FOSUN PHARMA

INNOVATION FOR GOOD HEALTH

上海復星醫藥(集團)股份有限公司

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

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

Stock Code: 02196

Annual Report 2017

* For identification purposes only

Our Vision

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

Our Mission

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

Contents

Corporate Information

Directors

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

Non-executive Directors
Mr. Guo Guangchang (郭廣昌)[3]
Mr. Wang Qunbin (汪群斌)
Ms. Kang Lan (康嵐)[3]
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
Ms. Ren Qian (任倩) *(Chairman)*[1]
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)
Mr. Li Chun (李春)[2]

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)[3]
Mr. Wang Qunbin (汪群斌)
Mr. Wai Shiu Kwan Danny (韋少琨)
Mr. Wu Yifang (吳以芳)[4]

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)[3]
Mr. Cao Huimin (曹惠民)
Mr. Chen Qiyu (陳啟宇)[4]

Remuneration and Appraisal Committee
Dr. Wong Tin Yau Kelvin (黃天祐) *(Chairman)*
Mr. Cao Huimin (曹惠民)
Ms. Kang Lan (康嵐)[3]
Mr. Chen Qiyu (陳啟宇)
Mr. Jiang Xian (江憲)
Mr. Wang Can (王燦)[4]

1 Appointed on 11 January 2018
2 Resigned on 11 January 2018
3 Resigned on 26 March 2018
4 Appointed on 26 March 2018

Corporate Information

Registered Office

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

Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

Legal Advisers in Hong Kong

Reed Smith Richards Butler

Legal Advisers in the PRC

Grandall Law Firm (Shanghai)

Auditors

Ernst & Young

Principal Banks

China Merchants Bank
Bank of China
HSBC
Bank of Beijing
Agricultural Bank of China
Shanghai Pudong Development Bank
The Industrial and Commercial Bank of China
The Export-Import Bank of China
China Development Bank
Postal Savings Bank of China
Standard Chartered Bank

Corporate Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation

FOSUN PHARMA

Share Listing

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

Corporate
Information

A Share Registrar and Transfer Office in the PRC

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

H Share Registrar and Transfer Office in Hong Kong

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

Corporate Website

http://www.fosunpharma.com

Financial Highlights

	2017 RMB million	2016 RMB million
Operating results		
Revenue	18,362	14,506
Gross profit	10,753	7,787
Operating profit	2,162	1,742
Profit before tax	4,062	3,572
Profit for the year attributable to owners of the parent	3,124	2,806
Profitability		
Gross margin	58.56%	53.68%
Operating profit margin	11.77%	12.01%
Profit margin for the year	19.53%	22.21%
Earnings per share (RMB)		
Earnings per share — basic	1.27	1.21
Earnings per share — diluted	1.27	1.20
Assets		
Total assets	61,914	43,711
Equity attributable to owners of the parent	25,270	22,133
Total liabilities	32,230	18,517
Cash and bank balances	7,249	5,996
Debt-to-asset ratio	52.06%	42.36%
Of which: Pharmaceutical manufacturing and R&D segment		
Segment revenue	13,043	10,150
Segment gross profit	8,612	6,048
Segment results	1,860	1,580
Segment profit for the year	1,838	1,640

Chairman's Statement

Dear Shareholders,

In 2017, amidst the situation that was full of challenges and uncertainties in the economies of the world and the PRC, there was ongoing further reform of the medical system in the PRC. The pharmaceutical manufacturing industry resumed growth at a slower pace, and the medical technology and medical services continued to benefit from the policies with opportunities for rapid development. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management as well as international development, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining the balanced growth of its principal businesses.

Mr. Chen Qiyu
Chairman

2017 Review

During the Reporting Period, the revenue of the Group increased by 26.58% as compared to 2016 to RMB18,362 million, and excluding the impacts of the contributions from the new acquisition of enterprises in 2017 and the acquisitions of enterprises in 2016 for comparison purpose, revenue would have increased by 20.09% on the same basis as compared to 2016. The revenue from pharmaceutical manufacturing and research and development (R&D) segment of the Group amounted to RMB13,043 million, representing an increase of 28.50% as compared to 2016, and 22.16% on the same basis as compared to 2016. The revenue from healthcare service business amounted to RMB2,087 million, representing an increase of 24.52% as compared to 2016, and 14.97% on the same basis as compared to 2016.

During the Reporting Period, the Group recorded revenue of RMB15,011 million in Mainland China, representing an increase of 21.22% as compared to 2016. The Group recorded revenue of RMB3,351 million in foreign countries or regions, representing an increase of 57.88% as compared to 2016. The proportion of the Group's overseas revenue was 18.25%, representing an increase of 3.68 percentage points as compared to 2016. Excluding the impacts of the new acquisitions and the acquisitions in 2016 for comparison purpose and other factors, the Group recorded revenue of RMB2,581 million in foreign countries or regions, representing an increase of 21.59% as compared to 2016, on the same basis, accounting for 15.03% of our total revenue, representing an increase of 0.19 percentage points as compared to 2016.

The Board proposes to distribute a final dividend of RMB0.38 (inclusive of tax) per share for the year ended 31 December 2017.

The Group has formed a relatively complete product portfolio in the six major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary system, central nervous system, blood system, anti-infection and anti-tumor) which are areas with the greatest potential to grow in China's pharmaceutical market. Each of the major pharmaceutical products of the Group has its own competitive advantages in their respective segments. In 2017, apart from Gland Pharma, there were 21 formulation items or series in the pharmaceutical manufacturing segment of the Group that each recorded revenue of over RMB100 million, of which there are 11 formulation items or series with recorded sales of over RMB300 million (including 5 formulation items or series recorded sales of more than RMB500 million).

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, the U.S., India and other countries. 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 continued to strengthen its presence in the production of anti-tumor drugs. As at the end of the Reporting Period, the Group obtained approval for clinical trial for a total of 6 monoclonal antibody product types (including 1 innovative monoclonal antibody item) 11 indications obtained approval for clinical trial in the PRC, 3 products were in phase III clinical trial, 1 product applied for production (i.e. rituximab monoclonal antibody injection) and was included in the registration application list for drugs to be included in the priority review process. Another three innovative monoclonal antibody items (recombinant anti-VEGFR2 fully human monoclonal antibody injection, recombinant humanized anti-EGFR monoclonal antibody injection and recombinant humanized anti-PD-1 monoclonal antibody injection) obtained approval for clinical trial both in the United States and Taiwan. Recombinant humanized anti-HER2 monoclonal antibody injection obtained approval for clinical trial in China and Europe. As at the end of the Reporting Period, apart from the newly acquired Gland Pharma, there were 171 pipeline drugs, generic drugs, biosimilars and consistency evaluation projects (including 10 small molecular innovative drugs, 8 biopharmaceutical innovative drugs, 14 biosimilars, 98 generic drugs with international standards, 39 consistency evaluation projects and 2 traditional Chinese medicine drugs), 9 projects under clinical trial applications, 29 projects under clinical trial, and 27 projects awaiting official approval for sales. At the beginning of 2018, amlodipine besylate tablets passed the consistency evaluation for generic drugs, which helped the Group in continuously improving product quality. It is expected that these pipeline products will provide a solid foundation to maintain sustainable development of the Group in the future. As at the end of the Reporting Period, there were nearly 1,500 staff members in the R&D team, representing approximately 5% of the total number of employees in the Group. 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 exploring innovative research and development of companies under partnership and adopting technology introduction, patent licensing, "deep incubation" and value management models to access the global innovative advanced technology and facilitate the global development of advanced products so as to facilitate the connection between the Group and leading technology innovation projects worldwide and further propel the innovation capacity and international operation progress of the Group. During the Reporting Period, the Group collaborated with Kite Pharma, the global leader in the development and manufacturing of T-cell immunotherapy products, to set up a joint venture in Shanghai to jointly establish an immunotherapy industry platform, and advance on the technology transfer, preparation testing of KTE-C19 (Yescarta, Kite Pharma's first product approved by the U.S. FDA) in a comprehensive manner, demonstrating its commitment to introduce world-leading therapeutic products/technologies to China as soon as possible.

While continuously improving the level of research and development and product competitiveness, the Group continued to strengthen the construction of domestic and foreign marketing systems and has established a marketing team of nearly 5,000 people at home and abroad, including overseas marketing teams of nearly 1,000 people. In terms of construction of domestic marketing, during the Reporting Period, the Group continued to explore and improve the domestic marketing system based on the industry environment, and innovated a new marketing model to achieve marketing compliance and sustainable development. In terms of market, capacity building in high-end medical services, primary healthcare, retail chains, and other markets was also further improved. The Group used C2M as the strategic core to establish an internet innovation platform for marketing transformation, so as to carry out digital marketing. At the same time, the Group strengthened tender, market access and key account management, laying a foundation for the marketing of subsequent listed products. In addition, by virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's distribution network and logistics advantage to facilitate the expansion of the drug sales channels of the Group. In terms of construction of an international marketing team, with the acquisition of controlling interests in Tridem Pharma, the Group will further leverage on Tridem Pharma's established sales network and upstream and downstream client resources in Francophone countries and regions in Africa which will further improve the Group's international pharmaceutical marketing platform on top of its existing international marketing channels. As such, in-depth cooperation with pharmaceutical companies in Europe and the United States were initiated and the Group's sales volume of drugs in the international market was enhanced.

Meanwhile, the Group is also one of the first enterprises in the PRC pharmaceutical industry to develop internationally. Its production has also expanded overseas. Apart from the newly acquired Gland Pharma, several production lines of the Group were recognized by relevant international certifications, and some of the formulations and APIs have also entered into the international markets in a considerable scale. The Group is the leading provider of anti-malaria medicines. As of 2017, the global sales volume of the Group in respect of innovative drug artesunate for injection with proprietary intellectual property rights has exceeded 100 million. With the completion of the acquisition of Gland Pharma, the industrial upgrading of the pharmaceutical manufacturing business of the Group will be carried forward, and the internationalization process will be accelerated to increase the market share in the injection market. In the fourth quarter of 2017, a total of 5 generic drugs of Gland Pharma received U.S. FDA listing approval.

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 framework system 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.

Technology
Innovation

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's development to make a considerable leap forward in the future. The dual-listing status creates favorable conditions for the Group to rapidly expand its scale of operation and enhances its competitiveness through merger and acquisition activities.

OUTLOOK

In 2018, the pharmaceutical and healthcare industry is expected to maintain stable growth. For the market demand, the quickening aging process in China and the liberalization of two-child policy, the further increased investment in the medical and healthcare industry from the government and the increase in per capita disposable income in China will become three major drivers for the further development of the pharmaceutical industry in China. Besides, with the continual growth in morbidity rate of geriatric, chronic diseases and tumors, these drivers will persist and further encourage industry development at a speed faster than the GDP growth in the near future. With respect to industry structure, the domestic economy is expected to sustain stable growth while the government will guide and encourage strategically emerging industries to proceed with industry upgrading and structure optimization, thereby supporting the development of the innovation-driven pharmaceutical industry. In terms of national policies, the promulgation of "Healthy China 2030" has outlined a brighter future for the major health industries in China. The implementation of "paying for pharmaceutical products and medical insurance with benchmark price" policy, amendments to the "National List of Essential Drugs", "consistency evaluation" an other policies will lay a relatively more stable business foundation for domestic pharmaceutical enterprises. Upon the formulation and promulgation of China's 13th Five-year Plan for the pharmaceutical industry, there will be more demanding requirements in respect of the overall industry structure. Pharmaceutical enterprises with advantages in size, technology, brand and marketing will embrace precious opportunities. In view of the specific industry environment, the coexistence of challenges and opportunities will remain in future.

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

In terms of opportunities, the innovation capacity of enterprises is expected to develop rapidly. In particular, some quality pharmaceutical enterprises will realize the market value of their excellent R&D results built up during the 12th Five-year Plan period, thus further encouraging domestic pharmaceutical enterprises to increase R&D expenditure and develop high-value added industry. Besides, in view of the international market, the pace of international development of the domestic pharmaceutical industry as a whole has accelerated. Various quality products have obtained approvals for market access in Europe, the U.S., Japan and other developed countries. There have been more and more international mergers and acquisitions year by year as well. These factors ensure the acceleration of international and global development of PRC pharmaceutical enterprises in terms of products and investment while conforming to the overall policy direction under the government's industry plans.

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

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

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

Mr. Chen Qiyu
Chairman

26 March 2018

Management
Discussion and Analysis

FINANCIAL REVIEW

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

During the Reporting Period, revenue of the Group amounted to RMB18,362 million, representing an increase of 26.58% as compared to 2016.

During the Reporting Period, the Group recorded profit before tax of RMB4,062 million and profit attributable to owners of the parent of RMB3,124 million, representing an increase of 13.72% and 11.36%, respectively, as compared to 2016.

During the Reporting Period, earnings per share of the Group increased by 4.96% to RMB1.27 compared to 2016.

REVENUE

During the Reporting Period, the revenue of the Group increased by 26.58% as compared to 2016 to RMB18,362 million, and excluding the impacts of the contributions from the new acquisition of enterprises in 2017 and the acquisitions of enterprises in 2016 for comparison purpose, the revenue would have increased by 20.09% on the same basis as compared to 2016. During the Reporting Period, the Group recorded revenue of RMB15,011 million in Mainland China, representing an increase of 21.22% as compared to 2016. The Group recorded revenue of RMB3,351 million in foreign countries or regions, representing an increase of 57.88% as compared to 2016.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group generated revenue of RMB13,043 million, representing an increase of 28.50% as compared to 2016. Excluding the impacts of the contributions from the new acquisition of enterprises in 2017, and the acquisition of enterprises in 2016 for comparison purposes, during the Reporting Period, the revenue of the pharmaceutical manufacturing and R&D segment increased by 22.16% on the same basis as compared with 2016. The revenue of major products in pharmaceutical manufacturing and R&D segment for 2017 increased by 24.81% as compared to 2016. During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group achieved segment results and segment profit amounting to RMB1,860 million and RMB1,838 million, which increased by 17.73% and 12.05% as compared with 2016, respectively.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased to RMB7,609 million from RMB6,718 million for 2016, representing an increase of 13.26% as compared to 2016.

GROSS PROFIT

Consistent with increased revenue and a smaller increase in cost of sales, during the Reporting Period, gross profit of the Group amounted to RMB10,753 million compared to RMB7,787 million for 2016, representing an increase of 38.09% as compared to 2016. The gross margin of the Group for 2017 and 2016 were 58.56% and 53.68%, respectively. In 2017, the gross profit margin of the Group had an increase of 4.88 percentage points as compared to 2016 primarily due to the increase in sales proportion of high-margin products, improvement in the sales structure, further optimized supply chain of raw materials and centralized procurement and economics of scale.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, the selling and distribution expenses of the Group amounted to RMB5,791 million, representing an increase of 56.33% as compared to RMB3,704 million for 2016. The change in selling and distribution expenses was mainly due to the market expansion in new and recent products, and the growth in sales of the major products during the Reporting Period.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, the Group continued to increase its R&D investment. The total R&D investment amounted to RMB1,529 million, representing an increase of RMB423 million or 38.26% as compared to 2016. In particular, the R&D expenses amounted to RMB1,027 million, representing an increase of RMB312 million or 43.62% as compared to 2016. The R&D investment in the pharmaceutical manufacturing segment amounted to RMB1,275 million, representing an increase of RMB312 million or 32.39% as compared to 2016, representing 9.7% of the revenue of the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB799 million, representing an increase of RMB227 million or 39.74% as compared to 2016, representing 6.1% of the revenue of the pharmaceutical manufacturing segment, mainly because 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.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group amounted to RMB1,367 million from RMB1,342 million for 2016, representing a mild increase of 1.86% as compared to 2016, which was mainly due to the steady growth of principal associates, the losses in previous investment phase in newly established associates and the operating losses from other projects at an early stage.

PROFIT FOR THE YEAR

Due to the above factors, during the Reporting Period, profit for the period of the Group amounted to RMB3,585 million from RMB3,221 million for 2016, representing an increase of 11.30% as compared to 2016. Net profit margin of the Group for 2017 and 2016 were 19.53% and 22.21%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group amounted to RMB3,124 million from RMB2,806 million for 2016, representing an increase of 11.33% as compared to 2016.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 31 December 2017, total debts of the Group increased to RMB20,287 million from RMB11,710 million as at 31 December 2016 mainly due to changes in the scope of consolidation and new borrowings during the Reporting Period. As at 31 December 2017, mid-to long-term debts of the Group accounted for 48.38% of its total debts, increasing by 0.81 percentage points as compared to 47.57% as at 31 December 2016. As at 31 December 2017, cash and bank balances amounted to RMB7,249 million from RMB5,996million as at 31 December 2016, representing an increase of 20.90% as compared to 2016.

As at 31 December 2017, an equivalent amount of RMB11,372 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.

As at 31 December 2017, cash and bank balances of the Group denominated in foreign currencies amounted to RMB2,097 million (31 December 2016: RMB1,678 million).

Unit: million Currency: RMB

Cash and bank balances denominated in:	31 December 2017	31 December 2016
RMB	**5,152**	4,318
US dollars	**1,259**	1,443
HK dollars	**210**	101
Others	**628**	134
Total	**7,249**	5,996

Gearing Ratio

As at 31 December 2017, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 32.77%, as compared with 26.79% as at 31 December 2016.

Interest Rate

As at 31 December 2017, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB13,705 million (31 December 2016: RMB5,382 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	31 December 2017	31 December 2016
Within 1 year	**10,472**	6,139
1 to 2 years	**4,524**	763
2 to 5 years	**5,197**	4,717
Over 5 years	**94**	91
Total	**20,287**	11,710

AVAILABLE FACILITIES

As at 31 December 2017, save for cash and bank balances of RMB7,249 million, the Group had unutilized banking facilities of RMB18,027 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "Banks") in China. According to such agreements, the Banks have granted the Group with general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations in China. As at 31 December 2017, total available banking facilities under these arrangements were approximately RMB35,661 million in aggregate, of which RMB17,634 million had been utilized. The Company obtained approval from the CSRC for public issuance of corporate bonds in the amount of no more than RMB5,000 million to qualified investors on 5 February 2018. The approval is effective for a period of 24 months from the date on which the approval of the CSRC is obtained.

Collateral and Pledged Assets

As at 31 December 2017, the Group had placed the following assets as collateral for bank borrowings: property, plant and equipment amounting to RMB77 million (2016: RMB32 million) and prepaid land lease payments amounting to RMB30 million (31 December 2016: RMB34 million).

As at 31 December 2017, the Group had pledged the following for bank borrowings: 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 Alma Lasers Ltd. and Alma Lasers Inc. held by the Group and Pramerica-Fosun China Opportunity Fund L.P (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 31 to the financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principal 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 2017 and 2016.

Unit: million Currency: RMB

	2017	2016
Net cash flows from operating activities	**2,580**	2,110
Net cash flows used in investing activities	**(10,504)**	(2,447)
Net cash flows from financing activities	**9,909**	1,446
Net increase/(decrease) in cash and cash equivalents	**1,985**	1,109
Cash and cash equivalents at the beginning of the year	**4,538**	3,349
Cash and cash equivalents at the end of the year	**6,350**	4,538

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB2,342 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 31 December 2017, the Group's capital commitments contracted but not provided for amounted to RMB3,218 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 41 to the financial statements.

Contingent Liabilities

As at 31 December 2017, the Group did not have any contingent liabilities.

Interest Coverage

In 2017, the interest coverage, which is calculated by EBITDA divided by financial cost was 9.66 times as compared with 9.83 times for 2016. The interest coverage decreased mainly because the finance costs of the Group amounted to RMB578 million, representing an increase of 18.44% as compared with RMB488 million for 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.

BUSINESS REVIEW

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

In 2017, amidst the situation that was full of challenges and uncertainties in the economies of the world and the PRC, there was ongoing further reform of the medical system in the PRC. The pharmaceutical manufacturing industry resumed growth at a slower pace, and the medical technology and medical services continued to benefit from the policies with opportunities for rapid development. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management as well as international development, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining the balanced growth of its principal businesses.

During the Reporting Period, the revenue of the Group increased by 26.58% as compared to 2016 to RMB18,362 million, and excluding the impacts of the contributions from the new acquisition of enterprises in 2017 and the acquisitions of enterprises in 2016 for comparison purposes, the revenue would have increased by 20.09% on the same basis as compared to 2016. The revenue from pharmaceutical manufacturing and research and development (R&D) segment of the Group amounted to RMB13,043 million, representing an increase of 28.50% as compared to 2016, and 22.16% on the same basis as compared to 2016. The revenue from healthcare service business amounted to RMB2,087 million, representing an increase of 24.52% as compared to 2016, and 14.97% on the same basis as compared to 2016.

During the Reporting Period, the Group recorded revenue of RMB15,011 million in Mainland China, representing an increase of 21.22% as compared to 2016. The Group recorded revenue of RMB3,351 million in foreign countries or regions, representing an increase of 57.88% as compared to 2016. The proportion of the Group's overseas revenue was 18.25%, representing an increase of 3.68 percentage points as compared to 2016. Excluding the impacts of the new acquisitions and the acquisitions in 2016 for comparison purposes and other factors, the Group recorded revenue of RMB2,581 million in foreign countries or regions, representing an increase of 21.59% as compared to 2016, on the same basis, accounting for 15.03% of our total revenue, representing an increase of 0.19 percentage points as compared to 2016.

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

Unit: million Currency: RMB

Business segment	**Revenue 2017**	Revenue 2016	Year-on-year increase/ decrease (%)
Pharmaceutical manufacturing and R&D *(Note 1)*	**13,043**	10,150	28.5
Healthcare services *(Note 2)*	**2,087**	1,676	24.52
Medical devices and medical diagnosis *(Note 3)*	**3,204**	2,653	20.77

Note 1: The revenue of pharmaceutical manufacturing and R&D segment increased by 22.16% on the same basis as compared to the corresponding period of 2016;

Note 2: The revenue of healthcare services segment increased by 14.97% on the same basis as compared to the corresponding period of 2016;

Note 3: The revenue of medical devices and medical diagnosis segment increased by 15.18% on the same basis as compared to the corresponding period of 2016.

During the Reporting Period, the Group recorded total profit of RMB4,062 million and net profit attributable to shareholders of the Company of RMB3,124 million, representing an increase of 13.72% and 11.36%, respectively, as compared to 2016. The increase in each of the total profit and net profit attributable to Shareholders of the Company was mainly due to the steady growth maintained by businesses of the Group, the further optimized sales structure, the construction of the marketing system and the emergence of effects arising from supply chain integration and the steady growth in Sinopharm, an associated company. In 2017, the Group's operating profit (A Share caliber: operating profit = revenue — cost of sales — taxes and surcharges — selling expenses — management fees — finance costs) increased by 19.87% as compared to 2016, due to losses in previous investment phase in newly established joint ventures or associates such as Fosun Kaite and operating losses from other projects at early stage, as such profit from controlling companies was merely 0.63% higher than that of 2016.

During the Reporting Period, the net profit (after extraordinary gain or loss) of the Group continued to increase. The net profit (after extraordinary gain or loss) attributable to Shareholders of the Company amounted to RMB2,346 million in 2017, representing an increase of 12.10% as compared to 2016.

During the Reporting Period, net cash flow from operating activities of the Group continued to rise, increasing to RMB2,580 million in 2017, representing an increase of 22.28% as compared to 2016. The profitability and operational quality of the Group were further enhanced.

During the Reporting Period, the Group continued to increase its R&D investment. The total R&D investment amounted to RMB1,529 million, representing an increase of RMB423 million or 38.26% as compared to 2016. In particular, R&D expenses amounted to RMB1,027 million, representing an increase of RMB312 million or 43.62% as compared to 2016.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group generated revenue of RMB13,043 million, representing an increase of 28.50% as compared to 2016. Excluding the impacts of the contributions from the new acquisition of enterprises in 2017, and the acquisition of enterprises in 2016 for comparison purposes, during the Reporting Period, the revenue of the pharmaceutical manufacturing and R&D segment increased by 22.16% on the same basis as compared with 2016. The segment results and segment profit amounted to RMB1,860 million and RMB1,838 million, which increased by 17.73% and 12.05% as compared to 2016, respectively.

The Group consecutively completed the acquisitions of equity interests in Gland Pharma and Tridem Pharma, which continued to facilitate the industrial upgrade of the Group's pharmaceutical manufacturing business, and the construction of the international marketing platform selling pharmaceutical products, and accelerate the internationalization of the Group. In the fourth quarter of 2017, a total of 5 generic pharmaceutical products of Gland Pharma received U.S. FDA launching approval. In addition, during the Reporting Period, the Group acquired a product package from Sandoz Inc., in which about 90% of the formulation items involved are generic drugs currently sold in the U.S. market, covering various therapeutic areas such as the central nervous system, cardiovascular, and anti-infection. The aforementioned acquisitions of equity interests and addition to product line will help the Group in enhancing its innovation, product diversity and marketing capabilities during the internationalization process.

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 calcium tablets (Bang Zhi) and alprostadil in cardiovascular system therapeutic area, new compound aloe capsules (Ke Yi) and febuxostat tablets (You Li Tong) in metabolism and alimentary system therapeutic area and pemetrexed disodium for injection (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 2017, apart from the newly acquired Gland Pharma, there were 21 formulation items or series in the pharmaceutical manufacturing segment of the Group that each recorded revenue of over RMB100 million, among which deproteinized calf blood injection (Ao De Jin), reduced glutathione series (Atomolan injection and Atomolan tablets), alprostadil dried emulsion for injection (You Di Er), cefmetazole sodium injection series, potassium sodium dehydroandrographolide succinate for injection (Sha Duo Li Ka) recorded revenue of over RMB500 million. Sales of febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi) and new compound aloe capsules (Ke Yi) maintained rapid growth. Antimalarial series such as artesunate, anti-tuberculosis series, alprostadil dried emulsion for injection (You Di Er) and reduced glutathione series (Atomolan injection and Atomolan tablets) 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 in the following table:

Unit: million Currency: RMB

Pharmaceutical manufacturing and R&D *(Note 1)*	**2017**	2016	Year-on-year increase on the same basis (%)
Major products of cardiovascular system therapeutic area *(Note 2)*	**1,293**	1,200	7.70
Major products of central nervous system therapeutic area *(Note 3)*	**1,546**	1,076	43.66
Major products of blood system therapeutic area *(Note 4)*	**586**	357	64.16
Major products of metabolism and alimentary system therapeutic area *(Note 5)*	**2,451**	1,934 *(Note 5*)*	26.73 *(Note 5*)*
Major products of anti-infection therapeutic area *(Note 6)*	**2,274**	1,863	22.07
Major products of anti-tumor therapeutic area *(Note 7)*	**323**	305	6.16
Major products of APIs and intermediate products *(Note 8)*	**1,427**	1,197 *(Note 8*)*	19.22 *(Note 8*)*

Note 1: Gland Pharma has been included in the consolidated financial statements since October 2017. The major products in the main therapeutic areas in 2017 did not include Gland Pharma's major products;

Note 2: 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 calcium tablets (Bang Zhi);

Note 3: Major products of central nervous system therapeutic area include deproteinized calf blood injection (Ao De Jin) and quetiapine fumarate tablets (Qi Wei);

Note 4: Major products of blood system therapeutic area include hemocoagulase for injection (Bang Ting) and Cobamamide for injection (Mi Le Ka);

Note 5: 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 for injection (CHO cells) (Yi Bao), new compound aloe capsules (Ke Yi) and Thioctic Acid Injection (Fan Ke Jia);

Note 5:* 2016 data is restated for comparison with the 2017 data on the same basis, i.e. the 2016 data including the revenue of Thioctic Acid Injection (Fan Ke Jia), a new core product;

Note 6: Major products of anti-infection therapeutic area include antimalarial series such as artesunate, anti-tuberculosis series, cefmetazole sodium for injection (Xi Chang and Cefmetazon), potassium sodium dehydroandrographolide succinate for injection (Sha Duo Li Ka), Piperacillin Sodium and Sulbactam Sodium for injection 0.75g/1.5g (Qiang Shu Xi Lin), Piperacillin Sodium and Sulbactam Sodium for injection 3g (Qin Shu), Piperacillin Sodium and Tazobactam Sodium for injection (Pai Shu Xi Lin) and Ceftizoxime Sodium for injection (Er Ye Bi);

Note 7: Major products of anti-tumor therapeutic area include Xihuang capsules (Ke Sheng), pemetrexed disodium for injection (Yi Luo Ze) and bicalutamide (Zhao Hui Xian);

Note 8: Major products of APIs and intermediate products include amino acid, tranexamic acid, clindamycin hydrochloride and heparin essence products; and

Note 8:* 2016 data is restated for comparison with the 2017 data on the same basis, i.e. the 2016 data including the revenue of heparin essence, a new core product.

The Group has been focusing on innovation and R&D in the long run and continued to increase investment in R&D. During the Reporting Period, the total R&D investment amounted to RMB1,529 million, representing an increase of RMB423 million or 38.26% as compared to 2016. In particular, the R&D expenses amounted to RMB1,027 million, representing an increase of RMB312 million or 43.62% as compared to 2016. The R&D investment in the pharmaceutical manufacturing segment amounted to RMB1,275 million, representing an increase of RMB312 million or 32.39% as compared to 2016, representing 9.7% of the revenue of the pharmaceutical manufacturing segment. In particular, R&D expenses amounted to RMB799 million, representing an increase of RMB227 million or 39.74% as compared to 2016, representing 6.1% of the revenue of the pharmaceutical manufacturing 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 China, the U.S., India and other countries, forming a globally-linked R&D team system. 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.

As at the end of the Reporting Period, apart from the newly acquired Gland Pharma, the Group had 171 pipeline drugs, generic drugs, biosimilars and consistency evaluation projects (including 10 small molecular innovative drugs, 8 biopharmaceutical innovative drugs, 14 biosimilars, 98 generic drugs with international standards, 39 consistency evaluation projects and 2 traditional Chinese medicine drugs). During the Reporting Period, research on monoclonal antibody products further accelerated. As at the end of the Reporting Period, the Group obtained approval for clinical trial for a total of 6 monoclonal antibody product types (including 1 biopharmaceutical innovative drug) 11 indications obtained approval for clinical trial in the mainland China. Another three monoclonal antibody items obtained approval for clinical trial both in the United States and Taiwan. Specific R&D progress of monoclonal antibody products are set out below:

No.	Type	Name of R&D project on drugs (products)	R&D stages in mainland China as at the end of the Reporting Period		R&D stages in other countries and regions as at the end of the Reporting Period	
			R&D stage	Stage of clinical trial	R&D stage	Stage of clinical trial
1	Biosimilars	Recombinant murine/human chimeric anti-CD20 monoclonal antibody injection	Clinical trial/Listing application	Phase I/III *(Note 1)*	—	—
2		Recombinant humanized anti-HER2 monoclonal antibody injection	Clinical trial	Phase III	Clinical trial *(Note 2)*	Phase III
3		Recombinant anti-TNFα fully human monoclonal antibody injection	Clinical trial	Phase I/III	—	—
4		Recombinant humanized anti-VEGF monoclonal antibody injection	Clinical trial	Phase I	—	—
5		Recombinant murine/human chimeric anti- EGFR monoclonal antibody injection	Approved for clinical trial	—	—	—
6	Biopharmaceutical innovative drugs	Recombinant anti-VEGFR2 fully human monoclonal antibody injection	Accepted the application for clinical trial	—	Approved for clinical trial *(Note 3)*	—
7		Recombinant humanized anti-EGFR monoclonal antibody injection	Approved for clinical trial	Phase I	Clinical trial *(Note 4)*	Phase I
8		Recombinant humanized anti-PD–1 monoclonal antibody injection	Accepted the application for clinical trial	—	Approved for clinical trial *(Note 3)*	—
9		Recombinant anti-PD-L1 fully human monoclonal antibody injection	Accepted the application for clinical trial	—	—	—

Note 1: Such drugs for rheumatoid arthritis indications and non-Hodgkin lymphoma indications were in phases I and III clinical trial, respectively as at the end of the Reporting Period;

Note 2: Such drugs for breast cancer indications were approved for phase III clinical trials in Ukraine, Poland and the Philippines, and phase III clinical trials were carried out in Ukraine as at the end of the Reporting Period;

Note 3: Such drugs were approved for clinical trials in the United States and Taiwan as at the end of the Reporting Period;

Note 4: Such drugs were approved for clinical trials in the United States and Taiwan, and phase I clinical trials were carried out in Taiwan as at the end of the Reporting Period.

During the Reporting Period, apart from Gland Pharma, a total of 84 patents had been applied for in the pharmaceutical manufacturing and R&D segment of the Group, including 13 U.S. patent applications, 1 Japanese patent application, 2 European patent applications and 10 PCT applications, and 25 licensed patents had been obtained, all of which are invention patents.

The Group has placed great emphasis on quality and risk management of the life cycle of its products and implemented stringent quality and safety control mechanisms and adverse reaction monitoring mechanisms at each stage of the production chain from R&D to pulling off shelf of products, so as to ensure the R&D, registration, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing segment has fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, change management, deviation management, 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, all subsidiaries of the Group that engaged in pharmaceutical manufacturing business fulfilled the new GMP in China. While ensuring the production lines 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, four production plants of Gland Pharma were audited/certified under various drug regulations, and the audits/certifications conducted during the Reporting Period were successfully passed. In addition, 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, 3 production lines of injections and 5 production lines for APIs of Guilin Pharma obtained Prequalification from the WHO-PQ; and 1 production line of oral solid dosage formulation of Yao Pharma, was recognized by Canada FDA and the U.S. FDA and its many formulations products were sold overseas.

