FOSUNPHARMA

Innovation for good health

上海復星醫藥(集團)股份有限公司

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

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

Stock Code: 02196

ANNUAL REPORT 2015

* *For identification purposes only*

Our Vision

To become the first-tier enterprise in the global mainstream pharmaceutical and healthcare market.

Our Mission

Fosun Pharma will continue to strengthen its innovation capability, service quality and internationalization level through the investment, management and integration of excellent enterprises in the industry, so as to become the leading company for innovative healthcare products and services.

Contents

Corporate Information

Directors

Executive Directors

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方)
(Vice Chairman, President, Chief Executive Officer)

Non-executive Directors

Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Ms. Kang Lan (康嵐)
Mr. John Changzheng Ma
Mr. Wang Pinliang (王品良)[1]

Independent Non-executive Directors

Dr. Zhang Weijiong (張維炯)
Mr. Cao Huimin (曹惠民)
Mr. Jiang Xian (江憲)[2]
Dr. Wong Tin Yau Kelvin (黃天祐)[2]
Mr. Han Jiong (韓炯)[3]
Mr. Li Man-kiu Adrian David (李民橋)[4]

Supervisors

Mr. Zhou Wenyue (周文岳) *(Chairman)*
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)

Joint Company Secretaries

Mr. Zhou Biao (周飈)
Ms. Lo Yee Har Susan (盧綺霞)

Authorized Representatives

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

Strategic Committee

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方)
Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Dr. Zhang Weijiong (張維炯)

Audit Committee

Mr. Cao Huimin (曹惠民) *(Chairman)*
Mr. Jiang Xian (江憲)[2]
Mr. John Changzheng Ma[5]
Mr. Wang Pinliang (王品良)[1]
Mr. Han Jiong (韓炯)[3]

Nomination Committee

Mr. Jiang Xian (江憲) *(Chairman)*[2]
Dr. Zhang Weijiong (張維炯)
Ms. Kang Lan (康嵐)
Mr. Han Jiong (韓炯)[3]

Remuneration and Appraisal Committee

Dr. Zhang Weijiong (張維炯) *(Chairman)*
Mr. Cao Huimin (曹惠民)
Ms. Kang Lan (康嵐)
Mr. Chen Qiyu (陳啟宇)
Mr. Jiang Xian (江憲)[2]
Mr. Han Jiong (韓炯)[3]

1 Resigned on 2 March 2016
2 Appointed on 29 June 2015
3 Retired on 29 June 2015
4 Resigned on 29 June 2015
5 Appointed on 2 March 2016

Corporate Information

Registered Office

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

Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

Legal Advisers in Hong Kong

Morrison & Foerster[6]
Reed Smith Richards Butler[7]

Legal Advisers in the PRC

Grandall Law Firm (Shanghai)

Auditors

Ernst & Young

Principal Banks

The Export-Import Bank of China
Industrial and Commercial Bank of China Shanghai Branch
China Merchants Bank Shanghai Branch
Bank of Beijing Shanghai Branch

Corporate Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation

FOSUN PHARMA

Share Listing

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

6 Ceased to be the legal adviser in Hong Kong from November 2015
7 Appointed in November 2015

Corporate Information

A Share Registrar and Transfer Office in the PRC

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

H Share Registrar and Transfer Office in Hong Kong

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

Corporate Website

http://www.fosunpharma.com

Financial Highlights

	2015 RMB million	2014 RMB million
Operating results		
Revenue	12,502	11,938
Gross profit	6,194	5,220
Operating profit	1,473	1,192
Profit before tax	3,372	2,718
Profit for the year attributable to owners of the parent	2,460	2,113
Profitability		
Gross margin	49.54%	43.73%
Operating profit margin	11.78%	9.98%
Profit margin for the year	22.96%	19.85%
Earnings per share (RMB)		
Earnings per share — basic	1.07	0.92
Earnings per share — diluted	1.06	0.92
Assets		
Total assets	38,145	35,279
Equity attributable to owners of the parent	18,125	16,618
Total liabilities	17,532	16,233
Cash and bank balances	4,029	3,696
Debt-to-asset ratio	45.96%	46.01%
Of which: Pharmaceutical manufacturing and R&D segment		
Segment revenue	8,843	7,265
Segment gross profit	4,705	3,720
Segment results	1,270	1,103
Segment profit for the year	1,238	1,095

Chairman's Statement

Mr. Chen Qiyu
Chairman

Dear Shareholders,

In 2015, amidst the severe situation of global economic downturn and slowdown of the domestic economic growth, continuous reform of the medical system in the PRC and slowdown of pharmaceutical manufacturing industry growth have brought policy opportunities to the development of medical services. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining the growth of its principal businesses.

Chairman's Statement

2015 Review

During the Reporting Period, the Group realized revenue of RMB12,502 million, representing an increase of 4.72% as compared to 2014; excluding the impact of the disposal of four companies, namely Fosun Pharmaceutical, For Me Pharmacy, Golden Elephant Pharmacy and Handan Pharmaceutical and the new acquisition of Erye Pharmaceutical, the revenue would have increased by 15.03% on the same basis as compared to 2014. Of which, the Group realized revenue of RMB8,843 million in pharmaceutical manufacturing and research and development (R&D) segment, representing an increase of 21.72% as compared to 2014. Revenue from healthcare service business amounted to RMB1,377 million, representing an increase of 16.10% as compared to 2014. The increase in the revenue of the Group was mainly due to the growth in revenue from the business segments of manufacturing, healthcare services and distribution of medical devices.

The Board proposed to distribute a final dividend of RMB0.32 (inclusive of tax) per share for the year ended 31 December 2015.

The Group has formed a relatively complete product portfolio in the six major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary system, central nervous system, blood system, anti-infection and anti-tumor) which are areas with the greatest potential to grow in China's pharmaceutical market. Each of the major pharmaceutical products of the Group has its own competitive advantages in their respective segments. In 2015, there were 19 formulation products and series of the Group that each recorded revenue of over RMB100 million.

The Group has developed internationalized R&D structure and strong R&D capabilities. It has set up interactive and integrated R&D systems in Shanghai, Chongqing, San Francisco and Taiwan. It has also established an efficient R&D platform in areas of small molecular innovative drugs, large-molecule biosimilars, generic drugs with high value and specialized formulation technology. During the Reporting Period, the Group strengthened its presence in the production of anti-tumor drugs. After years of research and development and as at the end of the Reporting Period, there were 161 pipeline drugs, generic drugs, biosimilars and vaccine projects, 40 projects under clinical trial applications, 13 projects under clinical trial, and 41 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation to maintain sustainable growth of the Group in the future. As at the end of the Reporting Period, there were nearly 900 staff members in the R&D team. Meanwhile, the Group diversified its innovative research through strategic alliances, cooperative projects, joint ventures and other means so as to further strengthen its R&D capabilities.

Whilst enhancing the competitiveness of its products, the Group also focused on developing its marketing capabilities. With a marketing team consisting of nearly 3,000 employees and a sales network covering most of the major domestic markets, the Group has been improving its capabilities in sales and marketing. Sinopharm, an investee of the Group for over a decade, has developed into the largest pharmaceutical and healthcare distributor and a leading supply chain service provider in China possessing and operating China's largest drug distribution and delivery network. The Group, leveraging its long-established strategic cooperation with Sinopharm, put the synergy into full play.

The Group is one of the first enterprises in the PRC pharmaceutical industry to develop internationally. Its production has expanded overseas with several production lines recognized by relevant international certifications, and some of the formulations and APIs have also entered into the international markets in a considerable scale.

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

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

Chairman's Statement

Outlook

In 2016, the pharmaceutical industry in China will be presented with numerous challenges and opportunities. In terms of market demand, the increase in the proportion of the aging population in the PRC, the increased spending on healthcare programs by the PRC government and the increase in the domestic per capita disposable income have been the three major driving factors for the rapid development of the pharmaceutical industry, and these factors will continue to exist and drive the industry to rapidly grow in the foreseeable future. In terms of industry structure, the domestic economy has maintained stable growth and the PRC government has encouraged and guided the strategic emerging industries to carry out industry upgrade and structure optimization and has supported the development of the innovation-oriented pharmaceutical industry. The implementation of the National List of Essential Drugs has established a relatively solid foundation for the domestic pharmaceutical enterprises. The implementation of China's Twelfth Five Year Plan for the pharmaceutical industry has driven greater competition in the industry as a whole. As a result, pharmaceutical enterprises with advantages in scale, technology, brand and marketing will have valuable opportunities for development. The PRC government has continuously focused on the quality of pharmaceutical products and regulations over the operation of pharmaceutical enterprises, overhauled the sales channel of pharmaceutical products, accelerated implementation of regulation and control over prices and classification of pharmaceutical products, and further improved the centralized tender system for procurement of pharmaceutical products. Such measures have driven and accelerated the consolidation in the domestic pharmaceutical industry and the level of industrial concentration will rapidly increase by way of acquisition and reorganization. The expiration of patents of pharmaceutical products in major markets such as Europe and the U.S. has presented opportunities for the rapid development of Chinese companies with capabilities to innovate and carry out international expansion. While faced with favorable capital market conditions and product market opportunities, the international expansion of PRC pharmaceutical enterprises is also consistent with the policy directions of the PRC government's industry plans.

At the same time, the healthcare services segment in China will further open up and the participation in the segment by social enterprises has been highly encouraged, such as by further opening up of market access (through a permitted-if-not-forbidden market policy) and encouraging social enterprises to participate in the public hospital reform. In addition, pilot scheme of multiple practices in various provinces and cities has been introduced and approvals on acquisition of medical equipment have been gradually loosened, and medical insurance has been introduced into hospital system. The Group has entered the healthcare services segment since 2009 and is accelerating its deployment of the medical services network.

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

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

Mr. Chen Qiyu
Chairman

29 March 2016

Technology Innovation

Management Discussion and Analysis

FINANCIAL REVIEW

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

During the Reporting Period, revenue of the Group amounted to RMB12,502 million, representing an increase of 4.72% as compared to 2014.

During the Reporting Period, profit before tax and profit attributable to owners of the parent of the Group were RMB3,372 million and RMB2,460 million, increased by 24.05% and 16.43% as compared to 2014, respectively.

During the Reporting Period, earnings per share of the Group increased by 16.30% to RMB1.07 as compared to 2014.

Management
Discussion and Analysis

REVENUE

During the Reporting Period, revenue of the Group increased by 4.72% to RMB12,502 million as compared to 2014; excluding the impact of the disposal of four companies, namely Fosun Pharmaceutical, For Me Pharmacy, Golden Elephant Pharmacy and Handan Pharmaceutical and the new acquisition of Erye Pharmaceutical, the revenue would have increased by 15.03% on the same basis as compared to 2014. The increase in the revenue of the Group was mainly attributable to the growth in revenue from the business segments of manufacturing, healthcare services and distribution of medical devices.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB8,843 million, representing an increase of 21.72% as compared to 2014. Excluding contributions from the disposal of Handan Pharmaceutical and the new acquisition of Erye Pharmaceutical, revenue increased by 14.22% as compared with 2014, whereas segment results and segment profit amounted to RMB1,270 million and RMB1,238 million, which increased by 15.20% and 13.08% as compared with 2014 respectively.

COST OF SALES

During the Reporting Period, cost of sales of the Group decreased by 6.11% to RMB6,308 million from RMB6,719 million for 2014.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group increased by 18.66% to RMB6,194 million from RMB5,220 million for 2014. The gross margin of the Group for 2015 and 2014 were 49.54% and 43.73%, respectively.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 22.37% to RMB2,815 million from RMB2,300 million for 2014, mainly attributable to the increase in revenue.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, R&D expenses of the Group increased by 18.75% to RMB670 million from RMB564 million for 2014, of which RMB538 million was attributable to the pharmaceutical manufacturing and R&D segment, representing 6% of revenue of such segment, primarily because the Group continued to increase its R&D investments with a focus on the R&D of generic biopharmaceutical drugs and innovative drugs.

During the Reporting Period, R&D expenditure of the Group amounted to RMB830 million, accounting for 6.6% of the revenue for the Reporting Period.

Management
Discussion and Analysis

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased by 20.45% to RMB1,119 million from RMB929 million for 2014, which was mainly due to the continuous growth in the operating results of major associates of the Group.

PROFIT FOR THE YEAR

Due to the above reasons, during the Reporting Period, profit for the period of the Group increased by 21.14% to RMB2,871 million from RMB2,370 million for 2014. Net profit margin of the Group for 2015 and 2014 were 22.96% and 19.85%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group increased by 16.43% to RMB2,460 million from RMB2,113 million for 2014.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 31 December 2015, total debts of the Group increased to RMB10,895 million from RMB8,796 million as at 31 December 2014 mainly due to the increase in domestic and overseas acquisitions. As at 31 December 2015, mid- to long-term debts of the Group accounted for 32.79% of its total debts as compared to 43.85% as at 31 December 2014, mainly due to (1) the transfer of medium-term notes of RMB1,600 million expiring on 31 March 2016 to non-current liabilities due within one year from bonds payable during the Reporting Period; and (2) the addition of short-term bank borrowings for the repayment of the short-term commercial papers of RMB1,000 million and medium-term notes of RMB1,000 million which expired on 26 September and 8 November 2015 during the Reporting Period. In March 2016, the Company issued corporate bonds of RMB3,000 million for the replacement of the above short-term bank borrowings. As at 31 December 2015, cash and bank balances increased by 9.01% to RMB4,029 million from RMB3,696 million as at 31 December 2014.

As at 31 December 2015, the equivalent amount of RMB3,726 million (31 December 2014: RMB2,313 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 31 December 2015, cash and bank balances of the Group denominated in foreign currencies amounted to RMB1,040 million (31 December 2014: RMB941 million).

Unit: million Currency: RMB

Cash and bank balances denominated in:	**31 December 2015**	31 December 2014
RMB	**2,989**	2,755
US dollars	**906**	835
HK dollars	**67**	82
Others	**67**	24
Total	**4,029**	3,696

Management
Discussion and Analysis

Gearing Ratio

As at 31 December 2015, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 28.56%, as compared with 24.93% as at 31 December 2014.

Interest Rate

As at 31 December 2015, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB5,472 million (31 December 2014: RMB2,538 million).

As at 31 December 2015, the Company issued the 5-year medium-term notes with an aggregate amount of RMB1,600 million, which were interest-bearing at a floating interest rate.

Maturity Structure of Outstanding Debts

Unit: million Currency: RMB

	31 December 2015	31 December 2014
Within 1 year	**7,323**	4,940
1 to 2 years	**1,837**	1,676
2 to 5 years	**1,521**	2,123
Over 5 years	**214**	57
Total	**10,895**	8,796

AVAILABLE FACILITIES

As at 31 December 2015, save for cash and bank balances of RMB4,029 million, the Group had unutilized banking facilities of RMB11,091 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "Banks") in China. According to such agreements, the Banks granted the Group with general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations in China. As at 31 December 2015, total available banking facilities under these arrangements were approximately RMB19,393 million in aggregate, of which RMB8,302 million had been utilized. On 26 March 2015, the Company obtained a"Letter of Acceptance of Registration" issued by the National Association of Financial Market Institutional Investors for accepting the registration of the medium-term notes of RMB2,000 million of the Company. The registered amount shall be effective within a period of two years from the date of the letter, in which, medium-term notes of RMB400 million has been issued on 10 September 2015. On 1 December 2015, the Company obtained a"Letter of Acceptance of Registration" issued by the National Association of Financial Market Institutional Investors for accepting the registration of the super short-term commercial papers of RMB4,500 million of the Company. The registered amount shall be effective within a period of two years from the date of the letter. The Company obtained the approval for public issuance of corporate bonds in the amount of no more than RMB5,000 million to qualified investors from the CSRC on 30 December 2015. The approval shall be effective within a period of 24 months from the date on which the approval of the CSRC is obtained, in which, corporate bonds of RMB3,000 million has been issued on 4 March 2016.

Management
Discussion and Analysis

Collateral and Pledged Assets

As at 31 December 2015, the Group had placed the following as collateral for bank borrowings: property, plant and equipment amounting to RMB59 million (2014: RMB65 million) and prepaid land lease payments amounting to RMB34 million (31 December 2014: RMB35 million).

As at 31 December 2015, the Group had pledged the following for bank borrowings: 268,371,532 shares in Guilin Pharma held by the Group (31 December 2014: 268,371,532 shares in Guilin Pharma held by the Group) and the entire equity interest in Sisram Medical Ltd. held by the Group and Magnificent View Investment Limited (31 December 2014: the entire equity interest in Sisram Medical Ltd. held by the Group and Magnificent View Investment Limited). Details of the collateral and pledged assets are set out in note 32 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 2015 and 2014.

Unit: million Currency: RMB

	2015	2014
Net cash flows from operating activities	**1,621**	1,200
Net cash flows used in investing activities	**(1,870)**	(2,478)
Net cash flows from financing activities	**551**	1,863
Net increase/(decrease) in cash and cash equivalents	**302**	585
Cash and cash equivalents at the beginning of the year	**3,010**	2,416
Cash and cash equivalents at the end of the year	**3,349**	3,010

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB1,236 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in note 4 to the financial statements.

As at 31 December 2015, the Group's capital commitments contracted but not provided for amounted to RMB2,647 million. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 41 to the financial statements.

Management
Discussion and Analysis

Contingent Liabilities

As at 31 December 2015, the Group did not have any contingent liabilities.

Interest Coverage

In 2015, the interest coverage, which is calculated by EBITDA divided by financial costs was 9.57 times as compared with 8.91 times for 2014. The interest coverage increased mainly because the Group's EBITDA for 2015 increased by 21.69% to RMB4,499 million from RMB3,697 million for 2014.

RISK MANAGEMENT

Foreign Currency Exposure

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

Interest Rate Exposure

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

Management
Discussion and Analysis

BUSINESS REVIEW

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

In 2015, amidst the severe situation of global economic downturn and slowdown of the domestic economic growth, continuous reform of the medical system in the PRC and slowdown of pharmaceutical manufacturing industry growth have brought policy opportunities to the development of medical services. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management, actively promoted the strategies of organic growth, external expansion and integrated development, thereby maintaining the growth of its principal businesses.

During the Reporting Period, the Group realized revenue of RMB12,502 million, representing an increase of 4.72% as compared to 2014; excluding the impact of the disposal of four companies, namely Fosun Pharmaceutical, For Me Pharmacy, Golden Elephant Pharmacy and Handan Pharmaceutical and the new acquisition of Erye Pharmaceutical, the revenue would have increased by 15.03% on the same basis as compared to 2014. Of which, the Group realized revenue of RMB8,843 million in pharmaceutical manufacturing and research and development (R&D) segment, representing an increase of 21.72% as compared to 2014. Revenue from healthcare service business amounted to RMB1,377 million, representing an increase of 16.10% as compared to 2014. The increase in the revenue of the Group was mainly due to the growth in revenue from the business segments of manufacturing, healthcare services and distribution of medical devices.

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

Unit: million Currency: RMB

Business segment	**Revenue 2015**	Revenue 2014	Year-on-year increase/ decrease (%)
Pharmaceutical manufacturing and R&D *(Note)*	**8,843**	7,265	21.72
Healthcare services	**1,377**	1,186	16.10
Manufacturing of medical diagnosis and medical devices	**1,716**	1,496	14.71
Distribution of medical diagnosis and medical devices	**528**	435	21.38
Pharmaceutical distribution and retail	**—**	1,542	—

Note: Excluding the contribution of disposal of Handan Pharmaceutical and the new acquisition of Erye Pharmaceutical, the revenue of pharmaceutical manufacturing and R&D would have increased by 14.22% on the same basis as compared to the corresponding period of 2014.

The Group recorded profit before tax of RMB3,372 million and profit attributable to the shareholders of the Company of RMB2,460 million in 2015, representing an increase of 24.05% and 16.43%, respectively, as compared with that in the consolidated financial statements for 2014 that has been retrospectively adjusted.

As at the end of the Reporting Period, the Group had 161 pipeline drug, generic drug, biosimilars and vaccine projects. During the Reporting Period, the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB538 million, representing 18.94% growth as compared to 2014 and accounting for 6% of the revenue of the pharmaceutical manufacturing and R&D segment.

Management
Discussion and Analysis

During the Reporting Period, the Group applied for 89 patents, including 6 U.S. patent applications, 4 European patent applications, 2 Japanese patent applications and 3 PCT applications, in respect of its pharmaceutical manufacturing and R&D segment. The pharmaceutical manufacturing and R&D segment of the Group obtained 15 licensed patents, including 9 invention patents (including 1 U.S. patent).

During the Reporting Period, the Group continued to reinforce its substantially completed strategic deployment of healthcare services segment with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC. The Group also continued to accelerate its internet medical development strategy, actively explore the layout of major health industry and enhance operating capabilities and profitability.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB8,843 million, representing an increase of 21.72% as compared to 2014. Excluding contributions from the disposal of Handan Pharmaceutical and the new acquisition of Erye Pharmaceutical, revenue increased by 14.22% as compared with 2014, whereas segment results and segment profit amounted to RMB1,270 million and RMB1,238 million, which increased by 15.20% and 13.08% as compared with 2014 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 2015, the sales of the Group's major products in therapeutic areas such as cardiovascular system, metabolism and alimentary system, anti-infection and anti-tumor maintained rapid growth, with sales of anti-malaria medicines in the anti-infection therapeutic areas such as artesunate series increased by approximately 125.92%. Among these products, the sales of alprostadil dried emulsion, a product in the cardiovascular system therapeutic area, and febuxostat tablets, a product in the metabolism therapeutic area, had experienced prominent growth.

In 2015, the Group had 19 formulation items and series with sales over RMB100 million, among which sales of the products such as febuxostat tablets and calcium dobesilate exceeded RMB100 million for the first time and the sales of the products such as deproteinised calf blood injection and reduced glutathione series exceeded RMB500 million.

Management
Discussion and Analysis

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

Unit: million Currency: RMB

Pharmaceutical manufacturing and R&D	2015	2014	Year-on-year increase/ decrease on the same basis *(note 8)* (%)
Major products of cardiovascular system therapeutic area *(note 1)*	847	654	29.39
Major products of central nervous system therapeutic area *(note 2)*	788	892	–11.60 *(note 2*)*
Major products of blood system therapeutic area *(note 3)*	246	246	–0.04
Major products of metabolism and alimentary system therapeutic area *(note 4)*	1,740	1,516	17.86 *(note 4*)*
Major products of anti-infection therapeutic area *(note 5)*	1,594	1,264	26.15
Major products of anti-tumor therapeutic area *(note 6)*	225	185	21.29
Major products of APIs and intermediate products *(note 7)*	945	903	4.60

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

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

Note 2:* The sales of major products of central nervous system therapeutic area decreased as compared to 2014, mainly due to the suspension of deproteinised calf blood injection production under the internal control upgrade on aspects including supply channels of raw materials by Aohong Pharma for improving the standard of drugs quality, combined with the implementation of seasonal inspection and upgrading of production facilities and enhancement of supply chain of raw materials without disruption to normal operation in November and December 2015 during the Reporting Period. The sales of deproteinised calf blood injection in 2015 decreased by RMB112 million or approximately 16.65% as compared to 2014.

Note 3: Major products of blood system therapeutic area include hemocoagulase for injection (Bang Ting);

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

Note 4:* The change in the percentage change of year-on-year increase/decrease on the same basis is calculated without taking the sales of Mo Luo Dan in 2014 and 2015 into account due to the disposal of Handan Pharmaceutical, a subsidiary of the Group, during the Reporting Period. If the sales of Mo Luo Dan in the two years were not excluded, the increase on the same basis would be 14.75%.

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

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

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

Note 8: Figures for 2014 were restated by categories against those of 2015 and figures for 2014 included figures of new products for the same period.

Management Discussion and Analysis

The Group has placed great emphasis on quality and risk management of the life cycle of its products and implemented stringent quality and safety control mechanisms and adverse reaction monitoring mechanisms at each stage of the production chain from R&D to pulling off shelf of products, so as to ensure the R&D, registration, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing segment has fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, change management, Corrective and Preventive Actions (CAPA) deviation management, OOS investigation and audit on suppliers. In 2015, the Group issued a series of pharmaceutical quality system guidance documents and completed its annual quality objective. The Group's pharmaceutical manufacturing segment continued to push forward the improvement of qualification certifications. As at the end of the Reporting Period, 19 subsidiaries of the Group that engaged in pharmaceutical manufacturing business obtained 47 GMP certificates (2010) in aggregate, which included 31 production lines for sterile preparation, 27 production lines for oral formulation and 59 APIs. All subsidiaries that engaged in pharmaceutical manufacturing business fulfilled national requirements. While ensuring the production lines to fulfil the new GMP in China, the Group pushed the subsidiaries in the pharmaceutical manufacturing segment forward to put international cGMP certifications such as the U.S., European Union and WHO into practice. As at the end of the Reporting Period, 13 APIs of the Group received GMP certifications from the U.S. FDA, EU, Ministry of Health, Labour and Welfare of Japan and Federal Ministry of Health of Germany. 1 production line for oral solid dosage formulation, 4 production lines for injection and 2 production lines for APIs of Guilin Pharma also obtained PreQualification from the WHO-PQ, and 1 production line of oral solid dosage formulation of Yao Pharma was recognized by Canada Health and the U.S. FDA.

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 expenditures were RMB670 million, representing an increase of 18.75% as compared to 2014, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB538 million, accounting for 6% of the revenue of the pharmaceutical manufacturing and R&D segment. During the Reporting Period, the Group continued to optimize its pharmaceutical R&D system that integrated generic and innovator drugs, increased investment in the four major R&D platforms, namely small molecular innovative drugs, large-molecule biosimilars, generic drugs with high value and specialized formulation technology, improved its innovation system, enhanced R&D capabilities, launched new products, and strengthened the core competitiveness of the Group. The Group had national level enterprise technical centers and had established highly-efficient international R&D teams in Shanghai, Chongqing, San Francisco and Taiwan. In order to leverage its competitive strengths, the Group focused its R&D on therapeutic areas including cardiovascular system, central nervous system, blood system, metabolism and alimentary system, anti-infection and anti-tumor, and the major products had gained a leading position in their respective market segments.

As at the end of the Reporting Period, the Group had 161 pipeline drugs, generic drugs, biosimilars and vaccine projects. During the Reporting Period, the Group had tendered applications for clinical trial to CFDA for 1 type 1 innovative drugs, 2 type 2 biosimilars (second indications), 2 type 1.1 innovative drugs and 10 domestically unlaunched type 3.1 new drugs and obtained approval of clinical trial for 23 products. In addition, during the Reporting Period, the arginie APIs of Hubei Shine Star and the piperacillin sodium and sulbactam sodium for injection of Suzhou Erye passed the launching approval of CFDA and the venlafaxine hydrochloride tablets of Yao Pharma passed the launching approval of FDA.

During the Reporting Period, the Group applied for a total of 89 patents, including 6 U.S. patent applications, 4 European patent applications, 2 Japanese patent applications and 3 PCT applications, in its pharmaceutical manufacturing and R&D segment. The pharmaceutical manufacturing and R&D segment of the Group obtained 15 licensed patents, including 9 invention patents (including 1 U.S. patent).

Management
Discussion and Analysis

Meanwhile, the Group innovated the integration of domestic resources and continued to enhance its R&D capabilities. The Group established an innovative Chinese medicine R&D platform and established "Fosun Pharmaceutical Innovation Fund on Chinese Medicine Technology" (復星醫藥中藥科技創新基金) in Shanghai University of Traditional Chinese Medicine to formulate an innovative Chinese medicine R&D platform under university-enterprise cooperation, and also entered into a strategic cooperation framework agreement with Shanghai Institute of Materia Medica to establish cooperation among production, academic and research parties in a bid to accelerate the pace of putting technological results into practice.

Healthcare Services

In 2015, the Group continued to reinforce its substantially completed strategic deployment of healthcare services segment with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC. The Group also continued to accelerate its internet medical development strategy, actively explore the layout of major health industry and enhance operating capabilities and profitability. During the Reporting Period, "Excelsior Tower" (精進樓), a new complex of Chancheng Hospital, was completed and commenced operation, establishing a foundation for creating differentiated healthcare service platform. The project in respect of establishment of a rehabilitation and body-check hospital initiated by Zhongwu Hospital further diversified the healthcare service platform of the Group. The Group participated in the establishment of Wenzhou Geriatric Hospital and Qingdao Shandong University Qilu Hospital Investment Management Limited Company (青島山大齊魯醫院投資管理有限公司), respectively, so as to actively explore a new model for the healthcare services segment of social enterprises. The establishment of the Taizhou Zhedong Hospital had commenced and the Group participated in the establishment of Shanghai Xingshuangjian Medical Investment and Management Co., Ltd. (上海星雙健醫療投資管理有限公司), which proactively integrated the resources of healthcare services and geriatric services and explored new healthcare models. The Group entered into the hemodialysis sector and made plans accordingly for the integration of the industry chain. In addition, through the expansion of the strategic cooperation with Guahao.com (掛號網) and the lead investment in the "A" round financing of "Mingyi Zhudao", a seamless integration of online and offline services is achieved and a closed circuit of O2O is formed, so as to explore the innovation of medical services operation and model.

During the Reporting Period, the healthcare services entities controlled by the Group realized total revenue of RMB1,377 million, representing an increase of 16.10% as compared to 2014, segment results of RMB203 million, representing an increase of 18.96% as compared to 2014, and segment profit of RMB76 million, representing a decrease of 32.08% as compared to 2014. Excluding the share of profit or loss of associates for the year and the previous year, the segment profit grew 19.65% as compared to 2014. As at the end of the Reporting Period, the total number of beds available for the public in Chancheng Hospital, Jimin Cancer Hospital, Guangji Hospital and Zhongwu Hospital controlled by the Group was 2,770.

In addition, during the Reporting Period, the Group actively supported and facilitated the development and deployment of hospital and clinic network under "United Family Hospital", a leading premium healthcare services brand under Chindex. In 2015, the United Family Hospital maintained its brand awareness and prominent positions in high-end healthcare segment in major cities such as Beijing and Shanghai. Qingdao United Family Hospital commenced its operation during the Reporting Period, and the construction of Guangzhou United Family Hospital was at full steam.

While devoting itself to the domestic healthcare services industry, the Group also paid close attention to exploring new service models in healthcare services segment of the overseas mainstream market. In 2015, the Group acquired approximately 30% equity interest of Sovereign Medical Services, Inc., a day surgery center in the United States, for further studies for exemplars and implementation of new healthcare services model in the PRC market in the future.

Management
Discussion and Analysis

Medical Diagnosis and Medical Devices

In 2015, the Group continued to step forward in its development of the medical diagnosis and medical devices segment. During the Reporting Period, the Group actively fostered the business development of Alma Lasers and enhanced the expansion of the distribution business of CML, and the volume of surgery by Da Vinci surgical robotic system experienced a significant increase in 2015. In 2015, Alma Lasers continued to accelerate in developing the international market and especially key emerging markets such as China and India and recorded revenue of RMB688 million for 2015, representing an increase of 10.79% as compared to 2014. Alma Lasers also strengthened its new product portfolio, in particular, by increasing R&D of medical devices and extending its production line into the clinical treatment area. In 2015, the products of Alma Lasers obtained 5 new EU CE certifications and 1 U.S. FDA 510(k) certification in aggregate.

During the Reporting Period, the Group realized revenue of RMB1,716 million from the manufacturing of medical diagnosis and medical devices segment, representing an increase of 14.71% as compared to 2014. The revenue of distribution business amounted to RMB528 million, representing an increase of 21.38% as compared to 2014. The results and profit of this segment amounted to RMB384 million and RMB272 million, which increased by 67.50% and 115.01% as compared with 2014 respectively. The increase in revenue of distribution business was mainly due to an increase in sales of consumables brought by the accelerated sales of Da Vinci surgical robotic system and the increased volume of surgery.

Pharmaceutical Distribution and Retail

At the beginning of 2015, the Group and Sinopharm completed the integration of drug distribution and retail business as well as the optimization of resource allocation among Fosun Pharmaceutical, For Me Pharmacy and Golden Elephant Pharmacy.

