上 海 復 星 醫 藥 （ 集 團 ） 股 份 有 限 公 司

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

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

(Stock Code: 02196)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2013 (the "**Reporting Period**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	3	**9,921,487**	7,278,287
Cost of sales		**(5,543,369)**	(4,126,804)
Gross profit		**4,378,118**	3,151,483
Other income	4	**120,901**	90,806
Selling and distribution expenses		**(1,843,534)**	(1,512,286)
Administrative expenses		**(983,025)**	(739,619)
Research and development expenses		**(437,613)**	(306,033)
Other gains	6	**1,382,429**	1,064,292
Other expenses		**(196,096)**	(92,838)
Interest income		**63,846**	29,696
Finance costs	7	**(350,451)**	(370,599)
Share of profits and losses of:			
Joint ventures		**(10,765)**	(1,514)
Associates		**782,462**	809,647

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
PROFIT BEFORE TAX	5	**2,906,272**	2,123,035
Income tax expense	8	**(506,324)**	(283,764)
PROFIT FOR THE YEAR		**2,399,948**	1,839,271
Attributable to:			
Owners of the parent		**2,027,058**	1,563,916
Non-controlling interests		**372,890**	275,355
		2,399,948	1,839,271
Earnings per share attributable to ordinary equity holders of the parent:	10		
Basic		**RMB0.90**	RMB0.80
Diluted		**RMB0.90**	RMB0.80

Details of the dividends payable and the proposed for the year are disclosed in note 9 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR		**2,399,948**	1,839,271
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments			
Changes in fair value		**550,896**	(239,580)
Reclassification adjustments for gains included in the consolidated statements of profit or loss			
— Gain on disposal		**(191,873)**	(708,533)
Income tax effect		**(65,702)**	246,725
		293,321	(701,388)
Share of other comprehensive income of associates		**102,281**	21,016
Exchange differences on translation of foreign operations		**(372)**	1,421
Other comprehensive income not being reclassified to profit or loss in subsequent periods		**—**	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**395,230**	(678,951)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,795,178**	1,160,320
Attributable to:			
Owners of the parent		**2,426,304**	900,772
Non-controlling interests		**368,874**	259,548
		2,795,178	1,160,320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,930,175**	3,501,614
Prepaid land lease payments		**779,873**	543,518
Goodwill		**2,976,039**	1,661,771
Other intangible assets		**1,859,570**	1,238,758
Investments in joint ventures		**118,177**	17,281
Investments in associates		**8,765,410**	7,902,902
Available-for-sale investments		**2,664,409**	2,070,223
Deferred tax assets		**88,091**	31,483
Other non-current assets		**250,015**	101,185
Total non-current assets		**22,431,759**	17,068,735
CURRENT ASSETS			
Inventories		**1,614,272**	1,273,439
Trade and bills receivables	*11*	**1,460,011**	1,075,172
Prepayments, deposits and other receivables		**593,936**	643,353
Due from related companies		**206,715**	192,195
Equity investments at fair value through profit or loss		**44,196**	224,834
Other current asset		**—**	—
Cash and bank balances		**3,067,414**	4,972,525
Total current assets		**6,986,544**	8,381,518
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,103,160**	882,037
Other payables and accruals		**2,514,339**	1,466,170
Interest-bearing bank and other borrowings		**1,424,210**	1,374,706
Due to related companies		**37,693**	36,994
Tax payable		**198,719**	133,325
Total current liabilities		**5,278,121**	3,893,232
NET CURRENT ASSETS		**1,708,423**	4,488,286
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,140,182**	21,557,021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**4,199,709**	4,280,165
Deferred tax liabilities		**1,783,520**	1,359,938
Deferred income		**95,624**	41,535
Other long-term liabilities		**453,702**	627,622
Total non-current liabilities		**6,532,555**	6,309,260
Net assets		**17,607,627**	15,247,761
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		**2,240,462**	2,240,462
Reserves		**12,428,848**	10,790,946
Proposed final dividend	9	**605,987**	470,497
		15,275,297	13,501,905
Non-controlling interests		**2,332,330**	1,745,856
Total equity		**17,607,627**	15,247,761

1.1 BASIS OF PREPARATION

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 12, HKFRS 13, HKAS 1 Amendments, HKAS 36 Amendments and certain amendments included in Annual Improvements 2009–2011 Cycle, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 Consolidated and Separate Financial Statements, HKAS 31 Interests in Joint Ventures and HKAS 28 Investments in

Associates. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes to the financial statements.

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in the notes to the financial statements.

(c) The HKAS 1 Amendments change the 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 (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(d) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in note to the financial statements.

(e) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 1 Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- *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.

1.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies1*
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
HKFRS 14	*Regulatory Deferral Accounts*[4]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 Jan 2016

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

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace *HKAS 39 Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2. 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that 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 interest-bearing bank and other borrowings, interest payable and unallocated head office and investment management entities liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2013

	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	6,523,708	1,502,013	1,407,481	474,606	13,679	—	9,921,487
Intersegment sales	2,236	—	—	—	16,387	(18,623)	—
Total revenue	6,525,944	1,502,013	1,407,481	474,606	30,066	(18,623)	9,921,487
Segment results*	1,201,028	20,593	93,347	65,889	7,231	(10,308)	1,377,780
Other income	65,009	1,062	8,014	113	—	—	74,198
Other gains	535,309	596,856	1,943	685	622	—	1,135,415
Interest income	9,241	3,522	5,214	1,639	450	(3,373)	16,693
Finance cost	(81,615)	—	(6,203)	(4,670)	(6,109)	72,306	(26,291)
Other expenses	(52,098)	(3,575)	(18,389)	(5,250)	(17)	—	(79,329)
Share of profits and losses of:							
Joint ventures	(8,810)	(1,955)	—	—	—	—	(10,765)
Associates	92,088	693,728	267	358	(3,979)	—	782,462
Unallocated other income, interest income and other gains							340,870
Unallocated finance cost							(324,160)
Unallocated expenses							(380,601)
Profit before tax	1,760,152	1,310,231	84,193	58,764	(1,802)	58,625	2,906,272
Tax	(291,853)	(157,182)	(18,348)	(16,714)	(181)	—	(484,278)
Unallocated tax							(22,046)
Profit for the year	1,468,299	1,153,049	65,845	42,050	(1,983)	58,625	2,399,948
Segment assets:	11,917,926	7,796,080	2,914,863	2,204,728	564,747	(80,190)	25,318,154
Including:							
Investments in joint ventures	10,207	5,563	—	102,406	—	—	118,176
Investments in associates	1,456,257	6,913,184	230,340	3,592	162,037	—	8,765,410
Unallocated assets							4,100,150
Total assets							29,418,304
Segment liabilities	4,573,279	532,464	1,083,091	598,738	14,597	(2,814,039)	3,988,130
Unallocated liabilities							7,822,547
Total liabilities							11,810,677
Other segment information:							
Depreciation and amortisation	321,551	10,400	45,470	32,715	10,362	—	420,498
Provision for impairment of inventories	23,625	—	4,312	—	—	—	27,937
Provision/(reversal) for impairment of trade and other receivables	(859)	—	4,751	4,691	42	—	8,625
Provision for impairment of available-for-sale investments and investment in associates	—	—	—	—	46,000	—	46,000
Capital expenditure**	876,893	17,060	28,700	110,290	62,844	—	1,095,787

