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 2014

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 2014 (the "**Reporting Period**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
REVENUE	*3*	**11,938,243**	9,921,487
Cost of sales		**(6,718,569)**	(5,543,369)
Gross profit		**5,219,674**	4,378,118
Other income	*4*	**124,958**	120,901
Selling and distribution expenses		**(2,300,424)**	(1,843,534)
Administrative expenses		**(1,162,601)**	(983,025)
Research and development expenses		**(564,218)**	(437,613)
Other gains	*6*	**1,239,446**	789,766
Other expenses		**(403,956)**	(196,096)
Interest income		**69,764**	63,846
Finance costs	*7*	**(415,040)**	(350,451)
Share of profits and losses of:			
Joint ventures		**(18,698)**	(10,765)
Associates		**929,148**	782,462
PROFIT BEFORE TAX	*5*	**2,718,053**	2,313,609
Income tax expense	*8*	**(348,214)**	(358,158)
PROFIT FOR THE YEAR		**2,369,839**	1,955,451
Attributable to:			
Owners of the parent		**2,112,869**	1,582,561
Non-controlling interests		**256,970**	372,890
		2,369,839	1,955,451
Earnings per share attributable to ordinary equity holders of the parent:	*10*		
Basic		**RMB0.92**	RMB0.71
Diluted		**RMB0.92**	RMB0.71

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE YEAR	**2,369,839**	1,955,451
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments		
Changes in fair value	**580,276**	550,896
Reclassification adjustments for gains included in the consolidated statements of profit or loss		
— Gain on disposal	**(662,074)**	(191,873)
Income tax effect	**15,912**	(65,702)
	(65,886)	293,321
Share of other comprehensive (loss)/income of associates	**(7,993)**	102,281
Exchange differences on translation of foreign operations	**6,190**	(372)
Other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(67,689)**	395,230
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,302,150**	2,350,681
Attributable to:		
Owners of the parent	**2,051,338**	1,981,805
Non-controlling interests	**250,812**	368,876
	2,302,150	2,350,681

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,694,638**	4,930,175
Prepaid land lease payments		**862,037**	779,873
Goodwill		**3,255,042**	2,976,039
Other intangible assets		**2,049,826**	1,859,570
Investments in joint ventures		**121,382**	118,177
Investments in associates		**11,727,481**	8,765,410
Available-for-sale investments		**2,499,156**	2,664,409
Deferred tax assets		**101,222**	88,091
Other non-current assets		**304,581**	250,015
Total non-current assets		**26,615,365**	22,431,759
CURRENT ASSETS			
Inventories		**1,604,562**	1,614,272
Trade and bills receivables	*11*	**1,778,078**	1,460,011
Prepayments, deposits and other receivables		**346,387**	593,936
Due from related companies		**215,188**	206,715
Equity investments at fair value through profit or loss		**33,771**	44,196
Cash and bank balances		**3,695,698**	3,067,414
		7,673,684	6,986,544
Assets of a disposal group classified as held for sale		**990,341**	—
Total current assets		**8,664,025**	6,986,544

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*12*	**875,149**	1,103,160
Other payables and accruals		**2,738,097**	2,514,339
Interest-bearing bank and other borrowings		**4,939,433**	1,424,210
Due to related companies		**179,131**	37,693
Tax payable		**216,392**	198,719
		8,948,202	5,278,121
Liabilities directly associated with the assets classified as held for sale		**589,118**	—
Total current liabilities		**9,537,320**	5,278,121
NET CURRENT (LIABILITIES)/ASSETS		**(873,295)**	1,708,423
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,742,070**	24,140,182
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**3,856,675**	4,199,709
Deferred tax liabilities		**1,929,331**	1,783,520
Deferred income		**139,593**	95,624
Other long-term liabilities		**770,356**	453,702
Total non-current liabilities		**6,695,955**	6,532,555
Net assets		**19,046,115**	17,607,627

	Notes	**31 December 2014** *RMB'000*	31 December 2013 *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		**2,311,611**	2,240,462
Reserves		**13,659,164**	12,428,848
Proposed final dividend	*9*	**647,187**	605,987
		16,617,962	15,275,297
Non-controlling interests		**2,428,153**	2,332,330
Total equity		**19,046,115**	17,607,627

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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 historically recognized its share of the changes in the net assets of the associates of the Group that are not recognised in profit or loss or other comprehensive income of the associates, and are not distributions received into the statement of profit or loss of the Group such as the change of the Group's share of ownership interest in the associate indirectly due to the capital contribution made by other investors of the associates ("Deemed Disposal of Interests in Associates") in the consolidated financial statements of the Group prepared under HKFRSs. There is no difference on the accounting policy adopted on such transactions between the financial statements prepared under generally accepted accounting principles in the PRC ("PRC GAAP") and HKFRSs before 31 December 2013.

However, from 1 July 2014, the Group adopted the revised "Accounting Standard for Business Enterprises No.2 — Long-term Equity Investments" ("ASBE 2") issued by the Ministry of Finance of the PRC (the "MOF") when preparing the financial statements prepared under PRC GAAP. ASBE 2 requires that the investor should recognize its share of the changes in the net assets of the associates of the Group that are not recognised in profit or loss or other comprehensive income of the associates, and are not distributions received into the capital reserve of the Group including the gain on Deemed Disposal of Interests in Associates, according to which, the Group has adopted the changes in accounting policy and made retrospective adjustments in the consolidated financial statements of the Group prepared under PRC GAAP for the year ended 31 December 2014.

