FOSUN PHARMA

上海復星醫藥(集團)股份有限公司

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

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

Stock Code: 02196

INTERIM REPORT 2017

* For identification purposes only

Our Vision

Become a first-tier enterprise in the global mainstream pharmaceutical and healthcare market

Our Mission

We are committed to rebuilding the R&D, manufacturing, business operation, distribution and service system of the healthcare industry through innovation and integration, in order to provide more efficient, higher quality and more accessible 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)*

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)

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

Joint Company Secretaries
Ms. Dong Xiaoxian (董曉嫻)
Ms. Lo Yee Har Susan (盧綺霞)

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

Strategic Committee
Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方)
Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Mr. Wai Shiu Kwan Danny (韋少琨)

Audit Committee
Mr. Cao Huimin (曹惠民) *(Chairman)*
Mr. Jiang Xian (江憲)
Mr. Wang Can (王燦)

Nomination Committee
Mr. Jiang Xian (江憲) *(Chairman)*
Ms. Kang Lan (康嵐)
Mr. Cao Huimin (曹惠民)

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

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

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

Stock Abbreviation
FOSUN PHARMA

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

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

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

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

Financial Highlights

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Operating results		
Revenue	**8,277**	6,878
Gross profit	**4,705**	3,649
Operating profit	**1,177**	998
Profit before tax	**2,179**	1,930
Profit for the period attributable to owners of the parent	**1,689**	1,500
Profitability		
Gross margin	**56.85%**	53.05%
Operating profit margin	**14.22%**	14.51%
Profit margin for the year	**23.28%**	25.43%
Earnings per share		
(RMB)		
Earnings per share — basic	**0.70**	0.65
Earnings per share — diluted	**0.70**	0.65
Assets		
Total assets	**50,577**	43,711
Equity attributable to owners of the parent	**24,604**	22,133
Total liabilities	**23,154**	18,517
Cash and bank balances	**9,445**	5,996
Debt-to-asset ratio	**45.78%**	42.36%
Of which: Pharmaceutical manufacturing and R&D segment		
Segment revenue	**5,706**	4,797
Segment gross profit	**3,656**	2,788
Segment results	**937**	812
Segment profit for the period	**971**	857

Management Discussion and Analysis

FINANCIAL REVIEW

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

During the Reporting Period, revenue of the Group amounted to RMB8,277 million, representing an increase of 20.34% as compared to the corresponding period of 2016. Excluding the impacts of the new acquisition of Breas in 2017, the establishment of Wenzhou Geriatric Hospital and the acquisition of Qilu Clinical Laboratory in 2016 as comparable factors, the revenue would have increased by 17.06% on the same basis as compared with the corresponding period of 2016.

During the Reporting Period, profit before tax and profit attributable to owners of the parent of the Group were RMB2,179 million and RMB1,689 million, increased by 12.92% and 12.58% as compared to the corresponding period of 2016, respectively.

During the Reporting Period, earnings per share attributable to owners of the parent of the Group increased by 7.69% to RMB0.70 as compared to the corresponding period of 2016.

REVENUE

During the Reporting Period, revenue of the Group amounted to RMB8,277 million, representing an increase of 20.34% as compared to the corresponding period of 2016. Excluding the impacts of the new acquisition of Breas in 2017, the establishment of Wenzhou Geriatric Hospital and the acquisition of Qilu Clinical Laboratory in 2016 as comparable factors, the revenue would have increased by 17.06% on the same basis as compared with the corresponding period of 2016.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB5,706 million, representing an increase of 18.95% as compared to the corresponding period of 2016, segment results of RMB937 million, representing an increase of 15.36% as compared to the corresponding period of 2016 and segment profit of RMB971 million, representing an increase of 13.27% as compared to the corresponding period of 2016.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased by 10.63% to RMB3,572 million from RMB3,229 million for the corresponding period of 2016.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group increased by 28.94% to RMB4,705 million from RMB3,649 million for the corresponding period of 2016. The gross margin of the Group for the Reporting Period and the corresponding period of 2016 were 56.85% and 53.05%, respectively.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 35.91% to RMB2,283 million from RMB1,680 million for the corresponding period of 2016, which was mainly due to the growth in the sales volume of major products in the major therapeutic areas and the extensive market expansion during the Reporting Period.

Management
Discussion and Analysis

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, R&D expenses of the Group increased by 50.15% to RMB461 million from RMB307 million for the corresponding period of 2016, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB365 million, representing an increase of 50.46% from the corresponding period of 2016 and accounting for 6.3% of the revenue of the pharmaceutical manufacturing and R&D segment. The increase was mainly due to the further increase in the R&D investment in monoclonal antibody biopharmaceutical innovative drugs and biosimilars and small molecular innovative drugs and focused investment in consistency evaluation during the Reporting Period.

During the Reporting Period, R&D expenditure of the Group amounted to RMB626 million, accounting for 7.5% of the revenue for the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased by 6.16% to RMB760 million from RMB716 million for the corresponding period of 2016, which was mainly due to the continuous growth in the operating results of major associates of the Group.

PROFIT FOR THE PERIOD

Due to the above reasons, during the Reporting Period, profit for the period of the Group increased by 10.18% to RMB1,927 million from RMB1,749 million for the corresponding period of 2016. Net profit margin for the period of the Group during the Reporting Period and the corresponding period of 2016 were 23.28% and 25.43%, respectively.

PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group increased by 12.58% to RMB1,689 million from RMB1,500 million for the corresponding period of 2016 mainly due to the steady business growth maintained by the Group as a result of the further optimized sales structure and the apparent results of the establishment of marketing system and consolidation of supply chain.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 30 June 2017, total debts of the Group increased to RMB15,042 million from RMB11,710 million as at 31 December 2016 mainly due to the increase in domestic and overseas acquisitions. As at 30 June 2017, mid- to long-term debts of the Group accounted for 67.45% of its total debts as compared to 47.57% as at 31 December 2016. The increase in proportion of the long-term debts was mainly due to the change in the debt structure of the Group during the Reporting Period. As at 30 June 2017, cash and bank balances increased by 57.52% to RMB9,445 million from RMB5,996 million as at 31 December 2016.

As at 30 June 2017, the equivalent amount of RMB6,317 million (31 December 2016: RMB4,286 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

Management Discussion and Analysis

As at 30 June 2017, cash and bank balances of the Group denominated in foreign currencies amounted to RMB4,736 million (31 December 2016: RMB1,678 million).

Unit: million Currency: RMB

Cash and bank balances denominated in:	30 June 2017	31 December 2016
RMB	4,709	4,318
US dollars	3,485	1,443
Hong Kong dollars	1,174	101
Others	77	134
Total	9,445	5,996

Gearing Ratio

As at 30 June 2017, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 29.74%, as compared with 26.79% as at 31 December 2016.

Interest Rate

As at 30 June 2017, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB8,429 million (31 December 2016: RMB5,382 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	30 June 2017	31 December 2016
Within 1 year	4,897	6,139
1 to 2 years	5,012	763
2 to 5 years	5,026	4,717
Over 5 years	107	91
Total	15,042	11,710

Available Facilities

As at 30 June 2017, save for cash and bank balances of RMB9,445 million, the Group had unutilized banking facilities of RMB21,757 million in aggregate. The Group has also entered into cooperation agreements with various major banks in China. According to such agreements, these banks granted the Group with general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from these banks in accordance with banking regulations in China. As at 30 June 2017, total available banking facilities under these arrangements were approximately RMB32,872 million in aggregate, of which RMB11,115 million had been utilized. 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 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, the super short-term commercial papers of RMB500 million has been issued and redeemed on 20 May 2016 and 16 November 2016, respectively, and the super short-term commercial papers of RMB500 million has been issued and redeemed on 18 August 2016 and 15 May 2017, respectively. The CSRC issued the approval for public issuance of Corporate Bonds in the amount of no more than RMB5,000 million by the Company to qualified investors on 30 December 2015. The approval shall be effective within a period of 24 months from the date on which the approval of the CSRC is obtained, in which, the Corporate Bonds of RMB3,000 million has been issued on 4 March 2016 and the Corporate Bonds of RMB1,250 million has been issued on 14 March 2017.

Management
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Collateral and Pledged Assets

As at 30 June 2017, the Group had placed the following as collateral for bank borrowings: Property, plant and equipment amounting to RMB85 million (31 December 2016: RMB32 million) and prepaid land lease payments amounting to RMB34 million (31 December 2016: RMB34 million), 268,371,532 shares in Guilin Pharma held by the Group (31 December 2016: 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 2016: 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 15 to the financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principals of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for the Reporting Period and the corresponding period of 2016.

Unit: million Currency: RMB

	January – June 2017	January – June 2016
Net cash flows from operating activities	**1,104**	936
Net cash flows used in investing activities	**(1,653)**	(1,128)
Net cash flows from financing activities	**4,901**	668
Net increase/(decrease) in cash and cash equivalents	**4,352**	476
Cash and cash equivalents at the beginning of the year	**4,538**	3,349
Cash and cash equivalents at the end of the period	**8,792**	3,846

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB1,109 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 30 June 2017, the Group's capital commitments contracted but not provided for amounted to RMB11,096 million. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 18 to the financial statements.

Contingent Liabilities

As at 30 June 2017, the Group did not have any contingent liabilities.

Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBITDA divided by financial costs was 10.68 times as compared with 10.87 times for the corresponding period of 2016. The interest coverage decreased mainly because the Group's finance costs during the Reporting Period increased by 14.53% to RMB268 million from RMB234 million for the corresponding period of 2016.

RISK MANAGEMENT

Foreign Currency Exposure

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

Interest Rate Exposure

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

Management
Discussion and Analysis

BUSINESS REVIEW

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

In the first half of 2017, amidst the situation that was full of challenges and uncertainties in the economies of the world and the PRC, there were continuous reform of the medical system in the PRC and limited growth of pharmaceutical manufacturing industry despite the slight recovery, while medical technology and medical services continued to be benefited from policies 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 core businesses.

During the Reporting Period, the revenue of the Group increased by 20.34% as compared to the corresponding period of 2016 to RMB8,277 million, and excluding the impacts of the new acquisition of Breas in 2017, the establishment of Wenzhou Geriatric Hospital and the acquisition of Qilu Clinical Laboratory in 2016 as comparable factors, revenue would have increased by 17.06% as compared to the corresponding period of 2016. Of which, the revenue from pharmaceutical manufacturing and research and development (R&D) segment of the Group amounted to RMB5,706 million, representing an increase of 18.95% as compared to the corresponding period of 2016. The revenue from healthcare service business amounted to RMB1,011 million, representing an increase of 34.44% as compared to the corresponding period of 2016, and excluding the impacts of the establishment of Wenzhou Geriatric Hospital, the acquisition of Qilu Medical Laboratory in 2016 as comparable factors and other factors, revenue from healthcare service would have increased by 19.14% as compared to the corresponding period of 2016. The Group recorded revenue of RMB6,808 million in the Mainland China, representing an increase of 14.38% as compared to the corresponding period of 2016 and recorded revenue of RMB1,469 million in foreign countries or regions, representing an increase of 58.64% as compared to the corresponding period of 2016. The proportion of the Group's overseas revenue was 17.75%, representing an increase of 4.29% as compared to the corresponding period of 2016.

