上 海 復 星 醫 藥 （ 集 團 ） 股 份 有 限 公 司

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

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

(Stock Code: 02196)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

Interim Condensed Consolidated Statement of Profit or Loss
Six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**5,502,224**	4,473,639
Cost of sales		**(3,186,616)**	(2,514,252)
Gross profit		**2,315,608**	1,959,387
Other income	*4*	**62,569**	70,663
Selling and distribution expenses		**(1,017,298)**	(885,686)
Administrative expenses		**(527,342)**	(440,662)
Research and development expenses		**(254,072)**	(164,382)
Other gains	*5*	**474,927**	728,762
Other expenses		**(46,106)**	(64,321)
Interest income		**28,150**	41,742
Finance costs	*7*	**(186,906)**	(180,942)
Share of profits and losses of:			
Joint ventures		**(9,616)**	(5,085)
Associates		**498,253**	391,614
PROFIT BEFORE TAX	*6*	**1,338,167**	1,451,090
Income tax expense	*8*	**(201,408)**	(248,939)
PROFIT FOR THE PERIOD		**1,136,759**	1,202,151
Attributable to:			
Owners of the parent		**1,002,015**	1,053,141
Non-controlling interests		**134,744**	149,010
		1,136,759	1,202,151
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (RMB)	*9*	**0.44**	0.47

Interim Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,136,759**	1,202,151
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Available-for-sale investments		
Changes in fair value	**223,185**	124,389
Reclassification adjustments for gains included in the consolidated statement of profit or loss		
— Gain on disposal	**(314,393)**	(98,290)
Income tax effect	**63,438**	15,631
	(27,770)	41,730
Share of other comprehensive income of associates	**(5,099)**	930
Exchange differences on translation of foreign operations	**8,543**	4,379
Other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(24,326)**	47,039
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,112,433**	1,249,190
Attributable to:		
Owners of the parent	**980,084**	1,106,934
Non-controlling interests	**132,349**	142,256
	1,112,433	1,249,190

Interim Condensed Consolidated Statement of Financial Position
30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**5,272,149**	4,930,175
Prepaid land lease payments		**816,818**	779,873
Goodwill		**3,039,575**	2,976,039
Other intangible assets		**1,907,698**	1,859,570
Investments in joint ventures		**131,061**	118,177
Investments in associates		**9,022,624**	8,765,410
Available-for-sale investments		**2,646,141**	2,664,409
Deferred income tax assets		**90,483**	88,091
Other non-current assets		**241,586**	250,015
Total non-current assets		**23,168,135**	22,431,759
CURRENT ASSETS			
Inventories		**1,782,982**	1,614,272
Trade and bills receivables	*10*	**1,686,355**	1,460,011
Prepayments, deposits and other receivables		**438,454**	593,936
Due from related companies		**223,685**	206,715
Equity investments at fair value through profit or loss		**38,663**	44,196
Cash and bank balances		**3,652,793**	3,067,414
Total current assets		**7,822,932**	6,986,544

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,247,304**	1,103,160
Other payables and accruals		**2,648,470**	2,514,339
Interest-bearing bank and other borrowings		**1,656,058**	1,424,210
Due to related companies		**292,983**	37,693
Tax payable		**248,478**	198,719
Total current liabilities		**6,093,293**	5,278,121
NET CURRENT ASSETS		**1,729,639**	1,708,423
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,897,774**	24,140,182
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**5,146,945**	4,199,709
Deferred tax liabilities		**1,706,555**	1,783,520
Deferred income		**104,896**	95,624
Other long term liabilities		**440,277**	453,702
Total non-current liabilities		**7,398,673**	6,532,555
Net assets		**17,499,101**	17,607,627
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		**2,311,611**	2,240,462
Reserves		**13,061,541**	12,428,848
Proposed final dividend	*12*	**—**	605,987
		15,373,152	15,275,297
Non-controlling interests		**2,125,949**	2,332,330
Total equity		**17,499,101**	17,607,627

Notes to Interim Condensed Consolidated Financial Statements

Six months ended 30 June 2014

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2014 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months ended 30 June 2014 (the "Period"), have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

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 segment mainly engages in the provision of healthcare and hospital management services; and

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

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

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

Segment assets exclude 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.

Six months ended 30 June 2014 (unaudited)

	Pharmaceutical manufacturing and R&D *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Medical diagnosis and medical devices *RMB'000*	Healthcare service *RMB'000*	Other business operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	3,360,142	757,061	826,984	550,265	7,772	—	5,502,224
Intersegment sales	160	—	—	—	3,284	(3,444)	—
Total revenue	3,360,302	757,061	826,984	550,265	11,056	(3,444)	5,502,224
Segment results*	480,360	7,678	73,471	83,970	(2,050)	1,711	645,140
Other income	14,837	—	488	—	—	—	15,325
Other gains	127,833	7,006	(89)	186	2	—	134,938
Interest income	4,892	1,811	3,449	1,044	445	(3,069)	8,572
Finance costs	(54,397)	74	(18,743)	(4,240)	(4,285)	42,542	(39,049)
Other expenses	(11,813)	(1,083)	(6,609)	(3,692)	(12)	—	(23,209)
Share of profits and losses of:							
Joint ventures	(4,564)	(4,925)	—	(127)	—	—	(9,616)
Associates	56,690	440,627	(1,547)	(542)	3,025	—	498,253
Unallocated other income, interest income and other gains							406,811
Unallocated finance cost							(147,857)
Unallocated expenses							(151,141)
Profit before tax	613,838	451,188	50,420	76,599	(2,875)	41,184	1,338,167
Tax	(128,698)	(4,430)	(15,291)	(19,567)	(6)	—	(167,992)
Unallocated tax							(33,416)
Profit for the period	485,140	446,758	35,129	57,032	(2,881)	41,184	1,136,759
Segment assets:	10,624,397	8,058,512	2,973,144	1,955,738	801,797	(151,480)	24,262,108
Including:							
Investments in joint ventures	28,143	639	—	102,279	—	—	131,061
Investments in associates	1,454,697	7,145,985	252,630	4,250	165,062	—	9,022,624
Unallocated assets							6,728,959
Total assets							30,991,067
Segment liabilities	5,897,576	568,834	1,088,664	596,058	16,019	(4,041,770)	4,125,381
Unallocated liabilities							9,366,585
Total liabilities							13,491,966
Other segment information:							
Depreciation and amortisation	197,794	4,582	30,679	36,966	5,215	—	275,236
Provision for impairment of inventories	482	—	3,606	—	—	—	4,088
Impairment of trade and other receivables	359	—	1,369	3,113	—	—	4,841
Capital expenditure**	408,436	12,547	20,975	166,919	34,003	—	642,880

