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

INTERIM REPORT 2018

* For identification purposes only

Our Vision

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

Our Mission

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

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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. Wang Qunbin (汪群斌)
Mr. Wang Can (王燦)
Ms. Mu Haining (沐海寧)[1]
Mr. Zhang Xueqing (張學慶)[1]
Mr. Guo Guangchang (郭廣昌)[2]
Ms. Kang Lan (康嵐)[2]

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)*[3]
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)
Mr. Li Chun (李春)[4]

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. Wu Yifang (吳以芳)[5]
Mr. Wang Qunbin (汪群斌)
Mr. Wai Shiu Kwan Danny (韋少琨)
Mr. Guo Guangchang (郭廣昌)[2]

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)*
Mr. Cao Huimin (曹惠民)
Ms. Mu Haining (沐海寧)[1]
Ms. Kang Lan (康嵐)[2]
Mr. Chen Qiyu (陳啟宇)[6]

Remuneration and Appraisal Committee

Dr. Wong Tin Yau Kelvin (黃天祐) *(Chairman)*
Mr. Cao Huimin (曹惠民)
Mr. Jiang Xian (江憲)
Mr. Chen Qiyu (陳啟宇)
Ms. Mu Haining (沐海寧)[1]
Ms. Kang Lan (康嵐)[2]
Mr. Wang Can (王燦)[6]

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

Company Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation

FOSUN PHARMA

Share Listing

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

A Share Registrar and Transfer Office in the PRC

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

H Share Registrar and Transfer Office in Hong Kong

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

Company's Website

http://www.fosunpharma.com

[1] Appointed on 27 June 2018
[2] Resigned on 26 March 2018
[3] Appointed on 11 January 2018
[4] Ceased to serve on 11 January 2018
[5] Appointed on 26 March 2018
[6] Served from 26 March 2018 to 27 June 2018

Financial Highlights

	Six months ended 30 June	
	2018	2017
	RMB million	RMB million
Operating results		
Revenue	**11,767**	8,277
Gross profit	**6,821**	4,705
Operating profit	**1,270**	1,177
Profit before tax	**2,038**	2,179
Profit for the period attributable to owners of the parent	**1,560**	1,689
Profitability		
Gross margin	**57.97%**	56.85%
Operating profit margin	**10.79%**	14.22%
Net profit margin	**14.77%**	23.28%
Earnings per share (RMB)		
Earnings per share — basic	**0.63**	0.70
Earnings per share — diluted	**0.63**	0.70
Of which: Pharmaceutical manufacturing and R&D segment		
Revenue	**8,872**	5,706
Gross profit	**5,703**	3,656
Segment results	**1,035**	937
Segment profit for the period	**1,005**	971

	30 June 2018	31 December 2017
	RMB million	RMB million
Assets		
Total assets	**66,142**	61,914
Equity attributable to owners of the parent	**25,507**	25,270
Total liabilities	**35,727**	32,230
Cash and bank balances	**8,213**	7,249
Debt-to-asset ratio	**54.02%**	52.06%

FINANCIAL REVIEW

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

During the Reporting Period, revenue of the Group amounted to RMB11,767 million, representing an increase of 42.17% as compared to the corresponding period of 2017. Excluding the impacts of the new acquisitions of enterprises in 2017 for comparison purposes and other factors, the revenue would have increased by 23.46% on the same basis as compared with the corresponding period of 2017.

During the Reporting Period, profit before tax and profit attributable to owners of the parent of the Group were RMB2,038 million and RMB1,560 million, decreased by 6.49% and 7.61% as compared to the corresponding period of 2017, respectively.

The decrease was mainly due to the reduction of RMB61 million in extraordinary gain or loss as less gain from assets disposal, and the decrease of RMB67 million in ordinary gain or loss as compared to the corresponding period of the previous year.

The decrease in ordinary gain or loss was mainly affected by the increase in investment in innovative R&D, improved business layout as well as the increase in finance costs and other factors:

(1) The Group is currently in the massive input R&D investment phase. A number of biopharmaceutical innovative drugs, such as monoclonal antibody, biosimilars and small molecular innovative drugs entered into the clinical research phase, and generic drugs and consistency evaluation further accelerated. During the Reporting Period, the total R&D expenses incurred was RMB709 million in total, representing an increase of RMB248 million or 53.69% as compared to the corresponding period of 2017. In addition, the Group also promoted innovative R&D through various ways, which included setting up innovation incubation platforms, during the Reporting Period, Fosun Lead and other innovation incubation platforms have commenced operation;

    Apart from direct R&D investment, the Group also brought in new technologies through the establishment of joint ventures. The joint ventures and associates established by the Group, such as Fosun Kite and Intuitive Fosun, were still in the preliminary investment phase. The Group also invested in other projects at early stages, such as WeDoctor, which still recorded operating loss. Given the impact of the above factors, the profit sharing of joint ventures and associates for the Reporting Period decreased by RMB47 million as compared to the corresponding period of 2017, representing a decrease of 6.18% on the same basis;

    In addition, the Group established subsidiaries in the United States and Europe to expand its overseas R&D, registration and sales. The aforementioned subsidiaries are currently in the preliminary investment phase.

(2) With the increase in market interest rates and interest-bearing debts as well as other factors, the finance costs of the Group increased by RMB173 million during the Reporting Period as compared to the corresponding period of 2017.

    During the Reporting Period, earnings per share of the Group decreased by 10% to RMB0.63 as compared to the corresponding period of 2017.

REVENUE

During the Reporting Period, revenue of the Group amounted to RMB11,767 million, representing an increase of 42.17% as compared to the corresponding period of 2017. Excluding the impacts of the new acquisitions of enterprises in 2017 for comparison purposes and other factors, revenue would have increased by 23.46% on the same basis as compared to 2017. The Group recorded revenue of RMB8,737 million in Mainland China, representing an increase of 28.33% as compared to the corresponding period of 2017; and recorded revenue of RMB3,030 million in foreign countries or regions, representing an increase of 106.29% as compared to the corresponding period of 2017. The proportion of the Group's overseas revenue was 25.75%, representing an increase of 8.17 percentage points as compared to the corresponding period of 2017. The Group's revenue in foreign countries and regions further escalated.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB8,872 million, representing an increase of 55.49% as compared to the corresponding period of 2017. Excluding the impacts of the contribution from the new acquisitions of enterprises in 2017 for comparison purposes and other factors, the revenue increased by 31.51% on the same basis as compared to the corresponding period of 2017. During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized segment results of RMB1,035 million, representing an increase of 10.46% as compared to the corresponding period of 2017 and segment profit of RMB1,005 million, representing an increase of 3.54% as compared to the corresponding period of 2017.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased by 38.47% to RMB4,946 million from RMB3,572 million for the corresponding period of 2017.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group increased by 44.97% to RMB6,821 million from RMB4,705 million for the corresponding period of 2017. The gross margin of the Group for the Reporting Period and the corresponding period of 2017 were 57.97% and 56.85%, respectively.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 66.64% to RMB3,804 million from RMB2,283 million for the corresponding period of 2017, which was mainly due to adjustments to the sales model of certain products, market expansion in new and recent products, the growth in sales of major products and the new acquisitions of enterprises during the Reporting Period.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, the total R&D investment of the Group was RMB1,188 million, representing an increase of RMB562 million or 89.82% as compared to the corresponding period of 2017. Among which the R&D expenses amounted to RMB709 million, representing an increase of RMB248 million or 53.69% as compared to the corresponding period of 2017; the R&D investment in the pharmaceutical manufacturing and R&D sector amounted to RMB1,064 million, representing an increase of RMB534 million or 100.90% as compared to the corresponding period of 2017, accounting for 11.99% of the revenue of the pharmaceutical manufacturing and R&D segment, in particular, the R&D expenses of the pharmaceutical manufacturing and R&D segment amounted to RMB596 million, representing an increase of 63.29% as compared to the corresponding period of 2017, accounting for 6.7% of the revenue of the pharmaceutical manufacturing and R&D segment; which was mainly due to the continuous and further increase in the R&D investment in monoclonal antibody biopharmaceutical innovative drugs, biosimilars and small molecular innovative drugs and focused investment in consistency evaluation during the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, the share of profits of associates of the Group decreased by 4.25% to RMB728 million from RMB760 million for the corresponding period of 2017, which was mainly because the Group brought in new technologies through the establishment of joint ventures, however, the associates established by the Group, such as Intuitive Fosun, were still in the preliminary investment phase; and the other projects that the Group invested in at early stages, such as WeDoctor, were still recording operating loss.

PROFIT FOR THE PERIOD

Due to the above reasons, during the Reporting Period, profit for the period of the Group decreased by 9.81% to RMB1,738 million from RMB1,927 million for the corresponding period of 2017. The net profit margin for the period of the Group during the Reporting Period and the corresponding period of 2017 were14.77% and 23.28%, respectively.

PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group decreased by 7.61% to RMB1,560 million from RMB1,689 million for the corresponding period of 2017, mainly due to the reduction of RMB61 million in extraordinary gain or loss as less gain from assets disposal, and the decrease of RMB67 million in ordinary gain or loss as compared to the corresponding period of the previous year.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 30 June 2018, total debts of the Group increased to RMB23,085 million from RMB20,287 million as at 31 December 2017 mainly due to new borrowings in the Reporting Period. As at 30 June 2018, mid-to-long-term debts of the Group accounted for 27.07% of its total debts , representing a decrease of 21.31 percentage points as compared to 48.38% as at 31 December 2017. During the Reporting Period, the proportion of the mid-to-long-term debts decreased mainly because the balance of the corporate bonds publicly issued by the Company in 2016 was reclassified as non-current liabilities due within one year as at the end of the Reporting Period, in accordance with Hong Kong Interpretation 5 Presentation of Financial statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause, which was issued by the Hong Kong Institute of Certified Public Accountants. The aforementioned corporate bonds have an issuance size of RMB3 billion and a term of five years, as well as the issuer's option to adjust the coupon rate after the end of the third year (4 March 2019) and the investors' option to sell back. As at 30 June 2018, cash and bank balances saw an increase and rose by 13.30% to RMB8,213 million from RMB7,249 million as at 31 December 2017.

As at 30 June 2018, the equivalent amount of RMB11,956 million (31 December 2017: RMB11,372 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 30 June 2018, cash and bank balances of the Group denominated in foreign currencies amounted to RMB2,839 million (31 December 2017: RMB2,097 million).

Unit: million Currency: RMB

Cash and cash equivalents denominated in:	**30 June 2018**	31 December 2017
RMB	**5,374**	5,152
US dollars	**1,917**	1,259
Hong Kong dollars	**158**	210
Others	**764**	628
Total	**8,213**	7,249

Gearing Ratio

As at 30 June 2018, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 34.90%, as compared to 32.77% as at 31 December 2017.

Interest Rate

As at 30 June 2018, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB14,932 million (31 December 2017: RMB13,705 million).

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	30 June 2018	31 December 2017
Within 1 year	**16,837**	10,472
1 to 2 years	**4,263**	4,524
2 to 5 years	**1,891**	5,197
Over 5 years	**94**	94
Total	**23,085**	20,287

Available Facilities

As at 30 June 2018, besides cash and bank balances of RMB8,213 million, the Group had unutilized banking facilities of RMB18,848 million in aggregate. The Group has also entered into cooperation agreements with various major banks ("the banks"). According to such agreements, the banks granted the Group with general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the banks in accordance with banking regulations. As at 30 June 2018, total available banking facilities under these arrangements were approximately RMB39,626 million in aggregate, of which RMB20,778 million had been utilized. On 5 February 2018, the CSRC issued approval for public issuance of the corporate bonds of the Company (the "Corporate Bonds") in the amount of no more than RMB5,000 million by the Company to qualified investors. The approval shall be effective within a period of 24 months from the date on which the approval of the CSRC is obtained, in which, the Corporate Bonds of RMB1,300 million has been issued on 15 August 2018. On 17 April 2018, the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) issued a "Notice of Acceptance for Registration", accepting the increased registration and issuance of the Company's mid-term notes amounting to not more than RMB5,000 million. The registered amount shall be effective within a period of two years from the date of the letter. On 17 April 2018, the National Association of Financial Market Institutional Investors issued a "Notice of Acceptance for Registration", accepting the increased registration and issuance of the Company's super short-term commercial papers amounting to not more than RMB5,000 million. The registered amount shall be effective within a period of two years from the date of the letter.

Collateral and Pledged Assets

As at 30 June 2018, the Group had placed the following as collateral for bank borrowings: Property, plant and equipment amounting to RMB80 million (31 December 2017: RMB83 million) and prepaid land lease payments amounting to RMB33 million (31 December 2017: RMB33 million),

As at 30 June 2018, the Group had placed the following as collateral for bank borrowings: 268,371,532 shares in Guilin Pharma held by the Group (31 December 2017: 268,371,532 shares in Guilin Pharma held by the Group) and the 100% equity interest in Alma Lasers Ltd. and Alma Lasers Inc., subsidiaries of the Group, held together by the Group and Pramerica-Fosun China Opportunity Fund L.P (31 December 2017: the 100% equity interest in Alma Lasers Ltd. and Alma Lasers Inc. held by the Group and Pramerica-Fosun China Opportunity Fund L.P). Details of the collateral and pledged assets are set out in note 15 to the financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principals of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for the Reporting Period and the corresponding period of 2017.

Unit: million Currency: RMB

	January – June 2018	January – June 2017
Net cash flows from operating activities	**1,279**	1,104
Net cash flows used in investing activities	**(1,831)**	(1,653)
Net cash flows from financing activities	**1,829**	4,901
Net increase in cash and cash equivalents	**1,276**	4,352
Cash and cash equivalents at the beginning of the year	**6,350**	4,538
Cash and cash equivalents at the end of the period	**7,619**	8,792

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB1,336 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 30 June 2018, the Group's capital commitments contracted but not provided for amounted to RMB3,201 million. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 18 to the financial statements.

Contingent Liabilities

As at 30 June 2018, the Group did not have any contingent liabilities.

Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBITDA divided by financial costs was 6.98 times (2017: 10.68 times). The decrease of the interest coverage is due to the increase of Group finance costs by 64.55% to RMB441 million from RMB268 million in the corresponding period of 2017, as a result of the increase in market interest rates and interest-bearing debts as well as other factors during the Reporting Period.

RISK MANAGEMENT

Foreign Currency Exposure

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

Interest Rate Exposure

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

BUSINESS REVIEW

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

In the first half of 2018, amidst the situation that was full of challenges and uncertainties in the economies of the world and the PRC, there were continuous reform of the medical system in the PRC and limited growth of pharmaceutical manufacturing industry despite the slight recovery, while medical technology and medical services continued to be benefited from policies for rapid development. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management as well as international development, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining the balanced growth of its core businesses.