Meanwhile, 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 2017, the Group continued to reinforce its primarily completed strategic deployment of healthcare services segment with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC. It established regional medical centers and a supply chain spanning major health industries and explored models of cooperation with local large state-owned companies, public hospitals and university-affiliated hospitals to accelerate its internet medical development strategy and enhance operating capabilities and profitability. During the Reporting Period, the Group pushed forward the reconstruction and expansion projects including Zhongwu Hospital, Huaihai Medical Group and other projects. Wenzhou Geriatric Hospital was operating smoothly. Chancheng Hospital won the title of the nation's first five-star private medical institution. During the Reporting Period, the completion of the acquisition of controlling interest in Hengsheng Hospital and Zhuhai Yannian will play an important role in the extensive development of medical service of the Group in Southern China and further expand its business arrangements in developed coastal cities and regions to establish regional medical centers and a supply chain spanning major health industries. 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.

As at the end of the Reporting Period, the medical institutions controlled by the Group mainly include Chancheng Hospital, Hengsheng Hospital, Zhongwu Hospital, Wenzhou Geriatric Hospital, Guangji Hospital, Jimin Cancer Hospital and Zhuhai Yannian. During the Reporting Period, the healthcare services entities controlled by the Group realized total revenue of RMB2,087 million, representing an increase of 24.52% as compared to 2016. Excluding the impacts of the contributions from the new acquisitions in 2017 and the acquisition of enterprises in 2016 for comparison purposes and other factors, revenue would have increased by 14.97% on the same basis as compared to 2016. The operating performance of the hospitals which commenced operation improved steadily. During the Reporting Period, segment results were RMB290 million, representing an increase of 25.38% as compared to 2016, and segment profit was RMB223 million, representing an increase of 49.93% as compared to 2016. As at the end of the Reporting Period, the total number of authorized beds available for the public in Chancheng Hospital, Hengsheng Hospital, Zhongwu Hospital, Wenzhou Geriatric Hospital, Guangji Hospital, Jimin Cancer Hospital and Zhuhai Yannian, etc. controlled by the Group was 3,818 beds in aggregate.

During the Reporting Period, the Group continued to actively support and facilitate the development and deployment of hospital and clinic network under "United Family Hospital", a leading premium healthcare services brand under Chindex. In 2017, the United Family Hospital maintained its brand awareness and prominent positions in high-end healthcare segment in major cities such as Beijing, Tianjin and Shanghai, Qingdao United Family Hospital commenced operation, and the construction of Guangzhou United Family Hospital and Shanghai Pudong United Family Hospital was fully underway.

Medical Devices and Medical Diagnosis

In 2017, 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 RMB3,204 million from the medical devices and medical diagnosis segment, representing an increase of 20.77% as compared to 2016. Excluding the impacts of the contributions from the new acquisitions of enterprises in 2017 and the acquisition of enterprises in 2016 for comparison purposes, the revenue would have increased by 15.18% on the same basis as compared to 2016. During the Reporting Period, the results and profit of the medical devices and medical diagnosis segment amounted to RMB480 million and RMB387 million, which increased by 10.21% and 20.01% as compared to 2016, respectively. In 2017, HPV diagnostic 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 28,000 in Mainland China and Hong Kong, representing year-on-year growth of approximately 46%.

The Group's medical devices and medical diagnosis segment has a total of six production or agency product lines with sales volume over RMB100 million, namely Da Vinci surgical robot devices and consumables, medical cosmetics devices Soprano series, Harmony series, Accent series, HPV diagnostic reagents and tuberculosis diagnostic products T-SPOT formulation kit.

In September 2017, Sisram was listed on the main board of the Hong Kong Stock Exchange and became the first Israeli company listed on the main board of the Hong Kong Stock Exchange. 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. During the Reporting Period, 2 products of Sisram passed EU CE certification, and 3 products of Sisram were approved by the U.S. FDA. Following the acquisition of a 30% equity interest in CML, 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 Group made a 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 Fosun, and completed the relevant business registration, which accelerates the development and popularization of high-end medical technology in China. In addition, the Group completed its investment in an 80% equity interest in Breas, a respiratory medical devices company in Sweden, which further expanded the product portfolio of the respiratory medical business.

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 2017, Sinopharm realized revenue of RMB277,717 million, net profit of RMB7,868 million and net profit attributable to shareholders of the parent of RMB5,283 million, which represented an increase of 7.48%, 14.17% and 13.68% as compared to 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 15,032 hospitals (only referring to hospitals with ranking, including 2,301 of the tier-three hospitals, which are the largest and most highly-ranked hospitals). During the Reporting Period, Sinopharm's revenue from pharmaceutical distribution business increased by 7.26% as compared to 2016 to RMB264,352 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB12,392 million realized during the Reporting Period, representing an increase of 21.04% as compared to 2016, while its pharmaceutical retail network further expanded. As at the end of the Reporting Period, GuoDa Drug Store, a subsidiary of Sinopharm, had 3,834 retail pharmacies, including 2,801 direct-sale stores and 1,033 franchise stores, in 19 provinces or cities across China.

Internal Integration and Operation Enhancement

During the Reporting Period, the Group updated its five-year strategic plan for the green supply chain, under which it cooperates with subsidiaries to continue to promote the implementation of the project and conducts pilot EHS on-site audits of suppliers. Meanwhile, 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 subsidiaries in related regions.

In collective procurement and strategic procurement, in 2017, the Group further promoted the collective procurement projects in cross-business segments and sectors. As at the end of the Reporting Period, 21 collective procurement and strategic bidding projects for analytical instruments and consumables, medical equipment, industrial design, wire and cable, shuttle and information systems had been completed. The Group entered into procurement cooperation with Jingdong, a global leading Internet company and China's largest self- owned B2C e-commerce company. Through the advancement of the collective procurement project and strategic agreement, the Group exerts a platform effect, realizing cost reduction and efficiency. In the process of advancement of the collective procurement projects, the Group has gradually improved its procurement expert database. Experts from the expert database will participate in the whole process of the specific collective procurement projects with full consideration of the actual situation of each subsidiary business, to ensure the viability of collective procurement projects at later stage. They also traced the implementation of procurements under strategic agreements and collected all kinds of procurement information of the Group for comprehensive statistical analysis and analyzed cost reduction status, providing further basis for management to optimize procurement strategy.

In respect of compliance operation, the Group, by formulating and amending the policies, including the Anti-Corruption Regulation and the Management Rules on Operation with Integrity, to fully implement the open tendering and monitor 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 gradual implementation of the SAP system broke the data barriers for the pharmaceutical business and improved the master data management system including R&D, production, and marketing activities. At the same time, the Group established standardized basic data standards and platforms for the healthcare services business through the Hospital Information Management Platform, and completed centralized management and control of key data such as medical operations information, operational indicators, and business processes.

Environment, Health and Safety

During the Reporting Period, the Group continued to proceed with the establishment and operation of the management of environment, health and safety (EHS). Leveraging the EHS management system to develop and establish a set of EHS system standards that aligned with the actual risk exposures of the Group, various management systems and requirements were enhanced for the implementation of system. Various EHS facilities were also upgraded to enhance the professional skills of EHS dedicated employees. As such, the EHS performance of the Group was improved in a practicable and effective manner.

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 substituting natural gas for coal and upgrading or renovating sewage treatment facilities. The Group made proactive effort into various environmental, energy saving and emission tasks properly.

Meanwhile, aiming at "building a patient-centered, first-class and globally leading health management platform in China," and in response to the specific EHS risk and operation model of hospitals, the Group collaborated with third parties for the joint development of a hospital EHS management system framework and its scoring system to guide the EHS operation and management of its controlling medical institutions.

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.

The Group established a regular review and management decision-making mechanism for EHS, which provided organizational and resource protection for the EHS compliant operation and sustainable development of the Group in terms of organizational structure, human resources, management and control process and resource allocation.

Financing

During the Reporting Period, the Company completed the Placing of H Shares. The total proceeds from the placing amounted to approximately HK$2,323 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 in the amount of RMB1,250 million during the first half of 2017, which possesses an advantage in financing costs and consistently optimized debt structure. At the same time, the Group continued to strengthen its cooperation with PRC-funded banks in financing business and increased business contacts with foreign banks, and obtained short-term and medium-to-long-term preferential interest rate financing on the basis of cooperative relationship between Chinese and foreign-funded financial institutions. The further increase in credit facilities provided favorable conditions for the Group to strengthen the development of its principal business and implement internationalization strategy. As of the end of the Reporting Period, the Group received a total of RMB35,661 million in credit facilities from major cooperative banks.

Social Responsibility

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

For pharmaceutical enterprises, drug research and innovation is an important reflection of their social responsibilities. During the Reporting Period, the Group continually increased investment in upgrading its technology, improved production process, focused on the establishment of product quality system, extended the life cycle of products and lowered costs in order to offer safe, efficient, affordable products and services. Meanwhile, to care for patients and life, the Group continuously improved a long-term mechanism and contingency plan for monitoring adverse drug reaction.

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

With respect to social welfare, the Group undertook its social responsibilities and benefited the society by continuously investing in education, supporting scientific researches and community healthcare services, alleviating poverty by donations, and providing disaster assistances. In 2017, the accumulated global sales of artesunate for injection, an innovative drug whose independent intellectual property right is owned by the Group, exceeded 100 million, helping over 20 million of patients with severe malaria around the world to restore health.

With respect to targeted poverty alleviation, in 2017, adhering to and promoting the decision and planning of the central government with respect to "targeted approach to alleviating poverty", Fosun Pharma joined hands with its subsidiaries and Fosun Foundation, to conduct various forms of charity activities relating to poverty alleviation, education, patient care, etc.

2. Major Operations in the Reporting Period

A Analysis on Principal Operations

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

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Year-on-year change (%)	Reasons
Revenue	18,362	14,506	26.58	
Cost of sales	7,609	6,718	13.26	
Selling and distribution expenses	5,791	3,704	56.33	*Note 1*
Administrative expenses	1,774	1,626	9.10	*Note 2*
Research and development expense	1,027	715	43.62	
Finance costs	578	488	18.44	*Note 3*
Net cash flow generated from operating activities	2,580	2,110	22.28	
Net cash flow generated from investment activities	–10,504	–2,447	–329.25	*Note 4*
Net cash flow generated from financing activities	9,909	1,446	585.23	*Note 5*
R&D expenditures	1,529	1,106	38.26	*Note 2*

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

Note 1: The increase in selling and distribution expenses was mainly due to market expansion in new and recent products, and the growth in sales of the major products during the Reporting Period;

Note 2: The increase in R&D expenditures and research and development expenses was mainly due to the continuous increase in the investment in generic biopharmaceutical drugs, innovative biopharmaceutical drugs, small molecular innovative drugs and concentrated investment in consistency evaluation during the Reporting Period;

Note 3: The increase in finance costs was mainly due to the increase in the interest rate on interest-bearing debts and the increase in total borrowings during the Reporting Period;

Note 4: The increase in net cash flow generated from investment activities was mainly due to the acquisitions of subsidiaries and increase in cash paid for foreign investment during the Reporting Period;

Note 5: The increase in net cash flow generated from financing activities was mainly due to the placing of H Shares, listing of Sisram and new bank borrowings during the Reporting Period.

I. Analysis of Revenue and Cost of Sales

During the Reporting Period, revenue of the Group increased by 26.58% to RMB18,362 million from 2016.

The change in revenue was mainly attributable to the revenue growth of core products, expansion of healthcare services business and contributions from the newly acquired enterprises.

In 2017, the gross profit margin of the Group was 58.56%, representing an increase of 4.88 percentage points as compared to 2016 primarily due to the increase in sales proportion of high margin products, improvement in the sales structure, further optimized supply chain of raw materials and centralized procurement and economics of scale.

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

Unit: million Currency: RMB

			Principal Operations by Segments			
By segments	**Revenue**	**Cost of sales**	**Gross profit margin** (%)	**Year-on- year change in revenue** (%)	**Year-on- year change in cost of sales** (%)	**Year-on-year change in gross margin** (%)
Pharmaceutical manufacturing and R&D	13,043	4,431	66.03	28.50	8.01	increase of 6.45 percentage points
Healthcare services	2,087	1,506	27.84	24.52	21.58	increase of 1.77 percentage points
Medical devices and medical diagnosis	3,204	1,631	49.09	20.77	21.84	decrease of 0.44 percentage points

Principal Operations by Products

By Products	Revenue	Cost of sales	Gross profit margin (%)	Year-on- year change in revenue (%)	Year-on- year change in cost of sales (%)	Year-on-year change in gross margin (%)
Major products of cardiovascular system therapeutic area	1,293	264	79.55	7.70	3.92	increase of 0.74 percentage points
Major products of central nervous system therapeutic area *(Note 1)*	1,546	122	92.08	43.66	–8.25	increase of 4.48 percentage points
Major products of blood system therapeutic area *(Note 2)*	586	45	92.27	64.16	–27.64	increase of 9.81 percentage points
Major products of metabolism and alimentary system therapeutic area *(Note 3)*	2,451	503	79.49	26.73	–7.95	increase of 7.73 percentage points
Major products of anti-infection therapeutic area	2,274	640	71.85	22.07	–10.51	increase of 10.24 percentage points
Major products of anti-tumor therapeutic area	323	76	76.61	6.16	21.31	decrease of 2.92 percentage points
Major products of APIs and intermediate products *(Note 4)*	1,427	994	30.36	19.22	14.70	increase of 2.74 percentage points

Principal Operations by Geographical Locations

By Geographical Locations	Revenue	Cost of sales	Gross profit margin (%)	Year-on- year change in revenue (%)	Year-on- year change in cost of sales (%)	Year-on-year change in gross margin (%)
Mainland China	15,011	5,742	61.75	21.21	3.33	increase of 6.61 percentage points
Overseas countries or regions *(Note 5)*	3,351	1,867	44.27	57.88	60.60	decrease of 0.94 percentage points

Note 1: The revenue of major products of central nervous system therapeutic area recorded a year-on-year increase of 43.66%, which was mainly due to the adjustment of the product price;

Note 2: The revenue of major products of blood system therapeutic area recorded a year-on-year increase of 64.16%, which was mainly due to the adjustment of the product price;

Note 3: Thioctic Acid Injection (Fan Ke Jia) was added to the major products of metabolism and alimentary system therapeutic area in 2017, where the revenue and cost of Thioctic Acid Injection (Fan Ke Jia) were restated on the same basis for the revenue and cost of sales last year;

Note 4: Heparin essence product was added to the major products of APIs and intermediate products in 2017, where the revenue and cost of Heparin essence product were restated on the same basis for the revenue and cost of sales of last year;

Note 5: The increase in revenue and cost of sales from operations in overseas countries or regions was mainly due to the acquisitions of subsidiaries during the Reporting Period, resulting in changes in the scope of consolidation.

(2) Analysis of Cost

Unit: million Currency: RMB

By Segments

By Segments	Cost	Amount for the period	Percentage of the total cost for the period (%)	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)
Pharmaceutical manufacturing and R&D	Cost of products	4,431	58.24	4,102	61.06	8.01
Medical devices and medical diagnosis	Cost of products and goods	1,631	21.44	1,339	19.93	21.84
Healthcare services	Cost of services	1,506	19.79	1,239	18.44	21.58
Others	Other costs	41	0.54	38	0.57	6.19

By Therapeutic Areas

By Therapeutic Areas	Cost	Amount for the period	Percentage of the total cost for the period (%) *(note)*	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)
Major products of cardiovascular system therapeutic area	Cost of products	264	5.97	254	6.20	3.92
Major products of central nervous system therapeutic area	Cost of products	122	2.76	133	3.25	–8.25
Major products of blood system therapeutic area	Cost of products	45	1.02	63	1.53	–27.64
Major products of metabolism and alimentary system therapeutic area	Cost of products	503	11.35	546	13.32	–7.95
Major products of anti-infection therapeutic area	Cost of products	640	14.44	715	17.43	–10.51
Major products of anti-tumor therapeutic area	Cost of products	76	1.71	62	1.52	21.31
Major products of APIs and intermediate products	Cost of products	994	22.42	866	21.12	14.70

(3) Major Customers and Suppliers

Sales to the top 5 customers of the Group amounted to RMB2,628 million, representing 14.31% of the total sales revenue in 2017.

Purchases from the top 5 suppliers amounted to RMB1,090 million, representing 13.72% of the total purchases of the Group for 2017.

II. Expenses

During the Reporting Period, the selling and distribution expenses of the Group amounted to RMB5,791 million, representing an increase of 56.33% as compared to 2016. The change in selling and distribution expenses was mainly due to the market expansion in new and recent products, and the growth in sales of the major products during the Reporting Period.

The administrative expenses of the Group amounted to RMB1,774 million. The R&D expenses of the Group amounted to RMB1,027 million, representing an increase of 43.62% from 2016. The change in R&D expenses primarily due to the continued increase in the R&D investment in generic biopharmaceutical drugs, innovative biopharmaceutical drugs, small molecular innovative drugs and concentrated investment in consistency evaluation during the Reporting Period.

The finance costs of the Group amounted to RMB578 million, representing an increase of 18.44% as compared to 2016, mainly due to the increase in the interest rate of interest-bearing debts and the amount of total borrowings during the Reporting Period.

III. R&D Expenditure

R&D Expenditure

Unit: million Currency: RMB

R&D expenditures expensed for the period	1,027
R&D expenditures capitalized for the period	502
Total R&D expenditures	1,529
Percentage of total R&D expenditures on revenue (%)	8.3
Number of R&D staff in the Group (including QA and QC)	3,796
Percentage of number of R&D staff (including QA and QC) on total number of staff in the Group (%)	13.16
Percentage of R&D expenditures capitalized (%)	32.87

Descriptions

During the Reporting Period, the R&D investment in the pharmaceutical manufacturing segment amounted to RMB1,275 million, representing an increase of RMB312 million as compared to 2016, representing 9.7% of the revenue from the pharmaceutical manufacturing segment, mainly due to the continuous increase in the R&D investment in generic biopharmaceutical drugs, innovative biopharmaceutical drugs, small molecular innovative drugs and concentrated investment in consistency evaluation during the Reporting Period.

IV. Cash Flows

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Ratio of Change (%)	Reasons
Net cash flow generated from operating activities	2,580	2,110	22.28	Mainly due to the outstanding sales performance and operational enhancement of the Group during the Reporting Period
Net cash flow generated from investment activities	–10,504	–2,447	–329.25	Mainly due to the acquisitions of subsidiaries and increase in cash paid for foreign investment during the Reporting Period
Net cash flow generated from financing activities	9,909	1,446	585.23	Mainly due to the placing of H Shares, H-Share listing of Sisram and new bank borrowings during the Reporting Period;

B. Description on the non-principal business leading to significant changes in profit

Not applicable

C. Assets and liabilities analysis

Assets and liabilities

Unit: million Currency: RMB

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total assets (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Property, plant and equipment	8,353	13.49	6,325	14.47	32.06	Mainly due to changes in the scope of consolidation during the Reporting Period
Goodwill	8,464	13.67	3,473	7.95	143.71	Mainly due to the acquisition of subsidiaries during the Reporting Period
Other intangible assets	6,950	11.23	2,620	5.99	165.27	Mainly due to changes in the scope of consolidation during the Reporting Period
Investment in joint ventures	647	1.04	248	0.57	160.89	Mainly due to the increase in joint ventures during the Reporting Period
Inventories	2,751	4.44	1,671	3.82	64.63	Mainly due to changes in the scope of consolidation during the Reporting Period
Trade and bills receivables	3,826	6.18	2,390	5.47	60.08	Mainly due to changes in the scope of consolidation and growth in sales during the Reporting Period
Prepayments, deposits and other receivables	1,012	1.63	659	1.51	53.57	Mainly due to changes in the scope of consolidation during the Reporting Period
Equity investments at fair value through profit or loss	219	0.35	48	0.11	356.25	Mainly due to new financial assets held for trading in the Reporting Period
Trade and bills payables	1,782	2.88	1,149	2.63	55.09	Mainly due to changes in the scope of consolidation during the Reporting Period
Other payables and accruals	4,054	6.55	2,504	5.73	61.90	Mainly due to changes in the scope of consolidation and unpaid equity transaction payments and unpaid accrued expenses during the Reporting Period
Interest-bearing bank and other borrowings-current portion	10,472	16.91	6,139	14.05	70.58	Mainly due to the new borrowings during the Reporting Period
Interest-bearing bank and other borrowings-non-current portion	9,815	15.85	5,571	12.75	76.18	Mainly due to the new borrowings during the Reporting Period
Deferred tax liabilities	2,981	4.81	1,786	4.09	66.91	Mainly due to the deferred tax liabilities accrued from the valuation of the acquisition of subsidiaries during the Reporting Period
Other long-term liabilities	2,436	3.95	705	1.61	245.53	Mainly due to the share put options granted to non- controlling shareholders of subsidiaries during the Reporting Period

D. Analysis on investments

Major Subsidiaries and Investees

(1) Operation and Results of Subsidiaries

① *Operation and Results of Major Subsidiaries*

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Shaduolika, Xi Chang, Cefmetazon, etc.	197	3,156	1,861	3,857	530	464
Jiangsu Wanbang	Pharmaceutical manufacturing	You Li Tong, Yi Bao, Xihuang capsules, Wan Su Ping enoxaparin sodium series, etc.	440	3,215	1,723	3,148	397	341
Aohong Pharma	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	2,132	1,557	1,638	427	376
Gland Pharma	Pharmaceutical manufacturing	Heparin sodium, vancomycin, rocuronium bromide, etc.	N/A	6,218	4,695	455	91	63

Note 1: The data of Aohong Pharma and Gland Pharma include appreciation of asset evaluation and amortization of appreciation of asset evaluation.

Note 2: The data of revenue, operating profit and net profit of Gland Pharma is collected from the date of acquisition to the end of the Reporting Period.

② *Status of Other Major Subsidiaries*

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products	Registered capital	Total assets	Net assets	Revenue	Net profit
Chancheng Hospital *(Note 1)*	Healthcare services	Healthcare services	50	1,770	1,279	1,335	186
Sisram *(Note 2)*	Medical devices	Medical cosmetics devices, medical devices	N/A	2,265	1,914	924	75

Note 1: The data of Chancheng Hospital include appreciation of asset evaluation and amortization of appreciation of asset evaluation.

Note 2: The data of Sisram is prepared in accordance with Hong Kong Financial Reporting Standards.

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

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial	Pharmaceutical investment	Pharmaceutical investment	100	169,500	51,516	277,060	9,993	7,798

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

① *Acquisition of Subsidiaries in 2017*

On 25 January 2017, Fosun Industrial, a subsidiary, and FIHL, a connected person of the Company, PBM RESP Holdings, LLC ("PBM"), PBM Capital Investments, LLC ("PBM Capital") and Breas entered into an Equity Purchase and Contribution Agreement, pursuant to which Fosun Industrial agreed to contribute no more than US$49.5 million for the joint investment with FIHL for the establishment of Fosun Medical (of which Fosun Industrial accounts for 55% of registered capital of Fosun Medical), and Fosun Medical will acquire 80% of equity interests in Breas through share transfer and subscription of additional shares. As at the end of the Reporting Period, Fosun Medical held 80% of equity interests in Breas.

On 18 March 2017 and 6 April, 2017, Wanbang Tiansheng, a subsidiary of the Company, entered into an equity transfer agreement with Germany Bremen Import & Export Co., Ltd. and Shenzhen Tiansheng Trading Co., Ltd., pursuant to which Wanbang Tiansheng acquired 100% of equity interests in Fareast Casings. As at the end of the Reporting Period, Wanbang Tiansheng held 100% of equity interests in Fareast Casings.

On 28 July 2016, the Company, Fosun Pharma Industrial Pte. Ltd., a subsidiary of the Company, Fosun Industrial and its holding subsidiaries (hereinafter collectively referred to as the "Acquirer") entered into the Share Purchase Agreement, Subscription Agreement and other documents with KKR, founding shareholders (mainly comprised of the family of Dr. P. Ravindranath, companies under their control and the trusts they manage), the Vetter family of 6 natural persons and Gland Pharma, pursuant to which the Acquirer agreed to contribute no more than US$1,261.37 million for the acquisition of approximately 86.08% in Gland Pharma. On 15 September 2017, the parties concerned further entered into the Amendment NO.3 to the Share Purchase Agreement and other agreements for the transaction, pursuant to which it is agreed that the transaction will be adjusted in the following manner: the Acquirer will contribute no more than US$1,091.3 million for the acquisition of approximately 74% of the equity interests in Gland Pharma. As at the end of the Reporting Period, the Group held in aggregate approximately 74% of the equity interests in Gland Pharma.

On 25 September 2017, Fosun Long March, a subsidiary of the Company, entered into an investment agreement with Wang Yumei (汪玉美) and He Zongping (何宗平), pursuant to which Fosun Long March invested in Yuntao Optoelectronics through equity transfer and capital contribution. As at the end of the Reporting Period, Fosun Long March held 69.81% of equity interests in Yuntao Optoelectronics.

On 27 September 2017, Fosun Huanan, a subsidiary of the Company, entered into an equity transfer agreement and a shareholders agreement with Peng Haibin (彭海濱), Zheng Xionghui (鄭雄輝), Peng Yongsheng (彭永生) and Zhuhai Jiqun respectively, pursuant to which Fosun Huanan invested in Zhuhai Jiqun through equity transfer and capital contribution. As at the end of the Reporting Period, Fosun Huanan held 51% of equity interests in Zhuhai Jiqun.

On 12 November 2017, Fosun Hospital Investment, a subsidiary of the Company, entered into an equity transfer agreement with Shenzhen Hangsheng Industrial Group Co., Ltd., Shenzhen Yinxun Investment Consulting Enterprise (General Partnership), Shenzhen Fengcheng Investment Consulting Enterprise (Limited Partnership) and Hengsheng Hospital, pursuant to which Fosun Hospital Investment acquired 60% of equity interests in Hengsheng Hospital. As of the end of the Reporting Period, Fosun Hospital Investment. held 60% of equity interests in Hengsheng Hospital.

On 27 October 2017, Fosun Pharmaceutical AG, a subsidiary of the Company and Fosun Industrial, entered into a Securities Purchase Agreement with the shareholders of Tridem Pharma, pursuant to which Fosun Pharmaceutical AG shall acquire 100% of the equity interests in Tridem Pharma. The transaction includes: (i) the acquisition of approximately 82% of equity interests in Tridem Pharma through capital contribution of no less than EUR46 million in aggregate during the first phase, and (ii) the acquisition of approximately 18% of the remaining equity interests in Tridem Pharma during the second phase. The first phase of this transaction was completed on 12 December 2017. As at the end of the Reporting Period, Fosun Pharmaceutical AG. held 82% of the equity interests in Tridem Pharma.

The acquisitions of the subsidiaries in 2017 have the following effect on the Group's production and results:

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets (as at 31 December 2017)	Net profit (from date of acquisition/ merger up to 31 December 2017)	Date of acquisition/ merger
Breas	Equity transfer and capital contribution	270	5	15 March 2017
Fareast Casings	Equity transfer	8	2	23 March 2017
Gland Pharma	Equity transfer	4,695	63	3 October 2017
Yuntao Optoelectronics	Equity transfer and capital contribution	12	–0	10 November 2017
Jiqun Logistics	Equity transfer and capital contribution	57	–1	17 November 2017
Hengsheng Hospital	Equity transfer	462	9	30 November 2017
Tridem Pharma	Equity transfer	209	2	12 December 2017

Note: The above data include appreciation of asset evaluation and amortization of appreciation of asset evaluation.

② *Disposal of Subsidiaries in 2017*

On 24 October 2017, Guilin Pharma, a subsidiary. entered into an equity transfer agreement with Yang Yong (楊永) and Wang Hongli (王宏利), pursuant to which Guilin Pharma transferred 55% of the equity interests in Phoenix Jiangshan to Yang Yong and Wang Hongli. As of the end of the Reporting Period., Guilin Pharma no longer held any equity interests in Phoenix Jiangshan.

The disposals of the subsidiaries in 2017 have the following effect on the Group's production and results:

Unit: million Currency: RMB

Name of subsidiary	Disposed through	Net assets as at date of disposal	Net profit from beginning of Reporting Period to date of disposal	Date of disposal
Phoenix Jiangshan	Equity transfer	–4	3	24 October 2017

E. Core Competence Analysis

I. Overview

The Group has formed a relatively complete product portfolio in the six major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary system, central nervous system, blood system, anti-infection and anti-tumor) which are areas with the greatest potential to grow in China's pharmaceutical market. Each of the major pharmaceutical products of the Group has its own competitive advantages in their respective segments. In 2017, apart from Gland Pharma, there were 21 formulation items or series in the pharmaceutical manufacturing segment of the Group that each recorded revenue of over RMB100 million, of which there are 11 formulation items or series recorded sales of over RMB300 million (including 5 formulation items or series recorded sales of more than RMB500 million).

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, the U.S., India and other countries. In the pharmaceutical manufacturing and R&D segment, it has established an 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 continued to strengthen its presence in the production of anti-tumor drugs. As at the end of the Reporting Period, the Group obtained approval for clinical trial for a total of 6 monoclonal antibody product types (including 1 innovative monoclonal antibody items) 11 indications obtained approval of clinical trial in the PRC, 3 products were in the phase III clinical trial, 1 product applied for production (i.e. rituximab monoclonal antibody injection) and was included in the registration application list for drugs to be included in the priority review process. Another three innovative monoclonal antibody items (recombinant anti-VEGFR2 fully human monoclonal antibody injection, recombinant humanized anti-EGFR monoclonal antibody injection, recombinant humanized anti-PD-1 monoclonal antibody injection) obtained approval of clinical trial both in the United States and Taiwan. Recombinant humanized anti-HER2 monoclonal antibody injection obtained approval of clinical trial in China and Europe. As at the end of the Reporting Period, apart from the newly acquired Gland Pharma, there were 171 pipeline drugs, generic drugs, biosimilars and consistency evaluation projects (including 10 small molecular innovative drugs, 8 biopharmaceutical innovative drugs, 14 biosimilars, 98 generic drugs with international standards, 39 consistency evaluation projects and 2 traditional Chinese medicine drugs), 9 projects under clinical trial applications, 29 projects under clinical trial, and 27 projects awaiting official approval for sales. At the beginning of 2018, amlodipine besylate tablets passed the consistency evaluation of generic drugs, which helped the Group in continuously improving product quality. It is expected that these pipeline products will provide a solid foundation to maintain sustainable development of the Group in the future. As at the end of the Reporting Period, there were nearly 1,500 staff members in the R&D team, representing approximately 5% of the total number of employees in the Group. 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 exploring innovative research and development of companies under partnership and adopting technology introduction, patent licensing, "deep incubation" and value management models to access the global innovative advanced technology and facilitate the global development of advanced products 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.

While continuously improving the level of research and development and product competitiveness, the Group continued to strengthen the construction of domestic and foreign marketing systems and has established a marketing team of nearly 5,000 people at home and abroad, including overseas marketing teams of nearly 1,000 people. In terms of construction of domestic marketing, during the Reporting Period, the Group continuously explored and improved the domestic marketing system based on the industry environment, and innovated new marketing model to achieve marketing compliance and sustainable development. In terms of market, capacity building in high- end medical services, primary healthcare, retail chains, and other markets has been further improved. The Group used C2M as the strategic core to establish an internet innovation platform for marketing transformation, so as to carry out digital marketing. At the same time, the Group strengthened tender, market access and key account management, laying a foundation for the marketing of subsequent listed products. In addition, by virtue of the cooperation and linkage with Sinopharm, the Group also fully utilized Sinopharm's advantages in distribution network and logistics to facilitate the expansion of the drug sales channels of the Group. In terms of construction of international marketing team, with the acquisition of controlling interests in Tridem Pharma, the Group will further leverage on Tridem Pharma's established sales network and upstream and downstream client resources in Francophone countries and regions in Africa which will further improve the Group's international pharmaceutical marketing platform on top of its existing international marketing channels. As such, in-depth cooperation with pharmaceutical companies in Europe and the United States were initiated and the Group's sales volume of drugs in the international market was enhanced.

Meanwhile, the Group is also one of the first enterprises in the PRC pharmaceutical industry to develop internationally. Its production has expanded overseas, Apart from the newly acquired Gland Pharma, several production lines of the Group were recognized by relevant international certifications, and some of the formulations and APIs have also entered into the international markets in a considerable scale. The Group is the leading provider of anti-malaria medicines. As of 2017, the global sales volume of the Group in respect of innovative drug artesunate for injection with proprietary intellectual property rights has exceeded 100 million. With the completion of the acquisition of Gland Pharma, the industrial upgrading of the pharmaceutical manufacturing business of the Group will be carried forward, and the internationalization process will be accelerated to increase the market share in the injection market. In the fourth quarter of 2017, a total of 5 generic drugs of Gland Pharma received U.S. FDA listing approval.

