FOSUNPHARMA
复星医药

Innovation for good health

上海復星醫藥（集團）股份有限公司
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 02196

INTERIM REPORT 2013

* *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 healthy products and services.

Contents

Corporate Information

Directors

Executive Directors

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

Non-executive Directors

Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Mr. Zhang Guozheng (章國政)
Mr. Wang Pinliang (王品良) (Appointed on 28 June 2013)
Ms. Kang Lan (康嵐) (Appointed on 28 June 2013)

Independent Non-executive Directors

Mr. Han Jiong (韓炯)
Dr. Zhang Weijiong (張維炯)
Mr. Li Man-kiu Adrian David (李民橋)
Mr. Cao Huimin (曹惠民) (Appointed on 28 June 2013)
Mr. Guan Yimin (管一民) (Retired on 28 June 2013)

Supervisors

Mr. Zhou Wenyue (周文岳) *(Chairman)* (Appointed on 28 June 2013)
Mr. Li Haifeng (李海峰) (Appointed on 28 June 2013)
Mr. Cao Genxing (曹根興)
Mr. Liu Hailiang (柳海良) (Retired on 28 June 2013)
Mr. Wang Pinliang (王品良) (Retired on 28 June 2013)

Joint Company Secretaries

Mr. Zhou Biao (周飈) (Appointed on 28 June 2013)
Ms. Lo Yee Har Susan (盧綺霞)
Dr. Qiao Zhicheng (喬志城) (Retired on 28 June 2013)

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) (Appointed on 28 June 2013)
Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Dr. Zhang Weijiong (張維炯)
Mr. Han Jiong (韓炯) (Retired on 28 June 2013)

Audit Committee

Mr. Cao Huimin (曹惠民) *(Chairman)* (Appointed on 28 June 2013)
Mr. Han Jiong (韓炯)
Mr. Wang Pinliang (王品良) (Appointed on 28 June 2013)
Mr. Guan Yimin (管一民) (Retired on 28 June 2013)
Mr. Zhang Guozheng (章國政) (Retired on 28 June 2013)

Nomination Committee

Mr. Han Jiong (韓炯) *(Chairman)*
Dr. Zhang Weijiong (張維炯) (Appointed on 28 June 2013)
Ms. Kang Lan (康嵐) (Appointed on 28 June 2013)
Mr. Guan Yimin (管一民) (Retired on 28 June 2013)
Mr. Guo Guangchang (郭廣昌) (Retired on 28 June 2013)

Remuneration and Appraisal Committee

Dr. Zhang Weijiong (張維炯) *(Chairman)*
Mr. Cao Huimin (曹惠民) (Appointed on 28 June 2013)
Ms. Kang Lan (康嵐) (Appointed on 28 June 2013)
Mr. Guan Yimin (管一民) (Retired on 28 June 2013)
Mr. Wang Qunbin (汪群斌) (Retired on 28 June 2013)

Registered Office

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

Principal Place of Business in the PRC

Fosun Commercial Building
No. 2 Fuxing Road East
Huangpu District
Shanghai, 200010, China

Principal Place of Business in Hong Kong *(Note)*

Level 28, Three Pacific Place
1 Queen's Road East
Hong Kong

Legal Advisers in Hong Kong

Morrison & Foerster

Legal Advisers in the PRC

Chen & Co. Law Firm

Auditors

Ernst & Young

Compliance Adviser

Haitong International Capital Limited

Principal Banks

China Merchants Bank Shanghai Jiangwan Sub-branch
Bank of Beijing Shanghai Branch
Bank of Communications Shanghai Zhabei Sub-branch

Stock Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation

FOSUN PHARMA

Share Listing

A Share: Shanghai Stock Exchange
Stock Code: 600196

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

A Share Registrar and Transfer Office in the PRC

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

H Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Company's Website

http://www.fosunpharma.com

Note: The principal place of business of the Company in Hong Kong will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 3 September 2013.

Financial Highlights

	Six months ended 30 June	
	2013	2012
	RMB million	RMB million
Operating results		
Revenue	**4,473.64**	3,464.11
Gross profit	**1,959.39**	1,529.28
Operating profit	**468.66**	308.43
Profit before tax	**1,451.09**	987.23
Profit for the year attributable to owners of the parent	**1,053.14**	701.77
Profitability		
Gross margin	**43.80%**	44.15%
Operating profit margin	**10.48%**	8.90%
Net profit margin	**26.87%**	24.76%
Earnings per share		
(in RMB)		
Earnings per share — basic	**0.47**	0.37
Earnings per share — diluted	**0.47**	0.37
Assets		
Total assets	**27,545.59**	25,450.25
Equity attributable to owners of the parent	**14,146.62**	13,501.91
Total liabilities	**11,583.48**	10,202.49
Cash and cash equivalents	**3,227.01**	4,972.52
Debt-to-asset ratio	**42.05%**	40.09%
Of which: Pharmaceutical manufacturing and R&D segment		
Revenue	**3,034.61**	2,175.88
Gross profit	**1,545.88**	1,176.49
Segment results	**525.51**	362.23
Segment profit for the year	**497.98**	379.47

Management Discussion and Analysis

FINANCIAL REVIEW

During the Reporting Period, the unaudited half-yearly 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 RMB4,473.64 million, representing an increase of 29.14% over the six months ended 30 June 2012.

During the Reporting Period, profit before tax and profit attributable to owners of the parent of the Group increased by 46.99% and 50.07% to RMB1,451.09 million and RMB1,053.14 million from the six months ended 30 June 2012, respectively.

During the Reporting Period, earnings per share of the Group increased by 27.03% to RMB0.47 from the six months ended 30 June 2012.

REVENUE

During the Reporting Period, revenue of the Group increased by 29.14% to RMB4,473.64 million from the six months ended 30 June 2012. During the Reporting Period, there were changes in the scope of consolidated statements, with the acquisitions of Hunan Dongting, Zaozhuang Sainuokang and ALMA and the inclusion of the income statement of Zhongwu Hospital. The increase in revenue of the Group was mainly due to (1) the growth in the sales of the pharmaceutical manufacturing, and the medical diagnosis and medical devices manufacturing business segments; and (2) the business contribution from the newly acquired and merged companies. The year-on-year decrease in revenue of the business segment in distribution of medical diagnosis and medical devices was due to the adjustment of distribution rights for Siemens' and Hologics' products and the delay in sales of the Da Vinci surgical robotic system.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group recorded a revenue of RMB3,034.61 million, representing an increase of 39.47% compared with the six months ended 30 June 2012; and segment results of RMB525.51 million, representing an increase of 45.08% compared with the six months ended 30 June 2012, which was mainly due to the increase in the sales revenue of major products and changes in the scope of the consolidated statements.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased by 29.95% to RMB2,514.25 million from RMB1,934.83 million for the six months ended 30 June 2012, which was mainly due to the changes in the scope of the consolidated statements and increase in the revenue of major products.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group increased by 28.13% to RMB1,959.39 million from RMB1,529.28 million for the six months ended 30 June 2012. The gross margin of the Group for the six months ended 30 June 2013 and six months ended 30 June 2012 were 43.80% and 44.15%, respectively.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 23.59% to RMB885.69 million from RMB716.63 million for the six months ended 30 June 2012, which was mainly due to the changes in the scope of the consolidated statements and increase in the revenue of major products.

R&D COSTS AND R&D INVESTMENTS

During the Reporting Period, R&D costs of the Group increased by 61.58% to RMB164.38 million from RMB101.73 million for the six months ended 30 June 2012, primarily because the Group continued to increase R&D investments, with a focus on the R&D of generic biopharmaceutical drugs and innovative drugs.

During the Reporting Period, R&D investments of the Group amounted to RMB182.65 million, accounting for 4.08% of the revenue for the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased by 3.40% to RMB391.61 million from RMB378.72 million for the six months ended 30 June 2012, which was mainly due to the continuous growth in the operating results of significant associates of the Group.

PROFIT FOR THE PERIOD

Due to the above reasons, during the Reporting Period, profit for the period of the Group increased by 40.15% to RMB1,202.15 million from RMB857.77 million for the six months ended 30 June 2012. The net profit margin of the Group for the six months ended 30 June 2013 and six months ended 30 June 2012 were 26.87% and 24.76%, respectively.

PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group increased by 50.07% to RMB1,053.14 million from RMB701.77 million for the six months ended 30 June 2012, which was mainly due to (1) the steady growth maintained by the core businesses of the Group; (2) the gain on deemed disposal recognized from the dilution of equity interest resulting from the completion of placing of H shares by Sinopharm, an associate company of the Group, in April 2013. Upon completion of placing of Sinopharm's H shares, the investment of the Group in Sinopharm was diluted from 32.05 % to 29.98% and the gain on deemed disposal resulting from the diluted equity interests amounted to a gross profit of RMB586.96 million and a net profit after tax of RMB440.22 million.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total debt

As at 30 June 2013, total debt of the Group increased to RMB6,044.57 million from RMB5,654.87 million as at 31 December 2012 , which was mainly due to the increase of overseas merger and acquisition activities. In addition, in configuring the debt structure, the Group increased as many medium and long term debts as practicable. As at 30 June 2013, medium and long term debts of the Group accounted for 70.05% of the total debt, lower than the 75.69% as at 31 December 2012, which indicated that the Group's debt structure was reasonable. As at 30 June 2013, cash and bank balances decreased to RMB3,227.01 million by 35.10% from RMB4,972.53 million as at 31 December 2012 .

As at 30 June 2013, the equivalent amount of RMB945.94 million (31 December 2012: RMB185.42 million) out of the total debt of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 30 June 2013, cash and cash equivalents of the Group denominated in foreign currencies amounted to RMB1,112.63 million (31 December 2012: RMB2,847.60 million).

Unit: RMB million

Cash and cash equivalents denominated in :	30 June 2013	31 December 2012
RMB	**2,114.38**	2,124.93
US dollars	**233.69**	147.04
HK dollars	**858.55**	2,644.74
Others	**20.39**	55.82
Total	**3,227.01**	4,972.53

Gearing ratio

As at 30 June 2013, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets as at 30 June 2013, was 21.94%, as compared with 22.22% as at 31 December 2012.