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

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

Year ended 31 December 2012

	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	4,633,015	1,423,039	1,048,904	159,110	14,219	—	7,278,287
Intersegment sales	1,873	—	411	—	15,455	(17,739)	—
Total revenue	4,634,888	1,423,039	1,049,315	159,110	29,674	(17,739)	7,278,287
Segment results*	693,716	23,867	40,245	23,360	10,327	(6,184)	785,331
Other income	41,860	400	6,194	—	—	—	48,454
Other gains	87,037	1,344	26,282	—	—	—	114,663
Interest income	10,771	4,377	2,874	126	1,928	(4,073)	16,003
Other expenses	(17,739)	(2,501)	(11,452)	(2,026)	(103)	—	(33,821)
Share of profits and losses of:							
Joint ventures	(1,541)	27	—	—	—	—	(1,514)
Associates	155,360	643,658	5,112	2	5,515	—	809,647
Unallocated other income, interest income and other gains							1,005,676
Finance costs							(370,599)
Unallocated expenses							(250,805)
Profit before tax	969,464	671,172	69,255	21,462	17,667	(10,257)	2,123,035
Tax	(140,158)	(9,455)	(4,110)	(4,500)	(20)	—	(158,243)
Unallocated tax							(125,521)
Profit for the year	829,306	661,717	65,145	16,962	17,647	(10,257)	1,839,271
Segment assets:	10,264,147	7,060,060	1,301,063	676,168	578,492	(199,931)	19,679,999
Including:							
Investments in joint ventures	16,517	764	—	—	—	—	17,281
Investments in associates	1,606,571	5,891,308	198,699	15,446	190,878	—	7,902,902
Unallocated assets							5,770,254
Total assets							25,450,253
Segment liabilities	2,056,046	1,298,192	470,686	403,122	522,264	(1,330,332)	3,419,978
Unallocated liabilities							6,782,514
Total liabilities							10,202,492
Other segment information:							
Depreciation and amortisation	240,816	8,348	23,661	11,989	10,576	—	295,390
Provision for impairment of inventories	8,128	—	3,819	—	—	—	11,947
Provision for impairment of trade and other receivables	1,640	—	4,221	—	—	—	5,861
Capital expenditure**	908,542	22,538	48,667	26,208	160,428	—	1,166,383

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

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

Geographical information

(a) *Revenue from external customers*

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**8,774,335**	6,574,229
Overseas countries and regions	**1,147,152**	704,058
	9,921,487	7,278,287

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

(b) *Non-current assets*

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**18,140,920**	14,840,635
Overseas countries and regions	**1,538,339**	126,394
	19,679,259	14,967,029

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

Information about major customers

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended 31 December 2012 and 2013.

3. 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:

	2013	2012
	RMB'000	*RMB'000*
Sale of goods	**9,274,446**	7,121,138
Rendering of services	**638,457**	149,900
Sale of materials	**8,584**	7,249
	9,921,487	7,278,287

4. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Dividend income from available-for-sale investments	**25,699**	33,587
Government grants	**95,202**	57,219
	120,901	90,806

5. PROFIT BEFORE TAX

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

	2013	2012
	RMB'000	*RMB'000*
Cost of inventories sold	**5,186,887**	4,039,123
Cost of services provided	**356,482**	87,681
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**1,226,333**	694,431
Retirement benefits:		
Defined contribution fund	**82,592**	63,229
Accommodation benefits:		
Defined contribution fund	**38,962**	28,836
Share-based payment expense	**9,707**	6,065
	1,357,594	792,561
Research and development expenses:		
Current year expenditure excluding amortisation of other intangible assets	**402,894**	281,104
Less: Government grants for R&D projects*	**(42,845)**	(29,364)
	343,874	251,740
Auditors' remuneration	**5,356**	3,352
Operating lease payments	**59,041**	54,150
Depreciation of items of property, plant and equipment	**334,397**	234,308
Amortisation of prepaid land lease payments	**13,118**	11,430
Amortisation of other intangible assets	**72,983**	49,652
Provision for impairment of inventories	**27,937**	11,947
Provision for impairment of available-for-sale investments	**11,400**	—
Provision for impairment of investment in associates	**34,600**	—
Provision for impairment of trade and other receivables	**8,625**	5,861
Fair value (gain)/loss on equity investments at fair value through profit or loss	**(30,370)**	35,894
Foreign exchange loss, net	**49,483**	5,744
Loss on disposal of items of property, plant and equipment and other intangible assets	**10,128**	564
Donations	**4,243**	3,332

* The Group received various government grants related to research and development projects. The government grants released have been deducted from the research and development expenses to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

6. OTHER GAINS

	2013	2012
	RMB'000	*RMB'000*
Gain on disposal of interests in associates and joint ventures (a)	**530,516**	315,605
Gain on deemed disposal of associates (b)	**594,963**	—
Fair value gains on equity investments at fair value through profit or loss	**30,370**	—
Gain on bargain purchase of a subsidiary	**—**	491
Gain on disposal of available-for-sale investments	**191,873**	708,653
Gain on disposal of equity investments at fair value through profit or loss	**25,069**	—
Others	**9,638**	39,543
	1,382,429	1,064,292

(a) For the year ended 31 December 2013, the amount mainly comprise the gain on disposal of Tongjitang Chinese Medicines Company of RMB519,530,000;

(b) For the year ended 31 December 2013, the amount represents the gain on deemed disposal of Sinopharm Industrial Investment Co., Ltd. of RMB594,963,000.

7. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**365,905**	379,980
Interest on bank and other borrowings not wholly repayable within five years	**—**	840
	365,905	380,820
Less: Interest capitalised	**(15,454)**	(10,221)
Interest expenses, net	**350,451**	370,599

8. INCOME TAX

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

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. The provision of current income tax of Alma Lasers Ltd., a subsidiary of the Group incorporated in Israel, is based on a preferential rate of 12.5%.

Group

	2013	2012
	RMB'000	*RMB'000*
Current		
— Mainland China	**286,403**	297,371
— Hong Kong	**114,536**	(2,571)
— Israel and others	**11,788**	—
Deferred	**93,597**	(11,036)
Total tax charge for the year	**506,324**	283,764

9. DIVIDENDS

Cash dividend

	2013	2012
	RMB'000	*RMB'000*
Proposed final — RMB0.27 (2012: RMB0.21) per ordinary share	**605,987**	470,497

The Company proposed to distribute a cash dividend of RMB0.27 (inclusive of tax) for each ordinary share to all shareholders, which is based on the undistributed profit and the total number of ordinary shares of 2,244,397,364 on 24 March 2014. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,240,462,364 (2012: 1,960,404,031) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years. Chindex Medical Limited's share option plan was not considered as a potential dilutive event as the options granted were in respect of the common shares of Chindex International, Inc., which is not an entity within the Group.