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

Unit: million Currency: RMB

Business segment	**Revenue for January to June 2017**	Revenue for January to June 2016	Period-on-period increase/decrease (%)
Pharmaceutical manufacturing and R&D	**5,706**	4,797	18.95
Healthcare services *(Note 1)*	**1,011**	752	34.44
Medical devices and medical diagnosis *(Note 2)*	**1,541**	1,316	17.10

Note 1: Excluding the impact of the establishment of Wenzhou Geriatric Hospital, the acquisition of Qilu Clinical Laboratory in 2016 as comparable factors, the revenue of healthcare services business segment would have increased by 19.14% on the same basis as compared to the corresponding period of 2016;

Note 2: Excluding the impact of the new acquisition of Breas in 2017 and other factors, the revenue of medical devices and medical diagnosis business segment would have increased by 11.74% on the same basis as compared to the corresponding period of 2016.

During the Reporting Period, the Group recorded profit before tax of RMB2,179 million and profit attributable to owners of the parent of RMB1,689 million, representing an increase of 12.92% and 12.58%, respectively, as compared to the corresponding period of 2016. The increase in each of the profit before tax and profit attributable to owners of the parent was mainly due to the steady growth maintained by businesses of the Group, the further optimized sales structure, the construction of marketing system and emergence of effects arising from supply chain integration.

During the Reporting Period, net cash flow from operating activities continued to rise, increasing to RMB1,104 million for the first half of 2017, representing an increase of 17.90% as compared to the corresponding period of 2016. The profitability and operational quality of the Group further enhanced.

Management
Discussion and Analysis

During the Reporting Period, the Group continued to increase R&D investment. The total R&D investment amounted to RMB626 million, representing an increase of RMB137 million or 28.12% as compared to the corresponding period of 2016. In particular, the R&D expenses amounted to RMB461 million, representing an increase of RMB154 million or 50.15% as compared to the corresponding period of 2016. The R&D investment in the pharmaceutical manufacturing and R&D segment amounted to RMB530 million, representing an increase of RMB106 million or 24.93% as compared to 2016. In particular, R&D expenses amounted to RMB365 million, representing an increase of RMB122 million or 50.46% as compared to the corresponding period of 2016, accounting for 6.3% 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, biosimilars and vaccine projects (including 11 small molecular innovative drugs, 9 biopharmaceutical innovative drugs, 12 biosimilars, 2 improved innovative drugs, 133 generic drugs with international standards, 4 biological products for prevention and 2 traditional Chinese medicine drugs). During the Reporting Period, the Group applied for 31 patents, including 6 U.S. patent applications, 1 Japanese patent application, 1 European patent application and 6 PCT applications, in the pharmaceutical manufacturing and R&D segment, and obtained 7 licensed patents, all of which were invention patents.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group generated revenue of RMB5,706 million, representing an increase of 18.95% as compared to the corresponding period of 2016. During the Reporting Period, segment results and segment profit of the pharmaceutical manufacturing and R&D segment of the Group amounted to RMB937 million and RMB971 million, which increased by 15.36% and 13.27% as compared to the corresponding period of 2016, 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. The Group's products including, among others, pitavastatin (Bang Zhi) and alprostadil dried emulsion (You Di Er) in cardiovascular system therapeutic area, compound aloe capsules and febuxostat tablets (You Li Tong) in metabolism and alimentary system therapeutic area and pemetrexed disodium (Yi Luo Ze) in anti-tumor therapeutic area entered the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Drugs Catalogue (2017 version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄》(2017年版)) during the Reporting Period.

In the first half of 2017, febuxostat tablets (You Li Tong) maintained rapid growth, while certain other products including, among others, reduced glutathione (Atomolan series), antimalarial series such as artesunate, alprostadil dried emulsion (You Di Er), anti-tuberculosis series, compound aloe capsules and other products recorded relatively fast growth.

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

Unit: RMB million

Pharmaceutical manufacturing and R&D	**January to June 2017**	January to June 2016	Changes compared to the corresponding period of 2016 (%)
Major products of cardiovascular system therapeutic area *(Note 1)*	**647**	585	10.69
Major products of central nervous system therapeutic area *(Note 2)*	**544**	488	11.46
Major products of blood system therapeutic area *(Note 3)*	**193**	161 *(Note 3*)*	19.87
Major products of metabolism and alimentary system therapeutic area *(Note 4)*	**1,094**	847	29.17
Major products of anti-infection therapeutic area *(Note 5)*	**1,121**	936	19.79
Major products of anti-tumor therapeutic area *(Note 6)*	**150**	155	–3.23
Major products of APIs and intermediate products *(Note 7)*	**657**	544	20.74

Management Discussion and Analysis

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 deproteinized 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 data of the first half of 2016 was restated for comparison with the data in 2016 Annual Report on the same basis, i.e. the data of the first half of 2016 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 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); and

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

The Group has placed great emphasis on quality and risk management of the life cycle of its products and implemented stringent quality and safety control mechanisms and adverse reaction monitoring mechanisms at each stage of the production chain from R&D to pulling off shelf of products, so as to ensure the R&D, registration, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing and R&D segment has fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, change management, deviation management, out-of-specification (OOS) investigation, Corrective and Preventive Actions (CAPA) and audit on suppliers. The Group's pharmaceutical manufacturing segment continued to push forward the improvement of qualification certifications. As at the end of the Reporting Period, the subsidiaries of the Group that engaged in pharmaceutical manufacturing business had 53 Good Manufacturing Practices (GMP) certificates (2010) in aggregate, which included 33 production lines for sterile preparation, 37 production lines for oral formulation and 63 APIs. All subsidiaries that engaged in pharmaceutical manufacturing business fulfilled the new GMP in China. 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 Current Good Manufacturing Practice (cGMP) certifications such as the U.S., European Union and World Health Organization (WHO) into practice. As at the end of the Reporting Period, more than 10 APIs of the Group received GMP certifications of national health authorities from the U.S. FDA, EU, Ministry of Health, Labor and Welfare of Japan and Federal Ministry of Health of Germany; 1 production line for oral solid dosage formulation and 5 production lines for APIs of Guilin Pharma, a subsidiary, obtained PreQualification from the WHO-PQ; and 1 production line of oral solid dosage formulation of Yao Pharma, a subsidiary, was recognized by Canada FDA and the U.S. FDA and its many formulations products were sold overseas.

The Group has focused on innovation and R&D in long run and continued to increase investment in R&D. During the Reporting Period, the total R&D investment amounted to RMB626 million in total, representing an increase of RMB137 million or 28.12% as compared to the corresponding period of 2016. In particular, the R&D expenses amounted to RMB461 million, representing an increase of RMB154 million or 50.15% as compared to the corresponding period of 2016. The R&D investment in the pharmaceutical manufacturing and R&D segment amounted to RMB530 million, representing an increase of RMB106 million or 24.93% as compared to 2016. In particular, R&D expenses amounted to RMB365 million, representing an increase of RMB122 million or 50.46% as compared to the corresponding period of 2016, accounting for 6.3% of the revenue of the pharmaceutical manufacturing and R&D segment. The Group continued to increase its R&D investment in monoclonal antibody biopharmaceutical innovative drugs and biosimilars and small molecular innovative drugs and pushed forward consistency evaluation. The Group also continued to optimize its pharmaceutical R&D system that integrated generic and innovator drugs, 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, Taipei and San Francisco. In order to leverage its competitive strengths, the Group focused its R&D projects on therapeutic areas including anti-tumor, cardiovascular system, central nervous system, blood system, metabolism and alimentary system and anti-infection, and the major products had gained a leading position in their respective market segments.

Management Discussion and Analysis

As at the end of the Reporting Period, the Group had 173 pipeline drugs, generic drugs, biosimilars and vaccine projects (including 11 small molecular innovative drugs, 9 biopharmaceutical innovative drugs, 12 biosimilars, 2 improved innovative drugs, 133 generic drugs with international standards, 4 biological products for prevention and 2 traditional Chinese medicine drugs). During the Reporting Period, research on monoclonal antibody products further accelerated and the R&D progress is set out below:

No.	Name of R&D project on drugs (products)	R&D stage as at the end of the Reporting Period	Stage of clinical trial
1	Recombinant murine/human chimeric anti-CD20 monoclonal antibody injection	Clinical trial	Phase I/III of clinical trial *(Note 1)*
2	Recombinant humanized anti-HER2 monoclonal antibody injection	Clinical trial *(Note 2)*	Phase III of clinical trial
3	Recombinant anti-TNF α fully human monoclonal antibody injection	Clinical trial *(Note 3)*	Phase I of clinical trial
4	Recombinant humanized anti-EGFR monoclonal antibody injection	Clinical trial *(Note 4)*	Phase I of clinical trial *(Note 5)*
5	Recombinant humanized anti-VEGF monoclonal antibody injection	Clinical trial	Phase I of clinical trial
6	Recombinant anti-VEGFR2 fully human monoclonal antibody injection	Accepted the application for clinical trial	Not applicable

Note 1: Such drug for rheumatoid arthritis indications and non-Hodgkin lymphoma indications were in phases I and III clinical trial, respectively;

Note 2: Approved for clinical trial in the PRC and Ukraine as at the end of the Reporting Period;

Note 3: Approved for clinical trial for psoriasis indications in the PRC during the Reporting Period;

Note 4: Approved for clinical trial in the PRC (including Taiwan) and the U.S. as at the end of the Reporting Period; and

Note 5: Carried out phase I of clinical trial in Taiwan.

During the Reporting Period, a total of 31 patents had been applied for in the pharmaceutical manufacturing and R&D segment, including 6 U.S. patent applications, 1 Japanese patent application, 1 European patent application and 6 PCT applications, and 7 licensed patents had been obtained, all of which were invention 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.

Healthcare Services

In the first half of 2017, 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, reconstruction and expansion projects including Zhongwu Hospital and Guangji Hospital commenced one by one and Wenzhou Geriatric Hospital was under smooth operation, laying foundations of a new model for social enterprises' participation in the healthcare services segment. The Group participated in the reorganization 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. The Group cooperated in the establishment of Shandong Yixing Nursing Services Co., Ltd.* (山東頤星護理服務有限公司), which met the demand of a closed circuit in the healthcare service industry. The Group actively explored and participated in the new business model of providing healthcare services on the Internet to achieve a seamless integration of online and offline services and form a closed circuit of O2O 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.

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During the Reporting Period, the healthcare services entities controlled by the Group realized total revenue of RMB1,011 million, representing an increase of 34.44% as compared to the corresponding period of 2016. Excluding the impacts of the establishment of Wenzhou Geriatric Hospital and the acquisition of Qilu Clinical Laboratory in 2016 as comparable factors and other factors, revenue from healthcare service would have increased by 19.14% as compared to the corresponding period of 2016. The performance of the hospitals commenced operation improved steadily. During the Reporting Period, segment results were RMB159 million, representing an increase of 20.10% as compared to the corresponding period of 2016, and segment profit was RMB132 million, representing an increase of 17.75% as compared to the corresponding period of 2016. As at the end of the Reporting Period, the total number of authorized beds available for the public in Chancheng Hospital, Jimin Cancer Hospital, Guangji Hospital, Zhongwu Hospital and Wenzhou Geriatrics Hospital, etc. controlled by the Group was 3,018 in aggregate.