Interest rate

As at 30 June 2013, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB1,327,478,789 (31 December 2012: RMB631,422,000).

As at 30 June 2013, the Group issued the 5-year medium-term notes with an aggregate amount of RMB2,600.00 million, which bore interest at a floating interest rate.

Maturity structure of outstanding debts

Unit: RMB million

	30 June 2013	31 December 2012
Within 1 year	**1,810.36**	1,374.70
1 to 2 years	**40.91**	40.91
2 to 5 years	**4,173.30**	4,219.26
Over 5 years	**20.00**	20.00
Total	**6,044.57**	5,654.87

Available facilities

As at 30 June 2013, save for cash and bank balances of RMB3,227.01 million, the Group had unutilised banking facilities of RMB7,801.62 million in aggregate. The Group has also entered into cooperation agreements with various major banks in China. According to such agreements, the banks granted the Group with general banking facilities to support its capital requirements. The utilisation of such bank facilities was subject to the approval of individual projects from the banks in accordance with banking regulations of China. As at 30 June 2013, total available banking facilities under these arrangements were approximately RMB9,735.28 million in aggregate, of which RMB1,933.66 million had been utilized. Besides, the Group has obtained the approval from the CSRC for issuing corporate bonds in tranches with the aggregate principal amount of not more than RMB3,000.00 million on 23 November 2011, and the first tranche of corporate bonds of RMB1,500.00 million was issued in April 2012. The Group obtained the approval from the National Association of Financial Market Institutional Investors for issuing short-term bonds in tranches with the aggregate principal amount of not more than RMB2,000.00 million on 31 October 2012.

Pledged assets

As at 30 June 2013, the Group had pledged the following for bank borrowings: property, plant and equipment amounting to RMB252,457,000 (31 December 2012: RMB302,735,000), prepaid land lease payments amounting to RMB43,057,000 (31 December 2012: RMB39,042,000), and 268,371,532 shares of equity interest in Guilin Pharma held by the Group (31 December 2012: 268,371,532 shares of equity interest in Guilin Pharma held by the Group). Details of the pledged assets are set out in note 15 to the interim condensed consolidated financial statements.

Cash flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principals of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for the six months ended 30 June 2013 and six months ended 30 June 2012.

Unit: RMB million

	30 June 2013	30 June 2012
Net cash flows from operating activities	**311.48**	230.90
Net cash flows used in investing activities	**(1,715.60)**	(736.88)
Net cash flows from/used in financing activities	**306.82**	(462.47)
Net increase/(decrease) in cash and cash equivalents	**(1,097.30)**	(968.45)
Cash and cash equivalents at the beginning of the period	**4,171.57**	2,428.22
Cash and cash equivalents at the end of the period	**3,052.43**	1,463.13

Capital commitments and capital expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB417.67 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments. Details of capital expenditures are set out in note 4 to the interim condensed consolidated financial statements.

As at 30 June 2013, the Group's capital commitments contracted but not provided for and capital commitments authorized but not contracted amounted to RMB753.43 million and RMB202.91 million, respectively. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 18 to the interim condensed consolidated financial statements.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any contingent liabilities.

INTEREST COVERAGE

For the six months ended 30 June 2013, the interest coverage, which is calculated by EBITDA divided by financial costs was 10.12 times as compared with 6.70 times for the six months ended 30 June 2012. The increase of interest coverage was mainly because the Group's EBITDA for the six months ended 30 June 2013 increased by 38.04% to RMB1,830.90 million from RMB1,326.35 million for the six months ended 30 June 2012.

RISK MANAGEMENT

Foreign currency exposure

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

Interest rate exposure

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

BUSINESS REVIEW

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

In 2013, we faced a challenging economic environment posed by unfavorable global economic conditions and decelerated growth of the domestic economy. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical businesses, continued to develop product innovation and improve management, actively promoted the strategies of organic growth, external expansion and integrated development, and thereby maintaining a rapid growth of the principal businesses.

During the Reporting Period, the Group recorded revenue of RMB4,473.64 million, representing an increase by 29.14% compared with the corresponding period in 2012. The Group recorded revenue of RMB3,034.61 million in pharmaceutical manufacturing and R&D segment, representing an increase by 39.47% compared with the corresponding year of 2012. During the Reporting Period, there were changes in the scope of consolidated statements, with the acquisitions of Hunan Dongting, Zaozhuang Sainuokang and ALMA and the inclusion of the income statement of Zhongwu Hospital. The increase in revenue of the Group was mainly due to (1) the growth in the sales of the pharmaceutical manufacturing, and the medical diagnosis and medical devices manufacturing business segments; and (2) the business contribution from the newly acquired and merged companies. The year-on-year decrease in revenue of the business segment in distribution of medical diagnosis and medical devices was due to the adjustment of distribution rights for Siemens' and Hologics' products and the delay in sales of the Da Vinci surgical robotic system.

In the first half of 2013, the revenue from each segment of the Group was as follows:

Unit: RMB million

Business segment	January to June 2013 Revenue	January to June 2012 Revenue	Year-on-year increase or decrease *(%)*
Pharmaceutical manufacturing and R&D	**3,034.61**	2,175.88	39.47
Pharmaceutical distribution and retail	**708.31**	692.69	2.26
Healthcare services	**165.59**	77.90	112.58
Manufacturing of medical diagnosis and medical devices	**428.59 *(Note)***	278.24	54.04
Distribution of medical diagnosis and medical devices	**129.40**	232.79	–44.41

Note: This included the data as of June 2013 of ALMA, a newly acquired and merged company. Excluding the impact of the new acquisition and merger, the segment in manufacturing of medical diagnosis and medical devices recorded a year-on-year increase of 27.10%.

During the Reporting Period, the Group recorded profit before tax of RMB1,451.09 million and net profit attributable to owners of the parent of RMB1,053.14 million, which increased by 46.99% and 50.07%, respectively compared with the corresponding period of 2012. The increase in profit before tax and net profit attributable to owners of the parent was mainly due to (1) the steady growth maintained by the core businesses of the Group; (2) the gain on deemed disposal recognized from the dilution of equity interest resulting from the completion of placing of H shares by Sinopharm, an associate company of the Group, in April 2013. Upon completion of placing of Sinopharm's H shares, the investment of the Group in Sinopharm was diluted from 32.05 % to 29.98% and the gain on deemed disposal resulting from the diluted equity interests amounted to a gross profit of RMB586.96 million and a net profit after tax of RMB440.22 million.

During the Reporting Period, the Group continued to increase its investments, focusing on the R&D of generic biopharmaceutical drugs and innovative drugs. As of the end of the Reporting Period, the Group invented 114 pipeline drugs and vaccines. During the Reporting Period, Feibusita APIs and formulation have been granted with production approvals and licence for new medicines and Entecavir APIs have also been granted with production approvals. During the Reporting Period, the Group had applied for 12 patents in the pharmaceutical manufacturing and R&D segment.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group recorded revenue of RMB3,034.61 million, representing an increase of 39.47% compared with the corresponding period of 2012, and segment results of RMB525.51 million, representing a year-on-year increase of 45.08% compared with the corresponding period of 2012. The increase in the revenue and segment results was mainly due to the increase in the sales revenue of major products and changes in the scope of consolidated statements. During the Reporting Period, the Group recorded profit before tax of RMB576.12 million in the pharmaceutical manufacturing and R&D segment, representing an increase of 28.84% compared with the corresponding period of 2012.

During the Reporting Period, the pharmaceutical manufacturing segment of the Group grew rapidly and the development of its professional operational team was further strengthened. In the first half of 2013, the sales of the Group's major products in therapeutic areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary tract and anti-infection maintained their growth momentum, recording a year-on-year growth of 30.72%, 67.29%, 25.57%, 16.23% and 22.58%, respectively. Sales of products including Atomolan, Ao De Jin, Bang Ting, You Di Er continued to experience rapid growth.

Revenues of major products in the major therapeutic areas in the first half of 2013 are set out in the following table:

Unit: RMB million

	January to June 2013	January to June 2012 *(Note 1)*	Year-on-year increase or decrease *(%)*
Major products of cardiovascular system therapeutic area *(note 2)*	**243.80**	186.50	30.72
Major products of central nervous system therapeutic area *(note 3)*	**353.98**	211.60	67.29
Major products of blood system therapeutic area *(note 4)*	**121.25**	96.56	25.57
Major products of metabolism and alimentary tract therapeutic area *(note 5)*	**635.94**	547.13	16.23
Major products of anti-infection therapeutic area *(note 6)*	**356.23**	290.60	22.58
Major products of APIs and intermediate products *(note 7)*	**496.60**	350.51	41.68

Note 1: During the Reporting Period, quetiapine fumarate (quetiapine fumarate tablets) became a major product of central nervous system therapeutic area. If the corresponding data of quetiapine fumarate from January to June 2012 were included, the year-on-year increase would have been 22.21%. During the Reporting Period, clindamycin hydrochloride became a major product of APIs and intermediate products. If the corresponding data of clindamycin hydrochloride from January to June 2012 were included, the year-on-year increase would have been 19.69%;

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

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

Note 4: Major products of blood system therapeutic area include Bang Ting (hemocoagulase for injection);

Note 5: Major products of metabolism and alimentary tract therapeutic area include Atomolan series, Wan Su Ping (glimepiride), animal insulin and its formulation, recombinant human erythropoietin (Yi Bao), compound aloe capsules and Mo Luo Dan;

Note 6: Major products of anti-infection therapeutic area include anti-tuberculosis series, artesunate series, Xi Chang (cefmetazole sodium) and Shaduolika (potassium sodium dehydroandrographolide succinate);

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

The Group has placed great emphasis on quality and risk management of its life cycle of the products, implemented stringent quality and safety control mechanisms and monitored adverse drug reaction at each stage of the production chain from R&D to sales, so as to ensure the R&D, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing segment fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, change management, deviation management, OOS investigation and audit on suppliers. The Group's pharmaceutical manufacturing segment continued to push forward qualification certifications, ensure fulfillment of the new Good Manufacturing Practice (GMP) in China, push forward international standards, and encourage voluntary adoption of international standards such as European Directorate for the Quality of Medicines (EDQM) and the United States Pharmacopeia (USP) in the production processes. As of the end of the Reporting Period, eight APIs production lines of the Group received certifications from the FDA of the United States, EU Certification, Ministry of Health, Labour and Welfare of Japan and Federal Ministry of Health of Germany. Two APIs production lines, a production line for oral solid dosage formulation and two productions lines for injection of Guilin Pharma also obtained PreQualification from the World Health Organization ("WHO-PQ") and one production line of oral solid dosage formulation of Yao Pharma was recognized by FDA of Canada.