The calculation of basic earnings per share is based on:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**2,027,058**	1,563,916

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares	**2,240,462,364**	1,960,404,031

11. TRADE AND BILLS RECEIVABLES

Group

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**1,164,220**	802,798
Bills receivable	**295,791**	272,374
	1,460,011	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, based on the invoice date and net of provisions, as at the respective reporting dates is as follows:

Group

	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**1,161,231**	789,278
1 to 2 years	**18,479**	20,988
2 to 3 years	**7,397**	9,192
Over 3 years	**21,100**	22,475
	1,208,207	841,933
Less: Provision for impairment	**(43,987)**	(39,135)
	1,164,220	802,798

12. TRADE AND BILLS PAYABLES

Group

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**957,572**	754,721
Bills payable	**145,588**	127,316
	1,103,160	882,037

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

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

Group

	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**947,748**	737,559
1 to 2 years	**4,878**	11,800
2 to 3 years	**944**	1,162
Over 3 years	**4,002**	4,200
	957,572	754,721

13. EVENTS AFTER THE REPORTING PERIOD

(a) Grant of restricted A shares under the restricted A share incentive scheme

Approved by the shareholders at the 1st Extraordinary General Meeting in 2013, the 1st A Shareholders' Class Meeting in 2013 and the 1st H Shareholders' Class Meeting in 2013, and passed by the Company's 12th meeting of the 6th board of directors and the 6th board of supervisors, on 7 January 2014, a total of 3,935,000 Restricted A Shares has been issued by the Company to the 27 share incentive participants. Upon the completion of issuance and registration of restricted shares, the registered capital of the Company has been changed from RMB2,240,462,364 to RMB2,244,397,364.

(b) Proposed privatization of Chindex International Inc. ("Chindex") and proposed acquisition of 30% equity interest in Chindex Medical Limited ("CML")

Passed by the Company's 17th meeting of the 6th board of directors, Chindex, a company listed on the NASDAQ and an invested company by Fosun Industrial Co., Limited ("Fosun Industrial"), a wholly-owned subsidiary of the Group, was proposed to be delisted from the NASDAQ through privatization by merger. The Group will participate in the privatization of Chindex by way of capital contributions in Healthy Harmony Holdings L.P. ("Healthy Harmony"), using cash consideration of not exceeding US$193.74 million and 3,157,163 class A common stock of Chindex held by Fosun Industrial on 17 February 2014. On 14

February 2014, the Company held an indirect 17.45% equity interest in Chindex. Upon Completion, the Company expects to indirectly hold no more than 48.65% equity interest in the delisted Chindex.

On 17 February 2014, the Company entered into an agreement regarding to the proposed acquisition of 30% equity interest in CML with Healthy Harmony. Upon the completion of privatization of Chindex, Healthy Harmony will indirectly hold 30% of equity interest in CML through Chindex and Chindex Medical Holdings (BVI) Limited. Pursuant to the agreement, Healthy Harmony commits to cause the sellers to sell their shares to the wholly-owned subsidiary designated by the Company, at fair market value which shall not exceed US$45 million.

This proposal is subject to the approval of the Company's shareholders at the general meeting.

(c) Proposed acquisition of 28.146% equity interest in Jinzhou Aohong Pharmaceutical Company Limited ("Aohong Pharma")

Passed by the Company's 18th meeting of the 6th board of directors, On 28 February 2014, Shanghai Fosun Pharmaceutical Industrial Development Limited ("Fosun Pharmaceutical Industrial"), a wholly-owned subsidiary of the Group, entered into the Equity Transfer Agreement with Xinjiang Boze Equity Investment Limited Partnership ("Xinjiang Boze"), Aohong Pharma and Mr. Yu Hongru, pursuant to which, Fosun Pharmaceutical Industrial shall acquire an aggregate of 28.146% equity interest in Aohong Pharma from Xinjiang Boze at a consideration of no more than RMB1,866,079,800, and the transaction will be proceeded in two phases. In the first phase, Fosun Pharmaceutical Industrial shall acquire 23% equity interest in Aohong Pharma from Xinjiang Boze at a consideration of no more than RMB1,524,900,000. In the second phase, Fosun Pharmaceutical Industrial shall acquire remaining 5.146% equity interest in Aohong Pharma from Xinjiang Boze at a consideration of no more than RMB341,179,800 during the period from 1 January 2019 to 15 January 2019.

This proposal is subject to the approval of the Company's shareholders at the general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

1. THE BOARD'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

In 2013, the global economic downturn, slowdown of the domestic economy growth and the continuing reform of medical system in the PRC brought policy opportunities to the development of medical services. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical healthcare 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 its major businesses.

During the Reporting Period, the Group recorded revenue of RMB9,921 million, representing an increase of 36.31% as compared with 2012, of which, the Group recorded revenue of RMB6,524 million in pharmaceutical manufacturing and research and development (R&D), representing an increase of 40.82% as compared with 2012. The increase in revenue of the Group was mainly due to (1) the growth in the sales of the pharmaceutical manufacturing and the manufacturing of medical diagnosis and medical devices business segments; and (2) the business contributions from the newly acquired and merged companies.

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

Unit: RMB million

Business segment	**Revenue 2013**	Revenue 2012	Year-on-year increase or decrease *(%)*
Pharmaceutical manufacturing and R&D	**6,524**	4,633	40.82
Pharmaceutical distribution and retail	**1,502**	1,423	5.55
Healthcare services *(Note 1)*	**475**	159	198.74
Manufacturing of medical diagnosis and medical devices *(Note 2)*	**1,081**	580	86.38
Distribution of medical diagnosis and medical devices	**326**	469	–30.49

Note 1: The significant increase in healthcare services was mainly due to the changes in the scope of consolidated statements. Excluding the impact of the new acquisition and merger, the revenue of the healthcare service segment recorded a year-on-year increase of 10.8%.

Note 2: This included the data from June to December 2013 of Alma Lasers Ltd. ("**Alma Lasers**"). Excluding the impact of the new acquisition and merger, the revenue of the manufacturing of medical diagnosis and medical devices segment recorded a year-on-year increase of 29.45%.

In 2013, the Group recorded profit before tax of RMB2,906 million and net profit attributable to shareholders of the Company of RMB2,027 million, representing an increase of 36.89% and 29.61% as compared with 2012, respectively. The increase in profit before tax and net profit attributable to shareholders of the Company was mainly due to (1) the steady growth maintained by the principal 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 Group Co. Ltd. ("**Sinopharm**"), an investee 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 effect of gain recognized on deemed disposal resulting from the diluted equity interests amounted to a gross profit of RMB595 million and a net profit after tax of RMB446 million; (3) the effect of gain recognized from disposal of Tongjitang Chinese Medicine Company ("**Tongjitang Medicine**") amounted to a gross profit of RMB520 million and a net profit after tax of RMB414 million.

During the Reporting Period, the Group continued to increase its investments, focusing on the R&D of generic biopharmaceutical drugs and innovative drugs. During the Reporting Period, the Group applied for 72 patents in the pharmaceutical manufacturing and R&D segment. You Li Tong (優立通) APIs and formulation have been granted with production approvals and license for new medicines, while the new packaging of Artesun triple injection of Entecavir APIs have also been granted with production approvals. In 2013, the Group completed the first overseas transfer of its R&D project through which the Group has transferred relevant intellectual property of its self-invented Fotagliptin Benzoate and Pan-HER Inhibitors across the world (excluding China) to a Greek company, SELLAS Clinicals Holding AG ("**SELLAS**"), strengthening our confidence in expanding our self-invented medicine into the European and American market. As at the end of the Reporting Period, the Group has 119 pipeline drugs and vaccines R&D projects.

During the Reporting Period, the Group further increased its investment in the healthcare services segment. It invested in the Nanyang Tumor Hospital (南洋腫瘤醫院), a traditional Chinese medicine and western medicine integration tumor specialist hospital, and the Chancheng Hospital (禪城醫院), a tier-three class A hospital in Foshan. The Group substantially completed the strategic 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.