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 framework system 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.

II. During the Reporting Period

According to its strategy, the Group mainly operates in pharmaceutical manufacturing and R&D as well as healthcare services segments. It also maintains its long-term investment in Sinopharm. The pharmaceutical manufacturing and R&D as well as medical devices and medical diagnosis businesses of the Group are in leading positions in the industry. According to the statistics of IQVIA, the Group was ranked 7th in terms of the sales revenue generated from the prescription drugs for hospitals that produced by the Group in 2017, whilst the Da Vinci surgical robotic system of the distribution of medical devices of the Group had no similar competing products in the market. Meanwhile, the healthcare services business of the Group also takes the lead in terms of business development and integration capability in the industry.

The core competitiveness of the Group can be reflected in the increasingly extensive product lines, strong R&D capability, highly standardized production management, high quality services, professional marketing teams and international business development capability. Apart from the newly acquired Gland Pharma, with respect to the pharmaceutical manufacturing and R&D businesses of the Group, there were 21 formulation items or series that each recorded revenue of over RMB100 million in 2017, of which there are 11 formulation items or series recorded sales of over RMB300 million, (including 5 formulation items or series recorded sales of more than RMB500 million). These key products constitute the major sources of income of the pharmaceutical manufacturing and R&D businesses of the Group and support the rapid development of the pharmaceutical manufacturing and R&D segment. 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 continue to follow the direction of China's 13th Five-year Plan in relation to the pharmaceutical industry, take advantage of its competitive strengths and adhere to the strategies of organic growth, external expansion and integrated development.

F. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 28,848 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

Function category	Number of individuals
Production personnel	13,087
Sales personnel	4,521
Technology and R&D personnel (including QA and QC)	3,796
Finance and audit personnel	578
Administration and other personnel	1,747
Management (including HR)	914
Medical care personnel	4,205
Total	28,848

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

A. Competition and Development Trends of the Industry

In 2018, the pharmaceutical and healthcare industry is expected to maintain stable growth. For the market demand, the quickening aging process and liberalization of two-child policy, the further increased investment in the medical and healthcare industry from the government and the increase in per capita disposable income in China will become three major drivers for the further development of pharmaceutical industry in China. Besides, with the continual growth in morbidity rate of geriatric, chronic diseases and tumors, these drivers will persist and further encourage industry development at a speed faster than the GDP growth in the near future. With respect to industry structure, the domestic economy is expected to sustain stable growth while the government is expected to guide and encourage the strategically emerging industries to proceed with industry upgrading and structure optimization, thereby supporting the development of the innovation-driven pharmaceutical industry. In terms of national policies, the promulgation of "Healthy China 2030" has devised a brighter future for the major health industries in China. The implementation of "paying for pharmaceutical products and medical insurance with benchmark price" policy, amendments to the "National List of Essential Drugs", "consistency evaluation" and other policies will lay a relatively more stable business foundation for domestic pharmaceutical enterprises. Upon the formulation and promulgation of China's Thirteenth Five-year Plan for the pharmaceutical industry, there will be more demanding requirements in respect of the overall industry structure. Pharmaceutical enterprises with advantages in size, technology, brand and marketing will embrace rare opportunities. In view of the specific industry environment, the coexistence of challenges and opportunities will remain in future.

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

In terms of opportunities, the enterprises' innovation capacity is expected to develop rapidly. In particular, some quality pharmaceutical enterprises will realize the market value of their excellent R&D results built up during the 12th Five-year Plan period, thus further encouraging domestic pharmaceutical enterprises to increase R&D expenditure and develop high-value added industry. Besides, in view of the international market, the pace of international development of the domestic pharmaceutical industry as a whole has accelerated. Various quality products have obtained approvals for market access in Europe, the U.S., Japan and other developed countries. There have been more and more international mergers and acquisitions year by year as well. These factors ensure the acceleration of international and global development of PRC pharmaceutical enterprises in terms of products and investment while conforming to the overall policy direction of the government's industry plans.

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

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

B. Development Strategies

In 2018, the Group will continue to be committed to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the broad pharmaceutical market in China, the rapid growth of generic drugs in mainstream markets such as Europe and the U.S as well as the continuous research and development in innovative drugs. It will uphold the "4IN (Innovation, Internationalization, Integration and Intelligentization)" Strategy and adhere to the development model of organic growth, external expansion and integrated development, and further its efforts in acquiring quality companies in the international pharmaceutical industry. By continuing to optimize and integrate resources in the pharmaceutical industry chain, strengthening product innovation and product marketing systems, positively implementing internationalization and enhancing the core competence of the Group, the Group strives to further enhance its operating results. Meanwhile, the Group will continue to actively explore financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

C. Operation Plan

In 2018, the development of the pharmaceutical industry will be presented with both opportunities and challenges. The Group will endeavor to develop its product-oriented strategy and further enhance its investments in R&D activities, and strengthen its marketing efforts for major products. In addition, the Group will continue to increase investment in the healthcare services segment to expand the operating scale in the segment and improve its operation management and ability of internationalization. Meanwhile, the Group will accelerate its mergers and acquisitions as well as integration of quality domestic and overseas pharmaceutical companies, medical enterprises and innovative companies, and promote the consolidation of Sinopharm in the pharmaceutical distribution and retail segment.

In 2018, the Group plans to achieve rapid growth and aim to make revenue of not less than RMB22 billion. Meanwhile, the Group will strive to control costs and various expenses. As a result, the increase in costs is not expected to be greater than the growth in revenue and the cost of sales ratio and management expense (excluding R&D expenses) ratio is expected to be relatively stable. Also, the percentage of R&D expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business is expected to not be less than 5% so as to enhance profit margin and profitability of the major products.

The above operation objectives do not represent the profit forecast and performance commitment of the Group for 2018. The achievement of the objectives is subject to various internal and external factors with uncertainty. Investors should pay attention to the investment risk.

The Group will continue to optimize its control throughout operation and enhance the efficiency of asset operations. Specific strategies and actions include:

(1) 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-infection and anti-tumor , so as to maintain and further improve the leading position in their respective market segments. Meanwhile, the Group will increase its investments in R&D in an effort to develop strategic product lines as well as R&D systems that are in line with international standards for new pharmaceutical products, and accelerate the development and reserve for follow-on strategic products, in order to solidify the core competence of its pharmaceutical manufacturing business.

(2) 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 in an effort to expand the scale of our healthcare services business. The healthcare institutions controlled by the Group will further strengthen their disciplines and quality management, enhance operational efficiency and accelerate the business development. The Group will also promote the implementation of the Taizhou Zhedong Hospital, Huaihai Medical Group and other projects and the reconstruction and expansion of Zhongwu Hospital and Guangji Hospital as well as the cooperation with Huai'an Second Hospital and positively seek new opportunities for mergers and acquisitions of healthcare services.

(3) The Group will continue to develop and introduce devices and products, launch new products and enrich new product lines for its diagnostic business. The Group will continue to enhance the development of domestic and overseas sales network and its professional sales team, strive to increase the market share of its devices and diagnostic products, and actively seek opportunities to invest in quality companies both domestically and internationally.

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

Pharmaceutical Manufacturing and R&D

In 2018, the Group will continue to focus on innovation and international development, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group seeks to achieve continuous and rapid growth of its revenue and profit.

The Group will proactively push forward the development of professional marketing teams and follow-on products in therapeutic areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary system, anti-tumor and anti-infection. In addition to solidifying the market position and product growth in its existing key segments and products, the Group will further its efforts in promoting products such as the anti-malaria medicines such as artesunate series, febuxostat tablets (You Li Tong), recombinant human erythropoietin (Yi Bao), alprostadil dried emulsion for injection (You Di Er), calcium dobesilate (Ke Yuan), new compound aloe capsules (Ke Yi), pitavastatin calcium tablets (Bang Zhi) and amlodipine besylate tablets so as to maintain and further improve the 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 its efforts to link its R&D with market conditions so that demand and supply are better matched. The Group will fully take advantage of the benefits of various R&D platforms, and strive to develop strategic product lines as well as R&D systems that are in line with international standards for new pharmaceutical products, and accelerate the development and reserve for follow-on strategic products.

At the same time, the Group will seize such opportunity of consistency evaluation on generic drugs, to maintain and expand its market position in advantage types and make a new deployment in the market for the Group's products. At the beginning of 2018, as amlodipine besylate tablets have passed the consistency evaluation on generic drugs, the Group plans to select nearly 40 types in cardiovascular system, metabolism and alimentary system, central nervous system, anti-infection and other therapeutic areas to commence consistency evaluation and related works are proceeding properly. At the beginning of 2018, Fosun Industrial Development, a subsidiary, was awarded the "Approval Document for Supplementary Application of Drugs" issued by the Food and Drug Administration of PRC and became the first holder of drug listing license in the pharmaceutical market in Shanghai. The Group will develop and continuously improve the management model of the drug listing license holder system by participating in pilot system for holder of listing license, and exert quality control over the entire life cycle of drugs.

In addition, the Group will also further expand and intensify its cooperation with the leading pharmaceutical companies in the world in order to give full play to the advantages of connecting momentum in China to global resources, making innovations in the cooperation model and searching for new momentum. In 2018, the Group will proceed to make use of the industry experience of the Group and the leading research and development in the world for the purpose of active cooperation among pharmaceutical manufacturing enterprises, in order to solidify the core competence of its pharmaceutical manufacturing business.

Healthcare Services

In 2018, the Group will continue to seize the business and investment opportunities arising from the opening up of the healthcare services segment to social enterprises. The Group will continuously increase its investments in the healthcare services segment, and strengthen the established strategic deployment of its healthcare services business which integrates high-end healthcare services in coastal developed cities and specialty hospitals and general hospitals in second-tier and third-tier cities in an effort to expand the scale of our healthcare services business. The healthcare institutions controlled by the Group will further strengthen their disciplines and quality management, enhance operational efficiency and accelerate the business development. Chancheng Hospital gained JCI international certification and the Group further increased its shareholdings in Chancheng Hospital, which will benefit the further expansion of radiation coverage and regional influence of medical services of Chancheng Hospital and the improvement in the layout of the Group's medical services industry in Southern China. The Group will also promote the implementation of the Taizhou Zhedong Hospital, the construction of Huaihai Medical Group and the reconstruction and expansion of Zhongwu Hospital and Guangji Hospital as well as the cooperation with Huai'an Second Hospital, and positively seek new opportunities for mergers and acquisitions of healthcare services. Furthermore, the Group will continue to support and promote the development of "United Family Hospital", a high-end brand for healthcare services under Chindex, and in particular the establishment and business expansion of hospitals in Guangzhou and Pudong, Shanghai in order to accelerate the development of its high-end healthcare services characterized by multiple levels, diversification and extensibility.

Medical Devices and Medical Diagnosis

In 2018, the Group will increase its investments in R&D, manufacturing and sales of medical devices. The listing of Sisram on the Hong Kong Stock Exchange will assist in further stimulating the R&D and sales of medical devices and actively explore synergy and innovation in service models with other business segments in order to extend its business from device supply to services. Meanwhile, the 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 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. The Group will establish a strategic platform covering the early diagnosis of lung cancer and asthma as well as the medical devices for treatment of common respiratory diseases in the field of respiratory medical business so as to form a closed circuit for the respiratory segment of the Group.

In 2018, the Group will continue to develop and introduce products, launch new products and enrich new product lines for its diagnostic business. The Group will continue to enhance the development of domestic and overseas sales network and its professional sales team, strive to increase the market share of its diagnostic products including those newly introduced and registered, and actively seek opportunities to invest in quality companies both domestically and internationally.

Pharmaceutical Distribution and Retail

In 2018, the Group will continue to facilitate consolidation and rapid development of Sinopharm in its pharmaceutical distribution business, and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical distribution and retail sector.

Financing

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

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

With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest approximately RMB2,200 million for production capacity expansion, plant relocation and the development of cGMP and reconstruction and expansion of hospitals in 2018. Primary sources of funding include, among others, the Group's own capital, cash flow from operating activities, and proceeds from debt and equity financing.

E. Potential Risks

I. Risks in relation to industry policies and system reforms

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

In the field of healthcare services, uncertainties remained in the reforms of public hospitals, which accounted for the mainstay of medical services. They proposed a variety of strategic options for the entry of social forces, and were of the view that social forces might contribute greatly if state-owned enterprises in medical institutions were given policy opportunities.

II. Market risks

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

With respect to the overseas regulatory markets dominated by the United States, which had been entered into through acquisitions, the competition for generic drugs was fierce, the price of which continued to fall, and drug regulatory agencies implemented increasingly stringent requirements on production quality. These factors constituted unavoidable risks during the deepening of internationalization. In emerging markets such as Africa, with the continuous entry of generic pharmaceutical companies such as India, the Group was also under pressure from government tenders. In some resource-based countries, there are also potential payment risks brought about by currency/foreign exchange instability.

III. Business and operating risks

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

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

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

IV. Management risks

(1) Management risks in relation to business expansion

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

(2) Risks arising from acquisitions and reorganization

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

V. *Force majeure risks*

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

Other Events

1. The Restricted A Share Incentive Scheme

On 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 of the Company in respect of the Restricted A Share Incentive Scheme, and the conditions for unlocking the Restricted A Shares were satisfied by 24 grantees. As a result, a total of 1,259,360 Restricted A Shares were unlocked, and trading of such Restricted A Shares commenced on 19 January 2017.

2. The Restricted A Share Incentive Scheme II

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

As (1) two of the grantees of the Restricted A Share Incentive Scheme II, namely Mr. Dong Zhichao and Mr. Wang Shuhai, had resigned from the Company and terminated their employment contracts with the Company or its subsidiaries; (2) the 2016 performance appraisal results of Mr. Deng Jie, a grantee of the Restricted A Share Incentive Scheme II, was unsatisfactory, and he no longer fulfilled the conditions for incentives. On 30 October 2017, the Board considered and approved the buyback and cancellation of 70,150 Restricted A Shares which were granted to Mr. Dong Zhichao, Mr. Wang Shuhai and Mr. Deng Jie which had not been unlocked at a price of RMB10.54 per share for the buyback. The total consideration for the buyback amounted to RMB739,381. The number of grantees of the Restricted A Share Incentive Scheme II was reduced to 40 from 43. Such portion of shares bought back by the Company will be cancelled.

On 20 November 2017, the Board considered and approved, the resolution in relation to the fulfillment of the conditions for unlocking the second tranche of the Restricted A Shares in respect of the Restricted A Share Incentive Scheme II, and the conditions for unlocking the Restricted A Shares have been satisfied by 40 grantees. As a result, a total of 835,725 Restricted A Shares were unlocked, and trading of such Restricted A Shares commenced on 29 November 2017.

3. The Public Issuance of Corporate Bonds to Qualified Investors (First Tranche)

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

The approval on the public issuance of the Corporate Bonds to the qualified investors was issued by CSRC on 30 December 2015, pursuant to which it approved the Company to publicly issue the Corporate Bonds not exceeding RMB5,000 million to qualified investors. The issuance of the First Tranche of the Corporate Bonds in 2016 was completed by the Company on 4 March 2016 and the issuance size was not more than 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 issued is 14 March 2017, with the final coupon rate at 4.50%.

4. Issuance of H Shares under General Mandate

The resolution in relation to the grant of general mandate to the Board to issue H Shares was considered and approved at the 2015 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 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 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.

5. Proposed Overseas Listing of Sisram

The shareholders of the Company approved, among other things, the proposed spin-off and overseas listing of Sisram on 31 August 2016. 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 19 September 2017, the Sisram shares were listed and commenced trading on the Main Board of the Hong Kong Stock Exchange. Sisram was offered at a price of HK$8.88 per share and the total number of shares offered for sale was 110,000,000 shares. Total proceeds raised amounted to approximately HK$977 million. On 8 October 2017, Sisram allotted and issued a total of 2,155,600 over-allotment shares at a price of HK$8.88 per share, total proceeds raised amounted to approximately HK$20 million.

6. 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 close of 2 January 2018, the share increase plan of Mr. Wu Yifang expired. From 3 January 2017 to 2 January 2018, Mr. Wu Yifang acquired a total of 755,900 shares of the Company (including 443,900 A Shares and 312,000 H Shares) in a cumulative amount of approximately RMB20.90 million, representing approximately 0.030% of total issued shares of the Company as at the end of the Reporting Period.

7. **2016 Shareholding Increase Plan of the Controlling Shareholder**

As notified by Fosun High Tech, the Controlling Shareholder of the Company, 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, 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.

8. **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, see below).

As at the end of the Reporting Period, Fosun High Tech acquired a total of 8,852,710 shares (including 4,036,710 A Shares and 4,816,000 H Shares) of the Company in a cumulative amount of approximately RMB245.08 million since the implementation of the shareholding increase plan, representing approximately 0.37% of total issued shares of the Company prior to the Placing of H Shares.

9. **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 of the Company approved, among other things, the resolution in relation to the acquisition of the controlling interest in Gland Pharma on 29 September 2016. On 15 September 2017, the Company agreed that the plan in relation to the acquisition of controlling interests in Gland Pharma was adjusted.

On 3 October 2017, the acquisition of the controlling interest in Gland Pharma was completed. Gland Pharma became a subsidiary of the Company upon completion of this acquisition of controlling interest in Gland Pharma.

Five-Year Statistics

Unit: million Currency: RMB

Year	2013	2014	2015	2016	**2017**
Operating Results					
Revenue	9,921	11,938	12,502	14,506	**18,362**
Profit for the year	1,956	2,370	2,871	3,221	**3,585**
Profit for the year attributable to owners of the parent	1,583	2,113	2,460	2,806	**3,124**
EBITDA	3,084	3,697	4,499	4,799	**5,585**
Proposed final dividend (in RMB)	0.27	0.28	0.32	0.35	**0.38**
Earnings per share (in RMB)					
Earnings per share — basic	0.71	0.92	1.07	1.21	**1.27**
Earnings per share — diluted	0.71	0.92	1.06	1.20	**1.27**
Equity					
Total equity	17,608	19,046	20,613	25,193	**29,685**
Equity attributable to owners of the parent	15,275	16,618	18,125	22,133	**25,270**
Equity per share attributable to owners of the parent	6.82	7.19	7.83	9.17	**10.13**
Debt					
Total debt	5,624	8,796	10,895	11,710	**20,287**
Gearing ratio (%)	19.12%	24.93%	28.56%	26.79%	**32.77%**
Interest coverage (times)	8.81	8.91	9.57	9.83	**9.66**
Assets					
Cash and bank balances	3,067	3,696	4,029	5,996	**7,249**
Property, plant and equipment	4,930	5,695	5,778	6,325	**8,353**
Prepaid land lease payments	780	862	1,042	1,030	**1,324**
Investments in joint ventures	118	121	225	248	**647**
Investments in associates	8,765	11,727	13,638	15,870	**17,747**
Available-for-sale investments	2,664	2,499	3,314	2,674	**2,673**
Equity investments at fair value through profit or loss	44	34	34	48	**219**
Segment net profit					
Pharmaceutical manufacturing and R&D	1,470	1,095	1,238	1,640	**1,838**
Healthcare service	42	112	76	149	**223**
Medical diagnosis and medical devices	66	127	272	323	**387**
Pharmaceutical distribution and retail	707	863	1,037	1,284	**1,416**

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

Report of the Directors

The Directors are pleased to present their 2017 report and the audited consolidated financial statements of the Company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2017 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 96 to 209.

The Board has proposed a final dividend of RMB0.38 per share, inclusive of tax, for the year ended 31 December 2017, which will be subject to the approval by the Shareholders at the forthcoming AGM.

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

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

According to the requirements of the PRC Enterprise Income Tax Law effective from 1 January 2008 and the implementation rules thereof and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han 2008 No. 897) issued by the State Administration of Taxation on 6 November 2008, the 2017 Final Dividend payable to the non-resident enterprise shareholders whose names appear on the registers of members of H Shares of the Company is subject to a withholding tax at a rate of 10%. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees and other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax at the rate of 10%.

According to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa 1993 No. 045 (《關於國稅發1993045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han 2011 No. 348) issued by the State Administration of Taxation on 28 June 2011 and the Letter on the Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Hong Kong Stock Exchange on 4 July 2011, when domestic companies other than foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding of individual income tax at a rate of 10%. When the Company distributes the 2017 Final Dividend to the individual holders of H Shares, such dividend will be subject to the withholding of individual income tax at a rate of 10%. However, if otherwise provided by tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

The arrangement relating to withholding tax, if any, in respect of the 2017 Final Dividend to be paid by the Company to the investors who invest through the Shanghai Stock Exchange in the H Shares of the Company listed on the Main Board of the Hong Kong Stock Exchange will be finalized with the relevant PRC authorities prior to the payment of the 2017 Final Dividend.

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

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

SUMMARY FINANCIAL INFORMATION

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

ISSUED CAPITAL

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

SUBSIDIARIES

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

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

(a) The Restricted A Share Incentive Scheme II

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 at 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.

As (1) two of the grantees of the Restricted A Share Incentive Scheme II, namely Mr. Dong Zhichao and Mr. Wang Shuhai, had resigned from the Company and terminated their employment contracts with the Company and its subsidiaries; and (2) the 2016 performance appraisal results of Mr. Deng Jie, a grantee of the Restricted A Share Incentive Scheme II, was unsatisfactory, and he no longer fulfilled the conditions for incentives. The Board considered and approved the buyback and cancellation of 70,150 Restricted A Shares which were granted to Mr. Dong Zhichao, Mr. Wang Shuhai and Mr. Deng Jie which had not been unlocked at a price of RMB10.54 per share for the buyback. The total consideration for the buyback amounted to RMB739,381. Such portion of shares bought back by the Company will be cancelled.

(b) Placing 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 H Shares at a placing price of HK$28.80 per H Share (the closing price quoted on Hong Kong Stock Exchange was HK$29.20 per H Share on the date of the placing agreement). The Placing of H Shares represents an opportunity to raise capital for the Company while broadening the Shareholders base and capital base of the Company.

On 24 May 2017, the Company announced that all conditions precedent to the Placing of H Shares 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, were 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, who are professional, institutional and/or other investors. The total proceeds from the H Share placing amounted to approximately HK$2,322.91 million. The net price (after deducting all applicable costs and expenses, including commission, legal fees and levies) raised per H Share upon completion of Placing of H Shares was approximately HK$28.6. The net proceeds (after deducting all applicable costs and expenses, including commission, legal fees and levies) from the Placing of H Shares was intended to be used to repay interest-bearing debts, replenish the working capital of the Group, and finance potential mergers and acquisitions domestically or overseas.

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

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2017, calculated in accordance with PRC rules and regulation, was RMB5,929 million.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

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

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

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

SUPERVISORS

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

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

On 26 March 2018, Mr. Guo Guangchang and Ms. Kang Lan resigned as the non-executive Directors of the Company with effect from 26 March 2018.

During the Reporting Period, Mr. Li Chun resigned as the staff Supervisor of the Company with effect from 29 December 2017. Since the resignation of Mr. Li Chun would result in the number of members of the Supervisory Committee of the Company being less than the quorum, before the election of the new staff Supervisor by the employee congress of the Company, Mr. Li Chun still performed the duties of supervisor (staff Supervisor) and chairman of the Supervisory Committee. On 11 January 2018, the employee congress was held by the Company. Ms. Ren Qian was elected by the employee congress of the Company to hold the position of staff Supervisor with effect from 11 January 2018. On the same day, Ms. Ren Qian was elected by the Supervisory Committee to hold the position of the new chairman for the seventh session of the Supervisory Committee. Mr. Li Chun ceased to serve as a supervisor.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 80 to 88 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

For the year ended 31 December 2017, the remuneration, including salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contribution and the shares awarded under the Restricted A Share Incentive Scheme, of the Company's senior management (excluding Ms. Lo Yee Har Susan, one of the joint company secretaries) whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Remuneration bands	**Number of individuals**
RMB Nil to RMB2,000,000	8
RMB2,000,001 to RMB4,000,000	7
RMB4,000,001 to RMB6,000,000	3
RMB6,000,001 to RMB8,000,000	2

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the income statement for the Reporting Period was RMB198 million.

MANAGEMENT CONTRACT

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 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 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[3]	Interest of a controlled corporation	H Share	9,989,000(L)[2]	2.06%
Mr. Guo Guangchang[3]	Interest of a controlled corporation	A Share	936,575,490(L)[2]	46.57%
	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	312,000(L)	0.06%
Mr. Wu Yifang	Beneficial owner	A Share	683,900(L)	0.03%

Notes:

(1) (L) — Long position; (S) — Short position; (P) — Lending pool

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.68% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 64.45% by Mr. Guo Guangchang, he is deemed to be interested in the Shares held by Fosun High Tech.

(3) Mr. Guo Guangchang resigned as the non-executive Director with effect from 26 March 2018.

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

Name of Directors/ chief executive	Name of associated corporations	Class of shares	Capacity	Number of shares[1]	Approximate percentage of shares in issue
Mr. Guo Guangchang[3]	Fosun International Holdings	Ordinary share	Beneficial owner	32,225(L)[2]	64.45%
	Fosun Holdings	Ordinary share	Interest of a controlled corporation	1(L)[2]	100%
	Fosun International	Ordinary share	Interest of a controlled corporation	6,155,927,473(L)[2]	71.68%
	Fosun High Tech	Ordinary share	Interest of a controlled corporation	4,800,000,000(L)[2]	100%
	Sisram	Ordinary share	Interest of a controlled corporation	330,558,800(L)	74.76%
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[3]	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; (S) — Short position; (P) — Lending pool

(2) Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.68% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 65.45% by Mr. Guo Guangchang, he is deemed to be interested in the shares held by Fosun Holdings, Fosun International and Fosun High Tech.

(3) Mr. Guo Guangchang and Ms. Kang Lan resigned as the non-executive Directors with effect from 26 March 2018.

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

As at 31 December 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	9,989,000(L)[(2)]	2.06%
Fosun High Tech	Beneficial owner	A Share	936,575,490(L)[(2)]	46.57%
Fosun International	Interest of a controlled corporation	H Share	9,989,000(L)[(2)]	2.06%
Fosun International	Interest of a controlled corporation	A Share	936,575,490(L)[(2)]	46.57%
Fosun Holdings	Interest of a controlled corporation	H Share	9,989,000(L)[(2)]	2.06%
Fosun Holdings	Interest of a controlled corporation	A Share	936,575,490(L)[(2)]	46.57%
Fosun International Holdings	Interest of a controlled corporation	H Share	9,989,000(L)[(2)]	2.06%
Fosun International Holdings	Interest of a controlled corporation	A Share	936,575,490(L)[(2)]	46.57%
The Capital Group Companies, Inc.	Interest of a controlled corporation	H Share	43,007,894(L)	8.89%
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500(L)	6.79%
EARNEST Partners, LLC	Investment manager	H Share	29,210,038(L)	6.04%
Wellington Management Group LLP	Investment manager	H Share	33,728,775(L)	6.97%
Edinburgh Partners Limited	Investment manager	H Share	29,943,000(L)	6.19%
Nairn Alasdair Gordon MacKenzie	Interest of a controlled corporation	H Share	29,943,000(L)[(3)]	6.19%

Notes:

(1) (L) — Long position; (S) — Short position; (P) — Lending pool

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.68% 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. As 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.

PERMITTED INDEMNITY

At no time during the year ended 31 December 2017 and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and the supervisors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company). The Company has arranged appropriate Directors', supervisors' and senior management's liability insurance coverage for the Directors, Supervisors and senior management.

SHARE BASED INCENTIVE PLAN

Options of Sisram

The Shareholders approved, among other things, the adoption of the Sisram Plan and the proposed grant of options of Sisram on 29 June 2015. The purpose of Sisram Plan is to enhance the management participation in Alma Lasers Ltd., which is important that they would be offered an opportunity to obtain ownership interest in Sisram and to enjoy the results of Sisram attained through their efforts and contributions. The persons eligible for participation in the Sisram Plan shall include any Sisram employees and/or non-Sisram employees of Sisram or any of its associates, and the basis for their eligibility shall be determined by the board of directors of Sisram based on such participant's contribution or potential contribution to the development and growth of Sisram.

The total number of Sisram shares which may be issued upon exercise of all options to be granted under the Sisram Plan is 106,500 Sisram shares, representing approximately 0.02% of the issued share capital of Sisram as at the date of this annual report. The maximum number of shares in Sisram issued and to be issued upon the exercise of the options granted under the Sisram Plan and any other share option schemes of Sisram (including both exercised and outstanding options), in any twelve-month period up to the date of grant shall not exceed 1% of the number of shares in Sisram in issue as at the date of grant subject to approval of the respective shareholders of the Company and Fosun International. No consideration is payable to Sisram upon acceptance of the option in accordance with the terms of the Sisram Plan. The exercise price of the options shall be determined by the board of directors of Sisram or its committee at its sole and absolute discretion in accordance with applicable law, and shall not be less than the fair market value of shares in Sisram on the date of grant. The Sisram Plan shall terminate at the end of ten years from the date of adoption, unless terminated earlier in accordance with the terms of the Sisram Plan.

On 30 August 2017, the board of directors of Sisram resolved to terminate the Sisram Plan, which is subject to the completion of the global offering of Sisram shares. On 19 September 2017, the Sisram shares were listed and traded on the Main Board of the Hong Kong Stock Exchange. As of 19 September 2017, the Sisram Plan was terminated, no options were granted under the Sisram Plan.

Shanghai Henlius Share Option Incentive Scheme

The Shareholders approved, among other things, the Shanghai Henlius Share Option Incentive Scheme on 29 June 2017. The purpose of Shanghai Henlius Share Option Incentive Scheme is to provide the participants of the Shanghai Henlius Share Option Incentive Scheme with the opportunities to acquire interests in Shanghai Henlius, which will encourage the participants to work towards enhancing the values of Shanghai Henlius and in turn benefiting Shanghai Henlius, Fosun Pharma and Fosun International and their respective shareholders as a whole. The basis of eligibility of the participants, which include employees of Shanghai Henlius and its subsidiaries and other person who made outstanding contribution to Shanghai Henlius, shall be determined by the board of directors of Shanghai Henlius in accordance with the requirements of relevant laws and regulations.

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 5.06% of the total issued shares of Shanghai Henlius as at the date of this annual report. Unless approved by the shareholders of Shanghai Henlius, the Company and Fosun International, the total number of shares in Shanghai Henlius issued and to be issued upon exercise of the options granted and to be granted under the Shanghai Henlius Share Option Incentive Scheme and any other effective share option scheme(s) (if any) of Shanghai Henlius to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of Shanghai Henlius in the same class. No consideration is payable to Shanghai Henlius upon acceptance of the option in accordance with the terms of the Shanghai Henlius Share Option Incentive Scheme. Subject to the adjustment to be made based on the price of shares in Shanghai Henlius of further financing rounds should such price is higher than the exercise price, the exercise price of each share subject to the initial tranche of options to be granted under the Shanghai Henlius Share Option Incentive Scheme shall be RMB9.21 per share, which was determined by the board of directors of Shanghai Henlius based on the market value of the shares of Shanghai Henlius taking in account of the incentive effect, which is equivalent to the market price of the shares of Shanghai Henlius that arrived at based on the consideration of the latest financing round of Shanghai Henlius, such consideration was determined based on the assessed value of Shanghai Henlius considering a discounted cash flow model and the negotiation between Shanghai Henlius and the third party investors. The exercise price of the remaining tranche of options will be determined by the board of directors of Shanghai Henlius based on the specific situations thereof in accordance with the terms of Shanghai Henlius Share Option Incentive Scheme. The Shanghai Henlius Share Option Incentive Scheme shall terminate at the end of 10 years from the date of adoption, unless terminated earlier in accordance with the terms of the Shanghai Henlius Share Option Incentive Scheme.

For the period ended 31 December 2017, no share option of Shanghai Henlius were granted under the Shanghai Henlius Share Option Incentive Scheme.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the Reporting Period, the Group made donations of RMB11 million.

CONNECTED TRANSACTIONS

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

(A) Non-exempt Connected Transactions

(i) As disclosed in the announcement of the Company dated 25 January 2017, on 25 January 2017, Fosun Industrial, a subsidiary of the Company, Fosun Industrial Holdings, a connected person of the Company, PBM, PBM Capital and Breas entered into the equity purchase and contribution agreement, under which, Fosun Industrial and Fosun Industrial Holdings agreed to set up Fosun Medical, and through which to contribute in an aggregate amount of up to US$90 million to purchase 44,645 shares in Breas held by PBM and subscribe for 35,355 shares to be issued by Breas, of which, Fosun Industrial and Fosun Industrial Holdings proposed to contribute up to US$49.50 million and US$40.50 million through Fosun Medical, respectively, to acquire and subscribe for such shares in Breas. Upon the completion of the transactions contemplated under the equity purchase and contribution agreement, Fosun Medical would become a subsidiary of the Company and hold 80% of the total number of issued shares in Breas. The transactions were completed on 15 March 2017.