In addition, during the Reporting Period, the Group actively supported and facilitated the development and deployment of hospital and clinic network under "United Family Hospital", a leading premium healthcare services brand under Chindex. In the first half of 2017, the United Family Hospital maintained its brand awareness and prominent positions in high-end healthcare segment in major cities such as Beijing, Shanghai and Tianjin. Qingdao United Family Hospital had commenced operation. The construction of Guangzhou United Family Hospital and Shanghai Pudong United Family Hospital was at full steam.

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

Medical Devices and Medical Diagnosis

During the Reporting Period, 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 RMB1,541 million from the medical devices and medical diagnosis segment, representing an increase of 17.10% as compared to the corresponding period of 2016. Excluding the impact of the new acquisition of Breas in 2017 and other factors, revenue would have increased by 11.74% as compared to the corresponding period of 2016. During the Reporting Period, the results and profit of the medical devices and medical diagnosis segment amounted to RMB257 million and RMB220 million, which increased by 4.74% and 16.25% as compared to the corresponding period of 2016, respectively. In the first half of 2017, HPV reagent, medical beauty devices and dental digitized product maintained rapid growth. The number of surgeries by Da Vinci surgical robotic system sustained rapid growth and amounted to over 12,800 in the Mainland China and Hong Kong, representing year-on-year growth of approximately 60%. However, as affected by the approval progress of the allocation of large equipment, the sales and installation of Da Vinci surgical robotic system delayed in the first half of 2017, causing a decrease of 52% in sales revenue.

During the Reporting Period, Alma Lasers under Sisram continued to accelerate the development of the global market and especially key emerging markets while strengthening its new product portfolio, in particular, by increasing R&D of medical devices and extending its production line into the clinical treatment area. In June 2017, Sisram submitted the listing application to the Hong Kong Stock Exchange. Upon the transfer of 30% equity interest in CML as a transferee, the Group wholly owned CML and would further accelerate the collaborative development of the medical device segment in respect of R&D, manufacturing, sales, product services as well as investment, acquisition and merger by taking CML as a platform. The Company made joint investment with Intuitive Surgical, the owner of the technology and products of Da Vinci surgical robotic system, in establishing a joint venture, namely Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd.* (直觀復星醫療器械技術（上海）有限公司), and completed the relevant business registration so as to facilitate the development and popularization of high-end medical technology in China. The Group completed its investment in the 80% equity interest of Breas, a leading brand of respiratory medical devices in Sweden, which further expanded the product portfolio of respiratory medical business and established a strategic platform covering the early diagnosis of lung cancer and asthma as well as the medical devices for treatment of common respiratory diseases so as to form a closed circuit for the respiratory segment of the Group.

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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 the first half of 2017, Sinopharm realized revenue of RMB137,768 million, net profit of RMB4,032 million and net profit attributable to shareholders of the parent of RMB2,765 million, which represented an increase of 8.65%, 7.39% and 9.04% as compared to the corresponding period of 2016, respectively. As at the end of the Reporting Period, the distribution network of Sinopharm covered 31 provinces, autonomous regions and municipalities in China. The number of its direct customers reached 14,279 hospitals (only referring to hospitals with ranking, including 1,938 of the tier-three hospitals, which are the largest and most highly-ranked hospitals), 112,041 small-sized end customers (including basic medical institutions and others) and 74,108 retail pharmacies. During the Reporting Period, Sinopharm's revenue from pharmaceutical distribution business increased by 9.10% as compared to the corresponding period of 2016 to RMB131,700 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB5,701 million realized during the Reporting Period, representing an increase of 16.12% as compared to the corresponding period of 2016, while its pharmaceutical retail network further expanded. As at the end of the Reporting Period, the retail pharmacy network covered 18 provinces and cities in China with 3,693 retail pharmacies (only refer to those under GuoDa Pharmacy) comprising 2,664 direct-sale stores and 1,029 franchise stores.

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 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 pharmaceutical products sales channels of the Group. Through the establishment of regional financial sharing centers, the Group achieved the integration of accounting, statement preparation, tax administration, financial analysis and internal control establishment of regional subsidiaries.

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. During the Reporting Period, the Group further expanded the scope of centralized procurement and completed a total of 12 centralized procurement projects. The largest decrease of the procurement costs of the project bids was about 52%, and the highest decrease for the procurement price of an item was 65%. With respect to the establishment of suppliers, the Group set up two strategic supplier bases for infrastructure through open tendering. During the Reporting Period, the Group introduced a credit system in selecting bidders so as to have objective knowledge of the overall business conditions of the bidders for reducing supply risk. The Group also pushed forward its green supply chain project in this year by a rolling update to its five-year strategy for green supply chain 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 cooperated with its member companies in the preparation of corporate procurement and tendering management measures based on the Basic Guidelines for Procurement and Tendering (Trial). By further promoting the application of the procurement and tendering platform, further enhancing collaboration and efficiency of procurement and tendering and assisting the implementation of ERP system, the Group strengthened the synergy of its internal procurement and tendering.

In respect of compliance operation, the Group had 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 "Digital transformation", the Group had introduced the SAP system in stages for the pharmaceutical manufacturing segment and established an 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 with the establishment and deepening implementation of the management system of environment, health and safety (EHS). Through the improvement and upgrade of various EHS facilities and the enhancement in the management of EHS standards and procedures, the EHS performance of the Group was improved in a practicable and effective manner.

Due to the further demanding national requirements on environmental management, the Group carried out a thorough inspection on volatile organic compounds (VOCs) at the subsidiary level for the pharmaceutical manufacturing segment and implemented emission reduction construction projects step by step. During the Reporting Period, the Group has completed the VOCs management and emission reduction project of Shanghai Zhaohui Pharmaceutical Company Limited* (上海朝暉藥業有限公司). In addition, the relevant subsidiaries pushed forward the overall planning based on the environmental management policies in the relevant regions by implementing various environment enhancement measures such as replacing the use of coal with natural gas and upgrading or renovating sewage treatment facilities. The Group made proactive effort into various environmental, energy saving and emission tasks properly.

During the Reporting Period, the Group established and enhanced the process safety management (PSM) framework for subsidiaries storing and using APIs and hazardous chemical substances while conducting process safety risk assessment and management for high-risk process facilities and units involving refined chemical process in order to ensure the effective mitigation and control of the safety production risks. During the Reporting Period, the Group accomplished its safety goal of zero occupational fatality and zero fire and explosion.

In respect of EHS management and culture establishment, the Group had published and issued a series of management regulations including the Response and Reporting System of EHS Official Inspections for Controlled Companies, the Management Procedures for Occupational Health, Safety and Environmental Performance Indicators of Special Safety and Environmental Standards and the Occupational Health, Safety and Environmental Accountability System, and established a EHS basic data online reporting platform and a monthly EHS basic data reporting system to refine means of management and control and refined management of process in order to strive for the realization of early intervention, early discovery and early improvement for EHS issues and ensuring zero material non-compliance.

During the Reporting Period, the Group conducted full 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 also promptly took over and improved the EHS management systems of its investees.

As at the end of the Reporting Period, the Group had established a regular review and management decision making mechanism for EHS. Being active in organizational structure, human resources, management and control process and resource allocation, EHS team building and expertise had constantly improved, which provided organizational and resource protection for the EHS compliant operation and sustainable development of the Group.

Financing

During the Reporting Period, the Company completed the placing of H shares ("Placing of H Shares"). The total proceeds from the placing amounted to approximately HK$2,322.91 million and were used for repaying interest-bearing debts, replenishing the working capital of the Group, and financing potential mergers and acquisitions domestically or overseas. The Company completed the issue of corporate bonds of RMB1,250 million, which adjusted debt structure. Meanwhile, the Group also further extended cooperation with the Export-Import Bank of China, China Development Bank 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 strengthen the development of its principal businesses and implement the strategy of international development.

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A. Analysis on Principal Operations

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

Unit: RMB million

Items	January to June 2017	January to June 2016	Period-on-period change (%)
Revenue	8,277	6,878	20.34
Cost of sales	3,572	3,229	10.63
Selling and distribution expenses	2,283	1,680	35.91
Administrative expenses	784	664	25.29
R&D expenses	461	307	50.15
Finance costs	268	234	14.53
Net cash flow generated from operating activities	1,104	936	17.90
Net cash flow generated from investment activities	–1,653	–1,128	–46.49
Net cash flow generated from financing activities	4,901	668	633.43
R&D expenditure	626	488	28.12

The increase in selling expenses was mainly due to the growth in the sales volume of major products in the major therapeutic areas and the extensive market expansion during the Reporting Period;

The increase in R&D expenses was mainly due to the further increase in the R&D investment in monoclonal antibody biopharmaceutical innovative drugs and biosimilars and small molecular innovative drugs and focused investment in consistency evaluation during the Reporting Period;

The increase in finance costs was mainly due to the increase in interest expenses due to the increases in the domestic open market interest rate and US dollar Libor interest rate during the Reporting Period;

The decrease in net cash flow generated from investment activities was mainly due to more cash paid for external investments by the Group during the Reporting Period; and

The increase in net cash flow generated from financing activities was mainly due to the Placing of H Shares and the additional bank borrowings of the Group during the Reporting Period.

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(2) R&D Expenditure

① R&D Expenditure

Unit: RMB million

R&D expenditures expensed for the period	461
R&D expenditures capitalized for the period	165
Total R&D expenditures	626
Percentage of total R&D expenditures on net assets (%)	2.28
Percentage of total R&D expenditures on revenue (%)	7.5

② Descriptions

During the Reporting Period, the total R&D investment amounted to RMB626 million in total, representing an increase of RMB137 million or 28.12% as compared to the corresponding period of 2016. In particular, the R&D expenses amounted to RMB461 million, representing an increase of RMB154 million or 50.15% as compared to the corresponding period of 2016. The R&D investment in the pharmaceutical manufacturing and R&D segment amounted to RMB530 million, representing an increase of RMB106 million or 24.93% as compared to 2016. In particular, R&D expenses amounted to RMB365 million, representing an increase of RMB122 million or 50.46% as compared to the corresponding period of 2016, accounting for 6.3% of the revenue of the pharmaceutical manufacturing and R&D segment, which was mainly due to the further increase in the R&D investment in monoclonal antibody biopharmaceutical innovative drugs and biosimilars and small molecular innovative drugs and focused investment in consistency evaluation during the Reporting Period.