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

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

Six months ended 30 June 2013 (unaudited)

	Pharmaceutical manufacturing and R&D *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Medical diagnosis and medical devices *RMB'000*	Healthcare service *RMB'000*	Other business operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	3,034,608	708,311	557,991	165,589	7,140	—	4,473,639
Intersegment sales	1,042	—	—	—	2,527	(3,569)	—
Total revenue	3,035,650	708,311	557,991	165,589	9,667	(3,569)	4,473,639
Segment results*	525,510	7,757	17,411	21,239	(1,487)	1,665	572,095
Other income	26,997	—	3,034	—	—	—	30,031
Other gains	2,226	587,542	359	16	7	—	590,150
Interest income	4,674	2,700	2,113	2,708	408	(2,288)	10,315
Finance costs	(47,392)	50	(6,997)	(2,961)	(3,775)	37,230	(23,845)
Other expenses	(15,518)	(1,809)	(6,420)	(1,303)	(10)	—	(25,060)
Share of profits and losses of:							
Joint ventures	(5,051)	(34)	—	—	—	—	(5,085)
Associates	37,279	357,743	(537)	252	(3,123)	—	391,614
Unallocated other income, interest income and other gains							210,671
Unallocated finance costs							(157,097)
Unallocated expenses							(142,699)
Profit before tax	528,725	953,949	8,963	19,951	(7,980)	36,607	1,451,090
Tax	(78,140)	(149,866)	(9,483)	(5,697)	(13)	—	(243,199)
Unallocated tax							(5,740)
Profit for the period	450,585	804,083	(520)	14,254	(7,993)	36,607	1,202,151
Segment assets:	11,337,302	7,890,130	1,932,964	2,664,311	751,388	(559,486)	24,016,609
Including:							
Investments in jointly ventures	11,466	7,485	—	—	—	—	18,951
Investments in associates	1,642,511	6,827,383	233,937	15,699	183,095	—	8,902,625
Unallocated assets							3,528,977
Total assets							27,545,586
Segment liabilities	4,273,427	476,045	1,711,930	1,109,889	1,138,269	(153)	8,709,407
Unallocated liabilities							2,874,072
Total liabilities							11,583,479
Other segment information:							
Depreciation and amortisation	142,991	2,634	32,982	13,966	6,291	—	198,864
Provision for impairment of inventories	9,391	—	—	1,980	—	—	11,371
Impairment/(reversal) of trade and other receivables	(2,214)	—	(38)	556	—	—	(1,696)
Capital expenditure**	337,669	9,695	27,881	17,099	25,330	—	417,674

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

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

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:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods	**4,947,417**	4,221,653
Rendering of services	**553,820**	248,125
Sale of materials	**987**	3,861
	5,502,224	4,473,639

4. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends income from available-for-sale investments	**45,415**	21,617
Government grants	**17,154**	49,046
	62,569	70,663

5. OTHER GAINS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of available-for-sale investments	**308,215**	98,290
Gain on disposal of interests in associates *(a)*	**133,085**	—
Gain on disposal of a subsidiary *(b)*	**15,918**	—
Exchange gain	**15,280**	—
Gain on deemed disposal of interests in associates	**—**	586,960
Fair value gains on an equity investment at fair value through profit or loss	**—**	40,061
Others	**2,429**	3,451
	474,927	728,762

(a) For the six months ended 30 June 2014, the amount mainly comprises the gain on disposal of Hunan Hansen Pharmaceutical Co., Ltd. of RMB125,141,000.

(b) On 29 January 2014, Chongqing Pharmaceutical Research Institute Co., Ltd., a subsidiary of the Group, disposed of 99.53% equity interest in Chongqing Kangle Pharmaceutical Co., Ltd. to a third party at a cash consideration of RMB50,100,000.

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,745,599**	2,391,429
Cost of services provided	**441,017**	122,823
Depreciation of items of property, plant and equipment	**220,426**	161,179
Amortisation of prepaid land lease payments	**12,116**	7,646
Amortisation of other intangible assets	**42,694**	30,039
Provision for impairment of inventories	**4,088**	11,371
Provision/(reversal) for impairment of trade and other receivables	**4,841**	(1,696)
Provision for impairment of items of property, plant and equipment	**2,614**	—
Reversal for impairment of available-for-sale investments	**(200)**	—
Loss on disposal of items of property, plant and equipment and other intangible assets	**6,031**	352

7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	**193,593**	184,888
Interest on bank and other borrowings not wholly repayable within five years	**1,189**	420
	194,782	185,308
Less: Interest capitalised	**(7,876)**	(4,366)
Interest expenses, net	**186,906**	180,942

8. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% (for the six months ended 30 June 2013: 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% (for the six months ended 30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. 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 16% (for the six months ended 30 June 2013: 12.5%).