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 2015, Sinopharm realized revenue of RMB227,069 million, net profit of RMB5,696 million and net profit attributable of RMB3,761 million, which represented an increase of 13.46%, 25.15% and 30.81% as compared to 2014, respectively. As at the end of the Reporting Period, the distribution network of Sinopharm covered 31 provinces, autonomous regions and municipalities in China. Its direct customers included 13,310 hospitals (only referring to hospitals with ranking, including 1,847 of the tier-three hospitals, which are the largest and most highly-ranked hospitals). During the Reporting Period, Sinopharm's revenue from pharmaceutical distribution business increased by 12.74% as compared to 2014 to RMB215,854 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB8,729 million realized during the Reporting Period, representing an increase of 47.85% as compared to 2014, while its pharmaceutical retail network further expanded with retail pharmacies owned by GuoDa Drug Store, its subsidiary, amounted to 3,080 as at the end of the Reporting Period.

Management
Discussion and Analysis

Internal integration and operation enhancement

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

In 2015, the Company established a centralized procurement and procurement management department for providing specialized support and management to the procurement business of the business segments of the Group. During the Reporting Period, the Company announced four administrative measures on procurement and 23 templates of non-production procurement contracts in fourteen types. With the standardization of procurement and tendering, the risk of procurement and tendering was reduced and the efficiency of procurement was improved. With the establishment of management measures for procurement and tendering platform and the actual implementation of timely management on procurement and tendering, as at the end of the Reporting Period, the public tendering and invitation for bidding projects of the Group achieved online, process-oriented and transparent process management through the procurement and tendering platform as well as B2B model for procurement and tendering business. At the same time, the information on procurement and tendering projects and suppliers resources was shared inside the Group through the procurement and tendering platform so as to promote the communication of the internal procurement business of the Group. In addition, in 2015, the Company entered into strategic cooperation agreements with various domestic and foreign leading providers (manufacturers) in the industry respectively so as to improve the bargaining power of the Group by forming scale effects through centralized procurement projects. Meanwhile, centralized tendering achieved the rationalization of procurement channels and reduced the cost of procurement management, enabling the Group to ensure the supply quality of products purchased and the service capability at the later stages.

In order to further improve management efficiency, the management platform of the OA system, mails, documents and data was improved through information technological means such as the Internet. The Group planned and implemented the establishment or upgrading of core business platforms such as investment management platform, ERP platform, sales and customer management platform, so as to improve the internal communication and management efficiency of the Group and promote the mobile, internet, informational and effective operation and management. The Group also centralized the planning and management of the internet O2O business and promoted the self-operation and integration of the business of the Group, so as to achieve the investment function of "internal incubation and external investment".

Environment, Health and Safety

During the Reporting Period, the Group continued to proceed with the establishment and deepening implementation of the management system of environment, health and safety (EHS) in all subsidiaries. After the comprehensive EHS compliance risk assessment, team building and professionalism building and enhancement, upgrade and modification of EHS-related facilities, irregular and independent review and audit, risk reporting and rectification, technical support to and feedback from EHS improvement projects were strengthened, the management has set up the system of regular EHS performance review and relevant decision making mechanism to ensure the compliant operation and continuous improvement of its EHS.

During the Reporting Period, the Group initiated and implemented various EHS-related management and improvement activities, such as mechanical protection, intervention in high-risk work, audit of EHS third-party management systems, regular or irregular unannounced inspections, participation in the national "Health Cup" (安康杯) contest (Shanghai Division) and centralized professional training, which to a large extent lowered the Group's EHS risk in the course of operation, regulated operational management of staffs and thus further implanted the awareness and culture of safety. For energy saving and environmental friendliness, the Group promoted the application of advanced energy saving technologies and energy contract management projects and created satisfactory economic and environmental efficiency.

Management
Discussion and Analysis

The Group proactively explored the cultivation of EHS culture by requiring its enterprises to adhere to self-discipline, implement accountability of chief officers and encourage staff's participation. Risk hazards were proactively identified, while more efforts were also placed on the enhancement of transparency and accountability. Besides, the Group begin to establish its EHS electronic data platform, and attained its long-term EHS targets through the advancement of EHS risk control and integration of detailed and professional control. At the same time, each subsidiary was also required to take the initiatives to conduct voluntary EHS improvement pursuant to their respective EHS risk characteristics.

During the Reporting Period, the Group, in light of the rapid development of companies and their needs arising during the course of internationalization, conducted EHS due diligence against its domestic and overseas investment, acquisition or merger projects and set this as a significant consideration when making investment decisions.

Financing

During the Reporting Period, the Proposed Non-Public Issuance was considered and passed by the general meeting, pursuant to which it was proposed to raise a total of approximately RMB2,300 million for the purposes of the repayment of interest-bearing debts and replenishment of working capital. The Proposed Non-Public Issuance was approved by the Issuance Examination Committee of the CSRC in March 2016. Meanwhile, during the Reporting Period, the Company was approved to register medium-term notes of RMB2,000 million and super short-term commercial paper of RMB4.5 billion with the National Association of Financial Market Institutional Investors and obtained the approval for issuance of corporate bonds in the amount of RMB5,000 million from CSRC, in which, corporate bonds of RMB3,000 million had been issued successfully in March 2016. The Company also extended cooperation with the Export-Import Bank of China, China Development Fund Co., Ltd., and International Finance Corporation (IFC) to obtain facilities at low interest rates. The Company maintained solid partnerships and further increased credit facilities with major principal banks domestically and overseas, enabling the Group to continually further its mergers and acquisitions of domestic and overseas pharmaceutical companies, enhance the construction of international R&D platform, and strengthen the development of its principal businesses.

Social Responsibility

Whilst the Group has been rapidly growing, the Group remains committed to undertaking social responsibilities. In 2015, the Group had made great progress in corporate governance, economic, environment, health and safety, products and services, employees and social contribution as it continued to assume the responsibility of a corporate citizen.

During the Reporting Period, the Group had continually increased investment in upgrading its technology, improved production process, focused on the establishment of product quality system, extended the life cycle of products and lowered the cost in order to offer safe, efficient, affordable products and services. For encouraging member companies to consistently enhance quality management, with respect to the "Manual of Quality Regarding Pharmaceutical Manufacturing of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.", ten guidance documents were issued to be ancillary to such manual of quality in 2015. Meanwhile, to care for patients and life, the Group had set up and continuously improved a long-term mechanism and contingency plan for monitoring adverse drug reaction. During the Reporting Period, the Group constantly strengthened environment protection, optimized the production process and improved the utilization rate of the production facilities for the purposes of energy saving, emission reduction and environment protection. The Group emphasized harmonious development with nature to protect the sustainable development of the environment. With respect to the sustainability of talents, while proactively attracting talents outside, the Group also strengthened internal training and promotion for building a team of talents with entrepreneurship. In terms of social welfare, during the Reporting Period, the Group undertook its social responsibilities and benefited the society by continuously investing in education, supporting scientific researches and community healthcare services, alleviating poverty by donations, and providing disaster assistances. During the Reporting Period, the Group continued to proactively participate in the Chinese government projects of anti-malarial in Africa and encouraged science technology innovation and awarded scientists by participating in the establishment of "Tan Jiazhen Life Science Award (談家楨生命科學獎)" and "Fosun-Chinese Association of Plastics and Aesthetics Science Technology Award (復星中國整形美容科學技術獎)".

Management
Discussion and Analysis

Every year, the corporate social responsibility report of the Group is published along with its annual report to fully demonstrate to stakeholders its data, measures and cases in respect of corporate strategic development, corporate governance, economic responsibility, environmental protection, product and service quality, occupational health and safety, employees' development and social welfare. The Company's outstanding performance in corporate social responsibilities has gained recognition from all aspects of the society. During the Reporting Period, the Company was awarded the "GoldenBee Enterprises", "Top Ten Enterprises of Corporate Social Responsibility in Chinese Pharmaceutical Industry in 2015 (2015年中國醫藥企業社會責任榜十佳企業)", "No. 1 in the Corporate Social Responsibility Development Index Evaluation of Listed Companies in Shanghai (上海市上市公司社會責任發展指數評價結果第一)", "No. 1 in the Corporate Social Responsibility Report Evaluation of Listed Companies in Shanghai (上海上市公司社會責任報告評價結果第一)" and other honors.

2. Major Operations in the Reporting Period

A. Analysis on Principal Operations

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

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Year-on-year change (%)	Reasons
Revenue	12,502	11,938	4.72	
Cost of sales	6,308	6,719	–6.11	
Selling and distribution expenses	2,815	2,300	22.37	
Administrative expenses	1,235	1,163	6.27	
R&D expenses	670	564	18.75	
Finance costs	470	415	13.25	
Net cash flow generated from operating activities	1,621	1,200	35.06	*Note 1*
Net cash flow generated from investment activities	–1,870	–2,478	24.55	
Net cash flow generated from financing activities	551	1,863	–70.44	*Note 2*
R&D expenditure	830	685	21.27	

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

Note 1: The increase in net cash flow generated from operating activities was mainly due to the outstanding sales performance and operational enhancement of the Group during the Reporting Period;

Note 2: The decrease in net cash flow generated from financing activities was mainly due to the corresponding figures during the period including the proceeds raised from the Company's issuance of overseas listed foreign shares in April 2014.

Management
Discussion and Analysis

I. Analysis of Revenue and Cost of Sales

During the Reporting Period, revenue of the Group increased by 4.72% to RMB12,502 million from 2014.

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

Sales to the top 5 customers of the Group amounted to RMB1,807 million, representing 14.45% of the total sales revenue in 2015.

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

Unit: million Currency: RMB

Principal Operations by Segments

By Segments	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin (%)
Pharmaceutical manufacturing and R&D	8,843	4,138	53.21	21.72	16.71	2.01
Healthcare services	1,377	1,029	25.27	16.1	15.82	0.23
Medical diagnosis and medical devices *(note)*	2,244	1,109	50.58	16.21	15.65	0.19

Principal Operations by Products

By Products	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin (%)
Major products of cardiovascular system therapeutic area	847	202	76.09	29.39	–0.77	7.26
Major products of central nervous system therapeutic area	788	136	82.78	–11.6	–15.15	0.72
Major products of blood system therapeutic area	246	54	78.18	–0.04	7.6	–1.55
Major products of metabolism and alimentary system therapeutic area	1,740	628	63.88	14.75	23.31	–2.51
Major products of anti-infection therapeutic area	1,594	708	55.62	26.15	6.42	8.22
Major products of anti-tumor therapeutic area	225	59	73.83	21.29	–29.3	18.72
Major products of APIs and intermediate products	945	686	27.4	4.6	–1.19	4.26

Management Discussion and Analysis

Principal Operations by Geographical Locations

By geographical locations	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin (%)
Mainland China	10,809	5,350	50.50	2.98	–8.47	6.19
Overseas countries or regions	1,693	958	43.41	17.42	9.71	3.97

Descriptions on Principal Operations by Segments, Products and Geographical Locations

Note: Medical diagnosis and medical devices manufacturing products refer to the products manufactured by the Group, excluding the products distributed.

(2) *Analysis of Costs*

Unit: million Currency: RMB

By Segments

By Segments	Cost	Amount for the period	Percentage of the total cost for the period (%)	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)	Reasons
Pharmaceutical manufacturing and R&D	Cost of products	4,138	65.59	3,545	52.77	16.71	—
Medical diagnosis and medical devices	Cost of products and goods	1,110	17.59	959	14.28	15.65	—
Healthcare services	Cost of services	1,029	16.32	889	13.23	15.82	—
Pharmaceutical distribution and retail	Cost of goods	—	0	1,307	19.45	–100	*Note*

Management Discussion and Analysis

Unit: million Currency: RMB

By Products

By Products	Cost	Amount for the period	Percentage of the total cost for the period (%) *(note)*	Amount for the corresponding period of last year	Percentage of the total cost for the corresponding period of last year (%)	Ratio of change for the period as compared with the corresponding period of last year (%)	Reasons
Major products of cardiovascular system therapeutic area	Cost of products	202	4.89	204	3.04	–0.77	—
Major products of central nervous system therapeutic area	Cost of products	136	3.28	160	2.38	–15.15	—
Major products of blood system therapeutic area	Cost of products	54	1.29	50	0.74	7.60	—
Major products of metabolism and alimentary system therapeutic area	Cost of products	628	15.18	510	7.58	23.31	—
Major products of anti-infection therapeutic area	Cost of products	708	17.10	665	9.90	6.42	—
Major products of anti-tumor therapeutic area	Cost of products	59	1.42	83	1.24	–29.3	—
Major products of APIs and intermediate products	Cost of products	686	16.58	694	10.33	–1.19	—

Note: The Group completed the equity transfer of 3 subsidiaries, namely Fosun Pharmaceutical, For Me Pharmacy and Golden Elephant Pharmacy in the pharmaceutical distribution and retail segment in early January 2015.

Major Suppliers

Purchases from the top five suppliers amounted to RMB1,396 million, accounting for 16.52% of the total purchases of the Group for 2015.

II. Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB2,815 million, representing an increase of 22.37% as compared to 2014. The change in selling expenses was mainly due to the growth in the sales volume of major products in the major therapeutic areas of the Group and the extensive expansion of market. The management expenses of the Group amounted to RMB1,906 million, and amounted to RMB1,235 million after excluding the R&D expenses, representing an increase of 6.27% as compared to 2014.

Management Discussion and Analysis

III. R&D Expenditure

R&D Expenditure

Unit: million Currency: RMB

R&D expenditures expensed for the period	670
R&D expenditures capitalized for the period	160
Total R&D expenditures	830
Percentage of total R&D expenditures on revenue (%)	6.6
Number of R&D staff in the Company (Number of individuals)	887
Percentage of number of R&D staff on total number of staff in the Company (%)	4.94
Percentage of R&D expenditures capitalized (%)	19.29

Descriptions

During the Reporting Period, the R&D expenses were RMB670 million, representing an increase of 18.75% as compared to 2014, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB538 million, accounting for 6% of the revenue of the pharmaceutical manufacturing and R&D segment, mainly because the Group had increased its investments on R&D of biosimilars and innovative drugs.

IV. Cash Flows

Unit: million Currency: RMB

Items	Amount for the period	Amount for the corresponding period of last year	Ratio of Change (%)	Reasons
Net cash flow generated from operating activities	1,621	1,200	35.06	The increase in net cash flow generated from operating activities was mainly due to the outstanding sales performance and operational enhancement of the Group during the Reporting Period
Net cash flow generated from investment activities	–1,870	–2,478	24.55	—
Net cash flow generated from financing activities	551	1,863	–70.44	The decrease in net cash flow generated from financing activities was mainly due to the corresponding figures during the period including the proceeds raised from the Company's issuance of overseas listed foreign shares in April 2014

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

Not applicable

C. Assets and liabilities analysis

Assets and liabilities

Unit: million Currency: RMB

Items	Amount as at the end of the period	Percentage of the amount as at the end of the period to the total assets (%)	Amount as at the end of last period	Percentage of the amount as at the end of last period to the total assets (%)	Ratio of change for the amount as at the end of the period as compared with the amount as at the end of last period (%)	Reasons
Investments in joint ventures	225	0.59	121	0.34	85.95	mainly due to the addition of investment in joint ventures during the Reporting Period
Available-for-sale investments	3,314	8.69	2,499	7.08	32.61	mainly due to the increase in available-for-sale financial assets and stock price fluctuations during the Reporting Period
Other non-current assets	213	0.56	305	0.86	–30.16	mainly due to the decrease in prepayments for acquisitions and prepayments for other intangible assets during the Reporting Period
Interest-bearing bank and other borrowings	7,323	19.20	4,939	14.00	48.27	mainly due to the addition of bank loans during the Reporting Period
Tax payable	411	1.08	216	0.61	90.28	mainly due to the various unpaid taxes payable during the Reporting Period
Other long-term liabilities	1,007	2.64	770	2.18	30.78	mainly due to the addition of bank loans during the Reporting Period

Management
Discussion and Analysis

D. Analysis on investments

Major Subsidiaries and Investees

(1) Operation and Results of Subsidiaries

① *Operation and Results of Major Subsidiaries*

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Reduced glutathione series, alprostadil dried emulsion, potassium sodium dehydroandrographolide succinate, etc	197	1,971	1,165	2,580	275	250
Wanbang Pharma	Pharmaceutical manufacturing	Insulin isophane injections, glimepiride, Xihuang capsules, recombinant human erythropoietin, enoxaparin sodium series, etc.	440	2,295	1,143	2,263	235	216
Hubei Shine Star	Manufacturing of amino acid	Amino acid series products	51	898	534	1,043	57	52
Aohong Pharma	Pharmaceutical manufacturing	Deproteinised calf blood injection and hemocoagulase for injection	108	1,341	1,114	800	462	396
Guilin Pharma	Pharmaceutical manufacturing	Anti-malaria medicines such as Artesunate series	285	1,221	648	649	135	139
Fosun Chemical	Investment management	Investment management	125	358	264	—	383	301

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

Management
Discussion and Analysis

② *Status of Major Subsidiaries of Other Business Segments*

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products	Registered capital	Total assets	Net assets	Revenue	Net profit
Alma Lasers *(note)*	Medical devices	Medical devices for beauty treatment and medical devices for medical purposes	N/A	1,078	841	688	99
Chancheng Hospital (禪城醫院) *(note)*	Healthcare services	Healthcare services	50	1,490	1,001	991	125

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

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

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment	Pharmaceutical investment	Pharmaceutical investment	100	138,320	41,132	226,668	7,147	5,702

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

① *Acquisition of Subsidiaries in 2015*

On 25 October 2014, Erye Pharmaceutical, a subsidiary, entered into an equity transfer agreement with Zuo Shangjie (左尚潔), pursuant to which Zuo Shangjie transferred 50% equity interests in Hainan Kaiye to Erye Pharmaceutical. As at the end of the Reporting Period, Erye Pharmaceutical held 100% equity interests in Hainan Kaiye.

On 1 August 2015, Wanbang Pharma, a subsidiary, entered into an equity transfer agreement with Shenyang Tianshengda Trading Company (瀋陽天晟達商貿有限公司), pursuant to which Wanbang Pharma acquired 51% equity interests in Wanbang Tiancheng.

On 26 November 2015, Fosun Hospital Investment, a subsidiary, entered into a shareholder loan agreement and an equity transfer agreement with Beijing Ruiershi, Liu Ying, Wang Zixi (劉英, 王子熙) and others, pursuant to which Fosun Hospital Investment acquired 70% equity interests in Beijing Ruiershi.

Management
Discussion and Analysis

The above equity investments aim to further improve the Group's pharmaceutical manufacture and R&D and expand the layout for its healthcare services.

The acquisitions of the subsidiaries in 2015 have the following effect on the Group's production and results:

Unit: million Currency: RMB

Name of subsidiary	Acquired through	Net assets (as at 31 December 2015)	Net profit (from date of acquisition/ merger up to 31 December 2015)	Date of acquisition/ merger
Hainan Kaiye	Equity transfer	8	1	26 June 2015
Wanbang Tiansheng	Equity transfer	44	–1	6 August 2015
Beijing Ruiershi	Equity transfer	–0.1	–0.1	14 December 2015

Note: The data of Wanbang Tiansheng includes appreciation of asset evaluation and amortization of appreciation of asset evaluation

② *Disposal of Subsidiaries in 2015*

On 10 December 2014, the Company entered into separate equity transfer agreements with Guoda Drug Store, pursuant to which, the Company transferred its 53.13% equity interest in Golden Elephant Pharmacy, 97% equity interest in Fosun Pharmaceutical and 92% equity interest in For Me Pharmacy.

On 13 August 2015, Fosun Pharmaceutical Industrial, a subsidiary, entered into an equity transfer agreement with Chen Zhimin, Li Honghong and Wang Wenyu (陳致慜, 李紅紅 and 王文鈺), pursuant to which it transferred its 60.68% equity interests in Handan Pharmaceutical to the above.

In December 2015, Shanghai Henlius, a subsidiary, deregistered its wholly-owned subsidiary Henlius Biopharmaceuticals, Inc..

The above disposals aim to further optimize the Group's resources allocation and efficiency.

Management
Discussion and Analysis

The disposals of the subsidiaries in 2015 have the following effect on the Group's production and results:

Unit: million Currency: RMB

Name	Disposed through	Net assets as at date of disposal	Net profit from beginning of Reporting Period to date of disposal	Date of disposal
Fosun Pharmaceutical	Equity transfer	97	—	8 January 2015
For Me Pharmacy	Equity transfer	101	—	7 January 2015
Golden Elephant Pharmacy	Equity transfer	195	—	4 January 2015
Handan Pharmaceutical	Equity transfer	197	5	28 September 2015
Henlius Biopharmaceuticals, Inc.	Deregistration	47	–3	31 December 2015

For non-controlling investments, the Group has made it a principle to investment only in areas related to its principal activities since 2009. Rather than purely for obtaining financial gains, the non-controlling investments of the Group focuses on the forefront of technologies in relation to pharmaceutical, diagnostic and equipment products and relevant business models in order to grasp the development trend and opportunities in the industry and gain access to advanced technologies and products.

With respect to investees which became public companies after its investments, the Group does not rule out the possibility to reduce its shareholding therein, through which to recover cash for expanding investments in mergers and acquisitions relating to its principal activities so as to further strengthen its operational strengths and achieve higher revenue.

As said above, investment gains significantly shrank in the results of the Group while the contribution of operating profit significantly increased. According to its consolidated financial statements, approximately 50% of the investment gains of the Group were operating profit of associates under the equity method, which were continuous and non-one-off. As a result, the existing model of the production operations of the Group is not exposed to any risk with respect to continuity and stability.

E. Core Competence Analysis

I. Overview

The Group has formed a relatively complete product portfolio in the six major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary system, central nervous system, blood system, anti-infection and anti-tumor) which are areas with the greatest potential to grow in China's pharmaceutical market. Each of the major pharmaceutical products of the Group has its own competitive advantages in their respective segments. In 2015, there were 19 formulation products and series of the Group that each recorded revenue of over RMB100 million.

Management
Discussion and Analysis

The Group has developed internationalized R&D structure and strong R&D capabilities. It has set up interactive and integrated R&D systems in Shanghai, Chongqing, San Francisco and Taiwan. It has also established an efficient R&D platform in areas of small molecular innovative drugs, large-molecule biosimilars, generic drugs with high value and specialized formulation technology. During the Reporting Period, the Group strengthened its presence in the production of anti-tumor drugs. After years of research and development and as at the end of the Reporting Period, there were 161 pipeline drugs, generic drugs, biosimilars and vaccine projects, 40 projects under clinical trial applications, 13 projects under clinical trial, and 41 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation to maintain sustainable growth of the Group in the future. As at the end of the Reporting Period, there were nearly 900 staff members in the R&D team. Meanwhile, the Group diversified its innovative research through strategic alliances, cooperative projects, joint ventures and other means so as to further strengthen its R&D capabilities.

Whilst enhancing the competitiveness of its products, the Group also focused on developing its marketing capabilities. With a marketing team consisting of nearly 3,000 employees and a sales network covering most of the major domestic markets, the Group has been improving its capabilities in sales and marketing. Sinopharm, an investee of the Group for over a decade, has developed into the largest pharmaceutical and healthcare distributor and a leading supply chain service provider in China possessing and operating China's largest drug distribution and delivery network. The Group, leveraging its long-established strategic cooperation with Sinopharm, put the synergy into full play.

The Group is one of the first enterprises in the PRC pharmaceutical industry to develop internationally. Its production has expanded overseas with several production lines recognized by relevant international certifications, and some of the formulations and APIs have also entered into the international markets in a considerable scale. Globally, it is the leading provider of anti-malaria medicines. The solid dosage formulation production line of Yao Pharma is recognized by the FDA in Canada and the U.S. The dietary supplement amino acid of Hubei Shine Star is recognized by the FDA.

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

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

II. During the Reporting Period

According to its strategy, the Group mainly invests in pharmaceutical manufacturing and R&D as well as healthcare services, with a majority of investment holding. It also maintains its long-term investment in Sinopharm. The pharmaceutical manufacturing and R&D as well as medical diagnosis and medical devices business of the Group are in leading positions in the industry. According to the statistics of IMS, the Group ranked fourth in terms of the sales revenue generated from the prescription drugs for hospitals that produced by the Group in 2015, whilst the Da Vinci surgical robotic system of the distribution of medical devices of the Group was a leader in the field of surgical operation. Meanwhile, the healthcare services business of the Group also takes the lead in terms of number of beds available and integration capability in the industry.

Management
Discussion and Analysis

The core competitiveness of the Group can be reflected in the increasingly extensive product lines, strong R&D capability, highly standardized production management, high quality services, professional marketing teams and international business development capability. With respect to the pharmaceutical manufacturing and R&D segment of the Group, number of formulation products that recorded revenue of over RMB100 million in one year has been increasing from 11 in 2012, 15 in 2013, 17 in 2014 to 19 in 2015. These key products constitute the major sources of income of the pharmaceutical manufacturing and R&D segment of the Group and support the rapid development of the pharmaceutical manufacturing and R&D segment. Meanwhile, the pharmaceutical treatment sector of the Group has been expanding. As at the end of the Reporting Period, the Group has formed a relatively complete product portfolio in the six major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary system, central nervous system, blood system, anti-infection and anti-tumor) which are areas with the greatest potential to grow in China's pharmaceutical market.

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

F. Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 17,842 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

Function

Function category	Number of individuals
Production personnel	7,950
Sales personnel	2,956
Technology and R&D personnel	1,922
Finance and audit personnel	436
Administration and other personnel	1,345
Management (including HR)	605
Medical care personnel	2,628
Total	17,842

Education level

Education level	Number of individuals
Doctors	105
Masters	889
University graduates	4,453
Tertiary college graduates	4,643
Secondary school and below	7,752
Total	17,842

Management
Discussion and Analysis

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

A. Competition and Development Trends of the Industry

In 2016, the pharmaceutical industry in China will be presented with numerous challenges and opportunities. In terms of market demand, the increase in the proportion of the aging population in the PRC, the increased spending on healthcare programs by the PRC government and the increase in the domestic per capita disposable income have been the three major driving factors for the rapid development of the pharmaceutical industry, and these factors will continue to exist and drive the industry to rapidly grow in the foreseeable future. In terms of industry structure, the domestic economy has maintained stable growth and the PRC government has encouraged and guided the strategic emerging industries to carry out industry upgrade and structure optimization and has supported the development of the innovation-oriented pharmaceutical industry. The implementation of the National List of Essential Drugs has established a relatively solid foundation for the domestic pharmaceutical enterprises. The implementation of China's Twelfth Five Year Plan for the pharmaceutical industry has driven greater competition in the industry as a whole. As a result, pharmaceutical enterprises with advantages in scale, technology, brand and marketing will have valuable opportunities for development. The PRC government has continuously focused on the quality of pharmaceutical products and regulations over the operation of pharmaceutical enterprises, overhauled the sales channel of pharmaceutical products, accelerated implementation of regulation and control over prices and classification of pharmaceutical products, and further improved the centralized tender system for procurement of pharmaceutical products. Such measures have driven and accelerated the consolidation in the domestic pharmaceutical industry and the level of industrial concentration will rapidly increase by way of acquisition and reorganization. The expiration of patents of pharmaceutical products in major markets such as Europe and the U.S. has presented opportunities for the rapid development of Chinese companies with capabilities to innovate and carry out international expansion. While faced with favorable capital market conditions and product market opportunities, the international expansion of PRC pharmaceutical enterprises is also consistent with the policy directions of the PRC government's industry plans.

At the same time, the healthcare services segment in China will further open up and the participation in the segment by social enterprises has been highly encouraged, such as by further opening up of market access (through a permitted-if-not-forbidden market policy) and encouraging social enterprises to participate in the public hospital reform. In addition, pilot scheme of multiple practices in various provinces and cities has been introduced and approvals on acquisition of medical equipment have been gradually loosened, and medical insurance has been introduced into hospital system. The Group has entered the healthcare services segment since 2009 and is accelerating its deployment of the medical services network.

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

B. Development Strategies

In 2016, the Group will continue to be committed to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and 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. It will adhere to the development strategies of organic growth, external expansion and integrated development, and further its efforts in acquiring quality companies in the pharmaceutical industry. By continuing to optimize and integrate resources in the pharmaceutical industry chain, strengthening product innovation and product marketing systems, positively implementing internationalization and enhancing the core competence of the Group,

Management
Discussion and Analysis

the Group strives to further enhance its operating results. Meanwhile, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

C. Operation Plan

In 2016, the development of the pharmaceutical industry will be presented with both opportunities and challenges. The Group will endeavor to develop its product-oriented strategy and further enhance its investments in R&D activities, and strengthen its marketing efforts for major products. In addition, the Group will continue to increase investment in the healthcare services segment to expand the operating scale in the segment and improve its ability of operation management. Meanwhile, the Group will accelerate its mergers and acquisitions as well as integration of quality domestic and overseas pharmaceutical companies, and promote the consolidation of Sinopharm in the pharmaceutical distribution segment.

In 2016, the Group plans to achieve rapid growth. Meanwhile, the Group will strive to control costs and various expenses. As a result, the increase in costs will not be greater that the growth in revenue and the cost of sales ratio and management expense (excluding R&D expenses) ratio will be relatively stable. Also, the percentage of R&D expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business will not be less than 5.0% so as to enhance profit margin and profitability of the major products.

The above operation objectives do not represent the profit forecast and performance commitment of the Group for 2016. The achievement of the objectives is subject to various internal and external factors with uncertainty. Investors should pay attention to the investment risk.

Pharmaceutical R&D and Manufacturing

In 2016, the Group will continue to focus on innovation and international development, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group seeks to achieve continuous and rapid growth of its revenue and profit.

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

The Group will continue to adopt the strategy to integrate imitation with innovation to combine international technology licenses with domestic industry-university-research cooperation, and increase its investments in R&D driven by the cooperation tie of “project plus technology platform”. Project approval process for new products will be strictly implemented in order to enhance the efficiency of research and development. The Group will strengthen the development of the teams for the registration of pharmaceutical products in order to accelerate the approval process of existing products as well as to support innovation. The Group will actively facilitate the R&D and registration processes for products including monoclonal antibody products and small molecular innovative drugs and ensure that the development and registration processes will be completed on schedule. The Group will also accelerate its efforts to link its R&D with the market situation so that demand and supply are better matched. The Group will fully take advantage of the benefits of various R&D platforms, and strive to develop strategic product lines as well as R&D systems that are in line with international standards for new pharmaceutical products, and accelerate the development and reserve for follow-on strategic products, in order to solidify the core competence of its pharmaceutical manufacturing business.

Management Discussion and Analysis

Healthcare Services

In 2016, the Group will continue to seize the business and investment opportunities arising from the opening up of the healthcare services segment to social enterprises. The Group will continuously increase its investments in the healthcare services segment, and strengthen the established strategic deployment of its healthcare services business which integrates high-end healthcare services in coastal developed cities and specialty hospitals and general hospitals in second-tier and third-tier cities in an effort to expand the scale of our healthcare services business. The healthcare institutions controlled by the Group will further strengthen their disciplines and quality management, enhance operational efficiency and accelerate the business development. With the commencement of operation of the new complex and tumor center of Chancheng Hospital (禪城醫院), the Group will continue to expand the coverage and regional influence of healthcare services of Chancheng Hospital (禪城醫院). The Group will also promote the implementation of the Taizhou Zhedong Hospital (台州浙東醫院), Wenzhou Geriatrics Hospital (温州老年病醫院) and the construction of Phase II of Qilu Hospital of Shandong University (Qingdao), and positively seek new opportunities for merger and acquisition of healthcare services. Furthermore, the Group will continue to support and promote the development of "United Family Hospital", a high-end brand for healthcare services under Chindex, and in particular the establishment and business expansion of hospitals in Guangzhou 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 2016, the Group will continue to develop and introduce products, launch new products and enrich new product lines for its diagnostic business. The Group will continue to enhance the development of domestic and overseas sales network and its professional sales team, strive to increase the market share of its diagnostic products including those newly introduced and registered in 2016, and actively seek opportunities to invest in quality companies both domestically and internationally.

In 2016, the Group will increase its investments in R&D, manufacturing and sales of medical devices. Alma Lasers will further stimulate the R&D and sales of medical devices and synergy and innovation in service models with other business segments in order to extend its business from device supply to services. Meanwhile, the Group will continue to leverage its strengths in expanding international operations, and with its existing overseas companies as platforms, vigorously explore cooperation with overseas companies on the basis of proactive integration, so as to achieve growth in the scale of its medical devices business.