During the Reporting Period, the revenue of the Group increased by 42.17% as compared to the corresponding period of 2017 to RMB11,767 million, and excluding the impacts of the new acquisitions of enterprises in 2017 for comparison purposes and other factors, revenue would have increased by 23.46% as compared to the corresponding period of 2017. Of which, the revenue from pharmaceutical manufacturing and research and development (R&D) segment of the Group amounted to RMB8,872 million, representing an increase of 55.49% (31.51% on the same basis) as compared to the corresponding period of 2017. The revenue from healthcare service business amounted to RMB1,199 million, representing an increase of 18.60% as compared to the corresponding period of 2017.

During the Reporting Period, the Group recorded revenue of RMB8,737 million in Mainland China, representing an increase of 28.33% as compared to the corresponding period of 2017 and recorded revenue of RMB3,030 million in foreign countries or regions, representing an increase of 106.29% as compared to the corresponding period of 2017. The proportion of the Group's overseas revenue was 25.75%, representing an increase of 8.17 percentage points as compared to the corresponding period of 2017.

Gland Pharma, which was acquired by the Group in 2017, was under solid operation. During the Reporting Period, it realized an increase in revenue by 36.42% as compared to the corresponding period of 2017, and its net profit increased by 35.45% as compared to the corresponding period of 2017 (based on the financial statements of Gland Pharma and not taking into account the effects of amortization of assets evaluation increment). Sales revenue of Gland Pharma in the regulated market increased by 74.47% as compared to the corresponding period of 2017. The growth was mainly driven by the revenue of Gland Pharma's major products, including Vancomycin, Heparin, Caspofungin and Keterolac Tromethamine.

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

Unit: million Currency: RMB

Business segment	**Revenue for January to June 2018**	Revenue for January to June 2017	Period-on-period increase/decrease (%)
Pharmaceutical manufacturing and R&D *(Note 1)*	**8.872**	5,706	55.49
Healthcare services *(Note 2)*	**1,199**	1,011	18.60
Medical devices and medical diagnosis	**1,682**	1,541	9.15

Note 1: The revenue of the pharmaceutical manufacturing and R&D business increased by 31.51% on the same basis as compared to the corresponding period of 2017;

Note 2: The revenue of the healthcare services business increased by 1.43% on the same basis as compared to the corresponding period of 2017.

During the Reporting Period, the Group recorded profit before tax of RMB2,038 million, net profit attributable to owners of the parent of RMB1,560 million and net profit attributable to owners of the parent (after extraordinary gain or loss) of RMB1,201 million, which represented a decrease of 6.49%, 7.61% and 5.32% as compared to the corresponding period of 2017 respectively. The decrease was mainly due to the reduction of RMB61 million in extraordinary gain or loss as less gain from assets disposal, and the decrease of RMB67 million in ordinary gain or loss as compared to the corresponding period of the previous year.

The decrease in ordinary gain or loss was mainly affected by the increase in investment in innovative R&D, improved business layout as well as the increase in finance costs and other factors:

(1) The Group is currently in the massive input R&D investment phase. A number of biopharmaceutical innovative drugs, such as monoclonal antibody, biosimilars and small molecular innovative drugs entered into the clinical research phase, and generic drugs and consistency evaluation further accelerated. During the Reporting Period, the total R&D expenses incurred was RMB709 million in total, representing an increase of RMB248 million or 53.69% as compared to the corresponding period of 2017. In addition, the Group also promoted innovative R&D through various ways, which included setting up innovation incubation platforms, during the Reporting Period, Fosun Lead and other innovation incubation platforms have commenced operation during the Reporting Period.

Apart from direct R&D investment, the Group also brought in new technologies through the establishment of joint ventures. The joint ventures and associates established by the Group, such as Fosun Kite and Intuitive Fosun, were still in the preliminary investment phase. The Group also invested in other projects at early stages, such as WeDoctor, which still recorded operating loss. Given the impact of the above factors, the profit sharing of joint ventures and associates for the Reporting Period decreased by RMB47 million as compared to the corresponding period of 2017, representing a decrease of 6.18% on the same basis.

In addition, the Group established subsidiaries in the United States and Europe to expand its overseas R&D, registration and sales. The aforementioned subsidiaries are currently in the preliminary investment phase.

(2) With the increase in market interest rates and interest-bearing debts as well as other factors, the finance costs of the Group increased by RMB173 million during the Reporting Period as compared to the corresponding period of 2017.

The cash flow from operating activities of the Group maintained its rising momentum, increasing to a net amount of RMB1,279 million in the first half of 2018, representing an increase of 15.88% as compared to the corresponding period of 2017.

During the Reporting Period, the Group continued to enhance its R&D investment. The total R&D investment amounted to RMB1,188 million, representing an increase of RMB562 million or 89.82% as compared to the corresponding period of 2017. In particular, R&D expenses amounted to RMB709 million, representing an increase of RMB248 million or 53.69% as compared to the corresponding period of 2017. The R&D investment in the pharmaceutical manufacturing segment amounted to RMB1,064 million, representing an increase of RMB534 million or 100.90% as compared to the corresponding period of 2017. In particular, the R&D expenses of the pharmaceutical manufacturing segment amounted to RMB596 million, representing an increase of RMB231 million or 63.29% as compared to the corresponding period of 2017.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group generated revenue of RMB8,872 million, representing an increase of 55.49% as compared to the corresponding period of 2017. During the Reporting Period and excluding impacts of the contribution from the new acquisitions of enterprises in 2017 for comparison purposes and other factors, the revenue of the pharmaceutical manufacturing and R&D segment increased by 31.51% on the same basis as compared with the corresponding period of 2017. Segment results and segment profit of the pharmaceutical manufacturing and R&D segment amounted to RMB1,035 million and RMB1,005 million, which increased by 10.46% and 3.54% as compared to the corresponding period of 2017, respectively.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group continued to grow steadily and the development of its professional operational team was further strengthened. In the first half of 2018, febuxostat tablets (You Li Tong), pitavastatin calcium tablets (Bang Zhi), quetiapine fumarate tablets (Qi Wei), reduced glutathione series (Atomolan injection and Atomolan tablets), recombinant human erythropoietin (Yi Bao), artesunate injection, vancomycin, heparin sodium and other products maintained rapid growth.

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

Unit: RMB million

Pharmaceutical manufacturing and R&D	January to June 2018	January to June 2017 *(Note 1)*	Period-on-period increase/decrease on the same basis (%)
Major products of the cardiovascular system therapeutic area *(Note 2)*	**864**	722	19.56
Major products of the central nervous system therapeutic area *(Note 3)*	**685**	546	25.37
Major products of the blood system therapeutic area *(Note 4)*	**308**	193	59.77
Major products of metabolism and the alimentary system therapeutic area *(Note 5)*	**1,540**	1,170	31.67
Major products of the anti-infection therapeutic area *(Note 6)*	**1,922**	1,253	53.34
Major products of the anti-tumor therapeutic area *(Note 7)*	**257**	199	29.02
Major products of APIs and intermediate products *(Note 8)*	**665**	699	–4.89

Note 1: The sales income of such products in 2017 has been restated on the same basis for the sales income of Gland Pharma's major products, which include vancomycin, daptomycin and caspofungin in the anti-infection therapeutic area; heparin sodium in the cardiovascular system therapeutic area; and paclitaxel, carboplatin, oxaliplatin and ondansetron in the anti-tumor therapeutic area. The sales income of such products in 2017 has also been restated for escitalopram tablets (Qi Cheng), a new major product in the central nervous system therapeutic area; alfacalcidol tablets(Li Qing) and thioctic acid injection (Fan Ke Jia), both new major products in the metabolism and the alimentary system therapeutic area; flucloxacillin sodium for injection (Ka Di) and rabies vaccine (VERO cell)for human use (non- freeze dried), both new major products in the anti-infection therapeutic area; and levamisole hydrochloride, a new major APIs and intermediate product;

Note 2: Major products of the cardiovascular system therapeutic area include alprostadil dried emulsion (You Di Er), heparin sodium, meglumine adenosine cyclophosphate for injection (Xin Xian An), calcium dobesilate (Ke Yuan), telmisartan (Bang Tan) and pitavastatin (Bang Zhi);

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

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

Note 5: Major products of metabolism and the alimentary system therapeutic area include reduced glutathione series (Atomolan injection and Atomolan tablets), febuxostat tablets (You Li Tong), glimepiride (Wan Su Ping), animal insulin and its formulation, recombinant human erythropoietin (Yi Bao), compound aloe capsules, alfacalcidol tablets(Li Qing) and thioctic acid injection (Fan Ke Jia);

Note 6: Major products of the anti-infection therapeutic area include antimalarial series such as artesunate, anti-tuberculosis series, cefmetazole sodium (Xi Chang and Cefmetazon), potassium sodium dehydroandrographolide succinate for injection (Sha Duo Li Ka), piperacillin sodium and sulbactam sodium (Qiang Shu Xi Lin), piperacillin sodium and sulbactam sodium (Qin Shu), piperacillin sodium and tazobactam sodium (Pai Shu Xi Lin) and ceftizoxime sodium for injection (Er Ye Bi), flucloxacillin sodium for injection (Ka Di), rabies vaccine (VERO cell) for human use (non-freeze dried), vancomycin, daptomycin and caspofungin;

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

Note 8: Major products of the APIs and intermediate products include amino acid series products, tranexamic acid, clindamycin hydrochloride and levamisole hydrochloride.

The Group has focused on innovation and R&D in long run and continued to increase investment in R&D. During the Reporting Period, the R&D investment in the pharmaceutical manufacturing segment amounted to RMB1,064 million, representing an increase of RMB534 million or 100.90% as compared to the corresponding period of 2017, accounting for 11.99% of the revenue of the pharmaceutical manufacturing segment. In particular, the R&D expenses amounted to RMB596 million, representing an increase of RMB231 million or 63.29% as compared to the corresponding period of 2017, accounting for 6.7% 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 chemistry 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 the PRC, U.S., India and other countries, forming a globally-linked R&D team system. In order to leverage its competitive strengths, the Group continued to focus 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, the Group had 240 pipeline drugs, generic drugs, biosimilars and consistency evaluation projects (including 13 small molecular innovative drugs, 10 biopharmaceutical innovative drugs, 17 biosimilars, 131 generic drugs of international standards, 55 consistency evaluation projects, 2 traditional Chinese medicine drugs and 12 external projects). During the Reporting Period, a total of 2 generic drugs of Gland Pharma received approval for sales from U.S. FDA; and amlodipine besylate tablets (Shi Li Da), escitalopram tablets (Qi Cheng) and alfacalcidol tablets(Li Qing) passed the consistency evaluation of generic drugs. It is expected that these pipeline products as well as the generic drugs approved in consistency evaluation will provide a solid foundation to maintain sustainable development of the Group in the future.

During the Reporting Period, research on monoclonal antibody products further accelerated. As at the end of the Reporting Period, a total of 9 monoclonal antibody products (including 4 biopharmaceutical innovative drug) and 13 indications have obtained approval for clinical trial in Mainland China, while the application of 2 monoclonal antibody products and 1 combo for clinical trials have been accepted in Mainland China; and 3 monoclonal antibody products(all biopharmaceutical innovative drugs) obtained approval for clinical trial both in the United States and Taiwan region, and one product (biopharmaceutical innovative drug) obtained approval for clinical trial in Australia. Specific R&D progress of the 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 regions or countries as at the end of the Reporting Period	
			R&D stage	Stage of clinical trial	R&D stage	Stage of clinical trial
1	Biosimilars	Rituximab	Application for sales	Phase III *(Note 1)*	—	—
2	Biosimilars	Recombinant Anti-HER2 Humanized Monoclonal Antibody for Injection	Clinical trial	Phase III	Clinical trial *(Note 2)*	Phase III
3	Biosimilars	Recombinant Anti-TNF α Human Monoclonal Antibody Injection	Clinical trial	Phase I/III	—	—
4	Biosimilars	Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Clinical trial	Phase I/III	—	—
5	Biosimilars	Recombinant Anti-EGFR Human/Murine Chimeric Monoclonal Antibody Injection	Approved for clinical trial	—	—	—
6	Biopharmaceutical innovative drugs	Recombinant Human/murine Chimeric Anti-CD20 Monoclonal Antibody Injection	Clinical trial	Phase III *(Note 3)*	—	—
7	Biopharmaceutical innovative drugs	Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Application for clinical trial accepted	—	—	—

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 regions or countries as at the end of the Reporting Period	
			R&D stage	Stage of clinical trial	R&D stage	Stage of clinical trial
8	Biopharmaceutical innovative drugs	Recombinant Fully Human Anti-VEGFR2 Monoclonal Antibody Injection	Approved for clinical trial	—	Clinical trial *(Note 4)*	Phase I
9	Biopharmaceutical innovative drugs	Recombinant Anti-EGFR Humanized Monoclonal Antibody Injection	Approved for clinical trial	—	Clinical trial *(Note 4)*	Phase I
10	Biopharmaceutical innovative drugs	Recombinant Humanized Anti-PD–1 Monoclonal Antibody injection	Approved for clinical trial	—	Clinical trial *(Note 4)*	Phase I
11	Biopharmaceutical innovative drugs	Recombinant Fully Human Anti-PD-L1 Monoclonal Antibody Injection	Application for clinical trial accepted	—	Approved for clinical trial *(Note 5)*	—
12	Combo (Combined treatment)	Combo of Recombinant Humanized Anti-PD–1 Monoclonal Antibody Injection and Recombinant Anti-VEGF Humanized Monoclonal Antibody Injection	Application for clinical trial accepted	—	—	—

Note 1: Such drug for non-Hodgkin lymphoma indications was accepted in the registration review of the State Drug Administration, and had been included in the registration application list for drugs to be included in the priority review process 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 have been carried out in Ukraine, Poland and the Philippines as at the end of the Reporting Period;

Note 3: Phase III clinical trials were carried out for drugs for rheumatoid arthritis indications as at the end of the Reporting Period;

Note 4: Such drugs were approved for clinical trials in Mainland China, the United States and Taiwan Region, and phase I clinical trials were carried out in Tai Wan region as at the end of the Reporting Period;

Note 5: Such drugs were approved for clinical trials in Australia as at the end of the Reporting Period.

As at the end of the Reporting Period, the R&D progress of the Group's small molecular innovative drugs is as follows:

No.	Name of R&D project on drugs (products)	R&D stages as at the end of the Reporting Period	
		R&D stage	Stage of clinical trial
1	Foritinib Succinate Capsules *(Note 1)*	Clinical trial	Phase I
2	FCN-411 *(Note 2)*	Approved for clinical trial	—
3	PA-824	Clinical trial	Phase I
4	FN-1501	Approved for clinical trial *(Note 3)*	*(Note 4)*
5	FCN-437	Approved for clinical trial	—

Note 1: Representing R&D project FC-110;

Note 2: Representing R&D project FC-102;

Note 3: As at the end of the Reporting Period, FN-1501 has been approved for clinical trial in Mainland China, the United States and Australia;

Note 4: Currently, FN-1501 has commenced Phase-I clinical trial in the United States and Australia.