The major components of tax expenses for the six months ended 30 June 2014 and 2013 are as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current		
— Mainland China	**214,621**	127,468
— Elsewhere	**13,786**	—
	228,407	127,468
Deferred	**(26,999)**	121,471
Total tax charge for the Period	**201,408**	248,939

9. 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 Period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,278,004,364 (for the six months ended 30 June 2013: 2,240,462,364 ordinary shares) in issue during the Period, as adjusted to reflect the issuance of H shares and restricted A shares during the Period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods. 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.

10. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,369,035**	1,164,220
Bills receivable	**317,320**	295,791
	1,686,355	1,460,011

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

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances with ages:		
Within 1 year	**1,355,228**	1,161,231
1 to 2 years	**25,352**	18,479
2 to 3 years	**10,821**	7,397
Over 3 years	**25,784**	21,100
	1,417,185	1,208,207
Less: Provision for impairment of trade receivables	**(48,150)**	(43,987)
	1,369,035	1,164,220

11. TRADE AND BILLS PAYABLES

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**1,099,109**	957,572
Bills payable	**148,195**	145,588
	1,247,304	1,103,160

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

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

	30 June 2014	31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances with ages:		
Within 1 year	**1,079,667**	947,748
1–2 years	**14,953**	4,878
2–3 years	**786**	944
Over 3 years	**3,703**	4,002
	1,099,109	957,572

12. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the Period (for the six months ended 30 June 2013: Nil).

The proposed final dividend of RMB0.27 (tax included) per ordinary share for the year ended 31 December 2013 was declared payable and approved by the shareholders at the annual general meeting of the Company on 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

A. *Discussion and Analysis on Operations for the Reporting Period*

In 2014, the global economic downturn, slow domestic economy growth and 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 and 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 the principal businesses.

During the Reporting Period, the Group realized revenue of RMB5,502 million, representing an increase by 22.99% as compared with the corresponding period of 2013; of which, the Group realized revenue of RMB3,360 million in pharmaceutical manufacturing and research and development ("**R&D**") segment, representing an increase by 10.71% as compared with the corresponding period of 2013. Revenue from healthcare services segment RMB550 million, representing an increase by 231.33% as compared with the corresponding period of 2013.

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

Unit: RMB million

Business segments	**January to June 2014 Revenue**	January to June 2013 Revenue	Year-on-year change (%)
Pharmaceutical manufacturing and R&D	**3,360**	3,035	10.71
Pharmaceutical distribution and retail	**757**	708	6.92
Healthcare services	**550**	166	231.33
Manufacturing of medical diagnosis and medical devices	**709**	429	65.27
Distribution of medical diagnosis and medical devices	**118**	129	–8.53

For the first half of 2014, the Group recorded profit before tax of RMB1,338 million and profit attributable to owners of the parent of RMB1,002 million, each representing a slight decrease as compared with the corresponding period of 2013 due to the gross profit of RMB595 million and net profit of RMB446 million from the deemed disposal resulting from the completion of placing of H shares by Sinopharm Group Co. Ltd. ("**Sinopharm**"), an investee company of the Group in the corresponding period of 2013.

During the Reporting Period, the Group continued to increase its investments, and completed its capital increase in Shanghai Henlius Biotech Co., Ltd.* (上海復宏漢霖生物技術有限公司) ("**Shanghai Henlius**") and Chongqing Fochon Pharmaceutical Research Co., Ltd.* (重慶復創醫藥研究有限公司) ("**Fochon Pharma**") so as to effectively advance the R&D of generic biopharmaceutical drugs and innovative drugs. During the Reporting Period, the Group applied for 24 patents, including 4 U.S. patents, in its pharmaceutical manufacturing and R&D segment. Each of Shanghai Henlius and Chongqing Pharmaceutical Research Institute Co., Ltd.* (重慶醫藥工業研究院有限責任公司) ("**Chongqing Pharma Research**") obtained clinical approvals of their rituximab biosimilars and loxoprofen sodium gels and iloperidone APIs and tablets, respectively. As at the end of the Reporting Period, the Group invented 125 pipeline drugs and vaccines.

In addition, the Group has further cooperated with its investee Saladax Biomedical, Inc. in product development within the medical diagnosis segment. During the Reporting Period, the Group, through introduction of technologies of such investee, registered three products, namely the "5-fluorouracil assay kit (latex immuno-turbidimetric assays)", "paclitaxel assay kit (latex immuno-turbidimetric assays)" and "docetaxel assay kit (latex immuno-turbidimetric assays)", which further enriched the product line of the diagnosis reagents.

During the Reporting Period, the Group further increased its investment in the healthcare services segment. The Group proposed to participate in the privatization of Chindex International Inc. ("**Chindex**") by contributing not more than US$223.62 million with a view to further strengthening Chindex's working capital, expanding its presence in the high-end healthcare services segment in the PRC and increasing its business scale and improving profitability, and reinforcing the Group's strategic deployment of healthcare services segment with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC.