The Group has focused on innovation and R&D in long run, optimized its pharmaceutical R&D system that integrates imitation and innovation, increased investment in the "4+1" R&D platform, improved its innovation system, enhanced R&D capabilities, launched new products, and strengthened the core competitiveness of the Group. The Group owned national-level enterprise technical center and established highly-efficient international R&D teams in Shanghai, Chongqing and San Francisco. In order to leverage its competitive strengths, R&D of the Group focused on therapeutic areas including metabolism and alimentary tract, cardiovascular system, central nervous system, anti-tumor and immune modulating and anti-infection, and the major products have gained leading position in each of the market segments. The Group has competitive advantage in segment markets of liver disease, diabetes and tuberculosis in China. In the global market, the Group is a pioneer in the manufacturing and research of antimalar. As of the end of the Reporting Period, the Group has 114 pipeline drugs and vaccines. The Group has completed construction and selection of high-expressing production cell lines for four monoclonal antibody products, tendered applications for clinical trial to the SFDA for two monoclonal antibody products as of the end of the Reporting Period, and expects to obtain approval for the clinical trial for a new small molecular innovative chemical drug by the end of the year. During the Reporting Period, production approvals and licences for new medicines for Feibusita APIs and formulation and production approvals for Entecavir APIs have been obtained; Chongqing Pharma Research has obtained the first licence for clinical study for methylnaltrexone bromide injection in China; and Chongqing Pharma Research adopted the carrier drug delivery technology and invented the new formulation of "Rasagiline Transdermal Patches", for which it has obtained the approval for clinical study from SFDA. The new packaging of Artesun triple injection of Guilin Pharma also passed the WHO-PQ in February 2013. In addition, the Group continued to implement its patent strategy and the Group's pharmaceutical manufacturing segment applied for a total of 12 patents during the Reporting Period.

Meanwhile, the Group creatively integrated domestic resources and continued to enhance R&D capabilities of the enterprise. The "Technology Innovation Strategic Alliance" formed by us with prestigious research institutes in China is one of the "industry, academia and research strategic alliances" under the national major project of innovation and manufacturing of new drugs. We cooperated with Shanghai Institute of Materia Medica of the Chinese Academy of Sciences to invent a new R&D model and to develop three anti-tumor innovative drug targets through sharing of benefits and risks. We established a joint venture company with Dalian Wanchun to jointly develop new anti-cancer drugs with international patents. We have also collaborated with Shanghai Jiao Tong University to jointly invent the synthesized arteannuin technology from arteannuin. As an "Innovative Pilot Enterprise" recognized by the PRC Ministry of Science and Technology and "National Enterprise Technology Centre", the Group continued to enhance and improve its development as a pilot enterprise encouraged by the PRC Ministry of Science and Technology during the Reporting Period. In July 2013, the pharmaceutical manufacturing segment of the Group ranked 17th among the "Top 100 Enterprises in Pharmaceutical Manufacturing Industry in China for 2012", which was released by the Southern Medicine Economic Institute under the SFDA.

Pharmaceutical Distribution and Retail

The pharmaceutical distribution and retail business of the Group recorded revenue of RMB708.31 million during the Reporting Period, representing a year-on-year increase of 2.26% as compared with the corresponding period of 2012. As of the end of the Reporting Period, our pharmaceutical retail brands, For Me Pharmacy and Golden Elephant Pharmacy, had a total of over 660 retail pharmacies, maintaining leading position in their respective regional markets and leading market share in the pharmaceutical retail markets in Shanghai and Beijing. Meanwhile, the Group actively explored the transformation of the pharmaceutical retail business model and tried new business models.

During the Reporting Period, Sinopharm, an associate company of the Group, completed placing of 165,668,190 H shares, raising net proceeds of HK$4,004 million. Continuous efforts were also made in accelerating industry consolidation, expanding distribution network of pharmaceutical products and maintaining rapid growth in business. In the first half of 2013, Sinopharm realized revenue of RMB80,066 million, net profit of RMB1,796 million and net profits attributable to shareholders of RMB1,152 million, which represented an increase of 20.29%, 17.47% and 20.11% compared with the same period of last year respectively. As of the end of the Reporting Period, the distribution network of Sinopharm further expanded to 51 distribution centers in 30 provinces, autonomous regions and municipalities in China. Its direct customers included 10,692 hospitals (only referring to hospitals with ranking and including 1,332 of the class-three hospitals which are the largest and most highly-ranked hospitals), accounting for approximately 77% of the total number of hospitals in the PRC and approximately 94% of all the class-three hospitals. During the Reporting Period, Sinopharm's revenue from pharmaceutical distribution business increased by 20.95% compared with the same period of last year to RMB75,854 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB2,275 million generated during the Reporting Period, representing an increase of 17.14%; while its pharmaceutical retail network has further expanded to over 1,762 retail pharmacies as of the end of the Reporting Period.

Healthcare Services

In 2013, the Group continued to increase its investment in the healthcare services segment and substantially completed the deployment of its healthcare services business to combine high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC.

During the Reporting Period, the Group actively endeavored to strengthen the operating capabilities of the healthcare institutions controlled by the Group, increased efforts in cultivating and recruiting medical staff, and facilitated the regional development of our healthcare services business. In the first half of 2013, the healthcare services entities controlled by the Group recorded total revenue of RMB165.59 million; and as of the end of the Reporting Period, the total number of beds available for the public in Jimin Cancer Hospital, Yueyang Guangji Hospital and Zhongwu Hospital was over 1,300.

During the Reporting Period, the Group continued to support and facilitate the development and deployment of the hospital and clinic network under "United Family Hospital", a leading premium healthcare services brand of Chindex. In 2013, there were significant increase and positive growth momentum in the United Family Hospital's businesses in Beijing, Shanghai and Tianjin, and Beijing United Family Rehabilitation, one of the world's leading hospitals, commenced operation officially. During the Reporting Period, revenue of the United Family Hospital increased by 22% to US$87.54 million as compared with the corresponding period last year, reflecting the growing market demand for premium healthcare services and the strong brand recognition of "United Family Hospital".

Medical Diagnosis and Medical Devices

In 2013, the Group furthered its development in the medical diagnosis and medical devices segment by increasing investments and enhancing business cooperation. With respect to the medical diagnosis segment, the Group has invested in Saladax Biomedical, Inc., a U.S. corporation which is principally engaged in individual dose detection, and also increased its equity interest in SD Biosensor, Inc., a Korean company which manufactures rapid diagnostic products during the Reporting Period. These investments further increased the varieties of diagnostic products and expanded our market share of rapid diagnostic products in the international market. With respect to medical devices segment, the Group invested in the world's leading supplier of laser medical equipment, ALMA, during the Reporting Period. In the first half of 2013, ALMA recorded revenue of US$46.99 million (where the revenue from the date of acquisition to the end of June, amounted to RMB74.94 million), maintaining its global leading position in such market segment.

During the Reporting Period, the Group recorded revenue of RMB428.59 million for the manufacturing of medical diagnosis and medical devices segment, representing an increase of 54.04% compared with the corresponding period of 2012. Excluding the impact of consolidation of ALMA, the Group recorded revenue of RMB353.65 million for the manufacturing of medical diagnosis and medical devices segment during the Reporting Period, representing an increase of 27.10% compared with the corresponding period of 2012. The revenue of distribution operations amounted to RMB129.40 million, representing a decrease of 44.41% as compared with the corresponding period of 2012. This was mainly due to the adjustment of distribution rights for Siemens' and Hologics' products and the delay in sales of the Da Vinci surgical robotic system.

A. Principal Operations

(1) Table of analysis of changes in relevant items of the interim condensed consolidated financial statements

Unit: RMB million

Items	Current period	Previous period	Percentage changes (%)
Revenue	**4,473.64**	3,464.11	29.14
Cost of sales	**2,514.25**	1,934.83	29.95
Selling and distribution expenses	**885.69**	716.63	23.59
Administrative expenses	**440.66**	402.48	9.49
Research and development costs	**164.38**	101.73	61.58
Finance costs	**180.94**	198.09	–8.66
Net cash inflow from operating activities	**311.48**	230.91	34.89
Net cash outflow from investing activities	**–1,715.60**	–736.88	132.82
Net cash inflow/(outflow) from financing activities	**306.82**	–462.47	–166.34
R&D expenditure	**182.65**	110.57	65.19

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

(2) R&D expenditures

a. Table for R&D expenditures

Unit: RMB million

R&D expenditures expensed for the Reporting Period	164.38
R&D expenditures capitalized for the Reporting Period	18.27
Total R&D expenditures	182.65
Percentage of total R&D expenditures on net assets *(%)*	1.14
Percentage of total R&D expenditures on revenue *(%)*	4.08

b. Description

During the Reporting Period, the R&D expenditures increased by more than 61.58% as compared with last year, mainly because the Group has increased its investments to focus on R&D of generic biopharmaceutical drugs and innovative drugs.

(3) Others

a. Detailed explanation on composition of the profit and significant changes in the source of profit of the Group

Sinopharm, an associate company of the Group, completed placing of its H shares in April 2013, resulting in the dilution of equity interest of the Group in Sinopharm from 32.05% to 29.98% which was recognized as a gain on deemed disposal of interests in an associate in a total amount of RMB586.96 million.

b. Introduction on the progress of operation plans

During the Reporting Period, the Group adhered to its strategies of "organic growth, external expansion and integrated development", focused its competitive strengths and resources on the principal businesses of the pharmaceutical manufacturing and R&D segment, insisted on product innovation and further enhanced the competitiveness of its products. During the Reporting Period, the Group endeavored to strengthen the strategic plans in the healthcare services and medical diagnosis and medical devices segments at the same time, in order to enhance its scale of business and operation capacities and achieve a more complete business portfolio.

