalities in China. Its direct customers included 14,231 hospitals (only referring to hospitals with ranking, including 1,991 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 13.34% as compared to 2015 to RMB246,459 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB10,239 million realized during the Reporting Period, representing an increase of 17.29% as compared to 2015, while its pharmaceutical retail network further expanded with retail pharmacies owned by GuoDa Drug Store, its subsidiary, amounted to 3,502 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.

The Group strengthened the linkage within the segments as well as between the segments by way of internal consolidation of shareholding and cooperation for products and services between segments in order to further consolidate resources and achieve integration and circulation of the Group's internal resources to facilitate business development. By setting up regional financial sharing centers, the Group achieved the integration of accounting, statement preparation, tax administration, financial analysis and internal control establishment of the subsidiaries in the relevant regions. By virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's advantages in distribution network and logistics to facilitate the expansion of the drug sales channels of the Group.

In respect of cutting costs and making improvement, during the Reporting Period, the Group further enhanced the operation efficiency in aspects such as centralized procurement, strategic procurement, procurement management system and platform establishment. In 2016, the average decrease of the procurement costs of the project bids through centralized procurement was about 23%, and the highest decrease for the procurement price of an item was 83%. With respect to the establishment of suppliers, the Group set up three strategic supplier bases for infrastructure through open tendering. The Group strengthened its cooperation with the leading industry peers so as to reduce supply risk. The Group also issued the Green Supply Chain Initial Proposal so as to motivate the suppliers to strengthen self-regulation in environment and in the industry and facilitate a healthier and more sustainable supply chain in the whole industry. In respect of management system and platform construction, the Group published and organized 20 business templates and 14 business processes based on the Basic Guidelines for Procurement and Tendering (Trial) to further promote the application of its procurement and tendering platform. Meanwhile, the Company also assisted the implementation of ERP system and strengthened the synergy of the internal procurement and tendering of the Group.

In respect of compliance operation, the Group has formulated and amended systems including the Anti-Corruption Regulation and the Management Rules on Operation with Integrity, which fully implemented open tendering and monitored the sensitive areas, in order to enhance its integrity inspection system for compliance operation.

In respect of information resources, adhering to the development strategy of "Internet+", the Group has introduced the SAP system for the pharmaceutical manufacturing segment and established a information sharing platform for the information exchange between the healthcare services segment and the headquarters, achieving the resources and information sharing within the Group and meeting the needs for the management and control of the Group across different regions.

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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 environment, health and safety (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 enhanced 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, in addition to the further promotion of the construction of and strengthening management on the EHS management system at the group and subsidiary level, the Group initiated various EHS-related management and improvement activities, such as EHS cross-audit spanning different segments and units, EHS incident warning system, EHS inspection kit for front-line officers and a platform for sharing information of internal affairs and excellent practices. The Group also issued the EHS Performance Reporting and Management System, which refined the EHS indicators requirements monthly reported by its members. These efforts rendered the Company's EHS management more professional and refined and continuously procured the lowering of operational EHS risks and the wide increase in staff participation. Meanwhile, the Group also revised and issued the Major Safety, Quality and Environmental Incidents Reporting System, put into full implementation the accountability of chief officers of EHS. EHS potential hazards and 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 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 non-public issuance of A Shares was completed. The net proceeds amounted to approximately RMB2,275 million and were used for the purposes of the repayment of interest-bearing debts and replenishment of working capital. The Company completed the issue of corporate bonds of RMB3,000 million and the two tranches of super short-term commercial papers of a total of RMB1,000 million. 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, which further expanded financing channels, optimized debt structure and reduced financing costs. Shanghai Henlius, a subsidiary of the Company, completed external equity financing of a total of approximately US$40 million, providing financial support for future development. Meanwhile, the Group 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 Group 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.

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Social Responsibility

Whilst the Group has been rapidly growing, the Group remains committed to undertaking social responsibilities. The Group had made great progress in corporate governance, economic, products and services, environment, health and safety, employees and social contribution as it continued to assume the responsibility of a corporate citizen.

During the Reporting Period, the Group had continually increased investment in upgrading its technology, improved production process, focused on the establishment of product quality system, extended the life cycle of products and lowered the cost in order to offer safe, efficient, affordable products and services. For pharmaceutical enterprises, drug research and innovation is an important reflection of their social responsibilities. During the Reporting Period, the Group continued to increase the investment in R&D and achieved significant progress in the R&D of monoclonal antibody products. As at the end of the Reporting Period, the Group obtained approval of clinical trial for 6 products and 10 indications and 2 products were in the phase III clinical trial. Meanwhile, during the Reporting Period, to care for patients and life, the Group continuously improved a long-term mechanism and contingency plan for monitoring adverse drug reaction. The Group adopted the "patient-centered" service concept, upheld the principle of "patient first, quality first" and highly concerned the medical quality and safety of patient. Chancheng Hospital was awarded titles including "Exemplary Hospital of Improvement in Medical Services" from the NHFPC and Health News in 2016.

During the Reporting Period, the Group constantly strengthened environment protection, optimized the production process and improved the utilization rate of the production facilities for the purposes of energy saving, emission reduction and environment protection. The Group emphasized harmonious development with nature to protect the sustainable development of the environment.

With respect to the sustainability of talents, in addition to rapid development, the Group also provided room for development for its excellent talents and strengthened the establishment of talents teams in order to provide a platform for employees to discover their values and improve themselves.

With respect to social welfare, the Group undertook its social responsibilities and benefited the society by continuously investing in education, supporting scientific researches and community healthcare services, alleviating poverty by donations, and providing disaster assistances. As the manufacturer of artesunate for injection series, the most preferred drug for severe disease treatment as recommended by the World Health Organization, the Group continued to proactively participate in the Chinese government projects of anti-malarial in Africa in 2016.

The Group's outstanding performance in corporate social responsibilities has gained recognition from all aspects of the society. During the Reporting Period, the Company was awarded the "Golden Bee 2016 Excellent Corporate Social Responsibility Report • Leadership Enterprise Award" (金蜜蜂2016優秀企業社會責任報告 • 領袖型企業獎), "Responsibility Innovation Best Case Award for the Year" (年度責任創新最佳案例獎), "Excellent Enterprise Award of "Corporate Social Responsibility of Listed Companies"" (「上市公司企業社會責任評選」傑出企業獎), No. 2 in the Social Responsibility Development Index (社會責任發展指數第二名), No. 1 in the Report Evaluation (報告評價結果第一名) and other honors.

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2. Major Operations in the Reporting Period

A Analysis on Principal Operations

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

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Year-on-year change (%)	Reasons
Revenue	14,506	12,502	16.03	
Cost of sales	6,718	6,308	6.50	
Selling and distribution expenses	3,704	2,815	31.58	*Note 1*
Administrative expenses	1,626	1,235	31.66	*Note 2*
Research and development expense	715	670	6.67	
Finance costs	488	470	3.83	
Net cash flow generated from operating activities	2,110	1,621	30.17	*Note 3*
Net cash flow generated from investment activities	–2,447	–1,870	–30.87	*Note 4*
Net cash flow generated from financing activities	1,446	551	162.57	*Note 5*
R&D expenditures	1,106	830	33.23	*Note 6*

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

Note 1: The increase in selling and distribution expenses was mainly due to the growth in sales of the major products of the Group in the major therapeutic areas and further market expansion during the Reporting Period;

Note 2: The increase in administrative expenses was mainly due to the business development, accelerated mergers and expansion in international market and increase in other investment related expenses, expenditure in informationization and others of the Group during the Reporting Period;

Note 3: The increase in net cash flow generated from operating activities was mainly due to the outstanding sales performance and operational enhancement of the Group during the Reporting Period;

Note 4: The increase in net cash outflow generated from investment activities was mainly due to the Group's large sum of cash received from the disposal of subsidiaries in 2015 and receipt of investment return;

Note 5: The increase in net cash flow generated from financing activities was mainly due to the non-public offering of A shares and the issuance of corporate bonds by the Company during the Reporting Period;

Note 6: Mainly due to the increase in R&D expenditure of the Group during the Reporting Period.

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I. Analysis of Revenue and Cost of Sales

During the Reporting Period, revenue of the Group increased by 16.03% to RMB14,506 million from 2015.

The change in revenue was mainly attributable to the increase in revenue from the business segments of manufacturing, healthcare services and distribution of medical devices of the Group.

Sales to the top 5 customers of the Group amounted to RMB1,995 million, representing 13.75% of the total sales revenue in 2016, in which sales to related parties amounted to RMB1,334 million, representing 9.2% of the total sales revenue for the year.

In 2016, the gross profit margin of the Group was 53.68%, representing an increase of 4.14 percentage points as compared to 2015 primarily due to the improvement in the sales structure and economics of scale, centralized procurement and optimized raw materials supply chain, and energy saving and consumption reduction of the Group.

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

Unit: million Currency: RMB

			Principal Operations by Segments			
By segments	**Revenue**	**Cost of sales**	**Gross profit margin** (%)	**Year-on-year change in revenue** (%)	**Year-on-year change in cost of sales** (%)	**Year-on-year change in gross margin** (%)
Pharmaceutical manufacturing and R&D	10,150	4,102	59.58	14.78	–0.85	increase of 6.37 percentage points
Healthcare services	1,676	1,239	26.07	21.71	20.36	increase of 0.80 percentage point
Medical devices and medical diagnosis	2,653	1,339	49.53	18.23	20.65	decrease of 1.05 percentage points

Management Discussion and Analysis

Principal Operations by Products

By Products	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin (%)
Major products of cardiovascular system therapeutic area *(Note 1)*	1,200	254	78.81	41.76	25.66	increase of 2.72 percentage points
Major products of central nervous system therapeutic area *(Note 2)*	1,076	133	87.60	36.46	–1.73	increase of 4.82 percentage points
Major products of blood system therapeutic area *(Note 3)*	357	63	82.46	10.14	–17.13	increase of 5.78 percentage points
Major products of metabolism and alimentary system therapeutic area *(Note 4)*	1,867	533	71.45	7.33	–15.16	increase of 7.57 percentage points
Major products of anti-infection therapeutic area	1,863	715	61.61	16.82	1.07	increase of 5.99 percentage points
Major products of anti-tumor therapeutic area *(Note 5)*	305	62	79.53	35.43	5.94	increase of 5.70 percentage points
Major products of APIs and intermediate products	1,115	802	28.02	17.98	16.98	increase of 0.62 percentage point

Principal Operations by Geographical Locations

By geographical locations	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin (%)
Mainland China	12,384	5,556	55.14	14.57	3.85	increase of 4.64 percentage points
Overseas countries or regions	2,122	1,163	45.21	25.37	21.39	increase of 1.80 percentage points

Note 1: The revenue of major products of cardiovascular system therapeutic area recorded a year-on-year increase of 41.76%, which was mainly due to the growth in sales volume of alprostadil dried emulsion products;

Note 2: The revenue of major products of central nervous system therapeutic area recorded a year-on-year increase of 36.46%, which was mainly due to the growth in sales volume of deproteinised calf blood injection products;

Note 3: Major products of blood system therapeutic area included Cobamamide for injection in 2016, where the revenue and cost of Cobamamide for injection were restated on the same basis for the revenue and cost of sales of last year;

Note 4: The percentage included the growth in the revenue of Mo Luo Dan in 2015, if excluding the sales of Mo Luo Dan in 2015, the increase would be 13.87% on the same basis;

Note 5: The revenue of major products of anti-tumor therapeutic area recorded a year-on-year increase of 35.43%, which was mainly due to the growth in sales quantities.

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(2) *Analysis of Cost*

Unit: million Currency: RMB

By Segments

By Segments	Cost	Amount for the period	Percentage of the total cost for the period (%)	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)
Pharmaceutical manufacturing and R&D	Cost of products	4,102	61.06	4,138	65.59	–0.85
Medical devices and medical diagnosis	Cost of products and goods	1,339	19.93	1,110	17.59	20.65
Healthcare services	Cost of services	1,239	18.44	1,029	16.32	20.36
Others	Other costs	38	0.57	31	0.5	21.52
Total		6,718	100.00	6,308	100.00	6.50

Unit: million Currency: RMB

By Products

By Products	Cost	Amount for the period	Percentage of the total cost for the period (%) *(note)*	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)
Major products of cardiovascular system therapeutic area	Cost of products	254	6.20	202	4.89	25.66
Major products of central nervous system therapeutic area	Cost of products	133	3.25	136	3.28	–1.73
Major products of blood system therapeutic area	Cost of products	63	1.53	76	1.83	–17.13
Major products of metabolism and alimentary system therapeutic area	Cost of products	533	12.99	628	15.18	–15.16
Major products of anti-infection therapeutic area	Cost of products	715	17.43	708	17.10	1.07
Major products of anti-tumor therapeutic area	Cost of products	62	1.52	59	1.42	5.94
Major products of APIs and intermediate products	Cost of products	802	19.56	686	16.58	16.98

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(3) *Major Customers and Suppliers*

Sales to the top 5 customers of the Group amounted to RMB1,995 million, representing 13.75% of the total sales revenue in 2016.

Purchases from the top five suppliers amounted to RMB1,288 million, accounting for 17.90% of the total purchases of the Group for 2016.

II. Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB3,704 million, representing an increase of 31.58% as compared to 2015. The change in selling 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 management expenses of the Group amounted to RMB1,626 million, representing an increase of 31.66% as compared to 2015. The change in management expenses was mainly due to the business development, accelerated mergers and expansion in international market and increase in other investment related expenses, expenditure in informationization and others of the Group during the Reporting Period.

The R&D expenses of the Group amounted to RMB715 million, representing a year-on-year increase of 6.67% primarily due to the increased R&D expenditure of the Group.

III. R&D Expenditure

R&D Expenditure

Unit: million Currency: RMB

R&D expenditures expensed for the period	715
R&D expenditures capitalized for the period	391
Total R&D expenditures	1,106
Percentage of total R&D expenditures on revenue (%)	7.6
Number of R&D staff in the Company	986
Percentage of number of R&D staff on total number of staff in the Company (%)	5.05
Percentage of R&D expenditures capitalized (%)	35.38

Descriptions

During the Reporting Period, the R&D expenses were RMB715 million, representing an increase of 6.67% as compared to 2015, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB572 million, accounting for 5.6% of the revenue of the pharmaceutical manufacturing and R&D segment of the Group, mainly because the Group had increased its investments on R&D.

IV. Cash Flows

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Ratio of Change (%)	Reasons
Net cash flow generated from operating activities	2,110	1,621	30.17	Mainly due to the outstanding sales performance and operational enhancement of the Group during the Reporting Period
Net cash flow generated from investment activities	–2,447	–1,870	–30.87	Mainly due to the disposal of subsidiaries and the more cash received for investment return in 2015
Net cash flow generated from financing activities	1,446	551	162.57	Mainly due to the non-public offering of A shares and the issuance of bonds of the Company during the Reporting Period

Management
Discussion and Analysis

B. Assets and liabilities analysis

Assets and liabilities

Unit: million Currency: RMB

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total assets (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Other non-current assets	575	1.32	213	0.56	169.95	Mainly due to the increases in prepayment for acquisition and land premium by the Group during the Reporting Period
Prepayments, deposits and other receivables	659	1.51	400	1.05	64.75	Mainly due to the increase in prepayment for raw materials and finished goods by the Group
Equity investments at fair value through profit or loss	48	0.11	34	0.09	41.18	Mainly due to the increase in the stock price of financial assets held for trading by the Group during the Reporting Period
Cash and bank balances	5,996	13.72	4,029	10.58	48.82	Mainly due to the increase in sales of the Group and the improvement in recoverability during the Reporting Period
Interest-bearing bank and other borrowings	5,571	12.75	3,572	9.38	55.96	Mainly due to the bond issuance of the Company during the Reporting Period
Deferred income	347	0.79	169	0.44	105.33	Mainly due to the receipt of assets-related government subsidies by the Group during the Reporting Period

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C. Analysis on investments

Major Subsidiaries and Investees

I Operation and Results of Subsidiaries

(1) Operation and Results of Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Shaduolika, V Jialin, etc.	197	2,257	1,443	3,087	293	312
Jiangsu Wanbang	Pharmaceutical manufacturing	Wan Su Lin, Wan Su Ping, Xihuang capsules, EPO, enoxaparin sodium series, etc.	440	2,811	1,436	2,764	364	315
Hubei Shine Star	Manufacturing of amino acid	Amino acid series products	51	762	588	1,119	91	80
Aohong Pharma	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	1,716	1,362	1,043	498	427
Guilin Pharma	Pharmaceutical manufacturing	Artesunate	285	1,173	801	727	204	202

Note: Aohong Pharma's data include appreciation of asset evaluation and amortization of appreciation of asset evaluation

(2) Status of Major Subsidiaries of Other Business Segments

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products	Registered capital	Total assets	Net assets	Revenue	Net profit
Alma Lasers *(note)*	Medical devices	Medical devices for beauty treatment and medical devices for medical purposes	N/A	1,171	915	786	100
Chancheng Hospital (禪城醫院) *(note)*	Healthcare services	Healthcare services	50	1,628	1,168	1,169	167

Note: The data of Alma Lasers and Chancheng Hospital include appreciation of asset evaluation and amortization of appreciation of asset evaluation.

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II Operation and Results of Investee Companies whose Net Profit Contributing More Than 10% of the Group's Net Profit

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司)	Pharmaceutical investment	Pharmaceutical investment	100	157,649	44,863	257,834	8,382	6,872

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

(1) Acquisition of Subsidiaries in 2016

① On 22 December 2015, Fosun Hospital Investment, a subsidiary, entered into a joint venture agreement with Wang Xiang, Wang Weiguo and other parties, pursuant to which Fosun Hospital Investment received 65% equity interest in Hunan Jingren held by Wang Xiang and it was agreed that the shareholders shall make capital contributions according to their respective shareholding upon the above equity transfer. As at the end of the Reporting Period, Fosun Hospital Investment held 65% equity interest in Hunan Jingren.

② On 1 March 2016, Wanbangyun Jiankang, a subsidiary, entered into an equity transfer agreement with Sun Zhongping and Liu Yiwen, pursuant to which Wanbangyun Jiankang received 100% equity interest in Wanbang Cloud Pharmacy held by Sun Zhongping and Liu Yiwen. As at the end of the Reporting Period, Wanbangyun Jiankang held 100% equity interest in Wanbang Cloud Pharmacy.

③ On 23 June 2016, Jiangsu Wanbang, a subsidiary, entered into an equity transfer agreement, pursuant to which Jiangsu Wanbang received 80% equity interest in Wanbang Tiancheng held by Hangzhou Tiancheng. As at the end of the Reporting Period, Jiangsu Wanbang held 80% equity interest in Wanbang Tiancheng.

④ On 3 November 2016, Fosun Long March, a subsidiary, entered into an equity transfer agreement and a capital contribution agreement with Zhongsheng Zhongjie, pursuant to which Fosun Long March received 40% equity interest in Zhongsheng Zhongjie and it was agreed that Fosun Long March shall subscribe the additional registered capital of Zhongsheng Zhongjie of RMB3 million. As at the end of the Reporting Period, Fosun Long March held approximately 53.85% equity interest in Zhongsheng Zhongjie in aggregate.

⑤ On 31 August 2016, Fosun Hospital Investment, a subsidiary, entered into an investment agreement with Yinfeng Biological, Zhou Gengyin, Zou Xiong and other parties, pursuant to which Fosun Hospital Investment received 52% equity interest in Qilu Clinical Laboratory. As at the end of the Reporting Period, Fosun Hospital Investment held 52% equity interest in Qilu Clinical Laboratory.

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⑥ On 18 September 2016, Fosun Pharmaceutical Industrial, a subsidiary, entered into an equity transfer agreement with Xuzhou Yihuishe, pursuant to which Fosun Pharmaceutical Industrial received 100% equity interest in Xuzhou Kangxin. As at the end of the Reporting Period, Fosun Pharmaceutical Industrial held 100% equity interest in Xuzhou Kangxin.

The acquisitions of the subsidiaries in 2016 have the following effect on the Group's production and results:

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets (as at 31 December 2016)	Net profit (from date of acquisition/ merger up to 31 December 2016)	Date of acquisition/ merger
Wanbang Cloud Pharmacy	Equity transfer	–0.6	–0.9	9 March 2016
Hunan Jingren	Equity transfer	72.9	–7.1	26 April 2016
Wanbang Tiancheng	Equity transfer	15.5	–4.8	23 June 2016
Zhongsheng Zhongjie	Equity transfer	48.0	–2.1	7 November 2016
Qilu Clinical Laboratory	Equity transfer	50.0	1.5	9 November 2016
Xuzhou Kangxin	Equity transfer	1.9	–0.0	25 November 2016

Note: The data of Wanbang Tiancheng, Zhongsheng Zhongjie and Qilu Clinical Laboratory include appreciation of asset evaluation and amortization of appreciation of asset evaluation

(2) *Disposal of Subsidiaries in 2016*

① On 16 December 2016, Fosun Long March, a subsidiary, entered into an equity transfer agreement with Yang Zhijun, pursuant to which Fosun Long March transferred 50% equity interest in Xingyao Medical to Yang Zhijun. As at the end of the Reporting Period, Fosun Long March held 50% equity interest in Xingyao Medical.

② Chongqing Kaixing, a subsidiary, completed deregistration on 5 December 2016.

③ Chindex China-Export GmbH, a subsidiary, completed deregistration on 23 December 2016.

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The disposals of the subsidiaries in 2016 have the following effect on the Group's production and results:

Unit: million Currency: RMB

Name	Disposed through	Net assets as at date of disposal	Net profit from beginning of Reporting Period to date of disposal	Date of disposal
Xingyao Medical	Equity transfer	19	3	29 December 2016
Chongqing Kaixing	Deregistration	7	–	5 December 2016
Chindex China-Export GmbH	Deregistration	–	–	23 December 2016

E. Core Competence Analysis

I. Overview

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 2016, there were 18 formulation items or 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 set up interactive and integrated R&D systems in Shanghai, Chongqing, San Francisco and Taiwan. It has also established an efficient R&D platform in areas of small molecular innovative drugs, large-molecule biosimilars, generic drugs with high value and specialized formulation technology. During the Reporting Period, the Group strengthened its presence in the production of anti-tumor drugs. After years of research and development and as at the end of the Reporting Period, there were 173 pipeline drugs, generic drugs, biosimilars and vaccine projects, 6 projects under clinical trial applications, 22 projects under clinical trial, and 42 projects awaiting official approval for sales. It is expected that 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 nearly 1,000 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 enhancing the competitiveness of its products, the Group also focused on developing its marketing capabilities. 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, put the synergy into full play.

Management
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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. Globally, the solid dosage formulation production line of Yao Pharma is recognized by the FDA in Canada and the U.S. The dietary supplement amino acid of Hubei Shine Star is recognized by the U.S. FDA. The Group is the leading provider of anti-malaria medicines.

For the healthcare service segment, the Group has completed the preliminary strategic deployment of its healthcare services business with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC.

In addition, the Group's capabilities in investment, merger and acquisition activities and consolidation have been widely recognized in the pharmaceutical industry, providing a solid foundation for the Group to make a leap-forward development in the future. The listings in two markets have created favorable condition for the Group to rapidly expand its scale of operation and enhance its competitiveness through merger and acquisition activities.

II. During the Reporting Period

According to its strategy, the Group mainly invests in pharmaceutical manufacturing and R&D as well as healthcare services segments, with a majority of investment holding. It also maintains its long-term investment in Sinopharm. The pharmaceutical manufacturing and R&D as well as medical devices and medical diagnosis business of the Group are in leading positions in the industry. According to the statistics of IMS, the Group ranked sixth in terms of the sales revenue generated from the prescription drugs for hospitals that produced by the Group in 2016, whilst the Da Vinci surgical robotic system of the distribution of medical devices of the Group had no similar competing products in the market. Meanwhile, the healthcare services business of the Group also takes the lead in terms of business development and integration capability in the industry.

The core competitiveness of the Group can be reflected in the increasingly extensive product lines, strong R&D capability, highly standardized production management, high quality services, professional marketing teams and international business development capability. With respect to the pharmaceutical manufacturing and R&D segment of the Group, there were 18 formulation items or series that each recorded revenue of over RMB100 million in 2016. These key products constitute the major sources of income of the pharmaceutical manufacturing and R&D segment of the Group and support the rapid development of the pharmaceutical manufacturing and R&D segment. Meanwhile, the pharmaceutical treatment sector of the Group has been expanding. As at the end of the Reporting Period, 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.

In order to maintain its continuous growth, the Group will follow the direction of China's Thirteenth Five-year Plan in relation to the pharmaceutical industry, take advantage of its competitive strengths and adhere to the strategies of organic growth, external expansion and integrated development.

F. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 19,523 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

Management
Discussion and Analysis

Function

Function category	Number of individuals
Production personnel	8,538
Sales personnel	3,124
Technology and R&D personnel (including QA and QC)	2,194
Finance and audit personnel	503
Administration and other personnel	1,381
Management (including HR)	695
Medical care personnel	3,088
Total	19,523

Education level

Education level	Number of individuals
Doctors	134
Masters	1,021
University graduates	5,395
Tertiary college graduates	4,977
Secondary school and below	7,996
Total	19,523

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

A. Competition and Development Trends of the Industry

In 2017, the pharmaceutical and healthcare industry will maintain stable growth. For the market demand, the quickening aging process and liberalization of two-child policy, the further increased investment in the medical and healthcare industry from the government and the increase in per capita disposable income in China will become three major drivers for the further development of pharmaceutical industry in China. Besides, with the continual growth in morbidity rate of geriatric, chronic diseases and tumors, these drivers will persist and further encourage industry development at a speed faster than the GDP growth in the near future. With respect to industry structure, the domestic economy will sustain stable growth while the government will guide and encourage the strategically emerging industries to proceed with industry upgrading and structure optimization, thereby supporting the development of the innovation-driven pharmaceutical industry. In terms of national policies, the promulgation of "Healthy China 2030" has devised a brighter future for the major health industries in China. The implementation of "paying for pharmaceutical products and medical insurance with benchmark price" policy, amendments to the "National List of Essential Drugs", "consistency evaluation" and other policies will lay a relatively more stable business foundation for domestic pharmaceutical enterprises. Upon the formulation and promulgation of China's Thirteenth Five-year Plan for the pharmaceutical industry, there will be more demanding requirements in respect of the overall industry structure. Pharmaceutical enterprises with advantages in size, technology, brand and marketing will embrace rare opportunities. In view of the specific industry environment, the coexistence of challenges and opportunities will remain in future.

Management Discussion and Analysis

In terms of challenges, on the one hand, the consistent concern about the drug quality, system standards and standardized operation of pharmaceutical enterprises from the government, especially the increasingly demanding planning and requirements on pharmaceutical distribution channels and marketing environment, have procured the industry to be more regulated, standardized and efficient, which may bring great pressure and challenges for certain enterprises in China in short term. However, in the long run, such efforts will facilitate the upgrading of the entire industry structure and the further concentration of industry. The accelerated implementation of regulation and control over prices and classification of pharmaceutical products, and further improvement in the centralized tender system for procurement of pharmaceutical products will facilitate and accelerate the consolidation in the domestic pharmaceutical industry. The level of industrial concentration will rapidly increase by way of acquisition and reorganization. On the other hand, under the influence of slow recovery in the global economy, the trend of anti-globalization and populism, unbalanced development between different regions, exchange rate risk and other factors, the international expansion of domestic enterprises will be subject to various challenges. However, it will be difficult for the trend of transnational information, technology, talents and capital flows to change in the long run. The expiration of patents of pharmaceutical products in major markets such as Europe and the U.S. will present opportunities for the rapid development of PRC companies with capabilities to innovate and carry out international expansion. While facing with favorable capital market conditions and product market opportunities, the international expansion of PRC pharmaceutical enterprises is also consistent with the policy directions of the government's industry plans.

In terms of opportunities, the innovation capacity of enterprises will have rapid development. In particular, some quality pharmaceutical enterprises will realize the market value of their excellent R&D results built up during the Twelfth Five-year Plan period, thus further encouraging domestic pharmaceutical enterprises to increase R&D expenditure and develop high-value added industry. Besides, in view of the international market, the pace of international development of the domestic pharmaceutical industry as a whole has accelerated. Various quality products have obtained approvals for market access in Europe, the U.S., Japan and other developed countries. There have been more and more international mergers and acquisitions year by year as well. These factors ensure the acceleration of international and global development of PRC pharmaceutical enterprises in terms of products and investment while conforming to the overall policy direction of the government's industry plans.

At the same time, the healthcare services segment in China will further open up and the participation in the segment by social enterprises has been highly encouraged, such as by further opening up of market access and encouraging social enterprises to participate in the public hospital reform. In addition, the scheme of multiple practices has been further introduced and approvals on acquisition of medical equipment have been gradually loosened, and basic medical insurance has been introduced into the hospital system. The Group has entered the healthcare services segment since 2009 and is accelerating its deployment of the medical services network while accumulating operation and management experience in medical services.

The Board of the Company is of the opinion that the Group, as a pharmaceutical enterprise with a considerable size and the first pharmaceutical group to develop internationally with the use of internet technology while creating product vitality, will benefit from the current government policies for the pharmaceutical market and industry. The Group will continue to strengthen its business operation and invest more resources to support product innovation and market expansion, and will also continue to proactively carry out mergers and acquisitions in therapeutic areas and rapidly extend the scale of its business to continuously enhance its overall competitiveness. As for the healthcare service sector, the Group will seize the opportunities and speed up its expansion amid the favorable policies.