Meanwhile, the Group vigorously promoted its international strategy. During the Reporting Period, the Group invested in 21,304 ordinary shares of miacom Diagnostics GmbH, a German enterprise principally engaged in developing low-cost, efficient and convenient in-vitro diagnostic reagents, representing 37% of the total enlarged outstanding share capital of miacom Diagnostics GmbH. The Group also entered into a share subscription agreement with Nature's Sunshine Products, Inc. ("**NSP**"), a company listed on NASDAQ principally engaged in manufacturing and sale of healthcare products, to subscribe for approximately 15% equity interest in NSP, for a consideration of not more than US$46.26 million.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB3,360 million, representing an increase of 10.71% as compared with the corresponding period of 2013, segment results of RMB480 million, representing a year-on-year decrease of 8.59% as compared with the corresponding period of 2013, and segment profit of RMB485 million, representing an increase of 7.67% as compared with the corresponding period of 2013.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group continued to grow steadily and the development of its professional operational team was further strengthened. In the first half of 2014, the sales of the Group's major products in therapeutic areas such as cardiovascular system, metabolism and alimentary tract and anti-infection maintained rapid growth, recording a year-on-year growth of 30.12%, 12.19% and 58.41%, respectively. Among the new products, the sales of You Di Er (alprostadil dried emulsion), a product in the cardiovascular system therapeutic area, and You Li Tong (febuxostat tablets), a product in the metabolism and alimentary tract therapeutic area, had experienced prominent growth. The revenue generated by certain products at the beginning of the year was not satisfactory due to unstable operations and under-utilization of facilities in the course of the adaption of the new Good Manufacturing Practice (GMP) to certain production lines. Such revenue, however, has improved gradually in the second quarter of the year.

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

Unit: RMB million

Pharmaceutical manufacturing and R&D	**January to June 2014**	January to June 2013	Year-on-year change (%)
Major products of cardiovascular system therapeutic area *(note 1)*	**317**	244	30.12
Major products of central nervous system therapeutic area *(note 2)*	**331**	354	–6.62
Major products of blood system therapeutic area *(note 3)*	**87**	121	–28.29
Major products of metabolism and alimentary tract therapeutic area *(note 4)*	**713**	636	12.19
Major products of anti-infection therapeutic area *(note 5)*	**564**	356	58.41
Major products of APIs and intermediate products *(note 6)*	**434**	497	–12.64

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

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

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

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

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

Note 6: Major products of APIs and intermediate products include amino acid, tranexamic acid and clindamycin hydrochloride.

During the Reporting Period, the Group acquired 51% equity interest in Jiangsu Huanghe Pharmaceutical Company Limited* (江蘇黃河藥業股份有限公司) ("**Huanghe Pharma**") at a consideration of RMB58.08 million, proposed to acquire 23% equity interest in Jinzhou Aohong Pharmaceutical Company Limited* (錦州奧鴻藥業有限責任公司) ("**Aohong Pharma**") at a consideration of not more than RMB1,524.90 million, and completed its capital injection into Shanghai Henlius and Fochon Pharma, which further strengthened the Group's pharmaceutical manufacturing and R&D segment.

The Group has placed great emphasis on quality and risk management of the life cycle of its products and implemented stringent quality and safety control mechanisms and adverse drug reaction monitoring mechanisms at each stage of the production chain from R&D to sales, so as to ensure the R&D, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing segment fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, change management, deviation management, OOS investigation and audit on suppliers. The Group's pharmaceutical manufacturing segment continued to push forward qualification certifications, ensure fulfillment of the new GMP in China, push forward international standards, 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 at the end of the Reporting Period, 13 APIs of the Group received certifications from the Food and Drug Administration (FDA) of the United States ("**U.S.**"), EU Certification, Ministry of Health, Labour and Welfare of Japan and Federal Ministry of Health of Germany. 1 production line for oral solid dosage formulation and 2 production lines for injection and 2 for APIs of Guilin South Pharma Company Limited* (桂林南藥股份有限公司) also obtained PreQualification from the World Health Organization (WHO-PQ) and 1 production line of oral solid dosage formulation of Chongqing Yao Pharmaceutical Company Limited* (重慶藥友製藥有限責任公司) ("**Yao Pharma**") was recognized by FDA of Canada and of the U.S..

The Group has focused on innovation and R&D in long run and continued to increase investment in R&D. During the Reporting Period, the R&D expenses were RMB254 million, increased by 54.56% as compared with the corresponding period of 2013, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB195 million, representing 5.80% of the revenue of the pharmaceutical manufacturing and R&D segment. The Group continued to optimize its pharmaceutical R&D system that integrates imitation and innovation, increased investment in the "4+1" R&D platform, improved its innovation system, enhanced R&D capabilities, launched new products, and strengthened the core competitiveness of the Group. The Group owned national-level enterprise technical centers 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 their respective market segments.

As at the end of the Reporting Period, the Group had 125 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 (six indications), obtained approval of clinical trial and commenced clinical trial for one monoclonal antibody product (rituximab biosimilars), and obtained approval for the clinical trial for a new small molecular innovative chemical drug. During the Reporting Period, Chongqing Pharma Research obtained clinical approvals of loxoprofen sodium gels and iloperidone APIs and tablets. In addition, the Group continued to implement its patent strategy and the Group applied for a total of 24 patents, including 4 U.S. patents, in its pharmaceutical manufacturing segment.

Meanwhile, the Group creatively integrated domestic resources and continued to enhance its R&D capabilities. The "Technology Innovation Strategic Alliance" formed by the Company with prestigious research institutes in China is one of the "industry, academia and research strategic alliances" under the national major project of innovation and manufacturing of new drugs. The Group has also successfully passed inspection by the panel members of the Major Special Project Office of China, and received municipal government and major special project subsidies for three projects.

Pharmaceutical Distribution and Retail

The pharmaceutical distribution and retail business of the Group realized revenue of RMB757 million for the first half of 2014, representing an increase of 6.92% as compared with the corresponding period of 2013. As at the end of the Reporting Period, the Group's pharmaceutical retail brands, For Me Pharmacy and Golden Elephant Pharmacy, had a total of over 670 retail pharmacies. In the first half of 2014, For Me Pharmacy and Golden Elephant Pharmacy realized sales of RMB427 million, maintaining leading market share in the regional pharmaceutical retail markets of Shanghai and Beijing. Meanwhile, the Group actively explored the transformation of the pharmaceutical retail business model and tried new business models.