(3) Introduction on the progress of operation plans

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

Management Discussion and Analysis

B. Industry and Regional Operations

(1) Principal Business by Segment and by Products

Unit: RMB million

Principal business by segment

Segments	Revenue	Cost of sales	Gross margin (%)	Period-on-period change in revenue (%)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
Pharmaceutical manufacturing and R&D	5,706	2,050	64.07	18.95	2.03	increase of 5.95 percentage points
Healthcare services *(Note 1)*	1,011	711	29.67	34.44	33.19	increase of 0.68 percentage point
Medical devices and medical diagnosis	1,541	791	48.67	17.10	18.45	decrease of 0.57 percentage point

Principal Business by Products

Products	Revenue	Cost of sales	Gross margin (%)	Period-on-period change in revenue (%)	Period-on-period change in cost of sales (%)	Period-on-period change in gross margin
Major products of cardiovascular system therapeutic area	647	125	80.71	10.69	2.05	increase of 1.64 percentage points
Major products of central nervous system therapeutic area	544	56	89.70	11.46	–13.45	increase of 2.97 percentage points
Major products of blood system therapeutic area *(Note 2)*	193	20	89.64	19.87	–40.78 *(Note 3)*	increase of 10.61 percentage points
Major products of metabolism and alimentary system therapeutic area	1,094	248	77.30	29.17	–5.29	increase of 8.26 percentage points
Major products of anti-infection therapeutic area	1,121	348	68.94	19.79	–11.87	increase of 11.16 percentage points
Major products of anti-tumor therapeutic area	150	39	73.83	–3.23	34.68 *(Note 4)*	decrease of 7.37 percentage points
Major products of APIs and intermediate products	657	441	32.80	20.74	10.68	increase of 6.10 percentage points

Note 1: The period-on-period growth in revenue and cost of healthcare service segment was mainly due to the establishment of Wenzhou Geriatric Hospital and the acquisition of Qilu Clinical Laboratory in 2016;

Note 2: The data of major products of blood system therapeutic area of the first half of 2016 was restated for comparison with the data in 2016 Annual Report on the same basis, i.e. the data of the first half of 2016 including the revenue and cost of Cobamamide for injection (Mi Le Ka), a new core product;

Note 3: The cost of the major products of blood system therapeutic area reduced 40.78% year on year, which was mainly due to the decreased procurement cost of raw materials by enhancing management on raw materials sources; and

Note 4: The cost of the major products of anti-tumor therapeutic area increased 34.68% year on year, which was mainly due to the increased material cost as a result of the replacement of the raw materials of Xihuang capsules.

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(2) Business by Geographical Location

Unit: RMB million

Region	Revenue	Period-on-period change in revenue (%)
Mainland China	6,808	14.38
Overseas countries or regions	1,469	58.63

C. Analysis on Major Subsidiaries and Investee Companies

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

① Operation and Results of Major Subsidiaries

Unit: RMB million

Name	Nature of business	Main products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Sha Duo Li Ka, Xi Chang, Cefmetazon, etc.	197	2,666	1,621	1,839	242	223
Wanbang Pharma	Pharmaceutical manufacturing	You Li Tong, EPO, Xihuang capsules, Wan Su Ping, heparin series, etc.	440	2,956	1,423	1,489	178	149
Jinzhou Aohong Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司)	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	1,779	1,385	564	238	204
Guilin Pharma	Pharmaceutical manufacturing	Artesunate	285	1,244	856	471	175	155
Hubei Shine Star	Manufacturing of amino acid	Amino acid series products	51	749	352	650	59	49

② Status of Major Subsidiaries of Other Business Segments

Unit: RMB million

Name	Nature of business	Major products	Registered Capital	Total assets	Net assets	Net profit
Chancheng Hospital *(Note)*	Healthcare services	Healthcare services	50	1,701	1,209	116

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

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

Unit: RMB million

Name	Nature of business	Main business	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司)	Pharmaceutical investment	Pharmaceutical investment	100	174,389	48,962	137,433	4,920	4,019

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

Unit: RMB million

Name	Method of acquisition	Net assets (as at 30 June 2017)	Net profit (from acquisition date to 30 June 2017)	Acquisition date
Breas	Equity transfer	278.41	3.56	15 March 2017
Fareast Casings	Equity transfer	7.20	1.65	13 April 2017

Note: The figures of Breas and Fareast Casings included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

D. Core Competence Analysis

(1) *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.

The Group has developed internationalized R&D structure and strong R&D capabilities through the establishment of interactive and integrated R&D systems in China (Shanghai, Chongqing and Taipei), the U.S. (San Francisco and Boston), Israel and Sweden. In the pharmaceutical manufacturing and R&D segment, it has established efficient innovative chemical drugs platform, biopharmaceutical drugs platform, platform for generic drugs with high value and cell-mediated immunity platform. During the Reporting Period, the Group also 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 (including 11 small molecular innovative drugs, 9 biopharmaceutical innovative drugs, 12 biosimilars, 2 improved innovative drugs, 133 generic drugs with international standards, 4 biological products for prevention and 2 traditional Chinese medicine drugs), 8 projects under clinical trial applications, 25 projects under clinical trial, and 33 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 over 1,000 staff members in the R&D team. Meanwhile, the Group achieved the transformation and practice of global innovative advanced technology through a variety of means of cooperation including setting up joint ventures and technology innovation incubation platforms and adopting technology introduction and "deep incubation" models to access the global innovative advanced technology so as to facilitate the connection between the Group and the leading technology innovation projects worldwide and further propel the innovation capacity and international operation progress of the Group.

Management Discussion and Analysis

Whilst enhancing the competitiveness of its products, the Group also focuses on developing its product marketing systems. With a marketing team consisting of over 3,500 employees and a sales network covering most of the major domestic markets, the Group has been improving its capabilities in sales and marketing. Sinopharm, an investee of the Group for over a decade, has developed into the largest pharmaceutical and healthcare distributor and a leading supply chain service provider in China possessing and operating China's largest drug distribution and delivery network. The Group, leveraging its long-established strategic cooperation with Sinopharm, puts the synergy into full play.

The Group is one of the first enterprises in the PRC pharmaceutical industry to develop internationally. Its production has expanded overseas with several production lines recognized by relevant international certifications, and some of the formulations and APIs have also entered into the international markets in a considerable scale. 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. The Group also achieved preliminary results in the establishment of the international marketing platform, especially in the African market, with marketing competence of medical devices in the European and U.S. markets.

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. A basic layout has been formed for the establishment of investment management system and post-investment management system, enabling the member hospitals to sustain improvement in management efficiency, control on procurement cost and information technology system with further improving efficiency in asset management.

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 dual listing status creates favorable conditions for the Group to rapidly expand its scale of operation and enhance its competitiveness through merger and acquisition activities.

(2) 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. 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 took 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, 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.

E. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 20,497 employees. The employee's remuneration policies of the Group were formulated on the basis of the results, work experience and salary level prevailing in the market.

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2. Business Outlook for the Second Half of 2017

In the second half of 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 it will endeavor to capture the opportunities presented by the broad pharmaceutical market in China as well as the rapid growth of generic drugs in mainstream markets such as Europe and the U.S. and emerging markets in the world, in order to insist on the development strategies of organic growth, external expansion and integrated development. While strengthening R&D capabilities, the Group will continue to achieve the transformation and practice of global innovative advanced technology by adopting technology introduction and "deep incubation" models to access the global innovative advanced technology so as to facilitate the connection between the Group and the leading technology innovation projects worldwide and further improve the innovation capacity and propel the international operation progress of the Group. Meanwhile, the Group will also step up its efforts to acquire and integrate with domestic and overseas quality pharmaceutical manufacturing companies. By strengthening production and manufacturing systems and product marketing systems, the Group will proactively implement internationalization. Meanwhile, the Group will seize the development opportunities of healthcare services to strengthen its investment and management in the healthcare services segment. The Group will further enhance its core competence to improve its operating results. In addition, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

Pharmaceutical Manufacturing and R&D

In the second half of 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 products and key areas, the Group will step up its efforts to promote major products so as to maintain and promote their leading position in their respective market segments.

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 to link its R&D with the market situation so that the values of innovation and R&D are realized. 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 grasp new market opportunities.

In addition, the Group will make use of its industry experience to cooperate with the leading R&D and 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 to further solidify the core competence of its pharmaceutical manufacturing business.

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Healthcare Services
In the second half of 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. It will further strengthen healthcare institutions it controls in terms of their disciplines and quality management, operational efficiency and business development. With the operation of the new complex and tumor center of Chancheng Hospital, 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 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), and Zhongwu Hospital and Guangji Hospital and other projects, and positively seeking new opportunities for merger and acquisition of healthcare services. Furthermore, the Group will continue to support and promote the development of "United Family Hospital", a high-end brand for healthcare services under Chindex, and in particular the establishment and business expansion of "United Family Hospitals" in Guangzhou and Pudong in order to accelerate the development of its high-end healthcare services characterized by multiple levels, diversification and extensibility.

Medical Diagnosis and Medical Devices
In the second half of 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 Sisram 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. 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. With the establishment of a joint venture with Intuitive Surgical in Shanghai and 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.

At the same time, the Group will optimize and consolidate its existing business sectors with respect to medical diagnosis products and promote the moving down of end market while further establishing or introducing new technology platform and new business model.

Pharmaceutical Distribution and Retail
In the second half of 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
In the second half of 2017, the Group will continue to explore the financing channels domestically and internationally, optimize its financing channels and debt structure, lower financial costs and further enhance its core competence, so as to consolidate its leading position in the industry.

Management
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3. Potential Risks

A. 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, diagnostic products and medical devices 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, medical devices and diagnostic products 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. Meanwhile, with the further implementation 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.

B. 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, drug pricing reform and healthcare at affordable price have increased the risk of uncertainty in product pricing of pharmaceutical manufacturing companies.

C. 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.

The healthcare services segment is also exposed to medical malpractice risks, 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.

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D. 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.

E. 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.

4. Other Events

A. The Restricted A Share Incentive Scheme

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 have been 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.

B. 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, resigned from their positions in the Company and terminated their employment contracts with the Company, they were 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 were not 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 was reduced to 43 from 45. Such portion of shares was cancelled on 24 February 2017.

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C. The public issuance of Corporate Bonds to qualified investors (First Tranche)

The Shareholders 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 the 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. The First Tranche of the Corporate Bonds in 2016 completed on 4 March 2016 and the issuance size was RMB3,000 million.

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 is 14 March 2017, with the final coupon rate at 4.50%.

D. 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 annual general meeting of the Company. It was agreed to authorize the Board 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 (H shares) with a nominal value of RMB1 each and all shares to be issued would be ordinary shares.

On 24 May 2017, the Company successfully allotted and issued a total of 80,656,500 new H shares to not less than six placees at a price of HK$28.80 per placing share. The total proceeds from the Placing of H Shares were approximately HK$2,322.91 million.

E. Proposed Overseas Listing of Sisram Group

The Shareholders approved, among other things, the proposed spin-off and overseas listing of Sisram on 31 August 2016. The CSRC issued the no objection letter for spin-off in relation to the overseas listing of Sisram on 22 December 2016. On 6 June 2017, Sisram submitted, through its joint sponsors, the Listing application (Form A1) to the Hong Kong Stock Exchange to apply for the Listing of, and permission to deal in, its shares on the Main Board of the Hong Kong Stock Exchange.

On 5 September 2017, Sisram published its prospectus in relation to proposed spin-off and overseas listing (the "**Prospectus**") contains, among other things, (a) details of the number of shares in Sisram to be offered in the Global Offering (as defined in the Prospectus), the Offer Price range and other details of the Global Offering and (b) certain business and financial information in relation to Sisram. Please refer to the Company's announcements dated 29 June 2016, 31 August 2016, 6 June 2017, 20 August 2017, 30 August 2017, 5 September 2017 and 12 September 2017, and the circular of the Company dated 15 July 2016, for further details.