Fosun Industrial Holdings is an associate of Mr. Guo Guangchang, the non-executive director and actual controller of the Company, and therefore a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the equity purchase and contribution agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

(ii) As disclosed in the announcement of the Company dated 28 March 2017, on 28 March 2017, Fosun High Tech and the Company entered into framework tenancy agreements comprising a lessee framework agreement and a lessor framework agreement. The lessee framework agreement was related to the renewal lease of the relevant premises of Fosun High Tech by the relevant members of the Group, as tenant, for a term of one year commencing from 1 January 2017 to 31 December 2017. The lessor framework agreement was related to the renewal lease of the relevant premises of Fosun Pharma by the relevant members of the Group, as landlord, for a term of one year commencing from 1 January 2017 to 31 December 2017.

Fosun High Tech is the Controlling Shareholder of the Company and therefore a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the framework tenancy agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

(iii) As disclosed in the announcements of the Company dated 28 March 2017 and 30 November 2017, on 28 March 2017, the Company and Chongqing Pharma entered into a framework sales and purchases agreement in respect of sales and purchases of the products for a term of one year commencing from 1 January 2017 to 31 December 2017. On 30 November 2017, the Board resolved to revise the annual sales transaction cap and the trading annual cap to RMB380 million and RMB1 million, respectively, based on the increase in the number of products sold and products purchased between the Company and Chongqing Pharma.

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

(iv) As disclosed in the announcement of the Company dated 27 April 2017, on 27 April 2017, Fosun Pingyao, a subsidiary of the Company, Xingxin Investment, a connected person of the Company, and Fosun Golden entered into the joint venture contract. Under the joint venture contract, Fosun Pingyao, Xingxin Investment and Fosun Golden agreed to establish a new company in Shanghai, PRC. The registered capital of the new company is RMB500 million, of which Fosun Pingyao shall hold 20%, Xingxin Investment shall hold 60% and Fosun Golden shall hold 20% of the equity interests. Relevant registration with the industry and commerce authorities was completed on 4 July 2017.

As Xingxin Investment, Fosun Golden and Fosun High Tech, the Controlling Shareholder of the Company, are directly or indirectly controlled by Fosun International, therefore, Xingxin Investment and Fosun Golden are the associates of Fosun High Tech. Xingxin Investment and Fosun Golden are also the connected persons of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the joint venture contract constitute connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(v) As disclosed in the announcements of the Company dated 11 September 2016, 24 November 2016, 24 July 2017 and 12 October 2017, the Company and Guilin Pharma entered into the agreement on asset acquisition by share issuance dated 9 September 2016 (the "Agreement on Asset Acquisition by Share Issuance") and its supplemental agreement dated 23 November 2016 (the "Supplemental Agreement") with, among others, CCPHC and Jian Feng Chemical in relation to the substantial asset restructuring of Jian Feng Chemical. On 24 July 2017, Jianfeng Chemical received the Reply on Approving Chongqing Jianfeng Chemical Co., Ltd. to Issue Assets for Purchase of Shares by CCPHC (SFC License 2017 No. 1174), the transactions contemplated under the Agreement for the Issue of Shares to Purchase Assets and the Supplemental Agreement were approved. The approval is valid for 12 months from the date of issuance. In August 2017, the Company and Guilin Pharma transferred the total of 13,717,000 shares of CCPHC held by it to Jianfeng Chemical for the completion of the transfer. Upon the completion of the transactions under the Share Purchase Agreement and the Supplemental Agreement, the Company and Guilin Pharma will jointly hold 35,653,679 Jianfeng Chemical shares. The shares were listed on 16 October 2017.

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

(vi) As disclosed in the announcement of the Company dated 20 December 2017, on 20 December 2017, Fosun Hospital Investment, a subsidiary of the Company, Xingshuangjian Investment, a connected person of the Company, and Fosun Health Holdings entered into a joint venture agreement under which Fosun Hospital Investment, Xingshuangjian Investment and Fosun Health Holdings agreed to set up Zhuorui Clinic with a registered capital of RMB47 million, of which Fosun Hospital Investment holds 51% of the equity, Xingshuangjian Investment holds 24.5% of the equity, and Fosun Health Holdings holds 24.5% of the equity. Relevant registration with the industry and commerce authorities was completed on 12 January 2018.

As Xingshuangjian Investment and Fosun Health Holdings are subsidiaries of Fosun International, a Controlling Shareholder of the Company, therefore, Xingshuangjian Investment and Fosun Health Holdings constitute the associates of Fosun International, thus Xingshuangjian Investment and Fosun Health Holdings constitute the connected persons of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the joint venture contract constitutes connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(vii) As disclosed in the announcement of the Company dated 20 December 2017, on 20 December 2017, Zhuorui Clinic planned to enter into a tenancy agreement with Zhengda Real Estate pursuant to which Zhuorui Clinic (as tenant) will rent a place from Zhengda Real Estate (as the lessor) at the International Financial Services Centre in the Bund, Huangpu District, Shanghai. The lease term is 36 months from 1 March 2018 to 28 February 2021 (both dates inclusive).

As Zhengda Real Estate is indirectly owned as to 50% by Fosun International, a Controlling Shareholder of the Company, such that it is a connected person of Fosun International under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transactions contemplated under the tenancy agreement constitute continuing connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(B) Non-exempt Continuing Connected Transactions

Certain details of the continuing connected transactions during the year ended 31 December 2017 are summarized in the table below. The Company has complied and will continue to comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions, including, among others, conducting annual review of the continuing connected transactions.

Connected person	Type of the Transaction	Type	Actual Amount of Transaction 2017 RMB	Proposed Annual Cap 2017 RMB
Fosun High Tech and its subsidiaries *(Note 1)*	Leasing of office premises by Fosun High Tech and its subsidiaries to the Group		11,489,705	
	Provision of property management services by Fosun High Tech and its subsidiaries to the Group		9,511,890	33,000,000 *(Note 2)*
	Leasing of office premises by the Group to Fosun High Tech and its subsidiaries		8,309,639	
			29,311,234	
Fosun Finance	Financial Services Agreement *(Note 3)*			
	(a) Maximum daily outstanding balance of deposits placed by the Company with Fosun Finance	Deposit taking	534,688,076	1,000,000,000
	(b) Maximum daily outstanding balance of loans granted by Fosun Finance to the Company	Loan provision	100,000,000	1,000,000,000
	(c) Fees and charges paid by the Company to Fosun Finance for clearing and settlement services and other financial services	Service fee	0	1,000,000

Notes:

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

(2) According to the announcement dated 28 March 2017, the aggregate amount of annual cap in respect of framework tenancy agreements is RMB33,000,000.

(3) On 22 December 2016, the Company entered into the financial services agreement with Fosun Finance to renew the Finance Services Agreement, which would expire on 31 December 2016, for a further term of three years commencing on 1 January 2017 ending on 31 December 2019.

Connected persons	Type of the Transaction	Actual value of Transaction RMB	Annual cap for the Transaction RMB
Chongqing Pharma	Sales of products by the Group to Chongqing Pharma and its subsidiaries	325,648,957	380,000,000 *(note)*
	Purchase of products by the Group from Chongqing Pharma and its subsidiaries	129,948	1,000,000 *(note)*

Note: According to the announcements dated 28 March 2017 and 30 November 2017, the aggregate amount of annual cap for the transactions in respect of sales of products by the Group to Chongqing Pharma is RMB380,000,000, the aggregate amount of annual cap for the transactions in respect of purchase of products by the Group from Chongqing Pharma is RMB1,000,000.

The Board has reviewed the continuing connected transactions as described above and confirmed that in 2017, such transactions have been entered into:

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

(ii) on normal commercial terms or better; and

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

The auditors of the Company issued a letter to the Board, which states their opinion on the continuing connected transactions as mentioned above:

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

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

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

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

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 42 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions disclosed in note 42 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

NON-COMPETITION UNDERTAKING

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

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 48 to the financial statements.

USE OF PROCEEDS

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

As at 31 December 2017, the Group used the net proceeds of RMB2,276.1209 million (including the interest income of RMB0.8713 million from a designated account), and the proceeds were fully used. The details of the use of proceeds from such issue of A Shares are as follows:

Unit: million Currency: RMB

Usage	Amount of proceeds proposed to be applied	Amount of proceeds applied as at 31 December 2017
Repayment of interest-bearing debts	1,600.00	1,600.00
Supplementing our Group's general working capital	675.25	676.12 *(note)*

Note: The accumulated amount of proceeds applied included the interest income of RMB0.8713 million from a designated account for the proceeds.

In May 2017, upon approval by CSRC through 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》), the Company issued an additional of 80,656,500 H Shares with a nominal value of RMB1.00 each at a price of HK$28.80 per share pursuant to the Placing of H Shares. The total proceeds from the issuance of H Shares were HK$2,322.9072 million. The net proceeds, after deducting the listing expenses of HK$15.1515 million paid overseas, were HK$2,307.7557 million.

As at 31 December 2017, HK$2,260.6171 million of net proceeds from the issuance of H Shares was applied, and the remaining balance of proceeds amounted to HK$47.1386 million. Balance of proceeds in the designated account amounted to HK$48.6486 million (including the net interest income of RMB1.51 million from a designated account). The details of the use of proceeds are as follows:

Unit: million Currency: RMB

Usage	Amount of proceeds proposed to be applied	Amount of proceeds applied as at 31 December 2017
Repayment of interest-bearing debts, replenishing the working capital of the Group, and financing potential mergers and acquisitions domestically or overseas	2,307.7557	2,260.6171

COMPLIANCE WITH THE MODEL CODE AND THE WRITTEN CODE

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

COMPLIANCE WITH THE CG CODE

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

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 70 to 79 of this annual report.

AUDIT COMMITTEE

As of the end of the Reporting Period, the Audit Committee of the seventh session of the Board of the Company comprises Mr. Cao Huimin (chairman), an independent non-executive Director, Mr. Jiang Xian, an independent non-executive Director, and Mr. Wang Can, a non-executive Director.

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

The Audit Committee of the Company has reviewed the 2017 annual results of the Group.

AUDITORS

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

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

On Behalf of the Board
Chen Qiyu
Chairman

Shanghai, PRC
26 March 2018

Supervisory Committee Report

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

In 2017, the seventh session of the Supervisory Committee of the Company carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting (監事會議事規則):

The Supervisory Committee has met 6 times in 2017, and details are as follows:

1. On 12 January 2017, the Company convened the first meeting of the seventh session of the Supervisory Committee in 2017 (a special meeting) to review and approve the resolution in relation to the unlocking of the third tranche of the Restricted A Shares in respect of the Restricted A Share Incentive Scheme of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Amendments) (《上海復星醫藥(集團)股份有限公司限制性股票激勵計劃(修訂稿)》)

2. On 28 March February 2017, the Company convened the second meeting of the seventh session of the Supervisory Committee in 2017 (a regular meeting) to review and approve the 2016 Annual Report, the Working Report of the Supervisory Committee for 2016, the Special Report of the Placement and Actual Use of the Proceeds in 2016 and the 2016 Internal Control Self-Assessment Report of the Group.

3. On 27 April 2017, the Company convened the third meeting of the seventh session of the Supervisory Committee in 2017 (a regular meeting) to review and approve the 2017 First Quarterly Report of the Group.

4. On 29 August 2017, the Company convened the fourth meeting of the seventh session of the Supervisory Committee in 2017 (a regular meeting) to review and approve the 2017 Interim Report of the Group, the 2017 Interim Internal Control Self-Assessment Report and the Interim Special Report of the Placement and Actual Use of the Proceeds in 2017.

5. On 30 October 2017, the Company convened the fifth meeting of the seventh session of the Supervisory Committee in 2017 (a regular meeting) to review and approve the 2017 Third Quarterly Report of the Group and the resolution in relation to the buyback and cancellation of certain Restricted A Shares which had not been unlocked.

6. On 20 November 2017, the Company convened the sixth meeting of the seventh session of the Supervisory Committee in 2017 (a special meeting) to review and approve the resolution in relation to the unlocking of the second tranche of the Restricted A Shares in respect of the Restricted A Share Incentive Scheme II of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Amendments) (《上海復星醫藥(集團)股份有限公司第二期限制性股票激勵計劃(修訂稿)》).

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

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

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

The Supervisory Committee agreed with the audit opinion issued by Ernst & Young on the 2017 annual financial report of the Group, and that the financial report of the Group has given a true and fair view of the financial position and the operating results of the Group.

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

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

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

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

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

The Supervisory Committee has reviewed the 2017 Internal Control Self-Assessment Report of the Group, and considers that the Group has established an appropriate internal control system in all material respects and the internal control system has operated efficiently, which ensures the implementation of the internal control measures and the normal conduct of production and operation.

On Behalf of the Supervisory Committee
Ren Qian
Chairman

Shanghai, PRC
26 March 2018

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended 31 December 2017 (the "Corporate Governance Report").

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

BOARD OF DIRECTORS

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

The composition of the Board is as follows:

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

Non-executive Directors:
Mr. Guo Guangchang(Note)
Mr. Wang Qunbin
Ms. Kang Lan(Note)
Mr. Wang Can

Independent Non-executive Directors:
Mr. Cao Huimin
Mr. Jiang Xian
Dr. Wong Tin Yau Kelvin
Mr. Wai Shiu Kwan Danny

Note: Resigned on 26 March 2018

Biographical information of the Directors is set out on pages 80 to 88 of this annual report.

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

Chairman of the Board and Chief Executive Officer of the Company

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

Independent Non-executive Directors

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

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

Appointment, Removal and Re-election of Directors

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

According to the records maintained by the Company, as at 31 December 2017, all Directors received training with an emphasis on the roles, functions and duties as a director of a listed company in compliance with the code provisions relating to continuous professional development under the CG Code. In addition, relevant reading materials including directors' manual and legal and regulatory update have been provided to the Directors for their reference and studying. The continuous professional development records of the Directors for the year ended 31 December 2017 is set out in the table on page 76 of this annual report.

BOARD COMMITTEES

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

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

Audit Committee

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

In 2017, the Audit Committee held 10 meetings to review the interim report for the six months ended 30 June 2017 and the 2016 annual financial results and reports and to discuss significant issues relating to the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

In 2017, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration and Appraisal Committee

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

In 2017, the Remuneration and Appraisal Committee held 5 meetings to review and make recommendations to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, the Restricted A Share Incentive Scheme, Restricted A Share Incentive Scheme II, assess the performance of Directors and senior management and other related matters.

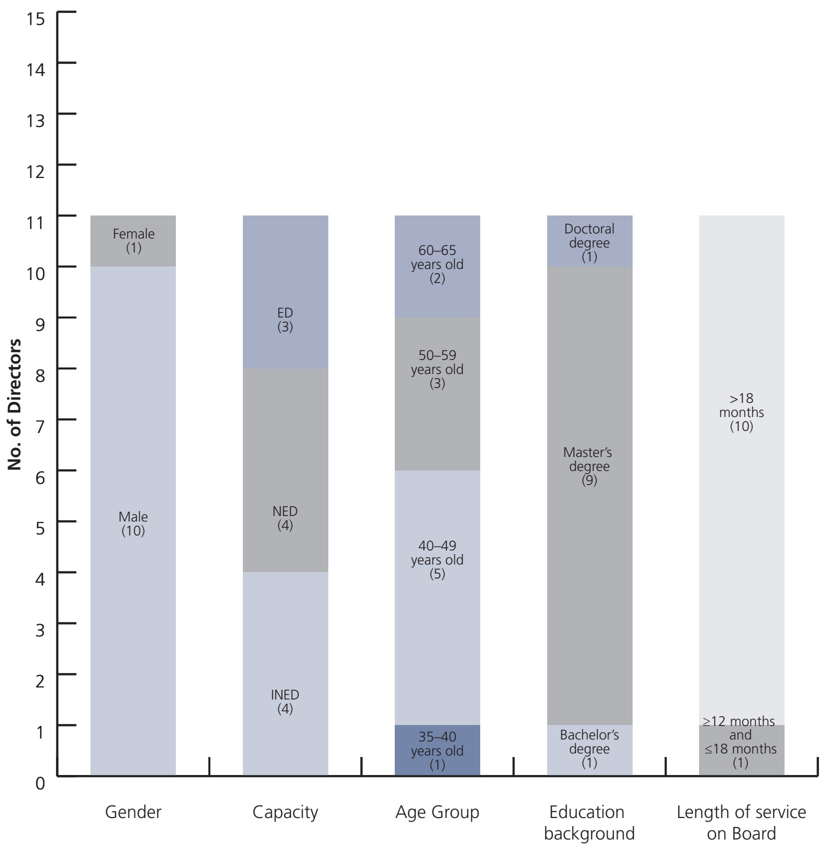
Nomination Committee

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

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

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

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



In 2017, the Nomination Committee held 2 meetings to review and make recommendations to the Board on the structure, size and composition of the Board, the appointment of the senior management. The Nomination Committee considered an appropriate balance of diversity of the Board has been maintained.

Strategic Committee

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

- understanding and mastering the overall operations of the Group, the international and domestic market trends and the relevant governmental policies;

- researching and advising on the short-term, medium-term and long-term development strategies of the Group and major investment decisions; and

- reviewing and approving research reports on development strategy.

In 2017, the Strategic Committee met once to understand and master the overall operations of the Group, the international and domestic market trend and the relevant government policies, to research and advise on the medium-term and long-term development strategies of the Group and major investment decision, and review and approve research reports on development strategy.

CORPORATE GOVERNANCE RESPONSIBILITIES

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

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

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

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

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held for the year ended 31 December 2017 is set out in the table below:

	Attendance/Number of Meetings						
Name of Directors	Board	Nomination Committee	Remuneration and Appraisal Committee	Audit Committee	Strategic Committee	Annual General Meeting[(1)]	Continuous Professional Development
Executive Directors							
Mr. Chen Qiyu	30/30		5/5(M)		1/1(C)	1/1	✓
Mr. Yao Fang	30/30				1/1(M)	0/1	✓
Mr. Wu Yifang	30/30					1/1	✓
Non-executive Directors							
Mr. Guo Guangchang	30/30				1/1(M)	0/1	✓
Mr. Wang Qunbin	30/30				1/1(M)	0/1	✓
Ms. Kang Lan	30/30	2/2(M)	5/5(M)			0/1	✓
Mr. Wang Can	30/30			10/10(M)		0/1	✓
Independent Non-executive Directors							
Mr. Cao Huimin	30/30	2/2(M)	5/5(M)	10/10(C)		1/1	✓
Mr. Jiang Xian	30/30	2/2(C)	5/5(M)	10/10(M)		1/1	✓
Dr. Wong Tin Yau Kelvin	30/30		5/5(C)			0/1	✓
Mr. Wai Shiu Kwan Danny	30/30				1/1(M)	1/1	✓

Notes:

(1) The Annual General Meeting was held on 29 June 2017.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2017.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 89 to 95.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2017 amounted to RMB4.50 million. There is no remuneration paid to external auditors in respect of non-audit services.

INTERNAL CONTROLS

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

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

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

JOINT COMPANY SECRETARIES

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

RIGHTS OF SHAREHOLDERS

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

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

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

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

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

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

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

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

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

(2) Proposals of General Meetings

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

(3) Putting Forward Enquiries to the Board

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

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

(4) Primary Contact Persons

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

On 24 February 2017, based on the authorization from the general meeting, the Board passed the resolutions approving the amendments to Article 21 and 24 of the Articles of Association respectively. On 26 May 2017, based on the authorization from the general meeting, the Board passed the resolutions approving the amendments to Article 21 and 24 of the Articles of Association respectively. An updated version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

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

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Chen Qiyu (陳啟宇), aged 45, is the Company's executive Director and chairman of the Board. Mr. Chen joined the Group in April 1994 and was appointed as a Director in May 2005. Prior to joining the Group, Mr. Chen worked at Shanghai RAAS Blood Product Corporation (上海萊士血製品有限公司), now known as Shanghai RAAS Blood Product Company Limited (上海萊士血液製品股份有限公司), a company listed on the SME board of the Shenzhen Stock Exchange (stock code: 002252) from July 1993 to March 1994. Mr. Chen is the chairman of Fosun High Tech, an executive director and a co-president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director and a vice chairman of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Zhejiang D.A. Diagnostic Company Limited (浙江迪安診斷技術股份有限公司), a company listed on the growth enterprise board of the Shenzhen Stock Exchange (stock code: 300244), a director of Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600429), and was a non-executive director of Forte, a company delisted from the Hong Kong Stock Exchange in May 2011, and a director of Maxigen Biotech Inc., a company listed on the Taiwan Stock Exchange (stock code: 1783). Mr. Chen is the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), vice president of China Pharmaceutical Industry Research and Development Association (中國醫藥創新促進會), vice council chairman of the China Medicinal Biotechnology Association (中國醫藥生物技術協會), chairman of the Shanghai Biopharmaceutical Industry Association (上海生物醫藥行業協會) and vice chairman of the Shanghai Society of Genetics (上海市遺傳學會). Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) in July 1993 and a master degree of business administration from China Europe International Business School (中歐國際工商學院) ("**CEIBS**") in September 2005.

Mr. Yao Fang (姚方), aged 48, is the Company's executive Director and co-chairman of the Board. Mr. Yao joined the Group in April 2010 and was appointed as a Director in June 2010. Prior to joining the Group, from 1993 to 2009, Mr. Yao was successively the assistant general manager of the international business department of Shanghai Wanguo Securities Company Limited, now known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司), general manager of Shanghai Industrial Assets Management Company Limited (上海上實資產經營有限公司), general manager of Shanghai Industrial Management (Shanghai) Company Limited (上實管理(上海)有限公司), managing director of Shanghai Industrial Pharmaceutical Investment Company Limited (上海實業醫藥投資股份有限公司), a company delisted from the Shanghai Stock Exchange on 12 February 2010, chairman of Shanghai Overseas Company (上海海外公司), non-executive director of Lianhua Supermarket Holdings Company Limited (聯華超市股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00980), and executive director of Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00363). Mr. Yao was a non-executive director of BioSino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司) between 24 January 2011 to 13 March 2014, a company listed on the Hong Kong Stock Exchange (stock code: 08247), and is currently the chief supervisor of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Mr. Yao obtained a bachelor degree of economics from Fudan University (復旦大學) in July 1989 and a master degree of business administration from The Chinese University of Hong Kong in December 1993.

Mr. Wu Yifang (吳以芳), aged 48, is the Company's executive Director, president and chief executive officer. Mr. Wu joined the Group in April 2004 and was appointed as an executive Director in August 2016. Prior to joining the Group, Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠) from June 1987 to April 1997, a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物化學製藥廠) from April 1997 to December 1998, the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang from December 1998 to March 2007 (where Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物化學製藥廠), Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司) were predecessors of Jiangsu Wanbang) and the president of Jiangsu Wanbang from March 2007 to April 2011. He has been the chairman of Jiangsu Wanbang since April 2011. He was the Company's senior vice president from July 2014 to January 2016 and the Company's senior vice president and chief operating officer from January 2016 to June 2016. He has been the Company's president and chief executive officer since June 2016 and has been the Company's executive Director since August 2016. Mr. Wu is now the non-executive Director of Sisram, a company listed on the Hong Kong Stock Exchange (stock code: 1696). Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce in 1996 and obtained a master degree in business administration from Saint Joseph's University in 2005.

Mr. Guo Guangchang (郭廣昌), aged 50, is the Company's non-executive Director. Mr. Guo joined the Group in January 1994 and served as a Director from May 1995 to March 2018. Mr. Guo was the chairman of the Board from July 1995 to October 2007. Mr. Guo is the executive director and chairman of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656). Mr. Guo was a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Shanghai Forte, a company delisted from the Hong Kong Stock Exchange in May 2011 and a non-executive Director of China Minsheng Banking Corp., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600016) and the Hong Kong Stock Exchange (stock code: 01988), and the director of Club Méditerranée SA, which is now known as club Med SAS, a company delisted from the Euronext in March 2015. Mr. Guo is now the vice chairman of The Zhejiang Chamber of Commerce and chairman of the Zhejiang Chamber of Commerce in Shanghai, etc. Mr. Guo was a deputy to the 10th and 11th National People's Congress of the PRC, a member of the 9th and 12th National Committee of the Chinese People's Political Consultative Conference and a member of the 11th standing committee of All-China Federation of Industry & Commerce, etc. Mr. Guo obtained a bachelor degree of philosophy and a master degree of business administration from Fudan University (復旦大學) in July 1989 and July 1999, respectively.

Mr. Guo resigned as the non-executive Director of the Company with effect from 26 March 2018.

Mr. Wang Qunbin (汪群斌), aged 48, is the Company's non-executive Director. Mr. Wang joined the Group in January 1994, and was appointed as a Director in May 1995. Mr. Wang served as the Company's Director and general manager from 1995 to 2007 and was the chairman of the Board from October 2007 to June 2010. Currently, Mr. Wang is an executive director and president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Shanghai Yuyuan, a company listed on the Shanghai Stock Exchange (stock code: 600655) and a director of Shanghai Forte, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Wang was a director of companies listed on the Shanghai Stock Exchange, namely Shanghai Friendship Group Co., Ltd. (上海友誼集團股份有限公司) (stock code: 600827), and Henan Lingrui Pharmaceutical Company Limited (河南羚銳製藥股份有限公司)(stock code: 600285). Mr. Wang obtained a bachelor degree of science from Fudan University (復旦大學) in July 1991.

Ms. Kang Lan (康嵐), aged 48, served as the Company's non-executive Director from June 2013 to March 2018. Ms. Kang joined Fosun High Tech in August 2010. She was the senior assistant to the president, the general manager of the human resources department, chief human resources officer, a vice president and chief human resources officer of Fosun High Tech. She is currently a director and senior vice president of Fosun High Tech, an executive director and senior vice president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656). Prior to joining Fosun High Tech, Ms. Kang served as a project manager of Nanjing High Technology Industry Development Company (南京高新技術產業發展總公司), a researcher of Memorial Sloan-Kettering Cancer Center in the United States, a research and development scientist in Wyeth, a consultant of McKinsey & Company in Greater China, and a senior client partner of Korn/Ferry International Consulting Ltd. (光輝國際諮詢顧問公司) in Greater China. Ms. Kang obtained a bachelor degree in biological sciences and biotechnology from Zhejiang University in July 1991, a master degree in biochemistry from Tulane University in the United States in June 1995, and a master degree in business and administration from the Wharton School of the University of Pennsylvania in May 2002.

Ms. Kang resigned as the non-executive Director of the Company with effect from 26 March 2018.

Mr. Wang Can (王燦), aged 38, was appointed as the Company's non-executive Director in June 2016. Mr. Wang joined Fosun High Tech in November 2012 and worked as the general manager of investment management department, deputy chief financial officer and general manager of financial analysis department, and vice president. He is currently a director, senior vice president and chief financial officer of Fosun High Tech, an executive director, senior vice president and chief financial officer of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), and a director of Shanghai Ganglian E-commerce Holdings Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300226). Prior to joining Fosun High Tech, Mr. Wang worked for Kingdee Software (China) Co., Ltd.* (金蝶軟件(中國)有限公司), PricewaterhouseCoopers Zhong Tian LLP, Standard Chartered Bank (China) Limited and Huazhu Hotels Group Ltd., a company listed on Nasdaq (NASDAQ: HTHT). Mr. Wang is a non-practicing member of the China Institute of Certified Public Accountants (CICPA) and a member of the Association of International Accountants (AIA). Mr. Wang was graduated from Anhui University in 1997, and graduated from China Europe International Business School with an MBA degree in 2014.

Mr. Cao Huimin (曹惠民), aged 63, was appointed as the Company's independent non-executive Director in June 2013. Mr. Cao was a professor in accountancy at Shanghai Lixin University of Commerce (上海立信會計學院), an independent director of Shanghai HAND Enterprise Solution Company Ltd. (上海漢得信息技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300170), 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 Shanghai Stock Exchange (stock code: 600827). Mr. Cao is currently an independent director of Shanghai Industrial Development Co., Ltd. (上海實業發展股份有限公司) (stock code: 600748) and Shanghai Flyco Electrical Appliance Co., Ltd. (上海飛科電器股份有限公司) (stock code: 603868), both of which are listed companies in Shanghai Stock Exchange, an independent director of Zhejiang Meorient Business Exhibition Co., Ltd (浙江米奧蘭特商務會展股份有限公司), a company listed on National Equities Exchange and Quotations (NEEQ) (stock code: 831822), and an independent director of Shanghai Hanxun Information Technology Co., Ltd. (上海瀚詢信息技術股份有限公司). Mr. Cao graduated from Shanghai University of Finance and Economics (上海財經大學) with a master degree in economics (accounting) in January 1988.

Mr. Jiang Xian (江憲), aged 63, was appointed as the Company's independent non-executive Director in June 2015. Mr. Jiang was a lecture at the Justice School of Shanghai (上海市司法學校) from April 1983 to August 1989. He has been a partner and senior partner of Shanghai United Law Firm (上海市聯合律師事務所) since August 1989, an arbitrator of China International Economic and Trade Arbitration Commission and Arbitrator Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) since December 2003, a visiting professor of East China University of Political Science and Law (華東政法大學) (formerly known as East China College of Political Science and Law (華東政法學院)) since September 2006, a mediator of Shanghai Commercial Mediation since January 2011, and an associated Mediator of Singapore Mediation Center since May 2012. Mr. Jiang is currently an independent director of Shanghai No.1 Pharmacy Co., Ltd. (上海第一醫藥股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600833). Mr. Jiang obtained a bachelor degree of laws from a branch of the Fudan University (復旦大學) (now incorporated into the Shanghai University) in April 1983 and a master degree of laws from Fudan University (復旦大學) in July 1996, respectively. Mr. Jiang qualified as a lawyer in the PRC in 1985.

Dr. Wong Tin Yau Kelvin (黃天祐), JP, aged 57, was appointed as the Company's independent non-executive Director in June 2015. Dr. Wong has been an executive director and deputy managing director of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01199), since 1996. Dr. Wong is currently an independent non-executive director of each of I.T Limited (stock code: 00999), China ZhengTong Auto Services Holdings Limited (stock code: 01728) , Bank of Qingdao Co., Ltd. (stock code: 03866) and Huarong International Financial Holdings Limited (stock code: 00993), all of which are companies listed on the Hong Kong Stock Exchange, Xinjiang Goldwind Science & Technology Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 02208) and Shenzhen Stock Exchange (stock code: 002202).

Dr. Wong was an independent non-executive director of China Metal International Holdings Inc. (stock code: 00319), CIG Yangtze Ports PLC (stock code: 08233), AAG Energy Holdings Limited (stock code: 02686)and Asia Investment Finance Group Limited (stock code: 00033), all of which are companies listed on the Hong Kong Stock Exchange. Dr. Wong is the immediate past chairman and was the chairman (2009–2014) of The Hong Kong Institute of Directors, a non-executive director of the Securities and Futures Commission, the chairman of the Investor Education Centre, a member of Financial Reporting Council and a committee member of the Operations Review Committee of the ICAC. Dr. Wong obtained his Master of Business Administration degree from Andrews University in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007.

Mr. Wai Shiu Kwan Danny (韋少琨), aged 54, was appointed as the Company's independent non-executive Director in June 2016. Mr. Wai served as an Analyst and Senior Analyst of The MAC Group, Inc. (Hong Kong) (now part of The Capgemini Group) from 1987 to 1990, as the Financial Analyst of Postal Buddy Corporation from 1992 to 1994, various positions as Director, Assistant Director, Manager, Assistant Manager and Executive in the Corporate Finance Department of Jardine Fleming Holdings Ltd. (now part of JP Morgan Chase & Co.) from 1994 to 2001, as a Vice President in the Global Mergers & Acquisitions Group of JP Morgan Chase & Co. (Hong Kong) from 2001 to 2002, and as Executive Director, Managing Director and Head of Asia in the Global Healthcare Group of the Investment Banking Department, UBS AG (Hong Kong Branch) during the period from 2004 to 2007 and the period from 2007 to 2015, respectively. Mr. Wai is currently the senior consultant at UBS AG (Hong Kong Branch). Mr. Wai graduated from the University of Hong Kong with a Bachelor of Social Sciences degree in 1987, and the Anderson Graduate School of Management at UCLA with an MBA degree in 1992.

SUPERVISORS

Ms. Ren Qian (任倩), aged 48, served as the chairman of the Supervisory Committee of the Company since January 2018. Ms. Ren joined the Group in May 2011 and has been serving as the deputy general manager and general manager of audit department of the Company from May 2011. Prior to joining the Group, Ms. Ren served as an auditor of the audit department of Shanghai No.1 Department Store Company Limited (上海市第一百貨股份有限公司) (whereafter merged with Shanghai Bailian Group Company Limited (上海百聯集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600827)) and the manager of financial department of a subsidiary thereof from July 1991 to October 1999, the chief officer of the second division of audit department of China Worldbest Group Company Limited (中國華源集團有限公司) from November 1999 to April 2006, the assistant to director of Shanghai Zhongzhou Certified Public Accountants Company Limited (上海中洲會計師事務所有限公司) from May 2006 to September 2008, and the deputy general manager of audit department of Shanghai China Fortune Company Limited (上海華鑫股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600621), from October 2008 to April 2011. Ms. Ren graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree in economics in July 1991, and graduated from The Chinese University of Hong Kong with a master degree in accounting in November 2016.