During the Reporting Period, a total of 17 patents had been applied for in the pharmaceutical manufacturing and R&D segment, including 1 U.S. patent application 1 Japanese patent application, 2 European patent applications, 2 Indian patent applications, 3 PCT applications, and 16 licensed patents had been obtained, all of which were 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 pharmacovigilance mechanism at each stage of the production chain from R&D to pulling off shelf, so as to ensure the R&D, registration, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing and R&D segment has fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, change management, deviation management, out-of-specification (OOS) investigation, 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 that engaged in pharmaceutical manufacturing business fulfilled the new GMP in China. While ensuring that 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. During the Reporting Period, 4 pharmaceutical manufacturing sites and 3 API production sites of Gland Pharma received and passed reviews/certifications in accordance with the drug regulations in the United States, Europe, Brazil and other countries. Furthermore, 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 product lines for injections and 5 production lines for APIs of Guilin Pharma, a subsidiary, obtained PreQualification from the WHO-PQ; and 1 production line of oral solid dosage formulation of Yao Pharma, a subsidiary, was recognized by Health Canada and the U.S. FDA and its many formulations products were sold overseas.

At the beginning of the Reporting Period, Fosun Pharmaceutical Industrial, a subsidiary of the Company, became the first marketing authorization holder for drug products in Shanghai. The Group will develop and continuously improve the management model of the marketing authorization holder system by participating in relevant pilot schemes, which will continuously strengthen the Group's capability in quality control over the entire life cycle of drugs.

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 in its revenue and profit.

Healthcare Services

In the first half of 2018, the Group continued to reinforce its primarily formed 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 scale and profitability.

During the Reporting Period, Chancheng Hospital passed the JCI international hospital standard with flying colors, and became the first third-grade class A general hospital in China to pass the sixth edition of JCI standard. Another hospital was categorized as a tier-two hospital. Through the efforts in establishing hospital class, the groundwork for the business layout has been laid, which involves 3 tier-two hospitals led and supported by 2 tier-three (third-grade class A) hospitals in terms of business and discipline development. In addition, as the Group continuously optimized and advanced the layout and establishment of disciplines, the basic framework for a reasonable layout based on key disciplines on the provincial, municipal and regional level has been formed. The completion of the acquisition of controlling interest in Hengsheng Hospital and Zhuhai Chancheng in 2017 played an important role in the extensive development of medical service of the Group in Southern China and further expanded 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 formed a closed circuit of O2O so as to explore the innovation of medical services operation and model. Moreover, the Group also cooperated with local governments, universities, hospitals and other parties 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 Chancheng. During the Reporting Period, the healthcare services entities controlled by the Group realized total revenue of RMB1,199 million, representing an increase of 18.60% as compared to corresponding period of 2017. Excluding the impacts of the contributions from the new acquisitions of enterprises in 2017 for comparison purposes and other factors, revenue would have increased by 1.43% on the same basis as compared to the corresponding period of 2017. During the Reporting Period, segment results were RMB156 million, representing a decrease of 2.16% on the same basis as compared to the corresponding period of 2017, and segment profit was RMB134 million, representing an increase of 1.32% as compared to the corresponding period of 2017. As at the end of the Reporting Period, the total number of authorized beds in Chancheng Hospital, Hengsheng Hospital, Zhongwu Hospital, Wenzhou Geriatric Hospital, Guangji Hospital, Jimin Cancer Hospital and Zhuhai Chancheng, 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" under Chindex. In the first half of 2018, 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 and Shanghai United Family Pudong Hospital had commenced operation, while the preparation works for Guangzhou United Family Hospital had begun.

Medical Devices and Medical Diagnosis

In the first half of 2018, the Group continued to push the development of the medical devices and medical diagnosis segment forward.

During the Reporting Period, the Group realized revenue of RMB1,682 million from the medical devices and medical diagnosis segment, representing an increase of 9.15% as compared to the corresponding period of 2017. During the Reporting Period, the results and profit of the medical devices and medical diagnosis segment amounted to RMB281 million and RMB253 million, which increased by 9.26% and 14.90% as compared to the corresponding period of 2017, respectively. During the Reporting Period, Sisram continued to accelerate the development of the global market and especially key emerging markets while strengthening its new product portfolio, in particular, by increasing R&D of medical devices and extending its production line into the clinical treatment area. In the first half of 2018, the revenue of Sisram amounted to US$78.2 million, representing an increase of 17.9% as compared to the corresponding period of 2017 (based on the financial statements of Sisram); 1 product of Sisram passed EU CE certification, and 2 products of Sisram were approved by the U.S. FDA. In the first half of 2018, the revenue of HPV diagnostic reagent increased by 29.9% as compared to the corresponding period of the previous year, while the revenue of T-SPOT test kits increased by 19.1% as compared to the corresponding period of the previous year.

Meanwhile, the number of surgeries performed by Da Vinci surgical robotic system maintained rapid growth during the Reporting Period and amounted to more than 15,000 in Mainland China and Hong Kong, representing a growth of approximately 24%. As the equipment quota was more delayed than expected, the equipment sales of Da Vinci surgical robotic system recorded a decrease on the same basis during the Reporting Period.

Pharmaceutical Distribution and Retail

During the Reporting Period, Sinopharm, an associate of the Group, put continuous efforts in accelerating industry consolidation, expanding distribution network of pharmaceutical products and maintaining rapid growth in business. In the first half of 2018, Sinopharm realized revenue of RMB147,486 million, net profit of RMB4,027 million and net profit attributable to shareholders of the parent of RMB2,679 million, which represented an increase of 7.05%, a decrease of 0.12% and a decrease of 3.11% as compared to the corresponding period of 2017, respectively. As at the end of the Reporting Period, the distribution network of Sinopharm covered 31 provinces, municipalities and autonomous regions in China. The number of its direct customers reached 15,118 hospitals (only referring to hospitals with ranking, including 2,307 of the tier- three hospitals, which are the largest and most highly-ranked hospitals), 130,893 small-sized end customers (including basic medical institutions and others) and 95,971 retail pharmacies. During the Reporting Period, Sinopharm's revenue from pharmaceutical distribution business increased by 6.25% as compared to the corresponding period of 2017 to RMB139,926 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB7,101 million realized during the Reporting Period, representing an increase of 24.57% as compared to the corresponding period of 2017, while its pharmaceutical retail network further expanded. As at the end of the Reporting Period, the retail pharmacy network covered 19 provinces, municipalities and autonomous regions in China with 4,004 retail pharmacies comprising 2,965 direct-sale stores and 1,039 franchise stores.

Internal Integration and Operation Enhancement

During the Reporting Period, the Group continued to increase its investment in internal integration, further strengthened the internal communication of the Group and proactively improved operational efficiency. During the Reporting Period, 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. 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 the regions. In respect of pharmaceutical manufacturing and R&D, the Group forged production and technological cooperation between domestic and overseas enterprises and exchanged personnel, which further accelerated its internationalization process, enhanced its products' market shares and increased its R&D capabilities together with its internationalized drug registration and declaration capabilities, thereby pushing forward the industrial upgrade and R&D capabilities of the Group's pharmaceutical manufacturing business. In respect of healthcare services, the further increase of shareholding in Chancheng Hospital and the completion of the acquisition of Hengsheng Hospital and Zhuhai Chancheng played an important role in the strategic layout of healthcare services of the Group in Southern China and the Guangdong-Hong Kong-Macau Bay Area, and further expanded its business arrangements in developed coastal cities and regions to establish regional medical centers and enhance the supply chain spanning major health industries. In respect of pharmaceutical distribution and retail, 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.

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 continued to pursue the establishment of hospital information system and hospital resource planning system within the Group, and through the establishment of standardized basic data standards and platforms for the healthcare services business through the Hospital Information Management Platform, the management efficiency and service quality of our hospitals had been enhanced. Real-time analysis of key data such as medical operations information, operational indicators, and business processes was also enabled, boosting the quality of the business.

In collective procurement and strategic procurement, in the first half of 2018, the Group further promoted the collective procurement projects in cross-business segments and sectors. As at the end of the Reporting Period, 12 collective procurement and strategic bidding projects for analytical instruments and consumables, medical equipment, industrial design, wire and cable, shuttle and information systems and in relation to strategic suppliers as well as instruments and consumables had been completed. We established a digitalized platform for the procurement and had a trial run, which demonstrated integrity, transparency, comparability and traceability in the procurement business. 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 a later stage. They also traced the implementation of collective procurements as well as 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 had formulated and amended systems including the Anti-Corruption Regulation and the Management Rules on Operation with Integrity, which fully implemented open tendering and monitored the sensitive areas, in order to enhance its integrity inspection system for compliance operation.

Environment, Health and Safety

During the Reporting Period, the Group continued to proceed with the establishment and operation of the management of the environment, health and safety (EHS). Leveraging the EHS management system, the EHS management standard of the Group's medical institutions had been enhanced. In the first half of 2018, the benchmarking and mapping of the EHS management system standard (HOPES) for hospitals in the healthcare service segment had been completed, which provided the basis and reference for system improvement and enhancement for the next steps. In addition, the Group accelerated the establishment of systems in the pharmaceutical manufacturing and R&D segment, as well as the enhancement of its essential factors. Through setting up special courses and formulating actions, measures and plans for the improvement of key elements, the management standard of key elements was enhanced gradually, thus the enhancement of the EHS management system, achieving continuous improvement in the system's Plan-Do-Check-Act (PDCA) cycle.

For on-site EHS improvement work, the Group built, upgraded and renovated various environmental protection facilities based on the principal objective of hardware improvement. The Group also improved the governance capacity of corporate environmental pollutants, in order to ensure continuous and stable discharge in accordance with relevant standards, and to reduce the total amount of environmental pollutants discharged. During the Reporting Period, a number of medical institutions of the Group began to build or upgrade their sewage treatment facilities, built new treatment equipment for atmospheric pollutants, and introduced new energy-saving equipment and technologies for energy conservation, making active efforts to reduce carbon emission.

In respect of the cultivation of an EHS culture, the Group continued to carry out its EHS management month campaign, which emphasizes and highlights the importance of environmental protection as well as work safety among employees, and required management to attach importance to EHS by participating in EHS works in terms of manpower, resources and capital. The campaign required management to guide employees in actively participating in EHS works, so as to fulfil their obligations for environmental protection and safety. Meanwhile, the Group continued to promote and expedite training for EHS teams and talents. Therefore, projects such as "EHS WeChat Classroom", "EHS Expert Training" and "EHS Special Training Library" were developed successively to enhance the team's awareness and capability in EHS, and to train professional and technical personnel for EHS, providing a pool of talents for further improvement in EHS.

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.

Financing

During the Reporting Period, CSRC approved the Company's public issuance of Corporate Bonds with an aggregate nominal value of not more than RMB5 billion. At the same time, the Company received the Notice of Registration from the National Association of Financial Market Institutional Investors for its mid-term notes and super short-term commercial papers amounting to RMB5 billion respectively. 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 further increased the credit facilities on the basis of maintaining good cooperative relationship between Chinese and foreign-funded financial institutions. During the Reporting Period, new credit facilities from Chinese and foreign-funded banks amounted to approximately RMB4 billion, providing 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 approximately RMB39,626 million in credit facilities from major cooperative banks.

A. Analysis of Principal Operations

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

Unit: RMB million

Items	January to June 2018	January to June 2017	Period-on-period increase/decrease (%)
Revenue	**11,767**	8,277	42.17
Cost of sales	**4,946**	3,572	38.47
Selling and distribution expenses	**3,804**	2,283	66.64
Administrative expenses	**1,038**	784	32.40
R&D expenses	**709**	461	53.69
Finance costs	**441**	268	64.55
Net cash flow generated from operating activities	**1,279**	1,104	15.88
Net cash flow generated from investment activities	**–1,831**	–1,653	–10.81
Net cash flow generated from financing activities	**1,829**	4,901	–62.69
R&D expenditure	**1,188**	626	89.82

The increase in revenue and cost of sales were mainly due to the growth in the sales volume of major products and contribution of the new acquisitions of enterprises during the Reporting Period. Excluding the impacts of the new acquisitions of enterprises in 2017 for comparison purposes and other factors, revenue would have increased by 23.46% on the same basis as compared to 2017;

The increase in selling and distribution expenses was mainly due to adjustments to the sales model of certain products, market expansion in new and recent products, the growth in sales of major products and the new acquisitions of enterprises during the Reporting Period;

The increase in administrative expenses was mainly due to the new acquisitions of enterprises during the Reporting Period;

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

The increase in finance costs was mainly due to the factors including the increase in market interest rates and interest-bearing debts during the Reporting Period;

The decrease in net cash flow generated from financing activities was mainly due to the placing of H Shares during the corresponding period of the previous year, the proceeds of which amounted to HK$2,323 million; and the issuance of Corporate Bonds amounting to RMB1.25 billion.

(2) R&D Expenditure

① R&D Expenditure

Unit: RMB million

R&D expenditures expensed for the period	709
R&D expenditures capitalized for the period	479
Total R&D expenditures	1,188
Percentage of total R&D expenditures on net assets (%)	3.91
Percentage of total R&D expenditures on revenue (%)	10.0

② Descriptions

During the Reporting Period, the total R&D investment was RMB1,188 million, representing an increase of RMB562 million or 89.82% as compared to the corresponding period of 2017. Among which the R&D expenses amounted to RMB709 million, representing an increase of RMB248 million or 53.69% as compared to the corresponding period of 2017; the R&D investment in the pharmaceutical manufacturing and R&D sector amounted to RMB1,064 million, representing an increase of RMB534 million or 100.90% as compared to the corresponding period of 2017, accounting for 11.99% of the revenue of the pharmaceutical manufacturing and R&D segment, which was mainly due to the continuous and further increase in the R&D investment in monoclonal antibody biopharmaceutical innovative drugs, biosimilars and small molecular innovative drugs and focused investment in consistency evaluation during the Reporting Period.

(3) Progress of operation plans

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

In addition, the Group actively promoted its internationalization strategies, accelerated the pace of its international mergers and acquisitions and increased its business scale.