During the Reporting Period, Sinopharm, an associate of the Group, put continuous efforts in accelerating industry consolidation, expanding distribution network of pharmaceutical products and maintaining rapid growth in business. In the first half of 2014, Sinopharm realized revenue of RMB94,836 million, net profit of RMB2,308 million and net profits attributable to shareholders of RMB1,465 million, which represented an increase of 18.45%, 28.50% and 27.24% as compared with the corresponding period of 2013, respectively. As at the end of the Reporting Period, the distribution network of Sinopharm covered 31 provinces, autonomous regions and municipalities in China. Its direct customers included 12,142 hospitals (only referring to hospitals with ranking, including 1,668 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 18.72% as compared with the corresponding period of the previous year to RMB90,581 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB2,798 million generated during the Reporting Period, representing an increase of 23.01% as compared with the corresponding period of 2013, while its pharmaceutical retail network further expanded with retail pharmacies owned by Sinopharm Holding GuoDa Drug Store Co., Ltd.* (國藥控股國大藥房有限公司), its subsidiary, amounted to 1,944 as at the end of the Reporting Period.

Healthcare Services

In the first half of 2014, the Group, based on its substantially completed deployment of its healthcare services business integrating 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, further strengthened the operating capabilities of the healthcare institutions controlled by the Group, deepened hospitals' internal management, progressively promoted total cost management, increased efforts in recruiting talents, and facilitated the regional development of the Group's healthcare services business. During the Reporting Period, a new complex of Chancheng Hospital (禪城醫院) was completed and commenced operation, which established a foundation for creating the differentiated healthcare service platform. The tumor centre jointly established by Chancheng Hospital (禪城醫院) and Nanyang Hospital (南洋醫院) and the project in respect of establishment of a rehabilitation and body-check hospital initiated by Zhongwu Hospital (鐘吾醫院) have further diversified the healthcare service platform of the Group. In the first half of 2014, the healthcare services entities controlled by the Group realized total revenue of RMB550 million. As at the end of the Reporting Period, the total number of beds available for the public in Jimin Cancer Hospital (濟民腫瘤醫院), Guangji Hospital (廣濟醫院), Zhongwu Hospital (鐘吾醫院) and Chancheng Hospital (禪城醫院), controlled by the Group, was 2,090.

In addition, the Group proposed to participate in the privatization of Chindex by contributing not more than US$223.62 million and actively support and facilitate the development and deployment of hospital and clinic network under "United Family Hospital", a leading premium healthcare services brand under Chindex. In the first half of 2014, the United Family Hospital's businesses in Beijing, Shanghai and Tianjin grew significantly and maintained a good momentum. During the Reporting Period, revenue of the United Family Hospital increased by 20.33% to US$105.34 million as compared with the corresponding period of 2013, reflecting the growing market demand for premium healthcare services and the strong brand recognition of "United Family Hospital".

Medical Diagnosis and Medical Devices

In the first half of 2014, the Group furthered its development in the medical diagnosis and medical devices segment by increasing investments and enhancing business cooperation. During the Reporting period, the Group has invested in 21,304 ordinary shares of miacom Diagnostics GmbH, a German enterprise principally engaged in developing low-cost, efficient and convenient in-vitro diagnostic reagents of low cost, efficiency and convenience, representing 37% of the enlarged total share capital in issue of miacom Diagnostics GmbH, so as to further increase cooperation with international diagnosis companies and to extend the influence of the Group's diagnostic products in the international market. In addition, the Group has further cooperated with its investee Saladax Biomedical, Inc. in product development within the medical diagnosis segment. During the Reporting Period, the Group introduced and registered three products, namely the "5-fluorouracil assay kit (latex immuno-turbidimetric assays)", "paclitaxel assay kit (latex immuno-turbidimetric assays)" and "docetaxel assay kit (latex immuno-turbidimetric assays)", which further enriched the product line of the diagnostic reagents.

In respect of the medical devices segment, the Group actively fostered the business development of Alma Lasers Ltd. ("**Alma Lasers**") and reorganized the business operations of Chindex Medical Limited ("**CML**"). In 2014, Alma Lasers strengthened its new product portfolio, in particular, by increasing R&D of medical devices and extending its production line into the clinical treatment area. Its desktop diode laser device was approved by the FDA of the U.S. and its 1470 nano-surgical laser system also passed the qualifications for CE marking in July 2014.

During the Reporting Period, the Group realized revenue of RMB709 million from the manufacturing of medical diagnosis and medical devices segment, representing an increase of 65.27% as compared with the corresponding period of 2013. Excluding the impact of Alma Lasers, the Group's revenue from the manufacturing of medical diagnosis and medical devices segment during the Reporting Period increased by 17.06% as compared with the corresponding period of 2013. The revenue of distribution operations amounted to RMB118 million, representing a decrease of 8.81% as compared with the corresponding period of 2013. This was mainly due to adjustments to the agency business of the Group.

B. ***Analysis on Principal Operations***

(1) *Table of Analysis of Changes in Relevant Items of the Financial Statements*

Unit: RMB million

Items	January to June 2014	January to June 2013	Year-on-year change (%)
Revenue	**5,502**	4,474	22.98
Cost of sales	**3,187**	2,514	26.74
Selling and distribution expenses	**1,017**	886	14.86
Administrative expenses	**527**	441	19.67
R&D expenses	**254**	164	54.56
Finance costs	**187**	181	3.31
Net cash flow generated from operating activities	**404**	311	29.60
Net cash flow generated from investment activities	**–195**	–1,716	–88.63
Net cash flow generated from fund-raising activities	**776**	307	152.94
R&D expenditure	**297**	183	62.36

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

(2) *R&D Expenditures*

(1) Table for R&D expenditures

Unit: RMB million

R&D expenditures expensed for the Reporting Period	254
R&D expenditures capitalized for the Reporting Period	43
Total R&D expenditures	297
Percentage of total R&D expenditures on net assets (%)	1.70
Percentage of total R&D expenditures on revenue (%)	5.40

(2) Description

During the Reporting Period, R&D expenses amounted to RMB254 million, representing an increase over 54.56% as compared with the corresponding period of the previous year, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB195 million, accounting for 5.80% of the revenue of the pharmaceutical manufacturing and R&D segment. The increase was mainly due to the increase in the Group's investments in R&D of generic biopharmaceutical drugs and innovative drugs.