B. Industry, Products and Regional Operations

(1) Business by segments and products

Unit: RMB million

Principal business by segments

Segments	**Revenue**	**Cost of sales**	**Gross margin** *(%)*	**Year-on-year increase or decrease in revenue** *(%)*	**Year-on year increase or decrease in cost of sales** *(%)*	**Year-on-year increase or decrease in gross margin** *(%)*
Pharmaceutical manufacturing and R&D	3,034.61 *(Note 1)*	1,488.73	50.94	39.47	48.96	–3.13 (Note 2)
Pharmaceutical distribution and retail	708.31	601.10	15.14	2.26	1.65	0.51
Medical diagnosis and medical devices	557.99	292.11	47.65	9.19	2.63	3.35
Healthcare services *(Note 3)*	165.59	124.98	24.52	112.58	117.81	–1.82

Principal business by products

Products	**Revenue**	**Cost of sales**	**Gross margin** *(%)*	**Year-on-year increase or decrease in revenue** *(%)*	**Year-on year increase or decrease in cost of sales** *(%)*	**Year-on-year increase or decrease in gross margin** *(%)*
Western medicine and APIs immediate products	2,938.90 *(Note 1)*	1,461.61	50.27	40.13	51.00	–3.58
Medical diagnosis and medical device products *(Note 4)*	428.59	209.23	54.04	54.04	62.72	–2.61
Chinese patent drug	95.71	27.12	71.66	21.78	–13.80	11.69

Note 1: The significant increase in revenue of the pharmaceutical manufacturing and R&D segment and the western medicine and APIs immediate products was mainly due to the increase in revenue of major products and increase in the scope of consolidated statements.

Note 2: The year-on-year decrease in gross margin of the pharmaceutical manufacturing and R&D segment was mainly due to the increasing proportion of APIs immediate products, which have low gross margins, in revenue.

Note 3: The significant increase in revenue of the healthcare services segment was due to the inclusion of the income statement of Zhongwu Hospital in the scope of the consolidated statements.

Note 4: Medical diagnosis and medical device products refer to the products that are produced by our Group, excluding the products that are distributed by agents. The significant increase in revenue was mainly due to the consolidation of results of ALMA.

(2) Business by geographical locations

Unit: RMB million

Region	Revenue	Year-on-year increase or decrease in revenue *(%)*
Mainland China	3,983.34	29.33
Overseas countries or regions	490.30	27.67

C. Major Subsidiaries and Investee Companies

(1) Operation and results of the major subsidiaries of the Group

Unit: RMB million

Company name	Nature of business	Main products or services	Registered capital	Total assets	Net assets	Revenue	Profit before tax	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Potassium Sodium Dehydroandrographolide Succinate, V Jialin etc.	196.54	1,288.61	668.58	753.17	100.05	84.41
Wanbang Pharma	Pharmaceutical manufacturing	Wan Su Lin, Wan Su Ping etc.	119.04	1,639.34	794.66	640.56	71.71	60.23
Shine Star	Manufacturing of amino acid	Amino acid series products	51.12	1,013.54	413.91	651.56	63.12	60.00
Guilin Pharma	Pharmaceutical manufacturing	Artesunate series products	285.03	953.55	487.92	214.91	8.90	7.22
Aohong Pharma *(Note)*	Pharmaceutical manufacturing	Deproteinised Calf Blood Serum Injection, Homocoagulase For Injection	107.88	442.42	374.71	381.45	257.12	211.30

Note: The data of Aohong Pharma did not include its revaluation surplus and amortization of the revaluation surplus.

(2) Operation and results of investee companies whose net profit and investment income contributing more than 10% of the Company's net profit

Unit: RMB million

Company name	Nature of business	Main products or services	Registered capital	Total assets	Net assets	Revenue	Profit before tax	Net profit
Sinopharm Industrial Investment Co., Ltd.	Pharmaceutical investment	Chemical APLs, chemical agent, antibiotic, Chinese patent drug, biochemicals, wholesales of diagnostic drugs, industrial investment, trustee management and capital reorganization for pharmaceutical companies, domestic trading, retail chain, logistics and relevant advisory services	100	97,466.68	27,876.97	79,929.71	2,303.36	1,787.17

(3) The acquisition and disposal of subsidiaries during the Reporting Period, including the method of acquisition and disposal and the impact on the overall production, operation and results of the Group. Details of business combination is set out in note 17 to the interim condensed consolidated financial statements.

Unit: RMB million

Company name	Method of acquisition	Net assets (As at 30 June 2013)	Net profit (Date of acquisition to the end of June)	Date of acquisition
ALMA	Equity transfer	692.87	11.92	27 May 2013
Hunan Dongting	Equity transfer	397.52	27.75	11 January 2013
Zaozhuang Sainuokang	Equity transfer	37.54	2.53	11 March 2013

Note: The abovementioned information is presented in fair value and includes the revaluation surplus and amortization of the revaluation surplus.

D. Core Competence

The Group has formed a relatively complete product portfolio in the five major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary tract, central nervous system, blood system and anti-infection) 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 2012, 11 products of the Group each recorded revenue of over RMB100 million.

The Group has developed strong R&D capabilities and established an efficient R&D platform in areas of small molecular innovative drugs, monoclonal antibodies and generic drugs with high barriers-to-entry. During the Reporting Period, there are 114 pipeline drugs and vaccines projects, 27 projects under clinical trial application, 6 projects under clinical trial, and 22 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation for the continuous improvement of the operating results of the Group in the future.

Whilst enhancing the competitiveness of its products, the Group also focuses on developing its marketing capabilities. With a marketing team consisting of over 2,300 employees and a sales network covering most of the major domestic markets, the Group has been improving its capabilities in sales and marketing. The Group has strategically cooperated with Sinopharm, the largest nationwide enterprise in the pharmaceutical distribution and retail sector in the PRC. It would be easier for the Group's products to enter local markets with the synergies with Sinopharm.

The Group was one of the first enterprises in the pharmaceutical industry in the PRC to develop internationally, and its production capacity has met the international standards, with several production lines recognized by related international certifications and some of the formulations and APIs entered into the international markets in a considerable scale.

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 shares of the Group were successfully listed on the Hong Kong Stock Exchange in 2012. As a result, the Group is listed both in the A-share market and the H-share market. The proceeds raised through the capital market had created favorable condition for the Group to rapidly expand its operation scale and enhance its competitive strengths through merger and acquisition activities. In order to maintain its rapid 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.

E. Employees and remuneration policies

As at 30 June 2013, the Group had a total of 15,867 employees. The employees remuneration policies of the Group are formulated on the basis of the merits, qualifications and competence of the employees.

2. Business Outlook for the Second Half of 2013

In the second half of 2013, the Group will continue to be committed to its mission of improving public health, adhere to its company philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the development of the pharmaceutical market in China as well as the growth of generic drugs in mainstream markets such as Europe and the United States. 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, and enhancing the core competence of the Group, the Group strives to further enhance its operating results. Meanwhile, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

Pharmaceutical Manufacturing and R&D

In the second half of 2013, 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 actively push forward the development of professional marketing teams and follow-on product in areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary tract, and anti-infection. In addition to solidifying the market position and product growth in the existing key segments and products, the Group will further its efforts in promoting products such as You Di Er, Bang Ting, Ao De Jin, Atomolan, EPO, anti-tuberculosis series and Feibusita 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 and to combine international technology licenses with domestic industry-university-research cooperation. The Group adopts "project plus technology platform" as the model for its cooperation on research and development and will continue to increase its R&D investments. 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 pharmaceuticals 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 insulin products and monoclonal antibody products 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 our pharmaceutical manufacturing business.

Pharmaceutical Distribution and Retail

In the second half of 2013, the Group will further improve and enhance retail brands such as For Me Pharmacy and Golden Elephant Pharmacy, strengthen the consolidation within the industry in regions where the Group operates, consolidate and increase market share in the regional markets, embrace the use of the internet, and actively develop the pharmaceutical e-commerce with a focus on the development of pharmaceutical retail e-commerce. Meanwhile, 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 segment. Meanwhile, the Group will actively support the leap-forward and integrated development of Sinopharm's pharmacy in the pharmaceutical retail segment, through which the leading position of Sinopharm in the pharmaceutical retail segment can be established.

Healthcare Services

In the second half of 2013, the Group will continue to capture the high growth and investment opportunities in the healthcare services industry in China. The Group will continuously increase our investments in the healthcare services segment, and strengthen the current healthcare services business which integrates 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 operation capacity, cultivate and recruit medical staff, and accelerate the development of their healthcare services businesses. Meanwhile, the Group will continue to support and promote the business expansion of "United Family Hospital", which is a high-end brand for healthcare services under Chindex. The Group will also actively support the development of "United Family Hospital" to maintain its leading position within the industry and support the development of its high-end healthcare services characterized by multiple levels, diversification and extensibility.

Medical Diagnosis and Medical Devices

In the second half of 2013, the Group will continue to develop and introduce products in the diagnostic business, and continuously launch new products and new product lines. 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, actively seek opportunities to invest in quality diagnostic companies both domestically and internationally.

Meanwhile, the Group will increase its investments in R&D and manufacturing of medical devices, continue to leverage its strengths in expanding international operations, and actively explore the opportunities to cooperate with overseas companies so as to achieve the growth in the scale of its medical devices business.

3. Use of Proceeds of H Shares

In October 2012, upon approval by the CSRC through the Approval Document (Zheng Jian Xu Ke [2012] No.444), the Company made a global offering of 336,070,000 H Shares of RMB1.00 each and the total proceeds were HK$3,965.63 million. The net proceeds, together with relevant interest income, and after deducting the listing expenses of HK$83.71 million paid overseas, were HK$3,881.92 million.