B. Analysis of Segment and Regional Operations

(1) Principal Business by Segment and by Products

Unit: RMB million

Principal business by segment

Segments	Revenue	Cost of sales	Gross margin (%)	Period-on- period increase/decrease in revenue as compared to the previous year (%)	Period-on- period increase/decrease in cost of sales as compared to the previous year (%)	Period-on-period increase/decrease in gross margin as compared to the previous year
Pharmaceutical manufacturing and R&D *(Note 1)*	8,872	3,169	64.28	55.49	54.61	increase of 0.21 percentage points
Healthcare services	1,199	874	27.09	18.60	22.94	decrease of 2.58 percentage point
Medical devices and medical diagnosis	1,682	855	49.16	9.15	8.08	increase of 0.49 percentage point

Principal Business by Products

Products *(Note 2)*	Revenue	Cost of sales	Gross margin (%)	Period-on- period increase/decrease in revenue as compared to the previous year (%)	Period-on- period increase/decrease in cost of sales as compared to the previous year (%)	Period-on-period increase/decrease in gross margin as compared to the previous year
Major products of the cardiovascular system therapeutic area *(Note 3)*	864	233	73.02	19.56	41.47	decrease of 4.18 percentage points
Major products of the central nervous system therapeutic area *(Note 4)*	685	45	93.40	25.37	–19.43	increase of 3.68 percentage points
Major products of the blood system therapeutic area *(Note 5)*	308	20	93.55	59.77	–1.84	increase of 4.05 percentage points
Major products of metabolism and the alimentary system therapeutic area *(Note 6)*	1,540	277	82.02	31.67	6.97	increase of 4.15 percentage points
Major products of the anti-infection therapeutic area *(Note 7)*	1,922	491	74.43	53.34	13.31	increase of 9.04 percentage points
Major products of the anti-tumor therapeutic area *(Note 8)*	257	80	69.06	29.02	29.52	decrease of 0.12 percentage points
Major products of the APIs and intermediate products *(Note 9)*	665	481	27.62	–4.89	1.22	decrease of 4.37 percentage points

Note 1: The increase in revenue and operating costs of the pharmaceutical manufacturing and R&D sector as compared to the corresponding period of the previous year was mainly due to the growth of core product sales and the contribution of new acquisitions of enterprises during the Reporting Period;

Note 2: In the first half of 2018, the figures of principal business by therapeutic areas have included the core product data of Gland Pharma in the relevant therapeutic area. In the corresponding period of 2017, the revenue and operating costs were restated for the core products of Gland Pharma on the same basis;

Note 3: The changes in the revenue and gross margin of major products of the cardiovascular system therapeutic area were mainly due to the contribution and gross profit of heparin, a major product of Gland Pharma; excluding Gland Pharma, the revenue recorded a year-on-year increase of 11.80% on the same basis;

Note 4: The revenue of major products of the central nervous system therapeutic area recorded a year-on-year increase of 25.37%, mainly due to the increase in sales volume quetiapine fumarate tablets (Qi Wei) and price adjustment of deproteinized calf blood injection (Ao De Jin). The changes in operating costs were mainly due to the impact of the sales volume of deproteinized calf blood injection (Ao De Jin);

Note 5: The changes in revenue of major products of the blood system therapeutic area were mainly due to the price adjustment of hemocoagulase for injection (Bang Ting);

Note 6: The revenue of major products of the metabolism and the alimentary system therapeutic area recorded a year-on-year increase of 31.67% period-on-period, mainly due to the increase in sales volume of febuxostat tablets (You Li Tong) and reduced glutathione series for injection (Atomolan injection and Atomolan tablets);

Note 7: The revenue of major products of the anti-infection therapeutic area recorded a year-on-year increase of 53.34%, mainly due to the increase in sales volume of artesunate injection, cefmetazole sodium (Xi Chang and Cefmetazon) and products of Gland Pharma such as vancomycin and caspofungin;

Note 8: The revenue of major products of the anti-tumor therapeutic area recorded a year-on-year increase of 29.02%, mainly due to the increase in sales volume of pemetrexed disodium for injection (Yi Luo Ze) and Xihuang capsules and the revenue contribution from products of Gland Pharma such as carboplatin; excluding Gland Pharma, the revenue recorded a year-on-year increase of 24.94% on the same basis; the decrease in the gross margin of core products as compared to the previous year was mainly due to the impact of Gland Pharma products. Excluding the impact of Gland Pharma, the gross margin of core products of the anti-tumor therapeutic area increased by 1.81 percentage points as compared to the previous year;

Note 9: The changes in the revenue and gross margin of major products of APIs and intermediate products were mainly due to the impact of sales of amino acid series products.

(2) Principal Business by Geographical Location

Unit: RMB million

Region	Revenue	Period-on-period increase/ decrease in revenue as compared to the previous year (%)
Mainland China	8,737	28.33
Overseas countries or regions	3,030	106.29

C. Analysis of Major Subsidiaries and Investee Companies

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

① Operation and Results of Major Subsidiaries

Unit: RMB million

Name	Nature of business	Main products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Sha Duo Li Ka, Xi Chang, Cefmetazon, etc.	197	3,455	2,089	2,424	388	291
Wanbang Pharma	Pharmaceutical manufacturing	You Li Tong, EPO, Xihuang capsules, Wan Su Ping, heparin series, etc.	440	3,481	1,929	1,834	249	201
Aohong Pharmaceutical	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	2,090	1,696	654	119	139
Gland Pharma	Pharmaceutical manufacturing	Heparin sodium, vancomycin, rocuronium bromide, etc.	N/A	6,196	4,700	1,004	257	163

Note: The information of Aohong Pharmaceutical and Gland Pharma included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

② Status of Major Subsidiaries of Other Business Segments

Unit: RMB million

Name	Nature of business	Major products	Registered Capital	Total assets	Net assets	Net profit
Chancheng Hospital *(Note 1)*	Healthcare services	Healthcare services	50	1,876	1,366	88
Sisram *(Note 2)*	Medical devices	Medical beauty devices and medical devices	N/A	2,322	2,010	72

Note 1: The figures of Chancheng Hospital included appreciation of asset evaluation and amortization of appreciation of asset evaluation;

Note 2: The figures of Sisram were prepared in accordance with HKFRS.

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

Unit: RMB million

Name	Nature of business	Main business	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司)	Pharmaceutical investment	Pharmaceutical investment	100	192,679	54,600	147,151	5,161	4,033

Note: As at the end of the Reporting Period, Sinopharm Industrial Investment Co., Ltd. held 56.79% equity interests in Sinopharm.

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

1 The disposal of subsidiaries in the first half of 2018

On 9 January 2018, the strike-off of a subsidiary, namely Sichuan Nuoya Medical (四川諾亞), was completed.

On 17 January 2018, Fosun Hospital Investment (上海復星醫院投資), a subsidiary, entered into an Equity Transfer Agreement with Wang Weiguo and Wang Xiang, pursuant to which Fosun Hospital Investment transferred its 45% equity interests in Hunan Jingren (湖南景仁) to Wang Weiguo and Wang Xiang in stages. As at the end of the Reporting Period, Fosun Hospital Investment held only 20% equity interests in Hunan Jingren, transforming Hunan Jingren from a subsidiary to an associate.

On 4 April, 2018, Wanbang Pharma, a subsidiary, entered into an Equity Transfer Agreement with Liu Haiquan, pursuant to which Wanbang Pharma transferred its 51% equity interests in Heilongjiang Wanbang (黑龍江萬邦) to Liu Haiquan. As at the end of the Reporting Period, Wanbang Pharma no longer held any equity interests in Heilongjiang Wanbang.

The impact of disposal of subsidiaries in the first half of 2018 on the Group's operation and results:

Unit: RMB million

Name	Method of disposal	Net assets disposed of	Net profit (from the beginning of the Reporting Period to the date of disposal)	Date of disposal
Sichuan Nuoya	Strike-off	–1	—	9 January 2018
Hunan Jingren	Equity transfer	64	—	17 January 2018
Heilongjiang Wanbang	Equity transfer	–1	1	11 April 2018

D. Core Competence Analysis

According to its strategy, the Group mainly develops its 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 business of the Group are in leading positions in the industry. The healthcare services business of the Group also took the lead in terms of business development and integration capability in the industry.

The core competitiveness of the Group can be reflected in its multi-layered product lines, strong R&D capability, highly standardized production management capability, high-quality service capability, professional marketing capability and international business development and integration capability, as well as the capability of constructing a global manufacturing and supply chain with cost advantages.

The Group has established interactive and integrated R&D systems in China, the United States, India and other countries, and with nearly 1,600 staff members on the R&D team, our internationalized R&D structure and R&D capabilities have already created preliminary results. In the pharmaceutical manufacturing and R&D segment, it has established an efficient innovative chemical drugs platform, a biopharmaceutical drugs platform, a platform for generic drugs with high value and a cell-mediated immunity platform. As at the end of the Reporting Period, there were 240 pipeline drugs, generic drugs, biosimilars and consistency evaluation projects (including 13 small molecular innovative drugs, 10 biopharmaceutical innovative drugs, 17 biosimilars, 131 generic drugs with international standards, 55 consistency evaluation projects, 2 traditional Chinese medicine drugs and 12 external projects), 5 projects under clinical trial applications, 36 projects under clinical trial, and 61 projects awaiting official approval for sales. During the Reporting Period, the consistency evaluation of generic drugs progressed in an orderly manner, with 3 drugs including amlodipine besylate tablets (Shi Li Da), escitalopram tablets (Qi Cheng) and alfacalcidol tablets(Li Qing) passing the consistency evaluation of generic drugs. At the same time, the product portfolio of anti-tumor drugs has expanded and as at the end of the Reporting Period, 9 monoclonal antibody product of the Group (including 4 innovative monoclonal antibody items), and 13 indications obtained approval for clinical trial in Mainland China, and ; the application of 2 monoclonal antibody products and 1 combo for clinical trials have been accepted in Mainland China, among which, 5 products were in phase III clinical trial, 1 product applied for production (i.e. rituximab) and was included in the registration application list for drugs to be included in the priority review process; 3 innovative monoclonal antibody items obtained approval for clinical trial in the United States and Taiwan region; 1 innovative monoclonal antibody item obtained approval for clinical trial in Australia, and recombinant anti-HER2 humanized monoclonal antibody for injection obtained approval of clinical trial in China and Europe; FKC876, the first product of Fosun Kite, a joint venture, was accepted in the clinical trial and registration review of the NMPA. 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 the cardiovascular system, the metabolism and alimentary system, the central nervous system, the blood system, anti-infection and anti-tumor) which are areas with the greatest potential to grow in China's pharmaceutical market. It is expected that the pipeline products as well as the generic drugs approved in consistency evaluation will provide a solid foundation to maintain sustainable development of the Group in the future.

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 and 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, the Group further leveraged 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 increased in the international market.

Meanwhile, the Group is also one of the first enterprises in the PRC pharmaceutical industry to develop internationally. Following the acquisition of Gland Pharma, which was completed in 2017, the Group's drug registration capabilities in regulatory markets and international manufacturing capabilities have been further enhanced. Its formulations and APIs have also entered into the international markets on a considerable scale. At the same time, the Group continues to carry forward industrial upgrading of its pharmaceutical manufacturing business, which accelerated the internationalization process to increase the market share of products in the international market.

For the healthcare service segment, the Group has completed the preliminary strategic deployment of its healthcare services business with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC. In respect of investment management, a clear business procedure as well as a management and decision-making system have also been formed, including project approval, due diligence and voting. In respect operational management, the Group continued with the enhancement and optimization of medical professionals, including healthcare staff, nursing staff and technicians, as well as the management system and framework of functions such as finance, EHS, procurement and infrastructure, enabling the healthcare service to sustain improvement in business development, 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.

E. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 29,481 employees. The employee's remuneration policies of the Group were formulated on the basis of the results, work experience and salary level prevailing in the market.

2. Business Outlook for the Second Half of 2018

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

Pharmaceutical R&D and Manufacturing

In the second half of 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.

Following the completion of the acquisition of Gland Pharma and its deeper integration into the Group, the Group will continue to increase its own capabilities in innovative R&D and internationalized drug registration and declaration, while establishing and promoting integration and synergy in the product lines and supply chains.

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 including the antimalaria series such as artesunate, as well as febuxostat tablets (You Li Tong), recombinant human erythropoietin injection (GHO cells) (Yi Bao), alprostadil dried emulsion for injection (You Di Er), calcium dobesilate capsules (Ke Yuan), new compound aloe capsules (Ke Yi), pitavastatin calcium tablets (Bang Zhi), amlodipine besylate tablets (Shi Li Da) and rituximab monoclonal antibody so as to maintain and further improve the leading position in their respective market segments.

The Group will continue to adopt the strategy to integrates generic and innovation drugs, in combination with international technology licenses and 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. For example, a small molecular chemistry innovative drugs of the Group, namely FN-1501, commenced phase I clinical trial in the United States and Australia. Furthermore, the Group will continue to 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. In 2018, the Group plans to select over 50 types in the 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.

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 the second half of 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 the second half of 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. It will further strengthen healthcare institutions it controls in terms of their disciplines and quality management, operational efficiency and 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 reconstruction and expansion of Taizhou Zhedong Hospital, Zhongwu Hospital and Guangji Hospital as well as the implementation of the Huai'an Xinghuai International Hospital Project, and positively seeking new opportunities for merger and acquisition of healthcare services. Furthermore, the Group will continue to support and promote the development of "United Family Hospital", a high-end brand for healthcare services under Chindex, and in particular the business expansion of Guangzhou United Family Hospital and Shanghai United Family Pudong Hospital in order to accelerate the development of its high-end healthcare services characterized by multiple levels, diversification and extensibility.

Medical Diagnosis and Medical Devices

In the second half of 2018, the Group will increase its investments in R&D, manufacturing and sales of medical devices. Sisram will further stimulate 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 coverage in the industry chain. 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 the second half of 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 the second half of 2018, the Group will continue to facilitate consolidation and rapid development of Sinopharm in its distribution business for pharmaceutical and medical device, and the continued expansion of the competitive advantages of Sinopharm in its distribution of pharmaceutical and medical device and in the retail sector.

Financing

On 26 July 2018, the Company completed the placing of H Shares. The net proceeds from the placing amounted to approximately HK$2,579 million and were mainly used for repaying interest-bearing debts, replenishing the working capital of the Group, and financing potential mergers and acquisitions domestically or overseas. In addition, in order to continuously optimize debt structure, the Company completed the issue of Corporate Bonds of RMB1,300 million on 15 August 2018.

In the second half of 2018, the Group will continue to explore the financing channels domestically and internationally, optimize its financing channels and debt structure, lower finance costs and further enhance its core competence, so as to consolidate its leading position in the industry.

3. Potential Risks

A. Risks in relation to industry policies and system reforms

The pharmaceutical industry is one of the industries most affected by national policies in the PRC. Enterprises which engage in the production and sale of pharmaceutical products, diagnostic products and medical devices must obtain relevant permits issued by food and drug supervision and administration authorities. The product quality is regulated under stringent laws and regulations. The pharmaceutical industry is currently at the stage where relevant state policies are under significant adjustment and is strictly controlled. Although the Group's major business segments in manufacturing and sale for pharmaceutical products, medical devices and diagnostic products have obtained the above-mentioned permits and approvals issued by food and drug supervision and administration authorities, the state may adjust its regulations in respect of the manufacturing and sale of pharmaceutical products, diagnostic products and medical devices. If the Group is unable to make corresponding adjustment and improvement, the production and operation of the Group may be adversely affected. Meanwhile, with further implementation of the 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. Following the issue of "Opinion on Deepening the Reform of the Regulatory Approval System to Encourage Innovation in Drugs and Medical Devices" (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見) by the State, the review, approval, R&D and innovation of drugs and medical devices meet new opportunities and challenges.