Pharmaceutical Distribution and Retail

In 2016, the Group will continue to facilitate consolidation and rapid development of Sinopharm in its pharmaceutical distribution business, and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical distribution and retail sector. Meanwhile, the Group will launch industry chain cooperation with Guahao.com (掛號網).

Financing

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

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

With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest approximately RMB1,100 million for production capacity expansion, plant relocation and the development of cGMP and reconstruction and expansion of hospitals in 2016. Primary sources of funding include, among others, the Group's own capital, cash flow from operating activities, and proceeds from debt and equity financing.

E. Potential Risks

I. Risks in relation to industry policies and system reforms

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

II. Market risks

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

III. Business and operating risks

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

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

Management Discussion and Analysis

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

IV. Management risks

(1) Management risks in relation to business expansion

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

(2) Risks arising from acquisitions and reorganizations

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

V. Force majeure risks

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

Other Events

1. The Restricted A Share Incentive Scheme

On 19 January 2015, the Board considered and approved, among other things, the resolution in relation to repurchase and cancellation of certain Restricted A Shares of the Company which have not been unlocked under the Restricted A Share Incentive Scheme of the Company. Pursuant to the Restricted A Share Incentive Scheme, the Board has approved that a total of 231,000 Restricted A Shares, which have been granted to Mr. Wu Yijian, Mr. Hu Jianglin and Mr. Ni Xiaowei but have not been unlocked due to the resignation of Mr. Wu Yijian, Mr. Hu Jianglin and Mr. Ni Xiaowei and termination of their employment contracts with the Company or the relevant subsidiary, shall be repurchased and cancelled at a repurchase price of RMB6.08 per share for a total repurchase amount of RMB1,404,480, and that the dividends distributable to such grantees and held in escrow by the Company shall be forfeited by the Company in accordance with the Restricted A Share Incentive Scheme. The aforementioned repurchased Restricted A Shares were cancelled on 12 February 2015.

Management
Discussion and Analysis

On 19 January 2015 and 7 January 2016, the Board also considered and approved, the resolutions in relation to the fulfillment of the conditions for unlocking the first tranche and second tranche of Restricted A Shares, and the conditions for unlocking the Restricted A Shares have been satisfied by 24 Grantees. As a result, a total of 1,222,320 Restricted A Shares were unlocked, and trading of such Restricted A Shares commenced on 25 February 2015; a total of 1,222,320 Restricted A Shares were unlocked, and trading of such Restricted A Shares commenced on 14 January 2016.

2. The Restricted A Share Incentive Scheme II

On 20 January 2015, the Board considered and approved, among other things, the proposal to adopt the Restricted A Share Incentive Scheme II of the Company and to grant a total of 2,719,000 restricted A shares of the Company at a grant price of RMB10.82 per share to 47 participants thereunder. On 4 March 2015, the Company obtained the confirmation entitled "Opinion on the Shanghai Fosun Pharmaceutical (Group) Co., Ltd. Restricted A Share Incentive Scheme" (Shang Shi Bu Han 2015 No. 215) (《關於上海復星醫藥(集團)股份有限公司股權激勵計劃意見的函》(上市部函[2015]215號)) that the CSRC had no objection to the Company convening a general meeting to consider the Restricted A Share Incentive Scheme II.

On 25 August 2015 and 19 November 2015, the Board has passed resolutions to revise the initial draft of the Restricted A Share Incentive Scheme II and the proposed grant as follows:

A. The total number of participants under the Restricted A Share Incentive Scheme II was reduced from 47 to 46 due to the termination of employment of one of the participants, Mr. Liu Shengguang, and the total number of Restricted A Shares to be granted to the participants was adjusted from 2,719,000 shares to 2,704,000 shares accordingly. The total number of participants was further reduced from 46 to 45 due to the termination of employment of Mr. Chen Qi, a participant, and the total number of Restricted A Shares to be granted was reduced from 2,704,000 to 2,695,000 accordingly.

B. Since the distribution of the Company's final dividend for 2014 was completed in August 2015, pursuant to the terms of the Restricted A Share Incentive Scheme II, the proposed grant price under the Restricted A Share Incentive Scheme II was adjusted accordingly. Other than the above, no material changes have been made to the terms of the initial draft of the Restricted A Share Incentive Scheme II and the Proposed Grant as disclosed in the announcement of the Company dated 20 January 2015.

The Restricted A Share Incentive Scheme II was approved by the Shareholders at the extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting held on 16 November 2015. On 19 November 2015, the Company granted a total number of 2,695,000 Restricted A Shares at the grant price of RMB10.54 each to 45 Grantees. As disclosed in the announcement of the Company dated 30 November 2015, the 45 Grantees had accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme II and a total number of 2,695,000 Restricted A Shares were issued by the Company to the relevant Grantees.

3. Proposed Non-public Issuance

On 16 April 2015, the Board resolved to submit to the Shareholders of the Company for their consideration and approval of a special resolution in respect of the grant of the general mandate of A shares to the Board, pursuant to which the Board may issue, allot and/or deal with a maximum of 381,619,272 new A Shares, representing 20% of the total issued A Shares, assuming that there will be no change in the number of issued A Shares on the date the proposed special resolution regarding the General Mandate of A Shares is passed. The Company will issue and allot new A Shares under the Proposed Non-Public Issuance pursuant to the General Mandate of A Shares to be considered and granted by the Shareholders at the general meeting of the Company.

Management
Discussion and Analysis

On 16 April 2015, the Board approved the Proposed Non-Public Issuance, pursuant to which the Company will issue not more than 246,808,510 new A Shares to China Life Insurance, China Merchants Wealth, Taikang Asset Management, China Fund, China Universal, Anhui Railway Construction, Zhongrong Dingxin and Elion Resources (collectively, the "Subscribers").

On 16 April 2015, the Subscribers entered into subscription agreements with the Company, respectively, to subscribe for a total of up to 246,808,510 new A Shares at the subscription price of RMB23.50 per new A Share, amounting to a maximum amount of gross proceeds to be raised from the Proposed Non-Public Issuance of RMB5,799,999,985. The new A Shares to be issued shall not be traded or transferred within 36 months from the date of completion of the Proposed Non-Public Issuance.

The Proposed Non-Public Issuance has been approved by the 2014 annual general meeting of the Company held on 29 June 2015.

Since the distribution of the Company's final dividend for 2014 was completed in August 2015, according to the proposal on the Proposed Non-Public Issuance, the issue price has been adjusted to RMB23.22 per share and the number of A Shares to be issued has been adjusted to no more than 249,784,664 new A Shares.

On 16 October 2015, the Company entered into supplemental agreements to the subscription agreements with Taikang Asset Management, China Fund, China Universal and Anhui Railway Construction respectively. The Company also entered into termination agreements to the subscription agreements with Zhongrong Dingxin and Elion Resources, respectively. The number of new A Shares to be issued was adjusted to no more than 211,024,978 shares. The total proceeds raised from such offer amounted to no more than RMB4,899,999,989.16 with an issue price of RMB23.22.

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

On 18 March 2016, the Proposed Non-Public Issuance was approved by the Issuance Examination Committee of the CSRC.

Five-Year Statistics

Unit: million Currency: RMB

Year	2011	2012	2013	2014	**2015**
Operating Results					
Revenue	6,433	7,278	9,921	11,938	**12,502**
Profit for the year	880	1,839	1,956	2,370	**2,871**
Profit for the year attributable to owners of the parent	661	1,564	1,583	2,113	**2,460**
EBITDA	1,576	2,789	3,084	3,697	**4,499**
Proposed final dividend (in RMB)	0.10	0.21	0.27	0.28	**0.32**
Earnings per share (in RMB)					
Earnings per share — basic	0.35	0.80	0.71	0.92	**1.07**
Earnings per share — diluted	0.35	0.80	0.71	0.92	**1.06**
Equity					
Total equity	11,314	15,248	17,608	19,046	**20,613**
Equity attributable to owners of the parent	9,715	13,502	15,275	16,618	**18,125**
Equity per share attributable to owners of the parent	5.10	6.03	6.82	7.19	**7.83**
Debt					
Total debt	6,094	5,655	5,624	8,796	**10,895**
Gearing ratio (%)	27.41%	22.22%	19.12%	24.93%	**28.56%**
Interest coverage (times)	5.02	7.53	8.81	8.91	**9.57**
Assets					
Cash and bank balances	2,895	4,973	3,067	3,696	**4,029**
Property, plant and equipment	2,632	3,502	4,930	5,695	**5,778**
Prepaid land lease payments	459	544	780	862	**1,042**
Investments in joint ventures	2	17	118	121	**225**
Investments in associates	7,395	7,903	8,765	11,727	**13,638**
Available-for-sale investments	2,789	2,070	2,664	2,499	**3,314**
Equity investments at fair value through profit or loss	231	225	44	34	**34**
Segment net profit					
Pharmaceutical manufacturing and R&D	645	829	1,470	1,095	**1,238**
Healthcare service	3	17	42	112	**76**
Medical diagnosis and medical devices	55	65	66	127	**272**
Pharmaceutical distribution and retail	541	662	707	863	**1,037**
Other business operations	(127)	18	(2)	19	**57**

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

Report of the Directors

The Directors are pleased to present their 2015 report and the audited consolidated financial statements of the Company for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 84 to 190.

The Board has proposed a final dividend of RMB0.32 per share, inclusive of tax, for the year ended 31 December 2015, which will be subject to the approval by the Shareholders at the forthcoming AGM.

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

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

According to the requirements of the PRC Enterprise Income Tax Law effective from 1 January 2008 and the implementation rules thereof and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders which are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation on 6 November 2008, the final dividend for the year 2015 payable to the non-resident enterprise shareholders whose names appear on the registers of members of H shares of the Company is subject to a withholding tax at a rate of 10%. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees and other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax at the rate of 10%.

According to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation on 28 June 2011 and the Letter on the Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Hong Kong Stock Exchange on 4 July 2011, when domestic companies other than foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding of individual income tax at a rate of 10%. When the Company distributes the 2015 final dividend to the individual holders of H Shares, such dividend will be subject to the withholding of individual income tax at a rate of 10%. However, if otherwise provided by tax laws, relevant tax treaties or notices, the tax will be withheld in accordance with the relevant requirements and tax levy and administration requirements.

The arrangement relating to withholding tax, if any, in respect of the final dividend for the year ended 31 December 2015 to be paid by the Company to the investors who invest through the Shanghai Stock Exchange in the H Shares of the Company listed on the Main Board of the Hong Kong Stock Exchange will be finalized with the relevant PRC authorities prior to the payment of the final dividend.

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

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

SUMMARY FINANCIAL INFORMATION

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

ISSUED CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 35 to the financial statements.

SUBSIDIARIES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

(a) Restricted A Share Incentive Scheme

The Restricted A Share Incentive Scheme was approved by the Shareholders at the extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting held on 20 December 2013. On 7 January 2014, the Company granted a total of 4,035,000 Restricted A Shares at the grant price of RMB6.08 each to 28 Grantees pursuant to the Restricted A Share Incentive Scheme. As disclosed in the announcement of the Company dated 21 January 2014, 27 out of 28 of the Grantees have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 3,935,000 Restricted A Shares has been issued by the Company to the relevant Grantees. On 19 January 2015, the Board has approved that a total of 231,000 Restricted A Shares, which have been granted to Mr. Wu Yijian, Mr. Hu Jianglin and Mr. Ni Xiaowei but have not been unlocked, shall be repurchased and cancelled at a repurchase price of RMB6.08 per share by the Company for a total repurchase amount of RMB1,404,480 following the resignation from their respective positions in the Company or the relevant subsidiary. The aforementioned repurchase was completed on 11 February 2015 and the cancellation of the repurchased shares was completed on 12 February 2015.

Report
of the Directors

(b) The Restricted A Share Incentive Scheme II

The Restricted A Share Incentive Scheme II was approved by the Shareholders at the extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting held on 16 November 2015. On 19 November 2015, the Company granted a total number of 2,695,000 Restricted A Shares at the grant price of RMB10.54 each to 45 Grantees. As disclosed in the announcement of the Company dated 30 November 2015, the 45 Grantees had accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme II and a total number of 2,695,000 Restricted A Shares were issued by the Company to the relevant Grantees.

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

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2015, calculated in accordance with PRC rules and regulation, was RMB4,363 million.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

During the Reporting Period and up to the date of this annual report, the Directors of the Company are as follows:

Executive Directors

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方) *(Vice Chairman, President, Chief Executive Officer)*

Non-executive Directors

Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Ms. Kang Lan (康嵐)
Mr. John Changzheng Ma
Mr. Wang Pinliang (王品良)*(Note)*

Independent non-executive Directors

Dr. Zhang Weijiong (張維炯)
Mr. Cao Huimin (曹惠民)
Mr. Jiang Xian (江憲)*(Note)*
Dr. Wong Tin Yau Kelvin (黃天祐)*(Note)*
Mr. Han Jiong (韓炯)*(Note)*
Mr. Li Man-kiu Adrian David (李民橋)*(Note)*

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence, and considers that all of them had been independent during the Reporting Period and are still independent as at the date of this annual report.

SUPERVISORS

During the Reporting Period and up to the date of this annual report, the Supervisors of the Company are as follows:

Mr. Zhou Wenyue (周文岳) *(Chairman)*
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)

Notes:

Mr. Han Jiong retired as an independent non-executive Director of the Company as he had already served in the position for six years, effective from 29 June 2015. Mr. Li Man-kiu Adrian David resigned as an independent non-executive Director of the Company due to work arrangements, effective from 29 June 2015. At the annual general meeting held on 29 June 2015, each of Mr. Jiang Xian and Dr. Wong Tin Yau Kelvin was elected by the Shareholders as an independent non-executive Director of the sixth session of the Board, whose date of appointment shall commence from 29 June 2015 until the term of the current session of the Board of Directors expires.

Mr. Wang Pinliang resigned as a non-executive Director in pursuit of personal development, effective from 2 March 2016. The resignation of Mr. Wang Pinliang will not cause the number of members of the Board to fall short of the minimum statutory number required by the PRC Company Law or have any impact on the normal operations of the Board. The Company will, in accordance with the applicable procedures provided under the Articles of Association, elect a new Director as soon as practicable to fill the vacancy.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 71 to 81 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Report of the Directors

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

For the year ended 31 December 2015, the remuneration, including salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contribution and the shares awarded under the Restricted A Share Incentive Scheme, of the Company's senior management (excluding Ms. Lo Yee Har Susan, one of the joint company secretaries) whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Remuneration bands	Number of individuals
RMB Nil to RMB2,000,000	10
RMB2,000,001 to RMB4,000,000	10
RMB4,000,001 to RMB6,000,000	0
RMB6,000,001 to RMB8,000,000	1
RMB8,000,001 to RMB10,000,000	1

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the income statement for the Reporting Period was RMB148 million.

MANAGEMENT CONTRACT

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

Report
of the Directors

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

As at 31 December 2015, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

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

Name of Directors/ chief executive	Capacity	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of shares
Mr. Guo Guangchang	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.18%
	Beneficial owner	A Share	114,075(L)	0.01%
Mr. Chen Qiyu	Beneficial owner	A Share	114,075(L)	0.01%
Mr. Wang Qunbin	Beneficial owner	A Share	114,075(L)	0.01%
Mr. Yao Fang	Beneficial owner	A Share	781,000(L)[3]	0.04%

Notes:

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

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.37% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 64.45% by Mr. Guo Guangchang, he is deemed to be interested in the Shares held by Fosun High Tech.

(3) According to the Restricted A Share Incentive Scheme of the Company which was approved by the Shareholders at its extraordinary general meeting held on 20 December 2013, Mr. Yao Fang was granted 548,000 Restricted A Shares on 21 January 2014. On 25 February 2015, 18,084 Restricted A Shares among those granted to Mr. Yao Fang became tradable and, on 5 May 2015, Mr. Yao Fang reduced his shareholding by selling 137,000 tradable Restricted A Shares. According to the Restricted A Share Incentive Scheme II of the Company which was approved by the Shareholders at the extraordinary general meeting held on 16 November 2015, Mr. Yao Fang was granted 370,000 Restricted A Shares on 27 November 2015.

Report of the Directors

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

Name of Directors/chief executive	Name of associated corporations	Class of shares	Capacity	Number of shares[1]	Approximate percentage of shares in issue
Mr. Guo Guangchang	Fosun International Holdings	Ordinary share	Beneficial owner	32,225(L)[2]	64.45%
	Fosun Holdings	Ordinary share	Interest of a controlled corporation	1(L)[2]	100%
	Fosun International	Ordinary share	Interest of a controlled corporation	6,145,213,473(L)[2]	71.37%
	Fosun High Tech	Ordinary share	Interest of a controlled corporation	4,800,000,000(L)[2]	100%
Mr. Wang Qunbin	Fosun International Holdings	Ordinary share	Beneficial owner	5,555(L)	11.11%
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	4,023,000(L)	0.05%
Ms. Kang Lan	Fosun International	Ordinary share	Beneficial owner	150,000(L)	0.00%
Mr. John Changzheng Ma	Fosun International	Ordinary share	Beneficial owner	130,000(L)	0.00%
Mr. Wang Pinliang	Fosun International	Ordinary share	Beneficial owner	40,000(L)	0.00%

Notes:

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

(2) Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.37% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 65.45% by Mr. Guo Guangchang, he is deemed to be interested in the shares held by Fosun Holdings, Fosun International and Fosun High Tech.

Report
of the Directors

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

As at 31 December 2015, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Nature of Interest	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of shares
Fosun High Tech	Beneficial owner	A Share	920,641,314(L)[2]	48.18%
Fosun International	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.18%
Fosun Holdings	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.18%
Fosun International Holdings	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.18%
The Capital Group Companies, Inc.	Interest of a controlled corporation	H Share	48,465,000(L)	12.02%
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500(L)	8.15%
JPMorgan Chase & Co.	Beneficial owner/ Investment manager/ Custodian — corporation/ approved lending agent	H Share	27,382,195 (L)	6.78%
	Beneficial owner	H Share	23,000 (S)	0.00%
	Custodian — corporation/ approved lending agent	H Share	23,808,235 (P)	5.90%

Notes:

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

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 71.37% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. Therefore, Fosun International, Fosun Holdings and Fosun International Holdings are deemed to be interested in these Shares.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

Report
of the Directors

DONATIONS

During the Reporting Period, the Group made donations of RMB8.47 million.

CONNECTED TRANSACTIONS

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

(A) Non-exempt Connected Transactions

(i) On 24 December 2013, the Board considered and approved that the Company, Fosun High Tech and Nanjing Steel United Co., Ltd. (南京鋼鐵聯合有限公司) ("**Nanjing Steel United**"), subject to approval by the China Banking Regulatory Commission, agreed to make a pro-rata capital contribution involving a total amount of approximately RMB1,200 million in the amount of RMB108 million, RMB984 million and RMB108 million, respectively, to Fosun Finance (the "**Capital Increase Proposal**"). As subsequently disclosed in the announcement of the Company dated 14 January 2014, the parties have entered into a capital increase agreement following receipt of the approval from the China Banking Regulatory Commission.

As disclosed in the announcement of the Company dated 24 March 2015, based on overall strategic considerations, Fosun Finance decided to adjust the original ownership structure and the Capital Increase Proposal, and the Capital Increase Proposal was not implemented in the end. The Company, Fosun High Tech and Nanjing Steel United, after deliberation, had agreed to adjust the Capital Increase Proposal and intended to enter into a new capital increase agreement in due course. At the 44th meeting of the sixth session of the Board, the Board considered and approved that, the Company, Fosun High Tech, Nanjing Steel United and Shanghai Yuyuan shall make capital contribution involving a total amount of approximately RMB1,440 million (the "**Proposed New Capital Increase**"), in the amount of RMB327.60 million, RMB892.80 million, RMB129.60 million, RMB90 million, respectively, to Fosun Finance. The Proposed New Capital Increase was approved by the Shanghai Office of the China Banking Regulatory Commission's "Hu Yin Jian Fu [2015] No. 526" on 1 September 2015. On 17 September 2015, the Company entered into the Capital Increase Agreement with Fosun High Tech, Nanjing Steel United, Shanghai Yuyuan and Fosun Finance. Relevant registration with the industry and commerce authorities was completed on 21 September 2015.

Fosun High Tech is a controlling shareholder of the Company. As Fosun Finance is a subsidiary of Fosun High Tech, Fosun Finance is a connected person of the Company under Rule 14A.07 of Hong Kong Listing Rules. Therefore, the Proposed Transaction, if approved, will constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules..

(ii) As disclosed in the announcements of the Company dated 20 January 2015, 4 March 2015, 25 August 2015, 16 November 2015 and 30 November 2015 and the circular of the Company dated 23 September 2015, the Board considered and approved the Restricted A Share Incentive Scheme II to grant a total of 2,695,000 Restricted A Shares at the grant price of RMB10.54 each to 45 participants. As some of the participants under the Restricted A Share Incentive Scheme II are chief executives, directors or supervisors of the Company or it subsidiaries, who were connected persons of the Company, the grant of Restricted A Shares by the Company to such connected persons under the Restricted A Share Incentive Scheme II constituted non-exempt connected transactions of the Company. The Restricted A Share Incentive Scheme II was approved by the Shareholders at the extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting held on 16 November 2015. As at 27 November 2015, the issuance and registration of new Restricted A Shares under the Restricted Share Incentive Scheme II was completed.

(iii) As disclosed in the announcement of the Company dated 30 July 2015, the Company entered into a capital increase agreement and a supplemental agreement with Chongqing Pharma and CCPHC on 30 July 2015, pursuant to which the Company made the proposed contribution to subscribe 13,500,000 shares of Chongqing Pharma (representing approximately 3% of the enlarged capital of Chongqing Pharma upon completion of the such subscription) in the aggregate amount of RMB202.50 million. The registration of the capital contribution with the industry and commerce authorities was completed on 23 September 2015.

Chongqing Pharma is a substantial shareholder of Yao Pharma, which is an indirect non-wholly-owned subsidiary of the Company, and CCPHC is the controlling shareholder of Chongqing Pharma. Accordingly, Chongqing Pharma and CCPHC are connected persons of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the abovementioned capital increase agreement and the transaction contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(iv) As disclosed in the announcements of the Company dated 22 October 2015 and 18 November 2015, the Company and Tebon Innovation acquired 20% equity interest in aggregate in Sinopharm Holding Medical Investment Management Co., Ltd.* (國藥控股醫療投資管理有限公司) ("**Sinopharm Medical Investment**") held by Sinopharm Industrial Investment Company Limited* (國藥產業投資有限公司) through public bidding on Shanghai United Assets and Equity Exchange (上海聯合產權交易所) for a consideration in the aggregate amount of RMB100 million, and each of the Company and Tebon Innovation shall acquire 10% equity interest in Sinopharm Medical Investment for a consideration of RMB50 million in accordance with the terms and conditions of a joint acquisition agreement dated 22 October 2015 (the "**Joint Acquisition Agreement**"). The registration of the acquisition with the industry and commerce authorities was completed on 4 February 2016.

As Tebon Innovation is an associate of Mr. Guo Guangchang, a non-executive Director and controlling shareholder of the Company, Tebon Innovation is a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the Joint Acquisition Agreement constitutes connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

(v) As disclosed in the announcement of the Company dated 23 December 2015, Fosun Hospital Investment, a wholly-owned subsidiary of the Company, and Xingshuangjian Investment will respectively contribute RMB61.2 million and RMB58.8 million to establish Shanghai Xingshuangjian Medical Investment Management Co., Ltd.* (上海星雙健醫療投資管理有限公司) in accordance with the terms and conditions of a joint investment agreement dated 23 December 2015. The registration of Shanghai Xingshuangjian Medical Investment Management Co., Ltd.* (上海星雙健醫療投資管理有限公司) with the industry and commerce authorities was completed on 18 February 2016.

Fosun High Tech is a controlling shareholder of the Company. As Fosun High Tech, through its wholly-owned subsidiary Zhejiang Fosun Commercial Development Co., Ltd.* (浙江復星商業發展有限公司), holds 100% equity interest in Xingshuangjian Investment, Xingshuangjian Investment is a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Therefore, the transaction contemplated under the Joint Investment Agreement constitutes connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Report
of the Directors

(B) Non-exempt Continuing Connected Transactions

Certain details of the continuing connected transactions during the year ended 31 December 2015 are summarized in the table below. The Company has complied and will continue to comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions, including, among others, conducting annual review of the continuing connected transactions.

Connected person	**Transaction**	**Type**	**Actual transaction amount 2015** RMB	**Proposed annual cap 2015** RMB
Beijing Golte	Provision of property management services	Service fee	899,503	
Shanghai Golte	Provision of property management services	Service fee	4,805,168	
Fosun High Tech	Lease of premises	Rental	606,990	
Shanghai New Shihua	Lease of premises	Rental	4,143,387	
Shanghai Yixing	Lease of premises	Rental	469,752	14,640,000 *(Note 1)*
Xingshuangjian Investment	Lease of premises	Rental	801,932	
Shanghai Yuzhi	Lease of premises	Rental	554,470	
Liangfu Credit Investigation	Lease of premises	Rental	237,630	
Shanghai Yunji	Lease of premises	Rental	341,096	
		Total	**12,859,928**	**14,640,000**
Fosun Finance	Financial Services Agreement *(Note 2)*			
	(a) Maximum daily outstanding balance of deposits placed by the Company with Fosun Finance	Deposit taking	678,423,312	1,000,000,000
	(b) Maximum daily outstanding balance of loans granted by Fosun Finance to the Company	Loan provision	0	1,000,000,000
	(c) Fees and charges paid by the Company to Fosun Finance for clearing and settlement services and other financial services	Service fee	0	1,000,000

Notes:

(1) According to a circular to Shareholders dated 12 May 2015, the aggregate annual cap of the connected transactions in connection with the leasing of premises and provision of property services amounted to RMB14,640,000.

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

The Board has reviewed the continuing connected transactions as described above and confirmed that in 2015, such transactions have been entered into:

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

(ii) on normal commercial terms or better; and

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

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in 2015:

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

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

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

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

Report
of the Directors

RELATED PARTY TRANSACTIONS

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

NON-COMPETITION UNDERTAKING

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

SUBSEQUENT EVENTS

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

COMPLIANCE WITH THE MODEL CODE AND THE WRITTEN CODE

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

COMPLIANCE WITH THE CG CODE

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

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 61 to 70 of this annual report.

AUDIT COMMITTEE

As of the end of the Reporting Period, the Audit Committee of the Company comprises Mr. Cao Huimin (chairman), an independent non-executive Director, Mr. Jiang Xian, an independent non-executive Director, and Mr. Wang Pinliang, a non-executive Director. Having served as an independent non-executive Director of the Company for 6 years, Mr. Han Jiong, an independent non-executive Director, retired from his office as independent non-executive Director and ceased to be a member of the Audit Committee, with effective from 29 June 2015. At the AGM held on 29 June 2015, Mr. Jiang Xian was elected as an independent non-executive Director by the Shareholders, with his appointment effective from 29 June 2015. On 29 June 2015, the Board approved the addition of Mr. Jiang Xian as a member of the Audit Committee of the Company, with the appointment effective from 29 June 2015.

Mr. Wang Pinliang resigned as a non-executive Director and a member of the Audit Committee in pursuit of personal development, effective from 2 March 2016. On 2 March 2016, the Board approved the appointment of Mr. John Changzheng Ma as a member of the Audit Committee of the sixth session of the Board, with effect from 2 March 2016.

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

The Audit Committee of the Company has reviewed the 2015 annual results of the Group.

AUDITORS

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

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

On Behalf of the Board
Chen Qiyu
Chairman

Shanghai, PRC
29 March 2016

Supervisory Committee Report

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

In 2015, the sixth session of the Supervisory Committee of the Company carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting (監事會議事規則):

The Supervisory Committee has met ten times in 2015, and details are as follows:

1. On 19 January 2015, the Company convened the first meeting of the sixth session of the Supervisory Committee in 2015 (a special meeting) to review and approve the resolution in relation to repurchase and cancellation of certain Restricted A Shares which had not been unlocked and the resolution in relation to the unlocking of the first tranche of Restricted A Shares.

2. On 20 January 2015, the Company convened the second meeting of the sixth session of the Supervisory Committee in 2015 (a special meeting) to review and approve the resolution in relation to the Restricted A Share Incentive Scheme II of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Proposal) (《上海復星醫藥(集團)股份有限公司第二期限制性股票激勵計劃(草案)》) and its summary, the resolution in relation to the Participants of the Restricted A Share Incentive Scheme II and the resolution in relation to the Administrative Measures for the Appraisal System of the Restricted A Share Incentive Scheme II of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (《上海復星醫藥(集團)股份有限公司第二期限制性股票激勵計劃考核管理辦法》).

3. On 24 March 2015, the Company convened the third meeting of the sixth session of the Supervisory Committee in 2015 (a regular meeting) to review and approve the 2014 Annual Report of the Group, the Working Report of the Supervisory Committee for 2014, the Special Report of the Placement and Actual Use of the Proceeds in 2014 and the 2014 Internal Control Self-Assessment Report.

4. On 16 April 2015, the Company convened the fourth meeting of the sixth session of the Supervisory Committee in 2015 (a special meeting) to review and approve the resolution in relation to the fulfillment of the conditions for Non-Public Issuance of A Shares, the resolution in relation to the Proposed Non-Public Issuance of A Shares, the resolution in relation to the Non-Public Issuance of A Shares Proposal, the resolution in relation to the feasibility report on use of proceeds from Non-Public Issuance of A Shares, the resolution in relation to the entering into a conditional share subscription agreement between the Company and each of China Life Insurance, China Merchants Wealth, Taikang Asset Management, China Fund, China Universal, Anhui Railway Construction, Zhongrong Dingxin and Elion Resources, the resolution in relation to the authorization to the Board in handling relevant matters regarding Non-Public Issuance of A Shares to be granted at a general meeting, and the resolution in relation to the special report on the use of previous proceeds and the resolution in relation to the formulation of the Shareholders Dividend Return Planning for the Next Three Years (2015 to 2017) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (《上海復星醫藥(集團)股份有限公司未來三年(2015–2017年)股東分紅回報規劃》).

5. On 28 April 2015, the Company convened the fifth meeting of the sixth session of the Supervisory Committee in 2015 (a regular meeting) to review and approve the 2015 First Quarterly Report of the Group.

6. On 21 July 2015, the Company convened the sixth meeting of the sixth session of the Supervisory Committee in 2015 (a special meeting) to review and approve the resolution in relation to temporarily supplementing the working capital by using the unused proceeds.

Supervisory Committee Report

7. On 25 August 2015, the Company convened the seventh meeting of the sixth session of the Supervisory Committee in 2015 (a regular meeting) to review and approve the 2015 Interim Report of the Group, the 2015 Interim Internal Control Self-Assessment Report, the Interim Special Report of the Placement and Actual Use of the Proceeds in 2015, the resolution in relation to the Restricted A Share Incentive Scheme II of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Amendments) (《上海復星醫藥(集團)股份有限公司第二期限制性股票激勵計劃(草案修訂稿)》) and its summary, the resolution in relation to the Participants of the Restricted A Share Incentive Scheme II (Amendments) and the resolution in relation to the Administrative Measures for the Appraisal System of the Restricted A Share Incentive Scheme II of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Amendments) (《上海復星醫藥(集團)股份有限公司第二期限制性股票激勵計劃考核管理辦法(修訂稿)》).

8. On 16 October 2015, the Company convened the eighth meeting of the sixth session of the Supervisory Committee in 2015 (a special meeting) to review and approve the resolution in relation to the entering into Supplementary Subscription Agreements with target investors of the Non-Public Issuance of A Shares, the resolution in relation to the entering into Termination Agreements of Share Subscription Agreement with target investors of the Non-Public Issuance of A Shares, the resolution in relation to the adjustment to the number of shares to be offered under the Non-Public Issuance of A Shares and the scale of proceeds raised, the resolution in relation to the Proposed Non-Public Issuance of A Shares (Amendments) and the resolution in relation to the feasibility report on use of proceeds from Non-Public Issuance of A Shares (Amendments).

9. On 29 October 2015, the Company convened the ninth meeting of the sixth session of the Supervisory Committee in 2015 (a regular meeting) to review and approve the 2015 Third Quarterly Report of the Group.

10. On 19 November 2015, the Company convened the tenth meeting of the sixth session of the Supervisory Committee in 2015 (a special meeting) to review and approve the resolution in relation to matters regarding the granting under the Restricted A Share Incentive Scheme II of the Company.