F. Share Increase Plan of Mr. Wu Yifang

On 30 December 2016, the Company was notified by Mr. Wu Yifang, an executive director, president and chief executive officer of the Company, that Mr. Wu Yifang proposed to acquire additional shares (including A shares and/or H shares) of the Company on the secondary market during the 12-month period from 3 January 2017 (inclusive), if and where appropriate, and the cumulative amount thereof shall not be less than RMB20 million. As at the end of the Reporting Period, Mr. Wu Yifang acquired a total of 529,000 shares (including 270,000 A shares and 259,000 H shares) of the Company in a cumulative amount of approximately RMB14.57 million since the implementation of the share increase plan, representing approximately 0.021% of total issued shares of the Company as at the end of the Reporting Period.

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G. 2016 Shareholding Increase Plan of the Controlling Shareholder

As notified by Fosun High Tech, the Controlling Shareholder, in writing on 28 January 2016, 1 February 2016, 3 February 2016 and 10 November 2016, Fosun High Tech intended to further increase its shareholding in the Company (including A Shares and/or H Shares) on the secondary market by itself or parties acting in concert with it during the 12-month period from 28 January 2016 (inclusive), if and where appropriate, and the cumulative total amount thereof shall not be less than RMB70 million and the increased shareholding percentage of Fosun High Tech and parties acting in concert with it in aggregate shall not exceed 2% of total issued shares of the Company as at 7 November 2016 (i.e. 2,314,075,364 shares).

As at 27 January 2017 (after trading hours), the period of the implementation of the 2016 shareholding increase plan of the controlling shareholder lapsed. From 28 January 2016 to 27 January 2017, Fosun High Tech acquired a total of 17,070,466 shares (including 11,897,466 A shares and 5,173,000 H shares) of the Company in a cumulative amount of approximately RMB370.92 million, representing approximately 0.74% of total issued shares of the Company as at 7 November 2016.

H. 2017 Shareholding Increase Plan of the Controlling Shareholder

On 9 May 2017 and 24 May 2017, the Company was notified by Fosun High Tech in writing that Fosun High Tech intended to further increase its shareholding in the Company (including A Shares and/or H Shares) on the secondary market by itself or parties acting in concert with it during the 12-month period from 9 May 2017 (inclusive), if and where appropriate, and the cumulative total amount thereof shall not be less than RMB70 million and the increased shareholding percentage of Fosun High Tech and parties acting in concert with it in aggregate shall not exceed 2% of total issued shares of the Company prior to the Placing of H Shares (i.e. 2,414,474,545 shares). As at the end of the Reporting Period, Fosun High Tech acquired a total of 4,169,928 shares (including 755,928 A shares and 3,414,000 H shares) of the Company in a cumulative amount of approximately RMB112.52 million since the implementation of the shareholding increase plan, representing approximately 0.17% of total issued shares of the Company prior to the Placing of H Shares.

I. Acquisition of the Controlling Interest in Gland Pharma

On 28 July 2016, the Company entered into, among other things, the Share Purchase Agreement with the relevant parties to the acquisition of the controlling interest in Gland Pharma. The Shareholders approved, among other things, the resolution in relation to the acquisition of the controlling interest in Gland Pharma on 29 September 2016. On 25 April 2017 and 27 July 2017, upon consideration and approval by the Board of the Company, it is agreed that the date of termination of the acquisition of the controlling interest in Gland Pharma under the Share Purchase Agreement was extended to 26 September 2017.

As at the date hereof, the acquisition of the controlling interest in Gland Pharma is still subject to the approval of the Cabinet Committee on Economic Affairs of India.

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RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group at 30 June 2017 are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 33 to 64.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

(a) 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. Such portion of shares was cancelled on 24 February 2017.

(b) Issuance of H Shares under General Mandate

On 17 May 2017, the Company entered into a placing agreement with the placing agents in relation to the placing of 80,656,500 H shares at a placing price of HK$28.80 per H share.

On 24 May 2017, the Company announced that all conditions precedent to the H share placing were satisfied, and completion of the H share placing took place on 24 May 2017. An aggregate of 80,656,500 new H shares, representing approximately 16.67 % of the total number of H shares in issue as enlarged by the allotment and issue of H shares, have been successfully allotted and issued by the Company on 24 May 2017 at the placing price of HK$28.80 per H share to not less than six placees. The total proceeds from the H share placing amounted to approximately HK$2,322.91 million.

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

DIRECTORS

As of 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)

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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)

SUPERVISORS

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

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

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Chen Qiyu, an executive Director, was appointed as the co-president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), on 28 March 2017, and was appointed as the co-president of Fosun High Tech on 6 June 2017.

Mr. Guo Guangchang, an non-executive Director, ceased to serve as an 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), on 20 February 2017.

Mr. Wang Qunbin, an non-executive Director, ceased to serve as 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), on 6 June 2017, and was appointed as the chief executive officer of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), on 28 March 2017.

Ms. Kang Lan, an non-executive Director, was appointed as a director and senior vice president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), on 28 March 2017, and was appointed as a director of Fosun High Tech on 6 June 2017.

Mr. Wang Can, an non-executive Director, was appointed as a director and senior vice president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), on 28 March 2017, as a director of Fosun High Tech on 6 June 2017, and as a director of Shanghai Ganglian E-commerce Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300226), on 11 May 2017.

Mr. Cao Huimin, an independent non-executive Director, ceased to serve as an independent director of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600827), on 20 June 2017.

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

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SHARE INCENTIVE SCHEMES

Options of Sisram

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

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

During the six months ended 30 June 2017, no options of Sisram were granted under the Sisram Plan. On 30 August 2017, the board of directors of Sisram resolved to terminate the Sisram option plan, which is subject to the completion of the global offering of Sisram shares.

Shanghai Henlius Share Option Incentive Scheme

The Shareholders approved, among other things, the Shanghai Henlius Share Option Incentive Scheme on 29 June 2017.

The total number of new option shares which may be issued upon exercise of all share options to be granted under the Shanghai Henlius Share Option Incentive Scheme is 22,750,000 shares, representing approximately 6.50% of the total issued shares of Shanghai Henlius as at the date of the Shanghai Henlius Share Option Incentive Scheme is approved, and representing approximately 6.10% of the total issued shares of Shanghai Henlius enlarged by the options under Shanghai Henlius Share Option Incentive Scheme (assuming all share options are fully exercised).

During the six months ended 30 June 2017, no share option of Shanghai Henlius were granted under the Shanghai Henlius Share Option Incentive Scheme.

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

As at 30 June 2017, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules were as follows:

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

Name of Directors/ Chief executive	Capacity	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of shares
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	8,587,000 (L)[2]	1.77%
Mr. Guo Guangchang	Interest of a controlled corporation	A Share	933,294,708 (L)[2]	46.41%
	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	H Share	259,000 (L)	0.05%
Mr. Wu Yifang	Beneficial owner	A Share	510,000 (L)	0.03%

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Notes:

(1) (L) — Long position

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.65% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 64.45% by Mr. Guo Guangchang, he is deemed to be interested in the Shares owned by the above-mentioned companies.

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

Name of Directors/ chief executive	Name of associated corporation	Class of shares	Capacity	Number of shares[1]	Approximate percentage of shares in relevant class of shares
Mr. Guo Guangchang	Fosun International Holdings	Ordinary share	Beneficial owner	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	6,155,972,473 (L)[2]	71.65%
	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	16,328,000 (L)	0.19%
Ms. Kang Lan	Fosun International	Ordinary share	Beneficial owner	9,460,000 (L)	0.11%
Mr. Wang Can	Fosun International	Ordinary share	Beneficial owner	9,415,000 (L)	0.11%

Notes:

(1) (L) — Long position

(2) Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.65% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 64.45% by Mr. Guo Guangchang, he is deemed to be interested in the shares owned by the above-mentioned companies.

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

As at 30 June 2017, 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	8,587,000 (L)(2)	1.77%
Fosun High Tech	Beneficial owner	A Share	933,294,708 (L)(2)	46.41%
Fosun International	Interest of a controlled corporation	H Share	8,587,000 (L)(2)	1.77%
Fosun International	Interest of a controlled corporation	A Share	933,294,708 (L)(2)	46.41%
Fosun Holdings	Interest of a controlled corporation	H Share	8,587,000 (L)(2)	1.77%
Fosun Holdings	Interest of a controlled corporation	A Share	933,294,708 (L)(2)	46.41%
Fosun International Holdings	Interest of a controlled corporation	H Share	8,587,000 (L)(2)	1.77%
Fosun International Holdings	Interest of a controlled corporation	A Share	933,294,708 (L)(2)	46.41%
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500 (L)	6.79%
The Capital Group Companies, Inc.	Interest of controlled corporations	H Share	47,382,000 (L)	9.79%
Wellington Management Group LLP	Interest of controlled corporations	H Share	33,749,077 (L)	6.97%
EARNEST Partners, LLC	Investment manager	H Share	28,440,038(L)	5.88%
Edinburgh Partners Limited	Investment manager	H Share	25,000,000(L)	5.17%
Nairn Alasdair Gordon Mackenzie	Interest of a controlled corporation	H Share	25,000,000(L)(3)	5.17%

Notes:

(1) (L) — Long position

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.65% 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.

(3) These Shares are held by Edinburgh Partners Limited. Edinburgh Partners Limited is owned as to 33.56% by Nairn Alasdair Gordon Mackenzie. Therefore, Nairn Alasdair Gordon Mackenzie is deemed to be interested in these Shares.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

COMPLIANCE WITH THE CG CODE

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

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

REVIEW OF INTERIM RESULTS AND INTERIM REPORT BY THE AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the unaudited interim results and the interim report of the Group for the six months ended 30 June 2017.

On Behalf of the Board
Chen Qiyu
Chairman

Shanghai, the PRC
29 August 2017

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	5	**8,276,941**	6,877,865
Cost of sales		**(3,571,893)**	(3,228,575)
Gross profit		**4,705,048**	3,649,290
Other income	6	**70,484**	85,548
Selling and distribution expenses		**(2,283,045)**	(1,679,761)
Administrative expenses		**(783,911)**	(663,711)
Research and development expenses		**(461,320)**	(307,236)
Other gains	7	**491,900**	375,268
Other expenses		**(80,319)**	(48,344)
Interest income		**33,969**	35,973
Finance costs	9	**(268,021)**	(234,453)
Share of profits and losses of:			
Joint ventures		**(6,061)**	868
Associates		**760,440**	716,328
PROFIT BEFORE TAX	8	**2,179,164**	1,929,770
Income tax expense	10	**(252,545)**	(181,145)
PROFIT FOR THE PERIOD		**1,926,619**	1,748,625
Attributable to:			
Owners of the parent		**1,689,060**	1,500,266
Non-controlling interests		**237,559**	248,359
		1,926,619	1,748,625
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
— Basic		**RMB0.70**	RMB0.65
— Diluted		**RMB0.70**	RMB0.65

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,926,619**	1,748,625
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(25,350)**	(69,921)
Reclassification adjustments for gains included in the consolidated statement of profit or loss — Gain on disposal	**(123,164)**	(95,637)
Income tax effect	**13,042**	39,465
	(135,472)	(126,093)
Share of other comprehensive (loss)/income of associates	**(30,360)**	58,732
Exchange differences on translation of foreign operations	**(5,816)**	(10,841)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(171,648)**	(78,202)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,754,971**	1,670,423
Attributable to:		
Owners of the parent	**1,528,993**	1,419,695
Non-controlling interests	**225,978**	250,728
	1,754,971	1,670,423