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 in the long-term if state-owned enterprises in medical institutions were given policy opportunities.

B. Market risks

Due to the huge market size and great development potential of the pharmaceutical market in the PRC, leading international pharmaceutical enterprises have been entering into the market. At the same time, the participation of enterprises from other industries in the competition and the existence of numerous domestic pharmaceutical enterprises across the PRC result in the excessive number of pharmaceutical manufacturing companies, fragmented market and low market concentration. Hence, the market competition has been intensified. The intense competition among domestic pharmaceutical companies and the implementation of reform measures relating to, among others, drug pricing reform and healthcare at an affordable price 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.

C. Business and operating risks

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

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

The healthcare services segment is exposed to medical malpractice risks, including complaints and disputes between doctors and patients arising from surgical error, 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.

D. Management risks

(1) Management risks in relation to business expansion

With the implementation of the internationalization strategies of the Group, the scale of export of the Group's products and the region coverage of its overseas production will be expanded. The Group may face various problems during the process of implementation of internationalization strategies, including unfamiliarity with the overseas markets, difference in the demands between overseas and domestic customers, and implementation of trade protection policies in certain countries. At the same time, with the further expansion in global sales network of the Group, the scale of sales and the scope of business, 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 have been increasing, the exchange fluctuation between RMB and other currencies may affect the operation of the Group.

(2) Risks arising from acquisitions and reorganizations

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

E. Force majeure risks

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

4. Other Events

A. 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 he intended to increase his shareholding in the Company (including A Shares and/or H Shares) 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 2 January 2018 (after trading hours), the implementation period of the share increase plan of Mr. Wu Yifang lapsed. From 3 January 2017 to 2 January 2018, Mr. Wu Yifang acquired a total of 755,900 shares (including 443,900 A Shares and 312,000 H Shares) of the Company in an aggregate amount of approximately RMB20.90 million.

B. The Public Issuance of Corporate Bonds to Qualified Investors

The public issuance of Corporate Bonds was approved by the Shareholders on 29 June 2017.

The "Approval on the Public Issuance of Corporate Bonds to Qualified Investors by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*" (《關於核準上海復星醫藥(集團)股份有限公司向合格投資者公開發行公司債券的批覆》) was issued by the CSRC on 5 February 2018, pursuant to which, the Company has obtained approval to publicly issue Corporate Bonds with an aggregate nominal value of not more than RMB5 billion to qualified investors.

In accordance with the "Announcement on the Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors in 2018 by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*" (《上海復星醫藥(集團)股份有限公司2018年公開發行公司債券(第一期)(面向合格投資者)發行公告》), the issuance of the first tranche of Corporate Bonds in 2018 was completed on 15 August 2018 (the "Current Tranche of Corporate Bonds") and the issuance size was RMB1.3 billion.

The value date of the Current Tranche of Corporate Bonds was 13 August 2018, with the final coupon rate at 5.10%.

C. 2017 Shareholding Increase Plan of the Controlling Shareholder

As notified by Fosun High Tech, the controlling shareholder of the Company, in writing on 9 May 2017 and 24 May 2017, Fosun High Tech intended to increase its shareholding in the Company (including A Shares and/or H Shares) on the secondary market by itself and 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. The increased shareholding percentage of Fosun High Tech and parties acting in concert with it shall not in aggregate exceed 2% of the total issued shares of the Company prior to the completion of H Shares placing in May 2017 (i.e. 2,414,474,545 shares).

As of 8 May 2018 (after trading hours), the implementation period of the 2017 shareholding increase plan of the controlling shareholder of the Company lapsed. From 9 May 2017 to 8 May 2018, 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, representing approximately 0.37% of the total issued shares of the Company prior to the completion of H Shares placing in May 2017.

D. 2018 Shareholding Increase Plan of the Controlling Shareholder

As notified by Fosun High Tech, the controlling shareholder of the Company, in writing on 3 July 2018 and 26 July 2018, Fosun High Tech (and/or by parties acting in concert with it) intended to further increase its shareholding in the Company (including A Shares and/or H Shares) on the secondary market during the 12-month period from 3 July 2018 (inclusive), if and where appropriate, and the cumulative total amount thereof shall not be less than RMB100 million. The increased shareholding percentage of Fosun High Tech and parties acting in concert with it shall not in aggregate exceed 2% of the total issued shares of the Company prior to the completion of H Shares placing in July 2018 (i.e. 2,495,060,895 shares).

E. Issuance of H Shares under General Mandate

The Approval on the Issuance of Overseas Listed Foreign Shares of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Zheng Jian Xu Ke 2018 No. 802)* (《關於核準上海復星醫藥(集團)股份有限公司增發境外上市外資股的批覆》) was issued by the CSRC on 8 May 2018, approving the Company's issuance of not more than 96,788,100 additional overseas listed foreign shares (H Shares) with a nominal value of RMB1 each, all of which shall be ordinary shares.

On 26 July 2018, the Company successfully allotted and issued a total of 68,000,000 new H Shares to not less than six placees at a price of HK$38.20 per placing share. The net proceeds from the placing of H Shares were approximately HK$2,579.22 million.

F. The Mandate to Issue Inter-bank Market Debt Financing Instruments

The mandate to issue inter-bank market debt financing instruments was approved by the Shareholders on 29 June 2017.

NAFMII accepted the registration for the Company's mid-term notes and super short-term commercial papers by issuing the "Notice of Acceptance for Registration" (Zhong Shi Xie Zhu 2018 No. MTN208) and "'Notice of Acceptance for Registration" (Zhong Shi Xie Zhu 2018 No. SCP90) on 17 April 2018. The registered amounts of the Company's mid-term notes and super short-term commercial papers were RMB5 billion, respectively, which will be in effect for 2 years commencing from the date of issuance of the notices. The Company may issue the aforementioned in tranches within the effective period of registration.

Statutory Disclosures

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group at 30 June 2018 are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 37 to 75.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Restricted A Share Incentive Scheme II

As (1) two of the grantees of the Restricted A Share Incentive Scheme II, namely Mr. Dong Zhichao and Mr. Wang Shuhai, resigned from their positions in the Company and terminated their employment contracts with the Company, (2) the 2016 performance appraisal results of Mr. Deng Jie, a grantee of the Restricted A Share Incentive Scheme II, was unsatisfactory, and he was no longer eligible for the 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 were not unlocked at a price of RMB10.54 per share for the buyback. The total consideration for the buyback amounted to RMB739,381. Such shares were cancelled on 18 May 2018.

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

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. Wang Qunbin (汪群斌)
Mr. Wang Can (王燦)
Ms. Mu Haining (沐海寧)
Mr. Zhang Xueqing (張學慶)

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)

On 26 March 2018, Mr. Guo Guangchang and Ms. Kang Lan resigned as non-executive Directors. At the Annual General Meeting held on 27 June 2018, Ms. Mu Haining and Mr. Zhang Xueqing were elected by the Shareholders as non-executive Directors of the seventh session of the Board.

SUPERVISORS

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

Ms. Ren Qian (任倩) *(Chairman)*
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)

Ms. Ren Qian was elected by the employee congress of the Company to hold the position of staff Supervisor for the seventh session of the Supervisory Committee, with effect from 11 January 2018. On the same day, Ms. Ren Qian was elected at a meeting of the Supervisory Committee as the chairman of the Supervisory Committee. On 11 January 2018, Mr. Li Chun ceased to serve as a staff Supervisor and the chairman of the Supervisory Committee.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Wong Tin Yau Kelvin, an independent non-executive Director, ceased to serve as an independent non-executive director of Asia Investment Finance Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00033), on 14 February 2018.

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

SHARE INCENTIVE SCHEMES

Shanghai Henlius Share Option Incentive Scheme

The Shareholders approved, among other matters, 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 persons who had 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 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 price of shares in Shanghai Henlius arrived at based on the consideration of further financing rounds, and the adjustment to be made 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 into account 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 six months ended 30 June 2018, no share option of Shanghai Henlius was granted under the Shanghai Henlius Share Option Incentive Scheme. The termination of the Shanghai Henlius Share Option Incentive Scheme was approved by shareholders of Shanghai Henlius at its general meeting held on 29 August 2018.

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

As at 30 June 2018, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules were as follows:

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

Name of Directors/ Chief executive	Capacity	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Mr. 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

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

Name of Directors/ chief executive	Name of associated corporation	Class of shares	Capacity	Number of Shares[1]	Approximate percentage of Shares in relevant class of Shares
Mr. Wang Qunbin	Fosun International Holdings	Ordinary share	Beneficial owner	5,555 (L)	11.11%
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	16,883,000 (L)	0.20%
Mr. Wang Can	Fosun International	Ordinary share	Beneficial owner	9,725,000 (L)	0.11%
Mr. Zhang Xueqing[2]	Fosun International	Ordinary share	Beneficial owner	3,146,000 (L)	0.04%
Ms. Mu Haining[2]	Fosun International	Ordinary share	Beneficial owner	540,000 (L)	0.01%

Notes:

(1) (L) — Long position

(2) Mr. Zhang Xueqing and Ms. Mu Haining were appointed as the Company's non-executive Directors on 27 June 2018.

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

As at 30 June 2018, 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%
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	9,989,000 (L)[2]	2.06%
	Interest of a controlled corporation	A Share	936,575,490 (L)[2]	46.57%
	Beneficial owner	A Share	114,075 (L)[2]	0.01%
The Capital Group Companies, Inc.	Interest of controlled corporations	H Share	33,570,894 (L)	6.94%
Edinburgh Partners Limited	Investment manager	H Share	34,638,000(L)	7.16%

Notes:

(1) (L) — Long position

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.70% by Fosun Holdings, and Fosun Holdings is a wholly owned subsidiary of Fosun International Holdings. Fosun International Holdings is owned as to 64.45% by Mr. Guo Guangchang. Therefore, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

COMPLIANCE WITH THE CG CODE

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

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

REVIEW OF INTERIM RESULTS AND INTERIM REPORT BY THE AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the unaudited interim results and the interim report of the Group for the six months ended 30 June 2018.

On Behalf of the Board
Chen Qiyu
Chairman

Shanghai, the PRC
27 August 2018

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE	5	**11,766,540**	8,276,941
Cost of sales		**(4,945,865)**	(3,571,893)
Gross profit		**6,820,675**	4,705,048
Other income	6	**103,582**	70,484
Selling and distribution expenses		**(3,804,390)**	(2,283,045)
Administrative expenses		**(1,038,009)**	(783,911)
Research and development expenses		**(708,982)**	(461,320)
Other gains	7	**383,396**	491,900
Other expenses		**(44,938)**	(80,319)
Interest income		**60,074**	33,969
Finance costs	9	**(441,470)**	(268,021)
Share of profits and losses of:			
Joint ventures		**(20,341)**	(6,061)
Associates		**728,100**	760,440
PROFIT BEFORE TAX	8	**2,037,697**	2,179,164
Income tax expense	10	**(299,745)**	(252,545)
PROFIT FOR THE PERIOD		**1,737,952**	1,926,619
Attributable to:			
Owners of the parent		**1,560,471**	1,689,060
Non-controlling interests		**177,481**	237,559
		1,737,952	1,926,619
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
— Basic		**RMB0.63**	RMB0.70
— Diluted		**RMB0.63**	RMB0.70

Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,737,952**	1,926,619
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments		
Changes in fair value	**—**	(25,350)
Reclassification adjustments for gains included in the consolidated statement of profit or loss — Gain on disposal	**—**	(123,164)
Income tax effect	**—**	13,042
	—	(135,472)
Share of other comprehensive income/(loss) of associates	**6,658**	(30,360)
Exchange differences on translation of foreign operations	**(311,466)**	(5,816)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax	**(304,808)**	(171,648)
Other comprehensive income not being reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	**(105,340)**	—
Income tax effect	**(39)**	—
Net other comprehensive loss not being reclassified to profit or loss in subsequent periods, net of tax	**(105,379)**	—
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(410,187)**	(171,648)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,327,765**	1,754,971
Attributable to:		
Owners of the parent	**1,161,686**	1,528,993
Non-controlling interests	**166,079**	225,978
	1,327,765	1,754,971

Interim Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**8,452,049**	8,352,848
Prepaid land lease payments		**1,536,594**	1,324,409
Goodwill		**8,449,958**	8,464,284
Other intangible assets		**7,203,408**	6,950,136
Investments in joint ventures		**424,998**	646,550
Investments in associates		**18,959,527**	17,747,138
Available-for-sale investments		**—**	2,673,249
Financial assets at fair value through other comprehensive income		**203,489**	—
Financial assets at fair value through profit or loss		**2,096,646**	—
Deferred tax assets		**150,258**	144,524
Other non-current assets		**1,030,570**	554,496
Total non-current assets		**48,507,497**	46,857,634
CURRENT ASSETS			
Inventories		**3,089,556**	2,750,517
Trade and bills receivables	13	**4,140,419**	3,825,549
Prepayments, deposits and other receivables		**1,398,139**	1,012,227
Financial assets at fair value through profit or loss		**793,898**	219,327
Cash and bank balances		**8,212,975**	7,248,867
Total current assets		**17,634,987**	15,056,487
CURRENT LIABILITIES			
Trade and bills payables	14	**2,155,887**	1,781,883
Other payables and accruals		**3,922,764**	4,054,058
Interest-bearing bank and other borrowings	15	**16,837,332**	10,472,013
Contract liabilities		**533,204**	—
Tax payable		**257,198**	292,518
Total current liabilities		**23,706,385**	16,600,472
NET CURRENT LIABILITIES		**(6,071,398)**	(1,543,985)
TOTAL ASSETS LESS CURRENT LIABILITIES		**42,436,099**	45,313,649
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**6,248,081**	9,814,896
Deferred tax liabilities		**2,922,112**	2,981,149
Deferred income		**377,238**	397,135
Other long term liabilities		**2,465,416**	2,435,902
Contract liabilities		**7,646**	—
Total non-current liabilities		**12,020,493**	15,629,082
Net assets		**30,415,606**	29,684,567

Interim Condensed Consolidated
Statement of Financial Position

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		**2,495,061**	2,495,131
Treasury shares		**(8,784)**	(9,523)
Reserves		**23,020,362**	22,784,373
		25,506,639	25,269,981
Non-controlling interests		**4,908,967**	4,414,586
Total equity		**30,415,606**	29,684,567