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

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

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

The Supervisory Committee agreed with the audit opinion issued by Ernst & Young on the 2015 annual financial report of the Group, and that the financial report of the Group has given a true and fair view of the financial position and the operating results of the Group.

Supervisory Committee Report

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

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

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

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

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

The Supervisory Committee has reviewed the 2015 Internal Control Self-Assessment Report of the Group, and considers that the Group has established an appropriate internal control system in all material respects and the internal control system has operated efficiently, which ensures the implementation of the internal control measures and the normal conduct of production and operation.

On Behalf of the Supervisory Committee
Zhou Wenyue
Chairman

Shanghai, PRC
29 March 2016

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

Corporate
Governance Report

BOARD OF DIRECTORS

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

The composition of the Board is as follows:

Executive Directors:
Mr. Chen Qiyu *(Chairman)*
Mr. Yao Fang *(Vice Chairman, President, Chief Executive Officer)*

Non-executive Directors:
Mr. Guo Guangchang
Mr. Wang Qunbin
Ms. Kang Lan
Mr. John Changzheng Ma
Mr. Wang Pinliang*(Note)*

Independent Non-executive Directors:
Dr. Zhang Weijiong
Mr. Cao Huimin
Mr. Jiang Xian
Dr. Wong Tin Yau Kelvin

Note: Resigned on 2 March 2016

Biographical information of the Directors is set out on pages 71 to 81 of this annual report.

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

Chairman of the Board and Chief Executive Officer of the Company

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

Independent Non-executive Directors

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

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

Corporate Governance Report

Appointment, Removal and Re-election of Directors

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

During the Reporting Period, Mr. Han Jiong retired from his office as independent non-executive Director with effect from 29 June 2015 as he had served the office for six years, and Mr. Li Man-kiu Adrian David resigned from his office as independent non-executive Director with effect from 29 June 2015 due to work arrangements. Each of Mr. Jiang Xian and Dr. Wong Tin Yau Kelvin was elected as an independent non-executive Director of the sixth session of the Board by the Shareholders at the AGM held on 29 June 2015.

Mr. Wang Pinliang resigned as a non-executive Director in pursuit of personal development, effective from 2 March 2016. The resignation of Mr. Wang Pinliang will not cause the number of members of the Board to fall short of the minimum statutory number required by the PRC Company Law or have any impact on the normal operations of the Board. The Company will, in accordance with the applicable procedures provided under the Articles of Association, elect a new Director as soon as practicable to fill the vacancy.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

Corporate Governance Report

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

According to the records maintained by the Company, as at 31 December 2015, all Directors received training with an emphasis on the roles, functions and duties as a director of a listed company in compliance with the code provisions relating to continuous professional development under the CG Code. In addition, relevant reading materials including directors' manual and legal and regulatory update have been provided to the Directors for their reference and studying. The continuous professional development records of the Directors for the year ended 31 December 2015 is set out in the table on page 67 of this annual report.

BOARD COMMITTEES

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

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

Audit Committee

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

In 2015, the Audit Committee held 10 meetings to review the interim report for the six months ended 30 June 2015 and the 2014 annual financial results and reports and to discuss significant issues relating to the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

In 2015, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration and Appraisal Committee

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

In 2015, the Remuneration and Appraisal Committee held 5 meetings to review and make recommendations to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, the Restricted A Share Incentive Scheme, Restricted A Share Incentive Scheme II and other related matters.

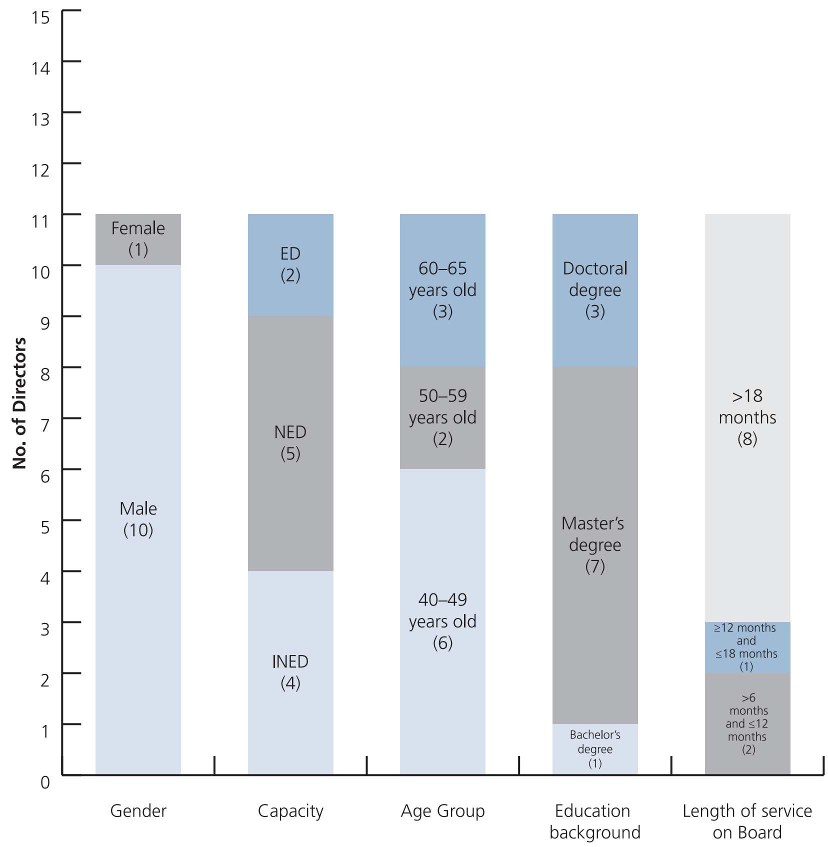
Nomination Committee

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

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

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

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



In 2015, the Nomination Committee held 4 meetings to review and make recommendations to the Board on the structure, size and composition of the Board, the appointment of the senior management and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of Mr. Jiang Xian as an independent non-executive Director. The Nomination Committee considered an appropriate balance of diversity of the Board has been maintained.

Corporate Governance Report

Strategic Committee

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

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

In 2015, the Strategic Committee met once to understand and master the overall operations of the Group, the international and domestic market trend and the relevant government policies, to research and advise on the medium-term and long-term development strategies of the Group and major investment decision, and review and approve research reports on development strategy.

Corporate Governance Responsibilities

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

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

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

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

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

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

Corporate Governance Report

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held for the year ended 31 December 2015 is set out in the table below:

	Attendance/Number of Meetings						
Name of Directors	Board	Nomination Committee	Remuneration and Appraisal Committee	Audit Committee	Strategic Committee	Annual General Meeting(1)	Continuous Professional Development
Executive Directors							
Mr. Chen Qiyu	28/28		5/5(M)		1/1(C)	1/1	✓
Mr. Yao Fang	28/28				1/1(M)	1/1	✓
Non-executive Directors							
Mr. Guo Guangchang	28/28				1/1(M)	0/1	✓
Mr. Wang Qunbin	28/28				1/1(M)	0/1	✓
Mr. Wang Pinliang	28/28			10/10(M)		0/1	✓
Ms. Kang Lan	28/28	4/4(M)	5/5(M)			0/1	✓
Mr. John Changzheng Ma	28/28					1/1	✓
Independent Non-executive Directors							
Mr. Han Jiong	10/10(2)	3/3(C)(3)	3/3(M)(3)	3/3(M)(3)		0/1	✓
Dr. Zhang Weijiong	28/28	4/4(M)	5/5(C)		1/1(M)	0/1	✓
Mr. Li Man-kiu Adrian David	10/10(2)					0/1	✓
Mr. Cao Huimin	28/28		5/5(M)	10/10(C)		1/1	✓
Mr. Jiang Xian	18/18(2)	1/1(C)(3)	2/2(M)(3)	7/7(M)(3)		1/1	✓
Dr. Wong Tin Yau Kelvin	18/18(2)					1/1	✓

Notes:

(1) The Annual General Meeting was held on 29 June 2015.

(2) Mr. Han Jiong and Mr. Li Man-kiu Adrian David ceased to be independent non-executive Directors of the Company on 29 June 2015. During the period from 1 January 2015 to 28 June 2015, the Company convened 10 Board meetings in total. Mr. Jiang Xian and Dr. Wong Tin Yau Kelvin were appointed as independent non-executive Directors of the Company on 29 June 2015. During the period from 29 June 2015 to 31 December 2015, the Company convened 18 Board meetings in total.

(3) From 29 June 2015, Mr. Han Jiong ceased to be an independent non-executive Director of the Company, and he also ceased to serve as his relevant positions in the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee. During the period from 1 January 2015 to 28 June 2015, the Company convened 3 Audit Committee meetings, 3 Remuneration and Appraisal Committee meetings and 3 Nomination Committee meetings in total. On 29 June 2015, the Board appointed Mr. Jiang Xian as a member of each of the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee, as well as the chairman of the Nomination Committee. During the period from 29 June 2015 to 31 December 2015, the Company convened 7 Audit Committee meetings, 2 Remuneration and Appraisal Committee meetings and 1 Nomination Committee meeting in total.

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

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

Corporate
Governance Report

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2015.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 82 to 83.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2015 amounted to RMB4.25 million. There is no remuneration paid to external auditors in respect of non-audit services.

INTERNAL CONTROLS

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

JOINT COMPANY SECRETARIES

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

RIGHTS OF SHAREHOLDERS

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

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

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

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

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

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

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

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

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

(2) Proposals of General Meetings

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

Corporate
Governance Report

(3) Putting Forward Enquiries to the Board

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

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

(4) Primary Contact Persons

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

On 12 February 2015 and 30 November 2015, based on the authorization from the general meeting, the Board passed the resolutions approving the amendments to Article 21 and 24 of the Articles of Association respectively. On 29 June 2015, the resolutions approving the amendments to Articles 58, 103, 117 and 228 of the Articles of Association were passed at the general meeting. An updated version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

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

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Chen Qiyu (陳啟宇), aged 43, is the Company's executive Director and chairman of the Board. Mr. Chen joined the Group in April 1994 and was appointed as a Director on 10 May 2005. Mr. Chen is responsible for the overall development and strategic planning of the Group. Prior to joining the Group, Mr. Chen worked at Shanghai RAAS Blood Product Corporation (上海萊士血製品有限公司), now known as Shanghai RAAS Blood Product Company Limited (上海萊士血液製品股份有限公司), a company listed on the SME board of the Shenzhen Stock Exchange (stock code: 002252) from July 1993 to March 1994. Mr. Chen is an executive director and a vice president of Fosun High Tech, an executive director and a vice president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Zhejiang D.A. Diagnostic Company Limited (浙江迪安診斷技術股份有限公司), a company listed on the growth enterprise board of the Shenzhen Stock Exchange (stock code: 300244), a director of Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600429), a director of Maxigen Biotech Inc., a company listed on the Taiwan Stock Exchange (stock code: 1783), and was a non-executive director of Forte, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Chen is the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), vice president of China Pharmaceutical Industry Research and Development Association (中國醫藥工業科研開發促進會), vice council chairman of the China Medicinal Biotechnology Association (中國醫藥生物技術協會), vice president of the China Pharmaceutical Industry Association (中國化學製藥工業協會), chairman of the Shanghai Biopharmaceutical Industry Association (上海生物醫藥行業協會) and vice chairman of the Shanghai Society of Genetics (上海市遺傳學會). Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) in July 1993 and a master degree of business administration from China Europe International Business School (中歐國際工商學院) ("**CEIBS**") in September 2005.

Mr. Yao Fang (姚方), aged 46, is the Company's executive Director, vice chairman of the Board, and president and chief executive officer of the Company. Mr. Yao joined the Group in April 2010 and was appointed as a Director on 9 June 2010. Mr. Yao is mainly responsible for the daily operations of the Group. Prior to joining the Group, from 1993 to 2009, Mr. Yao was successively the assistant general manager of the international business department of Shanghai Wanguo Securities Company Limited, now known as Shenyin & Wanguo Securities Company Limited (申銀萬國證券股份有限公司), general manager of Shanghai Industrial Assets Management Company Limited (上海上實資產經營有限公司), general manager of Shanghai Industrial Management (Shanghai) Company Limited (上實管理(上海)有限公司), managing director of Shanghai Industrial Pharmaceutical Investment Company Limited (上海實業醫藥投資股份有限公司), a company delisted from the Shanghai Stock Exchange on 12 February 2010, chairman of Shanghai Overseas Company (上海海外公司), non-executive director of Lianhua Supermarket Holdings Company Limited (聯華超市股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00980), and executive director of Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00363). Mr. Yao was a non-executive director of BioSino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司) between 24 January 2011 to 13 March 2014, a company listed on the Hong Kong Stock Exchange (stock code: 08247), and is currently the chief supervisor of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Mr. Yao is a vice chairman of the Shanghai Pharmaceutical Industry Association (上海醫藥行業協會) since June 2010. Mr. Yao obtained a bachelor degree of economics from Fudan University (復旦大學) in July 1989 and a master degree of business administration from The Chinese University of Hong Kong in December 1993.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Guo Guangchang (郭廣昌), aged 48, is the Company's non-executive Director. Mr. Guo joined the Group in January 1994 and was appointed as a Director on 31 May 1995. Mr. Guo was the chairman of the Board from July 1995 to October 2007. Mr. Guo is the chairman of Fosun High Tech, the executive director and chairman of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), the director of Club Méditerranée SA, a company delisted from the NYSE in March 2015, a non-executive Director of China Minsheng Banking Corp., Ltd., a company listed on the Shanghai Stock Exchange(stock code: 600016) and the Hong Kong Stock Exchange (stock code: 01988), chairman of Fidelidade-Companhia de Seguros, S.A., Multicare-Seguros de Saúde, S.A. and Fidelidade Assistência-Companhia de Seguros, S.A., vice chairman of Nanjing Nangang Iron & Steel United Company Limited and director of Peak Reinsurance Company Limited. Mr. Guo was a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099) and a director of Shanghai Forte, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Guo is now a member of the 12th National Committee of the Chinese People's Political Consultative Conference, a member of the 11th standing committee of All-China Federation of Industry & Commerce, a member of the 11th standing committee of All-China Youth Federation, chairman of the Zhejiang Chamber of Commerce in Shanghai and vice council chairman of China Foundation for Glory Society. Mr. Guo was a deputy to the 10th and 11th National People's Congress of the PRC and a member of the 9th National Committee of the Chinese People's Political Consultative Conference. Mr. Guo was awarded the Nationwide Outstanding Entrepreneur in Private Sector on Staff Caring, the Industry and Commerce Category Winner of Ernst & Young Entrepreneur of the Year, the Award of Outstanding Contribution to Guangcai Program (光彩事業突出貢獻獎) awarded by China Foundation for Glory Society, the Directors of the Year Awards 2010 (Non Hang Seng Index Constituents) awarded by The Hong Kong Institute of Directors, the Outstanding Zhejiang Entrepreneur Award at the First World Zhejiang Entrepreneurs Convention, and elected in The 50 Most Influential Ranking (Global Investment and Banking Sector) for 2014 by Bloomberg Markets and The 100 Most Creative People in Chinese Business for 2014 by Fast Company (Chinese Edition), a famous commercial magazine in the United States. Mr. Guo obtained a bachelor degree of philosophy and a master degree of business administration from Fudan University (復旦大學) in July 1989 and July 1999, respectively.

Mr. Wang Qunbin (汪群斌), aged 46, is the Company's non-executive Director. Mr. Wang joined the Group in January 1994, and was appointed as a Director on 31 May 1995. Mr. Wang served as the Company's Director and general manager from 1995 to 2007 and was the chairman of the Board from October 2007 to June 2010. Currently, Mr. Wang is an executive director and the president of Fosun High Tech, an executive director and president of Fosun International, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Henan Lingrui Pharmaceutical Company Limited (河南羚鋭製藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600285), a director of Shanghai Yuyuan, a company listed on the Shanghai Stock Exchange (stock code: 600655), a director of Shanghai Forte, a company delisted from the Hong Kong Stock Exchange in May 2011, a director of Nanjing Nangang Iron & Steel United Company Limited, a director of Fidelidade-Companhia de Seguros, S.A., a director of Multicare-Seguros de Saúde, S.A., a director of Fidelidade Assistência-Companhia de Seguros, S.A., a director of Ironshore Inc., a director of ROC Oil Company Limited and the chairman of Peak Reinsurance Company Limited. Mr. Wang was a director of Shanghai Friendship Group Co., Ltd. (上海友誼集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600827). Mr. Wang is currently honorary chairman of Shanghai Bio Industry Association, the vice chairman and China Chamber of International Commerce (中國國際商會) and honorary chairman of the Huzhou Chamber of Commerce in Shanghai (上海湖州商會). Mr. Wang was named a "China's Top 10 Professional Manager" in the pharmaceuticals sector in 2004. Mr. Wang obtained a bachelor degree of science from Fudan University (復旦大學) in July 1991.

Biographical Details of
Directors, Supervisors and Senior Management

Ms. Kang Lan (康嵐), aged 46, was appointed as the Company's non-executive Director on 28 June 2013. Ms. Kang was the project manager of Nanjing High Technology Industry Development Company (南京高新技術產業發展總公司) from August 1991 to June 1993, a researcher of Memorial Sloan-Kettering Cancer Center in the United States from October 1995 to May 1998, a research and development scientist in Wyeth from May 1998 to August 2000, a consultant of McKinsey & Company from August 2002 to February 2007, and a senior client partner of Korn/Ferry International Consulting Ltd. (光輝國際諮詢顧問公司) from March 2007 to August 2010. Ms. Kang was the senior assistant to the president and the general manager of the human resources department of Fosun High Tech from August 2010 to December 2014, and has been a vice president and chief human resources officer of the same since December 2014. Ms. Kong is currently a non-executive director of Fidelidade-Companhia de Seguros, S.A., a non-executive director of Multicare-Seguros de Saúde, S.A., a non-executive director of Fidelidade Assistência-Companhia de Seguros, S.A., a non-executive director of Peak Reinsurance Company Limited, a non-executive director of Ironshore Inc. and a non-executive director of Meadowbrook Insurance Group, Inc. Ms. Kang obtained a bachelor degree in biological sciences and biotechnology from Zhejiang University in June 1991, a master degree in biochemistry from Tulane University in the United States in June 1995, and a master degree in business and administration from the Wharton School of the University of Pennsylvania in May 2002.

Mr. John Changzheng Ma, aged 53, was appointed as the Company's non-executive Director on 30 June 2014. Mr. John Changzheng Ma joined the Group in August 2013 and was the Company's senior vice president from August 2013 to April 2014. Prior to joining the Group, Mr. Ma was the engineer at Shanghai Metallurgical Design and Research Institute (上海冶金設計研究院) from June 1983 to July 1990, operations manager of International Business Department in Preformed Line Products Company, a company listed on NASDAQ, USA (NASDAQ: PLPC), from May 1995 to May 2000, vice president and general manager of GE Healthcare China from May 2000 to May 2005, president of Asia-Pacific of Pentair Ltd., a company listed on the New York Stock Exchange (NYSE: PNR), from May 2005 to May 2010, and vice president of Express Scripts Holding Company, a company listed on NASDAQ, USA (NASDAQ: ESRX), and its president in China from May 2010 to December 2012. Mr. John Changzheng Ma is currently senior assistant to the president of Fosun High Tech, president of Shanghai Fosun Health Industry Holdings Ltd. (上海復星健康產業控股有限公司) and executive director and chairman of Shanghai Star Health Management Co., Ltd. (上海星益健康管理有限公司). Mr. Ma obtained a doctoral degree of materials science and engineering from Wayne State University.

Mr. Wang Pinliang (王品良), aged 47, was appointed as the Company's non-executive Director on 28 June 2013. Mr. Wang joined the Group in July 2000, and served as the deputy general manager, vice president and chief accountant in the finance department of the Company from July 2000 to February 2009, and the Company's supervisor from June 2010 to June 2013. Prior to joining the Group, Mr. Wang worked for Sinopec Shanghai Petrochemical Company Limited (上海石油化工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600688), from July 1991 to July 2000. Mr. Wang was previously a director of Shanghai Yuyuan, a company listed on the Shanghai Stock Exchange (stock code: 600655) from September 2009 to December 2010. Mr. Wang obtained a bachelor degree of accounting from Shanghai University of Finance and Economics (上海財經大學) ("**SUFE**") in July 1991 and a master degree of accounting from The Chinese University of Hong Kong in December 2007. Mr. Wang qualified as a certified public accountant in the PRC in May 1996. Mr. Wang resigned as a non-executive Director of the Company on 2 March 2016.

Biographical Details of Directors, Supervisors and Senior Management

Dr. Zhang Weijiong (張維炯), aged 62, was appointed as an independent Director on 9 June 2010. He is currently an independent non-executive Director of the Company. Dr. Zhang joined CEIBS in April 1997 and currently serves as professor of Science of Strategy, co-dean and president (Chinese affairs) in CEIBS. Prior to joining CEIBS, Dr. Zhang was associate dean and associate professor at the Management School of Shanghai Jiao Tong University (上海交通大學) ("**SJTU**") from 1982 to 1997. Dr. Zhang is currently an independent director of Shanghai Automatic Industry Corporation (Group) (華域汽車系統股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600741), and an independent non-executive director of Springland International Holdings Limited (華地國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01700). Dr. Zhang obtained a bachelor degree of engineering from SJTU in March 1982. Dr. Zhang received a master degree of science in business administration and a doctoral degree in philosophy from the University of British Columbia, Canada in May 1989 and May 1997, respectively.

Mr. Cao Huimin (曹惠民), aged 61, was appointed as the Company's independent non-executive Director on 28 June 2013. Mr. Cao is currently a professor in accountancy at Shanghai Lixin University of Commerce (上海立信會計學院). Mr. Cao is an independent director of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) (stock code: 600827) and Shanghai Industrial Development Co., Ltd. (上海實業發展股份有限公司) (stock code: 600748), both of which are listed companies in Shanghai Stock Exchange, and an independent director of Shanghai HAND Enterprise Solution Company Ltd. (上海漢得信息技術股份有限公司), a company listed in Shenzhen Stock Exchange (stock code: 300170) and Shanghai Flyco Electrical Appliance Co., Ltd. (上海飛科電器股份有限公司). Mr. Cao graduated from Shanghai University of Finance and Economics (上海財經大學) with a master degree in economics (accounting) in January 1988.

Mr. Jiang Xian (江憲), aged 61, was appointed as the Company's independent non-executive Director on 29 June 2015. Mr. Jiang was a lecture at the Justice School of Shanghai (上海市司法學校) from April 1983 to August 1989. He has been a partner and senior partner of Shanghai United Law Firm (上海市聯合律師事務所) since August 1989, an arbitrator of China International Economic and Trade Arbitration Commission and Arbitrator Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Center) since December 2003, a visiting professor of East China University of Political Science and Law (華東政法大學) (formerly known as East China College of Political Science and Law (華東政法學院)) since September 2006, a mediator of Shanghai Commercial Mediation since January 2011, and an associated Mediator of Singapore Mediation Center since May 2012. Mr. Jiang obtained a bachelor degree of laws from a branch of the Fudan University (復旦大學) (now incorporated into the Shanghai University) in April 1983 and a master degree of laws from Fudan University (復旦大學) in July 1996, respectively. Mr. Jiang qualified as a lawyer in the PRC in 1985.

Biographical Details of
Directors, Supervisors and Senior Management

Dr. Wong Tin Yau Kelvin (黃天祐), JP, aged 55, was appointed as the Company's independent non-executive Director on 29 June 2015. Dr. Wong has been an executive director and deputy managing director of COSCO Pacific Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01199), since 1996. Dr. Wong is currently an independent non-executive director of each of I.T Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00999), China ZhengTong Auto Services Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01728), Xinjiang Goldwind Science & Technology Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 02208) and Shenzhen Stock Exchange (stock code: 002202), AAG Energy Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 02686), Bank of Qingdao Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 03866), and Huarong International Financial Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00993). Dr. Wong was an independent non-executive director of China Metal International Holdings Inc., a company listed on the Hong Kong Stock Exchange (stock code: 00319), from December 2004 to July 2013. He was also an independent non-executive director of CIG Yangtze Ports PLC, a company listed on the Hong Kong Stock Exchange (stock code: 08233), from September 2005 to October 2015. Dr. Wong is the immediate past chairman and was the chairman (2009–2014) of The Hong Kong Institute of Directors, a non-executive director of the Securities and Futures Commission, a former member of the Main Board and GEM Listing Committee of the Hong Kong Stock Exchange (2007–2013), a member of Financial Reporting Council, a convenor-cum-member of the Financial Reporting Review Panel, a member of the Standing Committee on Company Law Reform, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, a board director of the Hong Kong Sports Institute Limited, a council member of The Hong Kong Management Association, a member of the OECD/World Bank Asian Corporate Governance Roundtable, and a council advisor and former chairman of the Hong Kong Chinese Orchestra Limited. Dr. Wong obtained his Master of Business Administration degree from Andrews University in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007.

Mr. Han Jiong (韓炯), aged 46, was the Company's independent Director and independent non-executive Director from 23 April 2009 to 29 June 2015.

Mr. Li Man-kiu Adrian David (李民橋), JP, aged 42, was the Company's independent non-executive Director from 30 October 2012 to 29 June 2015.

SUPERVISORS

Mr. Zhou Wenyue (周文岳), aged 55, was appointed as the Company's Supervisor on 28 June 2013 and served as the chief Supervisor. Mr. Zhou joined the Group in January 2007, and was the Company's vice president and senior vice president. Prior to joining the Group, Mr. Zhou was a director of the human resources department of CEIBS from October 1997 to June 2000, the deputy general manager of Shanghai East-China Computer Co., Ltd. (上海華東電腦股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600850), from September 2000 to June 2003 and the deputy director of the human resources department of Fosun High Tech from May 2003 to December 2006. Mr. Zhou obtained a bachelor degree of engineering from University of Science and Technology of China (中國科學技術大學) in July 1983 and a master degree of business administration from CEIBS in April 1997.

Mr. Cao Genxing (曹根興), aged 69, has served as the Company's Supervisor since 26 May 2008. Mr. Cao Genxing currently serves as the secretary to the president of Dahua Group Limited (大華(集團)有限公司). Mr. Cao Genxing graduated from Central Agricultural Broadcasting and Television School (中央農業廣播電視學校) with a diploma in agricultural science in December 1985. Mr. Cao Genxing graduated from Shanghai Baoshan District Vocational University (上海寶山區業餘大學) with a diploma in party and government management in January 1991.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Guan Yimin (管一民), aged 65, was appointed as the Company's Supervisor on 30 June 2014. Mr. Guan was a professor of Shanghai National Accounting Institute from September 2000 to August 2014. He was an independent director of the Company from May 2007 to June 2013, and an independent non-executive director of the Company from October 2012 to June 2013. He is now concurrently an independent director of Shanghai International Port (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600018), an independent non-executive director of China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601866) and Hong Kong Stock Exchange (stock code: 02866), and an independent director of Porton Fine Chemicals Ltd. (重慶博騰製藥科技股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300363). Mr. Guan was an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (天津創業環保股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600874) and Hong Kong Stock Exchange (stock code: 01065), and an independent director of Bank of Shanghai Co. Ltd. (上海銀行股份有限公司). Mr. Guan obtained a bachelor degree in accounting from SUFE in January 1983.

SENIOR MANAGEMENT

Mr. Yao Fang (姚方), is the Company's executive Director, vice chairman of the Board, and president and chief executive officer of the Company. His biographical details are set out on page 71 of this annual report.

Mr. Wang Cheng (汪誠), aged 52, joined the Group in August 2011 and is currently the Company's senior vice president and chief investment officer. Prior to joining the Group, Mr. Wang worked for Holley Group Company Limited (華立集團股份有限公司) from July 1994 to September 2010 and was a director, head of the financial department, president and chairman of the board of Holley Share Company Limited (重慶華立控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607), from October 1999 to October 2006. Mr. Wang was the vice president and chairman of the board of Kunming Pharmaceutical Group Corporation Limited (昆明製藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600422), from November 2002 to October 2006. Mr. Wang was the chairman of the board of Wuhan Jianmin Pharmaceutical Groups Corporation Limited (武漢健民藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600976), from October 2009 to September 2010. Mr. Wang obtained a bachelor degree in literature in July 1988 and a master degree of business administration in July 1998 from Hangzhou University (杭州大學), now known as Zhejiang University (浙江大學).

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

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Wu Yifang (吳以芳), aged 46, joined the Group in April 2004 and is currently the Company's senior vice president and chief operating officer. Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), now known as Wanbang Pharma, from June 1987 to April 1997, a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物化學製藥廠), now known as Wanbang Pharma, from April 1997 to December 1998, the president of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司), now known as Wanbang Pharma, and a deputy general manager of Wanbang Pharma from December 1998 to March 2007 and the president of Wanbang Pharma from March 2007 to April 2011 and has been the chairman and CEO of Wanbang Pharma since April 2011. Mr. Wu is currently a director of Jingfukang Pharmaceutical Co., Ltd. (頸復康藥業集團有限公司). Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce in 1996 and obtained a master degree in business administration from Saint Joseph's University in 2005.

Mr. Song Jinsong (宋金松), aged 48, joined the Group in July 2015 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Song was the CT product manager, manager of MRI business for South Region, general manager of MRI business for Greater China Region, vice president for Greater China Region and general manager for Central Region, vice president for Greater China Region and general manager for North Region, vice president for Greater China Region and HCS general manager for China at GE Healthcare Group (China) Limited from June 1999 to July 2015. Mr. Song obtained a bachelor degree of medical from China Medical University in July 1991 and a doctorate degree of radiology from Peking Union Medical College in July 1999. He joined a doctorate programme in University of Munich, Germany during September 2002 to May 2003.

Mr. Li Chun (李春), aged 52, joined the Group in March 2013 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Li successively held the posts of recruiting specialist and HR manager of Xian-Janssen Pharmaceutical Ltd. (西安楊森製藥公司) from July 1988 to April 1993; during the period from April 1993 to April 1995, he successively held the posts of deputy general manager of Xian Meadow Gold Foodstuff Co., Ltd. (西安美登高食品有限公司), a subsidiary of Meadow Gold Investment (US) Co., Ltd., and general manager of Chengdu Meadow Gold Foodstuff Co., Ltd. (成都美登高食品有限公司). He was the HR manager of Quaker (China) Ltd. (桂格中國公司) in China region from April 1995 to April 1998, the chief HR officer of Pillsbury (China) Ltd. (品食樂中國有限公司) from April 1998 to November 2001, the chief HR officer of China business department of Trane Air-Conditioning from November 2001 to March 2005, and the vice president of HR department of Goodbaby International Holdings Limited (好孩子國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01086) from April 2005 to February 2013. Mr. Li obtained a bachelor degree of education from the Department of Psychology in East China Normal University (華東師範大學) in July 1988.

Mr. Zhou Biao (周飈), aged 45, joined the Group in June 2013 and is currently the Company's senior vice president, secretary to the Board and joint company secretary. Prior to joining the Group, Mr. Zhou served as a lawyer of Shanghai Qiao Wen Law Firm (上海市喬文律師事務所) from September 1996 to May 2000, a lawyer of Shanghai Hua Ye Law Firm (上海市華曄律師事務所) from May 2000 to May 2005 and a lawyer of Shanghai Jiu Cheng Law Firm (上海久誠律師事務所) from May 2005 to June 2013. Mr. Zhou obtained a bachelor degree of laws in economic law from Fudan University (復旦大學) in July 1993.

Mr. Hongfei Jia, aged 48, joined the Group in June 2013 and is currently the Company's senior vice president and joint chief investment officer. Prior to joining the Group, Mr. Jia worked for The Gillette Company from September 1989 to December 1993 and the Audit Department of NCH Corporation in the U.S. from October 1994 to October 1996. He was the manager in financial budgeting and planning of Sino-American Tianjin Smith Kline &French Laboratories Ltd. and financial manager of Glaxo Wellcome (China) Co., Ltd. from November 1996 to May 1999, financial manager of SAMTACK COMPUTER INC. from November 1999 to October 2002, chief financial officer of AchieveGlobal from January 2003 to November 2003, deputy general manager and chief financial officer of The Siemon Company from December 2003 to June 2007, chief financial officer of Jingrui Properties Group Limited (景瑞地產(集團)股份有限公司) from September 2007 to May 2010, and chief financial officer of Goodbaby International Holdings Limited (好孩子國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01086) from July 2011 to October 2012. Mr. Jia obtained a bachelor degree of science in management science from Fudan University (復旦大學) in July 1989, and acquired a master degree of business administration from the University of Dallas in December 2005.