Management
Discussion and Analysis

B. Development Strategies

In 2017, 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 endeavor to capture the opportunities presented by the broad pharmaceutical market in China, the rapid growth of generic drugs in mainstream markets such as Europe and the U.S as well as the continuous research and development in innovative drugs. It will adhere to the development strategies of organic growth, external expansion and integrated development, and further its efforts in acquiring quality companies in the international pharmaceutical industry. By continuing to optimize and integrate resources in the pharmaceutical industry chain, strengthening product innovation and product marketing systems, positively implementing internationalization and enhancing the core competence of the Group, the Group strives to further enhance its operating results. Meanwhile, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

C. Operation Plan

In 2017, the development of the pharmaceutical industry will be presented with both opportunities and challenges. The Group will endeavor to develop its product-oriented strategy and further enhance its investments in R&D activities, and strengthen its marketing efforts for major products. In addition, the Group will continue to increase investment in the healthcare services segment to expand the operating scale in the segment and improve its operation management and ability of internationalization. Meanwhile, the Group will accelerate its mergers and acquisitions as well as integration of quality domestic and overseas pharmaceutical companies, medical enterprises and innovative companies, and promote the consolidation of Sinopharm in the pharmaceutical distribution segment.

In 2017, the Group plans to achieve rapid growth and aim to make revenue of not less than RMB16.6 billion. Meanwhile, the Group will strive to control costs and various expenses. As a result, the increase in costs will not be greater that the growth in revenue and the cost of sales ratio and management expense (excluding R&D expenses) ratio will be relatively stable. Also, the percentage of R&D expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business will not be less than 5.0% so as to enhance profit margin and profitability of the major products.

The above operation objectives do not represent the profit forecast and performance commitment of the Group for 2017. The achievement of the objectives is subject to various internal and external factors with uncertainty. Investors should pay attention to the investment risk.

Pharmaceutical Manufacturing and R&D

In 2017, the Group will continue to focus on innovation and international development, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group seeks to achieve continuous and rapid growth of its revenue and profit.

The Group will 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-tumor and anti-infection. In addition to solidifying the market position and product growth in its existing key segments and products, the Group will further its efforts in promoting products such as the anti-malaria medicines such as artesunate series, febuxostat tablets (You Li Tong), recombinant human erythropoietin (Yi Bao), alprostadil dried emulsion (You Di Er), calcium dobesilate (Ke Yuan) and compound aloe capsules so as to maintain and further improve the leading position in their respective market segments.

Management Discussion and Analysis

The Group will continue to adopt the 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 continue to be strictly implemented by the Group 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 products including monoclonal antibody products and small molecular innovative drugs and ensure that the development and registration processes will be completed on schedule. The Group will also accelerate its efforts to link its R&D with the market situation so that demand and supply are better matched. The Group will fully take advantage of the benefits of various R&D platforms, and strive to develop strategic product lines as well as R&D systems that are in line with international standards for new pharmaceutical products, and accelerate the development and reserve for follow-on strategic products.

At the same time, the consistency evaluation on generic drugs is critical to the development of the Group. The Group will seize such opportunity to maintain and expand its market position in advantage types and make a new deployment in the market for the Group's products. The Group plans to select more than 40 types in cardiovascular system, metabolism and alimentary system, central nervous system, anti-infection and other therapeutic areas to commence consistency evaluation and related works are proceeding properly.

Meanwhile, the Group will also further expand and intensify its cooperation with the leading pharmaceutical companies in the world in order to give full play to the advantages of connecting momentum in China to global resources, making innovations in cooperation model and searching for new momentum. In 2017, the Group will proceed with the domestic and overseas projects including the establishment of a joint venture with Kite Pharma in China so as to make use of the industry experience of the Group and the leading research and development in the world for the purpose of active cooperation among pharmaceutical manufacturing enterprises, in order to solidify the core competence of its pharmaceutical manufacturing business.

Healthcare Services

In 2017, the Group will continue to seize the business and investment opportunities arising from the opening up of the healthcare services segment to social enterprises. The Group will continuously increase its investments in the healthcare services segment, and strengthen the established strategic deployment of its healthcare services business which integrates high-end healthcare services in coastal developed cities and specialty hospitals and general hospitals in second-tier and third-tier cities in an effort to expand the scale of our healthcare services business. The healthcare institutions controlled by the Group will further strengthen their disciplines and quality management, enhance operational efficiency and accelerate the business development. With the commencement of operation of the new complex and tumor center of Chancheng Hospital (禪城醫院), the Group will continue to expand the coverage and regional influence of healthcare services of Chancheng Hospital. The Group will also promote the implementation of the Taizhou Zhedong Hospital (台州浙東醫院), Yulin Cardiovascular Specialty Hospital (玉林心血管專科醫院), Yulin Brain Hospital (玉林腦科醫院), the construction of Phase II of Qilu Hospital of Shandong University (Qingdao) and the reconstruction and expansion of Zhongwu Hospital and Guangji Hospital, and positively seek 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 and Pudong, Shanghai in order to accelerate the development of its high-end healthcare services characterized by multiple levels, diversification and extensibility.

Management Discussion and Analysis

Medical Devices and Medical Diagnosis

In 2017, the Group will increase its investments in R&D, manufacturing and sales of medical devices, and proceed with the listing of Sisram in Hong Kong. Alma Lasers under the Sisram group will further stimulate the R&D and sales of medical devices and synergy and innovation in service models with other business segments in order to extend its business from device supply to services. Meanwhile, the Group will continue to leverage 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 and seek investment opportunities in outstanding domestic and foreign medical devices enterprises and introduction of high-end medical devices while targeting at precise medical care, so as to achieve growth in the scale of its medical devices business. With the completion of the "C" round investment of Spirosure and the proposed establishment of a joint venture with Intuitive Surgical in Shanghai, the Group will continue to expand its product portfolio and diversify its product lines through investment, acquisitions and mergers of the relevant companies in the respiratory field in the medical devices and diagnosis segment. In 2017, upon the completion of the transfer of controlling interests in the relevant companies of Breas, a leading brand of respiratory medical devices in Sweden, the Group will establish a strategic platform covering the early diagnosis of lung cancer and asthma as well as the medical devices for treatment of common respiratory diseases in the field of respiratory medical business so as to form a closed circuit for the respiratory segment of the Group.

In 2017, the Group will continue to develop and introduce products, launch new products and enrich new product lines for its diagnostic business. The Group will continue to enhance the development of domestic and overseas sales network and its professional sales team, strive to increase the market share of its diagnostic products including those newly introduced and registered in 2016, and actively seek opportunities to invest in quality companies both domestically and internationally.

Pharmaceutical Distribution and Retail

In 2017, 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.

Financing

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

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

With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest approximately RMB1,600 million for production capacity expansion, plant relocation and the development of cGMP and reconstruction and expansion of hospitals in 2017. Primary sources of funding include, among others, the Group's own capital, cash flow from operating activities, and proceeds from debt and equity financing.

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E. Potential Risks

I. *Risks in relation to industry policies and system reforms*

Pharmaceutical industry is one of the industries mostly affected by national policies in the PRC. Enterprises which engage in production and sale of pharmaceutical products, medical devices and diagnostic products must obtain relevant permits issued by food and drug supervision and administration authorities. The product quality is regulated under stringent laws and regulations. The pharmaceutical industry is currently at the stage where relevant state policies are under significant adjustment and is strictly controlled. Although the Group's major business segments in manufacturing and sale for pharmaceutical products, diagnostic products and medical devices have obtained the above-mentioned permits and approvals issued by food and drug supervision and administration authorities, the state may adjust its regulations in respect of the manufacturing and sale of pharmaceutical products, diagnostic products and medical devices. If the Group is unable to make corresponding adjustment and improvement, the production and operation of the Group may be adversely affected. In addition, with the official launch of reform of drugs and pharmaceutical system, industry consolidation and transformation in business models are inevitable. The exploring medical reform in the PRC will directly affect the development trend of the entire pharmaceutical industry. Implementation of policies and measures regarding drug price reduction, production quality regulations and environmental protection practice will also directly affect the profitability and production cost of pharmaceutical enterprises, which in turn affect the production and operation of the Group.

II. *Market risks*

Due to the huge market size and great development potential of the pharmaceutical market in the PRC, leading international pharmaceutical enterprises have been entering into the market. At the same time, the participation of enterprises from other industries in the competition and the existence of numerous domestic pharmaceutical enterprises across the PRC result in the excessive number of pharmaceutical manufacturing companies, fragmented market and low market concentration. Hence, the market competition has been intensified. The intense competition among domestic pharmaceutical companies and the implementation of reform measures relating to, among others, deregulation of drug prices and medical insurance fund coverage have increased the risk of uncertainty in product pricing of pharmaceutical manufacturing companies.

III. *Business and operating risks*

Being a special commodity, pharmaceutical products are directly related to life and health. The quality issues arising from raw materials, production, transportation, storage and usage of pharmaceutical products may have adverse impact on the production, operation and market reputation of the Group. On the other hand, in the event that the new drugs of the Group do not align with the changing market demand, or the Group fails to develop new products or the Group's new products do not receive positive market response, the operating costs of the Group will increase, which adversely affected the Group's profitability and future development.

Pharmaceutical manufacturing companies are exposed to environmental risks during the production process. Residue, waste gas, waste liquid and other pollutant produced will be harmful to the nearby environment if they are not treated properly, which in turn affect the normal production and operation of the Group. Despite the strict compliance by the Group of the relevant environmental protection laws, regulations and standards for its waste treatment and emission of residue, waste gas and waste liquid, the environmental protection costs incurred by the Group may increase in light of the enhanced social awareness on environmental protection over time, and the potential implementation of more stringent environmental protection laws and regulations by central and local government.

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There also exist risks of medical malpractice in the healthcare services segment, including complaints and disputes between doctors and patients arising from medical malpractice, medical misdiagnosis and incidents relating to defects of treatment devices. In the event of serious medical malpractice, relevant compensation and loss may be incurred by the Group, and operation results, brand and market reputation of the Group's healthcare services segment could be adversely affected.

IV. Management risks

(1) Management risks in relation to business expansion

With the implementation of the internationalization strategies of the Group, the scale of export of the Group's products and the region coverage of its overseas production will be expanded. The Group may face various problems during the process of implementation of internationalization strategies, including unfamiliarity with the overseas markets, difference in the demands between overseas and domestic customers, and implementation of trade protection policies in certain countries. At the same time, with the further expansion in global sales network of the Group, the scale of sales and the scope of business scope, there are higher requirements on the operating and management ability of the Group. If the Group's capability regarding production, marketing, quality control, risk management, compliance with integrity and talent training does not align with the development pace of the internationalization of the Group or the requirement for the expansion of the Group, the Group is exposed to operating and management risks. In addition, as the proportion of procurement, sales and acquired businesses that are settled in foreign currencies has been increasing, the exchange fluctuation between RMB and other currencies may affect the operation of the Group.

(2) Risks arising from acquisitions and reorganizations

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

V. Force majeure risks

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

Other Events

1. 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 of the Company 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.

On 12 January 2017, the Board considered and approved, the resolution in relation to the fulfillment of the conditions for unlocking the third tranche of the Restricted A Shares in respect of the Restricted A Share Incentive Scheme, and the conditions for unlocking the Restricted A Shares were satisfied by 24 grantees. As a result, a total of 1,259,360 Restricted A Shares were unlocked, and trading of such Restricted A Shares commenced on 19 January 2017.

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2. The Restricted A Share Incentive Scheme II

As two of the grantees of the Restricted A Share Incentive Scheme II, namely Mr. Bai Huan and Mr. Chen Yi, had resigned from the Company and terminated their employment contracts with the Company, they no longer fulfilled the conditions for incentives. Pursuant to the Restricted A Share Incentive Scheme II, the Board considered and approved the buyback and cancellation of 37,500 Restricted A Shares which were granted to Mr. Bai Huan and Mr. Chen Yi which had not been unlocked with a price of RMB10.54 per share for the buyback. The total consideration for the buyback amounted to RMB395,250. The number of grantees of the Restricted A Share Incentive Scheme II reduced to 43 from 45. Such portion of shares was cancelled on 24 February 2017.

On 21 November 2016, the Board considered and approved, the resolution in relation to the fulfillment of the conditions for unlocking the first tranche of the Restricted A Shares in respect of the Restricted A Share Incentive Scheme II, and the conditions for unlocking the Restricted A Shares have been satisfied by 43 grantees. As a result, a total of 876,975 Restricted A Shares were unlocked, and trading of such Restricted A Shares commenced on 6 December 2016.

3. 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, China Fund and China Universal, 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 and the issue price remained at 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.

On 8 November 2016, the registration of the new shares in respect of the Proposed Non-Public Issuance with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for depository matters completed. The Company issued an aggregate of 100,436,681 new A Shares to China Life Insurance, Taikang Asset Management and Anhui Railway Construction. The total proceeds amounted to RMB2,299,999,994.90. The net proceeds amounted to RMB2,275,249,558.22.

4. 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.

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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 issuance of the First Tranche of the Corporate Bonds in 2016 was completed on 4 March 2016 and the issuance size was RMB3,000 million. The value date for the First Tranche of the Corporate Bonds in 2016 issued is 4 March 2016, with the final coupon rate at 3.35%.

For the issuance according to the "Announcement on the Public Issuance of Corporate Bonds to Qualified Investors (First Tranche) in 2017 by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*", the issuance of the First Tranche of the Corporate Bonds in 2017 was completed on 14 March 2017 and the issuance size was RMB1,250 million. The value date for the First Tranche of the Corporate Bonds in 2017 issued is 14 March 2017, with the final coupon rate at 4.50%.

5. 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%.

6. Issuance of H Shares under General Mandate

The resolution in relation to the grant of general mandate to the Board to issue H shares of the Company was considered and approved at the 2015 general meeting of the Company. It was agreed to authorize the Board of the Company to issue, allot and deal with additional shares which shall not exceed 20% of the overseas listed foreign shares (H shares) in issue upon passing such resolution at the general meeting, subject to the market condition and the needs of the Company.

On 30 November 2016, the Company received the Reply in Relation to the Issuance of Overseas Listed Foreign Shares of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Zheng Jiang Xu Ke 2016 No. 2680) (《關於核准上海復星醫藥(集團)股份有限公司增發境外上市外資股的批覆》) from the CSRC, approving the Company to issue not more than 80,656,800 shares of overseas listed foreign shares with a nominal value of RMB1 each and all shares to be issued would be ordinary shares.

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7. **Proposed Overseas Listing of Sisram**
   The shareholders of the Company approved, among other things, the proposed spin-off and overseas listing of Sisram on 31 August 2016. It was proposed by the Company that Sisram be spun off and listed overseas on Hong Kong Stock Exchange. The CSRC issued the no objection letter for spin-off in relation to the overseas listing of Sisram on 22 December 2016.

   The proposal spin-off and overseas listing of Sisram on the Hong Kong Stock Exchange constitute a spin-off within the meaning of Practice Note 15 of the Hong Kong Listing Rules ("Practice Note 15") and are subject to the approval of the Hong Kong Stock Exchange. As at the date hereof, the proposed overseas listing of Sisram is still subject to the approval of the Hong Kong Stock Exchange.

8. **Acquisition of the Controlling Interest in Gland Pharma**
   The shareholders of the Company approved, among other things, the resolution in relation to the acquisition of the controlling interest in Gland Pharma on 29 September 2016.

   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 according to the sales of Enoxaparin in the U.S.

   As at the date hereof, the acquisition of the controlling interest in Gland Pharma has not yet completed.

9. **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 "Potential Quotation"). Shanghai Henlius has converted from a limited liability company (Sino-foreign joint venture) into a joint stock limited corporation, and applied for the quotation on NEEQ.

   The Potential Quotation constitutes a spin-off under the Practice Note 15 and is subject to the approval of the Hong Kong Stock Exchange. As at the date hereof, the Potential Quotation has been approved by the Hong Kong Stock Exchange and is subject to approval of NEEQ.

Five-Year Statistics

Unit: million Currency: RMB

Year	2012	2013	2014	2015	2016
Operating Results					
Revenue	7,278	9,921	11,938	12,502	**14,506**
Profit for the year	1,839	1,956	2,370	2,871	**3,221**
Profit for the year attributable to owners of the parent	1,564	1,583	2,113	2,460	**2,806**
EBITDA	2,789	3,084	3,697	4,499	**4,799**
Proposed final dividend (in RMB)	0.21	0.27	0.28	0.32	**0.35**
Earnings per share (in RMB)					
Earnings per share — basic	0.80	0.71	0.92	1.07	**1.21**
Earnings per share — diluted	0.80	0.71	0.92	1.06	**1.20**
Equity					
Total equity	15,248	17,608	19,046	20,613	**25,193**
Equity attributable to owners of the parent	13,502	15,275	16,618	18,125	**22,133**
Equity per share attributable to owners of the parent	6.03	6.82	7.19	7.83	**9.17**
Debt					
Total debt	5,655	5,624	8,796	10,895	**11,710**
Gearing ratio (%)	22.22%	19.12%	24.93%	28.56%	**26.79%**
Interest coverage (times)	7.53	8.81	8.91	9.57	**9.83**
Assets					
Cash and bank balances	4,973	3,067	3,696	4,029	**5,996**
Property, plant and equipment	3,502	4,930	5,695	5,778	**6,325**
Prepaid land lease payments	544	780	862	1,042	**1,030**
Investments in joint ventures	17	118	121	225	**248**
Investments in associates	7,903	8,765	11,727	13,638	**15,870**
Available-for-sale investments	2,070	2,664	2,499	3,314	**2,674**
Equity investments at fair value through profit or loss	225	44	34	34	**48**
Segment net profit					
Pharmaceutical manufacturing and R&D	829	1,470	1,095	1,238	**1,640**
Healthcare service	17	42	112	76	**149**
Medical diagnosis and medical devices	65	66	127	272	**323**
Pharmaceutical distribution and retail	662	707	863	1,037	**1,284**

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

Report of the Directors

The Directors are pleased to present their 2016 report and the audited consolidated financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the development, manufacture and sale of pharmaceutical products and medical equipment, import and export of medical equipment, healthcare services and the provision of related and other consulting services and investment management.

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 93 to 200.

The Board has proposed a final dividend of RMB0.35 per share, inclusive of tax, for the year ended 31 December 2016, which will be subject to the approval by the Shareholders at the forthcoming AGM.

The Company will dispatch a circular containing, inter alia, further information relating to the proposed distribution of final dividend and the forthcoming AGM to Shareholders as soon as practicable.

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

According to the requirements of the PRC Enterprise Income Tax Law effective from 1 January 2008 and the implementation rules thereof and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation on 6 November 2008, the 2016 Final Dividend payable to the non-resident enterprise shareholders whose names appear on the registers of members of H shares of the Company is subject to a withholding tax at a rate of 10%. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees and other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax at the rate of 10%.

According to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation on 28 June 2011 and the Letter on the Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Hong Kong Stock Exchange on 4 July 2011, when domestic companies other than foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding of individual income tax at a rate of 10%. When the Company distributes the 2016 Final Dividend to the individual holders of H Shares, such dividend will be subject to the withholding of individual income tax at a rate of 10%. However, if otherwise provided by tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

Report
of the Directors

The arrangement relating to withholding tax, if any, in respect of the 2016 Final Dividend to be paid by the Company to the investors who invest through the Shanghai Stock Exchange in the H Shares of the Company listed on the Main Board of the Hong Kong Stock Exchange will be finalized with the relevant PRC authorities prior to the payment of the 2016 Final Dividend.

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

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

SUMMARY FINANCIAL INFORMATION

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

ISSUED CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 34 to the financial statements.

SUBSIDIARIES

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

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

(a) The Restricted A Share Incentive Scheme II

The Restricted A Share Incentive Scheme II was approved by the shareholders of the Company at the extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting held on 16 November 2015. On 19 November 2015, the Company granted a total number of 2,695,000 Restricted A Shares at the grant price of RMB10.54 each to 45 Grantees. As disclosed in the announcement of the Company dated 30 November 2015, the 45 Grantees had accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme II and a total number of 2,695,000 Restricted A Shares were issued by the Company to the relevant Grantees. On 10 November 2016, due to the resignation of Mr. Bai Huan and Mr. Chen Yi from their respective position in the Company, the Board approved the Company to buy back and cancel the 37,500 Restricted A Shares which were granted to them which had not been unlocked at a price of RMB10.54 per share for the buyback. The total consideration for the buyback amounted to RMB395,250. The above buyback was completed on 23 February 2017 while the cancellation of such repurchased shares was completed on 24 February 2017.

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(b) Proposed Non-Public Issuance

On 8 November 2016, the registration of the new shares in respect of the Proposed Non-Public Issuance with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for depository matters completed. The Company issued an aggregate of 100,436,681 new A Shares to China Life Insurance, Taikang Asset Management and Anhui Railway Construction. The total proceeds amounted to RMB2,299,999,994.90. The net proceeds amounted to RMB2,275,249,558.22.

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

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2016, calculated in accordance with PRC rules and regulation, was RMB5.148 million.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

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

Executive Directors

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方) *(Co-Chairman)*
Mr. Wu Yifang (吳以芳) *(President and Chief Executive Officer)*

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)

Report of the Directors

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. 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 non-executive Directors of the seventh session of the Board and elected Mr. Wang Can as a 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 independent non-executive Directors of the seventh session of the Board and elected Mr. Wai Shiu Kwan Danny as an 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. 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. On 31 August 2016, Mr. Wu Yifang was elected as an executive Director of the seventh session of the Board.

SUPERVISORS

As at the end of the Reporting Period, the Supervisors of the Company 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.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 78 to 87 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

Report
of the Directors

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

For the year ended 31 December 2016, the remuneration, including salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contribution and the shares awarded under the Restricted A Share Incentive Scheme, of the Company's senior management (excluding Ms. Lo Yee Har Susan, one of the joint company secretaries) whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Remuneration bands	Number of individuals
RMB Nil to RMB2,000,000	6
RMB2,000,001 to RMB4,000,000	13
RMB4,000,001 to RMB6,000,000	3

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the income statement for the Reporting Period was RMB169 million.

MANAGEMENT CONTRACT

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

Report
of the Directors

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 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	H Share	5,019,000(L)(2)	1.24%
Mr. Guo Guangchang	Interest of a controlled corporation	A Share	932,538,780(L)(2)	46.37%
	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; (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 71.55% 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 held by Fosun High Tech.

(3) Mr. Wu Yifang was appointed as the executive Director of the Company on 31 August 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 corporations	Class of shares	Capacity	Number of shares[(1)]	Approximate percentage of shares in issue
Mr. Guo Guangchang	Fosun International Holdings	Ordinary share	Beneficial owner	32,225(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	6,155,927,473(L)[(2)]	71.55%
	Fosun High Tech	Ordinary share	Interest of a controlled corporation	4,800,000,000(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; (S) — Short position; (P) — Lending pool

(2) Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.55% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 65.45% by Mr. Guo Guangchang, he is deemed to be interested in the shares held by Fosun Holdings, Fosun International and Fosun High Tech.

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

Report of the Directors

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

As at 31 December 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	H Share	5,019,000(L)[2]	1.24%
Fosun High Tech	Beneficial owner	A Share	932,538,780(L)[2]	46.37%
Fosun International	Interest of a controlled corporation	H Share	5,019,000(L)[2]	1.24%
Fosun International	Interest of a controlled corporation	A Share	932,538,780(L)[2]	46.37%
Fosun Holdings	Interest of a controlled corporation	H Share	5,019,000(L)[2]	1.24%
Fosun Holdings	Interest of a controlled corporation	A Share	932,538,780(L)[2]	46.37%
Fosun International Holdings	Interest of a controlled corporation	H Share	5,019,000(L)[2]	1.24%
Fosun International Holdings	Interest of a controlled corporation	A Share	932,538,780(L)[2]	46.37%
The Capital Group Companies, Inc.	Interest of a controlled corporation	H Share	50,478,000(L)	12.52%
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500(L)	8.15%
EARNEST Partners, LLC	Investment manager	H Share	20,673,500(L)	5.13%
Wellington Management Group LLP	Interest of a controlled corporation	H Share	20,661,856(L)	5.12%

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 71.55% 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.

PERMITTED INDEMNITY

At no time during the year ended 31 December 2016 and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors and the supervisors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company). The Company has arranged appropriate directors', supervisors' and senior management's liability insurance coverage for the Directors, Supervisors and senior management.

Report
of the Directors

SHARE BASED INCENTIVE PLAN

Sisram Medical Plan

On 29 June 2015, the shareholders of the Company approved the adoption of the Sisram Medical Plan. The purpose of Sisram Medical Plan is to enhance the management participation in Alam Lasers, which is important that they would be offered an opportunity to obtain ownership interest in Sisram and to enjoy the results of Sisram attained through their efforts and contributions. The persons eligible for participation in the Sisram Medical Plan shall include any Sisram Employees and/or Non-Sisram Employees of Sisram or any of its Associates, and the basis for their eligibility shall be determined by the Sisram Board based on such Sisram Participant's contribution or potential contribution to the development and growth of Sisram.

The total number of Sisram Shares which may be issued upon exercise of all options to be granted under the Sisram Medical Plan is 106,500 Sisram Shares, representing approximately 14.49% of the issued share capital at the date of the 2016 Annual Report. Subject to adjustment from time to time pursuant to the terms of the Sisram Medical Plan, a maximum of 100,000 Sisram Shares, representing approximately 13.61% of Sisram's issue share capital as at the date of the 2016 Annual Report, shall be available for issuance under the Sisram Medical Plan.

The maximum number of Sisram Shares issued and to be issued upon the exercise of the Awards granted under the Sisram Medical Plan and any other share option schemes of Sisram to the participation in the Sisram Medical Plan (including both exercised and outstanding Awards), in any twelve-month period up to the date of grant shall not exceed 1% of the number of Sisram Shares in issue as at the date of grant unless (i) the issue of a circular by the Company and Fosun International containing such particulars as may be required by the Hong Kong Listing Rules from time to time is dispatched to their respective shareholders; (ii) the shareholders of the Company and Fosun International approve the grant of the Awards in excess of the 1% limit referred to in the Sisram Medical Plan; and (iii) the relevant Sisram Participant and its associates shall abstain from voting.

Unless determined otherwise in the relevant Award Agreement, with respect to any, some or all Sisram Options, each Sisram Option shall vest and become exercisable over a four-year period from its Date of Grant, such that one-sixteenth of such Sisram Shares shall vest at the end of each three-month period, on each anniversary of the Date of Grant, commencing on the first anniversary, provided that the Sisram Participant remains continuously employed by or in the service of Sisram or its Affiliate during the relevant year.

During the Reporting Period, no Sisram Option has been granted under the Sisram Medical Plan. The Sisram Medical Plan shall terminate at the end of ten years from its day of adoption, unless terminated earlier in accordance with the terms of the Sisram Medical Plan. The Purchase Price of each Sisram Share subject to a Sisram Option shall be determined by the Sisram Board or the Committee at its sole and absolute discretion in accordance with Applicable Law, and shall not be less than the Fair Market Value of Sisram Shares on the date of grant. If such authority is delegated by the Sisram Board to the Committee in compliance with the then effective Applicable Law, it shall be subject to any guidelines as may be determined by the Sisram Board from time to time. No consideration is payable to Sisram upon acceptance of the Sisram Option in accordance with the terms of the Sisram Medical Plan.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

Report
of the Directors

DONATIONS

During the Reporting Period, the Group made donations of RMB7.97 million.

CONNECTED TRANSACTIONS

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

(A) Non-exempt Connected Transactions

(i) As disclosed in the announcement of the Company dated 30 June 2016, on 30 June 2016, Fosun High Tech and the Company entered into framework tenancy agreements comprising a lessee framework agreement and a lessor framework agreement. The lessee framework agreement was related to the lease of the relevant premises of Fosun High Tech by the relevant members of the Group, as tenant, for a term of one year commencing from 1 January 2016 to 31 December 2016. The lessor framework agreement was related to the lease of the relevant premises of Fosun Pharma by the relevant members of the Group, as landlord, for a term of one year commencing from 1 January 2016 to 31 December 2016.

Fosun High Tech is the controlling shareholder of the Company and therefore a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the framework tenancy agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Since the framework tenancy agreements and the existing tenancy agreement are similar in nature and were entered into with the same party, being associate of Mr. Guo Guangchang, the controlling shareholder of the Company, the framework tenancy agreements and the existing tenancy agreement are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Hong Kong Listing Rules.

(ii) As disclosed in the announcement of the Company dated 30 June 2016, on 30 June 2016, the Company and Chongqing Pharmaceutical entered into a Framework Sales Agreement in respect of sales of the products for a term of one year commencing from 1 January 2016 to 31 December 2016.

Chongqing Pharmaceutical is a substantial shareholder of Yao Pharma, an indirect non-wholly-owned subsidiary of the Company, and therefore Chongqing Pharmaceutical is a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Hong Kong Listing Rules. As a result, the transaction contemplated under the framework sales agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(iii) As disclosed in the announcement of the Company dated 7 July 2016, on 7 July 2016, Fosun Pharma, Sinopharm and Tebon Innovation entered into a capital increase agreement, pursuant to which the parties proposed 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, Fosun Pharma proposed to contribute RMB225 million, Sinopharm proposed to contribute RMB225 million and Tebon Innovation proposed 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 Fosun Pharma, Sinopharm and Tebon Innovation in Sinopharm Medical Investment will remain unchanged. Relevant registration with the industry and commerce authorities was completed on 7 November 2016.

As Tebon Innovation is an associate of Mr. Guo Guangchang, a non-executive director and controlling shareholder of Fosun Pharma, Tebon Innovation is a connected person of Fosun Pharma under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the capital increase agreement constitutes connected transaction of Fosun Pharma under Chapter 14A of the Hong Kong Listing Rules.