Chen Qiyu
Director

Wu Yifang
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2018

	Attributable to owners of the parent											
	Issued share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Fair value reserve RMB'000	Share of other comprehensive income of associates 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
As at 31 December 2017 (Audited)	2,495,131	9,221,287	(9,523)	41,899	311,703	2,254,973	8,662	43,605	10,902,244	25,269,981	4,414,586	29,684,567
Impact of adopting HKFRS 9 *(note 2.2)*	—	—	—	(62,697)	—	—	—	—	46,018	(16,679)	(5,094)	(21,773)
At 1 January 2018	2,495,131	9,221,287	(9,523)	(20,798)	311,703	2,254,973	8,662	43,605	10,948,262	25,253,302	4,409,492	29,662,794
Profit for the Period	—	—	—	—	—	—	—	—	1,560,471	1,560,471	177,481	1,737,952
Other comprehensive income for the Period:												
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	(105,278)	—	—	—	—	—	(105,278)	(101)	(105,379)
Share of other comprehensive income of associates	—	—	—	—	6,658	—	—	—	—	6,658	—	6,658
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(300,165)	—	(300,165)	(11,301)	(311,466)
Total comprehensive income for the Period	—	—	—	(105,278)	6,658	—	—	(300,165)	1,560,471	1,161,686	166,079	1,327,765
Cancellation of restricted A shares	(70)	(669)	739	—	—	—	—	—	—	—	—	—
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	—	144,100	144,100
Other changes of equity of associates	—	—	—	—	—	—	249,234	—	—	249,234	—	249,234
Acquisition of non-controlling interests	—	—	—	—	—	—	(854,235)	—	—	(854,235)	(531,153)	(1,385,388)
Deemed acquisition of non-controlling interests	—	—	—	—	—	—	(308)	—	—	(308)	308	—
Disposal of partial interest in subsidiaries without loss of control	—	—	—	—	—	—	30,101	—	—	30,101	20,999	51,100
Deemed partial disposal of a subsidiary without loss of control	—	—	—	—	—	—	629,997	—	—	629,997	733,609	1,363,606
Disposal of an associate	—	—	—	—	—	—	3	—	—	3	—	3
Disposal of subsidiaries *(note 17)*	—	—	—	—	—	—	—	—	—	—	(21,703)	(21,703)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	98,780	98,780
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(102,239)	(102,239)
Equity-settled share-based payment	—	—	—	—	—	—	1,517	—	—	1,517	—	1,517
Fair value adjustment on the share redemption option granted to a non-controlling shareholder of subsidiaries	—	—	—	—	—	—	9,305	—	—	9,305	(9,305)	—
Final 2017 dividend declared and paid *(note 16)*	—	—	—	—	—	—	—	—	(973,963)	(973,963)	—	(973,963)
At 30 June 2018 (Unaudited)	2,495,061	9,220,618*	(8,784)	(126,076)*	318,361*	2,254,973*	74,276*	(256,560)*	11,534,770*	25,506,639	4,908,967	30,415,606

* These reserve accounts comprise the consolidated reserves of RMB23,020,362,000 (31 December 2017: RMB22,784,373,000) in the consolidated statement of financial position.

Interim Condensed Consolidated
Statement of Changes in Equity

Six months ended 30 June 2018

	Attributable to owners of the parent											
	Issued share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Available-for-sale investment revaluation reserve RMB'000	Share of other comprehensive income of associates RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (Audited)	2,414,512	7,236,809	(26,819)	529,002	409,867	2,121,545	772,444	(108,499)	8,784,468	22,133,329	3,060,110	25,193,439
Profit for the Period	—	—	—	—	—	—	—	—	1,689,060	1,689,060	237,559	1,926,619
Other comprehensive income for the Period:												
Changes in fair value of available for sale investments, net of tax	—	—	—	(134,856)	—	—	—	—	—	(134,856)	(616)	(135,472)
Share of other comprehensive income of associates	—	—	—	—	(30,360)	—	—	—	—	(30,360)	—	(30,360)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	5,149	—	5,149	(10,965)	(5,816)
Total comprehensive income for the Period	—	—	—	(134,856)	(30,360)	—	—	5,149	1,689,060	1,528,993	225,978	1,754,971
Issue of H shares	80,657	1,956,630	—	—	—	—	—	—	—	2,037,287	—	2,037,287
Cancellation of restricted A shares	(38)	(357)	395	—	—	—	—	—	—	—	—	—
Unlocking of restricted A shares	—	—	7,657	—	—	—	—	—	—	7,657	—	7,657
Disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	—	1,197	—	—	1,197	24	1,221
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(251,070)	(251,070)
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	82,961	82,961
Acquisition of non-controlling interests	—	—	—	—	—	—	(73,652)	—	—	(73,652)	(378,911)	(452,563)
Disposal of an associate	—	—	—	—	—	—	(22,201)	—	—	(22,201)	—	(22,201)
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	—	54,190	54,190
Equity-settled share-based payment	—	14,922	—	—	—	—	(9,744)	—	—	5,178	—	5,178
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	—	154,477	154,477
Fair value adjustment on the share redemption option granted to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	(90,099)	—	—	(90,099)	(128,621)	(218,720)
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	—	(50,846)	—	—	(50,846)	—	(50,846)
Final 2016 dividend declared and paid *(note 16)*	—	—	—	—	—	—	—	—	(873,297)	(873,297)	—	(873,297)
At 30 June 2017 (Unaudited)	2,495,131	9,208,004*	(18,767)	394,146*	379,507*	2,121,545*	527,099*	(103,350)*	9,600,231*	24,603,546	2,819,138	27,422,684

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

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash generated from operations	**1,664,677**	1,379,133
Income tax paid	**(385,884)**	(275,567)
Net cash inflow from operating activities	**1,278,793**	1,103,566
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets	**(1,201,821)**	(903,570)
Acquisition of subsidiaries, net of cash acquired	**(338,075)**	(533,258)
Purchases of shareholdings in associates and joint ventures	**(866,767)**	(1,068,555)
Purchases of available-for-sale investments	**—**	(245,251)
Purchases of financial assets at fair value through profit or loss	**(46,055)**	—
Disposals of shareholdings in a joint venture and associates	**364,816**	30,934
Disposals of available-for-sale investments	**—**	530,993
Disposal of financial assets at fair value through profit or loss	**82,082**	24,404
Dividends received from associates	**56,255**	83,268
Dividends received from available-for-sale investments	**—**	21,221
Dividends received from financial assets at fair value through profit or loss	**11,628**	—
Withdrawal of investment deposits	**—**	19,337
Decrease in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions	**143,167**	403,794
Others	**(36,629)**	(16,012)
Net cash outflow used in investing activities	**(1,831,399)**	(1,652,695)

Interim Condensed Consolidated
Statement of Cash Flows

Six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
New bank and other borrowings	**5,751,039**	9,322,259
Disposal of partial interest in a subsidiary without loss of control	**25,550**	1,220
Proceeds from issue of shares	**—**	2,037,287
Repayment of bank and other borrowings	**(3,136,539)**	(5,776,911)
Interest paid	**(398,139)**	(346,688)
Capital injections from non-controlling shareholders of subsidiaries	**1,145,163**	160,777
Dividends paid to owners of the parent	**—**	(1,096)
Dividends paid to non-controlling shareholders of subsidiaries	**(187,761)**	(117,680)
Acquisition of non-controlling interests	**(1,370,345)**	(377,677)
Net cash inflow from financing activities	**1,828,968**	4,901,491
Net increase in cash and cash equivalents	**1,276,362**	4,352,362
Cash and cash equivalents at beginning of the period	**6,350,319**	4,538,037
Effect of foreign exchange rate changes, net	**(7,549)**	(98,870)
Cash and cash equivalents at end of the Period	**7,619,132**	8,791,529
Analysis of balances of cash and cash equivalents:		
Cash and bank balances at end of the Period	**8,212,975**	9,445,010
Less: Pledged bank balances and term deposits with original maturity of more than three months	**(593,843)**	(653,481)
Cash and cash equivalents at end of the Period	**7,619,132**	8,791,529

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

1. CORPORATE AND GROUP INFORMATION

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

The holding company of the Company is 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 six months ended 30 June 2018 (the "Period"), the Group was principally engaged in the development, manufacture and sale of pharmaceutical products and medical devices, import and export of medical devices and the provision of related and other consulting services and investment management.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2018 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six months ended 30 June 2018 (the "Period"), have been prepared in accordance with HKAS 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of amendments effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments that require restatement of previous financial statements. As required by HAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

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

HKFRS 15 Revenue from contracts with customers

HKFRS 15 replaces HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. As allowed by HKFRS 15, the Group applied the new requirement only to contracts that are not completed before 1 January 2018.

The Group is in the business of providing drugs, medical devices, diagnostic products, healthcare service.

(a) Sale of goods

The Group's contracts with customers for the sale of drugs, medical devices and diagnostic products generally include one performance obligation. The Group has concluded that revenue from sale of drugs, medical devices and diagnostic products should be recognised at the point in time when control of the asset is transferred to the customer, generally when the significant risks and rewards of ownership have been transferred to the buyer. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

(b) Rendering of services

The Group's healthcare service segment provides healthcare services that generally include one performance obligation. The Group has concluded that revenue from providing healthcare services should be recognised at the point in time when the services were completed. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition of healthcare services.

The Group's pharmaceutical manufacturing and R&D segment provides technical consultancy services and the Group's medical devices and medical diagnosis segment provides maintenance services. The Group has concluded that revenue from rendering of technical consultancy services and maintenance services should be recognised over time, using an input method to measure progress towards complete satisfaction of the service. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition of technical consultancy services and maintenance services.

(c) Advances received from customers

Generally, the Group receives short-term advances from its customers. However, from time to time, the Group also receives long-term advances from customers. Prior to the adoption of HKFRS 15, the Group presented these advances as Deferred income in the statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

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

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

HKFRS 15 Revenue from contracts with customers (Continued)

(c) Advances received from customers (Continued)

Upon the adoption of HKFRS 15, for short-term advances, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

Meanwhile, the Group renders technical consultancy services and maintenance services where service time is more than one year. The Group concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of services to the customer and the prevailing interest rates in the market. The transaction price for such contracts is discounted to take into consideration the significant financing component. Upon adoption of HKFRS 15, reclassifications have been made from Other payables and accruals of RMB587,615,000 to the current portion of Contract liabilities and from Deferred income of RMB6,269,000 to the non-current portion of Contract liabilities for the outstanding balance of advances from customers. The adoption of HKFRS 15 did not have a material impact on Retained earnings.

(d) Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated 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.

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 for annual periods on or after 1 January 2018.

The Group has not restated comparative information for 2017 for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for 2017 is reported under HKAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed as below.

(a) Changes to classification and measurement

Except for certain trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

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

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

HKFRS 9 Financial Instruments (Continued)

(a) Changes to classification and measurement (Continued)

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables, and Loans included under Other non-current financial assets.

- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under HKAS 39, the Group's quoted debt instruments were classified as available-for-sale (AFS) financial assets.

Other financial assets are classified and subsequently measured, as follows:

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. Such classification is determined on an instrument-by instrument basis. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified some of its equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

Financial assets at FVPL comprise financial assets held for trading, derivative instruments and equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, some of the Group's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognised under accumulated OCI, was reclassified to retained earnings.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

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

HKFRS 9 Financial Instruments (Continued)

(a) Changes to classification and measurement (Continued)

The accounting for financial liabilities remains largely the same as it was under HKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Contract assets and Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances of the Group's *Trade and bills receivables*. The increase in allowance resulted in adjustment to *Retained earnings*.

The statement of financial position as at 31 December 2017 and the statement of profit or loss for the six months ended 30 June 2017 were not restated. Decrease of Retained earnings amounting to RMB16,157,000 was due to the ECL allowances under HKFRS 9. Further details are disclosed in Note 2.2(c).

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

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

HKFRS 9 Financial Instruments (Continued)

(c) The impact of transition to HKFRS 9 on reserves and retained earnings is, as follows:

The adjustment to the opening balance of *Retained earnings* (or other components of equity) as at 1 January 2018 would be recognised in the statement of changes in equity for the six months ended 30 June 2018 and disclosed as follow:

	Reserves and Retained earnings RMB'000
Fair value reserve attributable to owners of the parent	
Closing balance under HKAS 39 (31 December 2017) (audited)	41,899
Reclassification from available-for-sale investments to FVPL	(54,640)
Re-measurement impact of the available-for-sale investments at cost to FVOCI	(8,057)
Opening balance under HKFRS 9 (1 January 2018) (unaudited)	(20,798)
Retained earnings attributable to owners of the parent	
Closing balance under HKAS 39 (31 December 2017) (audited)	10,902,244
Reclassification from available-for-sale investments to FVPL	54,640
Re-measurement impact of the available-for-sale investments at cost to FVPL	7,535
Recognition of ECLs under HKFRS 9	(16,157)
Opening balance under HKFRS 9 (1 January 2018) (unaudited)	10,948,262
Total change in equity due to adopting HKFRS 9 (unaudited)	(16,679)
Total change in non-controlling interests	(5,094)

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

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

HKFRS 9 Financial Instruments (Continued)

(c) The impact of transition to HKFRS 9 on reserves and retained earnings is, as follows: (Continued)

The following table reconciles the aggregate opening loss provision allowances under HKAS 39 to the ECL allowances under HKFRS 9.

In RMB'000	Loan loss provision under HKAS 39 at 31 December 2017	Remeasurement	ECLs under HKFRS 9 at 1 January 2018
Impairment allowance for			
Trade receivables per HKAS 39/financial assets at amortised cost under HKFRS 9	135,454	27,061	162,515
Available-for-sale investments per HKAS 39/Financial assets at FVOCI under HKFRS 9	30,121	(30,121)	—

A reconciliation between the carrying amounts under HKAS 39 to the balances reported under HKFRS 9 as of 1 January 2018 is, as follows:

In RMB'000	HKAS39 Amount	Re-classification	Re-measurement ECL	Re-measurement Other	HKFRS9 Amount
Trade and bills receivables	3,825,549	—	(27,061)	—	3,798,488
Available-for-sale investments	2,673,249	—	—	—	—
To: Non-current portion of financial assets at FVPL	—	(1,767,436)	—	—	—
To: Current portion of financial assets at FVPL	—	(592,716)	—	—	—
To: Financial assets at FVOCI	—	(313,097)	—	—	—
Non-current portion of Financial assets at FVPL	—	—	—	—	—
From: Available-for-sale investments	—	1,767,436	—	8,137	1,775,573
Current portion of Financial assets at FVPL	—	—	—	—	—
From: Available-for-sale investments	—	592,716	—	—	592,716
Financial assets at FVOCI	—	—	—	—	—
From: Available-for-sale investments	—	313,097	—	(7,679)	305,418

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

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

HKFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to HKAS 40 Transfers of Investment Property

The amendments 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. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The HKASB issued amendments to HKFRS 2 Share-based Payment 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 tax obligations; 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to HKAS 28 Investments in Associates and Joint Ventures — Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) the medical devices and medical diagnosis segment mainly engages in the production and sale of medical devices 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 financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, gain or loss on disposal of financial assets at fair value through profit or loss , fair value gain or loss on financial assets at fair value through profit or loss, as well as head office and investment management entities income and expenses are excluded from such measurement.