As of the end of 30 June 2013, the use of proceeds of H Shares in the undertaken projects was as follows:

Unit: HK$ million

Names of projects undertaken	Change or not	Amount of proceeds proposed to applied	Amounts of proceeds actually applied	Conform to the project progress or not	Project progress
Mergers and acquisitions in pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, medical diagnosis and medical devices segments	No	1,863.32	716.46	Yes	38%
Funding for existing R&D projects, expanding R&D teams and acquiring new R&D projects	No	737.57	186.23	Yes	25%
Repayment of part of principal and interest of interest-bearing debts	No	892.84	629.97	Yes	71%
Replenishment of working capital	No	388.19	319.74	Yes	82%
Total	/	3,881.92	1,852.40	/	/

Statutory Disclosures

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group at that date are set out in the interim condensed consolidated financial statements and the accompanying notes on pages 25 to 53.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

According to the prevailing Articles of Association, the Board should be constituted by eleven directors, consisting of two executive Directors, five non-executive Directors and four independent non-executive Directors. As of the end of the Reporting Period, 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)
Mr. Zhang Guozheng (章國政)
Mr. Wang Pinliang (王品良)
Ms. Kang Lan (康嵐)

Independent Non-executive Directors

Mr. Han Jiong (韓炯)
Dr. Zhang Weijiong (張維炯)
Mr. Li Man-kiu Adrian David (李民橋)
Mr. Cao Huimin (曹惠民)

During the Reporting Period, the Company held an election of a new session of the Board. On 28 June 2013, the AGM re-elected Mr. Chen Qiyu and Mr. Yao Fang as the executive Directors of the sixth session of the Board; re-elected Mr. Guo Guangchang, Mr. Wang Qunbin and Mr. Zhang Guozheng as the non-executive Directors of the sixth session of the Board and elected Mr. Wang Pinliang and Ms. Kang Lan as the non-executive Directors of the sixth session of the Board; and re-elected Mr. Han Jiong, Dr. Zhang Weijiong and Mr. Li Man-kiu Adrian David as the independent non-executive Directors of the sixth session of the Board and elected Mr. Cao Huimin as the independent non-executive Directors of the sixth session of the Board. On 28 June 2013, Mr. Guan Yimin retired from the office as an independent non-executive Director.

SUPERVISORS

According to the prevailing Articles of Association, the Supervisory Committee should be constituted by three Supervisors. As of the end of the Reporting Period, the Supervisors of the Company are as follows:

Mr. Zhou Wenyue (周文岳) *(Chairman)*
Mr. Li Haifeng (李海峰)
Mr. Cao Genxing (曹根興)

During the Reporting Period, the Company held an election of a new session of the Supervisory Committee. On 28 June 2013, the AGM re-elected Mr. Cao Genxing as a Supervisor of the sixth session of the Supervisory Committee and elected Mr. Li Haifeng as a Supervisor of the sixth session of the Supervisory Committee. Mr. Zhou Wenyue was elected by the employee congress of the Company to hold the position of staff Supervisor of the sixth session of the Supervisory Committee. On 28 June 2013, Mr. Liu Hailiang and Mr. Wang Pinliang retired from the office as Supervisors.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

At the end of the Reporting Period, there was no change to information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules.

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

As at 30 June 2013, 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rule (the "Model Code") were as follows:

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

Name of Directors	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]	48.34%
Mr. Guo Guangchang	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%

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 79.08% by Fosun Holdings, and Fosun Holdings is wholly-owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 58% by Mr. Guo Guangchang, he is deemed to be interested in the Shares owned by the above-mentioned companies.

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

Name of Directors/ chief executive	Name of associated corporation	Class of shares	Capacity	Number of shares[1]	Approximate percentage of shares in issue
Mr. Guo Guangchang	Fosun International Holdings	Ordinary share	Beneficial owner	29,000(L)[2]	58%
	Fosun Holdings	Ordinary share	Interest of a controlled corporation	1(L)[2]	100%
	Fosun International	Ordinary share	Interest of a controlled corporation	5,078,198,000(L)[2]	79.08%
	Fosun High Tech	Ordinary share	Interest of a controlled corporation	2,300,000,000 (L)[2]	100%
Mr. Wang Qunbin	Fosun International Holdings	Ordinary share	Beneficial owner	5,000 (L)	10%

Note:

(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 79.08% by Fosun Holdings, and Fosun Holdings is wholly-owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 58% by Mr. Guo Guangchang, he is deemed to be interested in the shares of Fosun Holdings, Fosun International and Fosun High Tech.

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

As at 30 June 2013, 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]	48.34%
Fosun International	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.34%
Fosun Holdings	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.34%
Fosun International Holdings	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.34%
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500(L)	9.77%
Wellington Management Company, LLP	Investment manager	H Share	31,862,255(L)	9.48%
JPMorgan Chase & Co.	Interest of a controlled corporation	H Share	27,037,500(L) 27,029,500(P)	8.05% 8.04%
Norges Bank	Beneficial owner	H Share	23,618,000(L)	7.03%

Name of Shareholders	Nature of interest	Class of Shares	Number of Shares[(1)]	Approximate percentage of Shares in relevant class of shares
Cheah Cheng Hye	Founder of discretionary trust	H Share	23,187,500(L)	6.89%
To Hau Yin	Interest of child under 18 or spouse	H Share	23,187,500(L)	6.89%
Hang Seng Bank Trustee International Limited	Trustee	H Share	23,187,500(L)	6.89%
Cheah Company Limited	Interest of a controlled corporation	H Share	23,187,500(L)	6.89%
Cheah Capital Management Limited	Interest of a controlled corporation	H Share	23,187,500(L)	6.89%
Value Partners Group Limited	Interest of a controlled corporation	H Share	23,187,500(L)	6.89%
Nomura Holdings, Inc.	Investment manager	H Share	20,242,500(L)	6.02%

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 held as to 79.08% by Fosun Holdings, a wholly-owned subsidiary of Fosun International Holdings. Therefore, Fosun International, Fosun Holdings and Fosun International Holdings are deemed to be interested in these Shares.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the Reporting Period. The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees during the Reporting Period was noted by the Company.

COMPLIANCE WITH THE CG CODE

As a public company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has remained in strict compliance with the Articles of Association, relevant laws and the Shanghai Listing Rules and Hong Kong Listing Rules. The Company strives to continually improve its corporate governance structure, and optimize its internal management and control, and corporate operations 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 Corporate Governance Code and the Corporate Governance Report (the "CG Code") contained in Appendix 14 of 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. Throughout the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code.

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. Han Jiong, an independent non-executive Director, and Mr. Wang Pinliang, a non-executive Director. The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Company, and to provide recommendations and advice to the Board.

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the sixth months ended 30 June 2013.

On Behalf of the Board
Chen Qiyu
Chairman

Shanghai, the PRC
26 August 2013

Interim Condensed Consolidated Income Statements

Six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
REVENUE	5	**4,473,639**	3,464,107
Cost of sales		**(2,514,252)**	(1,934,832)
Gross profit		**1,959,387**	1,529,275
Other income	6	**70,663**	45,510
Selling and distribution expenses		**(885,686)**	(716,632)
Administrative expenses		**(440,662)**	(402,480)
Research and development costs		**(164,382)**	(101,734)
Other gains	7	**728,762**	464,710
Other expenses		**(64,321)**	(32,532)
Interest income		**41,742**	20,739
Finance costs	9	**(180,942)**	(198,094)
Share of profits and losses of:			
Joint ventures		**(5,085)**	(250)
Associates		**391,614**	378,717
PROFIT BEFORE TAX	8	**1,451,090**	987,229
Income tax	10	**(248,939)**	(129,460)
PROFIT FOR THE PERIOD		**1,202,151**	857,769
Attributable to:			
Owners of the parent		**1,053,141**	701,767
Non-controlling interests		**149,010**	156,002
		1,202,151	857,769
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (RMB)	11	**0.47**	0.37

Interim Condensed Consolidated Statements of Comprehensive Income

Six months ended 30 June 2013

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
PROFIT FOR THE PERIOD	**1,202,151**	857,769
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**124,389**	58,637
Reclassification adjustments for gains included in consolidated income statement		
— gain on disposal	**(98,290)**	(228,231)
Income tax effect	**15,631**	48,768
	41,730	(120,826)
Share of other comprehensive income of associates	**930**	23,528
Exchange differences on translation of foreign operations	**4,379**	923
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**47,039**	(96,375)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**47,039**	(96,375)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,249,190**	761,394
Attributable to:		
Owners of the parent	**1,106,934**	605,867
Non-controlling interests	**142,256**	155,527
	1,249,190	761,394

Interim Condensed Consolidated Statements of Financial Position

30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,898,270**	3,501,614
Prepaid land lease payments		**535,639**	543,518
Goodwill		**2,704,532**	1,661,771
Other intangible assets		**1,897,228**	1,238,758
Investments in joint ventures		**18,951**	17,281
Investments in associates		**8,902,625**	7,902,902
Available-for-sale investments		**2,127,422**	2,070,223
Deferred tax assets		**61,632**	31,483
Other non-current assets		**223,162**	101,185
Total non-current assets		**20,369,461**	17,068,735
CURRENT ASSETS			
Inventories		**1,455,573**	1,273,439
Trade and bills receivables	13	**1,378,964**	1,075,172
Prepayments, deposits and other receivables		**673,959**	643,353
Due from related companies		**180,024**	192,195
Equity investments at fair value through profit or loss		**260,599**	224,834
Other current asset		**—**	—
Cash and bank balances		**3,227,006**	4,972,525
Total current assets		**7,176,125**	8,381,518

Interim Condensed Consolidated
Statements of Financial Position

30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	14	**940,204**	882,037
Other payables and accruals		**1,746,911**	1,466,170
Interest-bearing bank and other borrowings	15	**1,810,362**	1,374,706
Due to related companies		**226,997**	36,994
Tax payable		**64,663**	133,325
Total current liabilities		**4,789,137**	3,893,232
NET CURRENT ASSETS		**2,386,988**	4,488,286
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,756,449**	21,557,021
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**4,234,205**	4,280,165
Deferred tax liabilities		**1,617,641**	1,359,938
Deferred income		**54,709**	41,535
Other long term liabilities		**887,787**	627,622
Total non-current liabilities		**6,794,342**	6,309,260
Net assets		**15,962,107**	15,247,761
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**2,240,462**	2,240,462
Reserves		**11,906,156**	10,790,946
Proposed final dividend	16	**—**	470,497
		14,146,618	13,501,905
Non-controlling interests		**1,815,489**	1,745,856
Total equity		**15,962,107**	15,247,761