Report of the Directors

(iv) As disclosed in the announcements of the Company dated 12 September 2016 and 23 November 2016, the Company and Guilin Pharma entered into the agreement on asset acquisition by share issuance dated 9 September 2016 (the "Agreement on Asset Acquisition by Share Issuance") and its supplemental agreement dated 23 November 2016 (the "Supplemental Agreement") with, among others, CCPHC and Jian Feng Chemical in relation to the substantial asset restructuring of Jian Feng Chemical. Under the Agreement on Asset Acquisition by Share Issuance and the Supplemental Agreement, Jian Feng Chemical proposed to acquire in aggregate approximately 96.59% of the issued share capital of Chongqing Pharma from the relevant shareholders of Chongqing Pharma, the consideration of which shall be settled by non-public issuance of new shares in Jian Feng Chemical, of which Jian Feng Chemical proposed to acquire in aggregate 13,717,000 shares of Chongqing Pharma held by the Company and Guilin Pharma by non-public issuance of 35,653,679 consideration shares (representing approximately 2.06% of the enlarged total issued share capital of Jian Feng Chemical). Upon completion of the transactions contemplated under the Agreement on Asset Acquisition by Share Issuance and the Supplemental Agreement, the Company will cease to hold any shares in Chongqing Pharma directly. Such matters are subject to the approval of the CSRC.

As CCPHC is the controlling shareholder of Chongqing Pharma, which is the substantial shareholder of Yao Pharma, a subsidiary of the Company, and CCPHC is also the actual controller of Jian Feng Chemical, thus Jian Feng Chemical is an associate of Chongqing Pharma. Jian Feng Chemical constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

(v) As disclosed in the announcements of the Company dated 17 October 2016 and 22 December 2016 and the circular dated 4 November 2016, on 17 October 2016, the Company entered into a renewed financial services agreement with Fosun Finance in order to renew the financial services agreement, which expired on 31 December 2016, for a term of three years commencing on 1 January 2017 and ending on 31 December 2019.

Fosun Finance is a subsidiary of Fosun High Tech, the controlling shareholder of the Company. Fosun Finance is a connected person of the Company under Rule 14A.07(4) of the Hong Kong Listing Rules. The transactions contemplated under the renewed financial services agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

(vi) As disclosed in the announcement of the Company dated 22 December 2016, on 22 December 2016, the Company and individual shareholders entered into a share transfer agreement for Jiangsu Wanbang, pursuant to which the individual shareholders agreed to sell and the Company agreed to purchase the shares of Jiangsu Wanbang held by the individual shareholders for the aggregate consideration of not more than RMB180 million. Upon the completion of the transactions contemplated under the share transfer agreement for Jiangsu Wanbang, the Company and Fosun Pharma Industrial would hold 4.80% and 95.20% of the issued shares of Jiangsu Wanbang, respectively. Relevant registration with the industry and commerce authorities was completed on 24 January 2017.

With respect to the transactions contemplated under the share transfer agreement for Jiangsu Wanbang, as certain individual shareholders, namely Mr. Wu Yifang, Mr. Li Xianlin, Mr. Wu Shibin and Mr. Zong Xiusong, are directors of the Company and/or its subsidiaries and constitute connected persons of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the share transfer agreement for Jiangsu Wanbang constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

(vii) As disclosed in the announcement of the Company dated 22 December 2016, on 22 December 2016, Fosun Pharmaceutical Industrial, a wholly owned subsidiary of the Company, and Runjia Sci-Tech entered into an equity transfer agreement for Wanbang Jinqiao, pursuant to which Runjia Sci-Tech agreed to sell and Fosun Pharmaceutical Industrial agreed to purchase the equity interest in Wanbang Jinqiao held by Runjia Sci-Tech for the consideration of not more than RMB9.09 million. Upon the completion of the transactions contemplated under the equity transfer agreement for Wanbang Jinqiao, Fosun Pharmaceutical Industrial, Jiangsu Wanbang and Fosun Industrial would hold 2.02%, 57.98% and 40% of the equity interest in Wanbang Jinqiao, respectively. Relevant registration with the industry and commerce authorities was completed on 19 January 2017.

With respect to the transactions contemplated under the equity transfer agreement for Wanbang Jinqiao, as certain existing shareholders of Runjia Sci-Tech, namely Mr. Wu Yifang, an executive Director, and Mr. Li Xianlin, Mr. Wu Shibin and Mr. Zong Xiusong, directors of the Company's subsidiaries, who are connected persons of the Company, hold in aggregate approximately 77.33% of the equity interest therein, therefore, Runjia Sci-Tech is an associate of the directors of the Company and its subsidiaries and constitutes a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the equity transfer agreement for Wanbang Jinqiao constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Report of the Directors

(B) Non-exempt Continuing Connected Transactions

Certain details of the continuing connected transactions during the year ended 31 December 2016 are summarized in the table below. The Company has complied and will continue to comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions, including, among others, conducting annual review of the continuing connected transactions.

Connected person	Type of the Transaction	Type	Actual Amount of Transaction 2016 RMB	Proposed Annual Cap 2016 RMB
Fosun High Tech and its subsidiaries *(Note1)*	Leasing of office premises by Fosun High Tech and its subsidiaries to the Group		7,458,737	
	Provision of property management services by Fosun High Tech and its subsidiaries to the Group		6,425,103	
	Leasing of office premises by the Group to Fosun High Tech and its subsidiaries		7,925,863	
Xinglian Commercial Factoring	Leasing of office premises by the Group to Xinglian Commercial Factoring		603,063	
Shanghai Yixing	Leasing of office premises by the Group to Shanghai Yixing		453,432	26,400,000 *(Note 2)*
			22,866,198	
Fosun Finance	Financial Services Agreement *(Note 3)*			
	(a) Maximum daily outstanding balance of deposits placed by the Company with Fosun Finance	Deposit taking	678,427,636	1,000,000,000
	(b) Maximum daily outstanding balance of loans granted by Fosun Finance to the Company	Loan provision	0	1,000,000,000
	(c) Fees and charges paid by the Company to Fosun Finance for clearing and settlement services and other financial services	Service fee	0	1,000,000

Notes:

(1) Fosun High Tech and its subsidiaries include: Fosun High Tech, Xingshuangjian Investment, Shanghai Xingling Asset Management Co., Ltd., Shanghai Xingyi Health Management Co., Ltd., Shanghai Zhongheng Insurance Broker Co., Ltd., Shanghai Fosun Venture Capital Investment Management Co., Ltd., Liangfu Credit Investigation, Shanghai Yunji, Shanghai Yuzhi, Shanghai New Shihua Investment and Management Co., Ltd., Shanghai Golte and Beijing Golte.

(2) According to the circular to Shareholders dated 19 April 2016 and the announcement dated 30 June 2016, the aggregate amount of annual cap in respect of framework tenancy agreements is RMB26,400,000.

(3) On 26 August 2013, the Company entered into the financial services agreement with Fosun Finance to renew the Finance Services Agreement, which would expire on 31 December 2013, for a further term of three years commencing on 1 January 2014 ending on 31 December 2016.

Report of the Directors

Connected persons	Type of the Transaction	Actual value of Transaction RMB	Annual cap for the Transaction RMB
Chongqing Pharma	Sales of products by the Group to Chongqing Pharma and its subsidiaries	294,511,919	260,000,000 *(note)*

Note: According to the circular to Shareholders dated 19 April 2016 and the announcement dated 30 June 2016, the aggregate amount of annual cap for the transactions in respect of sales of products by the Group to Chongqing Pharma is RMB260,000,000.

The Board has reviewed the continuing connected transactions as described above and confirmed that in 2016, such transactions have been entered into:

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

(ii) on normal commercial terms or better; and

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

During the course of preparing the audited financial statements of the Group for the year ended 31 December 2016 and reviewing all past continuing connected transactions of the Group, the Board noted that the actual transaction amount incurred from the transactions under the Framework Sales Agreement amounted to RMB294,511,919, exceeding the 2016 annual cap by RMB34,511,919.

The exceeding of the 2016 annual cap under the Framework Sales Agreement is primarily due to the growth of business that gave rise to additional sales orders entered into between the relevant subsidiaries of the Group and Chongqing Pharma in accordance with the Framework Sales Agreement, and the Group overlooked that the actual transaction amount generated from the sale of products under the Framework Sales Agreement by the Group during the term thereof had already exceeded the 2016 annual cap.

In future, the Group will closely monitor its continuing connected transactions, and monitor the amounts of its continuing connected transactions on a timely basis, to avoid any occurrence of a similar event.

The auditors of the Company provided a qualified letter to the Board in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Hong Kong Listing Rules stating that, except for the transactions under the Framework Sales Agreement, the actual transaction amount of which has exceeded the 2016 annual cap:

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

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

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

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

Report of the Directors

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 41 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions disclosed in note 41 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

NON-COMPETITION UNDERTAKING

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

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 47 to the financial statements.

USE OF PROCEEDS

In November 2016, according to the approval by CSRC through the approval document (Zheng Jian Xu Ke [2016] No. 1230), the Company completed the non-public issuance of an additional of 100,436,681 A Shares of RMB1.00 each in the PRC, and the total proceeds raised from such issue were RMB2,299,999,994.90 at the issue price of RMB22.90 per share. The net proceeds, after deducting the relevant issue expenses, were RMB2,275.2496 million.

As at 31 December 2016, the Group applied an accumulated amount of proceeds of approximately RMB2,275.2496 million, and the details of the use of proceeds from such issue of A Shares are as follows:

Unit: million Currency: RMB

Usage	Amount of proceeds proposed to be applied	Amount of proceeds applied as at 31 December 2016
Repayment of interest-bearing debts	1,600.00	1,600.00
Supplementing our Group's general working capital	675.25	675.25

As at the date of this report, the proceeds from such non-public issuance were fully utilized.

COMPLIANCE WITH THE MODEL CODE AND THE WRITTEN CODE

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

COMPLIANCE WITH THE CG CODE

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

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 68 to 77 of this annual report.

AUDIT COMMITTEE

As of the end of the Reporting Period, the Audit Committee of the seventh session of the Board of the Company comprises 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 term of office of the Audit Committee of the sixth session of the Board of the Company was from 28 June 2013 to 6 June 2016. As at 7 June 2016, the Audit Committee of the sixth session of the Board of the Company comprised Mr. Cao Huimin, an independent non-executive Director, Mr. Jiang Xian, an independent non-executive Director, and Mr. John Changzheng Ma, a non-executive Director, where Mr. Cao Huimin was the Chairman of the Audit Committee. Mr. Wang Pinliang resigned from his office as the non-executive Director of the sixth session of the Board on 2 March 2016 as he wished to pursue personal development and was no longer a member of the Audit Committee with effect from 2 March 2016. On the same date, the sixth session of the Board of the Company agreed Mr. John Changzheng Ma to serve as a member of the Audit Committee of the sixth session of the Board.

On 7 June 2016, the Company convened the 2015 annual general meeting for the election of the Directors of the seventh session of the Board. After the election, the Audit Committee of the seventh session of the Board comprises Mr. Cao Huimin, an independent non-executive Director, Mr. Jiang Xian, an independent non-executive Director, and Mr. Wang Can, a non-executive Director, where Mr. Cao Huimin is the Chairman of the Audit Committee.

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

The Audit Committee of the Company has reviewed the 2016 annual results of the Group.

Report of the Directors

AUDITORS

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

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

On Behalf of the Board
Chen Qiyu
Chairman

Shanghai, PRC
28 March 2017

Supervisory Committee Report

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

In 2016, the sixth and seventh sessions of the Supervisory Committee of the Company carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting (監事會議事規則):

The Supervisory Committee has met 12 times in 2016, and details are as follows:

1. On 7 January 2016, the Company convened the first meeting of the sixth session of the Supervisory Committee in 2016 (a special meeting) to review and approve the resolution in relation to the unlocking of the second tranche of the restricted A shares in respect of the Restricted A Share Incentive Scheme of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (《上海復星醫藥(集團)股份有限公司限制性股票激勵計劃》)

2. On 23 February 2016, the Company convened the second meeting of the sixth session of the Supervisory Committee in 2016 (a special meeting) to review and approve the resolution in relation to the entering into the subscription agreements/termination agreements to the subscription agreements and supplemental agreements with the target subscribers of the Non-Public Issuance of A Shares, the resolution in relation to the re-adjustment to the Non-Public Issuance of A Shares Proposal, the resolution in relation to the Proposed Non-Public Issuance of A Shares (Second Amendment), the resolution in relation to the feasibility report on use of proceeds from Non-Public Issuance of A Shares (Second Amendment), the resolution in relation to the impact of the diluted current returns on the major financial indicators and the respective measures taken, the resolution in relation to the change in the use of proceeds from Non-Public Issuance of A Shares and the resolution in relation to the commitments from the relevant entities on the adoption of remedial measures for the diluted current returns upon Non-Public Issuance of A Shares.

3. On 29 March 2016, the Company convened the third meeting of the sixth session of the Supervisory Committee in 2016 (a regular meeting) to review and approve the 2015 Annual Report of the Group, the Working Report of the Supervisory Committee for 2015, the Special Report of the Placement and Actual Use of the Proceeds in 2015 and the 2015 Internal Control Self-Assessment Report.

4. On 11 April 2016, the Company convened the fourth meeting of the sixth session of the Supervisory Committee in 2016 (a special meeting) to review and approve the resolution in relation to the candidates for the Supervisors of the seventh session of the Supervisory Committee of the Company.

5. On 28 April 2016, the Company convened the fifth meeting of the sixth session of the Supervisory Committee in 2016 (a regular meeting) to review and approve the 2016 First Quarterly Report of the Group.

6. On 7 June 2016, the Company convened the first meeting of the seventh session of the Supervisory Committee in 2016 (a special meeting) to review and elect the Chairman of the seventh session of the Supervisory Committee of the Company.

7. On 23 August 2016, the Company convened the second meeting of the seventh session of the Supervisory Committee in 2016 (a regular meeting) to review and approve the 2016 Interim Report of the Group, the 2016 Interim Internal Control Self-Assessment Report and the Interim Special Report of the Placement and Actual Use of the Proceeds in 2016.

Supervisory Committee Report

8. On 25 October 2016, the Company convened the third meeting of the seventh session of the Supervisory Committee in 2016 (a special meeting) to review and approve the resolution in relation to the amendments to the Rules of Procedures for the Supervisory Committee's Meeting of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (《上海復星醫藥(集團)股份有限公司監事會議事規則》)

9. On 28 October 2016, the Company convened the fourth meeting of the seventh session of the Supervisory Committee in 2016 (a regular meeting) to review and approve the 2016 Third Quarterly Report of the Group.

10. On 9 November 2016, the Company convened the fifth meeting of the seventh session of the Supervisory Committee in 2016 (a special meeting) to review and approve the resolution in relation to the reimbursement of the self-raised funds used in the projects financed by the proceeds.

11. On 10 November 2016, the Company convened the sixth meeting of the seventh session of the Supervisory Committee in 2016 (a special meeting) to review and approve the resolution in relation to the buyback and cancellation of certain restricted A shares which had not been unlocked.

12. On 21 November 2016, the Company convened the seventh meeting of the seventh session of the Supervisory Committee in 2016 (a special meeting) to review and approve the resolution in relation to the unlocking of the first tranche of the restricted A shares in respect of the Restricted A Share Incentive Scheme II of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Amendments) (《上海復星醫藥(集團)股份有限公司第二期限制性股票激勵計劃(修訂稿)》).

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

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

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

The Supervisory Committee agreed with the audit opinion issued by Ernst & Young on the 2016 annual financial report of the Group, and that the financial report of the Group has given a true and fair view of the financial position and the operating results of the Group.

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

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

Supervisory Committee Report

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

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

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

The Supervisory Committee has reviewed the 2016 Internal Control Self-Assessment Report of the Group, and considers that the Group has established an appropriate internal control system in all material respects and the internal control system has operated efficiently, which ensures the implementation of the internal control measures and the normal conduct of production and operation.

On Behalf of the Supervisory Committee
Li Chun
Chairman

Shanghai, PRC
28 March 2017

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended 31 December 2016 (the "Corporate Governance Report").

CORPORATE GOVERNANCE PRACTICES

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 Hong Kong Listing Rules. The Company seeks to continually improve its corporate governance structure, and to optimize its internal management and control and corporate operations in order to improve the Company's corporate governance.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

Corporate Governance Report

BOARD OF DIRECTORS

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

The composition of the Board is as follows:

Executive Directors:

Mr. Chen Qiyu *(Chairman)*
Mr. Yao Fang *(Co-Chairman)*
Mr. Wu Yifang *(President and Chief Executive Officer)*

Non-executive Directors:

Mr. Guo Guangchang
Mr. Wang Qunbin
Ms. Kang Lan
Mr. Wang Can

Independent Non-executive Directors:

Mr. Cao Huimin
Mr. Jiang Xian
Dr. Wong Tin Yau Kelvin
Mr. Wai Shiu Kwan Danny

Biographical information of the Directors is set out on pages 78 to 81 of this annual report.

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

Chairman of the Board and Chief Executive Officer of the Company

The positions of chairman of the Board (equivalent to the chairman as referred to in the CG Code) and chief executive officer of the Company (equivalent to the chief executive as referred to in the CG Code) are held by Mr. Chen Qiyu and Mr. Wu Yifang, respectively. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

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

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

Corporate
Governance Report

Appointment, Removal and Re-election of Directors

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

During the Reporting Period, Dr. Zhang Weijiong retired from his office as an independent non-executive Director with effect from 7 June 2016 as he had served the office for six years. 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 31 August 2016, Mr. Wu Yifang was elected as the executive Director of the seventh session of the Board.

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.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

Corporate Governance Report

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

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

According to the records maintained by the Company, as at 31 December 2016, all Directors received training with an emphasis on the roles, functions and duties as a director of a listed company in compliance with the code provisions relating to continuous professional development under the CG Code. In addition, relevant reading materials including directors' manual and legal and regulatory update have been provided to the Directors for their reference and studying. The continuous professional development records of the Directors for the year ended 31 December 2016 is set out in the table on page 74 of this annual report.

BOARD COMMITTEES

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

The majority of the members of each specialized Board committee (except Strategic Committee) are independent non-executive Directors and the list of the chairman and members of each specialized Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reports, internal control procedures and risk management system, arranging audit plans and liaising with external auditors, to review and monitor the effectiveness of the internal audit function and reviewing the arrangement for enabling employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

In 2016, the Audit Committee held 13 meetings to review the interim report for the six months ended 30 June 2016 and the 2015 annual financial results and reports and to discuss significant issues relating to the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

In 2016, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration and Appraisal Committee

The primary functions of the Remuneration and Appraisal Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management and the remuneration policy and structure for all Directors and senior management, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

Corporate Governance Report

In 2016, the Remuneration and Appraisal Committee held 4 meetings to review and make recommendations to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, the Restricted A Share Incentive Scheme, Restricted A Share Incentive Scheme II, assess the performance of Directors and senior management and other related matters.

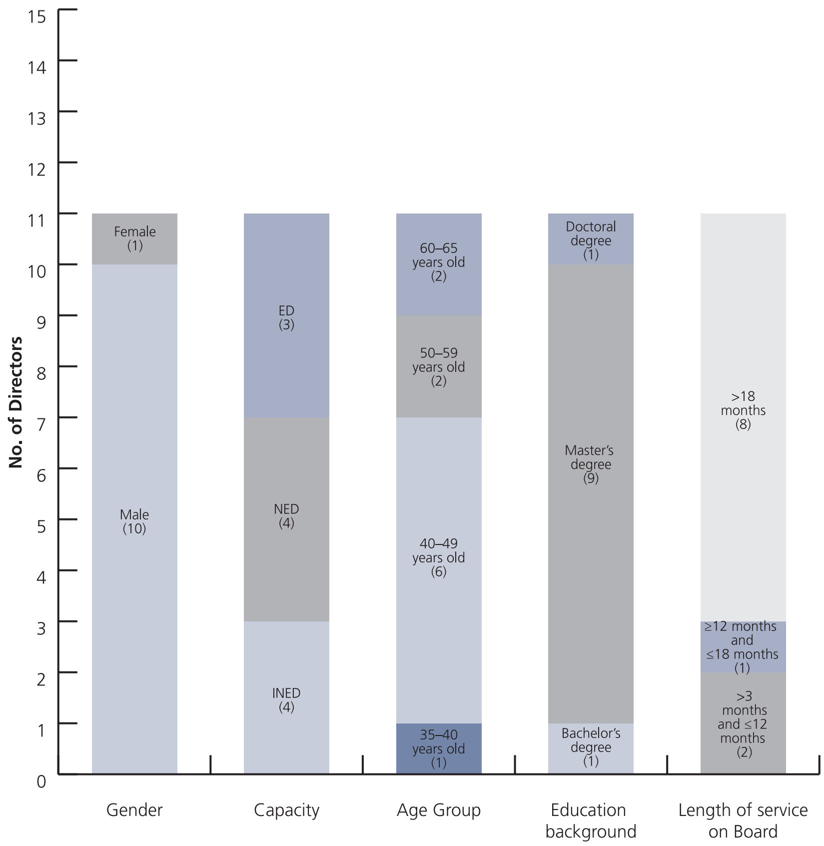
Nomination Committee

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

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

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

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



Corporate Governance Report

In 2016, the Nomination Committee held 6 meetings to review and make recommendations to the Board on the structure, size and composition of the Board, the appointment of the senior management and the independence of the independent non-executive Directors and to consider and recommend to the Board on the candidates of the seventh session of the Board. The Nomination Committee considered an appropriate balance of diversity of the Board has been maintained.

Strategic Committee

The primary responsibilities of the Strategic Committee are to develop and evaluate the Group's operational targets and long-term development strategies and formulate the Group's development strategies and plans, which include, among other things:

- understanding and mastering the overall operations of the Group, the international and domestic market trends and the relevant governmental policies;
- researching and advising on the short-term, medium-term and long-term development strategies of the Group and major investment decisions; and
- reviewing and approving research reports on development strategy.

In 2016, the Strategic Committee met once to understand and master the overall operations of the Group, the international and domestic market trend and the relevant government policies, to research and advise on the medium-term and long-term development strategies of the Group and major investment decision, and review and approve research reports on development strategy.

Corporate Governance Responsibilities

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

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

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

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

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

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

Corporate
Governance Report

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held for the year ended 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings						
Name of Directors	Board	Nomination Committee	Remuneration and Appraisal Committee	Audit Committee	Strategic Committee	Annual General Meeting(1)	Continuous Professional Development
Executive Directors							
Mr. Chen Qiyu	32/32		4/4(M)		1/1(C)	1/1	✓
Mr. Yao Fang	32/32				1/1(M)	1/1	✓
Mr. Wu Yifang	10/10(2)						✓
Non-executive Directors							
Mr. Guo Guangchang	32/32				1/1(M)	0/1	✓
Mr. Wang Qunbin	32/32				1/1(M)	0/1	✓
Ms. Kang Lan	32/32	6/6(M)	4/4(M)			0/1	✓
Mr. Wang Can	19/19(2)			9/9(M)(3)			✓
Mr. Wang Pinliang	6/6(2)						✓
Mr. John Changzheng Ma	14/14(2)			4/4(M)(3)		0/1	✓
Independent Non-executive Directors							
Mr. Cao Huimin	32/32	4/4(M)(3)	4/4(M)	13/13(C)		1/1	✓
Mr. Jiang Xian	32/32	6/6(C)	4/4(M)	13/13(M)		1/1	✓
Dr. Wong Tin Yau Kelvin	32/32		2/2(C)(3)			1/1	✓
Mr. Wai Shiu Kwan Danny	19/19(2)				1/1(M)		✓
Dr. Zhang Weijiong	13/13(2)	2/2(M)(3)	2/2(C)(3)			0/1	✓

Notes:

(1) The Annual General Meeting was held on 7 June 2016.

(2) Mr. Wang Pinliang and Mr. John Changzheng Ma ceased to be non-executive Directors on 2 March 2016 and 29 June 2016, respectively. During the period from 1 January 2016 to 2 March 2016 and the period from 1 January 2016 to 29 June 2016, 6 and 14 Board meetings should be attended in total, respectively. Dr. Zhang Weijiong ceased to be the independent non-executive Director on 7 June 2016. During the period from 1 January 2016 to 7 June 2016, 13 Board meetings should be attended in total. Mr. Wang Can and Mr. Wai Shiu Kwan Danny were appointed as the non-executive Director and the independent non-executive Director on 7 June 2016, respectively. During the period from 7 June 2016 to 31 December 2016, 19 Board meetings should be attended in total. Mr. Wu Yifang was appointed as the executive Director on 31 August 2016. During the period from 31 August 2016 to 31 December 2016, 10 Board meetings should be attended in total.

(3) From 7 June 2016, Dr. Zhang Weijiong ceased to be an independent non-executive Director, and he also ceased to serve as his relevant positions in the Remuneration and Appraisal Committee and the Nomination Committee. During the period from 1 January 2016 to 7 June 2016, 2 Remuneration and Appraisal Committee meetings and 2 Nomination Committee meetings should be attended in total. On 7 June 2016, the Board appointed Mr. Cao Huimin as a member of the Nomination Committee and also appointed Dr. Wong Tin Yau Kelvin as a member of the Remuneration and Appraisal Committee, as well as the chairman of the Remuneration and Appraisal Committee. During the period from 7 June 2016 to 31 December 2016, 2 Remuneration and Appraisal Committee meetings and 4 Nomination Committee meetings should be attended in total.

From 2 March 2016, Mr. Wang Pinliang ceased to be a non-executive Director, and he also ceased to serve as his relevant positions in the Audit Committee. During the period from 1 January 2016 to 2 March 2016, the Company did not convene any Audit Committee meeting. On 2 March 2016, the Board appointed Mr. John Changzheng Ma as a member of the Audit Committee. On 7 June 2016, the Board elected Mr. Wang Can as a member of the Audit Committee while Mr. John Changzheng Ma ceased to serve as his relevant positions in the Audit Committee. During the period from 2 March 2016 to 7 June 2016, 4 Audit Committee meetings should be attended in total. During the period from 7 June 2016 to 31 December 2016, 9 Audit Committee meetings should be attended in total.

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

During the Reporting Period, the Company convened meetings among the chairman and non-executive Directors (including non-executive Directors and independent non-executive Directors) only without the presence of executive Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2016.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 88 to 92.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2016 amounted to RMB4.35 million. There is no remuneration paid to external auditors in respect of non-audit services.

INTERNAL CONTROLS

The Board, particularly the Audit Committee, is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems that are in place are adequate. The Company carries out reviews on the effectiveness of the internal control systems on a regular basis in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

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

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

JOINT COMPANY SECRETARIES

At the end of the Reporting Period, Ms. Dong Xiaoxian and Ms. Lo Yee Har Susan of Tricor Services Limited, an external service provider, were the joint company secretaries of the Company. The primary contact person of Ms. Lo Yee Har Susan is Ms. Dong Xiaoxian, who is the vice president, secretary to the Board and joint company secretary of the Company.

Corporate
Governance Report

RIGHTS OF SHAREHOLDERS

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

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

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

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

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

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

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

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

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

(2) Proposals of General Meetings

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

Corporate Governance Report

(3) Putting Forward Enquiries to the Board

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

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

(4) Primary Contact Persons

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

On 9 November 2016, based on the authorization from the general meeting, the Board passed the resolutions approving the amendments to Article 21 and 24 of the Articles of Association respectively. On 22 December 2016, the resolutions approving the amendments to Articles 10, 37, 42, 69, 94, 96, 103, 110, 112, 117, 122, 134, 143, 145, 146, 149, 154, 156, 164, 166, 176, 195, 228, 247 and 276 of the Articles of Association were passed at the general meeting. An updated version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

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

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Chen Qiyu (陳啟宇), aged 44, is the Company's executive Director and chairman of the Board. Mr. Chen joined the Group in April 1994 and was appointed as a Director in May 2005. Prior to joining the Group, Mr. Chen worked at Shanghai RAAS Blood Product Corporation (上海萊士血製品有限公司), now known as Shanghai RAAS Blood Product Company Limited (上海萊士血液製品股份有限公司), a company listed on the SME board of the Shenzhen Stock Exchange (stock code: 002252) from July 1993 to March 1994. Mr. Chen is an executive director and a co-president of Fosun High Tech, an executive director and a co-president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Zhejiang D.A. Diagnostic Company Limited (浙江迪安診斷技術股份有限公司), a company listed on the growth enterprise board of the Shenzhen Stock Exchange (stock code: 300244), a director of Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600429), a director of Maxigen Biotech Inc., a company listed on the Taiwan Stock Exchange (stock code: 1783), and was a non-executive director of Forte, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Chen is the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), vice president of China Pharmaceutical Industry Research and Development Association (中國醫藥工業科研開發促進會), vice council chairman of the China Medicinal Biotechnology Association (中國醫藥生物技術協會), vice president of the China Pharmaceutical Industry Association (中國化學製藥工業協會), chairman of the Shanghai Biopharmaceutical Industry Association (上海生物醫藥行業協會) and vice chairman of the Shanghai Society of Genetics (上海市遺傳學會). Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) in July 1993 and a master degree of business administration from China Europe International Business School (中歐國際工商學院) ("**CEIBS**") in September 2005.