Mr. Cao Genxing (曹根興), aged 71, has served as the Company's Supervisor since 26 May 2008. Mr. Cao currently serves as the secretary to the president of Dahua Group Limited (大華(集團)有限公司). Mr. Cao Genxing graduated from Central Agricultural Broadcasting and Television School (中央農業廣播電視學校) with a diploma in agricultural science in December 1985. Mr. Cao graduated from Shanghai Baoshan District Vocational University (上海寶山區業餘大學) with a diploma in party and government management in January 1991.

Mr. Guan Yimin (管一民), aged 67, was appointed as the Company's Supervisor on 30 June 2014. Mr. Guan was a professor of Shanghai National Accounting Institute from September 2000 to August 2014. He was an independent director of the Company from May 2007 to June 2013, and an independent non-executive director of the Company from October 2012 to June 2013. He is now an independent director of Shanghai International Port (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600018). He was an independent non-executive director of China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司), which is now known as COSCO SHIPPING Development Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601866) and Hong Kong Stock Exchange (stock code: 02866), an independent director of Porton Fine Chemicals Ltd. (重慶博騰製藥科技股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300363), an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (天津創業環保股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600874) and Hong Kong Stock Exchange (stock code: 01065), and an independent director of Bank of Shanghai Co. Ltd. (上海銀行股份有限公司). Mr. Guan obtained a bachelor degree in accounting from SUFE in January 1983.

Mr. Li Chun (李春), aged 54, served as the Company's Supervisor from June 2016 to January 2018.

SENIOR MANAGEMENT

Mr. Wu Yifang (吳以芳), is the Company's executive Director, president and chief executive officer. His biographical details are set out on page 81 of this annual report.

Mr. Chen Yuqing (陳玉卿), aged 42, joined the Group in January 2010 and is currently the Company's senior vice president. Mr. Chen was the Company's deputy HR supervisor of human resources department, deputy general manager of human resources department, general manager of human resources department, assistant to president and general manager of human resources department from January 2010 to April 2015. He was the Company's vice president from April 2015 to June 2016. Prior to joining the Group, he was the chief human resources officer of Kubao Information Technology (Shanghai) Co., Ltd. from April 2009 to October 2009. Mr. Chen obtained a bachelor degree in engineering from Shanghai University in July 1997.

Mr. Zhou Biao (周飈), aged 47, joined the Group in June 2013 and is currently the Company's senior vice president. He was the Company's vice president, senior vice president and the secretary to the Board and joint company secretary from June 2013 to June 2016. Prior to joining the Group, Mr. Zhou served as a lawyer at Shanghai Qiao Wen Law Firm (上海市喬文律師事務所) from September 1996 to May 2000, a lawyer at Shanghai Hua Ye Law Firm (上海市華曄律師事務所) from May 2000 to May 2005 and a lawyer at Shanghai Jiu Cheng Law Firm (上海久誠律師事務所) from May 2005 to June 2013. Mr. Zhou obtained a bachelor degree of laws in economic law from Fudan University (復旦大學) in July 1993.

Ms. Guan Xiaohui (關曉暉), aged 46, joined the Group in May 2000 and is currently the Company's senior vice president and chief financial officer. Ms. Guan was successively the Company's financial manager of the retail pharmaceutical department, chief financial officer of Fosun Pharmaceutical and the Company's vice chief financial officer. She served as the Company's deputy director of business management committee and the Company's assistant to the president and general manager of financial department and the Company's vice president. Prior to joining the Group, from July 1992 to May 2000, Ms. Guan worked for Industrial and Commercial Bank of China Jiangxi Branch (中國工商銀行江西分行). Ms. Guan was the supervisor of China National Accord Medicines Corporation Ltd. (國藥一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028) and a supervisor of Biosino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08247). Ms. Guan obtained a bachelor degree of economics from Jiangxi University of Finance and Economics (江西財經大學) and acquired a master degree of professional accountancy from Chinese University of Hong Kong in December 2007.

Mr. Wang Cheng (汪誠), aged 54, joined the Group in August 2011 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Wang worked for Holley Group Company Limited (華立集團股份有限公司) from July 1994 to September 2010 and was a director, head of the financial department, president and chairman of the board of Holley Share Company Limited (重慶華立控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607), from October 1999 to October 2006. Mr. Wang was the vice president and chairman of the board of Kunming Pharmaceutical Group Corporation Limited (昆明製藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600422), from November 2002 to October 2006. Mr. Wang was the chairman of the board of Wuhan Jianmin Pharmaceutical Groups Corporation Limited (武漢健民藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600976), from October 2009 to September 2010. Mr. Wang obtained a bachelor degree in literature in July 1988 and a master degree of business administration in July 1998 from Hangzhou University (杭州大學), now known as Zhejiang University (浙江大學).

Mr. Wang Kexin (王可心), aged 53, joined the Group in June 2010 and is currently the Company's senior vice president. He was the Company's vice president from July 2011 to July 2016. Prior to joining the Group, Mr. Wang was the deputy general manager of Sea Rainbow Holding Corporation (海虹控股醫藥電子商務有限公司) from January 2001 to November 2002, marketing director of KPC and deputy general manager of Kunming Pharmaceutical Retail Company Limited (昆明製藥藥品銷售有限公司) from November 2002 to January 2004, general manager of Beijing Huali Jiuzhou Medical Company Limited (北京華立九州醫藥有限公司) from January 2004 to January 2009 and vice president of Chongqing Huali Pharmaceutical Industry Company Limited (重慶華立藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607), from January 2007 to January 2009. Mr. Wang obtained a bachelor degree of medicine from Shenyang Medical College (瀋陽醫學院) in July 1988.

Mr. Hui Aimin, aged 55, joined the Group in November 2017 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Hui was a doctor at the Fourth Hospital of Hebei Medical University (河北醫科大學第四醫院) from September 1984 to March 1991, a trainee at National Cancer Center Hospital (國立癌中心醫院) in Japan from April 1990 to March 1991, a PhD student at the School of Medicine of Shinshu University (信州大學醫學院) in Japan from April 1991 to September 1994, a special researcher at National Cancer Center (國立癌中心) in Japan from October 1994 to September 1997, an assistance professor and lecturer at the Faculty of Medicine of University of Tokyo (東京大學醫學院) from October 1997 to October 2000, a visiting scientist and researcher at National Cancer Institute in the U.S. from October 2000 to December 2006, a medical director of GE Healthcare Group from January 2007 to December 2008, a medical director of Cephalon, Inc. from January 2009 to April 2010, a clinical oncology director and senior director of Takeda Pharmaceutical Company Limited from April 2010 to November 2015, and a vice president of the global clinical research and development of Sanofi from November 2015 to October 2017. Mr. Hui obtained a bachelor degree of medicine from Hebei Medical University (河北醫科大學) in August 1984 and a doctoral degree from the School of Medicine of Shinshu University (信州大學醫學院) in Japan in September 1994.

Mr. Shao Ying (邵穎), aged 51, joined the Group in March 2012 and is currently a vice president of the Company. Mr. Shao was the assistant to president and executive deputy director of Corporate Technological Center of Fosun Pharmaceutical Industrial from March 2012 to August 2012, the assistant to president and director of Corporate Technological Center of Fosun Pharmaceutical Industrial from August 2012 to December 2012, and the assistant to president and director of R&D Center of the Company from January 2013 to October 2014. Prior to joining the Group, he was a lecturer and associate professor of Medicinal Chemistry Teaching and Research Office in China Pharmaceutical University (中國藥科大學) from August 1991 to July 2003 and the deputy chief and chief of the former Review Department of Center for Drug Evaluation (CDE) and the chief of the Research and Evaluation Department under China Food and Drug Bureau (now known as the CFDA) from August 2003 to December 2011. Mr. Shao obtained a bachelor degree in biopharmaceuticals from China Pharmaceutical University in 1988, a master degree in pharmaceutical chemistry from China Pharmaceutical University in 1991 and a doctoral degree in pharmaceutical chemistry from China Pharmaceutical University in 2006.

Mr. Wang Yao (汪曜), aged 44, joined the Group in September 2014 and is currently a vice president of the Company. Prior to joining the Group, Mr. Wang was field management engineer of Shanghai Automotive Casting Plant of SAIC Motor Corporation Limited (上海汽車集團股份有限公司上海汽車鑄造總廠) from July 1995 to January 1998, the senior project manager of the strategic investment committee of D'Long International Strategic Investment Company (德隆國際戰略投資有限公司) from November 1999 to March 2001, the vice general manager of Zhongqi Asset Custody Co. Ltd. (中企資產托管有限公司), a subsidiary of D'Long International Strategic Investment Company from April 2001 to May 2004, the investment manager of Hongpu Investment Holdings (China) Co., Ltd. (宏普投資控股(中國)有限公司) from June 2004 to April 2006, the director in merger and acquisition of Asian-Pacific Region of PENTAIR LTD, a company listed on the New York Stock Exchange (NYSE: PNR), from April 2006 to May 2011, during which he was concurrently the general manager of Beijing Pentair-Jieming Environmental Protection Equipment Co., Ltd. (北京濱特爾潔明環保設備有限公司), an affiliate of PENTAIR LTD, from June 2009 to August 2010, and vice president of group investment and asset management of Suntech Power Holdings Co., Ltd., a company listed on the New York Stock Exchange (NYSE: STP), from May 2011 to July 2014. Mr. Wang obtained a bachelor degree in metal casting from Shanghai University (上海大學) in 1995 and a master degree in business administration from CEIBS in 1999.

Ms. Mei Jingping (梅璟萍), aged 47, joined the Group in January 2013 and is currently a vice president of the Company. Ms. Mei was the assistant to chairman and general manager of strategic planning department of the Company from January 2013 to June 2015. Prior to joining the Group, Ms. Mei was the senior marketing manager of the marketing department of Wyeth Pharmaceutical Co., Ltd. from June 2003 to January 2010 and the investment analyst, senior investment analyst and research director of pharmaceutical industry at CLSA Limited from February 2010 to November 2012. Ms. Mei obtained a bachelor degree in science from China Pharmaceutical University in 1992.

Mr. Wang Donghua (王冬華), aged 48, joined the Group in October 2015 and is currently a vice president of the Company. Mr. Wang was the senior assistant to president and general manager of the public affairs department of the Company from October 2015 to January 2016. Prior to joining the Group, Mr. Wang was the deputy manager and manager of the corporate culture department, deputy general manager of the investment development department, deputy general manager and spokesman of the brand development department, and deputy general manager, executive general manager and joint general manager of the public affairs department of Fosun High Tech from April 2003 to October 2015. Mr. Wang obtained a bachelor degree in agriculture from Yangzhou University in July 1994, and a master degree in business administration from Shanghai University of Finance and Economics in February 2004.

Mr. Wen Deyong (文德鏞), aged 46, joined the Group in May 2002 and is currently a vice president of the Company. Mr. Wen was a technician of water injection workshop in the Chongqing No.6 Pharmaceutical Factory (重慶製藥六廠), which is now known as Chongqing Yao Pharmaceutical Sales Company Limited (重慶藥友製藥銷售有限責任公司) from September 1995 to February 1997, a sales field personnel of the sales department of Yao Pharma from March 1997 to June 2004, a sales director of Chongqing Yao Pharmaceutical Sales Company Limited from June 2004 to December 2005, a general manager of No. 2 marketing department of Yao Pharma from December 2005 to January 2010 (concurrently served as the human resources director of Yao Pharma from November 2008 to December 2009), a general manager of the North Subsidiary of Chongqing Heisman Pharmaceutical Co., Ltd. (重慶海斯曼藥業有限責任公司北方公司) from January 2010 to December 2010 (concurrently served as the director of administrative and human resource of Chongqing Heisman Pharmaceutical Co., Ltd. (重慶海斯曼藥業有限責任公司) from July 2010 to December 2010), a vice president of Yao Pharma from December 2010 to April 2014 and a president of Yao Pharma from April 2014 to May 2016. He has been the vice chairman of the board of Yao Pharma since May 2016. Mr. Wen graduated from West China University of Medical Sciences (華西醫科大學), which is now known as West China Medical Center of Sichuan University (四川大學華西醫學中心), in September 1995, and obtained a Master of Business Administration Degree from Donghua University (東華大學) in December 2007.

Ms. Dong Xiaoxian (董曉嫻), aged 36, joined the Group in 2003, and is currently a vice president, the secretary to the Board and the joint company secretary of the Company. Ms. Dong worked as the secretary to the board of directors of Shanghai SIIC-SMU Biotech Co., Ltd. (上海實業醫大生物技術有限公司) from July 2003 to June 2006, and the securities affairs assistant, securities affairs representative, deputy director and director of the Board Secretary Office of the Company from July 2006 to June 2016. Ms. Dong graduated from Shanghai University (上海大學) with a Bachelor of Laws in July 2003, and graduated with a Master of Business Administration Degree from Fudan University (復旦大學) in January 2015.

Ms. Shi Jiajue (石加珏), aged 41, joined the Group in November 1997, and is currently a vice president of the Company. Ms. Shi was an executive officer, executive head, deputy executive manager and executive manager of the Company from November 1997 to December 2007. She was a deputy officer, deputy general manager and resource management director and general manager of the administration department of the Company from January 2008 to October 2014. She was an assistant to the president and general manager of the administration department and general manager of the centralized procurement and procurement management department from October 2014 to August 2016.

Mr. Liu Yi (劉毅), aged 42, joined the Group in November 2015 and is currently a vice president of the Company. Mr. Liu was the chief technology officer of the medical devices division of the Company from November 2015 to December 2016. Prior to joining the Group, Mr. Liu was a student in Young Cadre Training Class of Chinese Academy of Governance (國家行政學院青年幹部培訓班) from September 1998 to July 2000, a deputy section officer of medical equipment department and a section officer of market supervision department of State Food and Drug Administration, which is now known as CFDA, from July 2000 to August 2004 and the deputy head and head of Beijing Medical Equipment Laboratory (北京市醫療器械檢驗所) from September 2004 to November 2015. Mr. Liu is now the executive Director and chairman of the board of directors of Sisram, a company listed on the Hong Kong Stock Exchange (stock code: 1696). Mr. Liu obtained a bachelor degree in engineering from Beijing Institute of Technology in July 1998, and a master degree in management from Peking University in January 2006.

Mr. Li Dongming (李東明), aged 48, joined the Group in April 2017 and is currently a vice president of the Company. Prior to joining the Group, Mr. Li was a technician trainee, deputy director, director, and the assistant to the plant manager and director in the workshop of Shanghai Yan'an Pharmaceutical Plan (上海延安製藥廠) from August 1989 to March 1998, a deputy general manager and director of the human resources department of Shanghai Yan'an Wanxiang Pharmaceutical Co., Ltd. (上海延安萬象藥業股份有限公司) from March 1998 to January 2002, a deputy factory director of Shanghai Sine Pharmaceuticals (信誼藥廠) (now known as Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd. (上海上藥信誼藥廠有限公司)) from January 2002 to October 2003, the strategic director of the strategy and investment committee office under the board of directors, as well as the vice president of the OTC sales business department of Shanghai Pharmaceuticals (Group) Limited from October 2003 to April 2008, a director and deputy general manager of Shanghai Roche Pharmaceutical Co., Ltd. from May 2008 to November 2013, a director and general manager of Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd. from November 2013 to September 2016, and a director and general manager of Shanghai Pharmaceutical Group Pharma Sales Co., Ltd. (上海醫藥集團藥品銷售有限公司) from September 2016 to April 2017. Mr. Li has been a senior vice president of Fosun Pharmaceutical Industrial from April 2017. Mr. Li obtained a bachelor degree in science from Fudan University in July 1989.

Mr. Hongfei Jia, aged 50, served as a senior vice president of the Company from June 2013 to January 2017.

Mr. Song Jinsong (宋金松), aged 50, served as a senior vice president of the Company from July 2015 to March 2017.

Mr. Dong Zhichao (董志超), aged 51, joined the Group in February 1992 and served as a vice president of the Company from June 2013 to June 2017.

Mr. Li Dongjiu (李東久), aged 51, joined the Group in December 2009 and served as a senior vice president of the Company from June 2010 to January 2018.

Mr. Cui Zhiping (崔志平), aged 55, joined the Group in January 2006 and served as a vice president of the Company from January 2006 to January 2018.

JOINT COMPANY SECRETARIES

Ms. Dong Xiaoxian (董曉嫻), aged 36, the joint company secretary, is also a senior vice president of the Company and secretary to the Board. Please refer to page 87 of this annual report for her biography.

Ms. Lo Yee Har Susan (盧綺霞), aged 59, is an executive director of Tricor Services Limited ("Tricor"), also serving as the Head of Learning & Development of Tricor. Ms. Lo has over 30 years of experience in corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lo is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators ("ICSA") in the United Kingdom. Ms. Lo graduated from The Hong Kong Polytechnic (now The Hong Kong Polytechnic University).

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 96 to 209, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of GLAND PHARMA LIMITED	
On 3 October 2017, the Group acquired a 74% equity interest of Gland Pharma Limited ("GLAND") from third parties for a cash consideration of USD1,085,363,000 equivalent to RMB7,203,444,000. Management engaged external appraisers to evaluate the fair values of identifiable assets and liabilities of GLAND. This matter is significant to our audit because the fair value determination in the accounting for business combination relied on significant management estimation in respect of fair value assessments. The disclosures about the acquisition of GLAND are included in note 2.4 Summary of Significant Accounting Policies, note 3 Significant Accounting Judgements and Estimates and note 36 Business Combinations to the consolidated financial statements.	Our audit procedures included, among others, obtaining and reading the share purchase agreements and examining the payment of considerations. We assessed the objectivity, independence and competence of the external appraisers engaged by the Group to perform the valuation. We also involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted and the assumptions used, in particular, the discount rate, in the valuation of identifiable assets and liabilities of GLAND, and, in particular, technical know-how and business networks, whose fair values were determined by using the income approach. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance of technical know-how and business networks and the GLAND's business development plan. We also focused on the adequacy of the disclosures in the consolidated financial statements.

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill in the consolidated financial statements amounted to RMB8,464,284,000 as at 31 December 2017. In accordance with HKFRSs, the Group is required to perform impairment test for goodwill at least on an annual basis. In performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired as each of these acquired subsidiaries is the only cash-generating unit that can benefit from synergy of the acquisition. The impairment test is based on the recoverable amount of each cash-generating unit to which the goodwill is allocated. The recoverable amount of each cash-generating unit is the higher of its fair value less costs of disposal and its value in use using cash flow projections based on a financial budget covering a 5-year period. This matter is significant to our audit because the impairment test process is complex and involves significant judgements and estimates. The disclosures about impairment of goodwill are included in note 2.4 Summary of Significant Accounting Policies, note 3 Significant Accounting Judgements and Estimates and note 17 Goodwill to the consolidated financial statements, which specifically explain the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and growth rate beyond a 5-year period. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historical performance and the business development plan of each cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
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KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of indefinite-life intangible assets	
The carrying value of indefinite-life intangible assets (medicine licences, trademarks and operating concession rights) in the consolidated financial statements amounted to RMB1,158,877,000 as at 31 December 2017. In accordance with HKFRSs, the Group is required to perform impairment tests for indefinite-life intangible assets at least on an annual basis. The impairment test is based on the recoverable amount of each individual asset or the corresponding cash-generating unit, which is the higher of its fair value less costs of disposal and its value in use using cash flow projections based on a financial budget covering a 5-year period. This matter is significant to our audit because the impairment test process is complex and involves significant judgements and estimates. The disclosures about the impairment of indefinite-life intangible assets are included in note 2.4 Summary of Significant Accounting Policies, note 3 Significant Accounting Judgements and Estimates and note 18 Other Intangible Assets to the consolidated financial statements, which specifically explain the key assumptions management used for the calculation of the recoverable amounts.	Our audit procedures included, among others, involving internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and growth rate beyond a 5-year period used in the cash flow forecast of each individual asset or the corresponding cash-generating unit. We paid attention to the forecasts used with respect to future revenues and operating results by comparing the forecasts with historical performance and the product revenue plan of each individual asset or the corresponding cash-generating unit. We also focused on the adequacy of the disclosures in the consolidated financial statements.
Capitalisation of development expenditure	
During the year ended 31 December 2017, expenditure incurred on projects to develop new pharmaceutical products of RMB536,982,000 was capitalised in "other intangible assets — deferred development costs" in the consolidated financial statements. The expenditure on development activities was capitalised and deferred when all criteria mentioned in note 2.4 Summary of Significant Accounting Policies were satisfied. This matter is significant to our audit because significant management's estimations and judgements are required in determining whether the development expenditure meet the capitalisation criteria. The disclosures about the capitalisation of development expenditure are included in note 2.4 Summary of Significant Accounting Policies, note 3 Significant Accounting Judgements and Estimates and note 18 Other Intangible Assets to the consolidated financial statements.	Our audit procedures included, among others, assessing whether the capitalisation policy adopted to be in line with HKFRSs, obtaining an understanding of the Group's internal approval procedures regarding the capitalisation of development expenditures by conducting interviews with key management members in charge of research, development and industrialisation of various projects, and obtaining certifications related to different stages of development activities and commercial and technical feasibility reports prepared by management. We also focused on the adequacy of the disclosures in the consolidated financial statements.

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
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OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2018

Consolidated
Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**18,361,608**	14,505,584
Cost of sales		**(7,608,953)**	(6,718,364)
Gross profit		**10,752,655**	7,787,220
Other income	6	**172,960**	261,753
Selling and distribution expenses		**(5,790,536)**	(3,704,056)
Administrative expenses		**(1,773,794)**	(1,626,415)
Research and development expenses		**(1,026,538)**	(714,749)
Other gains	8	**1,019,498**	753,431
Other expenses		**(145,534)**	(121,171)
Interest income		**79,224**	80,899
Finance costs	9	**(577,541)**	(488,171)
Share of profits and losses of:			
Joint ventures		**(15,525)**	1,127
Associates		**1,366,848**	1,341,681
PROFIT BEFORE TAX	7	**4,061,717**	3,571,549
Income tax expense	12	**(476,458)**	(350,207)
PROFIT FOR THE YEAR		**3,585,259**	3,221,342
Attributable to:			
Owners of the parent		**3,124,500**	2,805,837
Non-controlling interests		**460,759**	415,505
		3,585,259	3,221,342
Earnings per share attributable to ordinary equity holders of the parent:	14		
Basic		**RMB1.27**	RMB1.21
Diluted		**RMB1.27**	RMB1.20

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR	**3,585,259**	3,221,342
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(265,565)**	100,700
Reclassification adjustments for gains included in the consolidated statement of profit or loss		
— Gain on disposal	**(285,841)**	(313,969)
Income tax effect	**63,389**	68,774
	(488,017)	(144,495)
Exchange differences on translation of foreign operations	**120,212**	(42,334)
Share of other comprehensive income/(loss) of joint ventures	**524**	(539)
Share of other comprehensive (loss)/income of associates	**(98,688)**	115,228
Other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(465,969)**	(72,140)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,119,290**	3,149,202
Attributable to:		
Owners of the parent	**2,691,338**	2,716,707
Non-controlling interests	**427,952**	432,495
	3,119,290	3,149,202

Consolidated
Statement of Financial Position

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**8,352,848**	6,325,479
Prepaid land lease payments	16	**1,324,409**	1,030,485
Goodwill	17	**8,464,284**	3,473,110
Other intangible assets	18	**6,950,136**	2,620,078
Investments in joint ventures	19	**646,550**	248,421
Investments in associates	20	**17,747,138**	15,870,262
Available-for-sale investments	21	**2,673,249**	2,674,436
Deferred tax assets	23	**144,524**	129,551
Other non-current assets	22	**554,496**	574,771
Total non-current assets		**46,857,634**	32,946,593
CURRENT ASSETS			
Inventories	24	**2,750,517**	1,670,738
Trade and bills receivables	25	**3,825,549**	2,389,862
Prepayments, deposits and other receivables	26	**1,012,227**	659,188
Equity investments at fair value through profit or loss	27	**219,327**	48,489
Cash and bank balances	28	**7,248,867**	5,996,030
Total current assets		**15,056,487**	10,764,307
CURRENT LIABILITIES			
Trade and bills payables	29	**1,781,883**	1,149,379
Other payables and accruals	30	**4,054,058**	2,504,278
Interest-bearing bank and other borrowings	31	**10,472,013**	6,139,393
Tax payable		**292,518**	315,503
Total current liabilities		**16,600,472**	10,108,553
NET CURRENT (LIABILITIES)/ASSETS		**(1,543,985)**	655,754
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,313,649**	33,602,347

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,313,649**	33,602,347
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**9,814,896**	5,570,958
Deferred tax liabilities	23	**2,981,149**	1,786,427
Deferred income	32	**397,135**	346,706
Other long-term liabilities	33	**2,435,902**	704,817
Total non-current liabilities		**15,629,082**	8,408,908
Net assets		**29,684,567**	25,193,439
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**2,495,131**	2,414,512
Treasury shares	39	**(9,523)**	(26,819)
Reserves	35	**22,784,373**	19,745,636
		25,269,981	22,133,329
Non-controlling interests		**4,414,586**	3,060,110
Total equity		**29,684,567**	25,193,439

Chen Qiyu
Director

Wu Yifang
Director

Consolidated
Statement of Changes in Equity

Year ended 31 December 2017

	Attributable to owners of the parent										
	Issued share capital RMB'000 *(note 35)*	Share premium RMB'000	Treasury shares RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	2,314,075	5,020,109	(43,494)	975,271	1,995,419	1,180,612	(44,955)	6,727,646	18,124,683	2,488,079	20,612,762
Profit for the year	—	—	—	—	—	—	—	2,805,837	2,805,837	415,505	3,221,342
Other comprehensive loss for the year:											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	(140,275)	—	—	—	—	(140,275)	(4,220)	(144,495)
Share of other comprehensive income of associates	—	—	—	114,689	—	—	—	—	114,689	—	114,689
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(63,544)	—	(63,544)	21,210	(42,334)
Total comprehensive income for the year	—	—	—	(25,586)	—	—	(63,544)	2,805,837	2,716,707	432,495	3,149,202
Profit appropriation to reserves	—	—	—	—	126,126	—	—	(126,126)	—	—	—
Issue of restricted A shares	100,437	2,174,813	—	—	—	—	—	—	2,275,250	—	2,275,250
Unlocking of restricted A shares	—	—	16,675	—	—	—	—	—	16,675	—	16,675
Deemed acquisition of additional interest in a subsidiary	—	—	—	—	—	4,196	—	—	4,196	(4,196)	—
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	231,914	—	—	231,914	(231,914)	—
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(130,914)	(130,914)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	908	—	—	908	451,821	452,729
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	71,500	71,500
Disposal of partial interest in an associate	—	—	—	—	—	(12,813)	—	—	(12,813)	—	(12,813)
Acquisition of non-controlling interests	—	—	—	—	—	(82,143)	—	—	(82,143)	(100,198)	(182,341)
Equity-settled share-based payments *(note 39)*	—	41,887	—	—	—	(4,769)	—	—	37,118	—	37,118
Fair value adjustment on the share redemption options granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	15,099	—	—	15,099	51,229	66,328
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	32,208	32,208
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	(453,761)	—	—	(453,761)	—	(453,761)
Reclassification of equity components arising from the reform of a subsidiary's shareholding system	—	—	—	—	—	(117,615)	—	117,615	—	—	—
Final 2015 dividend declared and paid	—	—	—	—	—	—	—	(740,504)	(740,504)	—	(740,504)
At 31 December 2016	2,414,512	7,236,809*	(26,819)	949,685*	2,121,545*	761,628*	(108,499)*	8,784,468*	22,133,329	3,060,110	25,193,439

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

	Attributable to owners of the parent										
	Issued share capital RMB'000 *(note 35)*	Share premium RMB'000	Treasury shares RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	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 year	—	—	—	—	—	—	—	3,124,500	3,124,500	460,759	3,585,259
Other comprehensive loss for the year:											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	(487,103)	—	—	—	—	(487,103)	(914)	(488,017)
Share of other comprehensive loss of associates	—	—	—	(98,164)	—	—	—	—	(98,164)	—	(98,164)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	152,104	—	152,104	(31,892)	120,212
Total comprehensive income for the year	—	—	—	(585,267)	—	—	152,104	3,124,500	2,691,337	427,953	3,119,290
Profit appropriation to reserves	—	—	—	—	133,428	—	—	(133,428)	—	—	—
Issue of H shares *(note 34)*	80,657	1,956,630	—	—	—	—	—	—	2,037,287	—	2,037,287
Repurchase and cancellation of restricted A shares	(38)	(358)	396	—	—	—	—	—	—	—	—
Unlocking of restricted A shares	—	—	16,900	—	—	—	—	—	16,900	—	16,900
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	183,903	183,903
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(264,069)	(264,069)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	174,564	174,564
Acquisitions of subsidiaries *(note 36)*	—	—	—	—	—	—	—	—	—	1,522,950	1,522,950
Disposal of associates	—	—	—	—	—	9,473	—	—	9,473	—	9,473
Disposal of a subsidiary *(note 37)*	—	—	—	—	—	—	—	—	—	1,886	1,886
Equity-settled share-based payments *(note 39)*	—	28,206	—	—	—	(17,849)	—	—	10,357	—	10,357
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	(99,408)	—	—	(99,408)	—	(99,408)
Acquisition of non-controlling interests	—	—	—	—	—	(91,674)	—	—	(91,674)	(382,692)	(474,366)
Deemed acquisition of additional interest in a subsidiary	—	—	—	—	—	(37,846)	—	—	(37,846)	37,846	—
Disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	1,197	—	—	1,197	23	1,220
Deemed disposal of partial interests in subsidiaries without loss of control	—	—	—	—	—	170,695	—	—	170,695	813,306	984,001
Fair value adjustment on the share redemption option granted to a non-controlling shareholder of a subsidiary	—	—	—	—	—	(698,370)	—	—	(698,370)	(1,161,194)	(1,859,564)
Final 2016 dividend declared and paid	—	—	—	—	—	—	—	(873,296)	(873,296)	—	(873,296)
At 31 December 2017	2,495,131	9,221,287*	(9,523)	364,418*	2,254,973*	(2,154)*	43,605*	10,902,244*	25,269,981	4,414,586	29,684,567

* These reserve accounts comprise the consolidated reserves of RMB22,784,373,000 (2016: RMB19,745,636,000) in the consolidated statement of financial position.