Chen Qiyu
Director

Yao Fang
Director

Interim Condensed Consolidated
Statements of Changes in Equity

Six months ended 30 June 2013

	Attributable to owners of the parent										
	Issued share capital RMB'000	Share premium 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	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013 (Audited)	2,240,462	3,635,037	804,686	1,338,476	—	(10,462)	5,023,209	470,497	13,501,905	1,745,856	15,247,761
Profit for the period	—	—	—	—	—	—	1,053,141	—	1,053,141	149,010	1,202,151
Other comprehensive income for the period:											
Changes in fair value of available for sale investments, net of tax	—	—	47,384	—	—	—	—	—	47,384	(5,654)	41,730
Share of other comprehensive income of associates	—	—	510	—	—	—	—	—	510	420	930
Exchange differences on translation of foreign operations	—	—	—	—	—	5,899	—	—	5,899	(1,520)	4,379
Total comprehensive income for the period	—	—	47,894	—	—	5,899	1,053,141	—	1,106,934	142,256	1,249,190
Transaction costs related to issue of new shares	—	(572)	—	—	—	—	—	—	(572)	—	(572)
Capital contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	2,844	2,844
Acquisition of additional interests in a subsidiary from non-controlling shareholders	—	—	—	—	(5)	—	—	—	(5)	(3,809)	(3,814)
Deemed acquisition of additional interests in a subsidiary	—	—	—	—	(2,571)	—	—	—	(2,571)	2,571	—
Acquisition of subsidiaries *(note 17)*	—	—	—	—	—	—	—	—	—	132,290	132,290
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(186,731)	(186,731)
Equity-settled share-based payment	—	—	—	—	3,570	—	—	—	3,570	1,530	5,100
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	—	—	—	—	23,677	—	—	—	23,677	19,101	42,778
Fair value adjustment on the stock redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	(15,823)	—	—	—	(15,823)	(40,419)	(56,242)
Final 2012 dividend declared	—	—	—	—	—	—	—	(470,497)	(470,497)	—	(470,497)
At 30 June 2013 (Unaudited)	2,240,462	3,634,465*	852,580*	1,338,476*	8,848*	(4,563)*	6,076,350*	—	14,146, 618	1,815,489	15,962,107

* These reserve accounts comprise the consolidated reserves of RMB11,906,156,000 (31 December 2012: RMB10,790,946,000) in the consolidated statement of financial position.

	Attributable to owners of the parent									
	Issued share capital RMB'000	Share premium RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012 (Audited)	1,904,392	894,510	1,469,252	1,184,552	(11,883)	4,083,714	190,439	9,714,976	1,598,965	11,313,941
Profit for the period	—	—	—	—	—	701,767	—	701,767	156,002	857,769
Other comprehensive income for the period:										
Changes in fair value of available-for-sale investments, net of tax	—	—	(122,399)	—	—	—	—	(122,399)	1,573	(120,826)
Share of other comprehensive income of associates	—	—	25,576	—	—	—	—	25,576	(2,048)	23,528
Exchange differences on translation of foreign operations	—	—	—	—	923	—	—	923	—	923
Total comprehensive income for the period	—	—	(96,823)	—	923	701,767	—	605,867	155,527	761,394
Acquisition of non-controlling interests	—	(48,204)	—	—	—	—	—	(48,204)	45,335	(2,869)
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(193,717)	(193,717)
Equity-settled share-based payment	—	1,627	—	—	—	—	—	1,627	1,563	3,190
Final 2011 dividend declared	—	—	—	—	—	—	(190,439)	(190,439)	—	(190,439)
At 30 June 2012 (Audited)	1,904,392	847,933*	1,372,429*	1,184,552*	(10,960)*	4,785,481*	—	10,083,827	1,607,673	11,691,500

* These reserve accounts comprise the consolidated reserves of RMB8,179,435,000 (31 December 2011: RMB7,620,145,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statements of Cash Flows

Six months ended 30 June 2013

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**311,479**	230,908
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(1,715,599)**	(736,884)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**306,816**	(462,470)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,097,304)**	(968,446)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**4,171,574**	2,428,219
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**(21,840)**	3,361
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**3,052,430**	1,463,134
Analysis of balances of cash and cash equivalents:		
Cash and bank balances at end of the period	**3,227,006**	1,743,582
Less: Pledged bank balances and term deposits with original maturity of more than three months	**(174,576)**	(280,448)
Cash and cash equivalents at end of the period	**3,052,430**	1,463,134

1. CORPORATE INFORMATION

The Company was established as a joint stock company with limited liability on 31 May 1995 in the PRC. The Company's A Shares have been listed on the Shanghai Stock Exchange since 7 August 1998. The Company's H Shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 October 2012. The registered office of the Company is located at 9th Floor, 510 Caoyang Road, Putuo District, Shanghai, the PRC.

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, retail and wholesale of medicine, import and export of medical equipment, and the provision of medical and healthcare services and investment management.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months ended 30 June 2013 (the "Period"), have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), as of 1 January 2013 noted below:

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKAS 19 (Revised 2011) *Employee Benefits*, HKFRS 13 *Fair Value Measurement* and amendments to HKAS 1 *Presentation of Financial Statements*. As required by HKAS 34, the nature and the effect of these changes are disclosed below.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment are described below:

HKAS 1 *Presentation of Items of Other Comprehensive Income Amendments to HKAS 1*

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

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

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

HKAS 1 *Clarification of the requirement for comparative information* (Amendment)

The amendment to HKAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the "third balance sheet") must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under HKAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

HKAS 32 *Tax effects of distributions to holders of equity instruments* (Amendment)

The amendment to HKAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

HKAS 34 *Interim financial reporting and segment information for total assets and liabilities* (Amendment)

The amendment clarifies the requirements in HKAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the CODM. Details please refer to the interim condensed consolidated financial statements Note 4.

HKAS 19 *Employee Benefits* (Revised 2011) (HKAS 19R)

HKAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The transition to HKAS 19R does not have an impact on the Group.

HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to HKFRS 7*

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32. As the Group is not setting off financial instruments in accordance with HKAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

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

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

HKFRS 10 *Consolidated Financial Statements* and HKAS 27 *Separate Financial Statements*

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and HK(SIC)-Int 12 *Consolidation-Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor controls an investee when it 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. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

HKFRS 11 *Joint Arrangements and HKAS 28 Investment in Associates and Joint Ventures*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. HKFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under HKFRS 11 must be accounted for using the equity method. HKFRS 11 does not have an impact on the Group.

HKFRS 12 *Disclosure of Interests in Other Entities*

HKFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A (j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 20 to the interim condensed consolidated financial statements.

In addition to the above-mentioned amendments and new standards, HKFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of HKFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) the medical diagnosis and medical devices segment mainly engages in the sale of medical equipment and the provision of medical services;

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that finance costs, 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 unallocated head office and investment management entities liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2013 (unaudited)

	Pharmaceutical manufacturing and R&D RMB'000	Pharmaceutical distribution and retail RMB'000	Medical diagnosis and medical devices RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,034,608	708,311	557,991	165,589	7,140	—	4,473,639
Intersegment sales	1,042	—	—	—	2,527	(3,569)	—
Total revenue	3,035,650	708,311	557,991	165,589	9,667	(3,569)	4,473,639
Segment results	525,510	7,757	17,411	21,239	(1,487)	1,665	572,095
Other income	26,997	—	3,034	—	—	—	30,031
Other gains	2,226	587,542	359	16	7	—	590,150
Interest income	4,674	2,700	2,113	2,708	408	(2,288)	10,315
Other expenses	(15,518)	(1,809)	(6,420)	(1,303)	(10)	—	(25,060)
Share of profits and losses of:							
Joint ventures	(5,051)	(34)	—	—	—	—	(5,085)
Associates	37,279	357,743	(537)	252	(3,123)	—	391,614
Unallocated other income, interest income and other gains							210,671
Finance costs							(180,942)
Unallocated expenses							(142,699)
Profit before tax	576,117	953,899	15,960	22,912	(4,205)	(623)	1,451,090
Tax	(78,140)	(149,866)	(9,483)	(5,697)	(13)	—	(243,199)
Unallocated tax							(5,740)
Profit for the period	497,977	804,033	6,477	17,215	(4,218)	(623)	1,202,151
Segment assets:	11,337,302	7,890,130	1,932,964	2,664,311	751,388	(559,486)	24,016,609
Including:							
Investments in joint ventures	*11,466*	*7,485*	—	—	—	—	*18,951*
Investments in associates	*1,642,511*	*6,827,383*	*233,937*	*15,699*	*183,095*	—	*8,902,625*
Unallocated assets							3,528,977
Total assets							27,545,586
Segment liabilities	4,273,427	476,045	1,711,930	1,109,889	1,138,269	(153)	8,709,407
Unallocated liabilities							2,874,072
Total liabilities							11,583,479
Other segment information:							
Depreciation and amortisation	142,991	2,634	32,982	13,966	6,291	—	198,864
Provision for impairment of inventories	9,391	—	—	1,980	—	—	11,371
Reversal for impairment of trade and other receivables	(2,214)	—	(38)	556	—	—	(1,696)
Capital expenditure*	337,669	9,695	27,881	17,099	25,330	—	417,674

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2012 (audited)

	Pharmaceutical manufacturing and R&D RMB'000	Pharmaceutical distribution and retail RMB'000	Medical diagnosis and medical devices RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	2,175,876	692,689	511,031	77,895	6,616	—	3,464,107
Intersegment sales	914	—	411	—	3,597	(4,922)	—
Total revenue	2,176,790	692,689	511,442	77,895	10,213	(4,922)	3,464,107
Segment results	362,230	11,376	24,943	10,665	1,162	1,708	412,084
Other income	14,885	—	2,744	—	—	—	17,629
Other gains	3,345	84	367	—	—	—	3,796
Interest income	5,715	2,381	1,783	103	461	(2,560)	7,883
Other expenses	(7,527)	(2,167)	(2,106)	(1,425)	(8)	—	(13,233)
Share of profits and losses of:							
Joint ventures	(278)	28	—	—	—	—	(250)
Associates	68,791	309,003	1,478	212	(767)	—	378,717
Unallocated other income, interest income and other gains							501,651
Finance costs							(198,094)
Unallocated expenses							(122,954)
Profit before tax	447,161	320,705	29,029	9,555	848	(852)	987,229
Tax	(67,694)	(4,629)	716	(1,936)	(58,272)	—	(131,815)
Unallocated tax							2,355
Profit for the period	379,467	316,076	29,745	7,619	(57,424)	(852)	857,769
Segment assets:	9,957,635	6,938,705	1,221,158	460,828	445,874	(46,708)	18,977,492
Including:							
Investments in joint ventures	*939*	*765*	—	—	—	—	*1,704*
Investments in associates	*1,827,549*	*5,556,805*	*102,984*	*15,655*	*139,953*	—	*7,642,946*
Unallocated assets							3,287,777
Total assets							22,265,269
Segment liabilities	2,151,613	1,275,450	622,109	237,261	780,491	(39,592)	5,027,332
Unallocated liabilities							5,546,437
Total liabilities							10,573,769
Other segment information:							
Depreciation and amortisation	111,209	3,903	12,601	8,024	5,291	—	141,028
Provision for impairment of inventories	4,980	—	1,586	—	—	—	6,566
Provision for impairment of trade and other receivables	726	1,112	(560)	—	—	—	1,278
Capital expenditure*	403,657	5,929	29,187	14,514	136,774	—	590,061