Mr. Yao Fang (姚方), aged 47, is the Company's executive Director and co-chairman of the Board. Mr. Yao joined the Group in April 2010 and was appointed as a Director in June 2010. Prior to joining the Group, from 1993 to 2009, Mr. Yao was successively the assistant general manager of the international business department of Shanghai Wanguo Securities Company Limited, now known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司), general manager of Shanghai Industrial Assets Management Company Limited (上海上實資產經營有限公司), general manager of Shanghai Industrial Management (Shanghai) Company Limited (上實管理(上海)有限公司), managing director of Shanghai Industrial Pharmaceutical Investment Company Limited (上海實業醫藥投資股份有限公司), a company delisted from the Shanghai Stock Exchange on 12 February 2010, chairman of Shanghai Overseas Company (上海海外公司), non-executive director of Lianhua Supermarket Holdings Company Limited (聯華超市股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00980), and executive director of Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00363). Mr. Yao was a non-executive director of BioSino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司) between 24 January 2011 to 13 March 2014, a company listed on the Hong Kong Stock Exchange (stock code: 08247), and is currently the chief supervisor of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Mr. Yao is a vice chairman of the Shanghai Pharmaceutical Industry Association (上海醫藥行業協會) since June 2010. Mr. Yao obtained a bachelor degree of economics from Fudan University (復旦大學) in July 1989 and a master degree of business administration from The Chinese University of Hong Kong in December 1993.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Wu Yifang (吳以芳), aged 47, is the Company's executive Director, president and chief executive officer. Mr. Wu joined the Group in April 2004 and was appointed as an executive Director in August 2016. Prior to joining the Group, Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠) from June 1987 to April 1997, a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物化學製藥廠) from April 1997 to December 1998, the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang from December 1998 to March 2007 (where Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物化學製藥廠), Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司) were predecessors of Jiangsu Wanbang) and the president of Jiangsu Wanbang from March 2007 to April 2011. He has been the chairman and CEO of Jiangsu Wanbang since April 2011. He was the Company's senior vice president from July 2014 to January 2016 and the Company's senior vice president and chief operating officer from January 2016 to June 2016. He has been the Company's president and chief executive officer since June 2016 and has been the Company's executive Director since August 2016. Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce in 1996 and obtained a master degree in business administration from Saint Joseph's University in 2005.

Mr. Guo Guangchang (郭廣昌), aged 49, is the Company's non-executive Director. Mr. Guo joined the Group in January 1994 and was appointed as a Director in May 1995. Mr. Guo was the chairman of the Board from July 1995 to October 2007. Mr. Guo is the chairman of Fosun High Tech, the executive director and chairman of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656) and the director of Club Méditerranée SA, which is now known as club Med SAS, a company delisted from the Euronext in March 2015. Mr. Guo was a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Shanghai Forte, a company delisted from the Hong Kong Stock Exchange in May 2011 and a non-executive Director of China Minsheng Banking Corp., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600016) and the Hong Kong Stock Exchange (stock code: 01988). Mr. Guo is now a member of the 12th National Committee of the Chinese People's Political Consultative Conference, a member of the 11th standing committee of All-China Federation of Industry & Commerce and All-China Youth Federation, vice chairman of The Zhejiang Chamber of Commerce and chairman of the Zhejiang Chamber of Commerce in Shanghai, etc. Mr. Guo was a deputy to the 10th and 11th National People's Congress of the PRC and a member of the 9th National Committee of the Chinese People's Political Consultative Conference, etc. Mr. Guo obtained a bachelor degree of philosophy and a master degree of business administration from Fudan University (復旦大學) in July 1989 and July 1999, respectively.

Mr. Wang Qunbin (汪群斌), aged 47, is the Company's non-executive Director. Mr. Wang joined the Group in January 1994, and was appointed as a Director in May 1995. Mr. Wang served as the Company's Director and general manager from 1995 to 2007 and was the chairman of the Board from October 2007 to June 2010. Currently, Mr. Wang is an executive director and the chief executive officer of Fosun High Tech, an executive director and chief executive officer of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Henan Lingrui Pharmaceutical Company Limited (河南羚銳製藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600285), a director of Shanghai Yuyuan, a company listed on the Shanghai Stock Exchange (stock code: 600655) and a director of Shanghai Forte, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Wang was a director of Shanghai Friendship Group Co., Ltd. (上海友誼集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600827). Mr. Wang is currently honorary chairman of the Huzhou Chamber of Commerce in Shanghai (上海湖州商會) and the vice chairman of China Chamber of International Commerce (中國國際商會). Mr. Wang obtained a bachelor degree of science from Fudan University (復旦大學) in July 1991.

Biographical Details of Directors, Supervisors and Senior Management

Ms. Kang Lan (康嵐), aged 47, was appointed as the Company's non-executive Director in June 2013. Ms. Kang was the project manager of Nanjing High Technology Industry Development Company (南京高新技術產業發展總公司) from August 1991 to June 1993, a researcher of Memorial Sloan-Kettering Cancer Center in the United States from October 1995 to May 1998, a research and development scientist in Wyeth from May 1998 to August 2000, a consultant of McKinsey & Company from August 2002 to February 2007, and a senior client partner of Korn/Ferry International Consulting Ltd. (光輝國際諮詢顧問公司) from March 2007 to August 2010. Ms. Kang was the senior assistant to the president, the general manager of the human resources department, a vice president and chief human resources officer of Fosun High Tech from August 2010 to March 2017. Ms. Kong is currently an executive director and senior vice president of Fosun High Tech, an executive director and senior vice president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Fidelidade-Companhia de Seguros, S.A., a non-executive director of Multicare-Seguros de Saúde, S.A., a non-executive director of Fidelidade Assistência-Companhia de Seguros, S.A., a non-executive director of Peak Reinsurance Company Limited, a non-executive director of Ironshore Inc., a non-executive director of Meadowbrook Insurance Group, Inc., a non-executive director of Pramerica Fosun Life Insurance Co., Ltd., a non-executive director of Yong'an Property Insurance Company Limited and the chairman of Taunus Capltaly Advisory GmbH. Ms. Kang obtained a bachelor degree in biological sciences and biotechnology from Zhejiang University in June 1991, a master degree in biochemistry from Tulane University in the United States in June 1995, and a master degree in business and administration from the Wharton School of the University of Pennsylvania in May 2002.

Mr. Wang Can (王燦), aged 37, was appointed as the Company's non-executive Director in June 2016. Mr. Wang joined Fosun High Tech in November 2012 and worked as the general manager of investment management department, deputy chief financial officer and general manager of financial analysis department. He is currently an executive director and senior vice president of Fosun High Tech and an executive director and senior vice president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656). Prior to joining Fosun High Tech, Mr. Wang worked for Kingdee Software (China) Co., Ltd.* (金蝶軟件(中國)有限公司), PricewaterhouseCoopers Zhong Tian LLP, Standard Chartered Bank (China) Limited and Huazhu Hotels Group Ltd., a company listed on Nasdaq (NASDAQ: HTHT). Mr. Wang is a non-practicing member of the China Institute of Certified Public Accountants (CICPA) and a member of the Association of International Accountants (AIA). Mr. Wang was graduated from Anhui University in 1997, and graduated from China Europe International Business School with an MBA degree in 2014.

Mr. Cao Huimin (曹惠民), aged 62, was appointed as the Company's independent non-executive Director in June 2013. Mr. Cao was a professor in accountancy at Shanghai Lixin University of Commerce (上海立信會計學院) and an independent director of Shanghai HAND Enterprise Solution Company Ltd. (上海漢得信息技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300170). Mr. Cao is currently an independent director of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) (stock code: 600827), Shanghai Industrial Development Co., Ltd. (上海實業發展股份有限公司) (stock code: 600748), both of which are listed companies in Shanghai Stock Exchange, 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 Shanghai Stock Exchange (stock code: 603868) and an independent director of Zhejiang Meorient Business Exhibition Co., Ltd (浙江米奥蘭特商務會展股份有限公司), a company listed on National Equities Exchange and Quotations (NEEQ) (stock code: 831822). Mr. Cao graduated from Shanghai University of Finance and Economics (上海財經大學) with a master degree in economics (accounting) in January 1988.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Jiang Xian (江憲), aged 62, was appointed as the Company's independent non-executive Director in June 2015. Mr. Jiang was a lecture at the Justice School of Shanghai (上海市司法學校) from April 1983 to August 1989. He has been a partner and senior partner of Shanghai United Law Firm (上海市聯合律師事務所) since August 1989, an arbitrator of China International Economic and Trade Arbitration Commission and Arbitrator Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) since December 2003, a visiting professor of East China University of Political Science and Law (華東政法大學) (formerly known as East China College of Political Science and Law (華東政法學院)) since September 2006, a mediator of Shanghai Commercial Mediation since January 2011, and an associated Mediator of Singapore Mediation Center since May 2012. Mr. Jiang is currently an independent director of Shanghai No.1 Pharmacy Co., Ltd. (上海第一醫藥股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600833). Mr. Jiang obtained a bachelor degree of laws from a branch of the Fudan University (復旦大學) (now incorporated into the Shanghai University) in April 1983 and a master degree of laws from Fudan University (復旦大學) in July 1996, respectively. Mr. Jiang qualified as a lawyer in the PRC in 1985.

Dr. Wong Tin Yau Kelvin (黃天祐), JP, aged 56, was appointed as the Company's independent non-executive Director in June 2015. Dr. Wong has been an executive director and deputy managing director of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01199), since 1996. Dr. Wong is currently an independent non-executive director of each of I.T Limited (stock code: 00999), China ZhengTong Auto Services Holdings Limited (stock code: 01728) and Bank of Qingdao Co., Ltd. (stock code: 03866), all of which are companies listed on the Hong Kong Stock Exchange, Xinjiang Goldwind Science & Technology Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 02208) and Shenzhen Stock Exchange (stock code: 002202), Huarong International Financial Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00993) and Asia Investment Finance Group Limited (stock code: 00033). Dr. Wong was an independent non-executive director of China Metal International Holdings Inc., a company listed on the Hong Kong Stock Exchange (stock code: 00319), from December 2004 to July 2013. He was an independent non-executive director of CIG Yangtze Ports PLC, a company listed on the Hong Kong Stock Exchange (stock code: 08233), from September 2005 to October 2015. He was an independent director of AAG Energy Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 02686), and 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: 002202), from June 2015 to April 2016 and from June 2011 to June 2016 respectively. Dr. Wong is the immediate past chairman and was the chairman (2009–2014) of The Hong Kong Institute of Directors, a non-executive director of the Securities and Futures Commission, the chairman of the Investor Education Centre, a member of Financial Reporting Council and a committee member of the Operations Review Committee of the ICAC. Dr. Wong obtained his Master of Business Administration degree from Andrews University in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007.

Mr. Wai Shiu Kwan Danny (韋少琨), aged 53, served as an Analyst and Senior Analyst of The MAC Group, Inc. (Hong Kong) (now part of The Capgemini Group) from 1987 to 1990, as the Financial Analyst of Postal Buddy Corporation from 1992 to 1994, various positions as Director, Assistant Director, Manager, Assistant Manager and Executive in the Corporate Finance Department of Jardine Fleming Holdings Ltd. (now part of JP Morgan Chase & Co.) from 1994 to 2001, as a Vice President in the Global Mergers & Acquisitions Group of JP Morgan Chase & Co. (Hong Kong) from 2001 to 2002, and as Executive Director, Managing Director and Head of Asia in the Global Healthcare Group of the Investment Banking Department, UBS AG (Hong Kong Branch) during the period from 2004 to 2007 and the period from 2007 to 2015, respectively. Mr. Wai graduated from the University of Hong Kong with a Bachelor of Social Sciences degree in 1987, and the Anderson Graduate School of Management at UCLA with an MBA degree in 1992.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Wang Pinliang (王品良), aged 48, served as a non-executive Director of the Company from June 2013 to March 2016.

Mr. John Changzheng Ma, aged 54, served as a senior vice president of the Company from August 2013 to April 2014 and the Company's non-executive Director from June 2014 to June 2016.

Dr. Zhang Weijiong (張維炯), aged 63, served as an independent non-executive Director of the Company from June 2010 to June 2016.

SUPERVISORS

Mr. Li Chun (李春), aged 53, is the chairman of the Supervisory Committee of the Company. Mr. Li joined the Group in March 2013 and was appointed as a Supervisor in June 2016. Mr. Li was a senior vice president of the Company from March 2013 to April 2016. Prior to joining the Group, Mr. Li successively held the posts of recruiting specialist and HR manager of Xian-Janssen Pharmaceutical Ltd. (西安楊森製藥公司) from July 1988 to April 1993; during the period from April 1993 to April 1995, he successively held the posts of deputy general manager of Xian Meadow Gold Foodstuff Co., Ltd. (西安美登高食品有限公司), a subsidiary of Meadow Gold Investment (US) Co., Ltd., and general manager of Chengdu Meadow Gold Foodstuff Co., Ltd. (成都美登高食品有限公司). He was the HR manager of Quaker (China) Ltd. (桂格中國公司) in China region from April 1995 to April 1998, the chief HR officer of Pillsbury (China) Ltd. (品食樂中國有限公司) from April 1998 to November 2001, the chief HR officer of China business department of Trane Air-Conditioning from November 2001 to March 2005, and the vice president of HR department of Goodbaby International Holdings Limited (好孩子國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01086) from April 2005 to February 2013. Mr. Li obtained a bachelor degree of education from the Department of Psychology in East China Normal University (華東師範大學) in July 1988.

Mr. Cao Genxing (曹根興), aged 70, has served as the Company's Supervisor since 26 May 2008. Mr. Cao currently serves as the secretary to the president of Dahua Group Limited (大華(集團)有限公司). Mr. Cao Genxing graduated from Central Agricultural Broadcasting and Television School (中央農業廣播電視學校) with a diploma in agricultural science in December 1985. Mr. Cao graduated from Shanghai Baoshan District Vocational University (上海寶山區業餘大學) with a diploma in party and government management in January 1991.

Mr. Guan Yimin (管一民), aged 66, was appointed as the Company's Supervisor on 30 June 2014. Mr. Guan was a professor of Shanghai National Accounting Institute from September 2000 to August 2014. He was an independent director of the Company from May 2007 to June 2013, and an independent non-executive director of the Company from October 2012 to June 2013. He is now concurrently an independent director of Shanghai International Port (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600018). He was an independent non-executive director of China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司), which is now known as COSCO SHIPPING Development Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601866) and Hong Kong Stock Exchange (stock code: 02866), an independent director of Porton Fine Chemicals Ltd. (重慶博騰製藥科技股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300363), an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (天津創業環保股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600874) and Hong Kong Stock Exchange (stock code: 01065), and an independent director of Bank of Shanghai Co. Ltd. (上海銀行股份有限公司). Mr. Guan obtained a bachelor degree in accounting from SUFE in January 1983.

Mr. Zhou Wenyue (周文岳), aged 56, served as the Company's Supervisor from June 2013 to June 2016.

Biographical Details of
Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Wu Yifang (吳以芳), is the Company's executive Director, president and chief executive officer. His biographical details are set out on page 79 of this annual report.

Mr. Li Dongjiu (李東久), aged 50, joined the Group in December 2009 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Li worked for North China Pharmaceutical Group Corporation (華北製藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600812), from July 1987 to December 2009. Mr. Li is currently the director of Sinopharm Industrial Investment, the non-executive director of Sinopharm, a company listed on Hong Kong Stock Exchange (Stock Code: 01099), a director of China National Medicines Co. Ltd., the vice chairman of China Nonprescription Medicines Association (CNMA, 中國非處方藥物協會), a vice chairman of China Association of Pharmaceutical Commerce (中國醫藥商業協會), a vice chairman of Shanghai Pharmaceutical Trade Association, a member of the Women and Children's Healthcare Salvation Committee of the United Nation (聯合國拯救婦女和兒童醫療健康委員會) and a director of the Cancer Foundation of China. He was a director of Nature's Sunshine Products Inc., a company listed on NASDAQ, USA (NASDAQ: NATR). Mr. Li obtained a bachelor degree of engineering from Dalian Engineering College (大連工學院), now known as Dalian University of Technology (大連理工大學), in July 1987, a master degree in management from Wuhan University of Technology (武漢交通科技大學), now known as Wuhan University of Technology (武漢理工大學), in July 1999, a master degree of arts in international economic relations from the Flinders University of South Australia in October 2005, a doctorate degree of engineering in transportation planning and management from Wuhan University of Technology in June 2013 and a master degree in business administration from CEIBS in October 2013.

Mr. Wang Cheng (汪誠), aged 53, joined the Group in August 2011 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Wang worked for Holley Group Company Limited (華立集團股份有限公司) from July 1994 to September 2010 and was a director, head of the financial department, president and chairman of the board of Holley Share Company Limited (重慶華立控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607), from October 1999 to October 2006. Mr. Wang was the vice president and chairman of the board of Kunming Pharmaceutical Group Corporation Limited (昆明製藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600422), from November 2002 to October 2006. Mr. Wang was the chairman of the board of Wuhan Jianmin Pharmaceutical Groups Corporation Limited (武漢健民藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600976), from October 2009 to September 2010. Mr. Wang obtained a bachelor degree in literature in July 1988 and a master degree of business administration in July 1998 from Hangzhou University (杭州大學), now known as Zhejiang University (浙江大學).

Mr. Zhou Biao (周颷), aged 46, joined the Group in June 2013 and is currently the Company's senior vice president. He was the Company's vice president, senior vice president and the secretary to the Board and joint company secretary from June 2013 to June 2016. Prior to joining the Group, Mr. Zhou served as a lawyer at Shanghai Qiao Wen Law Firm (上海市喬文律師事務所) from September 1996 to May 2000, a lawyer at Shanghai Hua Ye Law Firm (上海市華曄律師事務所) from May 2000 to May 2005 and a lawyer at Shanghai Jiu Cheng Law Firm (上海久誠律師事務所) from May 2005 to June 2013. Mr. Zhou obtained a bachelor degree of laws in economic law from Fudan University (復旦大學) in July 1993.

Biographical Details of Directors, Supervisors and Senior Management

Ms. Guan Xiaohui (關曉暉), aged 45, joined the Group in May 2000 and is currently the Company's senior vice president and chief financial officer. Ms. Guan was successively the Company's financial manager of the retail pharmaceutical department, chief financial officer of Fosun Pharmaceutical and the Company's vice chief financial officer. She served as the Company's deputy director of business management committee and the Company's assistant to the president and general manager of financial department and the Company's vice president. Prior to joining the Group, from July 1992 to May 2000, Ms. Guan worked for Industrial and Commercial Bank of China Jiangxi Branch (中國工商銀行江西分行). Ms. Guan was the supervisor of China National Accord Medicines Corporation Ltd. (國藥一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028) and a supervisor of Biosino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08247). Ms. Guan obtained a bachelor degree of economics from Jiangxi University of Finance and Economics (江西財經大學) and acquired a master degree of professional accountancy from Chinese University of Hong Kong in December 2007.

Mr. Chen Yuqing (陳玉卿), aged 41, joined the Group in January 2010 and is currently a vice president of the Company. Mr. Chen was the Company's deputy HR supervisor of human of human resources department, deputy general manager of human resources department, general manager of human resources department, assistant to president and general manager of human resources department from January 2010 to April 2015. He was the Company's vice president from April 2015 to June 2016. Prior to joining the Group, he was the chief human resources officer of Kubao Information Technology (Shanghai) Co., Ltd. from April 2009 to October 2009. Mr. Chen obtained a bachelor degree in engineering from Shanghai University in July 1997.

Mr. Wang Kexin (王可心), aged 54, joined the Group in June 2010 and is currently the Company's vice president. He was the Company's vice president from July 2011 to July 2016. Prior to joining the Group, Mr. Wang was the deputy general manager of Sea Rainbow Holding Corporation (海虹控股醫藥電子商務有限公司) from January 2001 to November 2002, marketing director of KPC and deputy general manager of Kunming Pharmaceutical Retail Company Limited (昆明製藥藥品銷售有限公司) from November 2002 to January 2004, general manager of Beijing Huali Jiuzhou Medical Company Limited (北京華立九州醫藥有限公司) from January 2004 to January 2009 and vice president of Chongqing Huali Pharmaceutical Industry Company Limited (重慶華立藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607), from January 2007 to January 2009. Mr. Wang obtained a bachelor degree of medicine from Shenyang Medical College (瀋陽醫學院) in July 1988.

Mr. Cui Zhiping (崔志平), aged 54, joined the Group in January 2006 and is currently the Company's vice president. Prior to joining the Group, Mr. Cui worked for Shanghai Pharmaceuticals Holding Co. Ltd. (上海醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601607) and the Hong Kong Stock Exchange (stock code: 02607), from 2001 to 2005. Mr. Cui obtained a bachelor degree of pharmacy from SMC in July 1986 and a master degree of business administration from La Trobe University in March 2002.

Mr. Dong Zhichao (董志超), aged 50, joined the Group in February 1992 and is currently the Company's vice president. Prior to joining the Group, Mr. Dong acted as a teaching assistant and lecturer in the Department of Pharmaceutics at the School of Pharmacy of Second Military Medical University (第二軍醫大學) from September 1991 to December 1998, and chief engineer in Zhaohui pharmaceutical factory affiliated to Second Military Medical University (第二軍醫大學朝輝製藥廠) from March 1997 to December 1998. Mr. Dong obtained a bachelor degree of Medicine from Second Military Medical University in July 1988 and acquired a master degree of Medicine (with a major in Pharmaceutics) from the Second Military Medical University and a degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business (長江商學院) in July 1991 and September 2008, respectively.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Wang Yao (汪曜), aged 43, joined the Group in September 2014 and is currently a vice president of the Company. Prior to joining the Group, Mr. Wang was field management engineer of Shanghai Automotive Casting Plant of SAIC Motor Corporation Limited (上海汽車集團 股份有限公司上海汽車鑄造總廠) from July 1995 to January 1998, the senior project manager of the strategic investment committee of D'Long International Strategic Investment Company (德隆國際戰略投資有限公司) from November 1999 to March 2001, the vice general manager of Zhongqi Asset Custody Co. Ltd. (中企資產託管有限公司), a subsidiary of D'Long International Strategic Investment Company from April 2001 to May 2004, the investment manager of Hongpu Investment Holdings (China) Co., Ltd. (宏普投資控股(中國)有限公司) from June 2004 to April 2006, the director in merger and acquisition of Asian-Pacific Region of PENTAIR LTD, a company listed on the New York Stock Exchange (NYSE: PNR), from April 2006 to May 2011, during which he was concurrently the general manager of Beijing Pentair-Jieming Environmental Protection Equipment Co., Ltd. (北京濱特爾潔明環保設備有限公司), an affiliate of PENTAIR LTD, from June 2009 to August 2010, and vice president of group investment and asset management of Suntech Power Holdings Co., Ltd., a company listed on the New York Stock Exchange (NYSE: STP), from May 2011 to July 2014. Mr. Wang obtained a bachelor degree in metal casting from Shanghai University (上海大學) in 1995 and a master degree in business administration from CEIBS in 1999.

Mr. Shao Ying (邵穎), aged 50, joined the Group in March 2012 and is currently a vice president of the Company. Mr. Shao was the assistant president and executive deputy director of Corporate Technological Center of Fosun Pharmaceutical Industrial from March 2012 to August 2012, the assistant president and director of Corporate Technological Center of Fosun Pharmaceutical Industrial l from August 2012 to December 2012, and the assistant president and director of R&D Center of the Company from January 2013 to October 2014. Prior to joining the Group, he was a lecturer and associate professor of Medicinal Chemistry Teaching and Research Office in China Pharmaceutical University (中 國藥科大學) from August 1991 to July 2003 and the deputy chief and chief of the former Review Department of Center for Drug Evaluation (CDE) and the chief of the Research and Evaluation Department under China Food and Drug Bureau (now known as the CFDA) from August 2003 to December 2011. Mr. Shao obtained a bachelor degree in biopharmaceuticals from China Pharmaceutical University in 1988, a master degree in pharmaceutical chemistry from China Pharmaceutical University in 1991 and a doctoral degree in chemistry from China Pharmaceutical University in 2006.

Ms. Mei Jingping (梅璟萍), aged 46, joined the Group in January 2013 and is currently a vice president of the Company. Ms. Mei was the assistant to chairman and general manager of strategic planning department of the Company from January 2013 to June 2015. Prior to joining the Group, Ms. Mei was the senior marketing manager of the marketing department of Wyeth Pharmaceutical Co., Ltd. from June 2003 to January 2010 and the investment analyst, senior investment analyst and research director of pharmaceutical industry at CLSA Limited from February 2010 to November 2012. Ms. Mei obtained a bachelor degree in science from China Pharmaceutical University in 1992.

Mr. Wang Donghua (王冬華), aged 47, joined the Group in October 2015 and is currently a vice president of the Company. Mr. Wang was the senior assistant to president and general manager of the public affairs department of the Company from October 2015 to January 2016. Prior to joining the Group, Mr. Wang was the deputy manager and manager of the corporate culture department, deputy general manager of the investment development department, deputy general manager and spokesman of the brand development department, and deputy general manager, executive general manager and joint general manager of the public affairs department of Fosun High Tech from April 2003 to October 2015. Mr. Wang obtained a bachelor degree in agriculture from Yangzhou University in July 1994, and a master degree in business administration from Shanghai University of Finance and Economics in February 2004.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Wen Deyong (文德鏞), aged 45, joined the Group in May 2002 and is currently a vice president of the Company. Mr. Wen was a technician of water injection workshop in the Chongqing No.6 Pharmaceutical Factory (重慶製藥六廠), which is now known as Chongqing Yao Pharmaceutical Sales Company Limited (重慶藥友製藥銷售有限責任公司) from September 1995 to February 1997, a sales field personnel of the sales department of Yao Pharma from March 1997 to June 2004, a sales director of Chongqing Yao Pharmaceutical Sales Company Limited from June 2004 to December 2005, a general manager of No. 2 marketing department of Yao Pharma from December 2005 to January 2010 (concurrently served as the human resources director of Yao Pharma from November 2008 to December 2009), a general manager of the North Subsidiary of Chongqing Heisman Pharmaceutical Co., Ltd. (重慶海斯曼藥業有限責任公司北方公司) from January 2010 to December 2010 (concurrently served as the director of administrative and human resource of Chongqing Heisman Pharmaceutical Co., Ltd. (重慶海斯曼藥業有限責任公司) from July 2010 to December 2010), a vice president of Yao Pharma from December 2010 to April 2014 and a president of Yao Pharma from April 2014 to May 2016. He has been the vice chairman of the board of Yao Pharma since May 2016. Mr. Wen graduated from West China University of Medical Sciences (華西醫科大學), which is now known as West China Medical Center of Sichuan University (四川大學華西醫學中心), in September 1995, and obtained a Master of Business Administration Degree from Donghua University (東華大學) in December 2007.

Ms. Dong Xiaoxian (董曉嫻), aged 35, joined the Group in 2003, and is currently a vice president, the secretary to the Board and the joint company secretary of the Company. Ms. Dong worked as the secretary to the board of directors of Shanghai SIIC-SMU Biotech Co., Ltd. (上海實業醫大生物技術有限公司) from July 2003 to June 2006, and the securities affairs assistant, securities affairs representative, deputy director and director of the Board Secretary Office of the Company from July 2006 to June 2016. Ms. Dong graduated from Shanghai University (上海大學) with a Bachelor of Laws in July 2003, and graduated with a Master of Business Administration Degree from Fudan University (復旦大學) in January 2015.

Ms. Shi Jiajue (石加玨), aged 40, joined the Group in November 1997, and is currently a vice president of the Company. Ms. Shi was an executive officer, executive head, deputy executive manager and executive manager of the Company from November 1997 to December 2007. She was a deputy officer, deputy general manager and resource management director and general manager of the administration department of the Company from January 2008 to October 2014. She was an assistant to the president and general manager of the administration department and general manager of the centralized procurement and procurement management department from October 2014 to August 2016.

Mr. Liu Yi (劉毅), aged 41, joined the Group in November 2015 and is currently a vice president of the Company. Mr. Liu was the chief technology officer of the medical devices division of the Company from November 2015 to December 2016. Prior to joining the Group, Mr. Liu was a student in Young Cadre Training Class of Chinese Academy of Governance (國家行政學院青年幹部培訓班) from September 1998 to July 2000, a deputy section officer of medical equipment department and a section officer of market supervision department of State Food and Drug Administration, which is now known as CFDA, from July 2000 to August 2004 and the deputy head and head of Beijing Medical Equipment Laboratory (北京市醫療器械檢驗所) from September 2004 to November 2015. Mr. Liu obtained a bachelor degree in engineering from Beijing Institute of Technology in July 1998, and a master degree in management from Peking University in January 2006.

Mr. Bing Li (黎兵), aged 48, served as a senior vice president of the Company from May 2014 to March 2016.

Mr. Pu Qianglin (普強淩), aged 52, served as a senior vice president of the Company from April 2015 to March 2016.

Dr. Zhang Xinmin (張新民), aged 49, served as a senior vice president of the Company from June 2010 to June 2016.

Mr. Zhu Yaoyi (朱耀毅), aged 55, served as a vice president of the Company from March 2003 to November 2016.

Mr. Hongfei Jia, aged 49, served as a senior vice president of the Company from June 2013 to January 2017.

Mr. Song Jinsong (宋金松), aged 49, served as a senior vice president of the Company from July 2015 to March 2017.

Biographical Details of
Directors, Supervisors and Senior Management

JOINT COMPANY SECRETARIES

Ms. Dong Xiaoxian (董曉嫻), aged 35, the joint company secretary, is also a senior vice president of the Company and secretary to the Board. Please refer to page 86 of this annual report for her biography.

Ms. Lo Yee Har Susan (盧綺霞), aged 58, is an executive director of Tricor Services Limited ("Tricor"), also serving as the Head of Learning & Development of Tricor. Ms. Lo has over 30 years of experience in corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lo is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators ("ICSA") in the United Kingdom. Ms. Lo graduated from The Hong Kong Polytechnic (now The Hong Kong Polytechnic University).