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

Segment assets exclude financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income 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)

Six months ended 30 June 2018 (unaudited)

	Pharmaceutical manufacturing and R&D RMB'000	Healthcare Service RMB'000	Medical devices and medical diagnosis RMB'000	Pharmaceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	8,871,813	1,199,330	1,682,119	—	13,278	—	11,766,540
Intersegment sales	8,128	1,658	11,872	—	46,267	(67,925)	—
Total revenue	8,879,941	1,200,988	1,693,991	—	59,545	(67,925)	11,766,540
Segment results*	1,035,178	155,888	280,505	—	7,997	(20,036)	1,459,532
Other income	79,051	8,832	12,135	—	—	—	100,018
Other gains	178,213	15,069	27,902	—	72,898	—	294,082
Interest income	34,604	22,067	9,130	—	135	(3,499)	62,437
Finance costs	(55,256)	(3,696)	(7,282)	—	(4,387)	51,438	(19,183)
Other expenses	(31,796)	1,354	(12,899)	—	(17)	—	(43,358)
Share of profits and losses of:							
Joint ventures	(19,957)	—	555	—	(939)	—	(20,341)
Associates	43,762	(15,516)	(11,688)	747,595	(36,053)	—	728,100
Unallocated other income, interest income and other gains							90,515
Unallocated finance cost							(422,287)
Unallocated expenses							(191,818)
Profit before tax	1,263,799	183,998	298,358	747,595	39,634	27,903	2,037,697
Tax	(258,519)	(50,440)	(45,780)	—	(1,467)	—	(356,206)
Unallocated tax							56,461
Profit for the period	1,005,280	133,558	252,578	747,595	38,167	27,903	1,737,952
Segment assets:	32,493,502	9,556,693	6,286,083	11,073,445	3,197,829	(879,709)	61,727,843
Including:							
Investments in joint ventures	401,031	—	12,947	—	11,020	—	424,998
Investments in associates	1,991,462	3,072,175	407,108	11,073,445	2,415,337	—	18,959,527
Unallocated assets							4,414,641
Total assets							66,142,484
Segment liabilities:	12,884,622	1,249,893	835,391	—	384,854	(7,002,804)	8,351,956
Unallocated liabilities							27,374,922
Total liabilities							35,726,878
Other segment information:							
Depreciation and amortisation	480,913	50,729	53,535	—	15,933	—	601,110
Provision for impairment of inventories	17,962	—	1,944	—	—	—	19,906
Provision for impairment of trade and other receivables	4,891	(4,198)	8,401	—	—	—	9,094
Capital expenditure**	788,720	237,374	93,057	—	216,743	—	1,335,894

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2017 (unaudited)

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

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

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

5. REVENUE

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

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of goods	**10,277,575**	7,101,820
Rendering of services	**1,472,731**	1,172,092
Sale of materials	**16,234**	3,029
	11,766,540	8,276,941

6. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividend income from financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	**2,944**	25,401
Government grants	**100,638**	45,083
	103,582	70,484

7. OTHER GAINS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of available-for-sale investments	**—**	231,193
Gain on disposal of shareholdings in joint ventures and associates	**97,119**	248,303
Fair value gains on financial assets at fair value through profit or loss	**204,649**	—
Gain on disposal of subsidiaries	**15,052**	—
Gain on disposal of financial assets at fair value through profit or loss	**24,327**	7,298
Others	**42,249**	5,106
	383,396	491,900

8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**3,978,177**	2,817,475
Cost of services provided	**967,688**	754,418
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**1,644,363**	1,189,578
Retirement benefits:		
Defined contribution fund	**90,619**	95,161
Accommodation benefits:		
Defined contribution fund	**52,564**	42,869
	1,787,546	1,327,608
Research and development expenses:		
Current period expenditure excluding amortisation of other intangible assets	**675,403**	437,133
Less: Government grants for R&D projects*	**6,403**	7,404
	669,000	429,729
Operating lease payments	**49,594**	43,455
Depreciation of property, plant and equipment	**396,166**	324,019
Amortisation of prepaid land lease payments	**14,132**	12,636
Amortisation of other intangible assets	**190,812**	77,726
Provision for impairment of inventories	**19,906**	27,099
Provision for impairment of trade and other receivables	**9,094**	5,715
Provision for impairment of available-for-sale investments	**—**	18,706
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(204,649)**	3,562
Foreign exchange (gain)/loss, net	**(37,363)**	10,555
Loss on disposal of property, plant and equipment and other intangible assets	**2,497**	1,062

* 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.

9. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**447,513**	272,879
Less: Interest capitalised	**(6,043)**	(4,858)
Interest expenses, net	**441,470**	268,021

10. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% (for the six months ended 30 June 2017: 25%) of the taxable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and 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 taxable profits arising in Hong Kong during the year. The provision of current income tax of Sisram Medical Ltd., a subsidiary of the Company 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 34.61% before 1 April 2018 and 34.94% after 1 April 2018. 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%.

The major components of tax expenses for the six months ended 30 June 2018 and 2017 are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current	**343,055**	281,723
Deferred	**(43,310)**	(29,178)
Total tax charge for the Period	**299,745**	252,545

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future as of the balance sheet date and the weighted average number of ordinary shares of 2,494,227,495 (for the six months period ended 30 June 2017: 2,426,136,770) in issue excluding restricted shares during the year.

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

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,560,471**	1,689,060
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(317)**	(623)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,560,154**	1,688,437

	Number of shares	
	30 June 2018	30 June 2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,494,227,495**	2,426,136,770
Effect of dilution — weighted average number of ordinary shares: Restricted shares	**586,286**	745,535
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**2,494,813,781**	2,426,882,305

12. PROPERTY, PLANT AND EQUIPMENT

	RMB'000 (Unaudited)
Carrying value at beginning of the Period	8,352,848
Additions	597,485
Disposals	(56,474)
Depreciation charge for the Period	(396,166)
Exchange realignment	(45,644)
Carrying value at end of the Period	8,452,049

The Group's property, plant and equipment with a net carrying value of RMB79,556,000 (31 December 2017: RMB83,138,000), were pledged as security for interest-bearing bank loans as set out in note 15 to the interim condensed consolidated financial statements.

13. TRADE AND BILLS RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**3,613,186**	3,247,537
Bills receivable	**527,233**	578,012
	4,140,419	3,825,549

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	**3,587,632**	3,204,112
1 to 2 years	**79,974**	98,414
2 to 3 years	**42,912**	30,146
Over 3 years	**70,113**	50,319
	3,780,631	3,382,991
Less: Provision for impairment	**(167,445)**	(135,454)
	3,613,186	3,247,537

13. TRADE AND BILLS RECEIVABLES (Continued)

Included in the Group's trade receivables are amounts due from the Group's joint ventures, associates and other related parties of RMB1,978,000 (31 December 2017: RMB802,000), RMB517,501,000 (31 December 2017: RMB404,136,000) and RMB11,370,000 (31 December 2017: RMB15,600,000), respectively. Included in the Group's bills receivable are amounts due from the Group's associates of RMB105,407,000 (31 December 2017: RMB130,227,000). These balances due from joint ventures, associates and other related parties were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

14. TRADE AND BILLS PAYABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables	**2,002,565**	1,652,025
Bills payable	**153,322**	129,858
	2,155,887	1,781,883

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Outstanding balances with ages:		
Within 1 year	**1,948,897**	1,614,865
1–2 years	**41,076**	24,297
2–3 years	**3,636**	5,597
Over 3 years	**8,956**	7,266
	2,002,565	1,652,025

Included in the Group's trade payables are amounts due to the Group's joint venture, associates and other related parties of RMB2,000 (31 December 2017: Nil), RMB63,639,000 (31 December 2017: RMB40,380,000) and RMB19,219,000 (31 December 2017: RMB15,668,000), respectively. These balances due to joint venture, associates and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the joint venture, associates and other related companies to their major customers.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Bank loans:			
— Secured	(1)	**133,416**	138,411
— Unsecured		**18,314,732**	15,513,562
		18,448,148	15,651,973
Medium-term notes	(2)	**399,875**	399,554
Corporate bonds	(3)	**4,237,390**	4,235,382
Total		**23,085,413**	20,286,909
Repayable:			
Within 1 year		**16,837,332**	10,472,013
1 to 2 years		**4,263,444**	4,524,099
2 to 5 years		**1,890,577**	5,196,737
Over 5 years		**94,060**	94,060
		23,085,413	20,286,909
Portion classified as current liabilities		**(16,837,332)**	(10,472,013)
Non-current portion		**6,248,081**	9,814,896

Notes:

The bank loans bear interest at rates ranging from 0.4500% to 5.2770% (2017: 0.4500% to 5.6550%) per annum.

(1) As at 30 June 2017, certain of the Group's bank loans are secured by the pledge of certain of the Group's property, plant and equipment (note 12) amounting to RMB79,556,000 (31 December 2017: RMB83,138,000), prepaid land lease payments amounting to RMB32,738,000 (31 December 2017: RMB33,165,000), 268,371,532 shares of Guilin Pharmaceutical Co., Ltd. ("Guilin Pharma") owned by the Group (31 December 2017: 268,371,532 shares of Guilin Pharma owned by the Group) and the Group's and Pramerica-Fosun China Opportunity Fund,L.P's 100% shareholdings in Alma Lasers Ltd. and Alma Laser Inc. (31 December 2017: the Group's and Pramerica-Fosun China Opportunity Fund,L.P's 100% shareholdings in Alma Lasers Ltd. and Alma Laser Inc.).

(2) Medium-term notes

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

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

Notes: (Continued)

(3) Corporate bonds

On 4 March 2016, the Company issued Corporate Bonds with a maturity of five years in an aggregate amount of RMB3,000,000,000, which bear interest at 3.35% per annum. The interest is payable annually in arrears and the maturity date is 4 March 2021. The creditor has the right to unconditionally sell the bonds within 12 months after March 4, 2019. The balance of the Company's bonds was reclassified as current liabilities at the end of the period. The portion of the bonds that has not been exercised after March 4, 2019 will be reclassified as non-current liabilities.

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

16. DIVIDENDS

The Directors did not recommend the payment of an interim dividend in respect of the Period (for the six months period ended 30 June 2017: Nil).

The proposed final dividend of RMB0.38 (tax included) per ordinary share for the year ended 31 December 2017 was declared payable and approved by the shareholders at the annual general meeting of the Company on 27 June 2018.

17. DISPOSAL OF SUBSIDIARIES

Shanghai Fosun Hospital Investment (Group) Co., Ltd.*, a subsidiary of the Group, signed an equity transfer agreement with a third-party natural person to dispose of a 45% equity interest in Hunan Jingren Medical Investment Management Co., Ltd..* ("Hunan Jingren") at a consideration of RMB38,590,000.00. The disposal was completed on 17 January 2018, and Hunan Jingren was not included in the consolidated financial statements of the Group hereafter.

Jiangsu Wanbang Biochemical Pharmaceutical Group Co., Ltd.*, a subsidiary of the Group, transferred a 51% equity interest in Heilongjiang Wanbang Pharmaceutical Co., Ltd.* ("Heilongjiang Wanbang")held by the Company to a third-party natural person at RMB1.00. The disposal date is April 11, 2018 and Heilongjiang Wanbang 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.

17. DISPOSAL OF SUBSIDIARIES (Continued)

The financial information of Hunan Jingren and Heilongjiang Wanbang at the date of disposal is as follows:

	Note	As of the disposal date RMB'000
Net assets disposed of:		
Property, plant and equipment		23,287
Other intangible assets		20,878
Inventories		4,136
Trade and bills payables		14,916
Prepayments, deposits and other receivables		6,474
Cash and cash equivalents		17,195
Other non-current assets		818
Trade and bills payables		(20,005)
Other payables and accruals		(5,095)
		62,604
Fair value of the retained interest in a subsidiary disposed of		(17,151)
Non-controlling interests		(21,703)
Gain on disposal of a subsidiary		14,010
Goodwill on acquisition		830
		38,590
Satisfied by:		
Cash consideration received		17,550
Cash consideration receivable		21,040

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	—
Cash and cash equivalents disposed of	(17,195)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(17,195)

18. COMMITMENTS

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**1,920,414**	1,167,395
Investments in subsidiaries and an associate	**973,990**	1,716,440
Investment in Financial assets at fair value through profit or loss	**306,893**	333,932
	3,201,297	3,217,767

19. RELATED PARTY TRANSACTIONS

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

(a) Sales of pharmaceutical products and services

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Sinopharm Group Co., Ltd. *(notes 4 & 6 & 15)*	**1,085,842**	770,840
C.Q. Pharmaceutical Holding Co., Ltd. *(notes 1 & 4 & 16)*	**213,609**	162,561
Zhejiang Dian Diagnostics Co., Ltd. *(notes 4 & 9)*	**20,229**	23,762
Shanghai Xingyao Medical Technology Development Co.,Ltd. *(notes 2 & 4)*	**12,465**	10,252
The subsidiaries of Fosun International Limited *(notes 3 & 4 & 10)*	**8,917**	232
Gland Chemicals Pvt Ltd *(notes 4 & 9)*	**4,206**	—
Chindex International, Inc. *(notes 4 & 6)*	**2,633**	1,217
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 4)*	**2,124**	1,207
Shanghai Diai Medical Instrument Co., Ltd *(notes 1 & 4)*	**1,676**	1,123
Healthy Harmony Holdings L.P. *(notes 1 & 4)*	**801**	857
Fosun Kite Biological Technology Co., Ltd ("Fosun Kite") *(notes 2 & 4)*	**595**	4
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 4)*	**329**	—
Jingfukang Pharmaceutical Group Co., Ltd. *(notes 1 & 4)*	**31**	—
Tongde Equity Investment and Management (Shanghai) Co., Ltd. *(notes 4 & 7)*	**17**	20
Shanghai Anbo pharmaceutical Co., Ltd. *(notes 4 & 6)*	**7**	8
Shanghai Xing Lian Commercial Factoring Co., Ltd *(notes 4 & 17)*	**6**	3
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2 & 4)*	**1**	3,287
Shanghai Yixing Sports Development Co., Ltd. *(notes 4 & 17)*	**—**	1
	1,353,488	975,374

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of pharmaceutical products and services