Meanwhile, the Group vigorously promote its international strategy. During the Reporting Period, the Group acquired Alma Lasers, a global leading provider of laser medical equipment. The Group also invested in Saladax Biomedical, Inc., a U.S. company which is principally engaged in personalized medicine dose diagnostic tests, and OXFORD IMMUNOTEC GLOBAL PLC, a Tuberculosis in-vitro diagnostic products and services provider listed in the U.S. on the NASDAQ stock exchange in 2013.

Pharmaceutical Manufacturing and R&D:

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group recorded revenue of RMB6,524 million, representing an increase of 40.82% as compared with 2012, and segment results of RMB1,201 million, representing an increase of 73.13% as compared with 2012. The increase in the revenue and segment results in pharmaceutical manufacturing and R&D segment 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 pharmaceutical manufacturing and R&D segment of the Group grew rapidly and the development of its professional operational team was further strengthened. In 2013, the sales of the Group's major products in therapeutic areas of cardiovascular system, central nervous system, blood system, metabolism and alimentary tract and anti-infection maintained a stronger growth momentum, recording a year-on-year growth of 31.05%, 89.94%, 37.79%, 15.64% and 47.04%, respectively.

In 2013, the Group had 15 formulation items and series with sales over RMB100 million, among which sales of You Di Er, artesunate injection series and Mo Luo Dan exceeded RMB100 million for the first time and the sales of Ao De Jin and Atomolan exceeded RMB500 million.

Revenues of major products in the major therapeutic areas during the Reporting Period are set out in the following table:

Unit: RMB million

Pharmaceutical Manufacturing and R&D	2013	2012 *(Note 1)*	Year-on-year increase or decrease *(%)*
Major products of cardiovascular system therapeutic area *(note 2)*	**522**	399	31.05
Major products of central nervous system therapeutic area *(note 3)*	**838**	441	89.94
Major products of blood system therapeutic area *(note 4)*	**278**	202	37.79
Major products of metabolism and alimentary tract therapeutic area *(note 5)*	**1,292**	1,117	15.64
Major products of anti-infection therapeutic area *(note 6)*	**844**	574	47.04
Major APIs and intermediate products *(note 7)*	**934**	677	37.93

Note 1: During the Reporting Period, quetiapine fumarate (quetiapine fumarate tablets) became a major product in therapeutic area of central nervous system. If the corresponding data of quetiapine fumarate for 2012 were included, the year-on-year increase would have been 38.50%. During the Reporting Period, clindamycin hydrochloride became a major APIs and intermediate products. If the corresponding data of clindamycin hydrochloride for 2012 were included, the year-on-year increase would have been 16.31%;

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

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

Note 5: Major products in therapeutic area of metabolism and alimentary tract 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 in therapeutic area of anti-infection include anti-tuberculosis series, artesunate series, Xi Chang (cefmetazole sodium) and Shaduolika (potassium sodium dehydroandrographolide succinate);

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

The Group has placed great emphasis on quality and risk management of the life cycle of its products, implemented stringent quality and safety control mechanism 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, management of change, management of deviation, 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, further international qualification certifications, and encourage voluntary adoption of international standards such as the European Directorate for the Quality of Medicines (EDQM), the United States Pharmacopeia (USP) and IP in the production processes. As of the end of the Reporting Period, 16 APIs of the Group received certifications from the Food and Drug Administration ("**FDA**") of the U.S., EU Certification, Ministry of Health, Labour and Welfare of Japan and Federal Ministry of Health of Germany. One production line for oral solid dosage formulation and two productions lines for injection of Guilin South Pharma Company Limited ("**Guilin Pharma**") obtained PreQualification ("**PQ**") from the World Health Organization ("**WHO**") and a production line of oral solid dosage formulation of Chongqing Yao Pharmaceutical Company Limited ("**Yao Pharma**") was recognized by FDA of Canada.

The Group has focused on innovation and R&D in long run. During the Reporting Period, the R&D expenses were RMB438 million, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB359 million, representing 5.50% of the revenue of the pharmaceutical manufacturing and R&D segment. The Group has continuously improved 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 a 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, the Group focused its R&D 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. In China, the Group has competitive advantage in segment markets of liver disease, diabetes and tuberculosis whereas in the global market, the Group is a pioneer in the manufacturing and R&D of anti-malaria products. During the Reporting Period, the Group completed the first overseas transfer of its R&D project. In 2013, the Group has transferred relevant intellectual property of its self-invented Fotagliptin Benzoate and Pan-HER Inhibitors across the world (excluding China) to SELLAS, strengthening our confidence in expanding our self-invented medicine into the European and American market.

As of the end of the Reporting Period, the Group had 119 pipeline drugs and vaccines. The Group has completed construction and selection of high-expressing production cell lines for five monoclonal antibody products, tendered applications for clinical trial to the State Food and Drug Administration ("**SFDA**") for four monoclonal antibody products (five indications) as of the end of the Reporting Period, and obtained the approval for the clinical trial for a new small molecular innovative chemical drug. During the Reporting Period, production approvals and licences for new medicines for Yu Li Tong APIs and formulation and production approvals for Entecavir APIs have been obtained; Chongqing Pharmaceutical Research Institute Co., Ltd. ("**Chongqing Pharma Research**") has obtained the first licence for clinical study for methylnaltrexone bromide injection in China, and 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 obtained the WHO-PQ certification 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 72 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-research strategic alliances" under the national major project of pharmaceutical innovation and manufacturing. We cooperated with Shanghai Institute of Materia Medica of the Chinese Academy of Sciences (中國科學院上海醫藥研究所) 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 Medicine Co., Ltd. to jointly develop new anti-tumor 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 during the Reporting Period. In 2013, the Group was once again awarded the "Most Innovative Pharmaceutical Enterprise in China (中國最具創新力製藥企業)".

Pharmaceutical Distribution and Retail:

The pharmaceutical distribution and retail business of the Group recorded revenue of RMB1,502 million in 2013, representing an increase of 5.55% as compared with 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 650 retail pharmacies, maintaining leading position in their respective regional markets. In 2013, For Me Pharmacy and Golden Elephant Pharmacy recorded sales of RMB828 million, maintaining a 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 investee company of the Group, completed placing of 165,668,190 of its 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 2013, Sinopharm realized revenue of RMB166,866 million, net profit of RMB3,580 million and net profits attributable to shareholders of RMB2,250 million, which represented an increase of 22.24%, 16.01% and 13.67% as compared with 2012, respectively. As of the end of the Reporting Period, the distribution network of Sinopharm further expanded to 51 distribution centers in 31 provinces, autonomous regions and municipalities in China. Its direct customers included 11,552 hospitals (only referring to hospitals with ranking and including 1,614 of the tier-three hospitals which are the largest and most highly-ranked hospitals). During the Reporting Period, Sinopharm's revenue from pharmaceutical distribution business increased by 23.26% as compared with the same period of last year to RMB158,972 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB4,833 million generated during the Reporting Period, representing an increase of 17.49% as compared with the corresponding period of 2012; while its pharmaceutical retail network has further expanded, Sinopharm Holding GuoDa Drug Store Co., Ltd ("GuoDa Drug Store") has had 1,917 retail pharmacies as of the end of the Reporting Period.