Consolidated
Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,061,717**	3,571,549
Adjustments for:			
Finance costs	9	**577,541**	488,171
Share of profits and losses of joint ventures		**15,525**	(1,127)
Share of profits and losses of associates		**(1,366,848)**	(1,341,681)
Depreciation of items of property, plant and equipment	7	**723,470**	606,891
Amortisation of prepaid land lease payments	7	**26,534**	21,109
Amortisation of other intangible assets	7	**195,906**	111,234
(Gain)/loss on disposal of items of property, plant and equipment and other tangible assets	7	**(37,453)**	5,074
Gain on disposal of interests in associates and joint ventures	8	**(336,289)**	(76,663)
Gain on disposal of equity investments at fair value through profit or loss	8	**(7,298)**	—
Gain on disposal of a subsidiary	8	**(12,920)**	(2,162)
Gain on disposal of available-for-sale investments	8	**(567,983)**	(617,706)
Dividend income from available-for-sale investments	6	**(31,176)**	(86,062)
Provision for impairment of property, plant and equipment	7	**—**	3,616
Provision for impairment of inventories	7	**18,505**	35,925
Provision for impairment of trade and other receivables	7	**23,197**	39,805
Provision for available-for-sale investments	7	**20,706**	—
Fair value gain on equity investments at fair value through profit or loss	7	**(44,072)**	(12,301)
		3,259,062	2,745,672
Increase in inventories		**(491,055)**	(65,429)
Increase in trade and bills receivables		**(748,312)**	(75,880)
Increase in prepayments, deposits and other receivables		**(142,936)**	(277,931)
Increase in trade and bills payables		**157,063**	101,149
Increase in other payables and accruals		**979,909**	516,490
Decrease/(increase) in pledged bank balances to secure bills payable		**146,186**	(354,556)
Cash generated from operations		**3,159,917**	2,589,515
Income tax paid		**(579,691)**	(479,476)
Net cash flows from operating activities		**2,580,226**	2,110,039

Consolidated
Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Net cash flows from operating activities		**2,580,226**	2,110,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**(2,170,617)**	(1,921,962)
Receipt of government grants		**—**	15,650
Acquisitions of subsidiaries, net of cash acquired	36	**(7,833,151)**	(249,441)
Acquisition of interests in associates and joint ventures		**(1,502,357)**	(1,027,355)
Purchases of available-for-sale investments		**(932,426)**	(368,334)
Purchases of equity investments at fair value through profit or loss		**(77,282)**	—
Disposal and partial disposal of joint ventures and associates		**192,245**	232,994
Deposit payment for planned acquisition		**(13,602)**	—
Disposal of available-for-sale investments		**799,097**	837,449
Disposal of equity investments at fair value through profit or loss		**24,404**	—
Disposal of a subsidiary	37	**10,554**	(521)
Dividends from associates		**496,138**	393,547
Dividends from available-for-sale investments		**30,735**	28,654
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**100,176**	61,807
Deposit for construction projects		**62,024**	(46,210)
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions		**293,592**	(423,394)
Other receipts relating to investing activities		**16,368**	20,021
Net cash flows used in investing activities		**(10,504,102)**	(2,447,095)

Consolidated
Statement of Cash Flows

Year ended 31 December 2017

	Notes	**2017 RMB'000**	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings	38	**18,214,886**	10,605,833
Repayment of bank and other borrowings	38	**(9,318,046)**	(10,178,141)
Interest paid		**(562,131)**	(454,984)
Proceeds from issuance of new shares		**2,037,287**	2,275,850
Capital injections from non-controlling shareholders of subsidiaries		**980,351**	452,634
Dividends paid to owners of the parent		**(871,406)**	(738,536)
Dividends paid to non-controlling shareholders of subsidiaries		**(175,288)**	(104,000)
Acquisitions of non-controlling interests		**(396,751)**	(412,027)
Other payments relating to financing activities		**(275)**	(600)
Net cash flows from financing activities		**9,908,627**	1,446,029
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,984,751**	1,108,973
Cash and cash equivalents at beginning of year		**4,538,037**	3,348,594
Effect of foreign exchange rate changes, net		**(172,469)**	80,470
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	**6,350,319**	4,538,037

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術股份有限公司)****	PRC/ Mainland China	RMB393,878	—	72.613	Research and development of biopharmaceutical drugs
Chongqing Fochon Pharmaceutical Research Co., Ltd. (重慶復創醫藥研究有限公司)***	PRC/ Mainland China	USD14,288	—	76	Research and development of chemical drugs
Fosun Industrial (HK) Co., Ltd. (復星實業(香港)有限公司)	Hong Kong	USD258,320	100	—	Investment management
Shanghai Fosun Pingyao Investment Management Co., Ltd. (上海復星平耀投資管理有限公司)**	PRC/ Mainland China	RMB10,000	100	—	Investment management
Shanghai Fosun Hospital Investment (Group) Co., Ltd. (上海復星醫院投資(集團)有限公司)**	PRC/ Mainland China	RMB1,500,000	100	—	Investment management
Ample Up Limited (能悅有限公司)	Hong Kong	USD61,587	67.36	32.64	Investment management
Fosun Pharma USA Inc.	USA	US$10,000	100	—	Investment management
Fosun Pharma Industrial Pte. Ltd.	Singapore	US$450,000	—	100	Investment management
Fosun Pharmaceutical AG.	Switzerland	CHF1,000	—	100	Investment management

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Chongqing Yao Pharmaceutical Co., Ltd. (重慶藥友製藥有限責任公司)****	PRC/ Mainland China	RMB196,540	—	51	Manufacture and trading of medicine
Jiangsu Wanbang (Goup) Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥集團有限責任公司)****	PRC/ Mainland China	RMB440,455	—	100	Manufacture and trading of medicine
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)****	PRC/ Mainland China	RMB285,030	—	96.05	Manufacture and trading of medicine
Shanghai Fosun Long March Medical Science Co., Ltd. (上海復星長征醫學科學有限公司)**	PRC/ Mainland China	RMB156,854	100	—	Manufacture and sale of diagnostic products
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (上海復星醫藥產業發展有限公司)**	PRC/ Mainland China	RMB2,253,308	100	—	Investment management
Jinzhou Aohong Pharmaceutical Co., Ltd. (錦州奧鴻藥業有限責任公司)****	PRC/ Mainland China	RMB107,875	—	95.573	Manufacture and trading of medicine
Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司)****	PRC/ Mainland China	RMB55,000	—	56.89	Research and development of medicine
Yueyang Guangji Hospital Co., Ltd. (岳陽廣濟醫院有限公司)****	PRC/ Mainland China	RMB28,898	—	100	Healthcare services
Yaneng Bioscience (Shenzhen) Co., Ltd. (亞能生物技術(深圳)有限公司)***	PRC/ Mainland China	HKD11,635	—	50.1	Manufacture and trading of diagnostic drugs
Dalian Aleph Biomedical Co., Ltd. (大連雅立峰生物製藥有限公司)****	PRC/ Mainland China	RMB52,000	—	95	Manufacture and sale of biologic pharmaceutical products

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程有限公司)****	PRC/ Mainland China	RMB51,120	—	51	Manufacture and trading of medicine
Chindex Medical Limited (美中互利醫療有限公司)	Hong Kong	HKD754,520	—	100	Investment management
Shenyang Hongqi Pharmaceutical Co., Ltd. (瀋陽紅旗製藥有限公司)****	PRC/ Mainland China	RMB60,000	—	100	Manufacture and trading of medicine
Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院) *****	PRC/ Mainland China	RMB10,000	—	70	Healthcare services
Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司) ****	PRC/ Mainland China	RMB17,500	—	55	Healthcare services
Alma Lasers Ltd.	State of Israel	NIS14,000	—	100	Manufacture and sale of medical devices
Hunan Dongting Pharmaceutical Co., Ltd. (湖南洞庭藥業股份有限公司)****	PRC/ Mainland China	RMB110,064	77.78	—	Manufacture and trading of medicine
Foshan City Chancheng District Central Hospital Co., Ltd. (佛山市禪城區中心醫院有限公司)****	PRC/ Mainland China	RMB50,000	—	64	Healthcare services
Suzhou Erye Pharmaceutical Co., Ltd. (蘇州二葉製藥有限公司)****	PRC/ Mainland China	RMB118,420	—	65	Manufacture and trading of medicine
Jiangsu Huanghe Pharmaceutical Co., Ltd. (江蘇黃河藥業股份有限公司)****	PRC/ Mainland China	RMB55,070	—	51	Manufacture and trading of medicine

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Breas Medical Holdings AB	Sweden	SEK100	—	80	Manufacture and trading of medical devices
Gland Pharma Limited	India	Rs154,950	—	74	Manufacture and trading of medicine
Tridem Pharma S.A.S	France	EUR12,823	—	82	Manufacture and trading of medicine
Shenzhen Hengsheng Hospital (深圳恒生醫院)****	PRC/ Mainland China	RMB60,000	—	60	Healthcare services

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

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

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

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

Other than as explained below impact, the adoption of the above revised standards has had no significant financial effect on these financial statements. The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 48 to the financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, 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 as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group have no subsidiary classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

HKFRS 9 requires that the Group classifies debt instruments based on the combined effect of application of business model (hold to collect contractual cash flows, hold to collect contractual cash flows and sell financial assets or other business models) and contractual cash flow characteristics (solely payments of principal and interest on the principal amount outstanding or not). Debt instruments not giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at fair value through profit and loss. Other debt instruments giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding would be measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, based on their respective business model.

Equity investments currently held as available for sale will generally be measured at fair value through profit or loss unless the Group elects to measure at fair value through other comprehensive income (without recycling, i.e. any gain/loss will be recorded in other comprehensive income and will not be reclassified to profit or loss, while the dividend is recognised through profit or loss) for equity investments that are not held for trading.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the opening balance of total equity as at 1 January 2018 in the consolidated financial statements of the Group.

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

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

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

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

The Group's principal activities consist of the manufacture and sale of pharmaceutical products and medical equipment and the provision of consulting and investment management services. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. At 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB247,717,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

Related parties

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

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

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

or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

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

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

Trademarks

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

Medicine licences, technical know-how and operating concession rights

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

Patents

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

Office software

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

Business networks

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

Research and development costs

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs (Continued)

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

Leases

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

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

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

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

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

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

Inventories

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

Cash and bank balances

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision

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

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

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

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

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

Revenue recognition

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts for services

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

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

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

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

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

Retirement benefits

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

Accommodation benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments — Group as lessee

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

Estimation uncertainty

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

Impairment of goodwill

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

Impairment of non-financial assets (other than goodwill)

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

Business combinations and goodwill

When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. Management estimation is required to determine the fair values of the assets acquired, the liabilities assumed, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. The fair values of the identifiable assets acquired and the liabilities assumed are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgement and estimation is required in establishing fair values. Management must estimate the expected future cash flows and discount rate in order to calculate the fair values.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of available-for-sale investments

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

Provision for bad debts of loans and receivables

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

Net realisable value of inventories

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

Useful lives of property, plant and equipment

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

Useful lives of intangible assets (other than goodwill)

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

Deferred tax assets

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

Development costs

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about 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.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2017

	Pharma-ceutical manufacturing and R&D RMB'000	Healthcare service RMB'000	Medical devices and medical diagnosis RMB'000	Pharma-ceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	13,043,250	2,086,652	3,203,656	—	28,050	—	18,361,608
Intersegment sales	43,874	3,446	16,375	—	72,715	(136,410)	—
Total revenue	13,087,124	2,090,098	3,220,031	—	100,765	(136,410)	18,361,608
Segment results*	1,860,298	289,721	479,866	—	39,723	(82,142)	2,587,466
Other income	103,629	10,024	15,688	—	—	—	129,341
Other gains	268,542	486	(91)	—	—	—	268,937
Interest income	36,221	14,570	11,112	—	268	(6,726)	55,445
Finance costs	(103,164)	(4,219)	(28,857)	—	(9,604)	97,970	(47,874)
Other expenses	(46,481)	(22,490)	24,983	—	(537)	—	(44,525)
Share of profits and losses of:							
Joint ventures	(19,695)	666	3,054	—	450	—	(15,525)
Associates	143,883	14,609	(30,383)	1,416,391	(177,652)	—	1,366,848
Unallocated other income, interest income and other gains							817,959
Unallocated finance costs							(529,667)
Unallocated expenses							(526,688)
Profit before tax	2,243,233	303,367	475,372	1,416,391	(147,352)	9,102	4,061,717
Tax	(405,386)	(80,145)	(87,889)	—	(165)	—	(573,585)
Unallocated tax							97,127
Profit for the year	1,837,847	223,222	387,483	1,416,391	(147,517)	9,102	3,585,259
Segment assets	30,273,422	8,913,568	6,209,538	10,344,380	3,134,225	(412,484)	58,462,649
Including:							
Investments in joint ventures	420,989	201,310	12,392	—	11,859	—	646,550
Investments in associates	1,686,143	2,737,611	517,315	10,344,380	2,461,689	—	17,747,138
Unallocated assets							3,451,472
Total assets							61,914,121
Segment liabilities	11,800,058	1,280,256	771,379	—	363,139	(4,793,840)	9,420,992
Unallocated liabilities							22,808,562
Total liabilities							32,229,554
Other segment information:							
Depreciation and amortisation	696,066	116,456	107,590	—	25,798	—	945,910
Provision for impairment of inventories	13,773	—	4,732	—	—	—	18,505
Provision for impairment of trade and other receivables	2,554	14,305	8,338	—	(2,000)	—	23,197
Capital expenditure**	1,521,960	262,760	113,142	—	444,446	—	2,342,308

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2017 RMB'000	2016 RMB'000
Mainland China	**15,010,824**	12,383,237
Overseas countries and regions	**3,350,784**	2,122,347
	18,361,608	14,505,584

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

(b) Non-current assets

	2017 RMB'000	2016 RMB'000
Mainland China	**33,337,200**	27,484,674
Overseas countries and regions	**10,702,661**	2,657,932
	44,039,861	30,142,606

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

Information about major customers

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended 31 December 2017 and 2016.

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:

	2017 RMB'000	2016 RMB'000
Sale of goods	16,013,459	12,550,232
Rendering of services	2,334,830	1,953,221
Sale of materials	13,319	2,131
	18,361,608	14,505,584

6. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Dividend income from available-for-sale investments	31,176	86,062
Government grants	141,784	175,691
	172,960	261,753

7. PROFIT BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		**5,996,714**	5,509,031
Cost of services provided		**1,612,239**	1,209,333
Staff costs (including directors', supervisors' and chief Executive's remuneration *(note 10)*):			
Salaries and other staff costs		**2,688,660**	2,037,455
Retirement benefits:			
Defined contribution fund		**198,375**	168,657
Accommodation benefits:			
Defined contribution fund		**91,565**	77,873
Share-based payment expense	39	**10,357**	37,118
		2,988,957	2,321,103
Research and development expenses:			
Current year expenditure excluding amortisation of other intangible assets		**959,380**	666,375
Less: Government grants for R&D projects*		**(17,055)**	(33,755)
		942,325	632,620
Auditors' remuneration		**4,500**	4,350
Operating lease payments		**78,988**	56,756
Depreciation of items of property, plant and equipment	15	**723,470**	606,891
Amortisation of prepaid land lease payments	16	**26,534**	21,109
Amortisation of other intangible assets	18	**195,906**	111,234
Provision for impairment of property, plant and equipment	15	**—**	3,616
Provision for impairment of available-for-sale investments	21	**20,706**	—
Provision for impairment of inventories		**18,505**	35,925
Provision for impairment of trade and other receivables	25&26	**23,197**	39,805
Fair value gain on equity investments at fair value through profit or loss	8	**(44,072)**	(12,301)
Foreign exchange loss/(gain), net		**30,260**	(29,841)
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets		**(37,453)**	5,074
Donations		**11,139**	7,971

* 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.

8. OTHER GAINS

	2017 RMB'000	2016 RMB'000
Gain on disposal of interests in associates and joint ventures	**336,289**	76,663
Gain on disposal of available-for-sale investments	**567,983**	617,706
Gain on disposal of subsidiaries	**12,920**	2,162
Gain on disposal of items of property, plant and equipment and other intangible assets	**37,453**	—
Fair value gain on equity investments at fair value through profit or loss	**44,072**	12,301
Gain on disposal of equity investments at fair value through profit or loss	**7,298**	—
Foreign exchange gain, net	**—**	29,841
Others	**13,483**	14,758
	1,019,498	753,431

9. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank loans and other borrowings	**588,702**	491,341
Less: Interest capitalised *(note 15)*	**(11,161)**	(3,170)
Interest expenses, net	**577,541**	488,171

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

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

	2017 RMB'000	2016 RMB'000
Fees	**1,200**	1,168
Other emoluments:		
Salaries, allowances and benefits in kind	**13,792**	9,725
Performance-related bonuses	**14,321**	13,015
Pension scheme contributions	**183**	189
Equity-settled share incentive scheme expense	**2,482**	6,102
	31,978	30,199

During the year and in prior years, restricted A shares were granted to an executive director in respect of his services to the Group, further details of which are included in the disclosures in note 39 to the financial statements. The fair value of these restricted A shares, which has been recognised in the statement of profit or loss over the lock-up period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the executive director's remuneration disclosures blew.

(a) Independent non-executive directors

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

	2017 RMB'000	2016 RMB'000
Dr. Zhang Weijiong*	**—**	147
Mr. Cao Huimin	**300**	292
Mr. Jiang Xian	**300**	292
Dr. Huang Tianyou	**300**	292
Mr. Wei Shaokun	**300**	145
	1,200	1,168

* Dr. Zhang Weijiong retired as an independent non-executive director of the Company in June 2016.

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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

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

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share incentive scheme expense RMB'000	Total remuneration RMB'000
2017						
Executive directors						
Mr. Chen Qiyu	—	4,612	5,932	46	—	10,590
Mr. Yao Fang	—	3,784	4,669	46	1,481	9,980
Mr. Wu Yifang*	—	—	—	—	—	—
	—	8,396	10,601	92	1,481	20,570
Non-executive directors						
Mr. Guo Guangchang	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Ms. Kang Lan	—	—	—	—	—	—
Mr. Wang Can	—	—	—	—	—	—
	—	—	—	—	—	—
Supervisors						
Mr. Li Chun	—	2,109	960	45	460	3,574
Mr. Guan Yimin	—	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—	—
	—	2,109	960	45	460	3,574
Chief Executive						
Mr. Wu Yifang	—	3,287	2,760	46	541	6,634
	—	3,287	2,760	46	541	6,634
	—	13,792	14,321	183	2,482	30,778
2016						
Executive directors						
Mr. Chen Qiyu	—	3,950	5,001	42	—	8,993
Mr. Yao Fang	—	2,345	4,046	42	3,686	10,119
Mr. Wu Yifang	—	—	—	—	—	—
	—	6,295	9,047	84	3,686	19,112
Non-executive directors						
Mr. Guo Guangchang	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Mr. Wang Pinliang*	—	—	—	—	—	—
Ms. Kang Lan	—	—	—	—	—	—
Mr. John Changzheng Ma**	—	—	—	—	—	—
Mr. Wang Can	—	—	—	—	—	—
	—	—	—	—	—	—
Supervisors						
Mr. Cao Genxing	—	—	—	—	—	—
Mr. Guan Yimin	—	—	—	—	—	—
Mr. Zhou Wenyue***	—	467	448	21	—	936
Mr. Li Chun	—	1,361	960	42	1,129	3,492
	—	1,828	1,408	63	1,129	4,428
Chief Executive						
Mr. Wu Yifang*	—	1,602	2,560	42	1,287	5,491
	—	1,602	2,560	42	1,287	5,491
	—	9,725	13,015	189	6,102	29,031

* Mr. Wang Pinliang retired as a non-executive director of the Company in March 2016.
** Mr. John Changzheng Ma retired as a non-executive director of the Company in June 2016.
*** Mr. Zhou Wenyue retired as a supervisor of the Company in June 2016.

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

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

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2016: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2016: three directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2016: two) highest paid employees who are not a director, supervisor, or the chief executive of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	5,205	4,076
Performance-related bonuses	5,054	2,767
Pension scheme contributions	92	84
Equity-settled share incentive scheme expense	941	2,495
	11,292	9,422

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

	Number of employees	
	2017	2016
HKD5,000,001 to HKD5,500,000	1	2
HKD8,000,001 to HKD8,500,000	1	—
	2	2

12. INCOME TAX

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

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. The provision for current income tax of Alma Lasers Ltd. ("ALMA"), a subsidiary of the Group incorporated in Israel, is based on a preferential rate of 16%. The provision of current tax of Gland Pharma Limited ("Gland Pharma"), a subsidiary of the Group incorporated in India, is based on a statutory rate of 30%. The provision of current tax of Breas Medical Holdings AB ("Breas"), a subsidiary of the Group incorporated in Sweden, is based on a statutory rate of 22%. The provision of current tax of Tridem Pharma S.A.S ("Tridem Pharma"), a subsidiary of the Group incorporated in France, is based on a statutory rate of 33.33%.

	2017 **RMB'000**	2016 RMB'000
Current	**549,828**	385,234
Deferred *(note 23)*	**(73,370)**	(35,027)
Total tax charge for the year	**476,458**	350,207

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

	2017 **RMB'000**	2016 RMB'000
Profit before tax	**4,061,717**	3,571,549
Tax at the statutory tax rate	**1,030,656**	892,887
Lower tax rates for certain entities	**(240,369)**	(227,970)
Adjustments in respect of current tax of previous years	**(50,375)**	(46,226)
Profit attributable to joint ventures and associates	**(353,939)**	(344,811)
Income not subject to tax	**(6,776)**	(64,222)
Expenses not deductible for tax	**61,286**	42,492
Tax losses utilised from previous periods	**(62,065)**	(11,499)
Tax incentives on eligible expenditures	**(29,272)**	(24,499)
Deductible temporary differences and tax losses not recognised	**127,312**	134,055
Tax charge at the Group's effective rate	**476,458**	350,207

13. DIVIDENDS

Cash dividend

	2017 RMB'000	2016 RMB'000
Proposed final — RMB0.38 (2016: RMB0.35) per ordinary share	**948,150**	845,066

The Company proposed to distribute a cash dividend of RMB0.38 (inclusive of tax) for each ordinary share to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by the number of the ordinary shares on the dividend record date.

The amount of the proposed final dividend of RMB948,150,000 is calculated based on the total number of ordinary shares of the Company of 2,495,131,045 on 26 March 2018.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent excluding cash dividend attributable to the shareholders of restricted shares expected to be unlocked in the future as of the end of the reporting period and the weighted average number of ordinary shares of 2,459,816,726 (2016: 2,327,341,402) in issue excluding restricted shares during the year.

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

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

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

	2017 RMB'000	2016 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	3,124,500	2,805,837
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	(317)	(985)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	3,124,183	2,804,852

	Number of shares 2017	 2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,459,816,726	2,327,341,402
Effect of dilution — weighted average number of ordinary shares: Restricted shares	2,246,656	1,301,669
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	2,462,063,382	2,328,643,071

15. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2017								
	Land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:									
At 1 January 2017	—	3,684,872	3,742,102	383,314	285,155	92,469	56,552	1,164,729	9,409,193
Additions	—	23,890	234,620	57,858	72,000	13,841	17,035	1,018,337	1,437,581
Acquisitions of subsidiaries *(note 36)*	180,453	333,231	1,031,100	98,310	55,687	8,382	12,040	182,208	1,901,411
Disposals	—	(140,198)	(122,858)	(34,028)	(14,821)	(10,808)	(808)	(23,509)	(347,030)
Transferred from construction in progress	—	424,753	150,903	—	5,206	1,037	—	(581,899)	—
At 31 December 2017	180,453	4,326,548	5,035,867	505,454	403,227	104,921	84,819	1,759,866	12,401,155
Accumulated depreciation:									
At 1 January 2017	—	(879,282)	(1,756,346)	(214,538)	(118,690)	(56,445)	(35,805)	—	(3,061,106)
Depreciation charge for the year *(note 7)*	—	(193,548)	(393,012)	(63,209)	(55,657)	(10,728)	(7,316)	—	(723,470)
Acquisitions of subsidiaries *(note 36)*	—	(63,802)	(341,119)	(67,105)	(36,335)	(3,999)	(4,720)	—	(517,080)
Disposals	—	110,414	99,924	33,204	8,504	6,995	—	—	259,041
At 31 December 2017	—	(1,026,218)	(2,390,553)	(311,648)	(202,178)	(64,177)	(47,841)	—	(4,042,615)
Impairment losses:									
At 1 January 2017	—	(17,347)	(4,985)	—	(276)	—	—	—	(22,608)
Disposals	—	14,075	2,841	—	—	—	—	—	16,916
At 31 December 2017	—	(3,272)	(2,144)	—	(276)	—	—	—	(5,692)
Net carrying amount:									
At 31 December 2017	180,453	3,297,058	2,643,170	193,806	200,773	40,744	36,978	1,759,866	8,352,848
At 1 January 2017	—	2,788,243	1,980,771	168,776	166,189	36,024	20,747	1,164,729	6,325,479

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB11,161,000 (2016: RMB3,170,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

The net carrying amount of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery at 31 December 2017 was RMB21,015,000 (2016: RMB30,004,000).

As at 31 December 2017, the Group has not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB326,754,000 (2016: RMB79,218,000). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2017.

As at 31 December 2017, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB77,387,000 (2016: RMB32,024,000) were pledged to secure certain of the Group's bank and other borrowings (note 31).

16. PREPAID LAND LEASE PAYMENTS

	2017 **RMB'000**	2016 RMB'000
Net carrying amount at 1 January	**1,030,485**	1,041,705
Additions	**306,459**	9,889
Acquisitions of subsidiaries *(note 36)*	**15,201**	—
Disposals	**(1,202)**	—
Amortisation for the year *(note 7)*	**(26,534)**	(21,109)
Net carrying amount at 31 December	**1,324,409**	1,030,485

As at 31 December 2017, certain of the Group's prepaid land lease payments with a net carrying amount of RMB30,169,000 (2016: RMB34,018,000) were pledged to secure certain of the Group's bank and other borrowings (note 31).

17. GOODWILL

	2017 **RMB'000**	2016 RMB'000
Cost and net carrying amount at 1 January	**3,473,110**	3,303,379
Acquisitions of subsidiaries *(note 36)*	**5,043,721**	126,615
Exchange realignment	**(52,547)**	43,116
Net carrying amount at 31 December	**8,464,284**	3,473,110

17. GOODWILL (Continued)

	2017 RMB'000	2016 RMB'000
At 31 December		
Cost	**8,666,784**	3,675,610
Accumulated impairment	**(202,500)**	(202,500)
Net carrying amount	**8,464,284**	3,473,110

The additions of the Group's goodwill in 2017 resulted from the acquisitions of Breas, Far-Eastern Casing Co., Ltd.* ("Fareast Casings"), Gland Pharma, Hefei Yuntao Photoelectronics Technology Company Ltd.* ("Yuntao Optoelectronics"), Zhuhai Jiqun Logistics Warehousing Company Ltd.* ("Zhuhai Jiqun"), Shenzhen Hengsheng Hospital* ("Hengsheng Hospital") and Tridem Pharma.

Impairment testing of goodwill

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

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

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2017 and 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

18. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2017							
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2017	583,283	1,091,887	59,075	253,310	607,577	571,914	3,100	3,170,146
Additions	—	53,587	28,862	—	167	515,652	—	598,268
Acquisition of subsidiaries *(note 36)*	—	2,399,697	28,715	25,132	1,101,114	21,330	421,710	3,997,698
Transfer	—	67,878	—	—	—	(67,878)	—	—
Disposals	—	—	(1,432)	—	—	(12,898)	—	(14,330)
Exchange realignment	—	(10,559)	240	(9,946)	(13,026)	—	—	(33,291)
At 31 December 2017	583,283	3,602,490	115,460	268,496	1,695,832	1,028,120	424,810	7,718,491
Accumulated amortisation:								
At 1 January 2017	(7,847)	(267,690)	(23,767)	(2,195)	(159,464)	(1,711)	(2,305)	(464,979)
Amortisation for the year *(note 7)*	(6,055)	(116,842)	(10,856)	(123)	(61,850)	—	(180)	(195,906)
Acquisition of subsidiaries *(note 36)*	—	(1,945)	(21,559)	—	—	—	—	(23,504)
Disposals	—	—	1,123	—	—	—	—	1,123
At 31 December 2017	(13,902)	(386,477)	(55,059)	(2,318)	(221,314)	(1,711)	(2,485)	(683,266)
Impairment losses:								
At 1 January 2017 and 31 December 2017	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2017	505,381	3,195,399	60,401	266,178	1,474,518	1,026,409	421,850	6,950,136
At 1 January 2017	511,436	803,583	35,308	251,115	448,113	570,203	320	2,620,078

18. OTHER INTANGIBLE ASSETS (Continued)

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

18. OTHER INTANGIBLE ASSETS (Continued)

As at 31 December 2017, the indefinite life intangible assets of the Group as follows:

Asset types	Holders	Net carrying amount RMB'000	Reasons of indefinite life
Medicine licences	Aohong Pharma, Dalian Aleph, Dongting Pharma, Hongqi Pharma, Erye Pharma	495,000	The extension cost is low and the assets can be used indefinitely
Trademarks	Aohong Pharma, Dalian Aleph, Dongting Pharma, Huanghe Pharma, Erye Pharma	53,000	The extension cost is low and the assets can be used indefinitely
Trademarks	CML, Alma	189,167	The extension cost is low and the assets can be used indefinitely
Operating concession rights	Hengsheng Hospital	421,710	The extension cost is low and the assets can be used indefinitely
		1,158,877	

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

Medicine licences

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

18. OTHER INTANGIBLE ASSETS (Continued)

Trademarks

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

Operating concession rights

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

Assumptions were used in the value-in-use calculation for 31 December 2017 and 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of indefinite life intangible assets:

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

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

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

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

19. INVESTMENTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Share of net assets	508,656	248,421
Goodwill on acquisition	137,894	—
	646,550	248,421

Particulars of the Group's principal joint ventures are as follows:

Company name*	Place of registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Qingdao Shan Da Qilu Hospital Investment Management Co., Ltd.	PRC/ Mainland China	RMB800,000	50	50	50	Investment management
Fosun Kite Biotechnology Co., Ltd	PRC/ Mainland China	USD 40,000	50	50	50	Research and development of medicine

* The English name of the company registered in the PRC represents the best efforts made by the management of the Company in directly translating the Chinese name of this company as no English name has been registered.

The above investments in joint ventures are indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2017 RMB'000	2016 RMB'000
Share of the joint ventures' (loss)/income for the year	(15,525)	1,127
Share of the joint ventures' other comprehensive income/(loss)	524	(539)
Share of the joint ventures' total comprehensive (loss)/income	(15,001)	588
Aggregate carrying amount of the Group's investments in the joint ventures	646,550	248,421

20. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	**15,813,664**	14,222,658
Goodwill on acquisition	**1,942,074**	1,656,204
	17,755,738	15,878,862
Provision for impairment	**(8,600)**	(8,600)
	17,747,138	15,870,262

Particulars of the Group's principal associates are as follows:

Company name*	Place of incorporation/ registration and business	Nominal value of issued/registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)#	PRC/ Mainland China	RMB100,000	49	—	Manufacture and trading of medicine
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)#	PRC/ Mainland China	RMB674,970	25	—	Manufacture and sale of medicine
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金象復星醫藥股份有限公司)#	PRC/ Mainland China	RMB127,418	50	—	Distribution and retail of medicine
Chengde Jingfukang Pharmaceutical Co., Ltd. (頸復康藥業集團有限公司)#	PRC/ Mainland China	RMB60,000	—	25	Manufacture and trading of medicine
SD Biosensor Inc. ("SDB")#/@	Korea	KRW4,329,638	—	16.64	Research, development, manufacture and sale of blood glucose analysers
Nature's Sunshine Products, Inc. ("NSP")#/@	U.S.A./U.S.A.	Not applicable	15.26	—	Manufacture and trading of nutrition products
Sinopharm medical investment management co., Ltd. (國藥控股醫療投資管理有限公司)#	PRC/ Mainland China	RMB1,000,000	45	—	Investment management

20. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the Group's principal associates are as follows: (Continued)

Company name*	Place of incorporation/ registration and business	Nominal value of issued/registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Healthy Harmony Holdings, L.P. ("HHH")	Cayman Islands/ Mainland China	Not applicable	—	42.909	Healthcare services
Amerigen Pharmaceuticals Ltd. ("AMG")#	Cayman Islands/ Mainland China and U.S.A.	Not applicable	—	24.14	Research and development of medicine
Sovereign Medical Services, Inc. ("SMS")	U.S.A./U.S.A.	Not applicable	30	—	Healthcare services
Ambrx, Inc. ("Ambrx")#	U.S.A./U.S.A.	Not applicable	—	32.4	Research and development of medicine
Fosun Group Finance Corporation Limited ("Fosun Finance")	PRC/ Mainland China	RMB1,500,000	20	—	Advisory on deposits and loans, finance and funding, etc. for Fosun Group member companies
Saladax Biomedical, Inc. ("Saladax")#	U.S.A./U.S.A.	USD26,000	24.74	—	Diagnosis and detection
We Doctor Group Limited. ("掛號網")#/@	Cayman Islands/ Mainland China	Not applicable	—	9.733	Heath consultation services
Fosun Health Finance Leasing (Shanghai) Co., Ltd. (復星康健融資租賃(上海)有限公司)	PRC/ Mainland China	RMB500,000	—	20	Finance Leasing
Chongqing Jianfeng Chemical Co., Ltd. (重慶建峰化工股份有限公司)#/@	PRC/ Mainland China	RMB598,799	2.05	0.01	Manufacture and sale of medicine
Huaihai Hospital Management (Xuzhou) Co., Ltd. (淮海醫院管理(徐州)有限公司)	PRC/ Mainland China	RMB714,290	—	35	Investment management

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

\# The statutory financial statements of these associates were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2017.

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

20. INVESTMENTS IN ASSOCIATES (Continued)

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm Industrial"), which is considered a material associate of the Group, has significant impact on the share of profits and losses of associates and is accounted for using the equity method.