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sinopharm Group Co., Ltd. *(notes 4 & 6 & 15)*	**92,314**	72,038
Gland Chemicals Pvt Ltd *(notes 4 & 9)*	**75,183**	—
Zhejiang Dian Diagnostics Co., Ltd. *(notes 4 & 9)*	**2,930**	1,799
Anhui Sunhere Pharmaceuticals Excipients Co., Ltd *(notes 1 & 4)*	**1,470**	854
Saladax Biomedical, Inc. *(notes 1 & 4)*	**1,309**	—
SINNOWA Medical Science & Technology Co., Ltd *(notes 1 & 4)*	**400**	—
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 4)*	**393**	—
Yongan Property Insurance Company Limited *(notes 4 & 9)*	**167**	3,749
The subsidiaries of Fosun International Limited *(notes 3 & 4 & 11)*	**118**	211
Shanghai Lingjian Information Technology Co., Ltd *(notes 1 & 4)*	**15**	—
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 2 & 4)*	**14**	6
Beijing steellex Biological Technology Co., Ltd. *(notes 1 & 4)*	**—**	109
Guanzhou Sudao Information Technology Co., Ltd *(notes 1 & 4)*	**—**	15
	174,313	78,781

(c) Leasing and property management services

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
As lessor	**(Unaudited)**	(Unaudited)
The subsidiaries of Fosun International Limited *(notes 3 & 5 & 12 & 16)*	**7,072**	5,627
Fosun Kite *(notes 2 & 5)*	**2,465**	136
Tong De Equity Investment and Management (Shanghai) Co., Ltd. *(notes 5 & 7)*	**402**	353
Shanghai Anbo pharmaceutical Co., Ltd *(notes 5 & 6)*	**281**	247
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2 & 5)*	**212**	151
Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. *(notes 1 & 5)*	**126**	—
Sinopharm Group Co., Ltd. *(notes 5 & 6 & 15)*	**—**	286
Shanghai Xingyao Medical Technology Development Co., Ltd. *(notes 2 & 5)*	**—**	474
Chindex International., Inc *(notes 5 & 6)*	**—**	166
	10,558	7,440

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

As lessee	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
A subsidiary of Fosun International Limited *(notes 3 & 5 & 13 & 16)*	**4,769**	4,182
Dhananjaya Properties LLP *(notes 5 & 9)*	**104**	—
Sasikala Properties LLP *(notes 5 & 9)*	**50**	—
	4,923	4,182

Property management services	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
The subsidiaries of Fosun International Limited *(notes 3 & 5 & 14 & 16)*	**6,432**	5,543

(d) Loans from/to related parties

The Company entered into a financial service agreement with Fosun Group Finance Corporation Limited ("Fosun Finance"), pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for a period from 1 January 2017 and ended 31 December 2019. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB1,000,000,000. The maximum daily outstanding balance of loans granted by Fosun Finance to the Group is RMB1,000,000,000.

Maximum daily outstanding balance of deposits in Fosun Finance	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Fosun Finance *(notes 8 & 16)*	**565,294**	534,688

19. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to related parties (Continued)

On January 26, 2018, the company withdraws RMB300,000,000 from Fosun Finance for a one-year loan at an annual interest rate of 4.35%.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
A loan from a related party	(Unaudited)	(Unaudited)
Fosun Finance *(notes 8 & 16)*	300,000	—

Fosun Pharma Industrial offered Fosun Kite a five-year loan of RMB67,562,000 at a rate of 10% higher than the benchmark lending rate for the same period.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
A loan to a related party	(Unaudited)	(Unaudited)
Fosun Kite *(notes 2 & 16)*	67,562	—

(e) Interest income from/to related parties

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest income	(Unaudited)	(Unaudited)
Fosun Finance *(notes 8 & 16)*	2,836	929
Fosun Kite *(notes 2 & 16)*	1,515	—
	4,351	929

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest expense	(Unaudited)	(Unaudited)
Fosun Finance *(notes 8 & 16)*	5,335	—

On January 26, 2018, the company withdraws RMB300,000,000 from Fosun Finance for a one-year loan at an annual interest rate of 4.35%.

19. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from/to related parties (Continued)

Notes:

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

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

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

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

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

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

(8) Fosun Finance is a subsidiary of Fosun International Limited, the ultimate holding company of the Company.

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

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

(11) During this period, the Group received services from the subsidiaries of Fosun International Limited at market prices. The subsidiaries of Fosun International Limited include Beijing Golte Property Management Co., Ltd., Shanghai Golte Property Management Co., Ltd. and Shanghai Xing Yi Health Management Co., Ltd.

(12) During this period, the Group leased out the office buildings to the subsidiaries of Fosun International Limited. The subsidiaries of Fosun International Limited 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., Shenzhen Xing Lian Commercial Factoring Co., Ltd. and Shanghai Yunji Information Technology Co., Ltd.

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

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

(15) Sinopharm Group Co.,Ltd is a major subsidiary of Sinapharm Investment, an associate of the Group.

(16) 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.

(17) They are under the same ultimate control of the Group.

19. RELATED PARTY TRANSACTIONS (Continued)

(f) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Performance related bonuses	**26,501**	23,848
Salaries, allowances and benefits in kind	**19,123**	13,075
Restricted A share incentive scheme	**602**	2,095
Pension scheme contributions	**465**	395
	46,691	39,413

20. FAIR VALUE AND FAIR VALUE HIERARCHY

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

	Carrying amounts		Fair values	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)	**RMB'000 (Unaudited)**	RMB'000 (Audited)
Financial Assets:				
Financial assets at fair value through other comprehensive income	**203,489**	—	**203,489**	—
Available-for-sale investments, listed	**—**	1,097,643	**—**	1,097,643
Financial assets at fair value through profit or loss	**2,890,544**	219,327	**2,890,544**	219,327
	3,094,033	1,316,970	**3,094,033**	1,316,970
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**5,002,361**	5,579,514	**4,877,190**	5,446,991
Other borrowings	**4,637,265**	4,634,936	**4,600,309**	4,591,512
Other long-term liabilities	**2,425,902**	2,409,560	**2,425,902**	2,409,560
	12,065,528	12,624,010	**11,903,401**	12,448,063

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings as at 30 June 2018 was assessed to be insignificant.

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

As 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 U.S. FDA. The amount recognised as at 30 June 2018 was RMB165,415,000 (31 December 2017: RMB163,355,000) which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the shareholders in 2019 and beyond. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

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 U.S. FDA 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. FDA would result in a significant decrease in the fair value of the contingent consideration liability.

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of subsidiaries included in other long-term liabilities of RMB1,883,014,000 (31 December 2017: RMB1,859,564,000) is calculated based on EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Breas from April 2019 to March 2020 and the latest Equity Transfer Price of Gland Pharma on June 30,2018.

Fair value hierarchy

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

Assets measured at fair value:
As at 30 June 2018 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**1,188,725**	**128,696**	**1,573,123**	**2,890,544**
Financial assets at fair value through other comprehensive income	**3,617**	**56,785**	**143,087**	**203,489**
	1,192,342	**185,481**	**1,716,210**	**3,094,033**

As at 31 December 2017 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments — Listed	1,037,432	60,211	—	1,097,643
Equity investments at fair value through profit or loss	145,904	73,423	—	219,327
	1,183,336	133,634	—	1,316,970

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 30 June 2018 (Unaudited)

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Amounts included in other long-term liabilities	—	—	**2,048,429**	**2,048,429**

As at 31 December 2017 (Audited)

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities	—	—	2,022,919	2,022,919

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

	Six months ended 30 June 2018 RMB'000 (Unaudited)	Year ended 31 December 2017 RMB'000 (Audited)
Amounts included in other long-term liabilities:		
At 1 January	**2,022,919**	—
Addition	**25,510**	2,022,919
	2,048,429	2,022,919

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

The Group did not have financial assets for which fair values are disclosed as at 30 June 2018 (31 December 2017: nil).

Liabilities for which fair values are disclosed:

As at 30 June 2018 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	4,877,190	—	4,877,190
Non-current portion of other borrowings	2,958,000	1,642,309	—	4,600,309
Amounts included in other long-term liabilities	—	377,473	—	377,473
	2,958,000	6,896,972	—	9,854,972

As at 31 December 2017 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	5,446,992	—	5,446,992
Non-current portion of 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

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: nil).

21. CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, the Group did not have any contingent liabilities.

22. EVENTS AFTER THE REPORTING PERIOD

(a) Public issuance of Corporate Bonds (to the qualified investors) (first tranche) in 2018

The approval of the public issuance of Corporate Bonds to the qualified investors was issued by China Securities Regulatory Commission (Zheng Jian Xu Ke 2018 No. 265), pursuant to which the public issuance of Corporate Bonds not exceeding RMB5 billion to qualified investors by the Company was approved. The public issuance of the first tranche of the Corporate Bonds was completed on 15 August 2018, of which the actual issuance size was RMB1.30 billion. The term of the first tranche of Corporate Bonds issued is 5 years, and the Company shall be entitled to adjust upwards the coupon rate and the investors shall be entitled to sell back the Corporate Bonds at the end of the third year during the term of the first tranche of Corporate Bonds. The final coupon rate for the first tranche of Corporate Bonds issued is 5.10%.

(b) The placing of new H Shares in 2018

On 26 July 2018, an aggregate of 68,000,000 new H Shares have been successfully issued by the Company at the placing price of HK$38.20 to no less than six places, who and whose ultimate beneficial owners are not connected person of the Company. The net proceeds from the Placing amount to approximately HK$2,579.22 million. The number of total issued shares of the Company has increased from 2,495,060,895 to 2,563,060,895 shares.

(c) Investment in an associate

On 13 July 2018, Fosun Industrial, a subsidiary of the Company, Butterfly Network, Inc. ("BNI") and other Series D Preferred Stock subscribers entered into Investment Documents for subscription of the Series D Preferred stocks issued by BNI. Fosun Industrial plans to subscribe 10,321,324 Series D Preferred in consideration of approximately US$106 million. Fosun Industrial has the right to nominate one director, as long as Fosun Industrial and it's related parties continue to hold not less than 2% of the entire issued shares of BNI (on a fully diluted basis).

(d) Investment in Foshan Chancheng Medical Health Hive Project

On 21 August 2018, Approved by the seventh sixty-ninth board of directors of the Company, Chancheng Hospital and Fosun Hospital Investment, subsidiaries of the Company, jointly undertake the "Foshan Chancheng Medical Health Hive Project", with the total investment amount of not exceeding RMB2.1 billion. The land involved in this project has been purchased with RMB478.14 million (excluding taxes, fees and transaction fees) through public transaction (listing) on August 7, 2018. And the related procedures for the assignment of state-owned land use rights still need to be completed.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 27 August 2018.

Definitions

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

"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"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
"Aohong Pharmaceutical"	Jinzhou Aohong Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"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)
"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, the H Shares and A Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange and Shanghai Stock Exchange, respectively
"connected person(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules and in the context of our Company, means Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities market
"Director(s)"	director(s) of our Company
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"Fosun Lead"	Fosun Lead (Shanghai) Healthcare Technology Co., Ltd.* (復星領智(上海)醫藥科技有限公司), a subsidiary of the Company

"Fosun Finance"	Fosun Group Finance Corporation Limited*(上海復星高科技集團財務有限公司), a subsidiary of Fosun High Tech (a Controlling Shareholder of the Company). Fosun Finance is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules
"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 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, which is listed on the Hong Kong Stock Exchange (Stock Code: 0656)
"Fosun Kite"	Fosun Kite Biological Technology Co., Ltd.* (復星凱特生物科技有限公司), a joint venture of the Company
"Fosun International Holdings"	Fosun International Holdings Limited* (復星國際控股有限公司), which is held as to 64.5%, 24.4% and 11.1% by Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin, respectively, and a Controlling Shareholder of the Company
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited* (上海復星醫藥產業發展有限公司), a subsidiary of the Company
"Gland Pharma"	Gland Pharma Limited, a company registered in India and a subsidiary of the Company
"Group", "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the Controlling Shareholder of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"Guangji Hospital"	Yueyang Guangji Hospital Company Limited* (岳陽廣濟醫院有限公司), a subsidiary of the Company
"Guilin Pharma"	Guilin South Pharma Company Limited* (桂林南藥股份有限公司), a subsidiary of the Company
"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
"Heilongjiang Wanbang"	Heilongjiang Wanbang Pharmaceutical Co., Ltd.* (黑龍江萬邦醫藥有限公司)
"Hengsheng Hospital"	Shenzhen Hengsheng Hospital* (深圳恒生醫院), a subsidiary of the Company

Definitions

"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
"Hunan Jingren"	Hunan Jingren Medical Investment Management Co., Ltd.* (湖南景仁醫療投資管理有限公司)
"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), an associate of the Company
"Wanbang Pharma"	Jiangsu Wanbang Biopharmaceutical Company Limited* (江蘇萬邦生化醫藥集團有限責任公司), a subsidiary of the Company
"Jimin Cancer Hospital"	Anhui Jimin Cancer Hospital* (安徽濟民腫瘤醫院), a private non-enterprise unit (民辦非企業單位) established in the PRC, a subsidiary of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"NMPA"	National Medical Products Administration* (中華人民共和國國家藥品監督管理局), the PRC governmental authority responsible for the regulation of drugs
"PCT"	Patent Cooperation Treaty
"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this interim report to the PRC or China, for geographical reference only, unless specified otherwise, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"R&D"	research and development
"Reporting Period"	the 6-month period from 1 January 2018 to 30 June 2018
"Restricted A Share(s)"	the Restricted A Shares granted under the Restricted A Share Incentive Scheme
"Restricted A Share Incentive Scheme II"	the Restricted A Share Incentive Scheme II of the Company, as approved by the Shareholders on 16 November 2015
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Henlius"	Shanghai Henlius Biotech Company Limited* (上海復宏漢霖生物技術股份有限公司), a subsidiary of the Company
"Shanghai Henlius Share Option Incentive Scheme"	the share option incentive scheme adopted by Shanghai Henlius, which was approved by the Shareholders at the annual general meeting held on 29 June 2017 and the Shareholders of Fosun International at its extraordinary general meeting held on 6 June 2017
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange* (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange* (上海證券交易所)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Sinopharm"	Sinopharm Group Co. Ltd. * (國藥控股股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01099)
"Sichuan Nuoya"	Sichuan Nuoya Medical Service Science and Technology Co., Ltd.* (四川諾亞醫療科技有限責任公司)
"Sisram"	Sisram Medical Ltd, a company listed on the Hong Kong Stock Exchange (Stock code: 01696) and a subsidiary of the Company
"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
"US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"U.S. FDA"	U.S. Food and Drug Administration
"WeDoctor"	We Doctor Group Limited, an associate 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

"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Zhongwu Hospital"	Suqian Zhongwu Hospital Co., Ltd.* (宿遷市鐘吾醫院有限責任公司), a subsidiary of the Company
"Zhuhai Chancheng"	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
"%"	per cent

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