Independent Auditor's Report

EY 安永

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

OPINION

We have audited the consolidated financial statements of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 200, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to RMB3,473,110,000 as at 31 December 2016. In accordance with HKFRSs, the Company is required to perform the impairment test for goodwill annually. In performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired as each of these acquired subsidiaries is a separate cash-generating unit. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated to. The recoverable amount of each cash-generating unit is the higher of its fair value less costs of disposal and its value in use using cash flow projections based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment test process is complex and involves significant judgements. The Company's disclosures about the impairment of goodwill are included in notes 2.4, 3 and 17 to the consolidated financial statements, which specifically explain the key assumptions the management used for the calculations of the recoverable amount.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Company, in particular, discount rate and growth rate beyond a 5-years' period. We paid specific attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of each cash-generating unit. We also focused on the adequacy of the Company's disclosures of goodwill.
Impairment of indefinite-life intangible assets	
The carrying value of indefinite-life intangible assets (medicine licences and trademarks) in the consolidated financial statements amounted to RMB748,828,000 as at 31 December 2016. In accordance with HKFRSs, the Company is required to perform the impairment test for indefinite-life intangible assets annually. The impairment test is based on the recoverable amount of each individual asset or the corresponding cash-generating unit, which is the higher of its fair value less costs of disposal and its value in use using cash flow projections based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment test process is complex and involves significant judgements. The Company's disclosures about the impairment of indefinite-life intangible assets are included in notes 2.4, 3 and 18 to the consolidated financial statements, which specifically explain the key assumptions management used for the calculations of the recoverable amount.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Company, in particular, discount rate and growth rate beyond a 5-years' period used in the cash flow forecast of each individual asset or the corresponding cash-generating unit. We paid specific attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the product revenue plan of each individual asset or the corresponding cash-generating unit. We also focused on the adequacy of the Company's disclosures of indefinite-life intangible assets.

Independent Auditor's Report

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development expenditures	
During the year ended 31 December 2016, expenditure incurred on projects to develop new pharmaceutical products of RMB348,012,000 was capitalised into "other intangible assets-deferred development costs" in the consolidated financial statements. The expenditure on development activities was capitalised and deferred when all the criterias mentioned in note 2.4 were satisfied. This matter is significant to our audit because significant management's estimation and judgement are required in determining whether the development expenditures meet the capitalization criteria. The Company's disclosures about capitalisation of development expenditures are included in notes 2.4, 3 and 18 to the consolidated financial statements.	Our audit procedures included, among others, assessing whether the capitalisation criteria used by the Company to be consistent with HKFRSs, obtaining an understanding of the Company's internal approval procedures regarding to the capitalisation of development expenditures by conducting interview with key management personnels in charge of research, development and commercialization of various projects, and obtaining certifications related to different stage of development activities and commercial and technical feasibility reports prepared by the management. We also focused on the adequacy of the Company's disclosures of capitalisation of development expenditures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

Independent Auditor's Report

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Lap, Philip.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2017

Consolidated
Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	**14,505,584**	12,502,163
Cost of sales		**(6,718,364)**	(6,308,041)
Gross profit		**7,787,220**	6,194,122
Other income	6	**261,753**	170,822
Selling and distribution expenses		**(3,704,056)**	(2,815,141)
Administrative expenses		**(1,626,415)**	(1,235,486)
Research and development expenses		**(714,749)**	(670,036)
Other gains	8	**753,431**	1,174,531
Other expenses		**(121,171)**	(140,682)
Interest income		**80,899**	56,246
Finance costs	9	**(488,171)**	(470,011)
Share of profits and losses of:			
Joint ventures		**1,127**	(11,049)
Associates		**1,341,681**	1,118,516
PROFIT BEFORE TAX	7	**3,571,549**	3,371,832
Income tax expense	12	**(350,207)**	(501,171)
PROFIT FOR THE YEAR		**3,221,342**	2,870,661
Attributable to:			
Owners of the parent		**2,805,837**	2,460,094
Non-controlling interests		**415,505**	410,567
		3,221,342	2,870,661
Earnings per share attributable to ordinary equity holders of the parent:	14		
Basic		**RMB1.21**	RMB1.07
Diluted		**RMB1.20**	RMB1.06

Consolidated
Statement of Comprehensive Income

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT FOR THE YEAR	**3,221,342**	2,870,661
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments		
Changes in fair value	**100,700**	962,095
Reclassification adjustments for gains included in the consolidated statement of profit or loss		
— Gain on disposal	**(313,969)**	(1,002,245)
Income tax effect	**68,774**	62,866
	(144,495)	22,716
Exchange differences on translation of foreign operations	**(42,334)**	(31,599)
Share of other comprehensive income/(loss) of associates	**114,689**	(184,364)
Other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(72,140)**	(193,247)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,149,202**	2,677,414
Attributable to:		
Owners of the parent	**2,716,707**	2,258,473
Non-controlling interests	**432,495**	418,941
	3,149,202	2,677,414

Consolidated
Statement of Financial Position

31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	6,325,479	5,777,567
Prepaid land lease payments	16	1,030,485	1,041,705
Goodwill	17	3,473,110	3,303,379
Other intangible assets	18	2,620,078	2,204,086
Investments in joint ventures	19	248,421	225,285
Investments in associates	20	15,870,262	13,637,584
Available-for-sale investments	21	2,674,436	3,314,452
Deferred tax assets	23	129,551	102,477
Other non-current assets	22	574,771	212,927
Total non-current assets		32,946,593	29,819,462
CURRENT ASSETS			
Inventories	24	1,670,738	1,648,773
Trade and bills receivables	25	2,389,862	2,146,570
Prepayments, deposits and other receivables	26	659,188	399,719
Equity investments at fair value through profit or loss	27	48,489	33,751
Available-for-sale investments	21	—	67,928
Cash and bank balances	28	5,996,030	4,028,637
Total current assets		10,764,307	8,325,378
CURRENT LIABILITIES			
Trade and bills payables	29	1,149,379	1,048,650
Other payables and accruals	30	2,504,278	2,155,959
Interest-bearing bank and other borrowings	31	6,139,393	7,323,428
Tax payable		315,503	411,163
Total current liabilities		10,108,553	10,939,200
NET CURRENT ASSETS/(LIABILITIES)		655,754	(2,613,822)
TOTAL ASSETS LESS CURRENT LIABILITIES		33,602,347	27,205,640

Consolidated
Statement of Financial Position

31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**33,602,347**	27,205,640
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**5,570,958**	3,571,526
Deferred tax liabilities	23	**1,786,427**	1,844,762
Deferred income	32	**346,706**	169,318
Other long-term liabilities	33	**704,817**	1,007,272
Total non-current liabilities		**8,408,908**	6,592,878
Net assets		**25,193,439**	20,612,762
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**2,414,512**	2,314,075
Treasury shares	38	**(26,819)**	(43,494)
Reserves	35	**19,745,636**	15,854,102
		22,133,329	18,124,683
Non-controlling interests		**3,060,110**	2,488,079
Total equity		**25,193,439**	20,612,762

Chen Qiyu
Director

Wu Yifang
Director

Consolidated
Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the parent										
	Issued share capital RMB'000 *(note 35)*	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	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 year	—	—	—	—	—	—	—	2,460,094	2,460,094	410,567	2,870,661
Other comprehensive loss for the year:											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	25,967	—	—	—	—	25,967	(3,251)	22,716
Share of other comprehensive loss of associates	—	—	—	(184,307)	—	—	—	—	(184,307)	(57)	(184,364)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(43,281)	—	(43,281)	11,682	(31,599)
Total comprehensive income for the year	—	—	—	(158,340)	—	—	(43,281)	2,460,094	2,258,473	418,941	2,677,414
Profit appropriation to reserves	—	—	—	—	333,046	—	—	(333,046)	—	—	—
Issue of restricted A shares	2,695	25,710	(28,405)	—	—	—	—	—	—	—	—
Repurchase and cancellation of restricted A shares	(231)	(1,173)	1,404	—	—	—	—	—	—	—	—
Unlocking of restricted A shares	—	—	7,432	—	—	—	—	—	7,432	—	7,432
Deemed acquisition of additional interest in a subsidiary	—	—	—	—	—	(18,489)	—	—	(18,489)	18,489	—
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	—	—	—	—	—	—	—	—	—	(176,092)	(176,092)
Acquisitions of subsidiaries *(note 36)*	—	—	—	—	—	—	—	—	—	22,067	22,067
Disposal of subsidiaries *(note 37)*	—	—	—	—	—		—	—	—	(176,627)	(176,627)
Disposal of partial interest in an associate	—	—	—	—	—	(1,638)	—	—	(1,638)	—	(1,638)
Acquisition of non-controlling interests	—	—	—	—	—	(67,721)	—	—	(67,721)	(127,427)	(195,148)
Equity-settled share-based payments *(note 38)*	—	—	—	—	—	9,654	—	—	9,654	—	9,654
Fair value adjustment on the share redemption options granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	(2,439)	—	—	(2,439)	(1,967)	(4,406)
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	56,622	56,622
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	(36,785)	—	—	(36,785)	—	(36,785)
Final 2014 dividend declared and paid	—	—	—	—	—	—	—	(647,124)	(647,124)	—	(647,124)
At 31 December 2015	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

* These reserve accounts comprise the consolidated reserves of RMB15,854,102,000 (2014: RMB14,330,276,000) in the consolidated statement of financial position.

Consolidated
Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the parent										
	Issued share capital RMB'000 *(note 35)*	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	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 year	—	—	—	—	—	—	—	2,805,837	2,805,837	415,505	3,221,342
Other comprehensive loss for the year:											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	(140,275)	—	—	—	—	(140,275)	(4,220)	(144,495)
Share of other comprehensive income of associates	—	—	—	114,689	—	—	—	—	114,689	—	114,689
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(63,544)	—	(63,544)	21,210	(42,334)
Total comprehensive income for the year	—	—	—	(25,586)	—	—	(63,544)	2,805,837	2,716,707	432,495	3,149,202
Profit appropriation to reserves	—	—	—	—	126,126	—	—	(126,126)	—	—	—
Issue of restricted A shares	100,437	2,174,813	—	—	—	—	—	—	2,275,250	—	2,275,250
Unlocking of restricted A shares	—	—	16,675	—	—	—	—	—	16,675	—	16,675
Deemed acquisition of additional interest in a subsidiary	—	—	—	—	—	4,196	—	—	4,196	(4,196)	—
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	231,914	—	—	231,914	(231,914)	—
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(130,914)	(130,914)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	908	—	—	908	451,821	452,729
Acquisitions of subsidiaries *(note 36)*	—	—	—	—	—	—	—	—	—	71,500	71,500
Disposal of partial interest in an associate	—	—	—	—	—	(12,813)	—	—	(12,813)	—	(12,813)
Acquisition of non-controlling interests	—	—	—	—	—	(82,143)	—	—	(82,143)	(100,198)	(182,341)
Equity-settled share-based payments *(note 38)*	—	41,887	—	—	—	(4,769)	—	—	37,118	—	37,118
Fair value adjustment on the share redemption options granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	15,099	—	—	15,099	51,229	66,328
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	32,208	32,208
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	(453,761)	—	—	(453,761)	—	(453,761)
Reclassification of equity components arising from the reform of a subsidiary's shareholding system						(117,615)	—	117,615	—	—	—
Final 2015 dividend declared and paid	—	—	—	—	—	—	—	(740,504)	(740,504)	—	(740,504)
At 31 December 2016	2,414,512	7,236,809*	(26,819)	949,685*	2,121,545*	761,628*	(108,499)*	8,784,468*	22,133,329	3,060,110	25,193,439

* These reserve accounts comprise the consolidated reserves of RMB19,745,636,000 (2015: RMB15,854,102,000) in the consolidated statement of financial position.

Consolidated
Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,571,549**	3,371,832
Adjustments for:			
Finance costs	9	**488,171**	470,011
Share of profits and losses of joint ventures		**(1,127)**	11,049
Share of profits and losses of associates		**(1,341,681)**	(1,118,516)
Depreciation of items of property, plant and equipment	7	**606,891**	535,087
Amortisation of prepaid land lease payments	7	**21,109**	20,128
Amortisation of other intangible assets	7	**111,234**	102,096
Loss/(gain) on disposal of items of property, plant and equipment and other tangible assets	7	**5,074**	(2,874)
Gain on disposal of interests in associates and joint ventures	8	**(76,663)**	(100,056)
Gain on disposal of subsidiaries	8	**(2,162)**	(53,783)
Gain on disposal of available-for-sale investments	8	**(617,706)**	(1,006,527)
Dividend income from available-for-sale investments	6	**(86,062)**	(78,790)
Provision for impairment of property, plant and equipment	7	**3,616**	23
Provision for impairment of inventories	7	**35,925**	18,759
Provision for impairment of trade and other receivables	7	**39,805**	51,673
Fair value (gain)/loss on equity investments at fair value through profit or loss	7	**(12,301)**	2,218
		2,745,672	2,222,330
Increase in inventories		**(65,429)**	(88,346)
Increase in trade and bills receivables		**(75,880)**	(237,119)
Increase in prepayments, deposits and other receivables		**(277,931)**	(86,638)
Increase in trade and bills payables		**101,149**	107,996
Increase in other payables and accruals		**516,490**	79,947
Increase in pledged bank balances to secure bills payable		**(354,556)**	(43,279)
Cash generated from operations		**2,589,515**	1,954,891
Income tax paid		**(479,476)**	(333,863)
Net cash flows from operating activities		**2,110,039**	1,621,028

Consolidated
Statement of Cash Flows

Year ended 31 December 2016

	Notes	**2016 RMB'000**	2015 RMB'000
Net cash flows from operating activities		**2,110,039**	1,621,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**(1,921,962)**	(1,235,536)
Receipt of government grants		**15,650**	10,560
Acquisitions of subsidiaries, net of cash acquired	36	**(249,441)**	(244,319)
Acquisition of interests in associates and joint ventures		**(1,027,355)**	(1,410,505)
Purchases of available-for-sale investments		**(368,334)**	(1,449,488)
Disposal and partial disposal of joint ventures and associates		**232,994**	271,483
Deposit payment for planned acquisition		**—**	(95,258)
Disposal of available-for-sale investments		**837,449**	1,497,762
Disposal of subsidiaries	37	**(521)**	354,261
Dividends from associates		**393,547**	266,699
Dividends from available-for-sale investments		**28,654**	91,063
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**61,807**	21,999
Deposit for construction projects		**(46,210)**	(2,664)
(Increase)/decrease in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions		**(423,394)**	48,777
Other receipts relating to investing activities		**20,021**	5,256
Net cash flows used in investing activities		**(2,447,095)**	(1,869,910)

Consolidated
Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**10,605,833**	9,321,698
Repayment of bank and other borrowings		**(10,178,141)**	(7,361,501)
Interest paid		**(454,984)**	(454,865)
Proceeds from issuance of new shares		**2,275,850**	28,405
Capital injections from non-controlling shareholders of subsidiaries		**452,634**	87,721
Dividends paid to owners of the parent		**(738,536)**	(654,408)
Dividends paid to non-controlling shareholders of subsidiaries		**(104,000)**	(137,058)
Acquisition of non-controlling interests		**(412,027)**	(276,802)
Other payments relating to financing activities		**(600)**	(2,475)
Net cash flows from financing activities		**1,446,029**	550,715
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,108,973**	301,833
Cash and cash equivalents at beginning of year		**3,348,594**	3,010,155
Effect of foreign exchange rate changes, net		**80,470**	36,606
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	**4,538,037**	3,348,594

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Company name*	Place of incorporation /registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術股份有限公司)****	PRC/ Mainland China	RMB350,000	—	71.34	Research and development of biopharmaceutical drugs
Chongqing Fochon Pharmaceutical Research Co., Ltd. (重慶復創醫藥研究有限公司)***	PRC/ Mainland China	USD 14,288	—	76	Research and development of chemical drugs
Fosun Industrial (HK) Co., Ltd. (復星實業(香港)有限公司)	Hong Kong	USD 173,820	100	—	Investment management
Shanghai Fosun Pingyao Investment Management Co., Ltd. (上海復星平耀投資管理有限公司)**	PRC/ Mainland China	RMB10,000	100	—	Investment management
Shanghai Fosun Hospital Investment (Group) Co., Ltd. (上海復星醫院投資(集團)有限公司)**	PRC/ Mainland China	RMB 100,000	100	—	Investment management
Ample Up Limited (能悅有限公司)	Hong Kong	USD61,587	67.36	32.64	Investment management

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation /registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Chongqing Yao Pharmaceutical Co., Ltd. (重慶藥友製藥有限責任公司)****	PRC/ Mainland China	RMB196,540	—	51	Manufacture and trading of medicine
Jiangsu Wanbang Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥股份有限公司)****	PRC/ Mainland China	RMB440,455	—	95.2	Manufacture and trading of medicine
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)****	PRC/ Mainland China	RMB 285,030	—	95.95	Manufacture and trading of medicine
Shanghai Fosun Long March Medical Science Co., Ltd. (上海復星長征醫學科學有限公司)**	PRC/ Mainland China	RMB156,854	100	—	Manufacture and sale of diagnostic products
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (上海復星醫藥產業發展有限公司)**	PRC/ Mainland China	RMB 2,253,308	100	—	Investment management
Jinzhou Aohong Pharmaceutical Co., Ltd. (錦州奧鴻藥業有限責任公司)****	PRC/ Mainland China	RMB107,875	—	95.573	Manufacture and sale of pharmaceutical products
Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司)****	PRC/ Mainland China	RMB 55,000	—	56.89	Research and development of medicine
Yueyang Guangji Hospital Co., Ltd. (岳陽廣濟醫院有限責任公司)****	PRC/ Mainland China	RMB28,898	—	100	Healthcare services
Yaneng Bioscience (Shenzhen) Co., Ltd. (亞能生物技術(深圳)有限公司)***	PRC/ Mainland China	HKD11,635	—	50.1	Manufacture and trading of diagnostic drugs
Dalian Aleph Biomedical Co., Ltd. (大連雅立峰生物製藥有限公司)****	PRC/ Mainland China	RMB52,000	—	95	Manufacture and sale of biologic pharmaceutical products

Notes to
Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation /registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程股份有限公司)****	PRC/ Mainland China	RMB 51,120	—	51	Manufacture and trading of medicine
Chindex Medical Limited (美中互利醫療有限公司)	Hong Kong	HKD754,520	—	70	Manufacture and sale of medical devices
Shenyang Hongqi Pharmaceutical Co., Ltd. (瀋陽紅旗製藥有限公司)****	PRC/ Mainland China	RMB60,000	—	100	Manufacture and trading of medicine
Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院) *****	PRC/ Mainland China	RMB10,000	—	70	Healthcare services
Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司) ****	PRC/ Mainland China	RMB17,500	—	55	Healthcare services
Alma Lasers Ltd.	State of Israel	NIS6,472	—	100	Manufacture and sale of medical devices
Hunan Dongting Pharmaceutical Co., Ltd. (湖南洞庭藥業股份有限公司)****	PRC/ Mainland China	RMB110,064	77.78	—	Manufacture and trading of medicine
Foshan City Chancheng District Central Hospital Co., Ltd. (佛山市禪城區中心醫院有限公司)****	PRC/ Mainland China	RMB50,000	—	64	Healthcare services
Suzhou Erye Pharmaceutical Co., Ltd. (蘇州二葉製藥有限公司)****	PRC/ Mainland China	RMB118,420		65	Manufacture and trading of diagnostic drugs
Jiangsu Huanghe Pharmaceutical Co., Ltd. (江蘇黃河藥業股份有限公司)****	PRC/ Mainland China	RMB55,070		51	Manufacture and trading of medicine

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

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

*** These subsidiaries are registered as Sino-foreign equity joint ventures under PRC law.

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

***** Anhui Jimin Cancer Hospital is registered as a non-profit medical institution under PRC law.

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

There was no subsidiary that had a non-controlling interest that was material to the Group during the year.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

Notes to Financial Statements

31 December 2016

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*

Other than as explained below regarding the impact of (state the applicable standards), the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) (Continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the 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 applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its noncurrent assets.

(c) Annual Improvements to HKFRSs 2012–2014 Cycle issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Notes to Financial Statements

31 December 2016

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

HKFRS 16 replaces HKAS17 Leases, HKIFRIC-Int 4 Determining whether an Agreement contains a lease, HK(SIC)-Int 15 Operating leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

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

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

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

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10 to 45 years
Plant and machinery	3 to 16 years
Medical devices	5 to 10 years
Office equipment	2 to 15 years
Motor vehicles	3 to 10 years
Leasehold improvements	The shorter of the lease terms and their useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 10 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences and technical know-how

Medicine licences and technical know-how with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of medicine licences and technical know-how are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of 5 to 20 years.

Office software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 2 to 10 years.

Business networks

Business networks are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, interest-bearing bank and other borrowings and other long-term liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and bank balances comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits.

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31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries or areas in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, including processing fees, import and export agent fees, consulting fees, when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends and interim dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Retirement benefits

The full-time employees of the Group in the PRC are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administered by government agencies are charged to the statement of profit or loss as and when they incurred.

Share based payments

The Company operates a share incentive scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and non-employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of the period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments (Continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessee

The Group has entered into property, plant and equipment leases with various lessors. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 17 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to Financial Statements

31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of available-for-sale investments

The Group classifies certain investments as available for sale and recognises movements of their fair values in other comprehensive income. When the fair value declines, management makes judgements about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss.

Provision for bad debts of loans and receivables

The Group reviews the recoverability and ageing of loans and receivables and provides impairment provisions if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in the key sources of estimations will affect the carrying amounts of the loans and receivables, and impairment losses in the period in which such estimate is changed.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Unrecognised deductible temporary differences and tax losses are set out in note 23 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding to future economic benefits.

4. OPERATING SEGMENT INFORMATION

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

(a) the pharmaceutical manufacturing and R&D segment mainly engages in the production, sale and research of medicine;

(b) the healthcare service segment mainly engages in the provision of healthcare service and hospital management;

(c) the medical devices and medical diagnosis 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 resources 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, 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 investment management entities assets as these assets are managed on a group basis.

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

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31 December 2016

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016

	Pharma-ceutical manufacturing and R&D RMB'000	Healthcare service RMB'000	Medical devices and medical diagnosis RMB'000	Pharma-ceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	10,150,184	1,675,637	2,653,143	—	26,620	—	14,505,584
Intersegment sales	25,787	—	—	—	48,549	(74,336)	—
Total revenue	10,175,971	1,675,637	2,653,143	—	75,169	(74,336)	14,505,584
Segment results*	1,580,181	231,079	435,411	—	25,099	(52,159)	2,219,611
Other income	145,571	1,603	14,900	—	112	—	162,186
Other gains	143,041	1,100	3,303	—	—	—	147,444
Interest income	5,715	6,988	11,922	—	428	—	25,053
Finance costs	(68,365)	(5,426)	(33,005)	—	(10,580)	49,992	(67,384)
Other expenses	(45,010)	(23,187)	(25,151)	—	(34)	—	(93,382)
Share of profits and losses of:							
Joint ventures	(2,414)	644	—	—	2,897	—	1,127
Associates	174,190	(631)	(18,314)	1,284,297	(97,861)	—	1,341,681
Unallocated other income, interest income and other gains							761,400
Unallocated finance costs							(420,787)
Unallocated expenses							(505,400)
Profit before tax	1,932,909	212,170	389,066	1,284,297	(79,939)	(2,167)	3,571,549
Tax	(292,771)	(63,283)	(66,200)	—	(17)	—	(422,271)
Unallocated tax							72,064
Profit for the year	1,640,138	148,887	322,866	1,284,297	(79,956)	(2,167)	3,221,342
Segment assets	16,335,986	6,202,740	4,825,602	9,524,975	3,131,930	(393,905)	39,627,328
Including:							
Investments in joint ventures	27,003	200,643	9,338	—	11,437	—	248,421
Investments in associates	1,922,234	2,162,417	457,370	9,486,598	1,841,643	—	15,870,262
Unallocated assets							4,083,572
Total assets							43,710,900
Segment liabilities	7,519,813	1,050,804	1,436,310	—	1,105,114	(5,847,423)	5,264,618
Unallocated liabilities							13,252,843
Total liabilities							18,517,461
Other segment information:							
Depreciation and amortisation	549,910	85,100	80,568	—	23,656	—	739,234
Provision for impairment of inventories	27,105	—	8,820	—	—	—	35,925
Provision for impairment of trade and other receivables	451	30,210	9,144	—	—	—	39,805
Provision for impairment of property, plant and equipment	3,616	—	—	—	—	—	3,616
Capital expenditure**	1,401,063	69,947	79,103	—	37,665	—	1,587,778

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

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

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4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015

	Pharma-ceutical manufacturing and R&D RMB'000	Healthcare service RMB'000	Medical devices and medical diagnosis RMB'000	Pharma-ceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	8,842,663	1,377,350	2,244,371	—	37,779	—	12,502,163
Intersegment sales	41,243	—	—	—	38,476	(79,719)	—
Total revenue	8,883,906	1,377,350	2,244,371	—	76,255	(79,719)	12,502,163
Segment results*	1,270,328	202,769	383,723	—	32,454	(64,822)	1,824,452
Other income	67,695	1,720	10,882	—	—	—	80,297
Other gains	63,756	1,003	—	—	58,907	(2,450)	121,216
Interest income	19,521	6,239	7,223	—	687	(1,642)	32,028
Finance costs	(107,171)	(7,679)	(35,688)	—	(11,130)	84,538	(77,130)
Other expenses	(18,244)	(12,943)	(44,649)	—	(54)	2,450	(73,440)
Share of profits and losses of:							
Joint ventures	(4,011)	(6,686)	—	—	(352)	—	(11,049)
Associates	147,172	(55,013)	(2,225)	1,036,958	(8,376)	—	1,118,516
Unallocated other income, interest income and other gains							1,168,058
Unallocated finance costs							(392,881)
Unallocated expenses							(418,235)
Profit before tax	1,439,046	129,410	319,266	1,036,958	72,136	18,074	3,371,832
Tax	(201,200)	(53,473)	(46,826)	—	(14,732)	—	(316,231)
Unallocated tax							(184,940)
Profit for the year	1,237,846	75,937	272,440	1,036,958	57,404	18,074	2,870,661
Segment assets	14,336,441	4,850,967	4,266,743	9,059,851	1,478,786	(148,466)	33,844,322
Including:							
Investments in joint ventures	16,916	200,000	—	—	8,369	—	225,285
Investments in associates	1,579,615	1,923,387	355,500	9,059,851	719,231	—	13,637,584
Unallocated assets							4,300,518
Total assets							38,144,840
Segment liabilities	7,138,640	736,517	1,359,640	—	104,738	(4,886,973)	4,452,562
Unallocated liabilities							13,079,516
Total liabilities							17,532,078
Other segment information:							
Depreciation and amortisation	508,912	52,875	75,127	—	20,397	—	657,311
Provision for impairment of inventories	7,875	—	10,884	—	—	—	18,759
Provision for impairment of trade and other receivables	1,676	34,094	15,903	—	—	—	51,673
Provision for impairment of property, plant and equipment	23	—	—	—	—	—	23
Capital expenditure**	932,632	244,176	49,965	—	83,982	—	1,310,755

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

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

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4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2016 RMB'000	2015 RMB'000
Mainland China	**12,383,237**	10,809,318
Overseas countries and regions	**2,122,347**	1,692,845
	14,505,584	12,502,163

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2016 RMB'000	2015 RMB'000
Mainland China	**27,484,674**	23,845,874
Overseas countries and regions	**2,657,932**	2,556,659
	30,142,606	26,402,533

The non-current asset information above is based on the locations of the assets and excludes available-for-sale investments and deferred tax assets.

Information about major customers

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended 31 December 2016 and 2015.

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5. REVENUE

Revenue 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:

	2016 RMB'000	2015 RMB'000
Sale of goods	**12,550,232**	10,897,898
Rendering of services	**1,953,221**	1,592,053
Sale of materials	**2,131**	12,212
	14,505,584	12,502,163

6. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Dividend income from available-for-sale investments	**86,062**	78,790
Government grants	**175,691**	92,032
	261,753	170,822

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7. PROFIT BEFORE TAX

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

	Notes	**2016 RMB'000**	2015 RMB'000
Cost of inventories sold		**5,509,031**	5,530,418
Cost of services provided		**1,209,333**	777,623
Staff costs (including directors', supervisors' and chief Executive's remuneration *(note 10)*)			
Salaries and other staff costs		**2,037,455**	1,870,720
Retirement benefits:			
Defined contribution fund		**168,657**	148,055
Accommodation benefits:			
Defined contribution fund		**77,873**	65,375
Share-based payment expense	38	**37,118**	9,654
		2,321,103	2,093,804
Research and development expenses:			
Current year expenditure excluding amortisation of other intangible assets		**666,375**	621,662
Less: Government grants for R&D projects*		**(33,755)**	(24,965)
		632,620	596,697
Auditors' remuneration		**4,350**	4,250
Operating lease payments		**56,756**	36,067
Depreciation of items of property, plant and equipment	15	**606,891**	535,087
Amortisation of prepaid land lease payments	16	**21,109**	20,128
Amortisation of other intangible assets	18	**111,234**	102,096
Provision for impairment of property, plant and equipment	15	**3,616**	23
Provision for impairment of inventories		**35,925**	18,759
Provision for impairment of trade and other receivables	25, 26	**39,805**	51,673
Fair value (gain)/loss on equity investments at fair value through profit or loss		**(12,301)**	2,218
Foreign exchange gain, net	8	**(29,841)**	(3,156)
Loss/(gain) on disposal of items of property, plant and equipment and other intangible assets		**5,074**	(2,874)
Donations		**7,971**	8,473

* The Group received various government grants related to research and development projects. The government grants received have been deducted from the research and development expenses to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

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8. OTHER GAINS

	2016 RMB'000	2015 RMB'000
Gain on disposal of interests in associates and joint ventures	**76,663**	100,056
Gain on disposal of available-for-sale investments	**617,706**	1,006,527
Gain on disposal of subsidiaries	**2,162**	53,783
Foreign exchange gain, net	**29,841**	3,156
Others	**27,059**	11,009
	753,431	1,174,531

9. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank loans and other borrowings	**491,341**	475,771
Less: Interest capitalised *(note 15)*	**(3,170)**	(5,760)
Interest expenses, net	**488,171**	470,011

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	**1,168**	800
Other emoluments:		
Salaries, allowances and benefits in kind	**9,725**	6,346
Performance-related bonuses	**13,015**	11,514
Pension scheme contributions	**189**	121
Equity-settled share incentive scheme expense	**6,102**	1,597
	30,199	20,378

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10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

During the years ended 31 December 2016 and 2015, restricted A shares were granted to an executive director in respect of his services to the Group, further details of which are included in the disclosures in note 38 to the financial statements. The fair value of these restricted A shares, which has been recognised in the statement of profit or loss over the lock-up period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the executive director's remuneration disclosures below.