The following table illustrates the summarised financial information of Sinopharm Industrial, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Revenues	277,717,018	258,387,689
Profit for the year	7,798,184	6,871,518
Other comprehensive loss	(10,879)	(26,950)
Total comprehensive income for the year	7,787,305	6,844,568
Profit for the year attributable to owners of the parent of Sinopharm Industrial	2,963,151	2,630,021
Current assets	144,627,268	132,546,745
Non-current assets	24,872,748	25,102,229
Current liabilities	(110,924,141)	(99,829,230)
Non-current liabilities	(7,059,961)	(12,956,750)
Net assets	51,515,914	44,862,994
Net assets attributable to owners of the parent of Sinopharm Industrial	20,371,669	18,422,927
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	9,982,118	9,027,234
Goodwill on acquisition (less cumulative impairment)	—	—
Carrying amount of the investment	9,982,118	9,027,234
Dividend received by the Group	387,100	372,400

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2017 RMB'000	2016 RMB'000
Share of the associates' (loss)/profit for the year	(85,096)	52,970
Share of the associates' other comprehensive (loss)/income	(99,805)	121,564
Share of the associates' total comprehensive (loss)/income	(184,901)	174,534
Aggregate carrying amount of the Group's investments in the associates	7,765,020	6,843,028

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Listed equity investments, at fair value	**1,097,643**	981,131
Unlisted debt investment, at cost	**33,201**	15,979
Unlisted equity investments, at cost	**1,542,405**	1,677,326
Non-current available-for-sale investments	**2,673,249**	2,674,436

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Movements in the provision for impairment of available-for-sale investments are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of the year	**11,534**	11,534
Provision of impairment losses *(note 7)*	**20,706**	—
Disposals of available-for-sale investments	**(2,119)**	—
At end of the year	**30,121**	11,534

22. OTHER NON-CURRENT ASSETS

	2017 RMB'000	2016 RMB'000
Prepayments for purchase of items of property, plant and equipment	**97,428**	81,048
Prepayments for acquisitions	**134,419**	138,295
Prepaid land lease payments	**—**	246,110
Deposits for purchase of prepaid land lease payments	**19,689**	19,689
Prepayments for purchase of other intangible assets	**214,670**	48,043
Prepayments for deferred development costs	**28,785**	11,523
Others	**59,506**	30,063
	554,497	574,771

23. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits	Provision for impairment of assets	Depreciation and amortisation	Accrued expenses	Unrealised profit	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2016	7,760	27,258	5,028	38,241	24,190	—	102,477
Deferred tax (charged)/credited to the statement of profit or loss during the year	(2,395)	6,969	2,434	2,719	1,942	65,317	76,986
Gross deferred tax assets at 31 December 2016 and 1 January 2017	5,365	34,227	7,462	40,960	26,132	65,317	179,463
Acquisitions of subsidiaries *(note 36)*	—	23	—	4,505	—	—	4,528
Deferred tax credited/(charged) to the statement of profit or loss during the year	384	(4,006)	(5,777)	20,159	(4,565)	3,259	9,454
Gross deferred tax assets at 31 December 2017	5,750	30,244	1,685	65,624	21,567	68,576	193,446

23. DEFERRED TAX (Continued)

Deferred tax liabilities

	Deemed disposal of associates RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Depreciation RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2016	1,168,725	157,565	518,472	—	1,844,762
Acquisitions of subsidiaries	—	—	13,906	—	13,906
Deferred tax credited to the statement of profit or loss during the year	(6,224)	(47,068)*	(19,313)	67,497	(5,108)
Deferred tax charged/(credited) to reserves during the year	4,485	(21,706)	—	—	(17,221)
Gross deferred tax liabilities at 31 December 2016 and 1 January 2017	1,166,986	88,791	513,065	67,497	1,836,339
Acquisitions of subsidiaries *(note 36)*	—	—	1,222,672	95,509	1,318,181
Deferred tax credited to the statement of profit or loss during the year	(1,153)	(35,804)*	(58,165)	(4,598)	(99,720)
Deferred tax (credited)/charged to reserves during the year	—	(27,587)	2,858	—	(24,729)
Gross deferred tax liabilities at 31 December 2017	1,165,833	25,400	1,680,430	158,408	3,030,071

* During the year ended 31 December 2017, a deferred tax liability amounting to RMB35,804,000 (2016: RMB47,068,000) was credited to other gains of the consolidated statement of profit or loss together with the gain on disposals of available-for-sale investments.

23. DEFERRED TAX (Continued)

Net deferred tax assets and net deferred tax assets as at the respective reporting dates are as follows:

	2017 Offset amount RMB'000	2017 Net amount RMB'000	2016 Offset amount RMB'000	2016 Net amount RMB'000
Deferred tax assets	**48,922**	**144,524**	49,912	129,551
Deferred tax liabilities	**48,922**	**2,981,149**	49,912	1,786,427

Deferred tax assets have not been recognised in respect of the following items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

	2017 RMB'000	2016 RMB'000
Tax losses	**2,038,404**	1,824,801
Deductible temporary differences	**81,042**	34,925
	2,119,446	1,859,726

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

24. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**1,068,036**	502,637
Work in progress	**459,007**	289,808
Finished goods	**1,230,116**	854,233
Spare parts and consumables	**58,037**	78,965
Others	**13,522**	19,804
	2,828,718	1,745,447
Less: Provision	**(78,201)**	(74,709)
	2,750,517	1,670,738

25. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**3,247,537**	1,965,005
Bills receivable	**578,012**	424,857
	3,825,549	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, based on the invoice date and net of provisions, as at the respective reporting dates is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**3,204,112**	1,973,372
1 to 2 years	**98,414**	48,656
2 to 3 years	**30,146**	34,136
Over 3 years	**50,319**	26,079
	3,382,991	2,082,243
Less: Provision for impairment	**(135,454)**	(117,238)
	3,247,537	1,965,005

Movements in the provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**117,238**	100,508
Impairment losses recognised	**33,943**	44,992
Impairment losses reversed	**(11,620)**	(9,239)
Amounts written off as uncollectible	**(4,107)**	(19,023)
At 31 December	**135,454**	117,238

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments. The Group does not hold any collateral or other credit enhancements over these balances.

25. TRADE AND BILLS RECEIVABLES (Continued)

An aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	2,992,855	1,810,092
Less than 3 months past due	193,283	125,972
3 to 6 months past due	38,008	13,566
6 months to 1 year past due	9,308	15,375
Over 1 year past due	14,083	—
	3,247,537	1,965,005

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade receivables are amounts due from the Group's associates of RMB404,136,000 (2016: RMB255,975,000), the Group's joint ventures of RMB802,000 (2016: RMB250,000) and other related companies of RMB15,600,000 (2016: RMB49,924,000). Included in the Group's bills receivable are amounts due from the Group's associates of RMB130,227,000 (2016: RMB67,065,000) and none from other related companies (2016: RMB48,700,000). These balances due from associates, joint ventures and other related companies were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Advances to suppliers	273,400	271,227
Deposits	121,519	89,305
Other receivables	617,308	298,656
	1,012,227	659,188

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

An aging analysis of prepayments, deposits and other receivables as at the respective reporting dates, net of provisions, is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	952,574	633,403
1 to 2 years	44,195	17,311
2 to 3 years	10,189	6,462
Over 3 years	17,801	14,273
	1,024,759	671,449
Less: Provision for impairment of other receivables	(12,532)	(12,261)
	1,012,227	659,188

Movements in the provision for impairment of other receivables are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	12,261	20,895
Impairment losses recognised	933	4,091
Impairment losses reversed	(59)	(39)
Amounts written off as uncollectible	(603)	(12,686)
At 31 December	12,532	12,261

Included in the Group's prepayments, deposits and other receivables are amounts due from the Group's associates of RMB7,714,000 (2016: RMB76,628,000), the Group's joint ventures of RMB28,916,000 (2016: RMB13,765,000) and other related companies of RMB2,388,000 (2016: RMB4,593,000), respectively. These balances were non-interest-bearing and collectible on demand.

27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 RMB'000	2016 RMB'000
Listed equity investments, at market value	**219,327**	48,489

The above equity investments at 31 December 2017 and 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

28. CASH AND BANK BALANCES

	2017 RMB'000	2016 RMB'000
Cash on hand	**3,862**	2,219
Cash at banks, unrestricted	**5,893,100**	4,046,405
Deposits in Fosun Finance*	**453,357**	489,413
Cash and cash equivalents as stated in the consolidated statement of cash flows	**6,350,319**	4,538,037
Pledged bank balances to secure bills payable	**640,343**	906,195
Term deposits with original maturity of more than three months	**258,205**	551,798
Cash and bank balances as stated in the consolidated statement of financial position	**7,248,867**	5,996,030

* Fosun Group Finance Corporation Limited ("Fosun Finance") is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Fosun High Tech. Details of the deposits are given in note 42(e) to the financial statements.

As at 31 December 2017, the cash and bank balances of the Group denominated in foreign currencies amounted to RMB2,097,000,000 (2016: RMB1,677,964,000). The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Term deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and three years. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Details of interest earned on deposits in Fosun Finance are set out in note 42(f) to the financial statements.

29. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**1,652,025**	1,024,791
Bills payable	**129,858**	124,588
	1,781,883	1,149,379

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

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

	2017 RMB'000	2016 RMB'000
Within 1 year	**1,614,865**	1,009,582
1 to 2 years	**24,297**	7,832
2 to 3 years	**5,597**	1,747
Over 3 years	**7,266**	5,630
	1,652,025	1,024,791

Included in the Group's trade payables are amounts due to the Group's associates and other related companies of RMB40,380,000 (2016: RMB33,817,000) and RMB15,668,000 (2016: RMB450,000), respectively. These balances due to associates and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the associates and other related companies to their major customers.

30. OTHER PAYABLES AND ACCRUALS

	Notes	**2017 RMB'000**	2016 RMB'000
Advances from customers		**527,264**	385,744
Payables relating to purchases of items of property, plant and equipment		**203,302**	143,431
Deposits received		**523,789**	269,929
Payroll		**558,830**	444,193
Value-added tax		**130,991**	102,692
Other taxes		**56,563**	60,003
Accrued interest expenses		**153,945**	176,169
Dividends payable to non-controlling shareholders of subsidiaries and shareholders of the Company		**116,813**	1,711
Other accrued expenses		**1,137,788**	595,666
Current portion of deferred warranty income *(note 32)*		**60,351**	43,170
Payables for acquisitions of non-controlling interests, subsidiaries, an available-for-sale investment and an associate	(i)	**690,159**	192,657
Loans from third parties	(ii)	**178,513**	196,044
Current portion of government grants *(note 32)*		**6,913**	8,316
Subscription to restricted A shares under the restricted A share incentive scheme *(note 38(a))*		**8,578**	26,819
Others	(iii)	**37,343**	25,154
		4,391,142	2,671,698
Less: Non-current portion of payables for acquisitions of non-controlling interests and subsidiaries *(note 33)*	(i)	**(337,084)**	(167,420)
		4,054,058	2,504,278

Notes:

(i) The balances as at 31 December 2017 mainly represent the cash considerations for the acquisitions of Hengsheng Hospital, Aohong Pharma, Gland Pharma and Zhuhai Jiqun of RMB318,150,000, RMB164,029,000, RMB163,355,000 and RMB19,925,000, respectively. The non-current portion of payables for acquisitions of the non-controlling interests and subsidiaries as at 31 December 2017 mainly consists of the non-current portion of unpaid cash considerations of RMB164,029,000 and RMB163,355,000 for the acquisitions of equity interests in Aohong Pharma and Gland Pharma, respectively, which will be paid after 12 months.

(ii) Loans from third parties of RMB178,513,000 as at 31 December 2017 (2016: RMB196,044,000) bear no interest (2016: Nil) and are repayable on demand.

(iii) Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables are amounts due to the Group's associates, joint ventures and other related companies of RMB13,638,000 (2016: RMB10,423,000), RMB5,174,000 (2016: RMB5,197,000) and RMB7,189,000 (2016: RMB6,879,000), respectively. These balances were non-interest-bearing and repayable on demand.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2017 RMB'000	2016 RMB'000
Bank loans:	(1)		
Secured		**138,411**	441,340
Unsecured		**15,513,562**	5,882,133
		15,651,973	6,323,473
Medium-term notes	(2)	**399,554**	398,918
Corporate bonds	(3)	**4,235,382**	4,488,207
Short-term commercial paper ("短期融資券")	(4)	**—**	499,753
Total		**20,286,909**	11,710,351
Repayable:			
Within 1 year		**10,472,013**	6,139,393
1 to 2 years		**4,524,099**	762,565
2 to 5 years		**5,196,737**	4,717,643
Over 5 years		**94,060**	90,750
		20,286,909	11,710,351
Portion classified as current liabilities		**(10,472,013)**	(6,139,393)
Non-current portion		**9,814,896**	5,570,958

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(1) Bank loans

(a) Foreign currency loans

	2017 RMB'000	2016 RMB'000
USD:		
Secured	72,411	339,340
Unsecured	10,697,896	3,946,864
	10,770,307	4,286,204
EURO:		
Unsecured	601,526	—

(b) The bank loans bear interest at annual interest rates of:

	2017	2016
Interest rate range	0.450%to 5.655%	1.652%to 5.002%

(c) As at 31 December 2017, certain of the Group's bank loans were secured by the pledge of certain of the Group's property, plant and equipment (note 15) amounting to RMB77,387,000 (31 December 2016: RMB32,024,000) and prepaid land lease payments (note 16) amounting to RMB30,169,000 (31 December 2016: RMB34,018,000).

As at 31 December 2017, certain of the Group's bank loans were secured by the pledge of the Group's 268,371,532 shares issued by Guilin South Pharma Co., Ltd. (2016: the Group's 268,371,532 shares issued by Guilin South Pharma Co., Ltd.), and 100% equity interest in Alma and Alma Laser Inc. held by the Group and Pramerica-Fosun China Opportunity Fund,L.P (31 December 2016: 100% equity interest in Sisram Medical Ltd.).

(2) Medium-term notes

On 10 September 2015, the Company issued medium-term notes with a maturity of three years in an aggregate amount of RMB400,000,000, which bear an interest rate at 395 basis points per annum. 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. 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. 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 bears interest at 2.66% per annum. Interest is payable with the principal on the maturity date on 15 May 2017.

32. DEFERRED INCOME

	Notes	2017 RMB'000	2016 RMB'000
Government grants	(i)	**348,935**	327,099
Less: Government grants classified as current portion *(note 30)*		**(6,913)**	(8,316)
Deferred warranty income	(ii)	**66,620**	58,929
Less: Deferred warranty income classified as current portion *(note 30)*		**(60,351)**	(43,170)
Others		**48,844**	12,164
		397,135	346,706

Notes:

(i) Government grants were received by the Group as financial subsidies for some research and development projects, industrial development funds and value-added tax refund. Government grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. There are no unfulfilled conditions or contingencies relating to these grants.

The movements in government grants during the year are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**327,099**	181,244
Additions	**65,716**	316,196
Recognised as income during the year	**(43,880)**	(170,341)
At 31 December	**348,935**	327,099

(ii) Deferred warranty income represents the consideration received for either standalone warranty service contracts or extended warranty sold with sales of certain equipment. This deferred income is amortised on the straight-line basis during the service period or warranty term as applicable.

33. OTHER LONG-TERM LIABILITIES

	Notes	**2017** **RMB'000**	2016 RMB'000
Staff placement fees	(i)	**23,518**	24,202
Payables for acquisitions of non-controlling interests and subsidiaries	(ii)	**337,084**	167,420
Loan from non-controlling shareholders of subsidiaries	(iii)	**—**	330,418
The share redemption option granted to non-controlling shareholders of subsidiaries	(iv)	**1,859,564**	—
Finance lease payable		**3,774**	8,583
Loans from third parties		**28,768**	27,837
Others		**183,194**	146,357
		2,435,902	704,817

Notes:

(i) Staff placement fees represent liabilities incurred by certain subsidiaries of the Group before 2008 in respect of the retirement benefits of certain employees and retirees.

(ii) Payables for acquisitions of non-controlling interests and subsidiaries as at 31 December 2017 mainly represent the non-current portion of unpaid cash considerations of RMB164,029,000 and RMB163,355,000 for the acquisitions of non-controlling interests in Aohong Pharma and Gland Pharma, respectively, which will be paid after 12 months (note 30(i)).

(iii) Sisram Medical Ltd. ("Sisram"), a subsidiary of the Group, had interest-free long-term capital notes, with a term from May 2013 to April 2018 payable to Magnificent View Investments Limited, a non-controlling shareholder of Sisram as at 31 December 2016. On 19 September 2017, the Capital Notes were converted into 129,051,352 shares upon the listing of the Sisram.

(iv) The share redemption option granted to non-controlling shareholders of Breas and Gland Pharma, subsidiaries acquired by the Group during the year of 2017, amounting to RMB210,680,000 and RMB1,648,884,000 respectively, represent liabilities of the Group to acquire the non-controlling interests owned by the non-controlling shareholders as at 31 December 2017.

34. SHARE CAPITAL

	2017		2016	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Shares				
Restricted shares				
A Shares of RMB1 each	**101,381**	**101,381**	103,514	103,514
Unrestricted shares				
A Shares of RMB1 each	**1,909,809**	**1,909,809**	1,907,714	1,907,714
H Shares of RMB1 each	**483,941**	**483,941**	403,284	403,284
	2,495,131	**2,495,131**	2,414,512	2,414,512

Movements in the issued share capital during the year were as follows:

		2017		2016	
	Note	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
At 1 January		**2,414,512**	**2,414,512**	2,314,075	2,314,075
Issue of A Shares	(i)	**—**	**—**	100,437	100,437
Issue of H Shares	(ii)	**80,657**	**80,657**	—	—
Repurchase and cancellation of restricted A shares	(iii)	**(38)**	**(38)**	—	—
At 31 December		**2,495,131**	**2,495,131**	2,414,512	2,414,512

Notes:

(i) On 8 November 2016, the Company completed an issue of 100,437,000 A Shares. The net proceeds received from the issue amounted to RMB2,275,249,000, after deduction of issue expenses of RMB24,750,000. Part of the proceeds, amounting to RMB100,437,000, was credited as issued and fully paid share capital, and the remaining balance of RMB2,174,812,000 was credited to share premium.

(ii) On 24 May 2017, the Company completed an issue of 80,656,500 H Shares. The net proceeds received from the issue amounted to HKD2,307,756,000 (equivalent to RMB2,037,287,000), after deduction of issue expenses of HKD15,151,000. Part of the proceeds, amounting to RMB80,657,000, was credited as issued and fully paid share capital, and the remaining balance of RMB1,956,630,000 was credited to share premium.

(iii) The Company repurchased and cancelled 37,500 restricted A shares on 24 February 2017.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 100 to 101 of the financial statements.

Statutory surplus reserve

According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

36. BUSINESS COMBINATIONS

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

In March 2017, Fosun Medical Holdings AB, a subsidiary of the Group, acquired an 80% equity interest in Breas at a consideration of USD84,642,000 (equivalent to RMB585,003,000). 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.*, a subsidiary of the Group, acquired a 100% equity interest 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.

In October 2017, several subsidiaries of the Group including Fosun Pharma Industrial Pte. Ltd., acquired a 74% equity interest in Gland Pharma at a consideration of USD1,085,363,000 (equivalent to RMB7,203,444,000). The acquisition was completed on 3 October 2017 when the Group obtained control of the operating and financial policies of Gland Pharma.

In November 2017, Shanghai Fosun Long March Medical Science Co., Ltd.*, a subsidiary of the Group, acquired a 69.81% equity interest in Yuntao Optoelectronics at a consideration of RMB18,500,000. The acquisition was completed on 10 November 2017 when the Group obtained control of the operating and financial policies of Yuntao Optoelectronics.

In November 2017, Guangzhou Huanan Medical Investment Co., Ltd.*, a subsidiary of the Group, acquired a 51% equity interest in Zhuhai Jiqun at a consideration of RMB119,850,000. The acquisition was completed on 17 November 2017 when the Group obtained control of the operating and financial policies of Zhuhai Jiqun.

In November 2017, Shanghai Fosun Hospital Investment (Group) Co., Ltd.*, a subsidiary of the Group, acquired a 60% equity interest in Hengsheng Hospital at a consideration of RMB909,000,000. The acquisition was completed on 30 November 2017 when the Group obtained control of the operating and financial policies of Hengsheng Hospital.

In December 2017, Fosun Pharmaceutical AG., a subsidiary of the Group, acquired an 82% equity interest in Tridem Pharma at a consideration of EUR43,735,000 (equivalent to RMB340,753,000). The acquisition was completed on 12 December 2017 when the Group obtained control of the operating and financial policies of Tridem Pharma.

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

36. BUSINESS COMBINATIONS (Continued)

The above acquisitions were undertaken under the Group's strategy to further improve the Group's pharmaceutical manufacturing, research and development business and expand the business for the Group's healthcare services.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year ended 31 December 2017 were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	15	1,384,331
Prepaid land lease payments	16	15,201
Other intangible assets	18	3,974,194
Deferred tax assets	23	4,528
Other non-current assets	22	36,415
Inventories		607,228
Trade and bills receivables		688,956
Prepayments, deposits and other receivables		288,163
Cash and bank balances		839,409
Trade and bills payables		(475,021)
Other payables and accruals		(297,235)
Tax payable		(7,509)
Interest-bearing bank and other borrowings	38	(33,283)
Deferred tax liabilities	23	(1,318,181)
Deferred income		(39,854)
Other long-term liabilities		(6,016)
Total identifiable net assets at fair value		5,661,326
Non-controlling interests		(1,522,950)
Goodwill on acquisitions	17	5,043,721
		9,182,097
Satisfied by:		
Cash consideration paid		8,642,409
Exchange differences on translation of cash flows		7,211
Cash consideration payable		532,477
		9,182,097

36. BUSINESS COMBINATIONS (Continued)

The fair values of the trade and bills receivables and other receivables as at the dates of acquisitions amounted to RMB688,956,000 and RMB122,519,000, respectively. The gross contractual amount of trade and bills receivables was RMB691,196,000, among which RMB2,240,000 was expected to be uncollectible . The fair value of the acquired other receivables as at the date of acquisition approximates to the gross contractual amount. None of these other receivables were expected to be uncollectible.

The Group incurred transaction costs of RMB12,461,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

The goodwill of RMB5,043,721,000 recognised above is due to the new markets entered into by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore does not meet the criteria for recognition as intangible assets under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	RMB'000
Cash consideration paid	(8,642,409)
Cash and cash equivalents acquired	819,487
Payment of unpaid cash consideration as at 31 December 2016	(10,229)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(7,833,151)
Transaction costs of the acquisitions included in cash flows from operating activities	(12,461)
	(7,845,612)

Since the acquisitions, all the acquired subsidiaries contributed RMB896,228,000 to the Group's revenue and RMB78,584,000 to the Group's profit after tax for the year ended 31 December 2017.

Had the combinations taken place at the beginning of the year ended 31 December 2017, the revenue and the profit after tax of the Group for the year ended 31 December 2017 would have been RMB20,530,672,000 and RMB3,839,254,000, respectively.

37. DISPOSAL OF A SUBSIDIARY

On 24 October 2017, Guilin South Pharma Co., Ltd.*, a subsidiary of the Group, entered into an equity interest transfer agreement with a third party to dispose of a 52.83% equity interest in Fenghuang Jiangshan Technology Development Co., Ltd.* ("Fenghuang Jiangshan") at a consideration of RMB10,615,000. The disposal was completed on 15 November 2017, and Fenghuang Jiangshan was not included in the consolidated financial statements of the Group hereafter.

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

The financial information of Fenghuang Jiangshan at the date of disposal is as follows:

	Note	**As of the disposal date** RMB'000
Net assets disposed of:		
Prepayments, deposits and other receivables		16,514
Cash and cash equivalents		61
Tax payable		(630)
Trade and bills payables		(1)
Other payables and accruals		(20,135)
		(4,191)
Fair value of the retained interest in a subsidiary disposed of		1,886
Gain on disposal of a subsidiary	8	12,920
		10,615
Satisfied by:		
Cash consideration receivable		10,615

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	10,615
Cash and cash equivalents disposed of	(61)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	10,554

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Loans from third parties Included in other payable and accruals RMB'000	Loans from third parties included in other long-term liability RMB'000
At 1 January 2017	11,710,351	196,044	27,837
Changes from financing cash flows	8,913,440	(17,531)	931
Foreign exchange movement	(373,120)	—	—
Interest expense	2,954	—	—
Increase arising from acquisitions of subsidiaries	33,283	—	—
At 31 December 2017	20,286,908	178,513	28,768

39. SHARE-BASED PAYMENTS

(a) Restricted A share incentive schemes

The Company adopted a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of further refining the corporate governance structure of the Company, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Company, as well as balancing the interests of the shareholders, the Company and management for the long-term development of the Company.

Restricted A Share Incentive Scheme I

The Restricted A Share Incentive Scheme I was approved by the shareholders of the Company (the "Shareholders") at the 2013 first extraordinary general meeting of the Company, the 2013 first class meeting of A shareholders and the 2013 first class meeting of H shareholders convened on 20 December 2013. On 7 January 2014, relevant resolutions were considered and passed at the Company's 12th meeting of the 6th session of the board of directors and the 1st meeting of the 6th session of the Supervisory Committee, pursuant to which the date of grant for the Restricted A Share Incentive Scheme I of the Company was set on 7 January 2014.

On 7 January 2014 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme I, 4,035,000 A shares of the Company were granted to 28 eligible participants of the Restricted A Share Incentive Scheme I (the "Share Incentive Participants") at a grant price of RMB6.08 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

27 out of 28 of the Share Incentive Participants have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme I and a total of 3,935,000 Restricted A Shares (the "Restricted Shares") have been issued by the Company to the relevant Share Incentive Participants.

The Restricted A Share Incentive Scheme I shall be valid for a term of four years, commencing from the Date of Grant of the Restricted Shares and ending on the date on which all the Restricted Shares granted have been unlocked or otherwise repurchased and cancelled.

39. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A share incentive scheme (Continued)

Restricted A Share Incentive Scheme I (Continued)

Restricted Shares shall be locked up immediately upon grant. All of the Restricted Shares granted to the Share Incentive Participants shall be subject to various Lock-up periods of 1 year, 2 years and 3 years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked (or repurchased and cancelled by the Company) in three tranches in the proportion of 33%, 33% and 34% of the total number of the Restricted Shares granted upon the expiry of each lock-up period. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance target	% of unlocked shares to the total Restricted Shares granted
First unlock period: commencing from the first trading day after expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2013 shall not be less than RMB1 billion; the operating revenue for the year 2013 shall not be less than RMB9 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2013 shall not be less than 4.8%.	33%
Second unlock period: commencing from the first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2014 shall not be less than RMB1.25 billion; the operating revenue for the year 2014 shall not be less than RMB10.5 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2014 shall not be less than 4.9%.	33%
Third unlock period: commencing from the first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2015 shall not be less than RMB1.56 billion; the operating revenue for the year 2015 shall not be less than RMB12.5 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2015 shall not be less than 5.0%.	34%

39. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A share incentive schemes (Continued)

Restricted A Share Incentive Scheme I (Continued)

In addition, during the Lock-up Period of the Restricted Shares, net profit attributable to the shareholders of the Company and net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for each year shall not be less than the average of their respective amounts of the three preceding financial years prior to the Date of Grant, and shall not be negative.

Where the performance target at company level has been achieved, a Share Incentive Participant is only entitled to unlock the Restricted Shares upon achieving the benchmark of "Pass" or above in his performance target for the preceding year according to the Company's Administrative Measures in respect of the Remuneration and Performance Appraisal (《與績效考核相關管理辦法》).

In February 2015, the Company repurchased and cancelled the Restricted A Shares granted to Mr. Wu Yijian ("Mr. Wu"), Mr. Hu Jianglin ("Mr. Hu") and Mr. Ni Xiaowei ("Mr. Ni"), following the resignation of Mr. Wu, Mr. Hu and Mr. Ni from their respective positions in the Company or the relevant subsidiary (the "Repurchase"). A total of 231,000 Restricted A Shares, which have been granted to Mr. Wu, Mr. Hu and Mr. Ni but have not been unlocked, were repurchased and cancelled at a repurchase price of RMB6.08 per share for a total repurchase amount of approximately RMB1,404,000. The aforementioned repurchased shares have been cancelled on 12 February 2015.

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB66,413,000, of which RMB43,893,000 has been charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the Date of Grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB22,520,000. Since the shares of Restricted A Share Incentive Scheme I had been all unlocked during the year ended 31 December 2017, the Group had no restricted share repurchase obligation at the year end. The Group has no expenses recognised for the year ended 31 December 2017 (2016: RMB14,409,000).

Restricted A Share Incentive Scheme II

The Restricted A Share Incentive Scheme II was approved by the shareholders at the 2015 first extraordinary general meeting of the Company, the A shareholders' class meeting and the H shareholders' class meeting held on 19 November 2015. On 19 November 2015 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme II, 2,695,000 A shares of the Company were granted to 45 eligible participants of the Restricted A Share Incentive Scheme II at a grant price of RMB10.54 per share.

39. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A share incentive schemes (Continued)

Restricted A Share Incentive Scheme II (Continued)

Restricted Shares granted by the Restricted A Share Incentive Scheme II held by Share Incentive Participants shall be unlocked in three tranches. When the unlock conditions of the Restricted A Share Incentive Scheme II are fulfilled during each Lock-up Period, the Share Incentive Participants can apply for the unlocking and trade of those shares. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance target	% of unlocked shares to the total Restricted Shares granted
First unlock period: commencing from the first trading day after expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2015 shall not be less than RMB1.56 billion; the operating revenue for the year 2015 shall not be less than RMB12.5 billion; the percentage of the research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2015 shall not be less than 5.0%.	33%
Second unlock period: commencing from the first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2016 shall not be less than RMB1.79 billion; the operating revenue for the year 2016 shall not be less than RMB14.4 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2016 shall not be less than 5.0%.	33%
Third unlock period: commencing from the first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2017 shall not be less than RMB2.06 billion; the operating revenue for the year 2017 shall not be less than RMB16.6 billion; the percentage of research and development expenditure on the pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2017 shall not be less than 5.0%.	34%

39. SHARE-BASED PAYMENTS (Continued)

(a) Restricted A share incentive schemes (Continued)

Restricted A Share Incentive Scheme II (Continued)

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB68,102,000, of which RMB39,697,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the Date of Grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB28,405,000.The Group has recorded RMB8,578,000 in other payables and accruals and credited to the treasury shares as at 31 December 2017 due to the restricted share repurchase obligation of the Company till the end of the unlock period. The Group has recognised an amount of RMB10,357,000 as expenses for the year ended 31 December 2017 (2016: RMB22,709,000).

In November 2016, the Company has decided to repurchase and cancel the Restricted A Shares granted to Mr. Bai Huan ("Mr. Bai") and Mr. Chen Yi ("Mr. Chen"), following the resignation of Mr. Bai, and Mr. Chen from their respective positions in the Company or the relevant subsidiary (the "Repurchase"). A total of 37,500 Restricted A Shares, which have been granted to Mr. Bai and Mr. Chen but have not been unlocked, were repurchased and cancelled at a repurchase price of RMB10.54 per share for a total repurchase amount of approximately RMB395,250. The aforementioned repurchased shares have been cancelled on 24 February 2017.

In October 2017, the Company has decided to repurchase and cancel the Restricted A Shares granted to (i) Mr. Dong Zhi Chao ("Mr. Dong") and Mr. Wang Shu Hai ("Mr. Wang"), following the resignation of Mr. Dong and Mr. Wang from their respective positions in the Company or the relevant subsidiary, (ii) Mr. Deng Jie ("Mr. Deng"), since Mr. Deng had not achieved the benchmark of "Pass" in his performance target for the year 2016, which did not meet the incentive criteria (the "Repurchase"). A total of 70,150 Restricted A Shares, which have been granted to Mr. Dong, Mr. Wang and Mr. Deng but have not been unlocked, were repurchased and cancelled at a repurchase price of RMB10.54 per share for a total repurchase amount of approximately RMB739,381. The aforementioned repurchased shares have not been cancelled at the year end.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group's subsidiaries lease the property, plant and equipment under operating lease agreements, with leases negotiated for terms ranging from two to twenty years.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**18,965**	19,971
1 to 3 years, inclusive	**3,230**	1,114
Over 3 years	**274**	38
	22,469	21,123

40. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	76,679	77,551
1 to 3 years, inclusive	86,886	87,234
Over 3 years	84,152	35,113
	247,717	199,898

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) to the financial statements, the Group had the following capital commitments as at 31 December 2017:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
Plant and machinery	1,167,395	795,787
Investments in a subsidiary and associates	1,716,440	11,071,562
Investments in available-for-sale financial assets	333,932	467,744
	3,217,767	12,335,093

42. RELATED PARTY TRANSACTIONS

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

(a) Sales of pharmaceutical products and rendering of services

	2017 RMB'000	2016 RMB'000
Sinopharm Group Co., Ltd. *(notes 4, 7 & 9)*	**1,756,747**	1,135,375
Chongqing Pharmaceutical Group Co., Ltd. *(notes 4, 7 & 11)*	**325,649**	294,512
Zhejiang Di'an Diagnostics Co., Ltd. *(notes 3 & 7)*	**39,805**	27,094
Shanghai Xingyao Medical Technology Development Co.,Ltd. *(notes 2 & 7)*	**19,516**	—
Handa Pharmaceuticals Inc. and its subsidiaries *(notes 3 & 7)*	**8,365**	—
Gland Chemicals Pvt Ltd *(notes 3 & 7)*	**5,906**	—
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development. *(notes 2 & 7)*	**3,376**	2,373
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 7)*	**2,852**	—
Chindex International., Inc. *(notes 4 & 7)*	**2,320**	2,295
Shanghai Diai Medical Instrument Co., Ltd *(notes 1 & 7)*	**2,052**	—
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 7)*	**1,812**	—
Healthy Harmony Holdings L.P. *(notes 1 & 7)*	**1,684**	3,354
Fosun High Tech and its subsidiaries *(notes 6, 7 & 12)*	**476**	522
CMIC(Suzhou) Pharmaceutical Technology Co., Ltd. *(notes 1 & 7)*	**350**	—
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	**40**	48
Shanghai Anbo pharmaceutical Co., Ltd. *(notes 4 & 7)*	**14**	3
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 7)*	**10**	—
Shanghai Xing Lian Commercial Factoring Co., Ltd. *(notes 7 & 19)*	**3**	26
SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 7)*	**2**	8
Shanghai Yi Xing Sports Development Co., Ltd. *(notes 7 & 19)*	**1**	43
Hunan Time Sun Pharmaceutical Co., Ltd. *(notes 1 , 7 & 17)*	**—**	613
Shanghai Xing Hao Health Management Consulting Co., Ltd. *(notes 7 & 19)*	**—**	26
	2,170,980	1,466,292

42. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of pharmaceutical products and rendering of services

	2017 RMB'000	2016 RMB'000
Sinopharm Group Co., Ltd. *(notes 4, 7 & 9)*	**166,276**	97,329
Gland Chemicals Pvt Ltd *(notes 3 & 7)*	**25,473**	—
Zhejiang Di'an Diagnostics Co., Ltd. *(notes 3 & 7)*	**6,555**	2,607
Yong'an Property Insurance Company Limited *(notes 3 & 7)*	**3,979**	3,697
Fosun International Limited *(notes 7 & 18)*	**2,871**	—
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd. *(notes 1 & 7)*	**2,519**	2,098
Shanghai Xingyao Medical Technology Development Co.,Ltd. *(notes 2 & 7)*	**2,005**	—
Saladax Biomedical, Inc. *(notes 1 & 7)*	**1,762**	—
The subsidiaries of Fosun High Tech *(notes 6 & 13)*	**689**	619
CMIC (Suzhou) Pharmaceutical Technology Co., Ltd. *(notes 1 & 7)*	**242**	—
Beijing Steellex Biological Technology Co., Ltd. *(notes 1 & 7)*	**208**	356
Chongqing Pharmaceutical Group Co., Ltd. *(notes 4, 7 & 11)*	**130**	—
Guanzhou Sudao Information Technology Co., Ltd *(notes 1 & 7)*	**16**	—
SD Biosensor, Inc. *(notes 1 & 7)*	**—**	233
	212,725	106,939

42. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services

As lessor

	2017 RMB'000	2016 RMB'000
Fosun High Tech and its subsidiaries. *(notes 6, 8,11 & 14)*	**11,490**	7,926
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(notes 5 & 8)*	**710**	636
Shanghai Xingyao Medical Technology Development Co.,Ltd. *(notes 2 & 8)*	**652**	—
Shanghai Anbo pharmaceutical Co., Ltd. *(notes 4 & 8)*	**494**	145
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 8)*	**399**	—
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development. *(notes 2 & 8)*	**363**	614
Sinopharm Group Co., Ltd. *(notes 4, 8 & 9)*	**286**	900
Chindex International., Inc *(notes 4 & 8)*	**275**	—
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 8)*	**62**	—
Shanghai Xing Lian Commercial Factoring Co., Ltd. *(notes 8, 11 & 19)*	**—**	603
Shanghai Yi Xing Sports Development Co., Ltd. *(notes 8, 11 & 19)*	**—**	453
	14,731	11,277

As lessee

	2017 RMB'000	2016 RMB'000
Subsidiaries of Fosun High Tech *(notes 6, 8,11 & 15)*	**8,310**	7,459
DHANANJAYA PROPERTIES LLP *(notes 3 & 8)*	**52**	—
Sasikala Properties LLP *(notes 3 & 8)*	**27**	—
	8,389	7,459

42. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

Management services

	2017 RMB'000	2016 RMB'000
Subsidiaries of Fosun High Tech *(notes 6, 8,11 & 16)*	**9,512**	6,425
	9,512	6,425

(d) Loans from/to related parties

Maximum daily outstanding balance of deposits in Fosun Finance

	2017 RMB'000	2016 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**534,688**	678,428

The Company entered into a financial service agreement with Fosun Finance, pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for a period from 1 January 2017 to 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 the loans granted by Fosun Finance to the Group is RMB1,000,000,000.