Biographical Details of Directors, Supervisors and Senior Management

Ms. Guan Xiaohui (關曉暉), aged 44, joined the Group in May 2000 and is currently the Company's senior vice president and chief financial officer. Ms. Guan was successively the Company's financial manager of the retail pharmaceutical department, chief financial officer of Fosun Pharmaceutical and the Company's vice chief financial officer. She served as the Company's deputy director of business management committee and the Company's assistant to the president and general manager of financial department. Prior to joining the Group, from July 1992 to May 2000, Ms. Guan worked for Industrial and Commercial Bank of China Jiangxi Branch (中國工商銀行江西分行). Ms. Guan is currently the supervisor of China National Accord Medicines Corporation Ltd. (國藥一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028) and had been a supervisor of Biosino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08247). Ms. Guan obtained a bachelor degree of economics from Jiangxi University of Finance and Economics (江西財經大學) and acquired a master degree of professional accountancy from Chinese University of Hong Kong in December 2007.

Dr. Zhang Xinmin (張新民), aged 49, joined the Group in June 2010 and is currently the Company's senior vice president. Prior to joining the Group, Dr. Zhang worked for the anti-epidemic station, Huaiyin city, Jiangsu province, PRC from July 1989 to August 1991, and the Department of Health Education of the Shanghai Municipal Government from July 1994 to April 1995. Dr. Zhang successively held the posts of assistant director, director of finance and deputy director of the Shanghai Social Medical Insurance Bureau (上海市醫療保險局) from September 1999 to December 2008, and served as a deputy director of Shanghai Medical Insurance Office from January 2009 to December 2009. Dr. Zhang worked in Shanghai Xingye Investment Development Limited Company (上海興業投資發展有限公司) as vice president from December 2009 to May 2010. Dr. Zhang obtained a bachelor degree of Medicine and a master degree of Medicine from Shanghai Medical University (上海醫科大學), now known as Shanghai Medical College of Fudan University (復旦大學上海醫學院) (the "**SMC**"), in July 1989 and July 1994, respectively. Dr. Zhang obtained a doctoral degree of Management from Fudan University (復旦大學) in June 2001 and subsequently acquired a postdoctoral degree of business management from Fudan University in June 2004.

Mr. Cui Zhiping (崔志平), aged 52, joined the Group in January 2006 and is currently the Company's vice president. Prior to joining the Group, Mr. Cui worked for Shanghai Pharmaceuticals Holding Co. Ltd. (上海醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601607) and the Hong Kong Stock Exchange (stock code: 02607), from 2001 to 2005. Mr. Cui obtained a bachelor degree of pharmacy from SMC in July 1986 and a master degree of business administration from La Trobe University in March 2002.

Mr. Zhu Yaoyi (朱耀毅), aged 53, joined the Group in May 1999 and is currently the Company's vice president. Prior to joining the Group, Mr. Zhu was a manager of Beckman Coulter Commercial Enterprise Company Limited, responsible for marketing activities in Eastern China, from February 1991 to April 1999. Mr. Zhu obtained a bachelor degree of engineering and a master degree of engineering from Shanghai Machinery College (上海機械學院), now known as Shanghai Polytechnic University (上海理工大學), in July 1984 and July 1987, respectively.

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

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Dong Zhichao (董志超), aged 49, joined the Group in February 1992 and is currently the Company's vice president. Prior to joining the Group, Mr. Dong acted as a teaching assistant and lecturer in the Department of Pharmaceutics at the School of Pharmacy of Second Military Medical University (第二軍醫大學) from September 1991 to December 1998, and chief engineer in Zhaohui pharmaceutical factory affiliated to Second Military Medical University (第二軍醫大學朝輝製藥廠) from March 1997 to December 1998. Mr. Dong obtained a bachelor degree of Medicine from Second Military Medical University in July 1988 and acquired a master degree of Medicine (with a major in Pharmaceutics) from the Second Military Medical University and a degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business (長江商學院) in July 1991 and September 2008, respectively.

Mr. Wang Yao (汪曜), aged 42, joined the Group in September 2014 and is currently a vice president of the Company. Mr. Wang was field management engineer of Shanghai Automotive Casting Plant of SAIC Motor Corporation Limited (上海汽車集團股份有限公司上海汽車鑄造總廠) from July 1995 to January 1998, the senior project manager of the strategic investment committee of D'Long International Strategic Investment Company (德隆國際戰略投資有限公司) from November 1999 to March 2001, the vice general manager of Zhongqi Asset Custody Co. Ltd. (中企資產託管有限公司), a subsidiary of D'Long International Strategic Investment Company from April 2001 to May 2004, the investment manager of Hongpu Investment Holdings (China) Co., Ltd. (宏普投資控股(中國)有限公司) from June 2004 to April 2006, the director in merger and acquisition of Asian-Pacific Region of PENTAIR LTD, a company listed on the New York Stock Exchange (NYSE: PNR), from April 2006 to May 2011, during which he was concurrently the general manager of Beijing Pentair-Jieming Environmental Protection Equipment Co., Ltd. (北京濱特爾潔明環保設備有限公司), an affiliate of PENTAIR LTD, from June 2009 to August 2010, and vice president of group investment and asset management of Suntech Power Holdings Co., Ltd., a company listed on the New York Stock Exchange (NYSE: STP), from May 2011 to July 2014. Mr. Wang obtained a bachelor degree in metal casting from Shanghai University (上海大學) in 1995 and a master degree in business administration from CEIBS in 1999.

Mr. Shao Ying (邵穎), aged 49, joined the Group in March 2012 and is currently a vice president of the Company. Mr. Shao was a lecturer and associate professor of Medicinal Chemistry Teaching and Research Office in China Pharmaceutical University (中國藥科大學) from August 1991 to July 2003, the deputy chief and chief of the former Review Department of Center for Drug Evaluation (CDE) and the chief of the Research and Evaluation Department under China Food and Drug Bureau (now known as China Food and Drug Administration) from August 2003 to December 2011, the assistant president and executive deputy director of Corporate Technological Center of Fosun Pharmaceutical Industrial from March 2012 to August 2012, the assistant president and director of Corporate Technological Center of Fosun Pharmaceutical Industrial l from August 2012 to December 2012, and the assistant president and director of R&D Center of the Company from January 2013 to October 2014. Mr. Shao obtained a bachelor degree in biopharmaceuticals from China Pharmaceutical University in 1988, a master degree in pharmaceutical chemistry from China Pharmaceutical University in 1991 and a doctoral degree in chemistry from China Pharmaceutical University in 2006.

Mr. Chen Yuqing (陳玉卿), aged 40, joined the Group in January 2010 and is currently a vice president of the Company. Prior to joining the Group, Mr. Chen was the chief human resources officer of Kubao Information Technology (Shanghai) Co., Ltd. from April 2009 to October 2009. From January 2010 to April 2015, he was the Company's deputy HR supervisor of human of human resources department, deputy general manager of human resources department, general manager of human resources department, assistant to president and general manager of human resources department. Mr. Chen obtained a bachelor degree in engineering from Shanghai University in July 1997.

Ms. Mei Jingping (梅璟萍), aged 45, joined the Group in January 2013 and is currently a vice president of the Company. Prior to joining the Group, Ms. Mei was the senior marketing manager of the marketing department of Wyeth Pharmaceutical Co., Ltd. from June 2003 to January 2010, the investment analyst, senior investment analyst and research director of pharmaceutical industry at CLSA Limited from February 2010 to November 2012, and the assistant to chairman and general manager of strategic planning department of the Company from January 2013 to June 2015. Ms. Mei obtained a bachelor degree in science from China Pharmaceutical University in 1992.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Wang Donghua (王冬華), aged 46, joined the Group in October 2015 and is currently a vice president of the Company. Prior to joining the Group, Mr. Wang was the deputy manager and manager of the corporate culture department, deputy general manager of the investment development department, deputy general manager and spokesman of the brand development department, and deputy general manager, executive general manager and joint general manager of the public affairs department of Fosun High Tech from April 2003 to October 2015, as well as the senior assistant to president and general manager of the public affairs department of the Company from October 2015 to January 2016. Mr. Wang obtained a bachelor degree in agriculture from Yangzhou University in July 1994, and a master degree in business administration from Shanghai University of Finance and Economics in February 2004.

Mr. Pu Qianglin (普強淩), aged 51, joined the Group in April 2015 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Pu was the senior marketing manager of radiology department and international department at Bristol-Myers Squibb (BMS), a company listed on the NYSE (stock code: BMY), from November 2004 to January 2007, the director of the business department at Kehui Medical Equipment (Shanghai) Co., Ltd. from June 2009 to May 2013, and the general manager in Greater China at Teleflex Medical Trading (Shanghai) Company Ltd from June 2013 to September 2014. Mr. Pu obtained a bachelor degree of sanitary inspection from West China Center of Medical Sciences (currently known as Sichuan University) in July 1985, a master degree of medical from West China Center of Medical Sciences (currently known as Sichuan University) in July 1988, and a master degree of business administration from Hult International Business School in August 2004. Mr. Pu resigned as the senior vice president of the Company on 1 March 2016.

Mr. Bing Li (黎兵), aged 47, joined the Group in May 2014 and is currently a vice president of the Company. Mr. Bing Li was the strategy manager of China/India Region, global new product planning manager and consultant of the biotechnology strategy department of Eli Lilly and Company (HQs) from 1999 to 2006, the general manager of business development division of China/Hong Kong region for GlaxoSmithKline from August 2006 to June 2010, an executive director of Warburg Pincus LLC. from June 2010 to April 2014, an non-executive director of China Biologic Products, Inc. (NASDAQ: CBPO) from March 2011 to May 2014, a director of Kunming Jida Pharmaceutical Co., Ltd. (昆明積大製藥股份有限公司) from March 2011 to January 2014, and a director of Zhejiang Vacin Bio-Pharmaceutical Ltd. (浙江衛信生物藥業有限公司) from August 2011 to April 2014. Mr. Bing Li obtained a bachelor degree of science in biophysics from Fudan University (復旦大學) in July 1990, a doctoral degree in cell and molecular biology from University of Rochester in October 1997 and a master degree in business administration and a master degree in engineering management from Kellogg School of Management, Northwestern University, USA in 1999. Mr. Bing Li resigned as the senior vice president of the Company on 1 March 2016.

Mr. Li Xianlin (李顯林), aged 60, had been a senior vice president of the Company during the Reporting Period until 31 July 2015.

Mr. Shu Zhengsheng (疏正勝), aged 54, had been a senior vice president of the Company from 2 April 2015 to 15 July 2015.

Biographical Details of
Directors, Supervisors and Senior Management

JOINT COMPANY SECRETARIES

Mr. Zhou Biao (周颷), aged 45, the joint company secretary, is also the Company's senior vice president and secretary to the Board. Please refer to page 77 of this annual report for his biography.

Ms. Lo Yee Har Susan (盧綺霞), aged 57, is an executive director of Tricor Services Limited ("**Tricor**"). She also serves as the Head of Learning & Development of Tricor. Prior to joining Tricor, Ms. Lo served as director of the company secretarial department of Tengis Limited (now Tricor Tengis Limited). Ms. Lo has more than 30 years of experience in company secretarial industry, and has provided services to companies ranging from private companies to public companies listed on the Hong Kong Stock Exchange. Ms. Lo is currently named company secretary to five Hong Kong listed companies. She is a fellow member of both The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Lo graduated from The Hong Kong Polytechnic (now The Hong Kong Polytechnic University).

Independent Auditor's Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話 : +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

We have audited the consolidated financial statements of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the "Company") and its subsidiaries set out on pages 84 to 190, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2016

Consolidated Statements of Profit or Loss

Year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
REVENUE	4,5	**12,502,163**	11,938,243
Cost of sales		**(6,308,041)**	(6,718,569)
Gross profit		**6,194,122**	5,219,674
Other income	6	**170,822**	124,958
Selling and distribution expenses		**(2,815,141)**	(2,300,424)
Administrative expenses		**(1,235,486)**	(1,162,601)
Research and development expenses		**(670,036)**	(564,218)
Other gains	8	**1,174,531**	1,239,446
Other expenses		**(140,682)**	(403,956)
Interest income		**56,246**	69,764
Finance costs	9	**(470,011)**	(415,040)
Share of profits and losses of:			
Joint ventures		**(11,049)**	(18,698)
Associates		**1,118,516**	929,148
PROFIT BEFORE TAX	7	**3,371,832**	2,718,053
Income tax expense	12	**(501,171)**	(348,214)
PROFIT FOR THE YEAR		**2,870,661**	2,369,839
Attributable to:			
Owners of the parent		**2,460,094**	2,112,869
Non-controlling interests		**410,567**	256,970
		2,870,661	2,369,839
Earnings per share attributable to ordinary equity holders of the parent:	15		
Basic		**RMB1.07**	RMB0.92
Diluted		**RMB1.06**	RMB0.92

Consolidated Statements of Comprehensive Income

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	**2,870,661**	2,369,839
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments		
Changes in fair value	**962,095**	580,276
Reclassification adjustments for gains included in the consolidated statements of profit or loss		
— Gain on disposal	**(1,002,245)**	(662,074)
Income tax effect	**62,866**	15,912
	22,716	(65,886)
Share of other comprehensive loss of associates	**(184,364)**	(7,993)
Exchange differences on translation of foreign operations	**(31,599)**	6,190
Other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(193,247)**	(67,689)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,677,414**	2,302,150
Attributable to:		
Owners of the parent	**2,258,473**	2,051,338
Non-controlling interests	**418,941**	250,812
	2,677,414	2,302,150

Consolidated Statements of Financial Position

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**5,777,567**	5,694,638
Prepaid land lease payments	17	**1,041,705**	862,037
Goodwill	18	**3,303,379**	3,255,042
Other intangible assets	19	**2,204,086**	2,049,826
Investments in joint ventures	20	**225,285**	121,382
Investments in associates	21	**13,637,584**	11,727,481
Available-for-sale investments	22	**3,314,452**	2,499,156
Deferred tax assets	24	**102,477**	101,222
Other non-current assets	23	**212,927**	304,581
Total non-current assets		**29,819,462**	26,615,365
CURRENT ASSETS			
Inventories	25	**1,648,773**	1,604,562
Trade and bills receivables	26	**2,146,570**	1,976,673
Prepayments, deposits and other receivables	27	**399,719**	362,980
Equity investments at fair value through profit or loss	28	**33,751**	33,771
Available-for-sale investments	22	**67,928**	—
Cash and bank balances	29	**4,028,637**	3,695,698
		8,325,378	7,673,684
Assets of a disposal group classified as held for sale	13	**—**	990,341
Total current assets		**8,325,378**	8,664,025
CURRENT LIABILITIES			
Trade and bills payables	30	**1,048,650**	904,962
Other payables and accruals	31	**2,155,959**	2,887,415
Interest-bearing bank and other borrowings	32	**7,323,428**	4,939,433
Tax payable		**411,163**	216,392
		10,939,200	8,948,202
Liabilities directly associated with the assets classified as held for sale	13	**—**	589,118
Total current liabilities		**10,939,200**	9,537,320
NET CURRENT LIABILITIES		**(2,613,822)**	(873,295)
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,205,640**	25,742,070

Consolidated
Statements of Financial Position

31 December 2015

	Notes	**31 December 2015 RMB'000**	31 December 2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,205,640**	25,742,070
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**3,571,526**	3,856,675
Deferred tax liabilities	24	**1,844,762**	1,929,331
Deferred income	33	**169,318**	139,593
Other long-term liabilities	34	**1,007,272**	770,356
Total non-current liabilities		**6,592,878**	6,695,955
Net assets		**20,612,762**	19,046,115
EQUITY			
Equity attributable to owners of the parent			
Share capital	35	**2,314,075**	2,311,611
Treasury shares	39	**(43,494)**	(23,925)
Reserves	36	**15,854,102**	14,330,276
		18,124,683	16,617,962
Non-controlling interests		**2,488,079**	2,428,153
Total equity		**20,612,762**	19,046,115

Chen Qiyu
Director

Yao Fang
Director

Consolidated
Statements of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent										
	Issued share capital RMB'000 *(note 35)*	Share premium RMB'000	Treasury shares RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	2,240,462	3,639,187	—	1,201,557	1,485,373	2,780,819	(8,089)	3,935,988	15,275,297	2,332,330	17,607,627
Profit for the year	—	—	—	—	—	—	—	2,112,869	2,112,869	256,970	2,369,839
Other comprehensive loss for the year:											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	(59,952)	—	—	—	—	(59,952)	(5,934)	(65,886)
Share of other comprehensive loss of associates	—	—	—	(7,994)	—	—	—	—	(7,994)	1	(7,993)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	6,415	—	6,415	(225)	6,190
Total comprehensive income for the year	—	—	—	(67,946)	—	—	6,415	2,112,869	2,051,338	250,812	2,302,150
Profit appropriation to reserve	—	—	—	—	177,000	—	—	(177,000)	—	—	—
Issue of H shares	67,214	1,336,395	—	—	—	—	—	—	1,403,609	—	1,403,609
Issue of restricted A shares	3,935	19,990	(23,925)	—	—	—	—	—	—	—	—
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	1,372	1,372
Deemed acquisition of additional interests in subsidiaries	—	—	—	—	—	(27,310)	—	—	(27,310)	27,310	—
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	(258)	—	—	(258)	258	—
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(219,593)	(219,593)
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	183,452	183,452
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(162)	(162)
Disposal of partial interest in an associate	—	—	—	—	—	(23,598)	—	—	(23,598)	—	(23,598)
Acquisition of non-controlling interests	—	—	—	—	—	(1,706,908)	—	—	(1,706,908)	(187,196)	(1,894,104)
Equity-settled share-based payment	—	—	—	—	—	33,404	—	—	33,404	4,956	38,360
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	—	—	—	—	—	(1,852)	—	—	(1,852)	1,852	—
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	(7,176)	—	—	(7,176)	(10,382)	(17,558)
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	43,144	43,144
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	245,551	—	—	245,551	—	245,551
Final 2013 dividend declared and paid	—	—	—	—	—	—	—	(624,135)	(624,135)	—	(624,135)
At 31 December 2014	2,311,611	4,995,572	(23,925)	1,133,611	1,662,373	1,292,672	(1,674)	5,247,722#	16,617,962	2,428,153	19,046,115

Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

Consolidated
Statements of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent										
	Issued share capital RMB'000 *(note 35)*	Share premium RMB'000	Treasury shares RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	2,311,611	4,995,572	(23,925)	1,133,611	1,662,373	1,292,672	(1,674)	5,247,722	16,617,962	2,428,153	19,046,115
Profit for the year	—	—	—	—	—	—	—	2,460,094	2,460,094	410,567	2,870,661
Other comprehensive loss for the year:											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	25,967	—	—	—	—	25,967	(3,251)	22,716
Share of other comprehensive loss of associates	—	—	—	(184,307)	—	—	—	—	(184,307)	(57)	(184,364)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(43,281)	—	(43,281)	11,682	(31,599)
Total comprehensive income for the year	—	—	—	(158,340)	—	—	(43,281)	2,460,094	2,258,473	418,941	2,677,414
Profit appropriation to reserve	—	—	—	—	333,046	—	—	(333,046)	—	—	—
Issue of restricted A shares	2,695	25,710	(28,405)	—	—	—	—	—	—	—	—
Repurchase and cancellation of restricted A shares	(231)	(1,173)	1,404	—	—	—	—	—	—	—	—
Unlock of restricted A shares	—	—	7,432	—	—	—	—	—	7,432	—	7,432
Deemed acquisition of additional interests in a subsidiary	—	—	—	—	—	(18,489)	—	—	(18,489)	18,489	—
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	—	5,358	—	—	5,358	25,920	31,278
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(176,092)	(176,092)
Acquisitions of subsidiaries *(note 37)*	—	—	—	—	—	—	—	—		22,067	22,067
Disposal of subsidiaries *(note 38)*	—	—	—	—	—	—	—	—	—	(176,627)	(176,627)
Disposal of partial interest in an associate	—	—	—	—	—	(1,638)	—	—	(1,638)	—	(1,638)
Acquisition of non-controlling interests	—	—	—	—	—	(67,721)	—	—	(67,721)	(127,427)	(195,148)
Equity-settled share-based payment *(note 39)*	—	—	—	—	—	9,654	—	—	9,654	—	9,654
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	—	(2,439)	—	—	(2,439)	(1,967)	(4,406)
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	56,622	56,622
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	—	(36,785)	—	—	(36,785)	—	(36,785)
Final 2014 dividend declared and paid	—	—	—	—	—	—	—	(647,124)	(647,124)	—	(647,124)
At 31 December 2015	2,314,075	5,020,109*	(43,494)	975,271*	1,995,419*	1,180,612*	(44,955)*	6,727,646*	18,124,683	2,488,079	20,612,762

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

Consolidated Statements of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,371,832	2,718,053
Adjustments for:			
Finance costs	9	470,011	415,040
Share of losses of joint ventures		11,049	18,698
Share of profits of associates		(1,118,516)	(929,148)
Depreciation of items of property, plant and equipment	7	535,087	459,310
Amortisation of prepaid land lease payments	7	20,128	20,199
Amortisation of other intangible assets	7	102,096	83,530
Gain on disposal of items of property, plant and equipment and other tangible assets	7	(2,874)	(2,099)
Gain on disposal of interests in associates and joint ventures	8	(100,056)	(266,186)
Gain on disposal of subsidiaries	8	(53,783)	(15,918)
Gain on disposal of available-for-sale investments	8	(1,006,527)	(682,203)
Dividend income from available-for-sale investments	6	(78,790)	(50,253)
Provision for impairment of goodwill	7	—	202,500
Provision for impairment of property, plant and equipment	7	23	3,550
Provision for impairment of other intangible assets	7	—	83,995
Provision for impairment of inventories	7	18,759	27,708
Provision for impairment of trade and other receivables	7	51,673	15,854
Fair value loss on equity investments at fair value through profit or loss	7	2,218	10,702
		2,222,330	2,113,332
Increase in inventories		(88,346)	(104,993)
Increase in trade and bills receivables		(237,119)	(460,490)
(Increase)/decrease in prepayments, deposits and other receivables		(86,638)	82,597
Increase in trade and bills payables		107,996	406,393
Increase/(decrease) in other payables and accruals		79,947	(129,096)
Increase in pledged bank balances to secure bills payable		(43,279)	(308,049)
Cash generated from operations		1,954,891	1,599,694
Income tax paid		(333,863)	(399,480)
Net cash flows from operating activities		1,621,028	1,200,214

Consolidated
Statements of Cash Flows

Year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**(1,235,536)**	(1,119,437)
Receipt of government grants		**10,560**	5,960
Acquisitions of subsidiaries, net of cash acquired	37	**(244,319)**	(1,194,483)
Proceeds receipt from consideration adjustment of a subsidiary acquisition		**—**	67,581
Acquisition of interests in associates and joint ventures		**(1,410,505)**	(1,603,593)
Purchases of available-for-sale investments		**(1,499,488)**	(339,646)
Disposal and partial disposal of associates		**271,483**	426,503
Advance receipt from disposal of a disposal group classified as held for sale		**—**	124,310
Deposit payment for planned acquisition		**(95,258)**	(20,002)
Disposal of available-for-sale investments		**1,497,762**	779,100
Advance receipt from disposal of an available-for-sale investment		**—**	15,000
Disposal of subsidiaries	38	**354,261**	48,737
Dividends from associates		**266,699**	172,214
Dividends from available-for-sale investments		**91,063**	53,147
Refund of principal arose from fund withdrawal		**—**	2,131
Proceeds from disposal of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**21,999**	126,972
Payment of withholding individual income tax arose from acquisition		**—**	(61,261)
Cash and bank balances of a disposal group classified as held for sale		**—**	(223,213)
Deposit for construction projects		**(2,664)**	—
Refund of acquisition of prepaid land lease payments		**—**	7,148
Decrease in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions		**48,777**	273,659
Other receipts/(payments) relating to investing activities		**5,256**	(19,164)
Net cash flows used in investing activities		**(1,869,910)**	(2,478,337)

Consolidated
Statements of Cash Flows

Year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**9,321,698**	5,894,058
Repayment of bank and other borrowings		**(7,361,501)**	(2,928,698)
Interest paid		**(454,865)**	(339,581)
Proceeds from issuance of new shares		**28,405**	1,423,336
Share issue expenses		**—**	(15,657)
Capital injections from non-controlling shareholders of subsidiaries		**87,721**	42,770
Dividends paid to owners of the parent		**(654,408)**	(623,073)
Dividends paid to non-controlling shareholders of subsidiaries		**(137,058)**	(163,469)
Advance payment for acquisition of non-controlling interests		**—**	(31,200)
Acquisition of non-controlling interests		**(276,802)**	(1,395,416)
Other payments relating to financing activities		**(2,475)**	—
Net cash flows from financing activities		**550,715**	1,863,070
NET INCREASE IN CASH AND CASH EQUIVALENTS		**301,833**	584,947
Cash and cash equivalents at beginning of year		**3,010,155**	2,416,261
Effect of foreign exchange rate changes, net		**36,606**	8,947
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**3,348,594**	3,010,155

Notes to the Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION

The Company was established as a joint stock company with limited liability on 31 May 1995 in the PRC. The Company's A Shares have been listed on the Shanghai Stock Exchange since 7 August 1998. The operating term is from 31 December 1998 to indefinite period.

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

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

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 30 October 2012.

Information about subsidiaries

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

Company name*	Place of incorporation /registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術有限公司)****	PRC/ Mainland China	USD44,980	—	82.57	Research and development of biopharma-ceutical drugs
Shanghai Fosun Chemical Pharmaceutical Investment Co., Ltd. (上海復星化工醫藥創業投資有限公司)****	PRC/ Mainland China	RMB125,000	96		Investment management
Chongqing Fochon Pharmaceutical Research Co., Ltd. (重慶復創醫藥研究有限公司)***	PRC/ Mainland China	USD 14,288	—	76	Research and development of chemical drugs
Fosun Industrial (HK) Co., Ltd. (復星實業(香港)有限公司)	Hong Kong	USD 173,820	100	—	Investment management
Shanghai Fosun Pingyao Investment Management Co., Ltd. (上海復星平耀投資管理有限公司)**	PRC/ Mainland China	RMB10,000	100	—	Investment management
Shanghai Fosun Hospital Investment (Group) Co., Ltd. (上海復星醫院投資(集團)有限公司)**		RMB 100,000	100	—	Investment management
Ample Up Limited (能悅有限公司)		USD61,587	67.36	32.64	Investment management

Notes to the Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation /registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Chongqing Yao Pharmaceutical Co., Ltd. (重慶藥友製藥有限責任公司)****	PRC/ Mainland China	RMB196,540	—	51	Manufacture and trading of medicine
Jiangsu Wanbang Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥股份有限公司)****	PRC/ Mainland China	RMB440,455	—	95.2	Manufacture and trading of medicine
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)****	PRC/ Mainland China	RMB 285,030	—	95.4	Manufacture and trading of medicine
Shanghai Fosun Long March Medical Science Co., Ltd. (上海復星長征醫學科學有限公司)**	PRC/ Mainland China	RMB156,854	100	—	Manufacture and sale of diagnostic products
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (上海復星醫藥產業發展有限公司)**	PRC/ Mainland China	RMB 2,253,308	100	—	Investment management
Jinzhou Aohong Pharmaceutical Co., Ltd. (錦州奥鴻藥業有限責任公司)****	PRC/ Mainland China	RMB107,875	—	93	Manufacture and sale of pharmaceutical products
Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司)****	PRC/ Mainland China	RMB 55,000	—	56.89	Research and development of medicine
Yueyang Guangji Hospital Co., Ltd. (岳陽廣濟醫院有限責任公司)****	PRC/ Mainland China	RMB28,898	—	100	Healthcare services
Yaneng Bioscience (Shenzhen) Co., Ltd. (亞能生物技術(深圳)有限公司)***	PRC/ Mainland China	HKD11,635	—	50.1	Manufacture and trading of diagnostic drugs
Dalian Aleph Biomedical Co., Ltd. (大連雅立峰生物製藥有限公司)****	PRC/ Mainland China	RMB52,000	—	95	Manufacture and sale of biopharmaceutical product

Notes to the Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name*	Place of incorporation /registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程股份有限公司)****	PRC/ Mainland China	RMB 51,120	—	51	Manufacture and trading of medicine
Chindex Medical Limited (美中互利醫療有限公司)	Hong Kong	HKD245,000	—	70	Manufacture and sale of medical devices
Shenyang Hongqi Pharmaceutical Co., Ltd. (瀋陽紅旗製藥有限公司)****	PRC/ Mainland China	RMB12,000	—	100	Manufacture and trading of medicine
Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院) *****	PRC/ Mainland China	RMB10,000	—	70	Healthcare services
Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司) ****	PRC/ Mainland China	RMB17,500	—	55	Healthcare services
Alma Lasers Ltd.	State of Israel	NIS6,472	—	95.24	Manufacture and sale of medical devices
Hunan Dongting Pharmaceutical Co., Ltd. (湖南洞庭藥業股份有限公司)****	PRC/ Mainland China	RMB110,064	77.78	—	Manufacture and trading of medicine
Foshan City Chancheng District Central Hospital Co., Ltd. (佛山市禪城區中心醫院有限公司)****	PRC/ Mainland China	RMB50,000	—	60	Healthcare services
Suzhou Erye Pharmaceutical Co., Ltd. (蘇州二葉製藥有限公司)****	PRC/ Mainland China	RMB118,420		65	Manufacture and trading of diagnostic drugs
Jiangsu Huanghe Pharmaceutical Co., Ltd. (江蘇黃河藥業股份有限公司)****	PRC/ Mainland China	RMB55,070		51	Manufacture and trading of medicine

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

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

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

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

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

Notes to the Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

Notes to the Financial Statements

31 December 2015

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

Annual Improvements to HKFRSs 2010–2012 Cycle

Annual Improvements to HKFRSs 2011–2013 Cycle

Other than as explained below regarding the impact of *Annual Improvements to HKFRSs 2010–2012 Cycle*, the adoption of the above revised standards has had no significant financial effect of these financial statements.

The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

Notes to the Financial Statements

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 No specific effective date but early adoption is permitted
4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group is currently assessing the impact of the amendments and the adoption date has not been determined.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

(i) the materiality requirements in HKAS 1;

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

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

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

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

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

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

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

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

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

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

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

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

Related parties

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

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

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

or

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

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

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

Buildings	10 to 45 years
Plant and machinery	5 to 16 years
Medical devices	5 to 10 years
Office equipment	3 to 15 years
Motor vehicles	4 to 12 years
Leasehold improvements	The shorter of the lease terms and their useful lives

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

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

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale (Continued)

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

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

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

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 10 to 12 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences and technical know-how

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

Patents

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

Office software

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

Business networks

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

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

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

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

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

Leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

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

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

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

Inventories

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

Cash and bank balances

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

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

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision

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

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

Government grants

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

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

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

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

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

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

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

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

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

Retirement benefits

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

Accommodation benefits

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

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments

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

In addition, in prior years, certain employees of Chindex International, Inc. ("Chindex"), the non-controlling shareholder of one of the Group's subsidiaries, Chindex Medical Limited ("CML"), provide services to CML. The service agreement between CML and Chindex provides that certain compensation costs (including monetary and nonmonetary) of the specific Chindex employees who provide service to CML will be charged to CML, which will include the cost of share-based compensation on a non-cash basis, if applicable to the employees. In addition, certain former Chindex employees that are now employees of CML retained options on Chindex's common shares granted in prior years. Employees and non-employees of CML receive remuneration in the form of share-based payments, whereby employees and non-employees render services as consideration for equity instruments ("equity-settled transactions"). Further details are given in note 39 to the financial statements.