(3) Introduction on the progress of operation plans

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

C. *Industry, Products and Regional Operations*

(1) *Principle Business by Segment and Product*

Unit: RMB million

Business by segment

Segments	**Revenue**	**Cost of sales**	**Gross margin** *(%)*	**Year-on-year change in revenue** *(%)*	**Year-on-year change in cost of sales** *(%)*	**Year-on-year change in gross margin** *(%)*
Pharmaceutical manufacturing and R&D	3,360	1,711	49.08	10.72	14.93	–1.86
Pharmaceutical distribution and retail	757	648	14.40	6.87	7.80	–0.74
Medical diagnosis and medical devices *(note 1)*	827	409	50.54	48.21	40.02	2.89
Healthcare services *(note 2)*	550	412	25.09	232.15	229.65	0.57

Business by product

Products	**Revenue**	**Cost of sales**	**Gross margin** *(%)*	**Year-on-year change in revenue** *(%)*	**Year-on-year change in cost of sales** *(%)*	**Year-on-year change in gross margin** *(%)*
Western medicine and APIs immediate products	3,237	1,671	48.38	10.14	14.33	–1.89
Medical diagnosis and medical device products *(notes 1 & 3)*	709	333	53.03	65.43	59.15	1.85
Chinese patent drugs	123	40	67.48	28.51	47.49	–4.18

Note 1: The significant increase in revenue of the medical diagnosis and medical devices segment and the medical diagnosis and medical devices products were mainly due to the increase in sales of existing subsidiaries and the consolidation of Alma Lasers into the financial statements on 27 May 2013.

Note 2: The significant increase in revenue of the healthcare services segment was mainly due to the consolidation of Chancheng Hospital into the financial statements on 12 November 2013.

Note 3: The medical diagnosis and medical devices products refer to the products manufactured by the Group, excluding products distributed by the Group.

(2) *Business by Geographical Location*

Unit: RMB million

Region	**Revenue**	**Year-on-year change in revenue** *(%)*
Mainland China	4,789	20.23
Overseas countries or regions	713	45.42

Note: The significant increase in revenue in Mainland China and overseas countries or regions was mainly due to the increase in scale of principal businesses and the consolidation of Alma Lasers into the financial statements since 27 May 2013.

D. *Analysis on Major Subsidiaries and Investee Companies*

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

Unit: RMB million

Name	**Nature of business**	**Main products or services**	**Registered capital**	**Total assets**	**Net assets**	**Revenue**	**Operating profit**	**Net profit**
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Potassium Sodium Dehydroandrographolide Succinate, V Jialinetc.	197	1,700	840	1,011	112	98
Jiangsu Wanbang Biopharmaceutical Co., Ltd.	Pharmaceutical manufacturing	Wan Su Lin, Wan Su Ping etc.	440	2,025	877	847	106	84
Shine Star (Hubei) Biological Engineering Company Limited	Manufacturing of amino acid	Amino acid series products	51	1,001	460	602	27	25
Aohong Pharma *(note)*	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	951	736	319	202	157

Note: Aohong Pharma's data include fair value adjustment 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: RMB million

Name	Nature of business	Main products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.	Pharmaceutical investment	Chemical APIs, chemical agent, antibiotic, Chinese patent drug, biochemicals, wholesale of diagnostic drugs, industrial investment, trustee management and capital reorganization for pharmaceutical companies, domestic trading, retail chain, logistics and relevant advisory services	100	113,143	30,782	94,658	2,898	2,315

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

Unit: RMB million

Name	Method of acquisition	Net assets (as at 30 June 2014)	Net profit (from acquisition date to the end of June)	Acquisition date
Huanghe Pharma	Equity transfer	–2	—	16 June 2014

Unit: RMB million

Name	Method of disposal	Net assets (disposal date)	Net profit (from the beginning of the Reporting Period to disposal date)	Disposal date
Changqing Kangle Pharmaceutical Co., Ltd.	Equity transfer	34	0.10	29 January 2014

E. *Core Competence*

The Group has formed a relatively complete product portfolio in the five major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary tract, central nervous system, blood system and anti-infection) which are areas with the greatest potential to grow in China's pharmaceutical market. Each of the major pharmaceutical products of the Group has its own competitive advantages in their respective segments. In 2013, 15 formulation products and series of the Group each realized revenue of over RMB100 million.

The Group has developed internationalized R&D deployment 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 a high-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 at the end of the Reporting Period, there were 125 pipeline drugs and vaccines projects, 23 projects under clinical trial application, 10 projects under clinical trial, and 29 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation for the continuous improvement of the operating results of the Group in the future. As at the end of the Reporting Period, there was 825 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 focuses on developing its marketing capabilities. With a marketing team consisting of over 3,900 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 associate 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 was one of the first enterprises in the pharmaceutical industry in the PRC to develop internationally, and its production capacity has met the international standards, with several production lines recognized by related international certifications and some of the formulations and APIs entered into the international markets in a considerable scale. In the global market, the Group has been a pioneer in the manufacturing and R&D of anti-malaria products. The solid dosage formulation production line of Yao Pharma was recognized by FDA of the U.S..