Interim Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	6,607,398	6,325,479
Prepaid land lease payments		1,325,452	1,030,485
Goodwill		3,817,274	3,473,110
Other intangible assets		2,876,918	2,620,078
Investments in joint ventures		655,969	248,421
Investments in associates		17,029,992	15,870,262
Available-for-sale investments		2,675,805	2,674,436
Deferred tax assets		142,405	129,551
Other non-current assets		347,699	574,771
Total non-current assets		35,478,912	32,946,593
CURRENT ASSETS			
Inventories		1,965,661	1,670,738
Trade and bills receivables	13	2,963,608	2,389,862
Prepayments, deposits and other receivables		696,793	659,188
An equity investment at fair value through profit or loss		27,094	48,489
Cash and bank balances		9,445,010	5,996,030
Total current assets		15,098,166	10,764,307
CURRENT LIABILITIES			
Trade and bills payables	14	1,285,434	1,149,379
Other payables and accruals		3,679,974	2,504,278
Interest-bearing bank and other borrowings	15	4,896,788	6,139,393
Tax payable		321,659	315,503
Total current liabilities		10,183,855	10,108,553
NET CURRENT ASSETS		4,914,311	655,754
TOTAL ASSETS LESS CURRENT LIABILITIES		40,393,223	33,602,347
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	10,145,464	5,570,958
Deferred tax liabilities		1,788,576	1,786,427
Deferred income		342,265	346,706
Other long term liabilities		694,234	704,817
Total non-current liabilities		12,970,539	8,408,908
Net assets		27,422,684	25,193,439

Interim Condensed Consolidated
Statement of Financial Position

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		2,495,131	2,414,512
Treasury shares		(18,767)	(26,819)
Reserves		22,127,182	19,745,636
		24,603,546	22,133,329
Non-controlling interests		2,819,138	3,060,110
Total equity		27,422,684	25,193,439

Chen Qiyu
Director

Wu Yifang
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2017

	Attributable to owners of the parent										
	Issued share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (Audited)	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
Profit for the Period	—	—	—	—	—	—	—	1,689,060	1,689,060	237,559	1,926,619
Other comprehensive income for the Period:											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	(134,856)	—	—	—	—	(134,856)	(616)	(135,472)
Share of other comprehensive income of associates	—	—	—	(30,360)	—	—	—	—	(30,360)	—	(30,360)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	5,149	—	5,149	(10,965)	(5,816)
Total comprehensive income for the Period	—	—	—	(165,216)	—	—	5,149	1,689,060	1,528,993	225,978	1,754,971
Issue of H shares	80,657	1,956,630	—	—	—	—	—	—	2,037,287	—	2,037,287
Cancellation of restricted A shares	(38)	(357)	395	—	—	—	—	—	—	—	—
Unlocking of restricted A shares	—	—	7,657	—	—	—	—	—	7,657	—	7,657
Disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	1,197	—	—	1,197	24	1,221
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(251,070)	(251,070)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	82,961	82,961
Acquisition of non-controlling interests	—	—	—	—	—	(73,652)	—	—	(73,652)	(378,911)	(452,563)
Disposal of an associate	—	—	—	—	—	(22,201)	—	—	(22,201)	—	(22,201)
Acquisitions of subsidiaries *(note 17)*	—	—	—	—	—	—	—	—	—	54,190	54,190
Equity-settled share-based payment	—	14,922	—	—	—	(9,744)	—	—	5,178	—	5,178
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	154,477	154,477
Fair value adjustment on the share redemption option granted to a non-controlling shareholder of a subsidiary	—	—	—	—	—	(90,099)	—	—	(90,099)	(128,621)	(218,720)
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	(50,846)	—	—	(50,846)	—	(50,846)
Final 2016 dividend declared but unpaid *(note 16)*	—	—	—	—	—	—	—	(873,297)	(873,297)	—	(873,297)
At 30 June 2017 (Unaudited)	2,495,131	9,208,004*	(18,767)	784,469*	2,121,545*	516,283*	(103,350)*	9,600,231*	24,603,546	2,819,138	27,422,684

* These reserve accounts comprise the consolidated reserves of RMB22,127,182,000 (31 December 2016: RMB19,745,636,000) in the consolidated statement of financial position.

Interim Condensed Consolidated
Statement of Changes in Equity

Six months ended 30 June 2017

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

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

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash generated from operations	**1,379,133**	1,232,431
Income tax paid	**(275,567)**	(296,377)
Net cash inflow from operating activities	**1,103,566**	936,054
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets	**(903,570)**	(906,370)
Acquisition of subsidiaries, net of cash acquired *(Note 17)*	**(533,258)**	(33,466)
Establishments and purchases of interests in associates and joint ventures	**(1,068,555)**	(622,384)
Purchases of available-for-sale investments	**(245,251)**	(66,361)
Disposals of a joint venture and an associate	**30,934**	119,220
Disposals of available-for-sale investments	**530,993**	400,891
Disposal of an equity investment at fair value through profit or loss	**24,404**	—
Dividends received from associates	**83,268**	21,248
Dividends received from available-for-sale investments	**21,221**	7,781
Withdrawal of investment deposits	**19,337**	20,000
Decrease/(Increase) in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions	**403,794**	(98,114)
Others	**(16,012)**	29,369
Net cash outflow used in investing activities	**(1,652,695)**	(1,128,186)

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
New bank and other borrowings	**9,322,259**	7,212,387
Disposal of partial interest in a subsidiary without loss of control	**1,220**	—
Proceeds from issuance of shares	**2,037,287**	—
Repayment of bank and other borrowings	**(5,776,911)**	(5,827,673)
Interest paid	**(346,688)**	(297,354)
Capital injections from non-controlling shareholders of subsidiaries	**160,777**	425,448
Dividends paid to owners of the parent	**(1,096)**	(610,827)
Dividends paid to non-controlling shareholders of subsidiaries	**(117,680)**	(56,639)
Acquisition of non-controlling interests	**(377,677)**	(177,046)
Net cash inflow from financing activities	**4,901,491**	668,296
Net increase in cash and cash equivalents	**4,352,362**	476,164
Cash and cash equivalents at beginning of the period	**4,538,037**	3,348,594
Effect of foreign exchange rate changes, net	**(98,870)**	20,970
Cash and cash equivalents at end of the Period	**8,791,529**	3,845,728
Analysis of balances of cash and cash equivalents:		
Cash and bank balances at end of the Period	**9,445,010**	4,723,910
Less: Pledged bank balances and term deposits with original maturity of more than three months	**(653,481)**	(878,182)
Cash and cash equivalents at end of the Period	**8,791,529**	3,845,728

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

1. CORPORATE AND GROUP INFORMATION

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

The holding company of the Company is Fosun High Tech. The ultimate holding company of the Company is Fosun International Holdings. The ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

During the six months ended 30 June 2017 (the "Period"), 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the Period, have been prepared in accordance with HKAS 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

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

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

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

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity 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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments to HKAS 12 retrospectively. However, the application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle 2014–2016

Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10 to B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

4. OPERATING SEGMENT INFORMATION

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

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

(b) the healthcare service 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that dividend income from available-for-sale investments, gain or loss on disposal of available-for-sale investments, 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.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2017 (unaudited)

	Pharmaceutical manufacturing and R&D RMB'000	Healthcare Service RMB'000	Medical devices and medical diagnosis RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	5,706,359	1,011,127	1,540,601	—	18,854	—	8,276,941
Intersegment sales	8,523	1,678	6,272	—	21,215	(37,688)	—
Total revenue	5,714,882	1,012,805	1,546,873	—	40,069	(37,688)	8,276,941
Segment results*	937,183	159,331	256,726	—	9,395	(18,613)	1,344,022
Other income	36,300	1,200	6,854	—	—	—	44,354
Other gains	232,957	1,058	(30)	—	—	—	233,985
Interest income	11,519	4,115	5,229	—	108	(4,156)	16,815
Finance costs	(39,270)	(1,677)	(16,637)	—	(5,021)	39,602	(23,003)
Other expenses	(37,069)	(4,855)	23,227	—	(27)	—	(18,724)
Share of profits and losses of:							
Joint ventures	(4,343)	356	338	—	(2,412)	—	(6,061)
Associates	61,796	18,263	(10,677)	750,235	(59,177)	—	760,440
Unallocated other income, interest income and other gains							301,199
Unallocated finance cost							(245,018)
Unallocated expenses							(228,845)
Profit before tax	1,199,073	177,791	265,030	750,235	(57,134)	16,833	2,179,164
Tax	(228,128)	(45,973)	(45,211)	—	(3)	—	(319,315)
Unallocated tax							66,770
Profit for the period	970,945	131,818	219,819	750,235	(57,137)	16,833	1,926,619
Segment assets:	17,719,501	7,105,324	5,698,523	10,205,750	3,150,220	(632,806)	43,246,512
Including:							
Investments in joint ventures	436,342	200,999	9,676	—	8,952	—	655,969
Investments in associates	1,816,940	2,761,517	452,969	10,167,374	1,831,192	—	17,029,992
Unallocated assets							7,330,566
Total assets							50,577,078
Segment liabilities:	7,991,211	945,764	1,451,993	—	593,895	(5,537,369)	5,445,494
Unallocated liabilities							17,708,900
Total liabilities							23,154,394
Other segment information:							
Depreciation and amortisation	302,000	48,215	51,381	—	12,785	—	414,381
Provision for impairment of inventories	23,392	—	3,707	—	—	—	27,099
Provision for impairment of trade and other receivables	1,800	1,334	2,581	—	—	—	5,715
Provision for impairment of an available-for-sale investment and investments in associates	—	—	—	—	18,706	—	18,706
Capital expenditure**	667,859	63,780	68,752	—	308,487	—	1,108,878

* 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 acquisition of subsidiaries).

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2016 (unaudited)

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

* Segment results 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 acquisition of subsidiaries).

Notes to Interim Condensed Consolidated Financial Statements

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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:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of goods	**7,101,820**	5,995,030
Rendering of services	**1,172,092**	881,916
Sale of materials	**3,029**	919
	8,276,941	6,877,865

6. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividend income from available-for-sale investments	**25,401**	3,285
Government grants	**45,083**	82,263
	70,484	85,548

7. OTHER GAINS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of available-for-sale investments	**231,193**	267,005
Gain on disposal of interests in a joint venture and an associate	**248,303**	91,313
Foreign exchange gain, net	**—**	12,095
Gain on disposal of an equity investment at fair value through profit or loss	**7,298**	—
Others	**5,106**	4,855
	491,900	375,268

Notes to Interim Condensed Consolidated Financial Statements

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8. PROFIT BEFORE TAX

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

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost of inventories sold	**2,817,475**	2,701,925
Cost of services provided	**754,418**	526,650
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**1,189,578**	942,149
Retirement benefits:		
Defined contribution fund	**95,161**	77,695
Accommodation benefits:		
Defined contribution fund	**42,869**	36,208
Share-based payment expense	**5,179**	13,301
	1,332,787	1,069,353
Research and development expenses:		
Current period expenditure excluding amortisation of other intangible assets	**437,133**	283,049
Less: Government grants for R&D projects*	**7,404**	8,718
	429,729	274,332
Operating lease payments	**43,455**	23,933
Depreciation of items of property, plant and equipment	**324,019**	286,030
Amortisation of prepaid land lease payments	**12,636**	10,896
Amortisation of other intangible assets	**77,726**	81,741
Provision for impairment of inventories	**27,099**	4,283
Provision for impairment of trade and other receivables	**5,715**	18,283
Provision for impairment of available-for-sale investments	**18,706**	—
Fair value loss on an equity investment at fair value through profit or loss	**3,562**	7,415
Foreign exchange loss/(gain), net	**10,555**	(12,095)
Loss on disposal of items of property, plant and equipment and other intangible assets	**1,062**	3,687

* 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.