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

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

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

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

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

Notes to the Financial Statements

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments (Continued)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments — Group as lessee

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 18 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

Notes to the Financial Statements

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of available-for-sale investments

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

Provision for bad debts of loans and receivables

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

Net realisable value of inventories

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

Useful lives of property, plant and equipment

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

Useful lives of intangible assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Unrecognised deductible temporary differences and tax losses are set out in note 24 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Contingent consideration for acquisitions of subsidiaries

The Group estimates the fair value of a contingent consideration for acquisitions of subsidiaries by the income approach that involves the forecasted cash flows, which are discounted to the acquisition date at an appropriately chosen discount rate. Significant management estimation is required to determine the expected cash flows and discount rate. Management reassesses these estimates at the end of the reporting period.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that dividend income from available-for-sale investments, gain or loss on disposal of available-for-sale investments, fair value gain or loss from equity investments at fair value through profit or loss, impairment of available-for-sale investments as well as head office and investment management entities income and expenses are excluded from such measurement.

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

Segment assets exclude equity investments at fair value through profit or loss, available-for-sale investments and unallocated head office and investment management entities assets as these assets are managed on a group basis.

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

Notes to the Financial Statements

31 December 2015

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2015

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

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

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

Notes to the Financial Statements

31 December 2015

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

	Pharma-ceutical manufacturing and R&D RMB'000	Healthcare service RMB'000	Medical diagnosis and medical devices RMB'000	Pharma-ceutical distribution and retail RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	7,265,332	1,185,589	1,930,924	1,542,072	14,326	—	11,938,243
Intersegment sales	275	—	17	—	19,741	(20,033)	—
Total revenue	7,265,607	1,185,589	1,930,941	1,542,072	34,067	(20,033)	11,938,243
Segment results*	1,102,724	170,453	229,087	13,029	5,230	(13,451)	1,507,072
Other income	50,620	1,200	6,838	1,802	—	—	60,460
Other gains	494,326	164	2,482	6,327	28,196	—	531,495
Interest income	11,075	1,927	6,524	1,866	989	—	22,381
Finance costs	(114,033)	(8,951)	(39,960)	155	(8,549)	83,784	(87,554)
Other expenses	(294,981)	(10,938)	(44,429)	(2,400)	(19)	—	(352,767)
Share of profits and losses of:							
Joint ventures	(11,225)	(4,078)	—	(2,102)	(1,293)	—	(18,698)
Associates	76,939	779	(1,739)	851,459	1,710	—	929,148
Unallocated other income, interest income and other gains							819,833
Unallocated finance cost							(327,487)
Unallocated expenses							(365,830)
Profit before tax	1,315,445	150,556	158,803	870,136	26,264	70,333	2,718,053
Tax	(220,757)	(38,748)	(32,092)	(6,828)	(6,791)	—	(305,216)
Unallocated tax							(42,998)
Profit for the year	1,094,688	111,808	126,711	863,308	19,473	70,333	2,369,839
Segment assets	11,796,497	3,806,643	3,042,285	9,256,541	874,966	(124,801)	28,652,131
Including:							
Investments in joint ventures	23,983	88,848	—	—	8,551	—	121,382
Investments in associates	1,446,820	1,633,561	200,186	8,281,919	164,995	—	11,727,481
Unallocated assets							6,627,259
Total assets							35,279,390
Segment liabilities	6,621,217	726,907	1,194,485	597,879	86,659	(4,150,569)	5,076,578
Unallocated liabilities							11,156,697
Total liabilities							16,233,275
Other segment information:							
Depreciation and amortisation	373,850	84,019	59,148	23,743	23,608	—	564,368
Provision for impairment of inventories	4,559	—	23,149	—	—	—	27,708
Provision for impairment of trade and other receivables	2	9,888	5,964	—	—	—	15,854
Provision for impairment of goodwill, other intangible assets and property, plant and equipment	289,771	—	274	—	—	—	290,045
Capital expenditure**	833,663	307,510	50,041	18,836	65,935	—	1,275,985

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

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

Notes to the Financial Statements

31 December 2015

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	**10,809,318**	10,496,519
Overseas countries and regions	**1,692,845**	1,441,724
	12,502,163	11,938,243

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

(b) Non-current assets

	2015 RMB'000	2014 RMB'000
Mainland China	**23,845,874**	22,437,058
Overseas countries and regions	**2,556,659**	1,577,929
	26,402,533	24,014,987

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

Information about major customers

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended 31 December 2015 and 2014.

Notes to the Financial Statements

31 December 2015

5. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered.

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

	2015 RMB'000	2014 RMB'000
Sale of goods	**10,897,898**	10,502,231
Rendering of services	**1,592,053**	1,425,073
Sale of materials	**12,212**	10,939
	12,502,163	11,938,243

6. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Dividend income from available-for-sale investments	**78,790**	50,253
Government grants	**92,032**	74,705
	170,822	124,958

Notes to the Financial Statements

31 December 2015

7. PROFIT BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**5,530,418**	5,760,790
Cost of services provided		**777,623**	957,779
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration *(note 10)*)			
Salaries and other staff costs		**1,870,720**	1,493,991
Retirement benefits:			
Defined contribution fund		**148,055**	135,207
Accommodation benefits:			
Defined contribution fund		**65,375**	48,119
Share-based payment expense	39	**9,654**	38,360
		2,093,804	1,715,677
Research and development expenses:			
Current year expenditure excluding amortisation of other intangible assets		**621,662**	522,544
Less: Government grants for R&D projects*		**(24,965)**	(10,703)
		596,697	511,841
Auditors' remuneration		**4,250**	4,380
Operating lease payments		**36,067**	60,110
Depreciation of items of property, plant and equipment	16	**535,087**	459,310
Amortisation of prepaid land lease payments	17	**20,128**	20,199
Amortisation of other intangible assets	19	**102,096**	83,530
Provision for impairment of goodwill	18	**—**	202,500
Provision for impairment of other intangible assets	19	**—**	83,995
Provision for impairment of property, plant and equipment	16	**23**	3,550
Provision for impairment of inventories	25	**18,759**	27,708
Provision for impairment of trade and other receivables	26, 27	**51,673**	15,854
Fair value loss on equity investments at fair value through profit or loss		**2,218**	10,702
Foreign exchange gain, net		**(3,156)**	(10,463)
Gain on disposal of items of property, plant and equipment and other intangible assets		**(2,874)**	(2,099)
Donations		**8,473**	7,350

* 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 statements of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

8. OTHER GAINS

	2015 RMB'000	2014 RMB'000
Gain on disposal of interests in associates and joint ventures	**100,056**	266,186
Gain on disposal of available-for-sale investments	**1,006,527**	682,203
Gain on disposal of subsidiaries	**53,783**	15,918
Gain on settlement of payable balance not to be paid	**—**	256,015
Others	**14,165**	19,124
	1,174,531	1,239,446

9. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans and other borrowings	**475,771**	424,595
Less: Interest capitalised *(note 16)*	**(5,760)**	(9,555)
Interest expenses, net	**470,011**	415,040

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

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

	2015 RMB'000	2014 RMB'000
Fees	**800**	800
Other emoluments:		
Salaries, allowances and benefits in kind	**6,346**	5,899
Performance-related bonuses	**11,514**	7,394
Pension scheme contributions	**121**	126
Equity-settled share incentive scheme expense	**1,597**	3,042
	20,378	17,261

Notes to the Financial Statements

31 December 2015

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

During the years ended 31 December 2015 and 2014, restricted A shares were granted to an executive director in respect of his services to the Group, further details of which are included in the disclosures in note 39 to the financial statements. The fair value of these restricted A shares, which has been recognised in the statement of profit or loss over the lock-up period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the below executive director's remuneration disclosures.

(a) Independent Non-Executive Directors

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

	2015 RMB'000	2014 RMB'000
Mr. Han Jiong*	**117**	200
Dr. Zhang Weijiong	**200**	200
Mr. Li Man-kiu Adrian David**	**100**	200
Mr. Cao Huimin	**200**	200
Mr. Jiang Xian***	**83**	—
Dr. Huang Tianyou***	**100**	—
	800	800

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

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

*** Mr. Jiang Xian and Dr. Huang Tianyou were appointed as independent non-executive directors of the Company in June 2015.

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

Notes to the Financial Statements

31 December 2015

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

(b) Executive Directors, Non-Executive Directors, Supervisors and the Chief Executive

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share incentive scheme expense RMB'000	Total remuneration RMB'000
2015						
Executive Directors						
Mr. Chen Qiyu	—	2,959	4,991	41	—	7,991
Mr. Yao Fang *(Chief Executive)*	—	2,507	4,692	40	1,597	8,836
	—	5,466	9,683	81	1,597	16,827
Non-Executive Directors						
Mr. Guo Guangchang	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—	—
Ms. Kang Lan	—	—	—	—	—	—
Mr. John Changzheng Ma	—	—	1,195	—	—	1,195
	—	—	1,195	—	—	1,195
Supervisors						
Mr. Cao Genxing	—	—	—	—	—	—
Mr. Guan Yimin	—	—	—	—	—	—
Mr. Zhou Wenyue	—	880	636	40	—	1,556
	—	880	636	40	—	1,556
	—	6,346	11,514	121	1,597	19,578

Notes to the Financial Statements

31 December 2015

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

(b) Executive Directors, Non-Executive Directors, Supervisors and the Chief Executive (Continued)

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share incentive scheme expense RMB'000	Total remuneration RMB'000
2014						
Executive Directors						
Mr. Chen Qiyu	—	2,596	3,830	37	—	6,463
Mr. Yao Fang (*Chief Executive*)	—	1,809	2,818	37	3,042	7,706
	—	4,405	6,648	74	3,042	14,169
Non-Executive Directors						
Mr. Guo Guangchang	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—	—
Ms. Kang Lan	—	—	—	—	—	—
Mr. John Changzheng Ma	—	692	270	15	—	977
Mr. Zhang Guozheng	—	—	—	—	—	—
	—	692	270	15	—	977
Supervisors						
Mr. Li Haifeng	—	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—	—
Mr. Guan Yimin	—	—	—	—	—	—
Mr. Zhou Wenyue	—	802	476	37	—	1,315
	—	802	476	37	—	1,315
	—	5,899	7,394	126	3,042	16,461

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2014: Nil).

Notes to the Financial Statements

31 December 2015

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors including the chief executive (2014: two directors including the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2014: three) highest paid employees who are not a director, supervisor, or the chief executive of the Company are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, allowances and benefits in kind	**4,195**	2,698
Performance-related bonuses	**8,105**	4,652
Pension scheme contributions	**121**	111
Equity-settled share incentive scheme expense	**1,548**	2,859
	13,969	10,320

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

	2015 **RMB'000**	2014 RMB'000
HKD4,000,001 to HKD4,500,000	**2**	3
HKD8,000,001 to HKD8,500,000	**1**	—
	3	3

Notes to the
Financial Statements

31 December 2015

12. INCOME TAX

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

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

	2015 **RMB'000**	2014 RMB'000
Current		
— Mainland China	**507,009**	399,289
— Hong Kong	**1,393**	2,897
— Israel and others	**20,236**	15,384
Deferred *(note 24)*	**(27,467)**	(69,356)
Total tax charge for the year	**501,171**	348,214

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

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**3,371,832**	2,718,053
Tax at the statutory tax rate	**842,958**	679,513
Lower tax rates for certain entities	**(168,851)**	(134,620)
Adjustments in respect of current tax of previous years	**(8,691)**	(9,017)
Effect on opening deferred tax of increase in rates	**(384)**	(280)
Profit attributable to joint ventures and associates	**(290,178)**	(227,213)
Income not subject to tax	**(16,493)**	(59,979)
Expenses not deductible for tax	**45,338**	28,866
Tax losses utilised from previous periods	**(5,318)**	(7,217)
Tax incentives on eligible expenditures	**(20,355)**	(16,552)
Deductible temporary differences and tax losses not recognised	**123,145**	94,713
Tax charge at the Group's effective rate	**501,171**	348,214

13. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/ NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 10 December 2014, the Company entered into certain equity transfer agreements with Sinopharm Holding GuoDa Drug Store Co., Ltd. ("Guoda Drug Store"), pursuant to which, the Company agreed to sell and Guoda Drug Store agreed to purchase 53.13% equity interest in Beijing Golden Elephant Pharmacy Medicine Chain Company Limited ("Golden Elephant Pharmacy"), 97% equity interest in Shanghai Fosun Pharmaceutical Company Limited ("Fosun Pharmaceutical") and 99.76% equity interest in Shanghai For Me Yixing Pharmacy Chain-Store Company Limited ("For Me Pharmacy") for an aggregate consideration of approximately RMB414,356,000. Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy mainly engaged in pharmaceutical distribution and retail business. The Group has decided to dispose of these interests for the purpose of optimising the resource allocation of the Group and moving forward the transition of business model of retail business of the Group. As at 31 December 2014, all the assets and liabilities of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy were classified as assets of a disposal group held for sale and liabilities directly associated with the assets classified as held for sale in aggregate in the consolidated statement of financial position. The disposals of Golden Elephant Pharmacy, For Me Pharmacy and Fosun Pharmaceutical were completed on 4 January 2015, 7 January 2015 and 8 January 2015, respectively. More details are disclosed in note 38 to the financial statements.

14. DIVIDENDS

Cash dividend

	2015 **RMB'000**	2014 RMB'000
Proposed final — RMB0.32 (2014: RMB0.28) per ordinary share	**740,504**	647,187

The Company proposed to distribute a cash dividend of RMB0.32 (inclusive of tax) for each ordinary share to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by the number of the ordinary shares on the dividend record date.

The amount of the proposed final dividend of RMB740,504,000 is calculated based on the total number of ordinary shares of the Company of 2,314,075,364 on 29 March 2016.

Notes to the Financial Statements

31 December 2015

15. 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 year 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 at the end of the reporting period and the weighted average number of ordinary shares of 2,308,796,824 (2014: 2,290,872,864) in issue excluding restricted shares during the year.

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

Chindex Medical Limited's share option plan was not considered as a potential dilutive event as the options granted were in respect of the common shares of Chindex International, Inc., which is not an entity within the Group.

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

	2015 RMB'000	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	2,460,094	2,112,869
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	(695)	(1,062)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	2,459,399	2,111,807

	Number of shares 2015	 2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,308,796,824	2,290,872,864
Effect of dilution — weighted average number of ordinary shares:		
Restricted shares	2,846,623	3,935,000
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	2,311,643,447	2,294,807,864

Notes to the Financial Statements

31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2015							
	Buildings RMB'000	Plant and machinery RMB'000	Medical devices RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2015	3,249,628	3,233,472	—	220,839	84,525	34,744	1,057,515	7,880,723
Reclassification	—	(265,659)	315,913	(50,390)	136	—	—	—
Additions	36,447	122,745	41,005	25,686	8,093	7,439	564,770	806,185
Acquisitions of subsidiaries *(note 37)*	46,356	6,698	—	—	1,827	—	—	54,881
Disposals	(8,444)	(45,492)	(21,581)	(3,001)	(3,504)	(72)	(24,322)	(106,416)
Disposal of subsidiaries *(note 38)*	(105,136)	(19,765)	—	—	(807)	—	(110,093)	(235,801)
Transferred from construction in progress	198,499	281,720	—	3,102	337	—	(483,658)	—
At 31 December 2015	3,417,350	3,313,719	335,337	196,236	90,607	42,111	1,004,212	8,399,572
Accumulated depreciation:								
At 1 January 2015	(575,599)	(1,423,833)	—	(97,356)	(48,182)	(21,504)	—	(2,166,474)
Reclassification	—	115,637	(146,475)	30,920	(82)	—	—	—
Depreciation charge for the year *(note 7)*	(161,528)	(285,916)	(43,037)	(27,056)	(9,579)	(7,971)	—	(535,087)
Acquisitions of subsidiaries *(note 37)*	(3,940)	(1,560)	—	—	(470)	—	—	(5,970)
Disposals	1,578	36,266	21,466	2,531	3,295	—	—	65,136
Disposal of subsidiaries *(note 38)*	26,420	12,711	—	—	513	—	—	39,644
At 31 December 2015	(713,069)	(1,546,695)	(168,046)	(90,961)	(54,505)	(29,475)	—	(2,602,751)
Impairment losses:								
At 1 January 2015	(14,615)	(4,645)	—	(276)	—	—	(75)	(19,611)
Charge for the year *(note 7)*	(23)	—	—	—	—	—	—	(23)
Disposals	60	320	—	—	—	—	—	380
At 31 December 2015	(14,578)	(4,325)	—	(276)	—	—	(75)	(19,254)
Net carrying amount: At 31 December 2015	2,689,703	1,762,699	167,291	104,999	36,102	12,636	1,004,137	5,777,567
At 1 January 2015	2,659,414	1,804,994	—	123,207	36,343	13,240	1,057,440	5,694,638

Notes to the Financial Statements

31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Year ended 31 December 2014						
	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2014	2,277,764	2,723,536	170,424	81,981	41,806	1,325,367	6,620,878
Additions	144,140	97,397	59,432	15,902	7,801	819,412	1,144,084
Acquisitions of subsidiaries	126,161	225,059	8,762	4,121	—	15,467	379,570
Disposals	(15,468)	(53,554)	(4,011)	(10,923)	(77)	(56,220)	(140,253)
Disposal of a subsidiary	(18,258)	(25,218)	(1,245)	(1,079)	(4,307)	—	(50,107)
Assets included in assets of a disposal group classified as held for sale	(11,670)	(10,713)	(32,678)	(6,915)	(10,479)	(994)	(73,449)
Transferred from construction in progress	746,959	276,965	20,155	1,438	—	(1,045,517)	—
At 31 December 2014	3,249,628	3,233,472	220,839	84,525	34,744	1,057,515	7,880,723
Accumulated depreciation:							
At 1 January 2014	(408,212)	(1,130,545)	(69,114)	(46,247)	(19,082)	—	(1,673,200)
Depreciation charge for the year *(note 7)*	(146,006)	(259,280)	(39,161)	(10,228)	(4,634)	—	(459,309)
Acquisitions of subsidiaries	(38,470)	(92,985)	(6,241)	(3,139)	—	—	(140,835)
Disposals	8,794	37,504	3,329	7,130	—	—	56,757
Disposal of a subsidiary	5,561	14,180	655	860	2,212	—	23,468
Assets included in assets of a disposal group classified as held for sale Disposals	2,734	7,293	13,176	3,442	—	—	26,645
At 31 December 2014	(575,599)	(1,423,833)	(97,356)	(48,182)	(21,504)	—	(2,166,474)
Impairment losses:							
At 1 January 2014	(13,945)	(3,473)	(3)	(7)	—	(75)	(17,503)
Charge for the year *(note 7)*	(670)	(2,607)	(273)	—	—	—	(3,550)
Disposals	—	1,435	—	7	—	—	1,442
At 31 December 2014	(14,615)	(4,645)	(276)	—	—	(75)	(19,611)
Net carrying amount:							
At 31 December 2014	2,659,414	1,804,994	123,207	36,343	13,240	1,057,440	5,694,638
At 1 January 2014	1,855,607	1,589,518	101,307	35,727	22,724	1,325,292	4,930,175

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB5,760,000 (2014: RMB9,555,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

Notes to the Financial Statements

31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net carrying amount of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery at 31 December 2015 was RMB38,992,000 (2014: RMB38,711,000).

As at 31 December 2015, the Group have not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB86,850,000 (2014: RMB92,860,000). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2015.

As at 31 December 2015, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB58,563,000 (2014: RMB64,617,000) were pledged to secure certain of the Group's bank and other borrowings (note 32).

17. PREPAID LAND LEASE PAYMENTS

	2015	2014
	RMB'000	RMB'000
Net carrying amount at 1 January	**862,037**	779,873
Additions	**227,436**	51,565
Acquisitions of subsidiaries *(note 37)*	**11,701**	51,258
Disposals	**(879)**	(200)
Disposals of subsidiaries *(note 38)*	**(38,462)**	—
Amortisation for the year *(note 7)*	**(20,128)**	(20,199)
Assets included in assets of a disposal group classified as held for sale	**—**	(260)
Net carrying amount at 31 December	**1,041,705**	862,037

As at 31 December 2015, certain of the Group's prepaid land lease payments with a net carrying amount of RMB33,813,000 (2014: RMB34,680,000) were pledged to secure certain of the Group's bank and other borrowings (note 32).

Notes to the Financial Statements

31 December 2015

18. GOODWILL

	2015	2014
	RMB'000	RMB'000
Cost and net carrying amount at 1 January	**3,255,042**	2,976,039
Acquisitions of subsidiaries *(note 37)*	**18,249**	562,774
Disposals of subsidiaries *(note 38)*	**(6,259)**	—
Assets included in assets of a disposal group classified as held for sale	**—**	(13,893)
Impairment during the year	**—**	(202,500)
Acquisition consideration adjustment	**(78)**	(67,581)
Exchange realignment	**36,425**	203
Net carrying amount at 31 December	**3,303,379**	3,255,042
At 31 December		
Cost	**3,505,879**	3,457,542
Accumulated impairment	**(202,500)**	(202,500)
Net carrying amount	**3,303,379**	3,255,042

The addition of the Group's goodwill in 2015 resulted from the acquisition of Shenyang Wanbang Tiansheng Biological Technology Co., Ltd. ("Wanbang Tiansheng").

Impairment testing of goodwill

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

The recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are in a range of 13% to 15%. The growth rate used to extrapolate the cash flows of the above cash-generating units beyond the five-year period is 3%, which is also an estimate of the rate of inflation.

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2015 and 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Notes to the Financial Statements

31 December 2015

18. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

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

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

19. OTHER INTANGIBLE ASSETS

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

Notes to the Financial Statements

31 December 2015

19. OTHER INTANGIBLE ASSETS (Continued)

	Year ended 31 December 2014							
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2014	321,000	854,670	22,467	266,894	520,598	50,661	8,491	2,044,781
Additions	—	7,978	5,818	1,188	—	61,882	1,208	78,074
Acquisitions of subsidiaries	174,000	125,300	—	39,000	36,000	—	—	374,300
Transferred from deferred development costs	—	10,258	—	—	—	(10,258)	—	—
Assets included in assets of a disposal group classified as held for sale	—	—	(870)	(75,000)	—	—	—	(75,870)
Disposals	—	(4,753)	(2,643)	—	—	(11,194)	—	(18,590)
Exchange realignment	—	—	—	(795)	—	—	—	(795)
At 31 December 2014	495,000	993,453	24,772	231,287	556,598	91,091	9,699	2,401,900
Accumulated amortisation:								
At 1 January 2014	—	(103,683)	(14,136)	(563)	(63,308)	(1,711)	(716)	(184,117)
Amortisation for the year *(note 7)*	—	(61,978)	(2,998)	—	(18,267)	—	(287)	(83,530)
Acquisitions of subsidiaries	—	(943)	—	—	—	—	—	(943)
Disposals	—	338	1,267	—	—	—	—	1,605
At 31 December 2014	—	(166,266)	(15,867)	(563)	(81,575)	(1,711)	(1,003)	(266,985)
Impairment losses:								
At 1 January 2014	—	(1,094)	—	—	—	—	—	(1,094)
Impairment during the year *(note 7)*	(64,000)	(19,520)	—	—	—	—	(475)	(83,995)
At 31 December 2014	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2014	431,000	806,573	8,905	230,724	475,023	89,380	8,221	2,049,826
At 1 January 2014	321,000	749,893	8,331	266,331	457,290	48,950	7,775	1,859,570

Notes to the Financial Statements

31 December 2015

20. INVESTMENTS IN JOINT VENTURES

	2015 RMB'000	2014 RMB'000
Share of net assets	225,285	41,211
Goodwill on acquisition	—	80,171
	225,285	121,382

Particulars of the Group's principal joint venture are as follows:

Company name*	Place of registration and business	Nominal value of issued/registered share capital ('000)	Percentage of Ownership interest	Percentage of Profit sharing	Percentage of Profit sharing	Principal activities
Qingdao Shan Da Qilu Hospital Investment Management Co., Ltd.	PRC/ Mainland China	RMB800,000	50	50	50	Investment management

* The English name of the company registered in the PRC represents the best efforts of the management of the Company in directly translating the Chinese name of this company as no English name has been registered.

The above investment in joint venture is indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of the joint ventures' loss for the year	(11,049)	(18,698)
Share of the joint ventures' other comprehensive (loss)/income	(376)	1
Share of the joint ventures' total comprehensive loss	(11,425)	(18,697)
Aggregate carrying amount of the Group's investments in the joint ventures	225,285	121,382

Notes to the Financial Statements

31 December 2015

21. INVESTMENTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	**12,267,835**	11,025,257
Goodwill on acquisition	**1,378,349**	736,824
	13,646,184	11,762,081
Provision for impairment	**(8,600)**	(34,600)
	13,637,584	11,727,481

Particulars of the Group's principal associates are as follows:

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)#	PRC/ Mainland China	RMB100,000	49		Manufacture and trading of medicine
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)#	PRC/ Mainland China	RMB674,970	25	—	Manufacture and sale of medicine
Hunan Hansen Pharmaceutical Co., Ltd. (湖南漢森製藥股份有限公司)#/@	PRC/ Mainland China	RMB296,000	—	8.4	Manufacture and sale of medicine
Hunan Time Sun Pharmaceutical Co., Ltd. (湖南時代陽光藥業股份有限公司)#	PRC/ Mainland China	RMB80,000	—	30	Manufacture and sale of medicine
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金象復星醫藥股份有限公司)#	PRC/ Mainland China	RMB127,418	50	—	Distribution and retail of medicine
Jingfukang Pharmaceutical Co., Ltd. (頸複康藥業集團有限公司)#	PRC/ Mainland China	RMB60,000	—	25	Manufacture and trading of medicine

Notes to the Financial Statements

31 December 2015

21. INVESTMENTS IN ASSOCIATES (Continued)

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
SD Biosensor Inc. ("SDB")#/@	Korea	USD15,000	—	18.77	Research, development, manufacture and sale of blood glucose analysers
Nature's Sunshine Products, Inc. ("NSP")#/@	U.S.A/U.S.A	Not available	15.26	—	Manufacture and trading of nutrition
Sinopharm medical investment management co., Ltd. (國藥控股醫療投資管理有限公司)#	PRC/ Mainland China	RMB500,000	45	—	Investment management
Healthy Harmony Holdings, L.P. ("HHH")	Cayman Islands/ Cayman Islands	Not available	—	42.909	Healthcare Services
Amerigen Pharmaceuticals Ltd. ("AMG")#	Cayman Islands/ Cayman Islands	Not available	—	24.14	Research and development of medicine
Sovereign Medical Services, Inc. ("SMS")	U.S.A/U.S.A	Not available	30	—	Healthcare services
Ambrx, Inc. ("Ambrx")#	U.S.A/U.S.A	Not available	—	36	Research and development of medicine
Fosun Group Finance Corporation Limited ("Fosun Finance")	PRC/ Mainland China	RMB1,500,000	20	—	Advisory on deposits and loans finance and funding, etc. for Fosun Group member companies
Saladax Biomedical, Inc. ("Saladax")#/@	U.S.A/U.S.A	USD26,000	19.97	—	Diagnosis and detection

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

\# The statutory financial statements of those associates were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2015.

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

Sinopharm Industrial Investment Co., Ltd. ("Sinopharm Industrial"), which is considered a material associate of the Group, has significant impact on share of profits of associates and is accounted for using the equity method.

Notes to the Financial Statements

31 December 2015

21. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information of Sinopharm Industrial, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2015 RMB'000	2014 RMB'000
Revenues	**227,069,433**	200,313,355
Profit for the year	**5,701,556**	4,554,592
Other comprehensive income	**34,565**	10,980
Total comprehensive income for the year	**5,736,121**	4,565,572
Profit for the year attributable to owners of the parent of Sinopharm Industrial	**2,135,981**	1,746,811
Current assets	**116,694,552**	110,497,256
Non-current assets	**21,625,639**	18,405,163
Current liabilities	**(94,773,697)**	(86,112,925)
Non-current liabilities	**(2,414,391)**	(5,874,166)
Net assets	**41,132,103**	36,915,328
Net assets attributable to owners of the parent of Sinopharm Industrial	**17,552,385**	16,033,447
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate	**8,600,668**	7,856,389
Goodwill on acquisition (less cumulative impairment)	**—**	—
Carrying amount of the investment	**8,600,668**	7,856,389
Dividend received by the Group	**245,000**	147,000

21. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of the associates' profit for the year	71,886	74,031
Share of the associates' other comprehensive loss	(188,753)	(7,705)
Share of the associates' total comprehensive (loss)/income	(116,867)	66,326
Aggregate carrying amount of the Group's investments in the associates	5,036,916	3,871,092

22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Listed equity investments, at fair value	1,324,302	1,135,772
Unlisted debt investment, at fair value	67,928	—
Unlisted equity investments, at cost	1,990,150	1,363,384
	3,382,380	2,499,156
Less: Current portion (unlisted debt investment)	(67,928)	—
Non-current available-for-sale investments	3,314,452	2,499,156

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Movements in the provision for impairment of available-for-sale investments are as follows:

	2015 RMB'000	2014 RMB'000
At beginning of the year	11,534	11,734
Disposal of available-for-sale investments	—	(200)
At end of the year	11,534	11,534

Notes to the Financial Statements

31 December 2015

23. OTHER NON-CURRENT ASSETS

	2015 RMB'000	2014 RMB'000
Prepayments for purchase of items of property, plant and equipment	**149,907**	126,863
Prepayments for acquisitions	**40,000**	114,483
Deposits for purchase of prepaid land lease payments	**—**	30,929
Prepayments for purchase of other intangible assets	**—**	25,424
Prepayments for research and development projects	**13,032**	3,000
Others	**9,988**	3,882
	212,927	304,581

24. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profit RMB'000	Provision for impairment of assets RMB'000	Depreciation and amortisation RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2014	13,999	22,563	3,010	30,773	14,050	3,696	88,091
Deferred tax credited/(charged) to the statement of profit or loss during the year	3,958	(1,815)	1,733	5,344	7,630	(3,696)	13,154
Disposal of a subsidiary	—	(23)	—	—	—	—	(23)
Gross deferred tax assets at 31 December 2014 and 1 January 2015	17,957	20,725	4,743	36,117	21,680	—	101,222
Deferred tax credited/(charged) to the statement of profit or loss during the year	(10,197)	6,266	285	2,124	2,510	—	988
Acquisitions of subsidiaries *(note 37)*	—	267	—	—	—	—	267
Gross deferred tax assets at 31 December 2015	7,760	27,258	5,028	38,241	24,190	—	102,477

Notes to the Financial Statements

31 December 2015

24. DEFERRED TAX (Continued)

Deferred tax liabilities

	Deemed disposal of associates RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2014	1,010,467	236,343	536,710	1,783,520
Acquisitions of subsidiaries	—	—	62,600	62,600
Deferred tax charged/(credited) to the statement of profit or loss during the year	(12,907)	(116,662)*	(43,295)	(172,864)
Deferred tax charged to reserves during the year	174,177	100,750	—	274,927
Deferred tax liabilities included in liabilities directly associated with the assets classified as held for sale	—	—	(18,852)	(18,852)
Gross deferred tax liabilities at 31 December 2014 and 1 January 2015	1,171,737	220,431	537,163	1,929,331
Acquisitions of subsidiaries *(note 37)*	—	—	4,986	4,986
Deferred tax credited to the statement of profit or loss during the year	(6,299)	(290,396)*	(20,180)	(316,875)
Deferred tax charged to reserves during the year	3,287	227,530	248	231,065
Disposal of subsidiaries *(note 38)*	—	—	(3,745)	(3,745)
Gross deferred tax liabilities at 31 December 2015	1,168,725	157,565	518,472	1,844,762

* During the year ended 31 December 2015, deferred tax liability amounting to RMB290,396,000 (2014: RMB116,662,000) was credited to other gains of the consolidated statement of profit or loss together with the gain on disposal of available-for-sale investments.