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

5. REVENUE

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

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Sale of goods	**4,221,653**	3,342,731
Rendering of services	**248,125**	117,559
Sale of materials	**3,861**	3,817
	4,473,639	3,464,107

6. OTHER INCOME

An analysis of the Group's other income is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Dividends from available-for-sale investments	**21,617**	26,739
Government grants	**49,046**	18,771
	70,663	45,510

7. OTHER GAINS

An analysis of the Group's other gains is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Gain on disposal of interests in an associate	**—**	232,681
Gain on deemed disposal of interests in an associate	**586,960**	—
Gain on disposal of available-for-sale investments	**98,290**	228,231
Fair value gain on an equity investment at fair value through profit or loss	**40,061**	—
Others	**3,451**	3,798
	728,762	464,710

8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of inventories sold	**2,391,429**	1,856,274
Cost of services provided	**122,823**	78,557
Depreciation of items of property, plant and equipment	**161,179**	110,471
Amortisation of prepaid land lease payments	**7,646**	4,766
Amortisation of other intangible assets	**30,039**	25,791
Provision for impairment of inventories	**11,371**	6,566
(Reversal of)/provision for impairment of trade and other receivables	**(1,696)**	1,278
Loss on disposal of items of property, plant and equipment and other intangible assets	**352**	1,213

9. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest on bank and other borrowings wholly repayable within five years	**184,888**	200,586
Interest on bank and other borrowings not wholly repayable within five years	**420**	1,293
	185,308	201,879
Less: Interest capitalised	**(4,366)**	(3,785)
Interest expenses, net	**180,942**	198,094

10. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% (for the corresponding period of 2012: 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 15% to 20%.

Hong Kong profits tax has been provided at the rate of 16.5% (for the corresponding period of 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates, except for ALMA, a subsidiary of the Group in Israel, is taxed at preferential rate of 12.5%.

10. INCOME TAX (Continued)

The major components of tax expenses for the six months ended 30 June 2013 and 2012 are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current		
— Mainland China	**127,468**	119,887
— Hong Kong and others	**—**	(2,356)
	127,468	117,531
Deferred	**121,471**	11,929
Total tax charge for the Period	**248,939**	129,460

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

Basic earnings per share is computed by dividing the profit attributable to ordinary equity holders of the parent for the Period of RMB1,053,141,000 (for the six months period ended 30 June 2012: RMB701,767,000) by the number of ordinary shares in issue during the Period of 2,240,462,364 (for the six months period ended 30 June 2012: 1,904,392,364 ordinary shares).

No adjustment has been made to the basic earnings per share amounts presented in respect of a dilution as the Group did not have any potentially dilutive ordinary shares for the Period and for the six months period ended 30 June 2012. Share option plan of Chindex Medical Limited 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.

12. PROPERTY, PLANT AND EQUIPMENT

	RMB'000
	(Unaudited)
Carrying value at beginning of the Period	3,501,614
Additions	400,129
Acquisition of subsidiaries *(note 17)*	201,206
Disposals	(43,500)
Depreciation charge for the Period	(161,179)
Carrying value at end of the Period	3,898,270

The Group's property, plant and equipment with a net carrying value of RMB252,457,000 (31 December 2012: RMB302,735,000), were pledged as security for interest-bearing bank loans as set out in note 15 to the interim condensed consolidated financial statements.

13. TRADE AND BILLS RECEIVABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade receivables	1,125,624	802,798
Bills receivable	253,340	272,374
	1,378,964	1,075,172

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

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 1 year	1,116,229	789,278
1 to 2 years	14,329	20,988
2 to 3 years	6,291	9,192
Over 3 years	24,999	22,475
	1,161,848	841,933
Less: Provision for impairment of trade receivables	(36,224)	(39,135)
	1,125,624	802,798

14. TRADE AND BILLS PAYABLES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade payables	873,699	754,721
Bills payable	66,505	127,316
	940,204	882,037

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

14. TRADE AND BILLS PAYABLES(Continued)

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 1 year	**863,137**	737,559
1–2 years	**3,968**	11,800
2–3 years	**1,287**	1,162
Over 3 years	**5,307**	4,200
	873,699	754,721

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Bank loans:			
— Secured	(1)	**657,000**	743,000
— Unsecured		**1,319,271**	349,149
		1,976,271	1,092,149
Medium-term notes	(2)	**2,578,568**	2,574,807
Corporate bonds	(3)	**1,489,728**	1,488,540
Short-term commercial paper	(4)	**—**	499,375
Total		**6,044,567**	5,654,871

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Repayable:		
Within 1 year	1,810,362	1,374,706
1 to 2 years	40,909	40,909
2 to 5 years	4,173,296	4,219,256
Over 5 years	20,000	20,000
	6,044,567	5,654,871
Portion classified as current liabilities	(1,810,362)	(1,374,706)
Non-current portion	4,234,205	4,280,165

Notes:

(1) As at 30 June 2013, certain of the Group's bank loans are secured by the pledge of certain of the Group's property, plant and equipment amounting to RMB252,457,000 (31 December 2012: RMB302,735,000) (note 12), prepaid land lease payments amounting to RMB43,057,000 (31 December 2012: RMB39,042,000), and the Group's 268,371,532 shares of Guilin South Pharma Co., Ltd. (31 December 2012: the Group's 268,371,532 shares of Guilin South Pharma Co., Ltd.).

The bank loans bear interest at rates ranging from 1.6709% to 6.90% (2012: 1.712% to 7.540%) per annum.

(2) Medium-term notes

On 8 November 2010, the Company issued medium-term notes with a maturity of five years in an aggregate amount of RMB1,000,000,000, which bear interest at the one-year term deposit bank interest rate plus 240 basis points per annum. The interest is payable annually in arrears and the maturity date is 10 November 2015.

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.

(4) Short-term commercial paper

On 18 December 2012, the Company issued short-term commercial paper with a maturity of 180 days in an aggregate amount of RMB500,000,000, which bear interest at 4.75% per annum. The interest and the principal were paid on 17 June 2013.

16. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (for the six months period ended 30 June 2012: Nil).

The proposed final dividend of RMB0.21 (tax included) per ordinary share for the year ended 31 December 2012 was declared payable and approved by the shareholders at the annual general meeting of the Company on 28 June 2013.

17. BUSINESS COMBINATION

On 18 December 2012, Shanghai Fosun Pharmaceutical Industrial Development Company Limited, a subsidiary of the Group, entered into an agreement to acquire 77.78% equity interests in Hunan Dongting at a consideration of RMB586,120,000. The acquisition completed on 11 January 2013. Hunan Dongting is engaged in the manufacture and sale of hemostatic and psychotropic medicines. The acquisition was undertaken under the Group's strategy to penetrate the market of hemostatic and psychotropic medicines.

On 18 January 2013, Jiangsu Wanbang Biopharmaceutical Co., Ltd. ("Wanbang Pharma"), a subsidiary of the Group, entered an agreement to acquire 51% equity interests in Zaozhuang Sainuokang at a consideration of RMB32,262,000. The acquisition completed on 11 March 2013. Zaozhuang Sainuokang is engaged in the manufacture and sale of heparin sodium API, which is the main raw material of heparin sodium, one of the major products of Wanbang Pharma. The acquisition was undertaken under the Group's strategy to integrate the supply chain and reduce the cost of raw material.

On 26 April 2013, Sisram Medical Ltd., a subsidiary of the Group, entered into an agreement to acquire 95.16% equity interests in ALMA at a consideration of USD221,630,000, equivalent to RMB1,377,830,000 approximately. The acquisition completed on 27 May 2013. ALMA is engaged in the design, manufacture and sale of medical and cosmetic devices. The acquisition was undertaken to gain access to the global leading medical equipment manufacturing business, which is conducive to strengthening the Group's medical equipment manufacturing business locally and globally.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

17. BUSINESS COMBINATION (Continued)

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

	Fair value recognised on acquisition RMB '000 (Unaudited)
Property, plant and equipment	201,206
Prepaid land lease payments	27,558
Other intangible assets	678,139
Deferred tax assets	19,901
Other non-current assets	25,443
Inventories	189,597
Trade and bills receivables	169,045
Prepayments, deposits and other receivables	48,118
Cash and bank balances	233,518
Interest-bearing bank and other borrowings	(6,228)
Trade and bills payables	(135,361)
Tax payable	(13,427)
Other payables and accruals	(190,222)
Other long term liabilities	(19,931)
Deferred tax liabilities	(141,615)
Total identifiable net assets at fair value	1,085,741
Non-controlling interests	(132,290)
Total net assets acquired	953,451
Goodwill on acquisition	1,042,761
	1,996,212
Satisfied by:	
Cash*	1,954,833
Cash consideration unpaid*	41,379
	1,996,212

* Among the cash consideration, RMB1,854,833,000 was paid during the Period and RMB100,000,000 was paid during the prior periods. The remaining balance of RMB41,379,000 is payable from the second half of 2013 to 2015.