Healthcare Services:

In 2013, the Group further increased its investment in the healthcare services segment. It invested in the Nanyang Tumor Hospital (南洋腫瘤醫院), a traditional Chinese medicine and western medicine integration tumor specialist hospital, and the Chancheng Hospital (禪城醫院), a tier-three class A hospital in Foshan. The Group substantially completed the strategic deployment of our 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 strengthened 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 2013, the healthcare services entities controlled by the Group recorded a total revenue of RMB475 million; and as of the end of the Reporting Period, the total number of beds approved in Anhui Jimin Cancer Hospital (濟民腫瘤醫院), Guangji Hospital (廣濟醫院), Zhongwu Hospital (鐘吾醫院) as well as Chancheng Hospital (禪城醫院) was 2,090.

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 International Inc. ("**Chindex**"). In 2013, there were significant 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 recorded US$179 million, representing an increase of 17.68% as compared with 2012, 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 personalized medicine dose diagnostic tests and completed capital injection into OXFORD IMMUNOTEC GLOBAL PLC, a Tuberculosis in-vitro diagnostics products and services provider, and made its second captial injection into SD Biosensor Inc., a Korean company which engages in manufacturing of 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 Lasers, during the Reporting Period, maintaining its global leading position in such market segment.

During the Reporting Period, the Group recorded revenue of RMB1,081 million for the manufacturing of medical diagnosis and medical devices segment, representing an increase of 86.46% as compared with 2012. Excluding the impact of consolidation of Alma Lasers into the financial statements, the Group recorded revenue of RMB751 million from its medical diagnosis and medical devices manufacturing business during the Reporting Period, representing an increase of 29.45% as compared with the corresponding period of 2012. The revenue of distribution operations of the medical diagnosis and medical devices amounted to RMB326 million, representing a decrease of 30.49% as compared with the corresponding period of 2012. This was mainly due to the adjustment of distribution rights.

Environmental Protection, Healthy and Safety:

During the Reporting Period, the Group highly recognised environmental protection, health and safety (EHS), proactively implemented EHS guidelines within its business segments of pharmaceutical manufacturing and R&D, pharmaceutical distribution and retail, health care services, medical diagnosis and medical devices. Member companies are required to strictly comply with national and local EHS laws and regulations and mandatory standards, reduce emission of pollutants, optimize the efficient of energy resources, improve safety management, strengthen training and supervision of occupational health and safety. Member companies have made their efforts and achieved positive effects.

During the Reporting Period, the Group further improved its EHS management system, enhancing the occupational skills of EHS professional management staff, supervising the process safety and EHS risk control of each member company, and regulating EHS risk of investment projects. Through implementing process safety and EHS risk control and carrying out spot checks, professional advice has been offered to member companies with high EHS risks, which in turn provides a strong foundation to achieving continuous and effective process safety and EHS risk control within the Group.

Financing:

In 2013, the Company had further improved its financing structure and optimized its debt structure. During the Reporting Period, the proceedings from H shares of HK$2,501 million was used as planned for project investments, R&D, repayment of interest-bearing debt as well as supplement working capital. In addition, a proposal of registration and issuance of RMB2 billion medium-term notes have been approved in the general meeting of the Company, with an aim to further broaden the financing channels for the Company and to enable the Company to continually further its mergers and acquisitions of domestic and overseas pharmaceutical companies, enhance the construction of international R&D platform, and strengthen the development of its principal businesses.

Social Responsibility

Whilst the Group has been rapidly growing, the Group remains committed to undertake social responsibilities as a corporate citizen. During the Reporting Period, the Group had continually increased investment in environment protection, optimized the production process and improved the utilization rate of the production facilities for the purposes of energy saving, emission reduction and environment protection. The Group constantly upgraded its technology, improved production process, extended the life cycle of pharmaceutical products and lowered the cost in order to offer safe, efficient, affordable products and services. Meanwhile, to care for patients and life, the Group has set up and continually improved a long-term mechanism and contingency plan for monitoring adverse drug reaction.

In terms of social welfare, during the Reporting Period, the Group has launched several public welfare programs, such as the "Future Star (未來星)", the "Fosun Foundation (復星公益基金)" and the "Fosun Care For Children Rehabilitation Program (復星愛童康復計劃)". Through these programs, the Group undertakes its social responsibilities and benefits the society by investing in education, supporting scientific researches, engaging in the community healthcare, alleviating poverty by donations, and providing disaster assistances.

Moreover, during the Reporting Period, the Group continued to participated in the Chinese government projects of anti-malaria in Africa.

As at the end of 2013, the Group has published its corporate social responsibility report for the sixth consecutive year, which fully demonstrated its strategic development, practice and performance in respect of economy, environment, employees and the society to its stakeholders. The 2013 corporate social responsibility report of the Company is available on the website of the Company (*http://www.fosunpharma.com*).

The Group's outstanding performance in corporate social responsibilities has gained recognition from all aspects of the society. During the Reporting Period, the Company was successfully selected as a sample stock in the dimension of social responsibility by "CCTV Finance Index 50 (399550)"(「央視財經50指數(399550)」社會責任維度樣本股) and as a sample stock by "CCTV Finance

Index 50 — leading responses (399555)" (「央視財經50責任領先指數(399555)」樣本股). The 2012 corporate social responsibility report of the Company was awarded the "Golden Bee 2013 Corporate Social Responsibility Report • Excellent Growth Companies" (「金蜜蜂2013優秀企業社會責任報告•成長型企業」獎).

A Analysis on Principal Operations

(1) *Table of Analysis of Changes in Relevant Items of Statement of Profit or Loss and Statement of Cash Flows*

Unit: million Currency: RMB

Items	**2013**	2012	Percentage Changes *(%)*
Revenue	**9,921**	7,278	36.31
Cost of sales	**5,543**	4,127	34.33
Sales and distribution expenses	**1,844**	1,512	21.90
Administrative expenses	**983**	740	32.84
R&D expenses	**438**	306	43.14
Financial expense	**350**	371	–5.66
Net cash flow generated from operating activities	**1,012**	666	52.01
Net cash flow generated from investment activities	**–1,803**	–975	84.92
Net cash flow generated from fund-raising activities	**–932**	2,065	–145.06
R&D expenditures	**505**	370	36.44

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

(2) *Revenue*

During the Reporting Period, revenue of the Group increased by 36.31% to RMB9,921 million from 2012. The change in revenue was mainly attributable to (1) the sales growth of major products in therapeutic areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary tract and anti-infection; and (2) changes in the scope of consolidated statements.

Sales revenue of the top 5 customers of the Group amounted to RMB1,168 million, representing 11.77% of the total sales revenue in 2013.

(3) *Cost of Sales*

a. *Table of Analysis of Costs*

Unit: million Currency: RMB

Situation by Segments							
Segments	**Cost**	**Amount in 2013**	**Percentage of the total cost in 2013** *(%)*	**Amount in 2012**	**Percentage of the total cost in 2012** *(%)*	**Ratio of change for 2013 as compared with 2012** *(%)*	**Explanations**
Pharmaceutical manufacturing and R&D	Cost of products	3,169	57.17	2,196	53.22	44.29	due to the growth in sales of major products in pharmaceutical manufacturing segment and changes in the scope of consolidated statements
Pharmaceutical distribution and retail	Cost of goods	1,271	22.93	1,206	29.22	5.38	
Medical diagnosis and medical devices	Cost of products and goods	739	13.33	606	14.69	21.95	mainly due to changes in the scope of consolidated statements and the growth in sales of major products in medical devices segment
Healthcare services	Cost of services	353	6.38	108	2.61	227.89	mainly due to changes in the scope of consolidated statements
Others	Other cost	11	0.19	11	0.26	1.28	
Total		5,543	100.00	4,127	100.00		

b. *Major Suppliers*

Purchases from the top five suppliers amounted to RMB935 million, accounting for 16.87% of the total purchases of the Group for 2013.