Notes to Interim Condensed Consolidated Financial Statements

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9. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**272,879**	236,980
Less: Interest capitalised	**(4,858)**	(2,527)
Interest expenses, net	**268,021**	234,453

10. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% (for the six months ended 30 June 2016: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 0% to 20%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. The provision of current income tax of Alma lasers, a subsidiary of the Group incorporated in Israel, is based on a preferential rate of 16% (for the six months ended 30 June 2016: 16%). The provision of current income tax of Breas, a subsidiary of the Group incorporated in Sweden, is based on a statutory rate of 22%.

The major components of tax expenses for the six months ended 30 June 2017 and 2016 are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current	**281,723**	203,221
Deferred	**(29,178)**	(22,076)
Total tax charge for the Period	**252,545**	181,145

Notes to Interim Condensed Consolidated Financial Statements

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future as of the balance sheet date and the weighted average number of ordinary shares of 2,426,136,770 (for the six months period ended 30 June 2016: 2,310,121,004) in issue excluding restricted shares during the year.

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,689,060**	1,500,266
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(623)**	(1,265)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,688,437**	1,499,001

	Number of shares	
	30 June 2017	30 June 2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,426,136,770**	2,310,121,004
Effect of dilution — weighted average number of ordinary shares: Restricted shares	**745,535**	3,954,360
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**2,426,882,305**	2,314,075,364

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12. PROPERTY, PLANT AND EQUIPMENT

	RMB'000 (Unaudited)
Carrying value at beginning of the Period	6,325,479
Additions	586,820
Acquisition of subsidiaries *(note 17)*	46,409
Disposals	(27,291)
Depreciation charge for the Period	(324,019)
Carrying value at end of the Period	6,607,398

The Group's property, plant and equipment with a net carrying value of RMB85,284,000 (31 December 2016: RMB32,024,000), were pledged as collateral for interest-bearing bank loans as set out in note 15 to the interim condensed consolidated financial statements.

13. TRADE AND BILLS RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	**2,574,464**	1,965,005
Bills receivable	**389,144**	424,857
	2,963,608	2,389,862

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 aging analysis of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	**2,559,623**	1,973,372
1 to 2 years	**51,229**	48,656
2 to 3 years	**24,359**	34,136
Over 3 years	**53,859**	26,079
	2,689,070	2,082,243
Less: Bad debt provision	**(114,606)**	(117,238)
	2,574,464	1,965,005

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

13. TRADE AND BILLS RECEIVABLES (Continued)

Included in the Group's trade receivables are amounts due from the Group's joint ventures, associates and other related parties of RMB1,309,000 (31 December 2016: RMB250,000), RMB335,458,000 (31 December 2016: RMB255,975,000) and RMB58,844,000 (31 December 2016: RMB49,924,000), respectively. Included in the Group's bills receivable are amounts due from the Group's associates and other related parties of RMB45,082,000 (31 December 2016: RMB67,065,000) and RMB61,040,000 (31 December 2016: 48,700,000), respectively. These balances due from joint ventures, associates and other related parties were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

14. TRADE AND BILLS PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade payables	**1,159,292**	1,024,791
Bills payable	**126,142**	124,588
	1,285,434	1,149,379

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

An aging analysis of trade payables as at the end of the reporting period is as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	**1,129,743**	1,009,582
1–2 years	**16,329**	7,832
2–3 years	**6,670**	1,747
Over 3 years	**6,550**	5,630
	1,159,292	1,024,791

Included in the Group's trade payables are amounts due to the Group's joint venture, associates and other related parties of RMB4,000 (31 December 2016: Nil), RMB43,519,000 (31 December 2016: RMB33,817,000) and RMB523,000 (31 December 2016: RMB450,000), respectively. These balances due to joint venture, associates and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the joint venture, associates and other related companies to their major customers.

Notes to Interim Condensed Consolidated Financial Statements

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15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Bank loans:			
— Secured	(1)	388,297	441,340
— Unsecured		10,018,359	5,882,133
		10,406,656	6,323,473
Medium-term notes	(2)	399,237	398,918
Corporate bonds	(3)	4,236,359	4,488,207
Short-term commercial paper ("短期融資券")	(4)	—	499,753
Total		15,042,252	11,710,351
Repayable:			
Within 1 year		4,896,788	6,139,393
1 to 2 years		5,012,117	762,565
2 to 5 years		5,026,547	4,717,643
Over 5 years		106,800	90,750
		15,042,252	11,710,351
Portion classified as current liabilities		(4,896,788)	(6,139,393)
Non-current portion		10,145,464	5,570,958

Notes:

The bank loans bear interest at rates ranging from 1.876% to 6.480% (2016: 1.652% to 5.002%) per annum.

(1) As at 30 June 2017, certain of the Group's bank loans are secured by the pledge of certain of the Group's property, plant and equipment (note 12) amounting to RMB85,284,000 (31 December 2016: RMB32,024,000), prepaid land lease payments amounting to RMB33,591,000 (31 December 2016: RMB34,018,000), 268,371,532 shares of Guilin Pharma owned by the Group (31 December 2016: 268,371,532 shares of Guilin Pharma owned by the Group) and the Group's and Magnificent View Investment Limited's 100% shareholdings in Sisram Medical Ltd. (31 December 2016: the Group's and Magnificent View Investment Limited's 100% shareholdings in Sisram Medical Ltd.).

(2) Medium-term notes

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

(3) Corporate bonds

On 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.

On 14 March 2017, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,250,000,000, which bear interest at 4.50% per annum. The interest is payable annually in arrears and the maturity date is 14 March 2022.

(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 RMB500,000,000, which bear interest at 2.66% per annum. The commercial paper was matured and paid on 15 May 2017.

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16. DIVIDENDS

The Directors did not recommend the payment of an interim dividend in respect of the Period (for the six months period ended 30 June 2016: Nil).

The proposed final dividend of RMB0.35 (tax included) per ordinary share for the year ended 31 December 2016 was declared payable and approved by the shareholders at the annual general meeting of the Company on 29 June 2017.

17. BUSINESS COMBINATION

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

In March 2017, Fosun Medical Holdings AB ("Fosun Medical"), a subsidiary of the Group, acquired 80% equity interests in Breas at a consideration of USD$84,642,000 (equivalent to RMB585,002,000). The acquisition was completed on 15 March 2017 when the Group obtained control of the operating and financial policies of Breas.

In March 2017, Shenyang Wanbang Tiansheng Biotechnology Co., Ltd. ("Wanbang Tiansheng "), a subsidiary of the Group, acquired 100% equity interests in Fareast Casings at a consideration of RMB5,547,000. The acquisition was completed on 23 March 2017 when the Group obtained control of the operating and financial policies of Fareast Casings.

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.

Notes to Interim Condensed Consolidated Financial Statements

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17. BUSINESS COMBINATION (Continued)

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

	Fair value recognised on acquisition RMB'000 (Unaudited)
Property, plant and equipment *(note 12)*	46,409
Prepaid land lease payments	2,534
Other intangible assets	145,998
Deferred tax assets	4,528
Other non-current assets	780
Inventories	68,564
Prepayments, deposits and other receivables	16,679
Trade and bills receivables	66,748
Cash and bank balances	56,979
Trade and bills payables	(19,056)
Other payables and accruals	(76,388)
Deferred tax liabilities	(37,277)
Total identifiable net assets at fair value	276,498
Non-controlling interests	(54,190
Goodwill on acquisition	368,241
	590,549
Satisfied by:	
Cash consideration paid	584,008
Exchange differences on translation of cash flows	2,121
Cash consideration payable	4,420
	590,549

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

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

17. BUSINESS COMBINATION (Continued)

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

	RMB'000 (Unaudited)
Cash consideration paid	(584,008)
Cash and cash equivalents acquired	56,979
	(527,029)
Payment of unpaid cash consideration as at 31 December 2016	(6,229)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(533,258)
Transaction costs of the acquisitions included in cash flows from operating activities	(1,957)
	(535,215)

18. COMMITMENTS

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**1,119,833**	795,787
Investments in subsidiaries and an associate	**9,586,359**	11,071,562
Investment in available-for-sale financial assets	**389,577**	467,744
	11,095,769	12,335,093

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

19. RELATED PARTY TRANSACTIONS

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

(a) Sales of products and rendering of services

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sinopharm Group Co., Ltd. *(notes 4 & 6)*	**770,840**	524,113
Chongqing Pharmaceutical Group Co., Ltd. *(notes 4 & 9)*	**162,561**	137,738
Zhejiang Di'an Diagnostics Co., Ltd. *(notes 4 & 9)*	**23,762**	10,825
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 2 & 4)*	**10,252**	—
Handa Pharmaceuticals, LLC *(notes 4 & 9)*	**5,982**	—
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2 & 4)*	**3,287**	1,567
Chindex International, Inc. *(notes 4 & 6)*	**1,217**	523
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 4)*	**1,207**	—
Shanghai Diai Medical Instrument Co., Ltd *(notes 1 & 4)*	**1,123**	—
Healthy Harmony Holdings L.P. *(notes 1 & 4)*	**857**	1,626
Fosun High Tech and its subsidiaries *(notes 3 & 4 & 10)*	**232**	379
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 4 & 7)*	**20**	48
Shanghai Anbo pharmaceutical Co., Ltd. *(notes 4 & 6)*	**8**	—
Fosun Kaite Biological Technology Co., Ltd *(notes 2 & 4)*	**4**	—
Shanghai Xing Lian Commercial Factoring Co., Ltd *(notes 3 & 4)*	**3**	26
Shanghai Yixing Sports Development Co., Ltd. *(notes 4 & 9)*	**1**	43
Hunan Time Sun Pharmaceutical Co., Ltd. *(notes 1 & 4 & 15)*	**—**	373
SINNOWA Medical Science & Technology Co., Ltd *(notes 1 & 4)*	**—**	2
	981,356	677,263

(b) Purchase of products and rendering of services

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sinopharm Group Co., Ltd. *(notes 4 & 6)*	**72,038**	40,466
Yong'an Property Insurance Company Limited *(notes 4 & 9)*	**3,749**	2,551
Zhejiang Di'an Diagnostics Co.,Ltd. *(notes 4 & 9)*	**1,799**	869
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd *(notes 1 & 4)*	**854**	67
The subsidiaries of Fosun High Tech *(notes 3 & 4 & 11)*	**211**	262
Beijing steellex Biological Technology Co., Ltd. *(notes 1 & 4)*	**109**	173
Guanzhou Sudao Information Technology Co., Ltd *(notes 1 & 4)*	**15**	—
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 2 & 4)*	**6**	—
SD Biosensor, Inc. *(notes 1 & 4)*	**—**	108
	78,781	44,496

Notes to Interim Condensed Consolidated Financial Statements

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19. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services

As lessor

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Fosun High Tech and its subsidiaries *(notes 3 & 5 & 12)*	**5,627**	3,854
Shanghai Xingyao Medical Technology Development Co.,Ltd. *(notes 2 & 5)*	**474**	—
Tong De Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	**353**	323
Sinopharm Group Co., Ltd. *(notes 5 & 6)*	**286**	450
Shanghai Anbo pharmaceutical Co., Ltd *(notes 5 & 6)*	**247**	—
Chindex International., Inc(notes 5 & 6)	**166**	—
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2 & 5)*	**151**	365
Fosun Kaite Biological Technology Co., Ltd *(notes 2 & 5)*	**136**	—
Shanghai Yixing Sports Development Co., Ltd. *(notes 5 & 9)*	**—**	231
	7,440	5,223

As lessee

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
A subsidiary of Fosun High Tech. *(notes 3 & 5 & 13)*	**4,182**	3,355

Property management services

	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
The subsidiaries of Fosun High Tech. *(notes 3 & 5 & 14)*	**5,543**	2,645

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

19. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to a related party

The Company entered into a financial service agreement with Fosun Group Finance Corporation Limited ("Fosun Finance"), pursuant to which Fosun Finance shall provide financial services to the Group, 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 2017 and ended 31 December 2019. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB1,000,000,000. The maximum daily outstanding balance of loans granted by Fosun Finance to the Group is RMB1,000,000,000.