(a) Independent Non-Executive Directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 RMB'000	2015 RMB'000
Mr. Han Jiong*	—	117
Dr. Zhang Weijiong	147	200
Mr. Li Man-kiu Adrian David**	—	100
Mr. Cao Huimin	292	200
Mr. Jiang Xian	292	83
Dr. Huang Tianyou	292	100
Mr. Wei Shaokun***	145	—
	1,168	800

* Mr. Han Jiong retired as an independent non-executive director of the Company in June 2015.

** Mr. Li Man-kiu Adrian David resigned as an independent non-executive director of the Company in June 2015.

*** Mr. Wei Shaokun was appointed as an independent non-executive director of the Company in June 2016.

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

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10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share incentive scheme expense RMB'000	Total remuneration RMB'000
2016						
Executive directors						
Mr. Chen Qiyu	—	3,950	5,001	42	—	8,993
Mr. Yao Fang	—	2,345	4,046	42	3,686	10,119
Mr. Wu Yifang*	—	—	—	—	—	—
	—	6,295	9,047	84	3,686	19,112
Non-executive directors						
Mr. Guo Guangchang	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—	—
Ms. Kang Lan	—	—	—	—	—	—
Mr. John Changzheng Ma	—	—	—	—	—	—
Mr. Wang Can**	—	—	—	—	—	—
	—	—	—	—	—	—
Supervisors						
Mr. Cao Genxing	—	—	—	—	—	—
Mr. Guan Yimin	—	—	—	—	—	—
Mr. Zhou Wenyue	—	467	448	21	—	936
Mr. Li Chun***	—	1,361	960	42	1,129	3,492
	—	1,828	1,408	63	1,129	4,428
Chief Executive						
Mr. Wu Yifang*	—	1,602	2,560	42	1,287	5,491
	—	1,602	2,560	42	1,287	5,491
	—	9,725	13,015	189	6,102	29,031
2015						
Executive directors						
Mr. Chen Qiyu	—	2,959	4,991	41	—	7,991
Mr. Yao Fang *(Chief Executive)*	—	2,507	4,692	40	1,597	8,836
	—	5,466	9,683	81	1,597	16,827
Non-executive directors						
Mr. Guo Guangchang	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—	—
Ms. Kang Lan	—	—	—	—	—	—
Mr. John Changzheng Ma	—	—	1,195	—	—	1,195
	—	—	1,195	—	—	1,195
Supervisors						
Mr. Cao Genxing	—	—	—	—	—	—
Mr. Guan Yimin	—	—	—	—	—	—
Mr. Zhou Wenyue	—	880	636	40	—	1,556
	—	880	636	40	—	1,556
	—	6,346	11,514	121	1,597	19,578

* Mr. Wu Yifang was appointed as executive director of the Company in August 2016;
Mr. Wu Yifang was appointed as chief executive of the Company in June 2016.

** Mr. Wang Can was appointed as non-executive director of the Company in June 2016.

*** Mr. Li Chun was appointed as a supervisor of the Company in June 2016.

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10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive (Continued)

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2015: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2015: two directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2015: three) highest paid employees who are not a director, supervisor, or the chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	4,076	4,195
Performance-related bonuses	2,767	8,105
Pension scheme contributions	84	121
Equity-settled share incentive scheme expense	2,495	1,548
	9,422	13,969

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	2016 RMB'000	2015 RMB'000
HKD4,000,001 to HKD4,500,000	—	2
HKD5,000,001 to HKD5,500,000	2	—
HKD8,000,001 to HKD8,500,000	—	1
	2	3

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12. INCOME TAX

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

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

	2016 **RMB'000**	2015 RMB'000
Current	**385,234**	528,638
Deferred *(note 23)*	**(35,027)**	(27,467)
Total tax charge for the year	**350,207**	501,171

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate applicable in Mainland China to the tax expense at the Group's effective tax rate is as follows:

	2016 **RMB'000**	2015 RMB'000
Profit before tax	**3,571,549**	3,371,832
Tax at the statutory tax rate	**892,887**	842,958
Lower tax rates for certain entities	**(227,970)**	(168,851)
Adjustments in respect of current tax of previous years	**(46,226)**	(8,691)
Effect on opening deferred tax of increase in rates	**—**	(384)
Profit attributable to joint ventures and associates	**(344,811)**	(290,178)
Income not subject to tax	**(64,222)**	(16,493)
Expenses not deductible for tax	**42,492**	45,338
Tax losses utilised from previous periods	**(11,499)**	(5,318)
Tax incentives on eligible expenditures	**(24,499)**	(20,355)
Deductible temporary differences and tax losses not recognised	**134,055**	123,145
Tax charge at the Group's effective rate	**350,207**	501,171

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13. DIVIDENDS

Cash dividend

	2016 RMB'000	2015 RMB'000
Proposed final — RMB0.35 (2015: RMB0.32) per ordinary share	845,066	740,504

The Company proposed to distribute a cash dividend of RMB0.35 (inclusive of tax) for each ordinary share to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by the number of the ordinary shares on the dividend record date.

The amount of the proposed final dividend of RMB845,066,000 is calculated based on the total number of ordinary shares of the Company of 2,414,474,545 on 28 March 2017.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent excluding cash dividend 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 2,327,341,402 (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 year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

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

	2016 RMB'000	2015 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	2,805,837	2,460,094
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	(985)	(695)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	2,804,852	2,459,399

	Number of shares 2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,327,341,402	2,308,796,824
Effect of dilution — weighted average number of ordinary shares: Restricted shares	1,301,669	2,846,623
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	2,328,643,071	2,311,643,447

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15. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2016							
	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2016	3,417,350	3,313,719	335,337	196,236	90,607	42,111	1,004,212	8,399,572
Additions	13,541	230,764	54,808	59,366	8,941	13,986	782,739	1,164,145
Acquisitions of subsidiaries *(note 36)*	—	57,287	—	1,559	435	1,392	584	61,257
Disposals	(6,671)	(131,713)	(6,831)	(9,078)	(8,050)	(937)	(25,361)	(188,641)
Disposal of subsidiaries *(note 37)*	—	(26,602)	—	—	—	—	(538)	(27,140)
Transferred from construction in progress	260,652	298,647	—	37,072	536	—	(596,907)	—
At 31 December 2016	3,684,872	3,742,102	383,314	285,155	92,469	56,552	1,164,729	9,409,193
Accumulated depreciation:								
At 1 January 2016	(713,069)	(1,546,695)	(168,046)	(90,961)	(54,505)	(29,475)	—	(2,602,751)
Depreciation charge for the year *(note 7)*	(170,936)	(332,562)	(53,315)	(35,203)	(8,545)	(6,330)	—	(606,891)
Acquisitions of subsidiaries *(note 36)*	—	(14,163)	—	(246)	(81)	—	—	(14,490)
Disposals	4,723	117,082	6,823	7,720	6,686	—	—	143,034
Disposal of subsidiaries *(note 37)*	—	19,992	—	—	—	—	—	19,992
At 31 December 2016	(879,282)	(1,756,346)	(214,538)	(118,690)	(56,445)	(35,805)	—	(3,061,106)
Impairment losses:								
At 1 January 2016	(14,578)	(4,325)	—	(276)	—	—	(75)	(19,254)
Charge for the year *(note 7)*	(2,769)	(847)	—	—	—	—	—	(3,616)
Disposals	—	187	—	—	—	—	—	187
Disposal of subsidiaries *(note 37)*	—	—	—	—	—	—	75	75
At 31 December 2016	(17,347)	(4,985)	—	(276)	—	—	—	(22,608)
Net carrying amount: At 31 December 2016	2,788,243	1,980,771	168,776	166,189	36,024	20,747	1,164,729	6,325,479
At 1 January 2016	2,689,703	1,762,699	167,291	104,999	36,102	12,636	1,004,137	5,777,567

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Year ended 31 December 2015							
	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2015	3,249,628	3,233,472	—	220,839	84,525	34,744	1,057,515	7,880,723
Reclassification	—	(265,659)	315,913	(50,390)	136	—	—	—
Additions	36,447	122,745	41,005	25,686	8,093	7,439	564,770	806,185
Acquisitions of subsidiaries	46,356	6,698	—	—	1,827	—	—	54,881
Disposals	(8,444)	(45,492)	(21,581)	(3,001)	(3,504)	(72)	(24,322)	(106,416)
Disposal of subsidiaries	(105,136)	(19,765)	—	—	(807)	—	(110,093)	(235,801)
Transferred from construction in progress	198,499	281,720	—	3,102	337	—	(483,658)	—
At 31 December 2015	3,417,350	3,313,719	335,337	196,236	90,607	42,111	1,004,212	8,399,572
Accumulated depreciation:								
At 1 January 2015	(575,599)	(1,423,833)	—	(97,356)	(48,182)	(21,504)	—	(2,166,474)
Reclassification	—	115,637	(146,475)	30,920	(82)	—	—	—
Depreciation charge for the year *(note 7)*	(161,528)	(285,916)	(43,037)	(27,056)	(9,579)	(7,971)	—	(535,087)
Acquisitions of subsidiaries	(3,940)	(1,560)	—	—	(470)	—	—	(5,970)
Disposals	1,578	36,266	21,466	2,531	3,295	—	—	65,136
Disposal of subsidiaries	26,420	12,711	—	—	513	—	—	39,644
At 31 December 2015	(713,069)	(1,546,695)	(168,046)	(90,961)	(54,505)	(29,475)	—	(2,602,751)
Impairment losses:								
At 1 January 2015	(14,615)	(4,645)	—	(276)	—	—	(75)	(19,611)
Charge for the year *(note 7)*	(23)	—	—	—	—	—	—	(23)
Disposals	60	320	—	—	—	—	—	380
At 31 December 2015	(14,578)	(4,325)	—	(276)	—	—	(75)	(19,254)
Net carrying amount:								
At 31 December 2015	2,689,703	1,762,699	167,291	104,999	36,102	12,636	1,004,137	5,777,567
At 1 January 2015	2,659,414	1,804,994	—	123,207	36,343	13,240	1,057,440	5,694,638

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB3,170,000 (2015: RMB5,760,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net carrying amount of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery at 31 December 2016 was RMB30,004,000 (2015: RMB38,992,000).

As at 31 December 2016, the Group has not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB79,218,000 (2015: RMB86,850,000). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2016.

As at 31 December 2016, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB32,024,000 (2015: RMB63,451,000) were pledged to secure certain of the Group's bank and other borrowings (note 31).

16. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Net carrying amount at 1 January	**1,041,705**	862,037
Additions	**9,889**	227,436
Acquisitions of subsidiaries	**—**	11,701
Disposals	**—**	(879)
Disposals of subsidiaries	**—**	(38,462)
Amortisation for the year *(note 7)*	**(21,109)**	(20,128)
Net carrying amount at 31 December	**1,030,485**	1,041,705

As at 31 December 2016, certain of the Group's prepaid land lease payments with a net carrying amount of RMB34,018,000 (2015: RMB35,818,000) were pledged to secure certain of the Group's bank and other borrowings (note 31).

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17. GOODWILL

	2016 RMB'000	2015 RMB'000
Cost and net carrying amount at 1 January	**3,303,379**	3,255,042
Acquisitions of subsidiaries *(note 36)*	**126,615**	18,249
Disposals of subsidiaries	**—**	(6,259)
Acquisition consideration adjustment	**—**	(78)
Exchange realignment	**43,116**	36,425
Net carrying amount at 31 December	**3,473,110**	3,303,379
At 31 December		
Cost	**3,675,610**	3,505,879
Accumulated impairment	**(202,500)**	(202,500)
Net carrying amount	**3,473,110**	3,303,379

The addition of the Group's goodwill in 2016 resulted from the acquisition of Xuzhou Wanbangyun Pharmacy Chain Co., Ltd. ("Wangbangyun Pharmacy"), Hangzhou Wanbang Tiancheng Pharmaceutical Co., Ltd. ("Wangbang Tiancheng"), Changsha Zhongsheng Zhongjie Biotechnology Co., Ltd. ("Zhongsheng Zhongjie"), Jinan Qilu Medical Laboratory Co., Ltd. ("Qilu Medical"), Xuzhou Kangxin Pharmaceutical Co., Ltd. ("Xuzhou Kangxin"), and Hunan Jingren Medical Investment Management Co., Ltd. ("Hunan Jingren").

Impairment testing of goodwill

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, in performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired.

The recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are in the range of 15% to 18%. The growth rate used to extrapolate the cash flows of the above cash-generating units beyond the five-year period is 3%, which is also an estimate of the rate of inflation.

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2016 and 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

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17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to key assumptions on market development of pharmaceutical products and the pharmaceutical industry, discount rate and raw materials price inflation are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2016							
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2016	583,283	999,072	28,002	241,189	567,283	224,242	3,100	2,646,171
Additions	—	208	31,749	670	—	348,012	—	380,639
Acquisition of subsidiaries *(note 36)*		82,563	785	—	24,860			108,208
Disposals	—	(2,501)	(1,055)	—	—	(340)	—	(3,896)
Disposals of subsidiaries *(note 37)*	—	—	(626)	—	—	—	—	(626)
Exchange realignment	—	12,545	220	11,451	15,434	—	—	39,650
At 31 December 2016	583,283	1,091,887	59,075	253,310	607,577	571,914	3,100	3,170,146
Accumulated amortisation:								
At 1 January 2016	(1,962)	(213,216)	(17,666)	(162)	(120,154)	(1,711)	(2,125)	(356,996)
Amortisation for the year *(note 7)*	(5,885)	(56,933)	(6,893)	(2,033)	(39,310)	—	(180)	(111,234)
Acquisition of subsidiaries *(note 36)*		(42)	(465)					(507)
Disposals	—	2,501	974	—	—	—	—	3,475
Disposals of subsidiaries *(note 37)*	—	—	283	—	—	—	—	283
At 31 December 2016	(7,847)	(267,690)	(23,767)	(2,195)	(159,464)	(1,711)	(2,305)	(464,979)
Impairment losses:								
At 1 January 2016 and 31 December 2016	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2016	511,436	803,583	35,308	251,115	448,113	570,203	320	2,620,078
At 1 January 2016	517,321	765,242	10,336	241,027	447,129	222,531	500	2,204,086

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18. OTHER INTANGIBLE ASSETS (Continued)

	Year ended 31 December 2015							
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2015	495,000	993,453	24,772	231,287	556,598	91,091	9,699	2,401,900
Additions	88,283	8,563	4,241	316	—	154,928	—	256,331
Disposals	—	(10,389)	(1,079)	(420)	—	(21,777)	(6,599)	(40,264)
Disposals of subsidiaries	—	(340)	—	—	—	—	—	(340)
Exchange realignment	—	7,785	68	10,006	10,685	—	—	28,544
At 31 December 2015	583,283	999,072	28,002	241,189	567,283	224,242	3,100	2,646,171
Accumulated amortisation:								
At 1 January 2015	—	(166,266)	(15,867)	(563)	(81,575)	(1,711)	(1,003)	(266,985)
Amortisation for the year *(note 7)*	(1,962)	(57,679)	(2,735)	(19)	(38,579)	—	(1,122)	(102,096)
Disposals	—	10,532	936	420	—	—	—	11,888
Disposals of subsidiaries	—	197	—	—	—	—	—	197
At 31 December 2015	(1,962)	(213,216)	(17,666)	(162)	(120,154)	(1,711)	(2,125)	(356,996)
Impairment losses:								
At 1 January 2015 and 31 December 2015	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2015	517,321	765,242	10,336	241,027	447,129	222,531	500	2,204,086
At 1 January 2015	431,000	806,573	8,905	230,724	475,023	89,380	8,221	2,049,826

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18. OTHER INTANGIBLE ASSETS (Continued)

As at 31 December 2016, the indefinite life intangible assets of the Group as follows:

Asset types	Holders	Net carrying amount RMB'000	Reasons of indefinite life
Medicine licenses	Aohong Pharma, Dalian Aleph, Dongting Pharma, Hongqi Pharma, Erye Pharma	495,000	The extension cost is low and the assets can be used indefinitely
Trademarks	Aohong Pharma, Dalian Aleph, Dongting Pharma, Huanghe Pharma, Erye Pharma	53,000	The extension cost is low and the assets can be used indefinitely
Trademarks	CML, Alma	200,828	The extension cost is low and the assets can be used indefinitely
		748,828	

The Group performs impairment test for the above individual intangible assets or the respective cash-generating unit depending on whether the recoverable amount of each individual intangible asset can be reliably estimated.

Medicine licenses

The recoverable amounts of medicine licenses have been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are in the range of 17% to 18%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which is also an estimate of the rate of inflation.

Trademarks

The recoverable amounts of trademarks have been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are in the range of 17% to 18%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which is also an estimate of the rate of inflation.

Assumptions were used in the value-in-use calculation for 31 December 2016 and 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite life intangible assets:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The growth rates beyond the five-year period — The growth rates beyond the five-year period are the rate of inflation.

The values assigned to key assumptions are consistent with external information sources.

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19. INVESTMENTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Share of net assets	248,421	225,285
Goodwill on acquisition	—	—
	248,421	225,285

Particulars of the Group's principal joint venture are as follows:

Company name*	Place of registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Qingdao Shan Da Qilu Hospital Investment Management Co., Ltd.	PRC/ Mainland China	RMB800,000	50	50	50	Investment management

* The English name of the company registered in the PRC represents the best efforts made by the management of the Company in directly translating the Chinese name of this company as no English name has been registered.

The above investment in a joint venture is indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2016 RMB'000	2015 RMB'000
Share of the joint ventures' income/(loss) for the year	1,127	(11,049)
Share of the joint ventures' other comprehensive loss	(539)	(376)
Share of the joint ventures' total comprehensive income/(loss)	588	(11,425)
Aggregate carrying amount of the Group's investments in the joint ventures	248,421	225,285

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20. INVESTMENTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Share of net assets	**14,222,658**	12,267,835
Goodwill on acquisition	**1,656,204**	1,378,349
	15,878,862	13,646,184
Provision for impairment	**(8,600)**	(8,600)
	15,870,262	13,637,584

Particulars of the Group's principal associates are as follows:

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)#	PRC/ Mainland China	RMB 100,000	49		Manufacture and trading of medicine
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)#	PRC/ Mainland China	RMB 674,970	25	—	Manufacture and sale of medicine
Hunan Hansen Pharmaceutical Co., Ltd. (湖南漢森製藥股份有限公司)#/@	PRC/ Mainland China	RMB296,000	—	5.32	Manufacture and sale of medicine
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金象復星醫藥股份有限公司)#	PRC/ Mainland China	RMB 127,418	50	—	Distribution and retail of medicine
Chengde Jingfukang Pharmaceutical Co., Ltd. (頸復康藥業集團有限公司)#	PRC/ Mainland China	RMB 60,000	—	25	Manufacture and trading of medicine
SD Biosensor Inc. ("SDB")#/@	Korea	USD15,000	—	18.77	Research, development, manufacture and sale of blood glucose analysers
Nature's Sunshine Products, Inc. ("NSP")#/@	U.S.A./U.S.A.	Not available	15.26	—	Manufacture and trading of nutrition products
Sinopharm medical investment management co., Ltd. (國藥控股醫療投資管理有限公司)#	PRC/ Mainland China	RMB1,000,000	45	—	Investment management

20. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the Group's principal associates are as follows: (Continued)

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Healthy Harmony Holdings, L.P. ("HHH")	Cayman Islands/ Mainland China	Not available	—	42.909	Healthcare services
Amerigen Pharmaceuticals Ltd. ("AMG")#	Cayman Islands/ China and U.S.A.	Not available	—	24.14	Research and development of medicine
Sovereign Medical Services, Inc. ("SMS")	U.S.A./U.S.A.	Not available	30	—	Healthcare services
Ambrx, Inc. ("Ambrx")#	U.S.A./U.S.A.	Not available	—	32.4	Research and development of medicine
Fosun Group Finance Corporation Limited ("Fosun Finance")	PRC/ Mainland China	RMB 1,500,000	20	—	Advisory on deposits and loans, finance and funding, etc. for Fosun Group member companies
Saladax Biomedical, Inc. ("Saladax")#	U.S.A./U.S.A.	USD 26,000	24.74	—	Diagnosis and Detection
We Doctor Group Limited ("掛號網")#/@	Cayman Islands/ Mainland China	Not available		9.733	Heath consultation services

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The statutory financial statements of these associates were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2016.

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

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm Industrial"), which is considered a material associate of the Group, has significant impact on the share of profits and losses of associates and is accounted for using the equity method.

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20. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information of Sinopharm Industrial, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Revenues	**258,387,689**	227,069,433
Profit for the year	**6,871,518**	5,701,556
Other comprehensive (loss)/income	**(26,950)**	34,565
Total comprehensive income for the year	**6,844,568**	5,736,121
Profit for the year attributable to owners of the parent of Sinopharm Industrial	**2,630,021**	2,135,981
Current assets	**132,546,745**	116,694,552
Non-current assets	**25,102,229**	21,625,639
Current liabilities	**(99,829,230)**	(94,773,697)
Non-current liabilities	**(12,956,750)**	(2,414,391)
Net assets	**44,862,994**	41,132,103
Net assets attributable to owners of the parent of Sinopharm Industrial	**18,422,927**	17,552,385
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate	**9,027,234**	8,600,668
Goodwill on acquisition (less cumulative impairment)	**—**	—
Carrying amount of the investment	**9,027,234**	8,600,668
Dividend received by the Group	**372,400**	245,000

20. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2016 RMB'000	2015 RMB'000
Share of the associates' profit for the year	52,970	71,886
Share of the associates' other comprehensive income/(loss)	121,564	(188,753)
Share of the associates' total comprehensive income/(loss)	174,534	(116,867)
Aggregate carrying amount of the Group's investments in the associates	6,843,028	5,036,916

21. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Listed equity investments, at fair value	981,131	1,324,302
Unlisted debt investment, at cost	15,979	67,928
Unlisted equity investments, at cost	1,677,326	1,990,150
	2,674,436	3,382,380
Less: Current portion (unlisted debt investment)	—	(67,928)
Non-current available-for-sale investments	2,674,436	3,314,452

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Movements in the provision for impairment of available-for-sale investments are as follows:

	2016 RMB'000	2015 RMB'000
At beginning of the year	11,534	11,534
Disposal of available-for-sale investments	—	—
At end of the year	11,534	11,534

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22. OTHER NON-CURRENT ASSETS

	2016 RMB'000	2015 RMB'000
Prepayments for purchase of items of property, plant and equipment	**81,048**	149,907
Prepayments for acquisitions	**138,295**	40,000
Prepaid land lease payments (a)	**246,110**	—
Deposits for purchase of prepaid land lease payments	**19,689**	—
Prepayments for purchase of other intangible assets	**48,043**	—
Prepayments for deferred development costs	**11,523**	13,032
Others	**30,063**	9,988
	574,771	212,927

(a) The lease period of the respective land use right agreement has not been determined and started as at 31 December 2016.

23. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Provision for impairment of assets RMB'000	Depreciation and amortisation RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Deferred income RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2015	17,957	20,725	4,743	36,117	21,680	—	101,222
Deferred tax credited/(charged) to the statement of profit or loss during the year	(10,197)	6,266	285	2,124	2,510	—	988
Acquisitions of subsidiaries	—	267	—	—	—	—	267
Gross deferred tax assets at 31 December 2015 and 1 January 2016	7,760	27,258	5,028	38,241	24,190	—	102,477
Deferred tax credited/(charged) to the statement of profit or loss during the year	(2,395)	6,969	2,434	2,719	1,942	65,317	76,986
Gross deferred tax assets at 31 December 2016	5,365	34,227	7,462	40,960	26,132	65,317	179,463

23. DEFERRED TAX (Continued)

Deferred tax liabilities

	Deemed disposal of associates RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Depreciation RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2015	1,171,737	220,431	537,163	—	1,929,331
Acquisitions of subsidiaries	—	—	4,986	—	4,986
Deferred tax credited to the statement of profit or loss during the year	(6,299)	(290,396)*	(20,180)	—	(316,875)
Deferred tax charged to reserves during the year	3,287	227,530	248	—	231,065
Deferred tax liabilities included in liabilities directly associated with the assets classified as held for sale	—	—	(3,745)	—	(3,745)
Gross deferred tax liabilities at 31 December 2015 and 1 January 2016	1,168,725	157,565	518,472	—	1,844,762
Acquisitions of subsidiaries (note 36)	—	—	13,906	—	13,906
Deferred tax credited to the statement of profit or loss during the year	(6,224)	(47,068)*	(19,313)	67,497	(5,108)
Deferred tax charged/(credited) to reserves during the year	4,485	(21,706)	—	—	(17,221)
Gross deferred tax liabilities at 31 December 2016	1,166,986	88,791	513,065	67,497	1,836,339

* During the year ended 31 December 2016, a deferred tax liability amounting to RMB47,068,000 (2015: RMB290,396,000) was credited to other gains of the consolidated statement of profit or loss together with the gain on disposal of available-for-sale investments.

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23. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

Net deferred tax assets and net deferred tax assets as at the respective reporting dates are as follows:

	2016		2015	
	Offset amount RMB'000	Net amount RMB'000	Offset amount RMB'000	Net amount RMB'000
Deferred tax assets	49,912	129,551	—	102,477
Deferred tax liabilities	49,912	1,786,427	—	1,844,762

Deferred tax assets have not been recognised in respect of the following items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

	2016 RMB'000	2015 RMB'000
Tax losses	1,824,801	1,706,517
Deductible temporary differences	34,925	285,568
	1,859,726	1,992,085

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

24. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	502,637	477,721
Work in progress	289,808	333,505
Finished goods	854,233	836,600
Spare parts and consumables	78,965	53,010
Others	19,804	12,787
	1,745,447	1,713,623
Less: Provision	(74,709)	(64,850)
	1,670,738	1,648,773

25. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	1,965,005	1,736,220
Bills receivable	424,857	410,350
	2,389,862	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, based on the invoice date and net of provisions, as at the respective reporting dates is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	1,973,372	1,740,265
1 to 2 years	48,656	47,975
2 to 3 years	34,136	17,073
Over 3 years	26,079	31,415
	2,082,243	1,836,728
Less: Provision for impairment	(117,238)	(100,508)
	1,965,005	1,736,220

Movements in the provision for impairment of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	100,508	63,616
Impairment losses recognised	44,992	47,484
Impairment losses reversed	(9,239)	(5,964)
Amounts written off as uncollectible	(19,023)	(4,628)
At 31 December	117,238	100,508

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments. The Group does not hold any collateral or other credit enhancements over these balances.

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25. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**1,810,092**	1,612,326
Less than 3 months past due	**125,972**	106,239
3 to 6 months past due	**13,566**	9,229
6 months to 1 year past due	**15,375**	7,465
Over 1 year past due	**—**	961
	1,965,005	1,736,220

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade receivables are amounts due from the Group's associates of RMB255,975,000 (2015: RMB203,181,000), the Group's joint ventures of RMB250,000 (2015: Nil) and other related companies of RMB49,924,000 (2015: RMB1,836,000). Included in the Group's bills receivable are amounts due from the Group's associates of RMB67,065,000 (2015: RMB21,604,000) and other related companies of RMB48,700,000 (2015: Nil). These balances due from associates, joint ventures and other related companies were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Advances to suppliers	**271,227**	161,784
Deposits	**89,305**	35,016
Other receivables	**298,656**	202,919
	659,188	399,719

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26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

An aged analysis of prepayments, deposits and other receivables as at the respective reporting dates, net of provisions, is as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	633,403	359,851
1 to 2 years	17,311	28,359
2 to 3 years	6,462	14,906
Over 3 years	14,273	17,498
	671,449	420,614
Less: Provision for impairment of other receivables	(12,261)	(20,895)
	659,188	399,719

Movements in the provision for impairment of other receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	20,895	12,594
Impairment losses recognised	4,091	10,764
Impairment losses reversed	(39)	(611)
Amounts written off as uncollectible	(12,686)	(1,852)
At 31 December	12,261	20,895

Included in the Group's prepayments, deposits and other receivables are amounts due from the Group's associates of RMB76,628,000 (2015: RMB8,880,000), the Group's joint ventures of RMB13,765,000 (2015: Nil) and other related companies of RMB4,593,000 (2015: RMB1,115,000), respectively. These balances were non-interest-bearing and collectible on demand.