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

In addition, the Group's capabilities in investment, merger and acquisition activities and consolidation have been widely recognized in the pharmaceutical industry, providing a solid foundation for the Group to make a leap-forward development in the future. Being listed on both the A-share market and the H-share market has 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.

F. *Employees and Remuneration Policies*

As at the end of the Reporting Period, the Group had a total of 17,529 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

2. Business Outlook for the Second Half of 2014

In 2014, the Group will continue to be committed to its mission of improving human health, adhere to its company philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the development of the pharmaceutical market in China as well as the rapid growth of generic drugs in mainstream markets such as Europe and the U.S.. It will adhere to the development strategies of organic growth, external expansion and integrated development, and further its efforts in acquiring quality companies in the pharmaceutical industry. By continuing to optimize and integrate resources in the pharmaceutical industry chain, strengthening product innovation and product marketing systems, positively implementing Internationalization and enhancing the core competence of the Group, the Group strives to further enhance its operating results. Meanwhile, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

Pharmaceutical R&D and Manufacturing

In the second half of 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 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 its existing key segments and products, the Group will further its efforts in promoting products such as You Di Er, You Li Tong, EPO, Bang Ting, Ao De Jin and Atomolan so as to maintain and further improve the leading position in their respective market segments.

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

Pharmaceutical Distribution and Retail

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

Healthcare Services

In the second half of 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 its investments in the healthcare services segment, and strengthen the established strategic deployment of its healthcare services business which integrates high-end healthcare services in coastal developed cities and specialty hospitals and general hospitals in second-tier and third-tier cities in an effort to expand the scale of our healthcare services business. The healthcare institutions controlled by the Group will further strengthen their disciplines and quality management, enhance operational efficiency and accelerate the business development. With the new complex and tumor centre of Chancheng Hospital (禪城醫院) commencing operation, the Group will continue to expand the coverage and regional influence of healthcare services of Chancheng Hospital. The Group will also promote the implementation of the healthcare and rehabilitation project of Taizhou Municipal Zanyang Hospital* (台州市立贊揚醫院) and Taizhou Zanyang Rehabilitation Centre* (台州市贊揚康養中心) and positively seek new opportunities for merger and acquisition of healthcare services. Furthermore, 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 Diagnosis and Medical Devices

In the second half of 2014, the Group will continue to develop and introduce products, launch new products and enrich new product lines for its diagnostic business. The Group will continue to enhance the development of domestic and overseas sales network and its professional sales team, strive to increase the market share of its diagnostic products including those newly introduced and registered in 2014, and actively seek opportunities to invest in quality diagnostic companies both domestically and internationally.

In the second half of 2014, the Group will increase its investments in R&D, manufacturing and sales of medical devices. Alma Lasers will further stimulate the R&D and sales of medical devices and synergy and innovation in service models with other business segments in order to extend its business from device supply to services. Meanwhile, the Group will continue to leverage on its strengths in expanding international operation, and with its existing overseas companies as platforms, vigorously explore cooperation 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 explore the financing channels domestically and internationally, optimize its financing structure and debt structure, lower financial costs and further enhance its core competence, so as to consolidate its leading position in the industry.

3. Other Events

(a) *Acquisition of 28.146% Equity Interest in Aohong Pharma*

As disclosed in the announcements of the Company dated 28 February 2014 and 8 April 2014, on 28 February 2014, the Company entered into an equity transfer agreement with Xinjiang Boze Equity Investment Limited Partnership* (新疆博澤股權投資有限合夥企業) ("**Xinjiang Boze**"), Aohong Pharma and Mr. Yu Hongru (于洪儒), pursuant to which, Shanghai Fosun Pharmaceutical Industrial Development Limited* (上海復星醫藥產業發展有限公司) ("**Fosun Pharmaceutical Industrial**"), a wholly-owned subsidiary of the Company, intended to acquire an aggregate of 28.146% equity interest in Aohong Pharma from Xinjiang Boze at a consideration of not more than RMB1,866.08 million. On 29 May 2014, such transaction was approved at the first extraordinary general meeting of the Company. The transaction will be carried out in two phases. During the Reporting Period, Fosun Pharmaceutical Industrial acquired 23% equity interest in Aohong Pharma at a consideration of not more than RMB1,524.90 million, the registration of which with the industry and commerce authorities was completed on 4 June 2014.

(b) *Participation in the Privatization of and Acquisition of 30% Equity Interest in Chindex*

As disclosed in the announcements of the Company dated 17 February 2014, 8 April 2014, 14 April 2014, 18 April 2014 and 20 April 2014 and the circular of the Company dated 13 May 2014, Fosun Industrial Co., Limited (復星實業(香港)有限公司) ("**Fosun lndustrial**"), a wholly-owned subsidiary of the Company, intended to participate in the privatization of Chindex using a consideration of not more than US$223.62 million and an aggregate of 3,157,163 class A common stock of Chindex, and to aquire 30% equity interest in CML at a consideration not exceeding US$45.00 million. Such transaction was approved at the 2013 annual general meeting of the Company on 30 June 2014, subject to approval at the general meeting of Chindex.

(c) *Termination of Intellectual Property, Development & Commercialization Transfer Agreements*

On 23 October 2013, Fochon Pharma, an indirectly-owned subsidiary of the Company, entered into the intellectual property, development and commercialization rights transfer agreement in respect of Fotagliptin Benzoate and the intellectual property, development and commercialization rights transfer agreement in respect of Pan-HER Inhibitors (collectively, the "**Transfer Agreements**") with SELLAS Clinicals Holding AG ("**SELLAS**"). As of 30 June 2014, the accumulated consideration payable by SELLAS amounted to EUR8 million, with the actual paid consideration amounted to EUR1.50 million. As disclosed in the announcement of the Company dated 30 June 2014, as SELLAS failed to timely perform its payment obligations under the Transfer Agreements and pay the balance of the consideration due and payable to Fochon Pharma upon reasonable notices and requests, Fochon Pharma sent to SELLAS a written notice to terminate the Transfer Agreements on 30 June 2014.