Notes to the Financial Statements

31 December 2015

24. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

Deferred tax assets have not been recognised in respect of the following items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

	2015 RMB'000	2014 RMB'000
Tax losses	1,729,308	1,520,827
Deductible temporary differences	285,568	119,353
	2,014,876	1,640,180

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

25. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	477,721	519,924
Work in progress	333,505	311,781
Finished goods	836,600	783,081
Spare parts and consumables	53,010	47,804
Others	12,787	19,991
	1,713,623	1,682,581
Less: Provision	(64,850)	(78,019)
	1,648,773	1,604,562

26. TRADE AND BILLS RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	1,736,220	1,504,150
Bills receivable	410,350	472,523
	2,146,570	1,976,673

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

An aged analysis of trade receivables, based on the invoice date and net of provisions, as at the respective reporting dates is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	1,740,265	1,498,680
1 to 2 years	47,975	31,772
2 to 3 years	17,073	5,097
Over 3 years	31,415	32,217
	1,836,728	1,567,766
Less: Provision for impairment	(100,508)	(63,616)
	1,736,220	1,504,150

Movements in the provision for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	63,616	43,987
Impairment losses recognised	47,484	20,343
Impairment losses reversed	(5,964)	(9,513)
Acquisitions of subsidiaries	—	9,627
Amounts written off as uncollectible	(4,628)	(771)
Assets included in assets of a disposal group classified as held for sale	—	(57)
At 31 December	100,508	63,616

Notes to the Financial Statements

31 December 2015

26. TRADE AND BILLS RECEIVABLES (Continued)

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	1,612,326	1,429,045
Less than 3 months past due	106,239	56,865
3 to 6 months past due	9,229	11,257
6 months to 1 year past due	7,465	5,720
Over 1 year past due	961	1,263
	1,736,220	1,504,150

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade receivables are amounts due from the Group's associates of RMB203,181,000 (2014: RMB161,918,000). Included in the Group's bills receivable are amount due from the Group's associates of RMB21,604,000 (2014: RMB36,677,000). These balances due from associates were trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Advances to suppliers	161,784	137,690
Deposits	35,016	75,799
Other receivables	202,919	149,491
	399,719	362,980

Notes to the Financial Statements

31 December 2015

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

An aged analysis of prepayments, deposits and other receivables as at the respective reporting dates, net of provisions, is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	359,851	322,637
1 to 2 years	28,359	30,107
2 to 3 years	14,906	8,534
Over 3 years	17,498	14,296
	420,614	375,574
Less: Provision for impairment of other receivables	(20,895)	(12,594)
	399,719	362,980

Movements in the provision for impairment of other receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	12,594	7,994
Impairment losses recognised	10,764	5,925
Impairment losses reversed	(611)	(901)
Amounts written off as uncollectible	(1,852)	(255)
Assets included in assets of a disposal group classified as held for sale	—	(169)
At 31 December	20,895	12,594

Included in the Group's prepayments, deposits and other receivables are amounts due from the Group's associates and other related companies of RMB8,880,000 (2014: RMB15,316,000) and RMB1,115,000 (2014: RMB1,277,000), respectively. These balances were non-interest-bearing and collectible on demand.

Notes to the Financial Statements

31 December 2015

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 RMB'000	2014 RMB'000
Listed equity investments, at market value		
United States	**33,751**	33,771

The above equity investments at 31 December 2015 and 2014 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

29. CASH AND BANK BALANCES

	2015 RMB'000	2014 RMB'000
Cash on hand	**1,930**	3,105
Cash at banks, unrestricted	**2,668,241**	2,790,888
Deposits in Fosun Finance*	**678,423**	216,162
Cash and cash equivalents as stated in the consolidated statements of cash flows	**3,348,594**	3,010,155
Pledged bank balances to secure bills payable	**551,639**	508,362
Term deposits with original maturity of more than three months	**128,404**	177,181
Cash and bank balances as stated in the consolidated statements of financial position	**4,028,637**	3,695,698

* Fosun Group Finance Corporation Limited ("Fosun Finance") is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Fosun High Tech. Details of the deposits are given in note 42(e) to the financial statements.

As at 31 December 2015, the cash and bank balances of the Group denominated in foreign currencies amounted to RMB1,040,526,000 (2014: RMB940,375,000). The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Term deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and three years. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Details of the interest earned on deposits in Fosun Finance are set out in note 42(f) to the financial statements.

Notes to the Financial Statements

31 December 2015

30. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	973,220	833,975
Bills payable	75,430	70,987
	1,048,650	904,962

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

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

	2015 RMB'000	2014 RMB'000
Within 1 year	952,031	818,095
1 to 2 years	6,216	9,287
2 to 3 years	8,920	2,974
Over 3 years	6,053	3,619
	973,220	833,975

Included in the Group's trade payables are amounts due to the Group's associates and other related companies of RMB33,944,000 (2014: RMB29,813,000) and RMB44,000 (2014: Nil), respectively. These balances due to associates and other related companies were trade in nature, non-interest-bearing and repayable on credit terms similar to those offered by the associates and other related companies to their major customers.

Notes to the Financial Statements

31 December 2015

31. OTHER PAYABLES AND ACCRUALS

	Notes	2015 RMB'000	2014 RMB'000
Advances from customers		**260,235**	266,518
Payables relating to purchases items of plant, property and equipment		**146,109**	225,960
Deposits received		**193,861**	313,626
Payroll		**376,651**	298,473
Business tax		**12,271**	12,086
Value-added tax		**43,430**	85,589
Other taxes		**34,213**	28,860
Accrued interest expenses		**163,260**	177,075
Dividends payable to non-controlling shareholders of subsidiaries and shareholders of the Company		**2,032**	1,280
Other accrued expenses		**541,303**	482,038
Current portion of deferred warranty income *(note 33)*		**50,421**	25,128
Payables for acquisitions of subsidiaries, an available-for-sale investment and an associate	(i)	**373,430**	763,040
Loans from non-controlling shareholders of subsidiaries	(ii)	**156,617**	119,700
Current portion of government grants *(note 33)*		**34,786**	32,114
Subscription to restricted A shares under the restricted A share incentive scheme *(note 39(a))*		**43,494**	23,925
Considerations received on behalf of original shareholders of a subsidiary		**—**	13,676
Advance receipt from disposal of a disposal group classified as held for sale		**—**	124,310
Others	(iii)	**29,554**	213,379
		2,461,667	3,206,777
Less: Non-current portion of payables for acquisitions of subsidiaries *(note 34)*	(i)	**(305,708)**	(319,362)
		2,155,959	2,887,415

Notes:

(i) The balances as at 31 December 2015 mainly represented the cash considerations for the acquisitions of Aohong Pharma, Erye Pharma, Guangji Hospital and Chancheng Hospital of RMB303,308,000, RMB22,550,000, RMB13,000,000 and RMB27,720,000, respectively. The non-current portion mainly consists of non-current portion of unpaid cash consideration of RMB303,308,000 for the acquisition of equity interest in Aohong Pharma, which will be paid after 12 months.

(ii) Loans from non-controlling shareholders of subsidiaries of RMB156,617,000 as at 31 December 2015 (2014: RMB119,700,000) bear no interest (2014: Nil) and are repayable on demand.

(iii) Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables are amounts due to the Group's associates, joint ventures and other related companies of RMB7,535,000 (2014: RMB144,239,000), RMB5,189,000 (2014: RMB5,000,000) and RMB2,800,000 (2014: RMB79,000), respectively. These balances were non-interest-bearing and repayable on demand.

Notes to the
Financial Statements
31 December 2015

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**2015 RMB'000**	2014 RMB'000
Bank loans:	(1)		
Secured		**528,146**	609,956
Unsecured		**6,872,837**	3,104,558
		7,400,983	3,714,514
Medium-term notes	(2)	**1,997,751**	2,589,183
Corporate bonds	(3)	**1,496,220**	1,493,516
Short-term commercial paper ("短期融資券")		**—**	998,895
Total		**10,894,954**	8,796,108
Repayable:			
Within 1 year		**7,323,428**	4,939,433
1 to 2 years		**1,836,847**	1,676,345
2 to 5 years		**1,520,953**	2,122,990
Over 5 years		**213,726**	57,340
		10,894,954	8,796,108
Portion classified as current liabilities		**(7,323,428)**	(4,939,433)
Non-current portion		**3,571,526**	3,856,675

Notes to the Financial Statements

31 December 2015

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

Notes:

(1) Bank loans

(a) Foreign currency loans

	2015 RMB'000	2014 RMB'000
USD:		
Secured	**383,146**	412,056
Unsecured	**3,342,905**	1,900,636
	3,726,051	2,312,692
Ghana cedi:		
Unsecured	**46**	178

(b) The bank loans bear interest at annual interest rates of:

	2015	2014
Interest rate range	**1.497% to 6.800%**	1.512% to 7.800%

(c) As at 31 December 2015, certain of the Group's bank loans were secured by the pledge of certain of the Group's property, plant and equipment (note 16) amounting to RMB58,563,000 (31 December 2014: RMB64,617,000) and prepaid land lease payments (note 17) amounting to RMB33,813,000 (31 December 2014: RMB34,680,000).

As at 31 December 2015, certain of the Group's bank loans were secured by the pledge of the Group's 268,371,532 shares issued by Guilin South Pharma Co., Ltd. (2014: the Group's 268,371,532 shares issued by Guilin South Pharma Co., Ltd.), and 100% equity interest in Sisram Medical Ltd. held by the Group and Magnificent View Investment Limited (31 December 2014: 100%).

(2) Medium-term notes

On 10 September 2015, the Company issued medium-term notes with a maturity of three years in an aggregate amount of RMB400,000,000, which bear interest rate at 395 basis points per annum. The interest is payable annually in arrears and the maturity date is 10 September 2018.

On 31 March 2011, the Company issued medium-term notes with a maturity of five years in an aggregate amount of RMB1,600,000,000, which bear interest at the one-year term deposit bank interest rate plus 290 basis points per annum. The interest is payable annually in arrears and the maturity date is 31 March 2016.

(3) Corporate bonds

On 25 April 2012, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,500,000,000, which bear interest at 5.53% per annum. The interest is payable annually in arrears and the maturity date is 25 April 2017.

Notes to the Financial Statements

31 December 2015

33. DEFERRED INCOME

	Notes	2015 RMB'000	2014 RMB'000
Government grants	(i)	**181,244**	165,888
Less: Government grants classified as current portion *(note 31)*		**(34,786)**	(32,114)
Deferred warranty income	(ii)	**60,215**	30,947
Less: deferred warranty income classified as current portion *(note 31)*		**(50,421)**	(25,128)
Others		**13,066**	—
		169,318	139,593

Notes:

(i) Government grants were received by the Group as financial subsidies for some research and development projects, industrial development funds and value-added tax refund. Government grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. There are no unfulfilled conditions or contingencies relating to these grants.

The movements in government grants during the year are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**165,888**	118,883
Additions	**25,415**	54,897
Recognised as income during the year	**(10,059)**	(7,892)
At 31 December	**181,244**	165,888

(ii) Deferred warranty income represents the consideration received for either standalone warranty service contracts or extended warranty sold with sales of certain equipment. This deferred income is amortised on the straight-line basis during the service period or warranty term as applicable.

Notes to the Financial Statements

31 December 2015

34. OTHER LONG-TERM LIABILITIES

	Notes	2015 RMB'000	2014 RMB'000
Staff placement fees	(i)	**26,496**	42,683
Payables for acquisitions of subsidiaries	(ii)	**305,708**	319,362
Loan from non-controlling shareholders of subsidiaries	(iii)	**300,133**	274,461
The share redemption option granted to non-controlling shareholders of a subsidiary	(iv)	**64,460**	60,299
Finance lease payable		**17,330**	21,695
Others		**293,145**	51,856
		1,007,272	770,356

Notes:

(i) Staff placement fees represent liabilities incurred by certain subsidiaries of the Group before 2008 in respect of the retirement benefits of certain employees and retirees.

(ii) Payables for acquisitions of subsidiaries as at 31 December 2015 mainly represent non-current portion of unpaid cash consideration of RMB303,308,000 for the acquisition of equity interest in Aohong Pharma, which will be paid after 12 months (note 31(i)).

(iii) Sisram Medical Ltd. ("Sisram"), a subsidiary of the Group, has interest-free long-term capital notes, with a term from May 2013 to April 2018 payable to Magnificent View Investments Limited, a non-controlling shareholder of Sisram.

(iv) Pursuant to the liquidity arrangement agreement signed between Sisram and non-controlling shareholders of Alma Lasers who owns 4.84% non-controlling interest in Alma Lasers on 27 May 2013, the 4.84% non-controlling interest in Alma Lasers has certain embedded "put rights" that are exercisable commencing on the third anniversary of the agreement date and if exercised, would require Sisram to acquire the non-controlling interests at a price based on certain multiples of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Alma Lasers.

35. SHARE CAPITAL

	2015 Number of shares '000	**2015** Nominal value RMB'000	2014 Number of shares '000	2014 Nominal value RMB'000
Shares				
Restricted shares				
A Shares of RMB1 each	**5,177**	**5,177**	3,935	3,935
Unrestricted shares				
A Shares of RMB1 each	**1,905,614**	**1,905,614**	1,904,392	1,904,392
H Shares of RMB1 each	**403,284**	**403,284**	403,284	403,284
	2,314,075	**2,314,075**	2,311,611	2,311,611

Movements in the issued share capital during the year were as follows:

	Note	**2015** Number of shares '000	**2015** Nominal value RMB'000	2014 Number of shares '000	2014 Nominal value RMB'000
At 1 January		**2,311,611**	**2,311,611**	2,240,462	2,240,462
Issue of H Shares	(i)	**—**	**—**	67,214	67,214
Share incentive scheme	(ii)	**2,695**	**2,695**	3,935	3,935
Repurchase and cancellation of restricted A shares	(iii)	**(231)**	**(231)**	—	—
At 31 December		**2,314,075**	**2,314,075**	2,311,611	2,311,611

Notes:

(i) On 3 April 2014, the Company completed an issue of 67,214,000 H Shares. The net proceeds received from the issue amounted to RMB1,403,609,000, after deduction of issue expenses of RMB19,728,000. Part of the proceeds, amounting to RMB67,214,000, was credited as issued and fully paid share capital, and the remaining balance of RMB1,336,395,000 was credited to share premium.

(ii) The restricted A shares were issued pursuant to the share incentive scheme adopted by the Company. Please refer to note 39 to the financial statements for more details.

(iii) The Company repurchased and cancelled 231,000 restricted A shares on 12 February 2015.

Notes to the Financial Statements

31 December 2015

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 88 to 89 of the financial statements.

Statutory surplus reserve

According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

37. BUSINESS COMBINATIONS

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

In 2015, Suzhou Erye Pharmaceutical Co., Ltd. ("Suzhou Erye"), a subsidiary of the Group, acquired the remaining 50% equity interests in Hainan Kaiye Pharmaceutical Co., Ltd. ("Hainan Kaiye") at a consideration of RMB3,859,000. Immediately before the acquisition, Suzhou Erye held 50% equity interests in Hainan Kaiye, which was accounted for as an investment in a joint venture. Hainan Kaiye is engaged in the trading of medicine and in the research and development of pharmaceutical products. The acquisition was completed on 26 June 2015 when the Group obtained control of the operating and financial policies of Hainan Kaiye.

On 1 August 2015, Jiangsu Wanbang Biopharmaceutical Co., Ltd.("Wanbang Pharma"), a subsidiary of the Group, acquired 40% equity interests in Shenyang Wanbang Tiancheng Biological Technology Co., Ltd. ("Wanbang Tiansheng") at a consideration of RMB26,400,000, and made capital injection of RMB14,816,000 into Wanbang Tiansheng simultaneously. Thereafter, Wanbang Pharma held 51% equity interests in Wanbang Tiansheng. Wanbang Tiansheng is principally engaged in the processing and trading of anticoagulant drugs. The acquisition was completed on 6 August 2015 when the Group obtained control of the operating and financial policies of Wanbang Tiansheng.

On 26 November 2015, Shanghai Fosun Hospital Investment (Group) Co., Ltd., a subsidiary of the Group, acquired 70% equity interests in Beijing Ruiershi Medical Investment Management Co., Ltd. ("Beijing Ruiershi") at a consideration of nil. Beijing Ruiershi is principally engaged in investment management. The acquisition was completed on 14 December 2015 when the Group obtained control of the operating and financial policies of Beijing Ruiershi.

The above acquisitions were undertaken under the Group's strategy to further improve the Group's pharmaceutical manufacture and R&D expand the layout for its healthcare services.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

37. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year ended 31 December 2015 were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	16	48,911
Other intangible assets	17	11,701
Deferred tax assets	24	267
Inventories		15,236
Trade and bills receivables		22,821
Prepayments, deposits and other receivables		17,272
Tax recoverable		4
Cash and cash equivalents		4,731
Interest-bearing bank and other borrowings		(25,000)
Trade and bills payables		(25,583)
Other payables and accruals		(13,424)
Deferred tax liabilities	24	(4,986)
Total identifiable net assets at fair value		51,950
Non-controlling interests		(22,067)
Goodwill on acquisition	18	18,249
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss		(1)
		48,131
Satisfied by:		
Cash consideration paid		30,259
Investment in joint ventures		3,056
Cash consideration payable		14,816
		48,131

Notes to the Financial Statements

31 December 2015

37. BUSINESS COMBINATION (Continued)

The fair values of the trade receivables and other receivables as at the dates of acquisitions amounted to RMB22,821,000 and RMB17,273,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB23,802,000 and RMB17,273,000, respectively, of which trade receivables of RMB981,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB99,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

The goodwill of RMB18,249,000 recognised above is due to the new markets entered by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore do not meet the criteria for recognition as intangible assets under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	RMB'000
Cash consideration paid	(30,259)
Cash consideration already paid in the prior year	3,859
Cash and cash equivalents acquired	4,731
	(21,669)
Payment of unpaid cash consideration as at 31 December 2014	(222,650)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(244,319)
Transaction costs of the acquisitions included in cash flows from operating activities	(99)
	(244,418)

Since the acquisitions, all the acquired subsidiaries contributed RMB87,428,000 to the Group's revenue and offset against the Group's profit after tax in the amount of RMB171,000 for the year ended 31 December 2015.

Had the combinations taken place at the beginning of the year ended 31 December 2015, the revenue and the profit after tax of the Group for the year ended 31 December 2015 would have been RMB12,548,219,000 and RMB2,871,683,000, respectively.

Notes to the Financial Statements

31 December 2015

38. DISPOSAL OF SUBSIDIARIES

In January 2015, the Group completed the disposal transactions of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy. More details are given in note 13 to the financial statements.

On 13 August 2015, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. ("Fosun Pharmaceutical Industrial"), a subsidiary of the Group, entered into an equity interest transfer agreement with Chen Zhimin, Li Honghong and Wang Wenyu (陳致慜, 李紅紅 and 王文鈺) to dispose of 60.68% equity interest in Handan Pharmaceutical Co., Ltd. ("Handan Pharmaceutical") at a consideration of RMB161,300,000. The disposal was completed on 28 September 2015, and Handan Pharmaceutical was not included in the consolidated financial statements of the Group hereafter.

Financial information of Golden Elephant Pharmacy, Fosun Pharmaceutical, For Me Pharmacy and Handan Pharmaceutical at the date of being disposed is as follow:

	Notes	**As of the disposal dates** RMB'000
Net assets disposed of:		
Property, plant and equipment	16	196,157
Prepaid land lease payments	17	38,462
Goodwill	18	6,259
Other intangible assets	19	143
Available-for-sale investments		4,084
Other non-current assets		702
Inventories		55,292
Trade and bills receivables		68,798
Prepayments, deposits and other receivables		5,721
Cash and cash equivalents		26,091
Restricted cash		900
Assets of a disposal group classified as held for sale*		990,341
Interest-bearing bank and other borrowings		(98,000)
Trade and bills payables		(37,120)
Other payables and accruals		(33,813)
Deferred tax liabilities	24	(3,745)
Liabilities directly associated with the assets classified as held for sale*		(589,118)
Non-controlling interests		(176,627)
		454,527
Fair value of the retained interests in subsidiaries disposed of		(3,648)
Gain on disposal of subsidiaries	8	53,783
		504,662
Satisfied by:		
Cash		504,662

Notes to the Financial Statements

31 December 2015

38. DISPOSAL OF SUBSIDIARIES (Continued)

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	504,662
Cash and cash equivalents disposed of	(26,091)
Advance receipt of cash consideration in previous year	(124,310)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	354,261

* These represent the assets and liabilities of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy which were already classified as held for sale in the consolidated statement of financial position of the Group as at 31 December 2014.

39. SHARE-BASED PAYMENT

(a) Restricted A share incentive schemes

The Company adopted a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of further refining the corporate governance structure of the Company, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Company, as well as balancing the interests of the shareholders, the Company and the management for the long-term development of the Company.

Restricted A Share Incentive Scheme I

The Restricted A Share Incentive Scheme I was approved by the shareholders of the Company (the "Shareholders") at the 2013 first extraordinary general meeting of the Company, the 2013 first class meeting of A shareholders and the 2013 first class meeting of H shareholders convened on 20 December 2013. On 7 January 2014, relevant resolutions were considered and passed at the Company's 12th meeting of the 6th session of the board of directors and the 1st meeting of the 6th session of the Supervisory Committee, pursuant to which the date of grant for the Restricted A Share Incentive Scheme I of the Company was set on 7 January 2014.

On 7 January 2014 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme I, 4,035,000 A shares of the Company were granted to 28 eligible participants of the Restricted A Share Incentive Scheme I (the "Share Incentive Participants") at a grant price of RMB6.08 per share. The Share Incentive Participants include executive directors and the members of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

27 out of 28 of the Share Incentive Participants have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme I and a total of 3,935,000 Restricted A Shares (the "Restricted Shares") have been issued by the Company to the relevant Share Incentive Participants.

The Restricted A Share Incentive Scheme I shall be valid for a term of four years, commencing from the Date of Grant of Restricted Shares and ending on the date on which all the Restricted Shares granted have been unlocked or otherwise repurchased and cancelled.

39. SHARE-BASED PAYMENT (Continued)

(a) Restricted A share incentive scheme (Continued)

Restricted A Share Incentive Scheme I (Continued)

Restricted Shares shall be locked up immediately upon granting. All of the Restricted Shares granted to Share Incentive Participants shall be subject to various Lock-up Periods ranging from 1 year to 3 years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked (or repurchased and cancelled by the Company) in three tranches in the proportion of 33%, 33% and 34% of the total number of the Restricted Shares granted upon the expiry of each Lock-up Period. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance Target	% of unlocked shares to the total Restricted Shares granted
First unlock period: commencing from the first trading day after expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2013 shall not be less than RMB1 billion; the operating revenue for the year 2013 shall not be less than RMB9 billion; the percentage of research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2013 shall not be less than 4.8%.	33%
Second unlock period: commencing from the first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2014 shall not be less than RMB1.25 billion; the operating revenue for the year 2014 shall not less than RMB10.5 billion; the percentage of research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2014 shall not be less than 4.9%.	33%
Third unlock period: Commencing from the first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2015 shall not be less than RMB1.56 billion; the operating revenue for the year 2015 shall be no less than RMB12.5 billion; the percentage of research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2015 shall not be less than 5.0%.	34%

Notes to the Financial Statements

31 December 2015

39. SHARE-BASED PAYMENT (Continued)

(a) Restricted A share incentive scheme (Continued)

Restricted A Share Incentive Scheme I (Continued)

In addition, during the Lock-up Period of the Restricted Shares, net profit attributable to the shareholders of the Company and net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for each year shall not be less than the average of their respective amounts of the three preceding financial years prior to the Date of Grant, and shall not be negative.

Where the performance target at Company's level has been achieved, a Share Incentive Participants is only entitled to unlock the Restricted Shares upon achieving the benchmark of "Pass" or above in his performance target for the preceding year according to the Company's Administrative Measures in respect of Remuneration and Performance Appraisal (《與績效考核相關管理辦法》).

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB59,012,000, of which RMB35,087,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the Date of Grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB23,925,000. The Group has recorded RMB23,925,000 into other payables and accruals and credited to the treasury shares due to the restricted shares repurchase obligation of the Company till the end of the unlock period. The Group has recognised an amount of RMB7,642,000 as expenses for the year ended 31 December 2015 (2014: RMB21,841,000).

In February 2015, the Company repurchased and cancelled the Restricted A Shares granted to Mr. Wu Yijian ("Mr. Wu"), Mr. Hu Jianglin ("Mr. Hu") and Mr. Ni Xiaowei ("Mr. Ni"), following the resignation of Mr. Wu, Mr. Hu and Mr. Ni from their respective positions in the Company or the relevant subsidiary (the "Repurchase"). A total of 231,000 Restricted A Shares, which have been granted to Mr. Wu, Mr. Hu and Mr. Ni but have not been unlocked, were repurchased and cancelled at a repurchase price of RMB6.08 per share for a total repurchase amount of approximately RMB1,404,000. The aforementioned repurchased shares have been cancelled on 12 February 2015.

Restricted A Share Incentive Scheme II

The Restricted A Share Incentive Scheme II was approved by the Shareholders at the 2015 first extraordinary general meeting of the Company, the A shareholders' class meeting and the H shareholders' class meeting held on 16 November 2015. On 19 November 2015 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme II, 2,695,000 A shares of the Company were granted to 45 eligible participants of the Restricted A Share Incentive Scheme II at a grant price of RMB10.54 per share.

39. SHARE-BASED PAYMENT (Continued)

(a) Restricted A share incentive scheme (Continued)

Restricted A Share Incentive Scheme II (Continued)

Restricted Shares issued pursuant the Restricted A Share Incentive Scheme II shall be locked up immediately upon granting. All of the Restricted Shares granted to Share Incentive Participants shall be subject to various Lock-up Periods ranging from 1 year, 2 years to three years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked (or repurchased and cancelled by the Company) in three tranches in the proportion of 33%, 33% and 34% of the total number of the Restricted Shares granted upon the expiry of each Lock-up Period. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance Target	% of unlocked Shares to the total Restricted Shares granted
First unlock period: commencing from the first trading day after expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2015 shall not be less than RMB1.56 billion; the operating revenue for the year 2015 shall not be less than RMB12.5 billion; the percentage of research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2015 shall not be less than 5.0%.	33%
Second unlock period: commencing from the first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2016 shall not be less than RMB1.79 billion; the operating revenue for the year 2016 shall not less than RMB14.4 billion; the percentage of research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2016 shall not be less than 5.0%.	33%
Third unlock period: Commencing from the first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2017 shall not be less than RMB2.06 billion; the operating revenue for the year 2017 shall be no less than RMB16.6 billion; the percentage of research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2017 shall not be less than 5.0%.	34%

Notes to the Financial Statements

31 December 2015

39. SHARE-BASED PAYMENT (Continued)

(a) Restricted A share incentive scheme (Continued)

Restricted A Share Incentive Scheme II (Continued)

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB68,102,000, of which RMB39,697,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the Date of Grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB28,405,000. The Group has recorded RMB28,405,000 into other payables and accruals and credited to the treasury shares due to the restricted shares repurchase obligation of the Company till the end of the unlock period. The Group has recognised an amount of RMB2,012,000 as expenses for the year ended 31 December 2015.

(b) CML share option

Certain employees of Chindex provide services to CML. The service agreement between CML and Chindex provides that the full compensation cost of Chindex employees who provide service to CML will be charged to CML, which will include the cost of share-based compensation on a non-cash basis, if applicable to the employees. In addition, certain former Chindex employees that are now employees of CML participate in Chindex's equity compensation program and hold options for Chindex's common shares and Chindex's restricted shares, and the costs of those share options are expensed as they provide services to CML. As at 29 September 2014, along with the privatisation and delisting of Chindex, all the share options and restricted shares held by relevant Chindex employees and non-employees were cancelled and settled by cash. During the year, no share-based compensation cost was charged to CML.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group's subsidiaries lease the property, plant and equipment under operating lease agreements, with leases negotiated for terms ranging from two to twenty years.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	17,975	13,313
1 to 3 years, inclusive	4,316	9,215
Over 3 years	9	46
	22,300	22,574

40. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

As at 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**50,466**	32,948
1 to 3 years, inclusive	**79,142**	46,252
Over 3 years	**33,847**	32,643
	163,455	111,843

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) to the financial statements, the Group had the following capital commitments as at 31 December 2015:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for		
Plant and machinery	**545,688**	224,486
Investments in a subsidiary and associates	**1,679,347**	1,586,778
Investments in available-for-sale financial assets	**422,084**	275,355
	2,647,119	2,086,619

Notes to the Financial Statements

31 December 2015

42. RELATED PARTY TRANSACTIONS

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

(a) Sales of pharmaceutical products and rendering of services

	2015 **RMB'000**	2014 RMB'000
Sinopharm Group Co., Ltd. *(notes 5 & 7)*	**861,223**	710,922
Chindex International Inc. *(notes 1 & 5)*	**29,680**	13,801
Healthy Harmony Holdings L.P. *(notes 5 & 1)*	**18,204**	—
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2 & 5)*	**1,581**	4,291
Hunan Time Sun Pharmaceutical Co., Ltd. *(notes 1 & 5)*	**428**	426
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(notes 2 & 5)*	**249**	8
Shanghai Tong De Private Equity Co., Ltd. *(notes 2 & 5)*	**113**	—
Fosun High Tech *(notes 5)*	**79**	—
Shanghai Yixing Sports Development Co., Ltd. *(notes 2 & 5)*	**44**	—
Shanghai Xingshuangjian Investment Management Co., Ltd. *(notes 2 & 5)*	**41**	—
Shanghai Yuzhi Investment Management Co., Ltd. *(notes 2 & 5)*	**24**	—
Liangfu Credit Investigation Management Co., Ltd. *(notes 2 & 5)*	**15**	—
Shanghai Yunji Information Technology Co., Ltd. *(notes 2 & 5)*	**13**	—
Tebon Securities Co., Ltd. *(notes 2 & 5)*	**8**	—
SINNOWA Medical Science & Technology Co., Ltd *(notes 4 & 5)*	**1**	1
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 5)*	**—**	19,446
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. *(notes 3 & 5)*	**—**	6,204
Shanghai Huifeng Forme Pharmacy Co., Ltd. *(notes 2 & 5)*	**—**	2,978
Shanghai Liyi Pharmacy Co., Ltd. *(notes 1 & 5)*	**—**	1,712
Shanghai Yaofang Co., Ltd. *(notes 1 & 5)*	**—**	1,136
Fosium Innovations (Shanghai) Co., Ltd. *(notes 2 & 5)*	**—**	41
	911,703	760,966

Notes to the Financial Statements

31 December 2015

42. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of pharmaceutical products and rendering of services

	2015 RMB'000	2014 RMB'000
Sinopharm Group Co., Ltd. *(notes 5 & 7)*	**97,273**	147,494
Suzhou Amerigenpharma Co., Ltd. *(notes 1 & 5)*	**5,660**	—
Anhui Shanhe Medicinal Materials Limited Company *(notes 1 & 5)*	**628**	45
Shanghai Golte Property Management Co., Ltd. *(notes 4 & 5)*	**308**	—
Beijing steellex Biological Technology Co., Ltd. *(notes 1 & 5)*	**279**	117
SD Biosensor, Inc. *(notes 1 & 5)*	**229**	141
Beijing Golte Property Management Co., Ltd. *(notes 4 & 5)*	**163**	59
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. *(notes 3 & 5)*	**—**	7,090
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 5)*	**—**	6,892
Shanghai Yaofang Co., Ltd. *(notes 1 & 5)*	**—**	409
Shanghai Furui Property Management Company Limited *(notes 1 & 5)*	**—**	270
Shanghai Tonghanchuntang Traditional Chinese Medicine Co., Ltd. *(notes 3 & 5)*	**—**	112
Miacom Diagnostics GmbH *(notes 1 & 5)*	**—**	64
Chengde Jingfukang Pharmaceutical Group Co., Ltd. *(notes 1 & 5)*	**—**	40
Shanghai Tonghanchuntang Pharmacy Co., Ltd. *(notes 3 & 5)*	**—**	10
Fosium Innovations (Shanghai) Co., Ltd. *(notes 2 & 5)*	**—**	6
	104,540	162,749

(c) Leasing and property management services

As lessor

	2015 RMB'000	2014 RMB'000
Sinopharm Group Co., Ltd. *(notes 6 & 7)*	**900**	—
Shanghai Xingshuangjian Investment Management Co., Ltd. *(notes 2, 6 & 9)*	**802**	—
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2, 6 & 9)*	**631**	108
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(notes 2 ,6 & 9)*	**611**	178
Fosun High Tech *(notes 6 & 9)*	**607**	75
Shanghai Yuzhi Investment Management Co., Ltd. *(notes 2 ,6 & 9)*	**554**	—
Shanghai Yixing Sports Development Co., Ltd. *(notes 2 ,6 & 9)*	**470**	—
Shanghai Yunji Information Technology Co., Ltd. *(notes 2 ,6 & 9)*	**341**	—
Liangfu Credit Investigation Management Co., Ltd. *(notes 2 ,6 & 9)*	**238**	—
Fosium Innovations (Shanghai) Co., Ltd. *(notes 2, 6 & 9)*	**—**	504
Guilin Auspicious Pharmaceutical Industrial Ltd. *(notes 1, 6 & 9)*	**—**	89
	5,154	954

Notes to the Financial Statements

31 December 2015

42. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

As lessee

	2015 RMB'000	2014 RMB'000
Shanghai Golte Property Management Co., Ltd. *(notes 1, 6 & 9)*	**4,805**	3,935
Shanghai New Shihua Investment and Management Co., Ltd. *(notes 4, 6 & 9)*	**4,143**	5,043
Beijing Golte Property Management Co., Ltd. *(notes 4, 6 & 9)*	**900**	1,002
Shanghai Fosun Property Management Co., Ltd. *(notes 4, 6 & 9)*	**—**	4,623
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1, 6 & 9)*	**—**	3,993
	9,848	18,596

(d) Disposal of subsidiaries *(note 38)*

	2015 RMB'000	2014 RMB'000
Sinopharm Group Guo Da Pharmacy Co., Ltd. *(note 7)*	**343,363**	—

(e) Loan from/to a related party

Maximum daily outstanding balance of deposits in Fosun Finance

	2015 RMB'000	2014 RMB'000
Fosun Finance *(notes 8 & 9)*	**678,423**	950,370

The Company entered into a financial service agreement with Fosun Group Finance Corporation Limited ("Fosun Finance"), pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for a period from 1 January 2014 to 31 December 2016. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB1,000,000,000. The maximum daily outstanding balance of loans granted by Fosun Finance to the Group is RMB1,000,000,000.