Maximum daily outstanding balance of deposits in Fosun Finance

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fosun Finance *(note 8)*	**534,688**	886,211

(e) Interest income from a related party

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fosun Finance *(note 8)*	**929**	2,090

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

Notes:

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

(3) They are subsidiaries of Fosun International Limited, the ultimate holding company of the Group.

(4) The sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(5) The fees for the leasing and property management services received from or paid to these related companies were determined based on prices available to third party customers of these related companies.

(6) They are subsidiaries of associates of the Group.

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

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

(9) They are other related parties of the Group.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

19. RELATED PARTY TRANSACTIONS (Continued)

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

Notes: (Continued)

(10) During this period, the Group offered Fosun High Tech and its subsidiaries with other services at market prices. Fosun high tech and its subsidiaries include Fosun High Tech, Beijing Golte Property Management Co., Ltd., Shanghai Xingling Asset Management Co., Ltd., Shanghai Xing Yi Health Management Co., Ltd., Shanghai Zhong Heng Insurance Brokers Ltd., Shanghai Fosun Venture Capital Management Co., Ltd., Zhangxingbao (Shanghai) Network Technology Co. Ltd., Shenzhen Xing Lian Commercial Factoring Co., Ltd., Liang Fu Credit Investigation Management Co.,Ltd., Shanghai Ceyuan Estate Broker Co., Ltd. and Shanghai Yunji Information Co., Ltd.

(11) During this period, 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 Xing Yi Health Management Co., Ltd.

(12) During this period, the Group leased out the office buidings to Fosun High Tech and its subsidiaries. Fosun high tech and its subsidiaries include Fosun High Tech, 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., Shenzhen Xing Lian Commercial Factoring Co., Ltd. and Shanghai Yunji Information Technology Co., Ltd.

(13) During this period, the Group leased office buildings from a subsidiary of Fosun High Tech. The subsidiary of Fosun High Tech is Shanghai New Shihua Investment and Management Co., Ltd.

(14) During this period, the Group received management services from subsidiaries of Fosun High Tech. The subsidiary of Fosun High Tech include Shanghai Golte Property Management Co., Ltd. and Beijing Golte Property Management Co., Ltd.

(15) On 25 October 2016, Fosun Pharma Industrial, a subsidiary of the Company, transferred all its shareholdings in Hunan Time Sun Pharmaceutical Co., Ltd. to a third party. Therefore, since 25 October 2016, Hunan Time Sun Pharmaceutical Co., Ltd. has not been an associate of the Group.

(f) Remuneration of key management personnel of the Group

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Performance related bonuses	**23,848**	24,044
Salaries, allowances and benefits in kind	**13,075**	13,370
Restricted A share incentive scheme	**2,095**	8,284
Pension scheme contributions	**395**	466
	39,413	46,164

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

20. FAIR VALUE AND FAIR VALUE HIERARCHY

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

	Carrying amounts		Fair values	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 RMB'000 (Audited)
Financial Assets:				
Available-for-sale investments, listed	**1,030,505**	981,131	**1,030,505**	981,131
Equity investments at fair value through profit or loss	**27,094**	48,489	**27,094**	48,489
	1,057,599	1,029,620	**1,057,599**	1,029,620
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**5,509,868**	2,182,905	**5,396,835**	2,112,878
Other borrowings	**4,635,596**	4,887,125	**4,549,722**	4,865,581
Other long-term liabilities	**452,547**	680,155	**452,547**	680,155
	10,598,011	7,750,185	**10,399,104**	7,658,614

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 corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings as at 30 June 2017 was assessed to be insignificant.

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

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

As at 30 June 2017, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments of the Group is RMB1,645,300,000 (31 December 2016: RMB1,990,150,000). All of them are unlisted equity investments in China, North America and other countries held by the Group, which are intended to be disposed by the Group after getting listed in the designated stock exchange in the future.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2017:

Significant unobservable valuation input for the share redemption option granted to a non-controlling shareholder of a subsidiary included in other long-term liabilities is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of Breas in twelve months ended 15 March 2019.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2017 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments — Listed	834,867	195,638	—	1,030,505
Equity investments at fair value through profit or loss	27,094	—	—	27,094
	861,961	195,638	—	1,057,599

As at 31 December 2016 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments — Listed	718,357	262,774	—	981,131
Equity investments at fair value through profit or loss	48,489	—	—	48,489
	766,846	262,774	—	1,029,620

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 30 June 2017 (Unaudited)

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities	—	—	218,424	218,424

As at 31 December 2016 (Audited)

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

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

	Six months ended 30 June 2017 RMB'000 (Unaudited)	Year ended 31 December 2016 RMB'000 (Audited)
Amounts included in other long-term liabilities:		
At 1 January	—	64,460
Addition	218,424	—
Settlement	—	(64,460)
	218,424	—

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30 June 2017

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

The Group did not have financial assets for which fair values are disclosed as at 30 June 2017 (31 December 2016: nil).

Liabilities for which fair values are disclosed:

As at 30 June 2017 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	5,396,835	—	5,396,835
Non-current portion of other borrowings	2,916,000	1,633,722	—	4,549,722
Amounts included in other long-term liabilities	—	452,547	—	452,547
	2,916,000	7,483,104	—	10,399,104

As at 31 December 2016 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	2,112,878	—	2,112,878
Non-current portion of 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

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: nil).

21. CONTINGENT LIABILITIES

As at 30 June 2017 and 31 December 2016, the Group did not have any contingent liabilities.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2017

22. EVENTS AFTER THE REPORTING PERIOD

(a) The entering into of a cooperation agreement

On 6 July 2017, Fosun Pharma Industrial, a wholly-owned subsidiary of the Company entered into a cooperation agreement with Professor Xu Tian, pursuant to which, Fosun Pharma Industrial (or its related parties) intended to invest an amount equivalent to RMB500 million to establish a wholly-owned technology innovation incubation platform (the "Incubation Platform"). The Incubation Platform will invest for projects approved by the investment decision committee and undertake its administrative expenses. Meanwhile, Fosun Industrial intended to engage Professor Xu Tian as the chairman of the academic board of the Incubation Platform who will be responsible for the overall operation and management of the Incubation Platform. The Incubation Platform will search, discover and encourage innovation projects worldwide and will emphasize its focus on the scientific and technology innovation projects and teams in precision medicine, regenerative medicine, artificial intelligence and other fields.

(b) The participation into the substantial asset restructuring of Chongqing Jian Feng Chemical Co., Ltd ("Jian Feng Chemical")

On 9 September 2016, the Company. and Guilin Pharma entered into an agreement with, among others, Chongqing Chemical & Pharmaceutical Holding (Group) Company Limited and Jian Feng Chemical in relation to the substantial asset restructuring of Jian Feng Chemical. 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 new shares in Jian Feng Chemical.

On 24 July 2017, Jian Feng Chemical received the "Approval on the Acquisition of Assets by Issue of Shares to Chongqing Chemical & Pharmaceutical Holdings (Group) Company Limited and others by Chongqing Jian Feng Chemical Co., Ltd." (Zheng Jian Xu Ke [2017] No. 1174) issued by CSRC, which approved the transactions contemplated under the above agreement.

(c) Acquisition of a subsidiary

On 29 August 2017, Fosun Pharma Industrial, a wholly-owned subsidiary of the Company, entered into an agreement with the shareholders of Shanghai Sinomedcare Biological & Technology Co. Ltd. ("Sinomedcare"), pursuant to which, Fosun Pharma Industrial proposed to contribute up to RMB266.5 million to acquire and subscribe for 65% shareholding in Sinomedcare. Fosun Pharma Industrial will acquire the remaining shareholding in Sinomedcare according to the agreement under certain conditions.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 29 August 2017.

Definitions

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

"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 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
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Board" or "Board of Directors"	the board of Directors of the Company
"Breas"	Breas Medical Holdings AB, a company incorporated in Sweden, a subsidiary of the Company as at the end of the Reporting Period
"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
"Chindex"	Chindex International, Inc., a company incorporated in Delaware of the United States
"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
"Director(s)"	director(s) of our Company

Definitions

"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"FDA"	Food and Drug Administration
"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
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Company Limited (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a Controlling Shareholder of the Company. Fosun High Tech is a connected person under Rule 14A.07(1) of the Hong Kong Listing Rules
"Fosun Holdings"	Fosun Holdings Limited (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
"Fosun International"	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 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
"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 controlling shareholder of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"Guangji Hospital"	Yueyang Guangji Hospital Company Limited (岳陽廣濟醫院有限公司), a subsidiary of the Company
"Guilin Pharma"	Guilin South Pharma Company Limited (桂林南藥股份有限公司), a subsidiary of the Company
"GuoDa Drug Store"	Sinopharm Holding GuoDa Drug Store Co., Ltd. (國藥控股國大藥房有限公司)
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Shares
"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

Definitions

"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
"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)
"Wanbang Pharma"	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"PCT"	Patent Cooperation Treaty
"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this interim report to the PRC or China, for geographical reference only, unless specified otherwise, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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 6-month period from 1 January 2017 to 30 June 2017
"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
"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
"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 Henlius Share Option Incentive Scheme"	the share option incentive scheme adopted by Shanghai Henlius, which was approved by the Shareholders at the annual general meeting held on 29 June 2017 and the shareholders of Fosun International at its extraordinary general meeting held on 6 June 2017

Definitions

"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Sinopharm"	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01099)
"Sisram"	SISRAM MEDICAL LTD, a subsidiary of the Company
"Sisram Medical Plan"	the 2013 employee incentive compensation plan adopted by Sisram
"substantial shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Supervisors"	the members of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Taizhou Zhedong Hospital"	Taizhou Zhedong Hospital Company Limited (台州浙東醫院有限公司), a subsidiary of the Company
"U.S." or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"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》)
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Fareast Casings"	Far-Eastern Casing Co., Ltd. (遠東腸衣食品有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Zhongwu Hospital"	Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司), a subsidiary of the Company
"%"	per cent

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