(4) *R&D Expenditures*

a. *Table of R&D Expenditures*

Unit: million Currency: RMB

R&D expenditures expensed for 2013	438
R&D expenditures capitalised for 2013	67
Total R&D expenditures	505
Percentage of total R&D expenditures on net assets (%)	2.87
Percentage of total R&D expenditures on revenue (%)	5.09

b. *Description*

During the Reporting Period, R&D expenses have increased by over 43% as compared with 2012, mainly because the Group has increased its investments on R&D of generic biopharmaceutical drugs and innovative drugs. During the Reporting Period, the R&D expenses were RMB438 million, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB359 million, accounting for 5.50% of the revenue of the pharmaceutical manufacturing and R&D segment.

(5) *Cash Flows*

Unit: million   Currency: RMB

Items	2013	2012	Ratio of Change (%)	Reasons
Net cash flow generated from operating activities	**1,012**	666	52.01	optimized operating cash flows from core businesses
Net cash flow generated from investment activities	**–1,803**	–975	84.29	increase in external investments
Net cash flow generated from financing activities	**–932**	2,065	–145.06	repayment of debts and issuance of H shares in the corresponding period in 2012

(6) *Others*

a. *Details for Significant Changes in the Profit Components or Sources of Profit of the Group*

Sinopharm completed placing of its H shares in April 2013. The equity interest held by the Group was therefore diluted from 32.05% to 29.98%, resulting in a net gain after tax of RMB446 million on the deemed disposal recognized from the dilution of equity interest. A net profit after tax of RMB414 million on the deemed disposal of Tongjitang Medicine was recognized.

b. *Progressing of Development Strategy and Business Plan*

During the Reporting Period, the Group adhered to the strategies of organic growth, external expansion and integrated development, concentrated resources on its core businesses of pharmaceutical R&D, insisted on product innovation and further improved the competitiveness of its products. The number of formulations that gained sales volume as much as RMB100 million has increased to 15 in 2013 from 11 in 2012. Meanwhile, the Group continued to increase its investment in the healthcare services segment and substantially completed the strategic deployment of its healthcare services segment to combine high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC. In addition, during the Reporting Period, the Group accelerated the pace of its international merger and acquisition and made aggressive progress on its internationalization strategies and increase business scale through acquisition of oversea enterprises such as Alma Lasers, Saladax Biomedical, Inc. and OXFORD IMMUNOTEC GLOBAL PLC.

B Industry and Regional Operation

(1) *Business by Segments*

Unit: million Currency: RMB

Principal business by segments						
Segments	**Revenue**	**Cost of sales**	**Gross profit margin** *(%)*	**Increase/ decrease in revenue as compared with 2012** *(%)*	**Increase/ decrease in cost of sales as compared with 2012** *(%)*	**Increase/decrease in gross profit margin as compared with 2012** *(%)*
Pharmaceutical manufacturing and R&D	6,524	3,172	51.38	40.82 *(Note 1)*	44.44	decreased by 1.22 percentage points
Pharmaceutical distribution and retail	1,502	1,271	15.38	5.55	5.39	increased by 0.13 percentage point
Medical diagnosis and medical devices	1,407	739	47.48	34.13 *(Note 2)*	21.95	increased by 5.25 percentage points
Healthcare services	475	354	25.47	198.74 *(Note 3)*	227.78	decreased by 6.61 percentage points

Notes:

1. The significant increase in revenue of the pharmaceutical manufacturing and R&D segment was mainly due to the increase in revenue of major products and changes in the scope of consolidated statements.

2. The significant increase in revenue of the medical diagnosis and medical devices segment was mainly due to the increase in sales of existing subsidiaries and the consolidation of Alma lasers into the financial statements.

3. The significant increase in revenue of the healthcare services segment was mainly due to changes in the scope of the consolidated statements.

(2) *Revenue by Geographical Segments*

Unit: million Currency: RMB

Region	**Revenue**	**Increase/decrease in revenue as compared with 2012**(Note) *(%)*
Mainland China	8,774	33.47
Overseas countries or regions	1,147	62.93

Note: The significant increase in revenue in mainland China and overseas countries or regions was mainly due to the increase in scale of core businesses and the changes in the scope of consolidated statements.

C Assets and Liabilities

(1) *Table of Assets and Liabilities*

Unit: million Currency: RMB

Items	Amount at the end of 2013	Percentage of amounts as at the end of 2013 on total assets (%)	Amount at the end of 2012	Percentage of amounts as at the end of 2012 on total assets (%)	Percentage change for 2013 as compared with amounts as at the end of 2012 (%)	Explanations
Cash and bank balances	3,067	10.43	4,973	19.54	–38.31	mainly due to increase in external investments, use of proceeds from issuance of H shares on project, R&D and repayment of interest-bearing debts during the Reporting Period
Trade and bills receivables	1,460	4.96	1,075	4.22	35.81	mainly due to changes in the scope of consolidated statements during the Reporting Period
Inventories	1,614	5.49	1,273	5.00	26.76	
Investments in associates	8,765	29.79	7,903	31.05	10.91	
Property, plant and equipment	4,930	16.76	3,502	13.76	40.78	mainly due to the increase in investments in renovation and alteration of GMP, expansion of plants and changes in the scope of consolidated statements
Other intangible assets	1,860	6.32	1,239	4.87	50.12	mainly due to changes in the scope of consolidated statements during the Reporting Period
Goodwill	2,976	10.12	1,662	6.53	79.09	mainly due to acquisition of subsidiaries during the Reporting Period
Bonds payables	4,073	13.85	4,063	15.96	0.25	
Deferred tax liabilities	1,784	6.06	1,360	5.34	31.15	mainly due to the increase in the valuation of the acquisition of subsidiaries and the provision of corresponding deferred tax liabilities on gain on the deemed disposal of Sinopharm during the Reporting period

D Core Competence Analysis

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 2013, there were 15 formulation products and services of the Group that each recorded revenue of over RMB100 million.

The Group has developed internationalized R&D structure and strong R&D capabilities. It has set up interactive and integrated R&D systems in Shanghai, Chongqing and San Francisco. It has also established an efficient R&D platform in areas of small molecular innovative drugs, monoclonal antibodies, generic drugs with high barriers-to-entry and special administration technology. As of the end of the Reporting Period, there were 119 pipeline drugs and vaccines projects, 7 projects under clinical trial applications, 8 projects under clinical trial, and 12 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation to maintain sustainable growth of the Group in the future. As of the end of the Reporting Period, there were 779 staff in the R&D team. Meanwhile, the Group diversified its innovative research through strategic alliances, cooperative projects, joint ventures and other means so as to further strengthen its R&D capabilities.

Whilst enhancing the competitiveness of its products, the Group also focused on developing its marketing capabilities. With a marketing team consisting of over 2,200 employees and a sales network covering most of the major domestic markets, the Group has been improving its capabilities in sales and marketing. Sinopharm, an investee of the Group for over a decade, has developed into the largest pharmaceutical and healthcare distributor and a leading supply chain service provider in China possessing and operating China's largest drug distribution and delivery network. The Group, leveraging its long-established strategic cooperation with Sinopharm, put the synergy into full play.