Notes to the Financial Statements

31 December 2015

42. RELATED PARTY TRANSACTIONS (Continued)

(f) Interest income from a related party

	2015 RMB'000	2014 RMB'000
Fosun Finance *(notes 8 & 9)*	**4,551**	1,917

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

(g) Commitments with related parties

As lessor

As at 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2015 RMB'000	2014 RMB'000
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. *(note 2)*	**537**	1,048
Tong De equity investment management (Shanghai) Co., Ltd. *(note 2)*	**658**	611
Fosun High Tech	**2,488**	43
Sinopharm Group Co., Ltd. *(note 7)*	**1,800**	—
Shanghai Xingshuangjian Investment Management Co., Ltd. *(note 2)*	**1,688**	—
Liangfu Credit Investigation Management Co., Ltd. *(note 2)*	**151**	—
Shanghai Yixing Sports Development Co., Ltd. *(note 2)*	**470**	—
Shanghai Yunji Information Technology Co., Ltd. *(note 2)*	**1,023**	—
	8,815	1,702

Notes to the Financial Statements

31 December 2015

42. RELATED PARTY TRANSACTIONS (Continued)

(g) Commitments with related parties (Continued)

As lessee

As at 31 December 2015, the Group had total future minimum lease payment under non-cancellable operating lease and property management service agreement with related party in respect of land and buildings which fall due as follows:

	2015 RMB'000	2014 RMB'000
Shanghai New Shihua Investment and Management Co., Ltd. *(note 4)*	532	4,730

Notes:

(1) They are associates of the Group.

(2) They are joint ventures of the Group.

(3) They are associates of Fosun High Tech, the holding company of the Group.

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

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

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

(7) Sinopharm Group Co., Ltd. is a major subsidiary of Sinopharm Investment, an associate of the Group. Sinopharm Group Guo Da Pharmacy Co., Ltd. is a subsidiary of Sinopharm Group Co. Ltd.

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

(9) 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.

(h) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 26, 27, 30 and 31 to the financial statements.

Notes to the Financial Statements

31 December 2015

42. RELATED PARTY TRANSACTIONS (Continued)

(i) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	25,177	18,545
Performance-related bonuses	25,193	17,004
Pension scheme contributions	813	692
Equity-settled share incentive scheme expense	7,274	13,271
	58,457	49,512

Further details of directors', supervisors' and the chief executive's emoluments are included in note 10 to the financial statements.

43. CONTINGENT LIABILITIES

As at 31 December 2015 and 2014, the Group did not have any contingent liabilities.

44. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 32 to the financial statements.

Notes to the Financial Statements

31 December 2015

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts and of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

	Financial assets at fair value through profit or loss — held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets:				
Available-for-sale investments	—	—	3,382,380	3,382,380
Equity investments at fair value through profit or loss	33,751	—	—	33,751
Trade and bills receivables	—	2,146,570	—	2,146,570
Financial assets included in prepayments, deposits and other receivables	—	230,376	—	230,376
Cash and bank balances	—	4,028,637	—	4,028,637
	33,751	6,405,583	3,382,380	9,821,714

	Financial liabilities at fair value through profit or loss — Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities:			
Trade and bills payables	—	1,048,650	1,048,650
Financial liabilities included in other payables and accruals	—	1,297,755	1,297,755
Interest-bearing bank and other borrowings	—	10,894,954	10,894,954
Financial liabilities included in other long-term liabilities	64,460*	915,049	979,509
	64,460	14,156,408	14,220,868

* The amount includes the share redemption option granted to non-controlling shareholders of a subsidiary amounting to RMB64,460,000, of which fair value change is recognised in other reserve due to the nature of equity transaction with non-controlling shareholders of the subsidiary of the Group.

Notes to the Financial Statements

31 December 2015

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2014

	Financial assets at fair value through profit or loss — held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets:				
Available-for-sale investments	—	—	2,499,156	2,499,156
Equity investments at fair value through profit or loss	33,771	—	—	33,771
Trade and bills receivables	—	1,976,673	—	1,976,673
Financial assets included in prepayments, deposits and other receivables	—	217,091	—	217,091
Cash and bank balances	—	3,695,698	—	3,695,698
	33,771	5,889,462	2,499,156	8,422,389

	Financial liabilities at fair value through profit or loss — Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities:			
Trade and bills payables	—	904,962	904,962
Financial liabilities included in other payables and accruals	—	2,114,722	2,114,722
Interest-bearing bank and other borrowings	—	8,796,108	8,796,108
Financial liabilities included in other long-term liabilities	88,019*	631,417	719,436
	88,019	12,447,209	12,535,228

* The amount includes the share redemption option granted to non-controlling shareholders of a subsidiary amounting to RMB60,299,000, of which fair value change is recognised in other reserve due to the nature of equity transaction with non-controlling shareholders of the subsidiary of the Group.

Notes to the Financial Statements

31 December 2015

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

At 31 December 2015, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB306,652,000 (2014: RMB667,859,000). In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills") to certain banks to finance its operating cash flow with a carrying amount in aggregate of RMB195,795,000 (2014: RMB190,556,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills equals their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Financial assets:				
Available-for-sale investments, listed	**1,324,302**	1,135,772	**1,324,302**	1,135,772
Equity investments at fair value through profit or loss	**33,751**	33,771	**33,751**	33,771
	1,358,053	1,169,543	**1,358,053**	1,169,543
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**1,676,202**	771,192	**1,634,659**	743,139
Interest-bearing other borrowings	**3,493,971**	3,085,483	**3,538,851**	3,090,317
Financial liabilities included in other long-term liabilities	**979,509**	719,436	**979,509**	719,436
	6,149,682	4,576,111	**6,153,019**	4,552,892

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings as at 31 December 2015 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 at 31 December 2015, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments of the Group is RMB1,990,150,000 (2014: RMB1,363,384,000). All of them are unlisted equity investments in China, North America and other countries held by the Group, which are intended to be disposed by the Group after getting listed on the designated stock exchange in the future.

During the year ended 31 December 2015, the available-for-sale investments whose fair value could not be reliably measured with carrying amount of RMB3,266,000 were derecognised and the relevant gain on disposal amounted to RMB318,000 was recognized in the consolidated statement of profit or loss.

Notes to the Financial Statements

31 December 2015

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2015:

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

Significant unobservable valuation inputs for the share redemption option of RMB64,460,000 (31 December 2014: RMB60,299,000) granted to non-controlling shareholders of a subsidiary included in other long-term liabilities are EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Alma Lasers in 2015 and cash and bank balances of Alma Lasers as at 31 December 2015.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Available-for-sale investments — Listed *(note 22)*	**1,324,302**	**—**	**—**	**1,324,302**
Equity investments at fair value through profit or loss *(note 28)*	**—**	**33,751**	**—**	**33,751**
	1,324,302	**33,751**	**—**	**1,358,053**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments — Listed *(note 22)*	1,135,772	—	—	1,135,772
Equity investments at fair value through profit or loss *(note 28)*	—	33,771	—	33,771
	1,135,772	33,771	—	1,169,543

Notes to the Financial Statements

31 December 2015

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities *(note 34)*	—	—	64,460	64,460

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities *(note 34)*	—	—	88,019	88,019

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

	2015 RMB'000	2014 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	88,019	99,804
Addition	4,161	15,935
Reclassification	(27,720)	(27,720)
At 31 December	64,460	88,019

Notes to the Financial Statements

31 December 2015

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (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 31 December 2015 (31 December 2014: Nil).

Liabilities for which fair values are disclosed:

As at 31 December 2015

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

As at 31 December 2014

	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	—	743,139	—	743,139
Other borrowings	1,498,350	1,591,967	—	3,090,317
Amounts included in other long-term liabilities	—	631,417	—	631,417
	1,498,350	2,966,523	—	4,464,873

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

Notes to the Financial Statements

31 December 2015

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2015, total interest-bearing bank borrowings of RMB3,483,138,000 (31 December 2014: RMB2,537,905,000) of the Group were with floating interest rates.

As at 31 December 2015, the Group had 5-year medium-term notes with an carrying amount of RMB1,598,647,000, which were interest-bearing at a floating interest rate.

As at 31 December 2015, the Group had 3-year medium-term notes with an carrying amount of RMB399,104,000, which were interest-bearing at a fixed interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings and the Group's equity.

Increase/(decrease) of the Group's profit after tax

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
2015		
RMB	**1%**	**(28,001)**
USD	**1%**	**(25,023)**
RMB	**(1%)**	**28,001**
USD	**(1%)**	**25,023**
2014		
RMB	1%	(22,524)
USD	1%	(15,929)
RMB	(1%)	22,524
USD	(1%)	15,929

Notes to the Financial Statements

31 December 2015

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit after tax due to differences arising on settlement or translation of monetary assets and liabilities.

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit after tax**
	%	RMB'000
2015		
If RMB weakens against USD	**5**	**(13,965)**
If RMB strengthens against USD	**(5)**	**13,965**
If RMB weakens against HKD	**5**	**1,557**
If RMB strengthens against HKD	**(5)**	**(1,557)**
2014		
If RMB weakens against USD	5	840
If RMB strengthens against USD	(5)	(840)
If RMB weakens against HKD	5	3,514
If RMB strengthens against HKD	(5)	(3,514)

(c) Credit risk

The Group trades only with related companies and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with related companies and recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analyses by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed in different geographical regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 26 to the financial statements.

Notes to the Financial Statements

31 December 2015

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2015, 67% (31 December 2014: 56%) of the Group's borrowings would mature in less than one year based on the carrying values of the borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2015					
Interest-bearing bank and other borrowings	**—**	**7,621,476**	**3,562,217**	**225,984**	**11,409,677**
Trade and bills payables	**—**	**1,048,650**	**—**	**—**	**1,048,650**
Financial liabilities included in other payables and accruals	**1,230,033**	**67,722**	**—**	**—**	**1,297,755**
Financial liabilities included in other long-term liabilities	**—**	**480**	**954,498**	**44,771**	**999,749**
	1,230,033	**8,738,328**	**4,516,715**	**270,755**	**14,755,831**
2014					
Interest-bearing bank and other borrowings	—	5,281,375	4,044,421	58,476	9,384,272
Trade and bills payables	—	904,962	—	—	904,962
Financial liabilities included in other payables and accruals	1,671,044	443,678	—	—	2,114,722
Financial liabilities included in other long-term liabilities	—	—	719,436	—	719,436
	1,671,044	6,630,015	4,763,857	58,476	13,123,392

Notes to the Financial Statements

31 December 2015

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 28) and available-for-sale investments measured at fair value (note 22). The Group's listed investments are listed on the stock exchanges in Shanghai, Shenzhen, New York, New Zealand and Hong Kong and are valued at quoted market prices or using valuation techniques at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2015	**High/low 2015**	31 December 2014	High/low 2014
Shanghai — A Share Index	**3,704**	**5,411/3,067**	3,389	3,389/2,084
Shenzhen — GEM Index	**2,714**	**3,982/1,465**	1,427	1,658/1,226
Shenzhen — A Share Index	**2,416**	**3,288/1,492**	1,478	1,571/1,051
New York — NASDAQ Index	**5,007**	**5,219/4,292**	4,736	4,807/3,946
New York — NYSE Index	**10,143**	**11,240/9,510**	10,839	11,105/9,742
New Zealand — NZX 50 Index	**6,324**	**6,324/5,462**	5,568	5,592/4,736
Hong Kong — HSI Index	**21,914**	**28,443/20,557**	23,605	25,318/21,138

Notes to the Financial Statements

31 December 2015

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of profit or loss.

	Increase/ (decrease) in equity prices %	Carrying amount of equity investments RMB'000	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2015				
Investments listed in:				
Shanghai — Available for sale	10	80,402	—	6,030
Shanghai — Available for sale	(10)	80,402	—	(6,030)
Shenzhen GEM — Available for sale	10	738,058	—	55,354
Shenzhen GEM — Available for sale	(10)	738,058	—	(55,354)
Shenzhen — Available for sale	10	81,146	—	6,196
Shenzhen — Available for sale	(10)	81,146	—	(6,196)
NASDAQ — Available for sale	10	87,953	—	8,181
NASDAQ — Available for sale	(10)	87,953	—	(8,181)
NASDAQ — Equity investments at fair value through profit or loss	10	33,751	3,375	—
NASDAQ — Equity investments at fair value through profit or loss	(10)	33,751	(3,375)	—
New Zealand — Available for sale	10	49,125	—	4,913
New Zealand — Available for sale	(10)	49,125	—	(4,913)
NYSE — Available for sale	10	92,570	—	9,257
NYSE — Available for sale	(10)	92,570	—	(9,257)
Hong Kong — Available for sale	10	195,048	—	19,505
Hong Kong — Available for sale	(10)	195,048	—	(19,505)

* Excluding retained profits

Notes to the Financial Statements

31 December 2015

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (continued)

	Increase/ (decrease) in equity prices %	Carrying amount of equity investments RMB'000	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2014				
Investments listed in:				
Shanghai — Available for sale	10	300,748	—	22,556
Shanghai — Available for sale	(10)	300,748	—	(22,556)
Shenzhen GEM — Available for sale	10	714,486	—	53,586
Shenzhen GEM — Available for sale	(10)	714,486	—	(53,586)
Shenzhen — Available for sale	10	94,376	—	7,138
Shenzhen — Available for sale	(10)	94,376	—	(7,138)
NASDAQ — Equity investments at fair value through profit or loss	10	33,771	3,377	—
NASDAQ — Equity investments at fair value through profit or loss	(10)	33,771	(3,377)	—
New Zealand — Available for sale	10	24,339	—	2,434
New Zealand — Available for sale	(10)	24,339	—	(2,434)
Hong Kong — Available for sale	10	1,823	—	182
Hong Kong — Available for sale	(10)	1,823	—	(182)

* Excluding retained profits

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	2015 **RMB'000**	2014 RMB'000
Interest-bearing bank and other borrowings *(note 32)*	**10,894,954**	8,796,108
Less: Cash and cash equivalents *(note 29)*	**(3,348,594)**	(3,010,155)
Net debt	**7,546,360**	5,785,953
Total equity	**20,612,762**	19,046,115
Total equity and net debt	**28,159,122**	24,832,068
Gearing ratio	**27%**	23%

Notes to the Financial Statements

31 December 2015

48. EVENTS AFTER THE REPORTING PERIOD

(a) The public issuance of corporate bonds to qualified investors (first tranche)

On 30 December 2015, China Securities Regulatory Commission ("CSRC") approved the Company to publicly issue the corporate bonds to the qualified investors, pursuant to the approval the issuance of the corporate bonds should not exceed RMB5 billion. On 4 March 2016, the Company completed the issuance of the first tranche of five-year domestic corporate bonds with a par value of RMB3 billion and an effective interest rate of 3.35% per annum and according to the term of the corporate bonds, the Company shall be entitled to adjust upwards the interest rate and the investors shall be entitled to sell back the corporate bonds at the end of the third year.

(b) Approval for the proposed non-public issuance of the A shares of the Company

On 18 March 2016, the Issuance Examination Committee of the CSRC reviewed the proposed non-public issuance of domestic listed A shares of the Company. According to the review results, the proposed non-public issuance was unconditionally approved. The Company plans to issue no more than 99,052,541 A shares to the subscribers at the issue price of RMB 23.22 per share. As of the date of this report, the Company has not received the CSRC's approval documents in writing.

(c) Establishment of an associate

On 22 February 2016, the Company, Xuzhou Coal Mining Group Co., Ltd. and Taikong Life Insurance Co., Ltd. entered into a health care business reorganisation agreement, pursuant to which the parties will jointly establish a new company and cooperation will be established with regard to the health care business reorganisation of relevant health care institutions which were then owned by Xuzhou Coal Mining Group Co., Ltd. The registered capital of the new company is preliminary determined as RMB714,290,000, of which RMB250,000,000 is to be subscribed for by the Company at a cash contribution of RMB538,460,000. Thus, the Group will indirectly hold 35% equity interest therein.

49. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**18,640**	21,189
Other intangible assets	**3,236**	2,832
Investments in subsidiaries	**4,620,254**	4,262,176
Investments in associates	**8,143,658**	7,343,160
Available-for-sale investments	**643,998**	440,465
Other non-current assets	**3,275,000**	3,594,740
Total non-current assets	**16,704,786**	15,664,562
CURRENT ASSETS		
Prepayments, deposits and other receivables	**4,361,489**	3,094,007
Available-for-sale investments	**15,979**	—
Cash and bank balances	**744,052**	739,943
	5,121,520	3,833,950
Non-current assets classified as held for sale	**—**	276,758
Total current assets	**5,121,520**	4,110,708
CURRENT LIABILITIES		
Other payables and accruals	**788,591**	843,796
Interest-bearing bank and other borrowings	**4,318,836**	2,036,111
Total current liabilities	**5,107,427**	2,879,907
NET CURRENT ASSETS	**14,093**	1,230,801
TOTAL ASSETS LESS CURRENT LIABILITIES	**16,718,879**	16,895,363
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,082,064**	3,170,483
Deferred income	**1,450**	1,750
Deferred tax liability	**968,947**	1,010,785
Total non-current liabilities	**3,052,461**	4,183,018
Net assets	**13,666,418**	12,712,345
EQUITY		
Share capital	**2,314,075**	2,311,611
Treasury shares	**(43,494)**	(23,925)
Reserves	**11,395,837**	10,424,659
Total equity	**13,666,418**	12,712,345

Notes to the Financial Statements

31 December 2015

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's treasury shares and reserves is as follows:

	Share premium RMB'000	Treasury shares RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	3,591,355	—	—	456,890	—	630,788	4,679,033
Total comprehensive income for the year	—	—	125,515	—	—	93,634	219,149
Profit appropriation to reserve	—	—	—	81,880	—	(81,880)	—
Legal merger of a subsidiary	2,691,995	—	—	411,215	—	1,669,176	4,772,386
Issue of H shares	1,336,395	—	—	—	—	—	1,336,395
Issue of restricted A shares	19,990	(23,925)	—	—	—	—	(3,935)
Equity-settled share-based payment *(note 39)*	—	—	—	—	21,841	—	21,841
Final 2013 dividend declared and paid	—	—	—	—	—	(624,135)	(624,135)
At 31 December 2014	7,639,735	(23,925)	125,515	949,985	21,841	1,687,583	10,400,734
At 31 December 2014 and 1 January 2015	**7,639,735**	**(23,925)**	**125,515**	**949,985**	**21,841**	**1,687,583**	**10,400,734**
Total comprehensive income for the year	**—**	**—**	**58,039**	**—**	**—**	**1,526,072**	**1,584,111**
Profit appropriation to reserve	**—**	**—**	**—**	**241,183**	**—**	**(241,183)**	**—**
Issue of restricted A shares	**25,710**	**(28,405)**	**—**	**—**	**—**	**—**	**(2,695)**
Repurchase and cancellation of restricted A shares	**(1,173)**	**1,404**	**—**	**—**	**—**	**—**	**231**
Unlocking of restricted A shares	**—**	**7,432**	**—**	**—**	**—**	**—**	**7,432**
Equity-settled share-based payment *(note 39)*	**—**	**—**	**—**	**—**	**9,654**	**—**	**9,654**
Final 2014 dividend declared and paid	**—**	**—**	**—**	**—**	**—**	**(647,124)**	**(647,124)**
At 31 December 2015	**7,664,272**	**(43,494)**	**183,554**	**1,191,168**	**31,495**	**2,325,348**	**11,352,343**

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2016.

Definitions

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

"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"Alma Lasers"	Alma Lasers Ltd., a company incorporated in the State of Israel with limited liability, a subsidiary of the Company
"Anhui Railway Construction"	Anhui Railway Construction Investment Fund Co., Ltd. (安徽省鐵路建設投資基金有限公司)
"Aohong Pharma"	Jinzhou Aohong Pharmaceutical Company Limited (錦州奧鴻藥業有限責任公司), a subsidiary of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Beijing Golte"	Beijing Golte Property Management Company Limited (北京高地物業管理有限公司), a wholly-owned subsidiary of Shanghai Golte Assets Management Company Limited (上海高地資產經營管理有限公司), which in turn is wholly-owned by Forte. Forte is a 99.08% owned subsidiary of Fosun International (a Controlling Shareholder of the Company). Beijing Golte is a connected person of the Group under Rule 14A.07(4) of the Hong Kong Listing Rules
"Beijing Ruiershi"	Beijing Ruiershi Medical Investment Management Co., Ltd. (北京瑞而士醫療投資管理有限責任公司), a subsidiary of the Company as at the end of the Reporting Period
"Board" or "Board of Directors"	the board of Directors of the Company
"CCPHC"	Chongqing Chemical & Pharmaceutical Holding (Group) Company (重慶化醫控股(集團)公司)
"CFDA"	China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局), the PRC governmental authority responsible for the regulation of food and drugs
"CG Code"	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
"Chancheng Hospital"	Foshan Chancheng Central Hospital Company Limited (佛山市禪城區中心醫院有限公司), a for-profit medical institution established with the approval by the Population, Health and Drug Administration of Chancheng District, Foshan (佛山市禪城區人口和衛生藥品監督管理局), a subsidiary of the Company
"China Fund"	China Fund Management Co., Ltd. (中信建投基金管理有限公司)
"China Life Insurance"	China Life Insurance Company Limited (中國人壽保險股份有限公司)
"China Merchants Wealth"	China Merchants Wealth Asset Management Co., Ltd. (招商財富資產管理有限公司)
"China Universal"	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司)
"Chindex"	Chindex International, Inc., a company incorporated in Delaware of the United States

Definitions

"Chindex (Beijing)"	Chindex (Beijing) International Trade Company Limited (美中互利 (北京) 國際貿易有限公司), a subsidiary of the Company
"Chongqing Pharma"	Chongqing Pharmaceutical (Group) Company Limited (重慶醫藥(集團)股份有限公司)
"CML"	Chindex Medical Limited (美中互利醫療有限公司), a subsidiary of the Company
"Company" or "Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares and A Shares are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
"connected person(s)"	has the meaning given to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules and in the context of our Company, means Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities market
"Deed of Non-Competition"	the deed of non-competition undertakings dated 13 October 2012 and executed by our Controlling Shareholders in favor of the Company (for itself and as trustee of its subsidiaries from time to time)
"Director(s)"	director(s) of our Company
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"Elion Resources"	Elion Resources Holding Co. Ltd. (億利資源控股有限公司)
"Erye Pharmaceutical"	Suzhou Erye Pharmaceutical Co., Ltd. (蘇州二葉製藥有限公司), a subsidiary of the Company
"FDA"	Food and Drug Administration
"Financial Services Agreement"	the financial services agreement entered into between the Company and Fosun Finance dated 26 August 2013 for the provision of financial services by Fosun Finance to the Company, the term of which expired on 31 December 2016
"For Me Pharmacy"	Shanghai For Me Yixing Pharmacy Chain-Store Company Limited (上海復美益星大藥房連鎖有限公司), has been renamed as Sinopharm Holdings GuoDa For Me Pharmacy Shanghai Chain-Store Company Limited (國藥控股國大復美大藥房上海連鎖有限公司)
"Forte"	Shanghai Forte Land Company Limited (復地(集團)股份有限公司), a subsidiary of Fosun International (a Controlling Shareholder of the Company). Forte is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules
"Fosun Chemical"	Shanghai Fosun Chemical Pharmaceutical Investment Co., Ltd. (上海復星化工醫藥創業投資有限公司), a subsidiary of the Company
"Fosun Finance"	Fosun Group Finance Corporation Limited (上海復星高科技集團財務有限公司), a subsidiary of Fosun High Tech (a Controlling Shareholder of the Company). Fosun Finance is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules

Definitions

"Fosun High Tech"	Shanghai Fosun High Technology (Group) Company Limited (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a Controlling Shareholder of the Company. Fosun High Tech is a connected person under Rule 14A.07(1) of the Hong Kong Listing Rules
"Fosun Holdings"	Fosun Holdings Limited (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
"Fosun Hospital Investment"	Shanghai Fosun Hospital Investment (Group) Co., Ltd. (上海復星醫院投資(集團)有限公司), a subsidiary of the Company
"Fosun Industrial"	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a wholly-owned subsidiary of the Company
"Fosun International"	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
"Fosun International Holdings"	Fosun International Holdings Limited (復星國際控股有限公司), which is held as to 64.5%, 24.4% and 11.1% by Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin, respectively, and a Controlling Shareholder of the Company
"Fosun Pharmaceutical"	Shanghai Fosun Pharmaceutical Company United (上海復星藥業有限公司), has been renamed as Sinopharm Holdings GuoDa For Me Pharmaceutical (Shanghai) Company Limited (國藥控股國大復美藥業(上海)有限公司)
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited (上海復星醫藥產業發展有限公司), a wholly-owned subsidiary of the Company
"General Mandate of A Shares"	an unconditional and general mandate proposed to be granted to the Board at the general meeting of the Company to issue, allot and/or deal with additional new A Shares not exceeding 20% of the total issued A Shares as at the date of the general meeting of the Company (i.e. 29 June 2015)
"Golden Elephant Pharmacy"	Beijing Golden Elephant Pharmacy Medicine Chain Company Limited (北京金象大藥房醫藥連鎖有限責任公司)
"Group", "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"Guahao.com"	Guahao.com Limited, a company established in the Cayman Islands, mainly operates the "Guahao.com" platform
"Guangji Hospital"	Yueyang Guangji Hospital Company Limited (岳陽廣濟醫院有限公司), a subsidiary of the Company
"Guilin Pharma"	Guilin South Pharma Company Limited (桂林南藥股份有限公司), a subsidiary of the Company
"GuoDa Drug Store"	Sinopharm Holding GuoDa Drug Store Co., Ltd. (國藥控股國大藥房有限公司)
"Hainan Kaiye"	Hainan Kai Ye Medical Company Limited (海南凱葉醫藥有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Handan Pharmaceutical"	Handan Pharmaceutical Co., Ltd. (邯鄲製藥股份有限公司)

Definitions

"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Shares
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hubei Shine Star"	Shine Star (Hubei) Biological Engineering Company Limited (湖北新生源生物工程股份有限公司), a subsidiary of the Company
"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
"Jimin Cancer Hospital"	Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院), a people run non-enterprise unit (民辦非企業單位) established in the PRC, a subsidiary of the Company
"Liangfu Credit Investigation"	Liangfu Credit Investigation Management Co., Ltd. (量富征信管理有限公司), a subsidiary of Mr. Guo Guangchang, the Controlling Shareholder of the Company. Liangfu Credit Investigation is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"PCT"	Patent Cooperation Treaty
"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this annual report to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC Enterprise Income Tax Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as adopted by the Tenth National People's Congress on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises
"PRC government" or "Chinese government"	central government of the PRC, including all governmental sub-divisions (including provincial, municipal and other regional or local government entities)
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the Standing Committee of the Ninth National People's Congress on 29 December 1998 and effective on 1 July 1999, as amended, supplemented or otherwise modified from time to time

Definitions

"Proposed Non-Public Issuance"	the non-public issuance of A Shares proposed by the Company to the Subscribers
"R&D"	research and development
"Reporting Period"	the 12-month period from 1 January 2015 to 31 December 2015
"Restricted A Share(s)"	the A Shares granted under the Restricted A Share Incentive Scheme
"Restricted A Share Incentive Scheme"	the Restricted A Share incentive scheme of the Company, as approved by the Shareholders on 20 December 2013
"Restricted A Share Incentive Scheme II"	the Restricted A Share incentive scheme II of the Company, as approved by the Shareholders on 16 November 2015
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Golte"	Shanghai Golte Assets Management Company Limited (上海高地資產經營管理有限公司), a wholly-owned subsidiary of Forte, a subsidiary of Fosun International (the Controlling Shareholder of the Company). Shanghai Golte is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Yuzhi"	Shanghai Yuzhi Investment Management Co., Ltd. (上海遇志投資管理有限公司), a subsidiary of Fosun International, the Controlling Shareholder of the Company. Shanghai Yuzhi is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Yixing"	Shanghai Yixing Sports Development Co., Ltd. (上海易星體育發展有限公司), a subsidiary of Mr. Guo Guangchang, the Controlling Shareholder of the Company. Shanghai Yixing is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Yunji"	Shanghai Yunji Information Technology Co., Ltd. (上海雲濟信息科技有限公司), a subsidiary of Mr. Guo Guangchang, the Controlling Shareholder of the Company. Shanghai Yunji is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Shanghai Henlius"	Shanghai Henlius Biotech Company Limited (上海復宏漢霖生物技術有限公司), a subsidiary of the Company
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shanghai Yuyuan"	Shanghai Yuyuan Tourist Mart Company Limited (上海豫園旅遊商城股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600655)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)

Definitions

"Sinopharm"	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01099)
"Sinopharm Industrial Investment"	Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)
"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
"Taikang Asset Management"	Taikang Asset Management Co., Ltd. (泰康資產管理有限責任公司)
"Taizhou Zhedong Hospital"	Taizhou Zhedong Hospital Company Limited (台州浙東醫院有限公司), a subsidiary of the Company
"Tebon Innovation"	Tebon Innovation Capital Co., Ltd. (德邦創新資本有限公司)
"U.K."	United Kingdom of Great Britain and Northern Ireland
"U.S." or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"Wanbang Pharma"	Jiangsu Wanbang Biopharmaceutical Company Limited (江蘇萬邦生化醫藥股份有限公司), a subsidiary of the Company
"Wanbang Tiancheng"	Shenyang Wanbang Tiancheng Biological Technology Co., Ltd. (瀋陽萬邦天晟生物科技有限公司), a subsidiary of the Company as at the end of the Reporting Period
"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》)
"Xingshuangjian Investment"	Shanghai Xingshuangjian Investment Management Co., Ltd. (上海星雙健投資管理有限公司), a wholly-owned subsidiary of Fosun High Tech, the Controlling Shareholder of the Company. Shanghai Xingshuangjian is a connected person of the Group under Rule 14A.07 of the Hong Kong Listing Rules
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), a subsidiary of the Company
"Zhongrong Dingxin"	Beijing Zhongrong Dingxin Investment Management Co., Ltd. (北京中融鼎新投資管理有限公司)
"Zhongwu Hospital"	Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司), a subsidiary of the Company
"€"	EURO, the lawful currency of the European Union
"%"	per cent

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

Design And Produced By: EDICO Financial Press Services Limited

FOSUNPHARMA
Innovation for Good Health

上海復星醫藥(集團)股份有限公司
地址：上海市宜山路1289號(復星科技園A樓)　郵編：200233
電話：(86 21) 3398 7000
傳真：(86 21) 3398 7020
網址：www.fosunpharma.com

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
Address: Building A, No. 1289 Yishan Road, Shanghai 200233, P.R.China
Tel: (86 21) 3398 7000
Fax: (86 21) 3398 7020
Web: www.fosunpharma.com