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27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 RMB'000	2015 RMB'000
Listed equity investments, at market value		
United States	**48,489**	33,751

The above equity investments at 31 December 2016 and 2015 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

28. CASH AND BANK BALANCES

	2016 RMB'000	2015 RMB'000
Cash on hand	**2,219**	1,930
Cash at banks, unrestricted	**4,046,405**	2,668,241
Deposits in Fosun Finance*	**489,413**	678,423
Cash and cash equivalents as stated in the consolidated statement of cash flows	**4,538,037**	3,348,594
Pledged bank balances to secure bills payable	**906,195**	551,639
Term deposits with original maturity of more than three months	**551,798**	128,404
Cash and bank balances as stated in the consolidated statement of financial position	**5,996,030**	4,028,637

* Fosun Group Finance Corporation Limited ("Fosun Finance") is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Fosun High Tech. Details of the deposits are given in note 41(e) to the financial statements.

As at 31 December 2016, the cash and bank balances of the Group denominated in foreign currencies amounted to RMB1,677,964,000 (2015: RMB1,040,526,000). The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Term deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and three years. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Details of the interest earned on deposits in Fosun Finance are set out in note 41(f) to the financial statements.

29. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**1,024,791**	973,220
Bills payable	**124,588**	75,430
	1,149,379	1,048,650

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

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

	2016 RMB'000	2015 RMB'000
Within 1 year	**1,009,582**	952,031
1 to 2 years	**7,832**	6,216
2 to 3 years	**1,747**	8,920
Over 3 years	**5,630**	6,053
	1,024,791	973,220

Included in the Group's trade payables are amounts due to the Group's associates and other related companies of RMB33,817,000 (2015: RMB33,944,000) and RMB450,000 (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.

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30. OTHER PAYABLES AND ACCRUALS

	Notes	2016 RMB'000	2015 RMB'000
Advances from customers		**385,744**	260,235
Payables relating to purchases of items of property, plant and equipment		**143,431**	146,109
Deposits received		**269,929**	193,861
Payroll		**444,193**	376,651
Business tax		**—**	12,271
Value-added tax		**102,692**	43,430
Other taxes		**60,003**	34,213
Accrued interest expenses		**176,169**	163,260
Dividends payable to non-controlling shareholders of subsidiaries and shareholders of the Company		**1,711**	2,032
Other accrued expenses		**595,666**	541,303
Current portion of deferred warranty income *(note 32)*		**43,170**	50,421
Payables for acquisitions of non-controlling interest, subsidiaries, an available-for-sale investment and an associate	(i)	**192,657**	373,430
Loans from third parties	(ii)	**196,044**	156,617
Current portion of government grants *(note 32)*		**8,316**	34,786
Subscription to restricted A shares under the restricted A share incentive scheme *(note 38(a))*		**26,819**	43,494
Others	(iii)	**25,154**	29,554
		2,671,698	2,461,667
Less: Non-current portion of payables for acquisitions of non-controlling interest and subsidiaries *(note 33)*	(i)	**(167,420)**	(305,708)
		2,504,278	2,155,959

Notes:

(i) The non-current portion of payables for acquisitions of non-controlling interest and subsidiaries as at 31 December 2016 mainly consists of the non-current portion of unpaid cash consideration of RMB157,720,000 for the acquisition of equity interest in Aohong Pharma, which will be paid after 12 months.

(ii) Loans from third parties of RMB196,044,000 as at 31 December 2016 (2015: RMB156,617,000) bear no interest (2015: Nil) and are repayable on demand.

(iii) Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables are amounts due to the Group's associates, joint ventures and other related companies of RMB10,423,000 (2015: RMB7,535,000), RMB5,197,000 (2015: RMB5,189,000) and RMB6,879,000 (2015: RMB2,800,000), respectively. These balances were non-interest-bearing and repayable on demand.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**2016 RMB'000**	2015 RMB'000
Bank loans:	(1)		
Secured		**441,340**	528,146
Unsecured		**5,882,133**	6,872,837
		6,323,473	7,400,983
Medium-term notes	(2)	**398,918**	1,997,751
Corporate bonds	(3)	**4,488,207**	1,496,220
Short-term commercial paper ("短期融資券")	(4)	**499,753**	—
Total		**11,710,351**	10,894,954
Repayable:			
Within 1 year		**6,139,393**	7,323,428
1 to 2 years		**762,565**	1,836,847
2 to 5 years		**4,717,643**	1,520,953
Over 5 years		**90,750**	213,726
		11,710,351	10,894,954
Portion classified as current liabilities		**(6,139,393)**	(7,323,428)
Non-current portion		**5,570,958**	3,571,526

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

Notes:

(1) Bank loans

(a) Foreign currency loans

	2016 RMB'000	2015 RMB'000
USD:		
Secured	339,340	383,146
Unsecured	3,946,864	3,342,905
	4,286,204	3,726,051
Ghana cedi:		
Unsecured	—	46

(b) The bank loans bear interest at annual interest rates of:

	2016	2015
Interest rate range	1.652% to 5.002%	1.497% to 6.800%

(c) As at 31 December 2016, certain of the Group's bank loans were secured by the pledge of certain of the Group's property, plant and equipment (note 15) amounting to RMB32,024,000 (31 December 2015: RMB63,451,000) and prepaid land lease payments (note 16) amounting to RMB34,018,000 (31 December 2015: RMB35,818,000).

As at 31 December 2016, certain of the Group's bank loans were secured by the pledge of the Group's 268,371,532 shares issued by Guilin South Pharma Co., Ltd. (2015: the Group's 268,371,532 shares issued by Guilin South Pharma Co., Ltd.), and 100% equity interest in Sisram Medical Ltd held by the Group and Magnificent View Investment Limited (31 December 2015: 100%).

(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 395 basis points 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) Short-term commercial paper

On 18 August 2016, the Company issued short-term commercial paper with a maturity of nine months in an aggregate amount of RMB 500,000,000, which bears interest at 2.66% per annum. The interest is payable with the principal on the maturity date on 15 May 2017.

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32. DEFERRED INCOME

	Notes	2016 RMB'000	2015 RMB'000
Government grants	(i)	**327,099**	181,244
Less: Government grants classified as current portion *(note 30)*		**(8,316)**	(34,786)
Deferred warranty income	(ii)	**58,929**	60,215
Less: deferred warranty income classified as current portion *(note 30)*		**(43,170)**	(50,421)
Others		**12,164**	13,066
		346,706	169,318

Notes:

(i) Government grants were received by the Group as financial subsidies for some research and development projects, industrial development funds and value-added tax refund. Government grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. There are no unfulfilled conditions or contingencies relating to these grants.

The movements in government grants during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**181,244**	165,888
Additions	**316,196**	25,415
Recognised as income during the year	**(170,341)**	(10,059)
At 31 December	**327,099**	181,244

(ii) Deferred warranty income represents the consideration received for either standalone warranty service contracts or extended warranty sold with sales of certain equipment. This deferred income is amortised on the straight-line basis during the service period or warranty term as applicable.

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33. OTHER LONG-TERM LIABILITIES

	Notes	2016 RMB'000	2015 RMB'000
Staff placement fees	(i)	**24,202**	26,496
Payables for acquisitions of non-controlling interest and subsidiaries	(ii)	**167,420**	305,708
Loan from non-controlling shareholders of subsidiaries	(iii)	**330,418**	300,133
The share redemption option granted to non-controlling shareholders of a subsidiary	(iv)	**—**	64,460
Finance lease payable		**8,583**	17,330
Loans from third parties		**27,837**	29,702
Others		**146,357**	263,443
		704,817	1,007,272

Notes:

(i) Staff placement fees represent liabilities incurred by certain subsidiaries of the Group before 2008 in respect of the retirement benefits of certain employees and retirees.

(ii) Payables for acquisitions of non-controlling interest and subsidiaries as at 31 December 2016 mainly represent the non-current portion of unpaid cash consideration of RMB157,720,000 for the acquisition of non-controlling interest in Aohong Pharma, which will be paid after 12 months (note 30(i)).

(iii) Sisram Medical Ltd. ("Sisram"), a subsidiary of the Group, has interest-free long-term capital notes, with a term from May 2013 to April 2018 payable to Magnificent View Investments Limited, a non-controlling shareholder of Sisram.

(iv) Pursuant to the liquidity arrangement agreement signed between Sisram and non-controlling shareholders of Alma Lasers who owns a 4.84% non-controlling interest in Alma Lasers on 27 May 2013, the 4.84% non-controlling interest in Alma Lasers has certain embedded "put rights" that are exercisable commencing on the third anniversary of the agreement date and if exercised, would require Sisram to acquire the non-controlling interest at a price based on certain multiples of EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) of Alma Lasers. During the year of 2016, the 4.84% non-controlling interest in Alma Lasers exercised "put rights" to ask Sisram to acquire the non-controlling interest with amount of USD9,690,000, accordingly the balance of share redemption option was zero as at 31 December 2016.

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34. SHARE CAPITAL

	2016 Number of shares '000	2016 Nominal value RMB'000	2015 Number of shares '000	2015 Nominal value RMB'000
Shares				
Restricted shares				
A Shares of RMB1 each	**103,514**	**103,514**	5,177	5,177
Unrestricted shares				
A Shares of RMB1 each	**1,907,714**	**1,907,714**	1,905,614	1,905,614
H Shares of RMB1 each	**403,284**	**403,284**	403,284	403,284
	2,414,512	**2,414,512**	2,314,075	2,314,075

Movements in the issued share capital during the year were as follows:

	Note	2016 Number of shares '000	2016 Nominal value RMB'000	2015 Number of shares '000	2015 Nominal value RMB'000
At 1 January		**2,314,075**	**2,314,075**	2,311,611	2,311,611
Issue of A Shares	(i)	**100,437**	**100,437**	—	—
Share incentive scheme	(ii)	**—**	**—**	2,695	2,695
Repurchase and cancellation of restricted A shares	(iii)	**—**	**—**	(231)	(231)
At 31 December		**2,414,512**	**2,414,512**	2,314,075	2,314,075

Notes:

(i) On 8 November 2016, the Company completed an issue of 100,437,000 A Shares. The net proceeds received from the issue amounted to RMB2,275,249,000, after deduction of issue expenses of RMB24,750,000. Part of the proceeds, amounting to RMB100,437,000, was credited as issued and fully paid share capital, and the remaining balance of RMB2,174,812,000 was credited to share premium.

(ii) The restricted A shares were issued pursuant to the share incentive scheme adopted by the Company. Please refer to note 38 to the financial statements for more details.

(iii) The Company repurchased and cancelled 231,000 restricted A shares on 12 February 2015.

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35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 97 to 98 of the financial statements.

Statutory surplus reserve

According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

36. BUSINESS COMBINATIONS

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 RMB2,489,000. Wangbangyun Pharmacy is principally engaged in the retailing and trading of medicine. Wangbangyun Pharmacy completed the business registration of change on 9 March 2016. 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. Hunan Jingren is principally engaged in the investment management of hospitals. Hunan Jingren completed the business registration of change on 26 April 2016. 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. Wangbang Tiancheng is principally engaged in the production and trading of medicine. Wangbang Tiancheng completed the business registration of change on 23 June 2016. The acquisition was completed on 23 June 2016 when the Group obtained control of the operating and financial policies of Wangbang Tiancheng.

In November 2016, Shanghai Fosun Long March Medical Science Co., Ltd. ("Fosun Long March"), a subsidiary of the Group, acquired 40% equity interests in Changsha Zhongsheng Zhongjie Biotechnology Co., Ltd. ("Zhongsheng Zhongjie") at a consideration of RMB40,000,000, and subscribed Zhongsheng Zhongjie's registered capital of RMB3,000,000 at a consideration of RMB30,000,000, simultaneously. Thereafter, Fosun Long March held 53.85% equity interests in Zhongsheng Zhongjie. Zhongsheng Zhongjie is principally engaged in the research and development of biotechnology. Zhongsheng Zhongjie completed the business registration of change on 7 November 2016. The acquisition was completed on 7 November 2016 when the Group obtained control of the operating and financial policies of Zhongsheng Zhongjie.

In November 2016, Shanghai Fosun Hospital Investment (Group) Co., Ltd. ("Hospital Investment"), a subsidiary of the Group, acquired 52% equity interests in Jinan Qilu Medical Laboratory Co., Ltd. ("Qilu Medical") at a consideration of RMB80,721,000. Qilu Medical is principally engaged in the medical laboratory science. Qilu Medical completed the business registration of change on 9 November 2016. The acquisition was completed on 9 November 2016 when the Group obtained control of the operating and financial policies of Qilu Medical.

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36. BUSINESS COMBINATIONS (Continued)

In November 2016, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Industrial Development"), a subsidiary of the Group, acquired 100% equity interests in Xuzhou Kangxin Pharmaceutical Co., Ltd. ("Xuzhou Kangxin") at a consideration of RMB9,192,000. Xuzhou Kangxin is principally engaged in the trading of medicine. Xuzhou Kangxin completed the business registration of change on 25 November 2016. The acquisition was completed on 25 November 2016 when the Group obtained control of the operating and financial policies of Xuzhou Kangxin.

The above acquisitions were undertaken under the Group's strategy to further improve the Group's pharmaceutical manufacturing, research and development business and expand the business for the Group's healthcare services.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year ended 31 December 2016 were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	15	46,767
Other intangible assets	18	107,701
Inventories		11,732
Trade and bills receivables		8,709
Prepayments, deposits and other receivables		50,663
Cash and cash equivalents		23,532
Trade and bills payables		(7,983)
Other payables and accruals		(45,581)
Deferred tax liabilities	23	(13,906)
Other long-term liabilities		(346)
Total identifiable net assets at fair value		181,288
Non-controlling interests		(71,500)
Goodwill on acquisition	17	126,615
		236,403
Satisfied by:		
Cash consideration paid		215,254
Cash consideration payable		21,149
		236,403

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36. BUSINESS COMBINATIONS (Continued)

The fair values of the trade receivables and other receivables as at the dates of acquisitions amounted to RMB8,709,000 and RMB30,521,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB8,931,000 and RMB30,920,000, respectively.

The Group incurred transaction costs of RMB20,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

The goodwill of RMB126,615,000 recognised above is due to the new markets entered into by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore do not meet the criteria for recognition as intangible assets under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	RMB'000
Cash consideration paid	(215,254)
Capital injection to a subsidiary	27,000
Cash consideration already paid in the prior year	35,000
Cash and cash equivalents acquired	23,532
	(129,722)
Prepaid for acquisition of a subsidiary	(43,750)
Payment of unpaid cash consideration as at 31 December 2015	(75,969)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(249,441)
Transaction costs of the acquisitions included in cash flows from operating activities	(20)
	(249,461)

Since the acquisitions, all the acquired subsidiaries contributed RMB28,803,000 to the Group's revenue and offset against the Group's profit after tax in the amount of RMB13,492,000 for the year ended 31 December 2016.

Had the combinations taken place at the beginning of the year ended 31 December 2016, the revenue and the profit after tax of the Group for the year ended 31 December 2016 would have been RMB14,566,329,000 and RMB3,223,623,000, respectively.

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37. DISPOSAL OF A SUBSIDIARY

On 16 December 2016, Shanghai Fosun Long March Medical Science Co., Ltd. ("Fosun Long March"), a subsidiary of the Group, entered into an equity interest transfer agreement with a third party to dispose of a 50% equity interest in Shanghai Xingyao Medical Technology Development Co., Ltd. ("Xingyao Medical") for a consideration of RMB10,000,000. The disposal was completed on 29 December 2016, and Xingyao Medical was not included in the consolidated financial statements of the Group hereafter.

The financial information of Xingyao Medical at the date of disposal is as follows:

	Notes	**As of the disposal dates** RMB'000
Net assets disposed of:		
Property, plant and equipment	15	7,073
Prepaid land lease payments	16	343
Inventories		19,270
Trade and bills receivables		37,620
Prepayments, deposits and other receivables		10,454
Cash and cash equivalents		5,521
Tax payable		(674)
Trade and bills payables		(8,403)
Other payables and accruals		(55,528)
		15,676
Fair value of the retained interests in subsidiaries disposed of		(7,838)
Gain on disposal of a subsidiary	8	2,162
		10,000
Satisfied by:		
Cash consideration received		5,000
Cash consideration receivable		5,000

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37. DISPOSAL OF A SUBSIDIARY (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	5,000
Cash and cash equivalents disposed of	(5,521)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(521)

38. SHARE-BASED PAYMENTS

(a) Restricted A share incentive schemes

The Company adopted a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of further refining the corporate governance structure of the Company, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Company, as well as balancing the interests of the shareholders, the Company and management for the long-term development of the Company.

Restricted A Share Incentive Scheme I

The Restricted A Share Incentive Scheme I was approved by the shareholders of the Company (the "Shareholders") at the 2013 first extraordinary general meeting of the Company, the 2013 first class meeting of A shareholders and the 2013 first class meeting of H shareholders convened on 20 December 2013. On 7 January 2014, relevant resolutions were considered and passed at the Company's 12th meeting of the 6th session of the board of directors and the 1st meeting of the 6th session of the Supervisory Committee, pursuant to which the date of grant for the Restricted A Share Incentive Scheme I of the Company was set on 7 January 2014.

On 7 January 2014 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme I, 4,035,000 A shares of the Company were granted to 28 eligible participants of the Restricted A Share Incentive Scheme I (the "Share Incentive Participants") at a grant price of RMB6.08 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

27 out of 28 of the Share Incentive Participants have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme I and a total of 3,935,000 Restricted A Shares (the "Restricted Shares") have been issued by the Company to the relevant Share Incentive Participants.

The Restricted A Share Incentive Scheme I shall be valid for a term of four years, commencing from the Date of Grant of Restricted Shares and ending on the date on which all the Restricted Shares granted have been unlocked or otherwise repurchased and cancelled.

38. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A share incentive schemes (Continued)

Restricted A Share Incentive Scheme I (Continued)

Restricted Shares shall be locked up immediately upon grant. All of the Restricted Shares granted to Share Incentive Participants shall be subject to various lock-up periods of 1 year, 2 years and 3 years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked (or repurchased and cancelled by the Company) in three tranches in the proportion of 33%, 33% and 34% of the total number of the Restricted Shares granted upon the expiry of each lock-up period. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance target	% of unlocked shares to the total Restricted Shares granted
First unlock period: commencing from the first trading day after expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2013 shall not be less than RMB1 billion; the operating revenue for the year 2013 shall not be less than RMB9 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2013 shall not be less than 4.8%.	33%
Second unlock period: commencing from the first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2014 shall not be less than RMB1.25 billion; the operating revenue for the year 2014 shall not be less than RMB10.5 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2014 shall not be less than 4.9%.	33%
Third unlock period: commencing from the first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2015 shall not be less than RMB1.56 billion; the operating revenue for the year 2015 shall not be less than RMB12.5 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2015 shall not be less than 5.0%.	34%

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38. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A share incentive schemes (Continued)

Restricted A Share Incentive Scheme I (Continued)

In addition, during the Lock-up Period of the Restricted Shares, net profit attributable to the shareholders of the Company and net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for each year shall not be less than the average of their respective amounts of the three preceding financial years prior to the Date of Grant, and shall not be negative.

Where the performance target at company level has been achieved, a Share Incentive Participant is only entitled to unlock the Restricted Shares upon achieving the benchmark of "Pass" or above in his performance target for the preceding year according to the Company's Administrative Measures in respect of the Remuneration and Performance Appraisal (《與績效考核相關管理辦法》).

In February 2015, the Company repurchased and cancelled the Restricted A Shares granted to Mr. Wu Yijian ("Mr. Wu"), Mr. Hu Jianglin ("Mr. Hu") and Mr. Ni Xiaowei ("Mr. Ni"), following the resignation of Mr. Wu, Mr. Hu and Mr. Ni from their respective positions in the Company or the relevant subsidiary (the "Repurchase"). A total of 231,000 Restricted A Shares, which have been granted to Mr. Wu, Mr. Hu and Mr. Ni but have not been unlocked, were repurchased and cancelled at a repurchase price of RMB6.08 per share for a total repurchase amount of approximately RMB1,404,000. The aforementioned repurchased shares have been cancelled on 12 February 2015.

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB66,413,000, of which RMB43,892,000 has been charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the Date of Grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB22,520,000. The Group has recorded RMB7,657,000 in other payables and accruals and credited to the treasury shares as at 31 December 2016 due to the restricted share repurchase obligation of the Company till the end of the unlock period. The Group has recognised an amount of RMB14,409,000 as expenses for the year ended 31 December 2016 (2015: RMB7,642,000).

Restricted A Share Incentive Scheme II

The Restricted A Share Incentive Scheme II was approved by the shareholders at the 2015 first extraordinary general meeting of the Company, the A shareholders' class meeting and the H shareholders' class meeting held on 19 November 2015. On 19 November 2015 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme II, 2,695,000 A shares of the Company were granted to 45 eligible participants of the Restricted A Share Incentive Scheme II at a grant price of RMB10.54 per share.

38. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A share incentive schemes (Continued)

Restricted A Share Incentive Scheme II (Continued)

Restricted Shares granted by the Restricted A Share Incentive Scheme II held by Share Incentive Participants shall be unlocked in three tranches. When the uhlock conditions of the Restricted A Share Incentive Scheme II are fulfilled during each Lock-up Period, Share Incentive Participants can apply for the unlocking and trade of those shares. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance target	% of unlocked shares to the total Restricted Shares granted
First unlock period: commencing from the first trading day after expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2015 shall not be less than RMB1.56 billion; the operating revenue for the year 2015 shall not be less than RMB12.5 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2015 shall not be less than 5.0%.	33%
Second unlock period: commencing from the first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2016 shall not be less than RMB1.79 billion; the operating revenue for the year 2016 shall not be less than RMB14.4 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2016 shall not be less than 5.0%.	33%
Third unlock period: Commencing from the first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2017 shall not be less than RMB2.06 billion; the operating revenue for the year 2017 shall not be less than RMB16.6 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2017 shall not be less than 5.0%.	34%

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38. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A share incentive schemes (Continued)

Restricted A Share Incentive Scheme II (Continued)

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB68,102,000, of which RMB39,697,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the Date of Grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB28,405,000. The Group has recorded RMB19,032,000 in other payables and accruals and credited to the treasury shares as at 31 December 2016 due to the restricted share repurchase obligation of the Company till the end of the unlock period. The Group has recognised an amount of RMB22,709,000 as expenses for the year ended 31 December 2016 (2015: RMB2,012,000).

In November 2016, the Company has decided to repurchase and cancel the Restricted A Shares granted to Mr. Bai Huan ("Mr. Bai") and Mr. Chen Yi ("Mr. Chen"), following the resignation of Mr. Bai, and Mr. Chen from their respective positions in the Company or the relevant subsidiary (the "Repurchase"). A total of 37,500 Restricted A Shares, which have been granted to Mr. Bai and Mr. Chen but have not been unlocked, were repurchased and cancelled at a repurchase price of RMB10.54 per share for a total repurchase amount of approximately RMB395,250. The aforementioned repurchased shares have been cancelled on 24 February 2017.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group's subsidiaries lease the property, plant and equipment under operating lease agreements, with leases negotiated for terms ranging from two to twenty years.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	19,971	17,975
1 to 3 years, inclusive	1,114	4,316
Over 3 years	38	9
	21,123	22,300

39. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	77,551	50,466
1 to 3 years, inclusive	87,234	79,142
Over 3 years	35,113	33,847
	199,898	163,455

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) to the financial statements, the Group had the following capital commitments as at 31 December 2016:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for		
Plant and machinery	795,787	545,688
Investments in a subsidiary and associates	11,071,562	1,679,347
Investments in available-for-sale financial assets	467,744	422,084
	12,335,093	2,647,119

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41. RELATED PARTY TRANSACTIONS

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

(a) Sales of pharmaceutical products and rendering of services

	2016 RMB'000	2015 RMB'000
Sinopharm Group Co., Ltd. *(notes 4,7 & 9)*	**1,135,375**	861,223
Chongqing Pharmaceutical Group Co., Ltd. *(notes 3, 7 & 11)*	**294,512**	—
Zhejiang Di'an Diagnostics Co., Ltd. *(notes 3 & 7)*	**27,094**	—
Healthy Harmony Holdings L.P. *(notes 1 & 7)*	**3,354**	18,204
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development. *(notes 2 & 7)*	**2,373**	1,581
Chindex International., Inc. *(notes 4 & 7)*	**2,295**	29,680
Hunan Time Sun Pharmaceutical Co., Ltd. *(notes 1, 7 & 17)*	**613**	428
Fosun High Tech and its subsidiaries *(notes 6,7 & 12)*	**522**	172
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	**48**	249
Shanghai Yi Xing Sports Development Co., Ltd. *(notes 3 & 7)*	**43**	44
Shanghai Xing Lian Commercial Factoring Co., Ltd. *(notes 6 & 7)*	**26**	—
Shanghai Xing Hao Health Management Consulting Co., Ltd. *(notes 3 & 7)*	**26**	—
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	**8**	1
Shanghai Lan Xin Pharmaceutical Technology Co., Ltd *(notes 4 & 7)*	**3**	—
Shanghai Tong De Private Equity Co., Ltd *(note 7)*	**—**	113
Tebon Securities Co., Ltd. *(notes 3 & 7)*	**—**	8
	1,466,292	911,703

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41. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of pharmaceutical products and rendering of services

	2016 RMB'000	2015 RMB'000
Sinopharm Group Co., Ltd. *(notes 4,7 & 9)*	**97,329**	97,273
Yong'an Property Insurance Company Limited *(notes 3 & 7)*	**3,697**	—
Zhejiang Di'an Diagnostics Co., Ltd. *(notes 3 & 7)*	**2,607**	—
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. *(notes 1 & 7)*	**2,098**	628
The subsidiaries of Fosun High Tech. *(notes 6 & 13)*	**619**	471
Beijing Steellex Biological Technology Co., Ltd. *(notes 1 & 7)*	**356**	279
SD Biosensor, Inc. *(notes 1 & 7)*	**233**	229
Suzhou Amerigenpharma Co., Ltd. *(notes 4 & 7)*	**—**	5,660
	106,939	104,540

(c) Leasing and property management services

As lessor

	2016 RMB'000	2015 RMB'000
Fosun High Tech and its subsidiaries *(notes 6, 8,11 & 14)*	**7,926**	2,542
Sinopharm Group Co., Ltd. *(notes 4, 8 & 9)*	**900**	900
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(notes 5 & 8)*	**636**	611
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development. *(notes 2 & 8)*	**614**	631
Shanghai Xing Lian Commercial Factoring Co., Ltd. *(notes 6,8 & 11)*	**603**	—
Shanghai Yi Xing Sports Development Co., Ltd. *(notes 3, 8 & 11)*	**453**	470
Shanghai Lan Xin Pharmaceutical Technology Co., Ltd *(notes 4 & 8)*	**145**	—
	11,277	5,154

As lessee

	2016 RMB'000	2015 RMB'000
The subsidiaries of Fosun High Tech *(notes 6, 8,11 & 15)*	**7,459**	4,143
	7,459	4,143

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41. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

Management services

	2016 RMB'000	2015 RMB'000
The subsidiaries of Fosun High Tech *(notes 6, 8,11 & 16)*	**6,425**	5,705

(d) Disposal of subsidiaries

	2016 RMB'000	2015 RMB'000
Sinopharm Group Guo Da Pharmacy Co., Ltd. *(note 10)*	**—**	343,363

(e) Loans from/to a related party

Maximum daily outstanding balance of deposits in Fosun Finance

	2016 RMB'000	2015 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**678,428**	678,423

The Company entered into a financial service agreement with Fosun Finance, pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for a period from 1 January 2014 to 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 the loans granted by Fosun Finance to the Group is RMB1,000,000,000.

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41. RELATED PARTY TRANSACTIONS (Continued)

(f) Interest income from a related party

	2016 RMB'000	2015 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**3,732**	4,551

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

(g) Commitments with related parties

As lessor

As at 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2016 RMB'000	2015 RMB'000
Fosun High Tech and its subsidiaries *(note 6)*	**10,719**	5,350
Sinopharm Group Co., Ltd. *(note 10)*	**900**	1,800
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(note 5)*	**745**	658
Shanghai Lan Xin Pharmaceutical Technology Co., Ltd. *(note 4)*	**521**	—
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development *(note 2)*	**13**	537
Shanghai Yi Xing Sports Development Co., Ltd. *(note 3)*	**—**	470
	12,898	8,815

As lessee

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases and property management service agreement with related parties in respect of land and buildings which fall due as follows:

	2016 RMB'000	2015 RMB'000
The subsidiaries of Fosun High Tech *(note 6)*	**15,235**	532

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41. RELATED PARTY TRANSACTIONS (Continued)

Notes:

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

(3) They are other associates of the Group.

(4) They are the subsidiaries of the Group's associates.

(5) They are the subsidiaries of the Group's joint ventures.

(6) They are the subsidiaries of Fosun High Tech, the holding company of the Company.

(7) The sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(8) The fees for the leasing and property management services received from or paid to these related companies were determined based on prices available to third party customers of these related companies.

(9) Sinopharm Group Co., Ltd. is a major subsidiary of Sinopharm Investment, an associate of the Group. Sinopharm Group Guo Da Pharmacy Co., Ltd. is a subsidiary of Sinopharm Group Co. Ltd.

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

(11) The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

(12) During the year of 2016,the Group offered Fosun High Tech and its subsidiaries with other services at market prices. Fosun high tech and its subsidiaries include Shanghai Fosun High Tech (Group) Co., Ltd., and Shanghai Xingshuangjian Investment Management Co., Ltd.

(13) During the year of 2016, the Group received services from the subsidiaries of Fosun High Tech at market prices. The subsidiaries of Fosun High Tech include Beijing Golte Property Management Co., Ltd., Shanghai Golte Property Management Co., Ltd. and Shanghai Zhongheng Insurance Broker Co., Ltd.