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

The Group incurred transaction costs of RMB6,126,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

17. BUSINESS COMBINATION (Continued)

The goodwill of RMB1,042,761,000 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 (Unaudited)
Cash consideration	(1,996,212)
Cash consideration paid in prior periods	100,000
Cash consideration unpaid	41,379
Cash and bank balances acquired	233,518
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,621,315)
Transaction costs of the acquisitions included in cash flows from operating activities	(6,126)
	(1,627,441)

18. COMMITMENTS

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	**523,000**	351,583
Investments in subsidiaries and an associate	**225,425**	506,120
Investments in a joint venture	**5,000**	—
Investment in available-for-sale financial assets	**—**	57,000
	753,425	914,703
Authorised, but not contracted for:		
Plant and machinery	**202,905**	203,863

19. RELATED PARTY TRANSACTIONS

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

(a) Sales of pharmaceutical products

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
Sinopharm Group Co., Ltd. *(notes 5 & 7)*	**256,639**	207,478
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 5)*	**10,326**	10,439
Shanghai Lianhua Fosun Pharmacy Chain-store Co., Ltd. *(notes 1 & 5)*	**10,818**	9,554
Suzhou Laishi Blood Transfusion Equipment Co., Ltd. *(notes 1 & 5)*	**5,129**	—
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. *(notes 3 & 5)*	**4,250**	2,657
Shanghai Yaofang Co., Ltd. *(notes 1 & 5)*	**4,030**	3,016
Shanghai Huifeng Forme Pharmacy Co., Ltd. *(notes 2 & 5)*	**2,137**	2,252
Shanghai Lonza Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 1 & 5)*	**1,972**	—
Shanghai Liyi Pharmacy Co., Ltd. *(notes 1 & 5)*	**1,002**	1,159
Guilin Auspicious Pharmaceutical Industrial Ltd. *(notes 1 & 5)*	**343**	—
Hunan Time Sun Pharmaceutical Co., Ltd. *(notes 1 & 5)*	**302**	—
Zhejiang Qianglong Seating Co. Ltd *(notes 1 & 5)*	**—**	1,600
	296,948	238,155

(b) Purchase of pharmaceutical products

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
Sinopharm Group Co., Ltd. *(notes 5 & 7)*	**55,875**	80,720
Suzhou Laishi Blood Transfusion Equipment Co., Ltd. *(notes 1 & 5)*	**10,112**	—
Tongjitang Chinese Medicines Company *(notes 1 & 5)*	**7,829**	3,436
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. *(notes 3 & 5)*	**5,581**	4,958
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 5)*	**3,468**	—
Shanghai Yaofang Co., Ltd. *(notes 1 & 5)*	**1,915**	—
SD Biosensor, Inc *(notes 1 & 5)*	**211**	—
Shanghai Tonghanchuntang Pharmacy Co., Ltd. *(notes 3 & 5)*	**113**	92
Shanghai Tonghanchuntang Traditional Chinese Medicine Co., Ltd. *(notes 3 & 5)*	**79**	151
	85,183	89,357

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services

As lessor

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
Shanghai Fosun Property Management Co., Ltd. *(notes 4 & 6)*	**376**	376
Shanghai Forte Land Co., Ltd. *(notes 4 & 6)*	**—**	376
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 1 & 6)*	**98**	—
Guilin Auspicious Pharmaceutical Industrial Ltd *(notes 1 & 6)*	**52**	—
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 6)*	**40**	300
Fosun High Tech *(note 6)*	**38**	112
	604	1,164

As lessee

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
Shanghai Fosun Property Management Co., Ltd. *(notes 4 & 6)*	**3,615**	3,615
Shanghai Forte Investment Management Co., Ltd. *(notes 4 & 6)*	**2,146**	2,426
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 6)*	**1,890**	1,650
Beijing Golte Property Management Co., Ltd. *(notes 4 & 6)*	**—**	397
	7,651	8,088

(d) Loans from/to a related party

Loans from a related party

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Audited)
Fosun Finance *(note 8)*	**—**	25,000
	—	25,000

On 2 December 2011, 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 commencing from the date of the financial service agreement and ending 31 December 2012. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB300,000,000. The maximum daily outstanding balance of loans granted by Fosun Finance to the Group is RMB300,000,000. On 24 October 2012, the Company extended the financial service agreement with Fosun Finance for a period commencing from 1 January 2013 and ending 31 December 2013.

19. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to a related party (Continued)

Maximum daily outstanding balance of deposits in Fosun Finance

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fosun Finance *(note 8)*	**293,318**	257,753

(e) Bank loans guaranteed by a related party

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fosun High Tech	**—**	320,000

(f) Interest income from a related party

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fosun Finance *(note 8)*	**1,340**	429

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

(g) Finance costs to a related party

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fosun Finance *(note 8)*	**—**	64

19. RELATED PARTY TRANSACTIONS (Continued)

(g) Finance costs to a related party (Continued)

The interest rate for credit services is made reference to the benchmark interest rates issued by the PBOC as well as the market rates, and is no higher than the interest rate chargeable (i) to the Group by the domestic commercial banks; and (ii) to others by Fosun Finance, for the credit service of the similar term and amount, whichever is lower.

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.

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

(h) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Salaries, allowances and benefits in kind	**6,520**	5,583
Performance related bonuses	**12,879**	9,501
Pension scheme contributions	**286**	228
	19,685	15,312

20. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Audited)
Financial assets				
Cash and bank balances	**3,227,006**	4,972,525	**3,227,006**	4,972,525
Trade and bills receivables	**1,378,964**	1,075,172	**1,378,964**	1,075,172
Available-for-sale investments	**1,384,572**	2,070,223	**1,384,572**	2,070,223
Equity investments at fair value through profit or loss	**260,599**	224,834	**260,599**	224,834
Financial assets included in prepayments, deposits and other receivables	**446,733**	404,453	**446,733**	404,453
Due from related companies	**180,024**	192,195	**180,024**	192,195
	6,877,898	8,939,402	**6,877,898**	8,939,402

	Carrying amounts		Fair values	
	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Audited)
Financial liabilities				
Trade and bills payables	**940,204**	882,037	**940,204**	882,037
Financial liabilities included in other payables and accruals	**1,326,178**	1,077,797	**1,326,178**	1,077,797
Interest-bearing bank and other borrowings	**6,044,567**	5,654,871	**6,131,657**	5,618,041
Due to related companies	**226,997**	36,994	**226,997**	36,994
Financial liabilities included in other long term liabilities	**780,608**	570,389	**780,608**	570,389
	9,318,554	8,222,088	**9,405,644**	8,185,258

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 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, amounts due from/to related companies, current portion of interesting-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

The fair values of the non-current portion of interest-bearing bank and other borrowings and other long term liabilities 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 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 using a valuation technique based on assumptions that are supported by observable market prices or rates. 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, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 30 June 2013, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments is RMB742,850,000 (31 December 2012: RMB616,100,000). All of them are unlisted equity investments in China and North America held by the Group, which are intended to be disposed by the Group after getting listed in the designated stock exchange in the future.

During the six months ended 30 June 2013, the available-for-sale investments whose fair value could not be reliably measured with carrying amount of RMB27,000,000 were derecognised and no relevant gain or loss on disposal was recognized in the interim condensed consolidated income statements.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

20. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Assets measured at fair value:

As at 30 June 2013: (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments	1,201,560	183,012	—	1,384,572
Equity investments at fair value through profit or loss	260,599	—	—	260,599
	1,462,159	183,012	—	1,645,171

As at 31 December 2012: (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments	857,154	596,969	—	1,454,123
Equity investments at fair value through profit or loss	224,834	—	—	224,834
	1,081,988	596,969	—	1,678,957

During the Period, there were no transfers into or out of Level 3 (for the six months period ended 30 June 2012: Nil).

Liabilities measured at fair value:

As at 30 June 2013: (unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Other long term liabilities	—	512,692	—	512,692

As at 31 December 2012: (audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Other long term liabilities	—	570,389	—	570,389

21. CONTINGENT LIABILITIES

As at 30 June 2013 and 31 December 2012, the Group did not have any contingent liabilities.

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2013.

Definitions

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

"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.0 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"ALMA"	Alma Lasers Ltd.
"Aohong Pharma"	Jinzhou Aohong Pharmaceutical Co., Ltd. (錦州奧鴻藥業有限責任公司)
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Board" or "Board of Directors"	the board of Directors of the Company
"Chindex"	Chindex International, Inc.
"Chongqing Pharma Research"	Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司)
"Company" or "Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, 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, Fan Wei, 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 markets
"Dalian Wanchun"	Dalian Wanchun Medicine Co., Ltd. (大連萬春藥業有限公司)
"Director(s)"	director(s) of our Company
"EBITDA"	Earnings before interest, taxes, depreciation and amortisation
"FDA"	Food and Drug Administration
"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)
"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.11(1) of the Hong Kong Listing Rules
"Fosun Holdings"	Fosun Holdings Limited (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company

"Fosun International"	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
"Fosun International Holdings"	Fosun International Holdings Limited (復星國際控股有限公司), which is held as to 58%, 22%, 10% and 10% by Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei, respectively, and a Controlling Shareholder of the Company
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited (上海復星醫藥產業發展有限公司)
"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
"Guilin Pharma"	Guilin South Pharma Company Limited (桂林南藥股份有限公司)
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hunan Dongting"	Hunan Dongting Pharmaceutical Co., Ltd. (湖南洞庭藥業股份有限公司)
"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this interim report to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Reporting Period"	the 6-month period from 1 January 2013 to 30 June 2013
"RMB" or "Renminbi"	the lawful currency of the PRC
"R&D"	research and development
"SFDA"	the State Food and Drug Administration (中華人民共和國國家食品藥品監督管理局), the PRC governmental authority responsible for the regulation of food and drugs
"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 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)

Definitions

"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
"Shine Star"	Shine Star (Hubei) Biological Engineering Company Limited (湖北新生源生物工程股份有限公司)
"Sinopharm"	Sinopharm Group Co. Ltd. (國藥控股股份有限公司)
"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
"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 97.8% owned subsidiary of Fosun Pharmaceutical Industrial
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), a 51% owned subsidiary of Fosun Pharmaceutical Industrial
"Zaozhuang Sainuokang"	Zaozhuang Sainuokang Biochemical Co., Ltd. (棗莊賽諾康生化股份有限公司)
"Zhongwu Hospital"	Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司)

In this interim 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.