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

(a) 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) Placing of H Shares

On 26 March 2014, the Company entered into a placing agreement with UBS AG, Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited and CCB International Capital Limited (as the placing agents) in relation to the placing of 67,214,000 H shares of the Company ("**H Shares**") at a placing price of HK$26.51 per H Share (exclusive of brokerage, if any) (the "**Placing**").

The Company announced on 3 April 2014 that all conditions precedent to the Placing were satisfied and completion of the Placing took place on 3 April 2014. An aggregate of 67,214,000 new H Shares, representing approximately 16.67% of the total number of H Shares in issue as enlarged by the allotment and issue of the H Shares, have been successfully allotted and issued by the Company on 3 April 2014 at the placing price of HK$26.51 per H Share to no less than six but no more than ten placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company. The net proceeds from the Placing are intended be used to repay interest-bearing debts, replenish the working capital of the Group, and finance potential mergers and acquisitions domestically or overseas. As of the date of this announcement, the Company has utilized such net proceeds in the manner consistent with the purposes mentioned above.

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

USE OF PROCEEDS

(a) In May 2010, upon approval by China Securities Regulatory Commission (Zheng Jian Xu Ke [2010] No.334), the Company made a non-public offer of 31,820,000 domestic shares of RMB1.00 each ("**A Shares**") in the PRC at the issue price of RMB20.60 per share. The total proceeds raised from such offer amounted to RMB655 million and, after deducting the underwriting commission attributable to the brokers and other expenses, the net proceeds were RMB635 million.

As at 31 December 2013 and 30 June 2014, the Group applied an accumulated amount of proceeds of approximately RMB515 million and RMB539 million, respectively.

Details of the use of proceeds of the A Shares are set out below:

Unit: RMB million

Projects undertaken	**Amount of proceeds proposed to be applied**	**Amount of proceeds applied** As at 31 December 2013	**As at 30 June 2014**
Recombinant human insulin (API + formulation) industrialized project	371	269	**281**
Artesunate high-technology industrialized model project *(Note 1)*	190	171	**183**
In-vitro diagnostic products production facilities project *(Note 2)*	74	74 *(Note 3)*	**74**

Note 1: The final payment remained to be paid following the completion and acceptance of the project.

Note 2: The relevant designated account for the proceeds had been cancelled following the completion and acceptance of the project.

Note 3: The accumulated amount of proceeds applied included the interest income of RMB0.04 million from a designated account for the proceeds.

(b) In October 2012, upon approval by China Securities Regulatory Commission through the Approval Document (Zheng Jian Xu Ke [2012] No.444), the Company made a global offering of 336,070,000 H Shares of RMB1.00 each and the total proceeds were HK$3,966 million. The net proceeds, together with relevant interest income, and after deducting the listing expenses of HK$84 million paid overseas, were HK$3,882 million. As at 31 December 2013 and 30 June 2014, the Group applied an accumulated amount of proceeds of approximately HK$2,584 million and HK$3,116 million, respectively, in the manner consistent with the purposes set out in the prospectus of the Company dated 17 October 2012.

Details of the use of proceeds from such issue of the H Shares are set out below:

Unit: RMB million

Usage	**Amount of proceeds proposed to be applied**	**Amount of proceeds applied** As at 31 December 2013	**As at 30 June 2014**
Acquisitions and consolidation in the areas of pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services and diagnostic products and medical device segment	1,863	1,038	1,193
Funding for existing research and develop projects, expansion of research and development teams and acquiring new research and development projects	738	224	602
Repayment of part of principal and interest of interest-bearing debts	893	933	933
Supplementing our Group's general working capital	388	388	388

(c) In March 2014, upon approval by China Securities Regulatory Commission through the Approval Document (Zheng Jian Xu Ke [2014] No.240), the Company issued an additional of 67,214,000 H Shares of RMB1.00 each, and the total proceeds raised from such issue were HK$1,782 million. The net proceeds, together with relevant interest income, after deducting the listing expenses of HK$20 million paid overseas, were HK$1,762 million.

As at 30 June 2014, the Group applied an accumulated amount of proceeds of approximately HK$1,244 million.

As at 30 June 2014, the use of proceeds from such issue of H Shares was as follows:

Unit: HK$ million

Usage	Amount of proceeds proposed to applied	Amount of proceeds applied As at 30 June 2014
Repayment of interest-bearing debts, replenishing the working capital of the Group and financing potential mergers and acquisitions domestically or overseas	1,762	**1,244**

COMPLIANCE WITH THE CG CODE

As a public company listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), the Company has remained in strict compliance with the articles of association of the Company, relevant laws and regulations, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**"). The Company is committed to continually improve its corporate governance structure, and to optimize its internal management and control and its business operation in order to improve the corporate governance of the Company.

The corporate governance practices adopted by the Company are based on the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Hong Kong Listing Rules. The Company has complied with all the applicable code provisions contained in the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions 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 INTERIM RESULTS BY THE AUDIT COMMITTEE

The Company's interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS AND 2014 INTERIM REPORT

This announcement is published on the websites of the Company (*http://www.fosunpharma.com*) and the Hong Kong Stock Exchange (*http://www.hkexnews.hk*). The 2014 Interim Report will be dispatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong 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
26 August 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. Wang Pinliang, Ms. Kang Lan and Mr. John Changzheng Ma; 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*