Loans to Fosun Kite Biological Technology Co., Ltd

	2017 RMB'000	2016 RMB'000
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 11)*	**33,781**	—

Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Industrial Development") provided a five-year loan of RMB33,781,000.00 to Fosun Kite Biological Technology Co., Ltd. The interest rate is 10% higher than the benchmark interest rate for the same period.

42. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from related parties

	2017 RMB'000	2016 RMB'000
Fosun Group Finance Corporation Limited *(notes 10 & 11)*	**2,582**	3,732
Fosun Kite Biological Technology Co., Ltd *(notes 2 & 11)*	**378**	—

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

(f) Commitments with related parties

As lessor

As at 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2017 RMB'000	2016 RMB'000
Fosun High Tech and its subsidiaries *(note 6)*	**13,079**	10,719
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development. *(note 2)*	**1,684**	13
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(note 5)*	**848**	745
Shanghai Anbo pharmaceutical Co., Ltd. *(note 4)*	**593**	521
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(note 1)*	**265**	—
Sinopharm Group Co., Ltd. *(note 9)*	**91**	900
	16,560	12,898

As lessee

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases and property management service agreement with related parties in respect of land and buildings which fall due as follows:

	2017 RMB'000	2016 RMB'000
Subsidiaries of Fosun High Tech *(note 6)*	**4,273**	15,235

42. RELATED PARTY TRANSACTIONS (Continued)

Notes:

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

(3) They are other associates of the Group.

(4) They are the subsidiaries of the Group's associates.

(5) They are the subsidiaries of the Group's joint ventures.

(6) They are the subsidiaries of Fosun High Tech, the holding company of the Company.

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

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

(9) Sinopharm Group Co., Ltd. is a major subsidiary of Sinopharm Investment, an associate of the Group.

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

(11) The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.

(12) During the year of 2017, the Group offered Fosun High Tech and its subsidiaries with other services at market prices. Fosun High Tech and its subsidiaries include Shanghai Fosun High Tech (Group) Co., Ltd., Shanghai Xing Ling Asset Management Co., Ltd., Shanghai Xing Yi Health Management Co., Ltd., Shanghai Zhong Heng Insurance Broker Co., Ltd., Shenzhen Xing Lian Commercial Factoring Co., Ltd., Shanghai Fosun Venture Capital Management Co., Ltd, Liang Fu Credit Investigation Management Co., Ltd., Shanghai Yun Ji Information Technology Co., Ltd., Shanghai Xing Ji Information Technology Co., Ltd., Shanghai Ceyuan Estate Broker Co., Ltd., and Zhangxingbao (Shanghai) Network Technology Co. Ltd.

(13) During the year of 2017, 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., Shanghai Xing Yi Health Management Co., Ltd., and Shanghai Yun Ji Information Technology Co., Ltd.

(14) During the year of 2017, the Group leased out the office buildings to Fosun High Tech and its subsidiaries. Fosun High Tech and its subsidiaries include Shanghai Fosun High Tech (Group) Co., Ltd., Shanghai Xing Ling Asset Management Co., Ltd., Shanghai Xing Yi Health Management Co., Ltd., Shanghai Zhong Heng Insurance Broker Co., Ltd., Shanghai Fosun Venture Capital Management Co., Ltd, Liang Fu Credit Investigation Management Co., Ltd., Shanghai Yun Ji Information Technology Co., Ltd., and Shenzhen Xing Lian Commercial Factoring Co., Ltd.

(15) During the year of 2017, the Group leased office buildings from the subsidiary of Fosun High Tech. The subsidiary of Fosun High Tech is Shanghai New Shihua Investment and Management Co., Ltd.

(16) During the year of 2017, the Group received management services from subsidiaries of Fosun High Tech. The subsidiaries of Fosun High Tech include Shanghai Golte Property Management Co., Ltd., and Beijing Golte Property Management Co., Ltd.

(17) On 25 Oct 2017, Industrial Development, a subsidiary, transferred all of the stock equity in Hunan Time Sun Pharmaceutical to the third party. Therefore, since the date of 25 Oct 2016, Hunan Time Sun Pharmaceutical has no longer been an associate of the Group.

(18) Fosun International Limited is the ultimate holding company of the Group.

(19) They are under the same ultimate control of the Group.

42. RELATED PARTY TRANSACTIONS (Continued)

(g) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 25, 26, 29 and 30 to the financial statements.

(h) Compensation of key management personnel of the Group

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	30,452	25,741
Performance-related bonuses	24,808	20,825
Pension scheme contributions	822	893
Equity-settled share incentive scheme expense	4,115	13,154
	60,197	60,613

Further details of directors', supervisors' and the chief executive's emoluments are included in note 10 to the financial statements.

43. CONTINGENT LIABILITIES

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

44. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 31 to the financial statements.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2017

Financial assets	Financial assets at fair value through profit or loss — held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	—	2,673,249	2,673,249
Equity investments at fair value through profit or loss	219,327	—	—	219,327
Trade and bills receivables	—	3,825,549	—	3,825,549
Financial assets included in prepayments, deposits and other receivables	—	430,530	—	430,530
Cash and bank balances	—	7,248,867	—	7,248,867
	219,327	11,504,946	2,673,249	14,397,522

Financial liabilities	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	1,781,883	1,781,883
Financial liabilities included in other payables and accruals	—	2,704,568	2,704,568
Interest-bearing bank and other borrowings	—	20,286,909	20,286,909
Financial liabilities included in other long-term liabilities	2,022,919*	386,641	2,409,560
	2,022,919	25,160,001	27,182,920

* The amount includes the share redemption option granted to non-controlling shareholders of several subsidiaries amounting to RMB1,859,564,000, of which fair value change is recognised in reserves due to the nature of equity transaction with non-controlling shareholders of the subsidiaries of the Group.

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2016

Financial assets	Financial assets at fair value through profit or loss — held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	—	2,674,436	2,674,436
Equity investments at fair value through profit or loss	48,489	—	—	48,489
Trade and bills receivables	—	2,389,862	—	2,389,862
Financial assets included in prepayments, deposits and other receivables	—	319,605	—	319,605
Cash and bank balances	—	5,996,030	—	5,996,030
	48,489	8,705,497	2,674,436	11,428,422

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	1,149,379	1,149,379
Financial liabilities included in other payables and accruals	1,433,340	1,433,340
Interest-bearing bank and other borrowings	11,710,351	11,710,351
Financial liabilities included in other long-term liabilities	680,155	680,155
	14,973,225	14,973,225

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

At 31 December 2017, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB922,953,000(2016: RMB588,221,000). In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB192,294,000 (2016: RMB199,197,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills to equal their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
Available-for-sale investments, listed	**1,097,643**	981,131	**1,097,643**	981,131
Equity investments at fair value through profit or loss	**219,327**	48,489	**219,327**	48,489
	1,316,970	1,029,620	**1,316,970**	1,029,620
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**5,579,514**	2,182,905	**5,446,991**	2,112,878
Interest-bearing other borrowings	**4,634,936**	4,887,125	**4,591,512**	4,865,581
Financial liabilities included in other long-term liabilities	**2,409,560**	680,155	**2,409,560**	680,155
	12,624,010	7,750,185	**12,624,010**	7,658,614

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2017 was assessed to be insignificant.

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

As at 31 December 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 that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments of the Group was RMB1,543,114,000 (2016: RMB1,677,326,000). All of them are unlisted equity investments in China, North America and other countries held by the Group, which are intended to be disposed of by the Group after getting listed on the designated stock exchange in the future.

During the year ended 31 December 2017, the available-for-sale investments whose fair value could not be reliably measured with a carrying amount of RMB339,005,000 were derecognised and the relevant gain on disposal amounted to RMB278,705,000 was recognised in the consolidated statement of profit or loss.

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2017:

As part of the purchases agreement, contingent consideration included in other long-term liabilities is payable, which is dependent on the date of which Gland Pharma's enoxaparin product was approved by the US Food and Drug Administration. The amount recognised as at 31 December 2017 was RMB163,355,000 (31 December 2016: Nil) which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the shareholders in 2019 and beyond. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

It is expected that Gland Pharma's enoxaparin product will be approved by the US Food and Drug Administration on the same date as the signing of the acquisition contract. Discount rate and discount for own non-performance risk are nil.

The delay of the date when Gland Pharma's enoxaparin product is approved by the U.S. Food and Drug Administration would result in a significant decrease in the fair value of the contingent consideration liability.

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of subsidiaries included in other long-term liabilities of RMB1,859,564,000 (31 December 2016: Nil) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Breas from April 2018 to March 2019 and the latest Equity Transfer Price of Gland Pharma on December 31,2017.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Available-for-sale investments — listed *(note 21)*	**1,037,432**	**60,211**	**—**	**1,097,643**
Equity investments at fair value through profit or loss *(note 27)*	**145,904**	**73,423**	**—**	**219,327**
	1,183,336	**133,634**	**—**	**1,316,970**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments — listed *(note 21)*	718,357	262,774	—	981,131
Equity investments at fair value through profit or loss *(note 27)*	48,489	—	—	48,489
	766,846	262,774	—	1,029,620

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities *(note 33)*	—	—	2,022,919	2,022,919

The Group did not have any financial liabilities measured at fair value as at 31 December 2016.

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

	2017 RMB'000	2016 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	—	64,460
Addition	2,022,919	—
Reclassification	—	(64,460)
At 31 December	2,022,919	—

Assets for which fair values are disclosed:

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

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2017

	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	—	5,446,992	—	5,446,992
Interest-bearing other borrowings	2,955,300	1,636,212	—	4,591,512
Amounts included in other long-term liabilities	—	386,641	—	386,641
	2,955,300	7,469,845	—	10,425,145

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	2,112,878	—	2,112,878
Interest-bearing other borrowings	4,470,600	394,981	—	4,865,581
Amounts included in other long-term liabilities	—	680,155	—	680,155
	4,470,600	3,188,014	—	7,658,614

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2017, the total interest-bearing bank borrowings of RMB13,705,240,000 (31 December 2016: RMB5,381,954,000) of the Group were with floating interest rates denominated in RMB, USD or EURO.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings.

Increase/(decrease) in the Group's profit after tax

	Increase/ (decrease) in basis	**Increase/ (decrease) in profit after tax** RMB'000
2017		
RMB	**1%**	**(17,505)**
USD	**1%**	**(80,777)**
EURO	**1%**	**(4,507)**
RMB	**(1%)**	**17,505**
USD	**(1%)**	**80,777**
EURO	**(1%)**	**4,507**
2016		
RMB	1%	(8,218)
USD	1%	(32,147)
RMB	(1%)	8,218
USD	(1%)	32,147

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD ,EURO and HKD exchange rates, with all other variables held constant, of the Group's profit after tax due to changes in the fair value of monetary assets and liabilities.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit after tax RMB'000
2017		
If RMB weakens against USD	**5**	**16,732**
If RMB strengthens against USD	**(5)**	**(16,732)**
If RMB weakens against EURO	**5**	**3,680**
If RMB strengthens against EURO	**(5)**	**(3,680)**
If RMB weakens against HKD	**5**	**5,309**
If RMB strengthens against HKD	**(5)**	**(5,309)**
2016		
If RMB weakens against USD	5	(20,107)
If RMB strengthens against USD	(5)	20,107
If RMB weakens against HKD	5	5,230
If RMB strengthens against HKD	(5)	(5,230)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group trades only with related companies and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with related companies and recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analyses by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed in different geographical regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2017, 50% (31 December 2016: 50%) of the Group's borrowings would mature in less than one year based on the carrying values of the borrowings.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2017					
Interest-bearing bank and other borrowings	**—**	**11,021,297**	**10,259,736**	**11,272**	**21,292,305**
Trade and bills payables	**—**	**1,781,883**	**—**	**—**	**1,781,883**
Financial liabilities included in other payables and accruals	**2,417,555**	**287,015**	**—**	**—**	**2,704,570**
Financial liabilities included in other long-term liabilities	**—**	**480**	**2,382,711**	**31,200**	**2,414,391**
	2,417,555	**13,090,675**	**12,642,447**	**42,472**	**28,193,149**
2016					
Interest-bearing bank and other borrowings	—	6,415,025	5,950,184	100,146	12,465,355
Trade and bills payables	—	1,149,379	—	—	1,149,379
Financial liabilities included in other payables and accruals	1,236,833	196,508	—	—	1,433,341
Financial liabilities included in other long-term liabilities	—	480	654,238	30,748	685,466
	1,236,833	7,761,392	6,604,422	130,894	15,733,541

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 27) and available-for-sale investments measured at fair value (note 21). The Group's listed investments are listed on the stock exchanges in Shanghai, Shenzhen, New York, New Zealand, Hong Kong and Germany are valued at quoted market prices or using valuation techniques at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2017	**High/low 2017**	31 December 2016	High/low 2016
Shanghai — A Share Index	**3,463**	**3,611/3,197**	3,250	3,519/2,779
Shenzhen — GEM Index	**1,753**	**1,992/1,656**	1,962	2,491/1,881
Shenzhen — A Share Index	**1,986**	**2,141/1,855**	2,060	2,237/1,703
New York — NASDAQ Index	**6,903**	**6,995/5,429**	5,383	5,487/4,267
New York — NYSE Index	**12,809**	**12,853/11,149**	11,057	11,237/9,030
New Zealand — NZX 50 Gross Index	**8,398**	**8,409/6,971**	6,881	7,571/5,561
Hong Kong — HSI Index	**29,919**	**30,003/22,134**	22,001	24,100/18,320
Germany — DAX Index	**12,918**	**13,479/11,510**	11,481	11,481/8,753

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period. For the purposes of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of profit or loss.

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2017				
Investments listed in:				
New York — Available for sale	10	419,385	—	41,938
New York — Available for sale	(10)	419,385	—	(41,938)
Shenzhen GEM — Available for sale	10	120,988	—	9,074
Shenzhen GEM — Available for sale	(10)	120,988	—	(9,074)
Shenzhen — Available for sale	10	266,364	—	20,031
Shenzhen — Available for sale	(10)	266,364	—	(20,031)
NASDAQ — Available for sale	10	180,279	—	17,801
NASDAQ — Available for sale	(10)	180,279	—	(17,801)
NASDAQ — Equity investments at fair value through profit or loss	10	145,904	14,590	—
NASDAQ — Equity investments at fair value through profit or loss	(10)	145,904	(14,590)	—
Shenzhen — Equity investments at fair value through profit or loss	10	73,423	5,507	—
Shenzhen — Equity investments at fair value through profit or loss	(10)	73,423	(5,507)	—
Germany — Available for sale	10	16,237	—	1,624
Germany — Available for sale	(10)	16,237	—	(1,624)
Taiwan — Available for sale	10	60,211	—	6,021
Taiwan — Available for sale	(10)	60,211	—	(6,021)
Hong Kong — Available for sale	10	34,178	—	3,418
Hong Kong — Available for sale	(10)	34,178	—	(3,418)
Total available for sale investments		1,097,642		
Total equity investments at fair value through profit or loss		219,327		

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

	Change in equity prices %	Carrying amount of equity investments RMB'000	Change in profit after tax RMB'000	Change in equity* RMB'000
2016				
Investments listed in:				
Shanghai — Available for sale	10	33,917	—	2,544
Shanghai — Available for sale	(10)	33,917	—	(2,544)
Shenzhen GEM — Available for sale	10	431,602	—	32,370
Shenzhen GEM — Available for sale	(10)	431,602	—	(32,370)
Shenzhen — Available for sale	10	7,835	—	666
Shenzhen — Available for sale	(10)	7,835	—	(666)
NASDAQ — Available for sale	10	147,028	—	14,041
NASDAQ — Available for sale	(10)	147,028	—	(14,041)
NASDAQ — Equity investments at fair value through profit or loss	10	48,489	4,849	—
NASDAQ — Equity investments at fair value through profit or loss	(10)	48,489	(4,849)	—
New Zealand — Available for sale	10	40,038	—	4,004
New Zealand — Available for sale	(10)	40,038	—	(4,004)
Taiwan — Available for sale	10	262,774	—	5,794
Taiwan — Available for sale	(10)	262,774	—	(5,794)
Hong Kong — Available for sale	10	57,937	—	26,277
Hong Kong — Available for sale	(10)	57,937	—	(26,277)
Total available for sale investments		981,131		
Total equity investments at fair value through profit or loss		48,489		

* Excluding retained profits

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, other long-term liabilities less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	2017 **RMB'000**	2016 RMB'000
Interest-bearing bank and other borrowings *(note 31)*	**20,286,909**	11,710,351
Loans from third parties included in other long-term liabilities	**28,768**	27,837
Less: Cash and cash equivalents *(note 28)*	**(7,248,867)**	(5,996,030)
Net debt	**13,066,810**	5,742,158
Total equity	**29,684,567**	25,193,439
Total equity and net debt	**42,751,377**	30,935,597
Gearing ratio	**31%**	19%

48. EVENTS AFTER THE REPORTING PERIOD

Acquisition of equity interest in the Foshan City Chancheng District Central Hospital Co., Ltd.* ("Chancheng Hospital")

On 12 February 2018, Shanghai Fosun Hospital Investment (Group) Co., Ltd.* ("Fosun Hospital Investment"), a subsidiary of the Company, and Mr. Xie Da Zhi, a non-controlling shareholder of Chancheng Hospital, entered into an equity transfer agreement, pursuant to which Fosun Hospital Investment agreed to acquire approximately 21.43% equity interest owned by Mr. Xie Da Zhi in Chancheng Hospital at a consideration of RMB749,993,000. Chancheng Hospital completed the change of industrial and commerce registration on 24 February 2018. Fosun Hospital Investment holds an aggregate of 85.43% equity interest in Chancheng Hospital.

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

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**7,125**	17,032
Other intangible assets	**1,986**	1,703
Investments in subsidiaries	**6,874,445**	4,620,254
Investments in associates	**8,702,871**	8,368,658
Available-for-sale investments	**294,586**	582,959
Other non-current assets	**5,951,362**	4,957,583
Total non-current assets	**21,832,375**	18,548,189
CURRENT ASSETS		
Prepayments, deposits and other receivables	**4,956,505**	4,944,332
Cash and bank balances	**654,541**	1,154,258
Total current assets	**5,611,046**	6,098,590
CURRENT LIABILITIES		
Other payables and accruals	**1,196,154**	943,715
Interest-bearing bank and other borrowings	**2,950,889**	3,400,086
Total current liabilities	**4,147,043**	4,343,801
NET CURRENT ASSETS	**1,464,003**	1,754,789
TOTAL ASSETS LESS CURRENT LIABILITIES	**23,296,378**	20,302,978
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**5,070,974**	3,689,546
Deferred income	**850**	4,020
Deferred tax liability	**968,947**	968,947
Total non-current liabilities	**6,040,771**	4,662,513
Net assets	**17,255,607**	15,640,465
EQUITY		
Share capital	**2,495,131**	2,414,512
Treasury shares *(Note)*	**(9,523)**	(26,819)
Reserves *(Note)*	**14,769,999**	13,252,772
Total equity	**17,255,607**	15,640,465

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's treasury shares and reserves is as follows:

	Share premium RMB'000	Treasury shares RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2015 and 1 January 2016	7,664,272	(43,494)	183,554	1,191,168	31,495	2,325,348	11,352,343
Total comprehensive (loss)/income for the year	—	—	(99,904)	—	—	485,412	385,508
Profit appropriation to reserve	—	—	—	16,088	—	(16,088)	—
Issue of restricted A shares	2,174,813	—	—	—	—	—	2,174,813
Unlocking of restricted A shares	—	16,675	—	—	—	—	16,675
Equity-settled share-based payment *(note 39)*	41,887	—	—	—	(4,769)	—	37,118
Final 2015 dividend declared and paid	—	—	—	—	—	(740,504)	(740,504)
At 31 December 2016	9,880,972	(26,819)	83,650	1,207,256	26,726	2,054,168	13,225,953
At 31 December 2016 and 1 January 2017	**9,880,972**	**(26,819)**	**83,650**	**1,207,256**	**26,726**	**2,054,168**	**13,225,953**
Total comprehensive (loss)/income for the year	**—**	**—**	**(99,141)**	**—**	**—**	**523,035**	**423,894**
Profit appropriation to reserve	**—**	**—**	**—**	**40,310**	**—**	**(40,310)**	
Issue of H shares	**1,956,630**	**—**	**—**	**—**	**—**	**—**	**1,956,630**
Repurchase and cancellation of restricted A shares	**(358)**	**396**	**—**	**—**	**—**	**—**	**38**
Unlocking of restricted A shares	**—**	**16,900**	**—**	**—**	**—**	**—**	**16,900**
Equity-settled share-based payment *(note 39)*	**28,206**	**—**	**—**	**—**	**(17,849)**	**—**	**10,357**
Final 2016 dividend declared and paid	**—**	**—**	**—**	**—**	**—**	**(873,296)**	**(873,296)**
At 31 December 2017	**11,865,450**	**(9,523)**	**(15,491)**	**1,247,566**	**8,877**	**1,663,597**	**14,760,476**

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2018.

Definitions

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

"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"Aohong Pharma"	Jinzhou Aohong Pharmaceutical Company Limited (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Beijing Golte"	Beijing Golte Property Management Company Limited (北京高地物業管理有限公司). Beijing Golte is a connected person of the Group under Rule 14A.07(4) of the Hong Kong Listing Rules
"Board" or "Board of Directors"	the board of Directors of the Company
"Breas"	Breas Medical Holdings AB (originally named as Goldcup 14112 AB), a subsidiary of the Company
"CCPHC"	Chongqing Chemical & Pharmaceutical Holding (Group) Company (重慶化醫控股(集團)公司)
"CFDA"	China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局), the PRC governmental authority responsible for the regulation of food and drugs
"CG Code"	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
"Chancheng Hospital"	Foshan Chancheng Central Hospital Company Limited (佛山市禪城區中心醫院有限公司), a for-profit medical institution established with the approval by the Population, Health and Drug Administration of Chancheng District, Foshan (佛山市禪城區人口和衛生藥品監督管理局), a subsidiary of the Company
"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
"Deed of Non-Competition"	the deed of non-competition undertakings dated 13 October 2012 and executed by our Controlling Shareholders in favor of the Company (for itself and as trustee of its subsidiaries from time to time)
"Director(s)"	director(s) of our Company
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"Fareast Casings"	Far-Eastern Casing Co., Ltd. (遠東腸衣食品有限公司), a subsidiary of the Company
"FDA"	Food and Drug Administration
"Financial Services Agreement"	the financial services agreement entered into between the Company and Fosun Finance dated 22 December 2016 for the provision of financial services by Fosun Finance to the Company, the term of which commenced from 1 January 2017 and will end on 31 December 2019
"Forte"	Shanghai Forte Land Company Limited (復地(集團)股份有限公司), a subsidiary of Fosun International (a Controlling Shareholder of the Company). Forte is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules
"Fosun 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 Golden"	Fosun Golden Corona Finance Company Limited
"Fosun Health Holdings"	Shanghai Fosun Health Industrial Holdings Co., Ltd. (上海復星健康產業控股有限公司)
"Fosun High Tech"	Shanghai Fosun High Technology (Group) Company Limited (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a Controlling Shareholder of the Company. Fosun High Tech is a connected person under Rule 14A.07(1) of the Hong Kong Listing Rules
"Fosun Holdings"	Fosun Holdings Limited (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
"Fosun Hospital Investment"	Shanghai Fosun Hospital Investment (Group) Co., Ltd. (上海復星醫院投資(集團)有限公司), a subsidiary of the Company
"Fosun Huanan"	Guangzhou Fosun Huanan Medical Investment Company Limited (廣州復星華南醫療投資有限公司), a subsidiary of the Company
"Fosun Industrial"	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a subsidiary of the Company

Definitions

"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 Kite"	Fosun Kite Biological Technology Co., Ltd.
"Fosun Long March"	Shanghai Fosun Long March Medical Science Co., Ltd. (上海復星長征醫學科學有限公司), a subsidiary of the Company
"Fosun Medical"	Fosun Medical Holdings AB, established in Sweden
"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 subsidiary of the Company
"Fosun Pingyao"	Shanghai Fosun Pingyao Investment Management Co., Ltd. (上海復星平耀投資管理有限公司), a subsidiary of the Company
"General Mandate of A Shares"	an unconditional and general mandate proposed to be granted to the Board at the general meeting of the Company to issue, allot and/or deal with additional new A Shares not exceeding 20% of the total issued A Shares as at the date of the general meeting of the Company (i.e. 7 June 2016)
"Gland Pharma"	Gland Pharma Limited, a company registered in India, a subsidiary of the Company as at the end of the Reporting Period
"Group", "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"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
"Hengsheng Hospital"	Shenzhen Hengsheng Hospital (深圳恒生醫院), a subsidiary of the Company as at the end of the Reporting Period
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hubei Shine Star"	Shine Star (Hubei) Biological Engineering Company Limited (湖北新生源生物工程股份有限公司), a subsidiary of the Company
"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 Fosun"	Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. (直觀復星醫療器械技術(上海)有限公司)
"Intuitive Surgical"	Intuitive Surgical SARL
"IQVIA"	Qwest Communications International Inc (originally named as IMS Health Incorporationed), established in the U.S., a world leading provider of medical information and strategic consulting services for the healthcare industry
"Jian Feng Chemical"	Chongqing Jianfeng Chemical Co., Ltd (重慶建峰化工股份有限公司, now renamed as C.Q. Pharmaceutical Holding Co., Ltd. (重藥控股股份有限公司)), a joint stock company incorporated under the PRC Law with limited liability, the shares of which are listed and traded on the Shenzhen Stock Exchange (stock code: 000950)
"Jiangsu Wanbang"	Jiangsu Wanbang Biopharmaceutical Company Limited (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
"Jimin Cancer Hospital"	Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院), a people run non-enterprise unit (民辦非企業單位) established in the PRC, a subsidiary of the Company
"Kite Pharma"	KP EU C.V., a subsidiary of Gilead Sciences Inc established in the Netherlands
"Liangfu Credit Investigation"	Liangfu Credit Investigation Management Co., Ltd. (量富征信管理有限公司), a subsidiary of Mr. Guo Guangchang, the Controlling Shareholder of the Company. Liangfu Credit Investigation is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"NHFPC"	National Health and Family Planning Commission of the People's Republic of China (中華人民共和國國家衛生和計劃生育委員會)
"PCT"	Patent Cooperation Treaty
"Phoenix Jiangshan"	Fenghuang County Jiangshan Technology Development Company Limited (鳳凰縣江山科技發展有限公司)
"Placing of H Shares"	means the placement of H Shares pursuant to the placing agreement dated 17 May 2017 entered into between the Company and the placing agents

Definitions

"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this annual report to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC Enterprise Income Tax Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises
"PRC government" or "Chinese government"	central government of the PRC, including all governmental sub-divisions (including provincial, municipal and other regional or local government entities)
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
"Proposed Non-Public Issuance"	the non-public issuance of A Shares proposed by the Company to the Subscribers
"R&D"	research and development
"Reporting Period"	the 12-month period from 1 January 2017 to 31 December 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 Golte"	Shanghai Golte Assets Management Company Limited (上海高地資產經營管理有限公司), a wholly-owned subsidiary of Forte, a subsidiary of Fosun International (the Controlling Shareholder of the Company). Shanghai Golte is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Henlius"	Shanghai Henlius Biotech Company Limited (上海復宏漢霖生物技術股份有限公司), a subsidiary of the Company
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)

"Shanghai Yunji"	Shanghai Yunji Information Technology Co., Ltd. (上海雲濟信息科技有限公司), a subsidiary of Mr. Guo Guangchang, the Controlling Shareholder of the Company. Shanghai Yunji is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Yuyuan"	Shanghai Yuyuan Tourist Mart Company Limited (上海豫園旅遊商城股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600655)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Sinopharm"	Sinopharm Group Co., Ltd. (國藥控股股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01099)
"Sinopharm Industrial"	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)
"Sisram"	Sisram Medical Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 01696), 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
"Tridem Pharma"	Tridem Pharma S.A.S, a subsidiary of the Company
"U.K."	United Kingdom of Great Britain and Northern Ireland
"U.S." or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"Wanbang Tiancheng"	Shenyang Wanbang Tiansheng Biotechnology Co., Ltd. (瀋陽萬邦天晟生物科技有限公司), a subsidiary of the Company
"Wenzhou Geriatric Hospital"	Wenzhou Geriatric Hospital Limited Company (溫州老年病醫院有限公司), a subsidiary of the Company
"Written Code"	Written Code for Securities Transactions by Directors/Relevant Employees of the Company (《董事／有關僱員進行證券交易的書面指引》)

Definitions

"Xingshuangjian Investment"	Shanghai Xingshuangjian Investment Management Co., Ltd. (上海星雙健投資管理有限公司), a wholly-owned subsidiary of Fosun High Tech, the Controlling Shareholder of the Company. Shanghai Xingshuangjian is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Xingxin Investment"	Shanghai Xingxin Investment Management Company Limited (上海星鑫投資管理有限公司)
"Xingyao Medical"	Shanghai Xingyao Medical Technology Development Co., Ltd. (上海星耀醫學科技發展有限公司)
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Yulin Guanghai"	Yulin Guanghai Medical Investment Management Co., Ltd. (玉林廣海醫療投資管理有限公司), a subsidiary of the Company
"Yuntao Optoelectronics"	Hefei Yuntao Photoelectronics Technology Company Limited (合肥運濤光電科技有限公司), a subsidiary of the Company
"Zhengda Real Estate"	Shanghai Zhengda Bund International Finance Services Centre Real Estate Company Limited (上海證大外灘國際金融服務中心置業有限公司)
"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
"Zhuhai Jiqun"	Zhuhai Jiqun Logistics Warehousing Company Limited (珠海濟群物流倉儲有限公司), a subsidiary of the Company
"Zhuhai Yannian"	Zhuhai Yannian Hospital Company Limited (珠海延年醫院有限公司, now renamed as Zhuhai Chancheng Hospital Limited (珠海禪誠醫院有限公司)), a subsidiary of the Company
"Zhuorui Clinic"	Shanghai Zhuorui Integrated Outpatient Limited Company (上海卓瑞綜合門診部有限公司), a subsidiary of the Company
"€"	EURO, the lawful currency of the European Union
"%"	per cent

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

FOSUN PHARMA

Innovation for Good Health

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