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

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

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

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

Unit: million Currency: RMB

Name	Nature of business	Main products or services	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er,Potassium Sodium Dehydroandrographolide Succinate, V Jialinetc.	197	1,472	767	1,597	195	184
Jiangsu Wanbang Biopharmaceutical Co., Ltd.	Pharmaceutical manufacturing	Wan Su Lin, Wan Su Ping etc.	440	1,824	805	1,398	148	123
Shine Star (Hubei) Biological Engineering Company Limited	Manufacturing of amino acid	Amino acid series products	51	966	461	1,277	104	104
Aohong Pharma	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	1,344	1,097	900	575	491

Note: Aohong Pharma's data include fair value adjustment surplus and relevant amortization.

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

Unit: million Currency: RMB

Name	Nature of business	Principal product or service	Registered capital	Total assets	Net assets	Operating income	Operating profit	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	105,414	28,933	166,558	4,310	3,580

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

Unit: million Currency: RMB

Name	Method of acquisition	Net assets (at the end of 2013)	Net profit (2013)	Acquisition date
Alma Lasers	Equity transfer	712	40	27 May 2013
Hunan Dongting Pharmaceutical Co., Ltd.	Equity transfer	433	63	11 January 2013
Zaozhuang Sainuokang Biochemical Co., Ltd.	Equity transfer	46	11	11 March 2013
Chancheng District Central Hospital of Foshan City Co., Ltd.	Equity transfer	776	18	12 November 2013

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

2. THE BOARD'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE GROUP

A Competition and Development Trends of the Industry

In 2014, the pharmaceutical industry in China will be presented with numerous opportunities. In terms of market demand, the increase in the proportion of the aging population in the PRC, the increased spending on healthcare programs by the PRC government and the increase in the domestic per capita disposable income have been the three major driving factors for the rapid development of the pharmaceutical industry, and these factors will continue to exist and drive the industry to rapidly grow in the foreseeable future. In terms of industry structure, the domestic economy has maintained stable growth and the PRC government has encouraged and guided the strategic emerging industries to upgrade the industry and optimize the industry structure and supports the development of the innovation-oriented pharmaceutical industry. The implementation of the National List of Essential Drugs has established a relatively solid foundation for the domestic pharmaceutical enterprises. The implementation of China's Twelfth Five Year Plan for the pharmaceutical industry has driven greater competition in the industry as a whole. As a result, pharmaceutical enterprises with advantages in scale, technology, brand and marketing will have valuable opportunities for development. The PRC government has continually focused on the quality of medicines and the operation of pharmaceutical enterprises, overhauled the sales channel of pharmaceutical products, accelerated implementation of regulation and control over prices and classification of pharmaceutical products, and further improved the centralized tender system for procurement of pharmaceutical products. Such measures have driven and accelerated consolidation in the domestic pharmaceutical industry and the level of industrial concentration will rapidly increase by way of acquisitions and reorganisations. The expiration of patents of pharmaceutical products in major markets such as Europe and the United States has presented opportunities for the rapid development of Chinese companies with capabilities to innovate and manage international expansion. While faced with favorable capital market conditions and product market opportunities, the international expansion by the PRC pharmaceutical enterprises is also consistent with the policy directions of the PRC government's industry plans.

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

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

B Development Strategy of the Group

In 2014, the Group will continue to be committed to improve public health as its mission, 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 rapid 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 development of product innovation and product marketing systems, positively implementing internationalization and enhancing the core competence of the Group, the Group strives to further enhance its operating results.

C Operation Plan

There may be significant changes in the external environment in 2014. The development of the pharmaceutical industry will be presented with both opportunities and challenges. The Group will endeavor to develop its product-oriented strategy and further strengthen its marketing efforts for major products, and enhance its investments in R&D activities. In addition, the Group will continue to increase investment in the healthcare services segment to expand the operating scale in the segment and improve its ability of operation management. Meanwhile, the Group will accelerate its mergers and acquisitions as well as integration of quality domestic and overseas pharmaceutical companies, and promote the consolidation of Sinopharm in the pharmaceutical distribution segment.

The Group plans to achieve a rapid growth in revenue in 2014. Meanwhile, the Group will strive to control cost and various expenses to enhance profit margin and profitability of its core products. The Group will continue to optimize its operation and control as well as enhance the efficiency of the utilisation of its assets. Detailed operational goals and proposed methods are as follows:

Pharmaceutical R&D and Manufacturing:

In 2014, 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 products in therapeutic 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 and You Li Tong (優立通) 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-academia-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 its pharmaceutical manufacturing business.

Pharmaceutical Distribution and Retail:

In 2014, 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. The Group will also 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. At the same time, faced with opportunities brought by the explosive growth of the Internet e-commerce, the Group will achieve transformation and rapid growth by leveraging its established pharmaceutical e-commerce platform and competitive edge in retail business. The Group will also 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, and consolidate and increase market share in the regional markets.

Healthcare Services:

In 2014, the Group will continue to seize the business and investment opportunities arising from the opening up of the healthcare services segment to social enterprises. The Group will continuously increase our investments in the healthcare services segment, and strengthen the established healthcare services business which integrates high-end healthcare services in coastal developed cities and specialty hospitals and general hospitals in second-tier and third-tier cities in an effort to expand the scale of our healthcare services business. The healthcare institutions controlled by the Group will further strengthen their 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", a high-end brand for healthcare services under Chindex. The Group will also actively support the development of "United Family Hospital", support the development of its high-end healthcare services characterized by multiple levels, diversification and extensibility.

Medical Devices and Medical Diagnosis:

In 2014, with the completion of the Production Base for In-vitro Diagnostic Products and the commencement of its operation, the Group will continue to develop and introduce products in the diagnostic business, and continuously launch new products and new product lines. We will continue to enhance the development of domestic and overseas sales network and our professional sales team, strive to increase the market share of our diagnostic products, and actively seek opportunities to invest in quality diagnostic companies both domestically and internationally.

In 2014, the Group will increase its investments in R&D, manufacturing and sales of medical devices. Meanwhile, the Group will continue to leverage on its strengths in expanding international operation, and with the existing overseas companies as a platform, vigorously explore corporations with overseas companies on the basis of proactive integration, so as to achieve the growth in the scale of its medical devices business.

Financing:

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

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

With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest approximately RMB1.2 billion for production capacity expansion, plant relocation and the development of cGMP and reconstruction and expansion of hospitals in 2014. Primary sources of funding include, among others, (i) the Group's own capital; (ii) cash flow from operating activities; (iii) surplus capital raised from completed private placements of A Shares and capital raised from H Shares; and (iv) bank loans, medium-term notes and short-term commercial paper.

E Potential Risks

With increased competition among domestic pharmaceutical companies and the issue of several notices by the National Development and Reform Commission of the PRC to lower prices of pharmaceutical products, the risks of further lowering product prices in the domestic pharmaceutical market will remain in the future. As such, the Group will continue to place a great emphasis on the research and development of new products, maintain the competitive edge in the costs of its main products, actively strengthen the marketing efforts for its products and the sales in the international market, and optimize its product structure. Going forward, the Group will actively develop, cultivate and introduce new patented products, and maintain the healthy and sustainable development of its R&D of pharmaceutical products and its pharmaceutical manufacturing business.

As a special commodity, medicine is directly related to life and health. The quality problems arising from raw materials, production,transportation, storage, and usage of medicine, may have adverse impact on the productions, operations and market reputation of the Group. The Group will increasingly improve the quality and safety system of its medicines and establish a sound testing and reporting system for adverse drug reaction and ensure drug safety and properly handle adverse drug reaction in a timely manner.