(14) During the year of 2016, the Group leased out the office buildings to Fosun High Tech and its subsidiaries. Fosun high tech and its subsidiaries include Shanghai Fosun High Tech (Group) Co., Ltd., Shanghai Xingshuangjian Investment Management Co., Ltd., Shanghai Xing Ling Asset Management Co., Ltd., Shanghai Xing Yi Health Management Co., Ltd., Shanghai Zhong Heng Insurance Broker Co., Ltd., Shanghai Fosun Venture Capital Management Co., Ltd., Liang Fu Credit Investigation Management Co.,Ltd., Shanghai Yun Ji Information Technology Co., Ltd. and Shanghai Yu Zhi Investment Management Co., Ltd.

(15) During the year of 2016, the Group leased office buildings from the subsidiary of Fosun High Tech. The subsidiary of Fosun High Tech is Shanghai New Shihua Investment and Management Co., Ltd.

(16) During the year of 2016, the Group received management services from subsidiaries of Fosun High Tech. The subsidiaries of Fosun High Tech include Shanghai Golte Property Management Co., Ltd. and Beijing Golte Property Management Co., Ltd.

(17) On 25 October 2016, Industrial Development, a subsidiary, transferred all of the stock equity in Hunan Time Sun Pharmaceutical to the third party. Therefore, since the date of 25 October 2016, Hunan Time Sun Pharmaceutical has no loner been an associate of the Group.

41. RELATED PARTY TRANSACTIONS (Continued)

(h) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 25, 26, 29 and 30 to the financial statements.

(i) Compensation of key management personnel of the Group

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	25,741	25,177
Performance-related bonuses	20,825	25,193
Pension scheme contributions	893	813
Equity-settled share incentive scheme expense	13,154	7,274
	60,613	58,457

Further details of directors', supervisors' and the chief executive's emoluments are included in note 10 to the financial statements.

42. CONTINGENT LIABILITIES

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

43. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 31 to the financial statements.

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44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2016

	Financial assets at fair value through profit or loss — held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets:				
Available-for-sale investments	—	—	2,674,436	2,674,436
Equity investments at fair value through profit or loss	48,489	—	—	48,489
Trade and bills receivables	—	2,389,862	—	2,389,862
Financial assets included in prepayments, deposits and other receivables	—	319,605	—	319,605
Cash and bank balances	—	5,996,030	—	5,996,030
	48,489	8,705,497	2,674,436	11,428,422

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities:		
Trade and bills payables	1,149,379	1,149,379
Financial liabilities included in other payables and accruals	1,433,340	1,433,340
Interest-bearing bank and other borrowings	11,710,351	11,710,351
Financial liabilities included in other long-term liabilities	680,155	680,155
	14,973,225	14,973,225

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44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2015

	Financial assets at fair value through profit or loss — held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets:				
Available-for-sale investments	—	—	3,382,380	3,382,380
Equity investments at fair value through profit or loss	33,751	—	—	33,751
Trade and bills receivables	—	2,146,570	—	2,146,570
Financial assets included in prepayments, deposits and other receivables	—	230,376	—	230,376
Cash and bank balances	—	4,028,637	—	4,028,637
	33,751	6,405,583	3,382,380	9,821,714

	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities:			
Trade and bills payables	—	1,048,650	1,048,650
Financial liabilities included in other payables and accruals	—	1,297,755	1,297,755
Interest-bearing bank and other borrowings	—	10,894,954	10,894,954
Financial liabilities included in other long-term liabilities	64,460*	915,049	979,509
	64,460	14,156,408	14,220,868

* The amount includes the share redemption option granted to non-controlling shareholders of a subsidiary amounting to RMB64,460,000, of which fair value change is recognised in other reserve due to the nature of equity transactions with non-controlling shareholders of the subsidiary of the Group.

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44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB588,221,000 (2015: RMB306,652,000). In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB199,197,000 (2015: RMB195,795,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills to equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
Available-for-sale investments, listed	**981,131**	1,324,302	**981,131**	1,324,302
Equity investments at fair value through profit or loss	**48,489**	33,751	**48,489**	33,751
	1,029,620	1,358,053	**1,029,620**	1,358,053
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**2,182,905**	1,676,202	**2,112,878**	1,634,659
Interest-bearing other borrowings	**4,887,125**	3,493,971	**4,865,581**	3,538,851
Financial liabilities included in other long-term liabilities	**680,155**	979,509	**680,155**	979,509
	7,750,185	6,149,682	**7,658,614**	6,153,019

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

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

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

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

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 the non-current portion of interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

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

As at 31 December 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 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 was RMB1,677,326,000 (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 of by the Group after getting listed on the designated stock exchange in the future.

During the year ended 31 December 2016, the available-for-sale investments whose fair value could not be reliably measured with a carrying amount of RMB1,087,029,000 were derecognised and the relevant gain on disposal amounted to RMB303,772,000 was recognised in the consolidated statement of profit or loss.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2016

	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 *(note 21)*	718,357	262,774	—	981,131
Equity investments at fair value through profit or loss *(note 27)*	48,489	—	—	48,489
	766,846	262,774	—	1,029,620

As at 31 December 2015

	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 *(note 21)*	1,324,302	—	—	1,324,302
Equity investments at fair value through profit or loss *(note 27)*	—	33,751	—	33,751
	1,324,302	33,751	—	1,358,053

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

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2015

	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 *(note 33)*	—	—	64,460	64,460

The Group did not have any financial liabilities measured at fair value as at 31 December 2016.

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

	2016 RMB'000	2015 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	**64,460**	88,019
Addition	**—**	4,161
Reclassification	**(64,460)**	(27,720)
At 31 December	**—**	64,460

Assets for which fair values are disclosed:

The Group did not have financial assets for which fair values are disclosed as at 31 December 2016 (31 December 2015: Nil).

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2016

	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	—	2,112,878	—	2,112,878
Interest-bearing other borrowings	4,470,600	394,981	—	4,865,581
Amounts included in other long-term liabilities	—	680,155	—	680,155
	4,470,600	3,188,014	—	7,658,614

As at 31 December 2015

	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
Interest-bearing 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 year, 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 (2015: Nil).

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2016, the total interest-bearing bank borrowings of RMB5,381,954,000 (31 December 2015: RMB7,070,872,000) of the Group were with floating interest rates denominated in RMB or USD.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings.

Increase/(decrease) in the Group's profit after tax

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit after tax** RMB'000
2016		
RMB	**1%**	**(8,218)**
USD	**1%**	**(32,147)**
RMB	**(1%)**	**8,218**
USD	**(1%)**	**32,147**
2015		
RMB	1%	(28,001)
USD	1%	(25,023)
RMB	(1%)	28,001
USD	(1%)	25,023

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair value of monetary assets and liabilities.

	Increase/ (decrease) in foreign currency rate %	**Increase/ (decrease) in profit after tax** RMB'000
2016		
If RMB weakens against USD	**5**	**(20,107)**
If RMB strengthens against USD	**(5)**	**20,107**
If RMB weakens against HKD	**5**	**5,230**
If RMB strengthens against HKD	**(5)**	**(5,230)**
2015		
If RMB weakens against USD	5	(13,965)
If RMB strengthens against USD	(5)	13,965
If RMB weakens against HKD	5	1,557
If RMB strengthens against HKD	(5)	(1,557)

(c) Credit risk

The Group trades only with related companies and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with related companies and recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analyses by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed in different geographical regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2016, 50% (31 December 2015: 67%) of the Group's borrowings would mature in less than one year based on the carrying values of the borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2016					
Interest-bearing bank and other borrowings	—	6,415,025	5,950,184	100,146	12,465,355
Trade and bills payables	—	1,149,379	—	—	1,149,379
Financial liabilities included in other payables and accruals	1,236,833	196,508	—	—	1,433,341
Financial liabilities included in other long-term liabilities	—	480	654,238	30,748	685,466
	1,236,833	7,761,392	6,604,422	130,894	15,733,541
2015					
Interest-bearing bank and other borrowings	—	7,621,476	3,562,217	225,984	11,409,677
Trade and bills payables	—	1,048,650	—	—	1,048,650
Financial liabilities included in other payables and accruals	1,230,033	67,722	—	—	1,297,755
Financial liabilities included in other long-term liabilities	—	480	954,498	44,771	999,749
	1,230,033	8,738,328	4,516,715	270,755	14,755,831

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 27) and available-for-sale investments measured at fair value (note 21). The Group's listed investments are listed on the stock exchanges in Shanghai, Shenzhen, New York, New Zealand and Hong Kong and are valued at quoted market prices or using valuation techniques at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2016	**High/low 2016**	31 December 2015	High/low 2015
Shanghai — A Share Index	**3,250**	**3,519/2,779**	3,704	5,411/3,067
Shenzhen — GEM Index	**1,962**	**2,491/1,881**	2,714	3,982/1,465
Shenzhen — A Share Index	**2,060**	**2,237/1,703**	2,416	3,288/1,492
New York — NASDAQ Index	**5,383**	**5,487/4,267**	5,007	5,219/4,292
New York — NYSE Index	**11,057**	**11,237/9,030**	10,143	11,240/9,510
New Zealand — NZX 50 Gross Index	**6,881**	**7,571/5,561**	6,324	6,324/5,462
Hong Kong — HSI Index	**22,001**	**24,100/18,320**	21,914	28,443/20,557

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of profit or loss.

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2016				
Investments listed in:				
Shanghai — Available for sale	10	33,917	—	2,544
Shanghai — Available for sale	(10)	33,917	—	(2,544)
Shenzhen GEM — Available for sale	10	431,602	—	32,370
Shenzhen GEM — Available for sale	(10)	431,602	—	(32,370)
Shenzhen — Available for sale	10	7,835	—	666
Shenzhen — Available for sale	(10)	7,835	—	(666)
NASDAQ — Available for sale	10	147,028	—	14,041
NASDAQ — Available for sale	(10)	147,028	—	(14,041)
NASDAQ — Equity investments at fair value through profit or loss	10	48,489	4,849	—
NASDAQ — Equity investments at fair value through profit or loss	(10)	48,489	(4,849)	—
New Zealand — Available for sale	10	40,038	—	4,004
New Zealand — Available for sale	(10)	40,038	—	(4,004)
Taiwan — Available for sale	10	262,774	—	5,794
Taiwan — Available for sale	(10)	262,774	—	(5,794)
Hong Kong — Available for sale	10	57,937	—	26,277
Hong Kong — Available for sale	(10)	57,937	—	(26,277)
Total available for sale investments		981,131		
Total equity investments at fair value through profit or loss		48,489		

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2015				
Investments listed in:				
Shanghai — Available for sale	10	80,402	—	6,030
Shanghai — Available for sale	(10)	80,402	—	(6,030)
Shenzhen GEM — Available for sale	10	738,058	—	55,354
Shenzhen GEM — Available for sale	(10)	738,058	—	(55,354)
Shenzhen — Available for sale	10	81,146	—	6,196
Shenzhen — Available for sale	(10)	81,146	—	(6,196)
NASDAQ — Available for sale	10	87,953	—	8,181
NASDAQ — Available for sale	(10)	87,953	—	(8,181)
NASDAQ — Equity investments at fair value through profit or loss	10	33,751	3,375	—
NASDAQ — Equity investments at fair value through profit or loss	(10)	33,751	(3,375)	—
New Zealand — Available for sale	10	49,125	—	4,913
New Zealand — Available for sale	(10)	49,125	—	(4,913)
NYSE — Available for sale	10	92,570	—	9,257
NYSE — Available for sale	(10)	92,570	—	(9,257)
Hong Kong — Available for sale	10	195,048	—	19,505
Hong Kong — Available for sale	(10)	195,048	—	(19,505)
Total available for sale investments		1,324,302		
Total equity investments at fair value through profit or loss		33,751		

* Excluding retained profits

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, other long-term liabilities less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	2016 **RMB'000**	2015 RMB'000
Interest-bearing bank and other borrowings *(note 31)*	**11,710,351**	10,894,954
Loan from third parties included in other long-term liabilities	**27,837**	29,702
Less: Cash and cash equivalents *(note 28)*	**(4,538,037)**	(3,348,594)
Net debt	**7,200,151**	7,576,062
Total equity	**25,193,439**	20,612,762
Total equity and net debt	**32,393,590**	28,188,824
Gearing ratio	**22%**	27%

47. EVENTS AFTER THE REPORTING PERIOD

(a) Establishment of a joint venture

On 10 January 2017, Shanghai Fosun Pharmaceutical Industrial Development Company Limited ("Fosun Pharma Industrial"), a wholly-owned subsidiary of the Company, entered into an agreement with KP EU C.V, pursuant to which Fosun Pharma Industrial proposed to invest no more than USD80 million (including but not limited to capital contribution and a shareholder's loan) to establish a joint venture named Fosun Pharma Kite Biotechnology Co., Ltd. (tentative name, subject to the approval of the relevant registration authority), to strive to explore the market of T-cell immunotherapy for cancer in China.

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47. EVENTS AFTER THE REPORTING PERIOD (Continued)

(b) Acquisition of a subsidiary

On 25 January 2017, Fosun Industrial (HK) Co., Ltd. ("Fosun Industrial"), a wholly owned-subsidiary of the Company, Fosun Industrial Holdings Limited, a connected person of the Company, PBM RESP Holding, LLC ("PBM"), PBM Capital Investments, LLC and Goldcup 14112 AB ("Goldcup") entered into an agreement, pursuant to which Fosun Industrial and Fosun Industrial Holdings Limited agreed to set up a new company ("SPV") in Sweden, and through which to contribute in an aggregate amount of up to USD90 million to invest in Goldcup. Fosun Industrial and Fosun Industrial Holdings Limited proposed to contribute up to USD49.50 million and USD40.50 million through SPV, respectively, to acquire and subscribe for 80% of the enlarged total number of issued shares in the Goldup. PBM shall have the right to sell all or a portion of the remaining shares in the Goldcup held by PBM to SPV at a price agreed under the agreement, which shall be no more than USD90 million.

(c) Unlocking and trading of the third tranche of restricted A shares under incentive scheme I

On 12 January 2017, the board of directors considered and approved the resolutions in relation to the fulfilment of the conditions for unlocking the third tranche of restricted A shares under the Incentive Scheme I, and the conditions for unlocking the aforementioned restricted A shares have been satisfied. As a result, a total of 1,259,360 restricted A shares were unlocked and became tradable on 19 January 2017. The total share capital of the Company is unchanged.

(d) Repurchase and cancellation of certain unlocked restricted A shares under incentive scheme II

Pursuant to the Restricted A share Incentive Scheme II as adopted by the Company, since two share incentive participants (the "Resigned Participants") had resigned from their respective positions and terminated their employment contracts with the Company or the relevant subsidiary, the restricted A shares held by the Resigned Participants no longer satisfied the conditions for unlocking. A total of 37,500 restricted A shares which had been granted to the Resigned Participants but had not been unlocked, were repurchased and cancelled at a repurchase price of RMB10.54 per share for a total repurchase consideration of RMB395,250 on 24 February 2017. The total number issued shares of the Company was reduced from 2,414,512,045 to 2,414,474,545 (including 2,011,190,545 A Shares and 403,284,000 H Shares).

(e) Public issuance of corporate bonds to qualified investors (first tranche) in 2017

The approval of the public issuance of corporate bonds to the qualified investors (Zheng Jian Xu Ke [2015] No. 3154) was issued by China Securities Regulatory Commission ("CSRC") on 30 December 2015, pursuant to which the public issuance of corporate bonds not exceeding RMB5 billion to qualified investors by the Company was approved. The public issuance of the first tranche of the corporate bonds was completed on 14 March 2017, of which the actual issuance size was RMB1.25 billion. The term of the first tranche of corporate bonds issued is 5 years, and the Company shall be entitled to adjust upwards the coupon rate and the investors shall be entitled to sell back the corporate bonds at the end of the third year during the term of the first tranche of corporate bonds. The final coupon rate for the first tranche of corporate bonds issued is 4.50%.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**17,032**	18,640
Other intangible assets	**1,703**	3,236
Investments in subsidiaries	**4,620,254**	4,620,254
Investments in associates	**8,368,658**	8,143,658
Available-for-sale investments	**582,959**	643,998
Other non-current assets	**4,957,583**	3,275,000
Total non-current assets	**18,548,189**	16,704,786
CURRENT ASSETS		
Prepayments, deposits and other receivables	**4,944,332**	4,361,489
Available-for-sale investments	**—**	15,979
Cash and bank balances	**1,154,258**	744,052
Total current assets	**6,098,590**	5,121,520
CURRENT LIABILITIES		
Other payables and accruals	**943,715**	788,591
Interest-bearing bank and other borrowings	**3,400,086**	4,318,836
Total current liabilities	**4,343,801**	5,107,427
NET CURRENT ASSETS	**1,754,789**	14,093
TOTAL ASSETS LESS CURRENT LIABILITIES	**20,302,978**	16,718,879
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**3,689,546**	2,082,064
Deferred income	**4,020**	1,450
Deferred tax liability	**968,947**	968,947
Total non-current liabilities	**4,662,513**	3,052,461
Net assets	**15,640,465**	13,666,418
EQUITY		
Share capital	**2,414,512**	2,314,075
Treasury shares	**(26,819)**	(43,494)
Reserves	**13,252,772**	11,395,837
Total equity	**15,640,465**	13,666,418

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48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's treasury shares and reserves is as follows:

	Share premium RMB'000	Treasury shares RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2014 and 1 January 2015	7,639,735	(23,925)	125,515	949,985	21,841	1,687,583	10,400,734
Total comprehensive income for the year	—	—	58,039	—	—	1,526,072	1,584,111
Profit appropriation to reserve	—	—	—	241,183	—	(241,183)	—
Issue of restricted A shares	25,710	(28,405)	—	—	—	—	(2,695)
Repurchase and cancellation of restricted A shares	(1,173)	1,404	—	—	—	—	231
Unlocking of restricted A shares	—	7,432					7,432
Equity-settled share-based payment *(note 38)*	—	—	—	—	9,654	—	9,654
Final 2014 dividend declared and paid	—	—	—	—	—	(647,124)	(647,124)
At 31 December 2015	7,664,272	(43,494)	183,554	1,191,168	31,495	2,325,348	11,352,343
At 31 December 2015 and 1 January 2016	**7,664,272**	**(43,494)**	**183,554**	**1,191,168**	**31,495**	**2,325,348**	**11,352,343**
Total comprehensive income for the year	**—**	**—**	**(99,904)**	**—**	**—**	**485,412**	**385,508**
Profit appropriation to reserve	**—**	**—**	**—**	**16,088**	**—**	**(16,088)**	**—**
Issue of restricted A shares	**2,174,813**	**—**	**—**	**—**	**—**	**—**	**2,174,813**
Unlocking of restricted A shares	**—**	**16,675**	**—**	**—**	**—**	**—**	**16,675**
Equity-settled share-based payment *(note 38)*	**41,887**	**—**	**—**	**—**	**(4,769)**	**—**	**37,118**
Final 2015 dividend declared and paid	**—**	**—**	**—**	**—**	**—**	**(740,504)**	**(740,504)**
At 31 December 2016	**9,880,972**	**(26,819)**	**83,650**	**1,207,256**	**26,726**	**2,054,168**	**13,225,953**

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2017.

Definitions

In this annual 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 RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"Alma Lasers"	Alma Lasers Ltd., a company incorporated in the State of Israel with limited liability, a subsidiary of the Company
"Anhui Railway Construction"	Anhui Railway Construction Investment Fund Co., Ltd. (安徽省鐵路建設投資基金有限公司)
"Aohong Pharma"	Jinzhou Aohong Pharmaceutical Company Limited (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Beijing Golte"	Beijing Golte Property Management Company Limited (北京高地物業管理有限公司). Beijing Golte is a connected person of the Group under Rule 14A.07(4) of the Hong Kong Listing Rules
"Board" or "Board of Directors"	the board of Directors of the Company
"CCPHC"	Chongqing Chemical & Pharmaceutical Holding (Group) Company (重慶化醫控股(集團)公司)
"CFDA"	China Food and Drug Administration (中華人民共和國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), a subsidiary of the Company
"China Fund"	China Fund Management Co., Ltd. (中信建投基金管理有限公司)
"China Life Insurance"	China Life Insurance Company Limited (中國人壽保險股份有限公司)
"China Merchants Wealth"	China Merchants Wealth Asset Management Co., Ltd. (招商財富資產管理有限公司)
"China Universal"	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司)
"Chindex"	Chindex International, Inc., a company incorporated in Delaware of the United States

Definitions

"Chongqing Kaixing"	Chongqing Kaixing Pharmaceutical Co., Ltd. (重慶凱興製藥有限責任公司)
"Chongqing Pharma"	Chongqing Pharmaceutical (Group) Company Limited (重慶醫藥(集團)股份有限公司)
"CML"	Chindex Medical Limited (美中互利醫療有限公司), 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
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities market
"Deed of Non-Competition"	the deed of non-competition undertakings dated 13 October 2012 and executed by our Controlling Shareholders in favor of the Company (for itself and as trustee of its subsidiaries from time to time)
"Director(s)"	director(s) of our Company
"Dalian Aleph"	Dalian Aleph Biomedical Co., Ltd. (大連雅立峰生物製藥有限公司) , a subsidiary of the Company
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"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
"Financial Services Agreement"	the financial services agreement entered into between the Company and Fosun Finance dated 26 August 2013 for the provision of financial services by Fosun Finance to the Company, the term of which expired on 31 December 2016
"Forte"	Shanghai Forte Land Company Limited (復地(集團)股份有限公司), a subsidiary of Fosun International (a Controlling Shareholder of the Company). Forte is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules
"Fosun Long March"	Shanghai Fosun Long March Medical Science Co., Ltd. (上海復星長征醫學科學有限公司), a subsidiary of the Company
"Fosun Finance"	Fosun Group Finance Corporation Limited (上海復星高科技集團財務有限公司), a subsidiary of Fosun High Tech (a Controlling Shareholder of the Company). Fosun Finance is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules

Definitions

"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 Hospital Investment"	Shanghai Fosun Hospital Investment (Group) Co., Ltd. (上海復星醫院投資(集團)有限公司), a subsidiary of the Company
"Fosun Industrial"	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a wholly-owned subsidiary of the Company
"Fosun International"	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
"Fosun International Holdings"	Fosun International Holdings Limited (復星國際控股有限公司), which is held as to 64.5%, 24.4% and 11.1% by Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin, respectively, and a Controlling Shareholder of the Company
"Fosun Pharmaceutical"	Shanghai Fosun Pharmaceutical Company United (上海復星藥業有限公司), has been renamed as Sinopharm Holdings GuoDa For Me Pharmaceutical (Shanghai) Company Limited (國藥控股國大復美藥業(上海)有限公司)
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited (上海復星醫藥產業發展有限公司), a wholly-owned subsidiary of the Company
"General Mandate of A Shares"	an unconditional and general mandate proposed to be granted to the Board at the general meeting of the Company to issue, allot and/or deal with additional new A Shares not exceeding 20% of the total issued A Shares as at the date of the general meeting of the Company (i.e. 29 June 2015)
"Gland Pharma"	Gland Pharma Limited, a company registered in India
"Group", "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"Guahao.com"	Guahao.com Limited, a company established in the Cayman Islands, mainly operates the "Guahao.com" platform
"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 Drug Store Co., Ltd. (國藥控股國大藥房有限公司)

Definitions

"Handan Pharmaceutical"	Handan Pharmaceutical Co., Ltd. (邯鄲製藥股份有限公司)
"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
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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 as at the end of the Reporting Period
"independent third part(ies)"	a person or persons or a company or companies that is not or are not connected person(s) of the Company
"Intuitive Surgical"	Intuitive Surgical SARL
"Jian Feng Chemical"	Chongqing Jian Feng Chemical Co., Ltd* (重慶建峰化工股份有限公司), a joint stock company incorporated under the PRC Law with limited liability, the shares of which are listed and traded on the Shenzhen Stock Exchange (stock code: 000950)
"Jiangsu Wanbang"	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
"Jimin Cancer Hospital"	Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院), a people run non-enterprise unit (民辦非企業單位) established in the PRC, a subsidiary of the Company
"Liangfu Credit Investigation"	Liangfu Credit Investigation Management Co., Ltd. (量富征信管理有限公司), a subsidiary of Mr. Guo Guangchang, the Controlling Shareholder of the Company. Liangfu Credit Investigation is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"NHFPC"	National Health and Family Planning Commission of the People's Republic of China (中華人民共和國國家衛生和計劃生育委員會)
"PCT"	Patent Cooperation Treaty

Definitions

"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this annual report to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC Enterprise Income Tax Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as adopted by the Tenth National People's Congress on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises
"PRC government" or "Chinese government"	central government of the PRC, including all governmental sub-divisions (including provincial, municipal and other regional or local government entities)
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the Standing Committee of the Ninth National People's Congress on 29 December 1998 and effective on 1 July 1999, as amended, supplemented or otherwise modified from time to time
"Proposed Non-Public Issuance"	the non-public issuance of A Shares proposed by the Company to the Subscribers
"Qilu Clinical Laboratory"	Jinan Qilu Medical Examination Co., Ltd. (濟南齊魯醫學檢驗有限公司), a subsidiary of the Company
"R&D"	research and development
"Reporting Period"	the 12-month period from 1 January 2016 to 31 December 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
"Restricted A Share Incentive Scheme II"	the Restricted A Share incentive scheme II of the Company, as approved by the Shareholders on 16 November 2015
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Runjia Sci-Tech"	Xuzhou Runjia Sci-Tech Company Limited* (徐州潤嘉科技有限公司), a limited liability company incorporated in the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

Definitions

"Shanghai Golte"	Shanghai Golte Assets Management Company Limited (上海高地資產經營管理有限公司), a wholly-owned subsidiary of Forte, a subsidiary of Fosun International (the Controlling Shareholder of the Company). Shanghai Golte is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Yuzhi"	Shanghai Yuzhi Investment Management Co., Ltd. (上海遇志投資管理有限公司), a subsidiary of Fosun International, the Controlling Shareholder of the Company. Shanghai Yuzhi is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Yixing"	Shanghai Yixing Sports Development Co., Ltd. (上海易星體育發展有限公司), a subsidiary of Mr. Guo Guangchang, the Controlling Shareholder of the Company. Shanghai Yixing is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Yunji"	Shanghai Yunji Information Technology Co., Ltd. (上海雲濟信息科技有限公司), a subsidiary of Mr. Guo Guangchang, the Controlling Shareholder of the Company. Shanghai Yunji is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Henlius"	Shanghai Henlius Biotech Company Limited (上海復宏漢霖生物技術股份有限公司), a subsidiary of the Company
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shanghai Yuyuan"	Shanghai Yuyuan Tourist Mart Company Limited (上海豫園旅遊商城股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600655)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"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)
"Sinopharm Industrial Investment"	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)
"Sisram"	Sisram Medical Ltd., a subsidiary of the Company
"Sisram Medical Plan"	the 2013 employee incentive compensation plan adopted by Sisram
"Spirosure"	Spirosure, Inc.
"substantial shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Supervisors"	the members of the Supervisory Committee

Definitions

"Supervisory Committee"	the supervisory committee of the Company
"Taikang Asset Management"	Taikang Asset Management Co., Ltd. (泰康資產管理有限責任公司)
"Taizhou Zhedong Hospital"	Taizhou Zhedong Hospital Company Limited (台州浙東醫院有限公司), a subsidiary of the Company
"Tebon Innovation"	Tebon Innovation Capital Co., Ltd. (德邦創新資本有限公司)
"U.K."	United Kingdom of Great Britain and Northern Ireland
"U.S." or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"Wanbang Jinqiao"	Xuzhou Wanbang Jinqiao Pharmaceutical Company Limited* (徐州萬邦金橋製藥有限公司), a subsidiary of the Company
"Wanbang Tiancheng"	Hangzhou Wanbang Tiancheng Pharmaceutical Co., Ltd. (杭州萬邦天誠藥業有限公司), a subsidiary of the Company
"Wanbangyun Jiankang"	Wanbangyun Jiankang Technology Co., Ltd. (萬邦雲健康科技有限公司), a subsidiary of the Company
"Wanbang Cloud Pharmacy"	Jiangsu Wanbang Cloud Pharmacy Chain Co., Ltd. (江蘇萬邦雲藥房連鎖有限公司), 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 of the Company (《董事／有關僱員進行證券交易的書面指引》)
"Xinglian Commercial Factoring"	Shanghai Xinglian Commercial Factoring Co., Ltd. (上海星聯商業保理有限公司), a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Xingshuangjian Investment"	Shanghai Xingshuangjian Investment Management Co., Ltd. (上海星雙健投資管理有限公司), a wholly-owned subsidiary of Fosun High Tech, the Controlling Shareholder of the Company. Shanghai Xingshuangjian is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Xingyao Medical"	Shanghai Xingyao Medical Technology Development Co., Ltd. (上海星耀醫學科技發展有限公司)
"Xuzhou Kangxin"	Xuzhou Kangxin Pharmaceutical Co., Ltd. (徐州康信醫藥有限公司), a subsidiary of the Company
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Yulin Guanghai"	Yulin Guanghai Medical Investment Management Co., Ltd. (玉林廣海醫療投資管理有限公司), a subsidiary of the Company

Definitions

"Zhongsheng Zhongjie"	Changsha Zhongshengzhongjie Bio-Technology Co., Ltd. (長沙中生眾捷生物技術有限公司), 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
"€"	EURO, the lawful currency of the European Union
"%"	per cent

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

FOSUNPHARMA

Innovation for Good Health

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