With the implementation of the strategy of internationalization, and the increasing proportion settlement of the Group's purchasing, sales, merger and acquisition in foreign currency, fluctuations in exchange rate of RMB to foreign currencies also have impact on the operations of the Group.

With the official launch of the healthcare system reform, the industry consolidation and the transformation of business models for pharmaceutical companies are inevitable. As such, the Group will closely monitor the latest reform developments and integrate internal and external resources in an optimal manner. Meanwhile, the Group will also continue to strengthen its investment in quality companies in the industry, and continuously improve its operational and management capabilities, its product innovation abilities and its presence in the international market to develop itself into a leading company in the pharmaceutical and healthcare industry in China.

In addition, the healthcare services segment also faces the risks of medical malpractice, including complaints and disputes between doctors and patients arising from medical malpractice, medical misdiagnosis and incidents relating to defects of treatment devices. In event of serious medical malpractice, pecuniary compensation may be incurred by the Group, and operation results, brand and market reputation of the Group's healthcare services segment could be adversely affected. In this respect, the Group will further strengthen professional training for medical personnel and constantly improve the professionalism of its healthcare services.

3. OTHER EVENTS

(a) Grant of Restricted A Shares under the Restricted A Share Incentive Scheme

The restricted A share incentive scheme of the Company (the "**Restricted A Share Incentive Scheme**") was approved by the shareholders of the Company at its extraordinary general meeting, the A shareholders' class meeting and the H shareholders' class meeting on 20 December 2013.

On 7 January 2014, the Company granted a total of 4,035,000 restricted A shares of the Company ("**Restricted A Shares**") at the grant price of RMB6.08 each to the 28 participants (the "**Grantees**") pursuant to the Restricted A Share Incentive Scheme. As disclosed in the announcement of the Company dated 21 January 2014, 27 out of 28 of the Grantees have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 3,935,000 Restricted A Shares has been issued by the Company to the relevant Grantees.

(b) Development and commercial transfer of intellectual property

During the Reporting Period, our subsidiary Chongqing Fochon Pharmaceutical Research Co., Ltd. transferred relevant intellectual property and other rights of Fotagliptin Benzoate and Pan-HER Inhibitors across the world (excluding China) to SELLAS. According to the transfer agreement, as at the end of the Reporting Period, SELLAS should pay transfer consideration of €1.5 million, and the consideration was paid in full. As at the date of this announcement, the accumulated consideration payable by SELLAS amounted to €8 million, with the actual paid consideration amounted to €1.5 million. The remaining consideration is pending to be paid by SELLAS.

(c) Proposed privatization of Chindex and proposed acquisition of 30% equity interest in CML

As disclosed in the Company's announcement dated 17 February 2014, Chindex, an investee company of the Group, proposed to be delisted from the NASDAQ through privatization by merger. The Group will participate in the proposed privatization of Chindex by way of capital contributions in Healthy Harmony Holdings L.P. ("**Healthy Harmony**"), using cash consideration of not exceeding US$193.74 million and 3,157,163 class A common stock of Chindex held by Fosun Industrial Co., Limited ("**Fosun Industrial**") as at 17 February 2014. Upon completion of the proposed privatization, the Company is expected to indirectly hold no more than 48.65% equity interest in the delisted Chindex.

On 17 February 2014, the Company also entered into an agreement with Healthy Harmony pursuant to which, among other things, the Company committed to cause Fosun Industrial and Ample Up Limited and/or one or more of its subsidiaries to acquire 30% equity interest in CML from Chindex Medical Holdings (BVI) Limited, a wholly-owned subsidiary of Chindex, at fair market value shall which not exceed US$45 million.

The above proposed transactions are subject to shareholders' approval.

(d) Proposed acquisition of 28.146% equity interest in Aohong Pharma

As disclosed in the Company's announcement dated 28 February 2014, Shanghai Fosun Pharmaceutical Industrial Development Limited ("**Fosun Pharmaceutical Industrial**"), a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Xinjiang Boze Equity Investment Limited Partnership ("**Xinjiang Boze**"), Aohong Pharma and Mr. Yu Hongru on 28 February 2014, pursuant to which Fosun Pharmaceutical Industrial shall acquire an aggregate of 28.146% equity interest in Aohong Pharma from Xinjiang Boze at a consideration of no more than RMB1,866,079,800. The transactions constitute are subject to shareholders' approval.

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

A high standard of corporate governance is essential to safeguarding the interests of shareholders and enhancing corporate value of the Company. The Company is committed to continually improve its corporate governance structure, and to optimize its internal management and control and its business operation in order to improve the corporate governance of the Company.

The corporate governance practices adopted by the Company are based on the principles and code provisions of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Hong Kong Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company has complied with all the applicable code provisions contained in the CG Code during the Reporting Period. Particulars of the implementation of the CG Code are to be set out in the Corporate Governance Report contained in the annual report for the year ended 31 December 2013 (the "**2013 Annual Report**").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules and formulated its Written Code for Securities Transactions for Directors and relevant employees of the Company (the "**Written Code**") as its codes of conduct regarding securities transactions.

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Group's annual results for the year 31 December 2013 have been reviewed by the Audit Committee of the Company.

FINAL DIVIDEND

The final dividend for the year ended 31 December 2013 as proposed by the Board, inclusive of tax, amounted to RMB0.27 per share, and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**").

A circular containing, among other things, further information in respect of the AGM and the proposed distribution of the final dividend will be dispatched to the shareholders of the Company as soon as practicable.

AGM AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Company will arrange the time of convening the forthcoming AGM as soon as practicable, and the notice of the AGM will be published and dispatched to shareholders of the Company in a timely manner in accordance with the requirements of the Hong Kong Listing Rules and the articles of association of the Company. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of H shares of the Company in a separate announcement and in the notice of the AGM.

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

According to the PRC Enterprise Income Tax Law and its implementing rules which became effective on 1 January 2008 and relevant regulations, the Company is required to withhold and pay enterprise income tax at the rate of 10% for the 2013 annual dividends when paid to a non-resident enterprise shareholder whose name appears on the register of members of H shares of the Company. Any shares registered in the name of non-individual shareholders of the Company, including HKSCC Nominees limited, other nominees, trustees or other organizations and groups will be treated as being held by non-resident enterprise shareholders and therefore, the dividends attributing to such shares should be paid after deducting the enterprise income tax. The Company will withhold and pay personal income tax at the unified rate of 10% for the non-resident individual shareholders. Therefore, dividends attributable to the non-resident individual shareholders will be paid to such shareholders after netting of 10% personal income tax.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (*http://www.fosunpharma.com*) and the Stock Exchange (*http://www.hkexnews.hk*). The 2013 Annual Report will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange as and when appropriate.

By order of the Board
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*
Chen Qiyu
Chairman

Shanghai, People's Republic of China
24 March 2014

As at the date of this announcement, the executive Directors are Mr. Chen Qiyu and Mr. Yao Fang; the non-executive Directors are Mr. Guo Guangchang, Mr. Wang Qunbin, Mr. Zhang Guozheng, Mr. Wang Pinliang and Ms. Kang Lan; and the independent non-executive Directors are Mr. Han Jiong, Dr. Zhang Weijiong, Mr. Li Man-kiu Adrian David and Mr. Cao Huimin.

* *for identification purposes only*