According to the Interpretation No.2 to Accounting Standard for Business Enterprises issued by the MOF, those A+H share listed companies shall adopt consistent accounting policies of the same transactions in the financial statements prepared under PRC GAAP and HKFRSs. Accordingly, the Group changes its accounting policy during the year regarding to the recognition of its share of the changes in the net assets of the associates of the Group that are not recognised in profit or loss or other comprehensive income of the associates, and are not distributions in the consolidated financial statements of the Group prepared under HKFRSs with retrospective adjustments made to keep consistent with that prepared under PRC GAAP.

The quantitative impact regarding to the change of above accounting policy on the consolidated financial statements for the year ended 31 December 2014 and comparative information for the year ended 31 December 2013 is summarised below:

Impact on the consolidated statement of profit or loss:

	Year ended 31 December 2014 *RMB'000* *Before change*	Change in accounting policy RMB'000	Year ended 31 December 2014 RMB'000 *After change*
Other gains	**1,936,309**	**(696,863)**	**1,239,446**
Profit before tax	**3,414,916**	**(696,863)**	**2,718,053**
Income tax expense	**(522,430)**	**174,216**	**(348,214)**
Profit for the year	**2,892,486**	**(522,647)**	**2,369,839**
Profit attributable to:			
Owners of the parent	**2,635,516**	**(522,647)**	**2,112,869**
Non-controlling interests	**256,970**	**—**	**256,970**
	2,892,486	**(522,647)**	**2,369,839**
Earnings per share attributable to ordinary equity holders of the parent:			
Basic	**RMB1.15**	**RMB(0.23)**	**RMB0.92**
Diluted	**RMB1.15**	**RMB(0.23)**	**RMB0.92**

	Year ended 31 December 2013 *RMB'000* *Before change*	Change in accounting policy *RMB'000*	Year ended 31 December 2013 *RMB'000* *After change*
Other gains	1,382,429	(592,663)	789,766
Profit before tax	2,906,272	(592,663)	2,313,609
Income tax expense	(506,324)	148,166	(358,158)
Profit for the year	2,399,948	(444,497)	1,955,451
Profit attributable to:			
Owners of the parent	2,027,058	(444,497)	1,582,561
Non-controlling interests	372,890	—	372,890
	2,399,948	(444,497)	1,955,451
Earnings per share attributable to ordinary equity holders of the parent:			
Basic	RMB0.90	RMB(0.19)	RMB0.71
Diluted	RMB0.90	RMB(0.19)	RMB0.71

The change in accounting policy had no impact neither on the consolidated statements of financial position as at 31 December 2013 or 1 January 2013, nor on the consolidated statement of cash flow for the year ended 31 December 2013.

In addition, the Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Other than explained below regarding the impact of amendments to HKFRS 10, HKFRS 12, HKAS 27(2011), HKAS 32, HK(IFRIC)-Int 21, HKFRS 3 and HKFRS 13, the adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

(a) 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 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 amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) 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 have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(d) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(e) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

1.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Amendments Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

The Annual Improvements to HKFRSs 2010–2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 1.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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 production and sale of medical equipment and diagnostic products;

(d) the healthcare service mainly engages in the provision of healthcare service 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 corporate 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 corporate 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 corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2014

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

* Segment results are obtained as segment revenue less costs 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).

Year ended 31 December 2013

	Pharma-ceutical manufacturing and R&D RMB'000 (Restated)	Pharma-ceutical distribution and retail RMB'000 (Restated)	Medical diagnosis and medical devices RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000 (Restated)
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	537,609	1,893	1,943	685	622	—	542,752
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	1,762,452	715,268	84,193	58,764	(1,802)	58,625	2,313,609
Tax	(292,428)	(8,441)	(18,348)	(16,714)	(181)	—	(336,112)
Unallocated tax							(22,046)
Profit for the year	1,470,024	706,827	65,845	42,050	(1,983)	58,625	1,955,451
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	—	102,407	—	—	118,177
Investments in associates	1,456,257	6,913,184	230,340	3,592	162,037	—	8,765,410
Unallocated assets							4,100,149
Total assets							29,418,303
Segment liabilities	4,573,279	532,464	1,083,091	598,738	14,597	(2,814,039)	3,988,130
Unallocated liabilities							7,822,546
Total liabilities							11,810,676
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 investments in associates	—	—	—	—	46,000	—	46,000
Capital expenditure**	876,893	17,060	28,700	110,290	62,843	—	1,095,786

* Segment results are obtained as segment revenue less costs 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).

Geographical information

(a) ***Revenue from external customers***

	2014	2013
	RMB'000	*RMB'000*
Mainland China	**10,496,519**	8,774,335
Overseas countries and regions	**1,441,724**	1,147,152
	11,938,243	9,921,487

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

(b) ***Non-current assets***

	2014	2013
	RMB'000	*RMB'000*
Mainland China	**20,982,085**	18,140,920
Overseas countries and regions	**3,032,902**	1,538,339
	24,014,987	19,679,259

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 2014 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:

	2014	2013
	RMB'000	*RMB'000*
Sale of goods	**10,502,231**	9,274,446
Rendering of services	**1,425,073**	638,457
Sale of materials	**10,939**	8,584
	11,938,243	9,921,487

4. OTHER INCOME

	2014	2013
	RMB'000	*RMB'000*
Dividend income from available-for-sale investments	**50,253**	25,699
Government grants	**74,705**	95,202
	124,958	120,901

5. PROFIT BEFORE TAX

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

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories sold	**5,760,790**	5,186,887
Cost of services provided	**957,779**	356,482
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**1,493,991**	1,226,333
Retirement benefits:		
Defined contribution fund	**135,207**	82,592
Accommodation benefits:		
Defined contribution fund	**48,119**	38,962
Share-based payment expense	**38,360**	9,707
	1,715,677	1,357,594
Research and development costs:		
Current year expenditure excluding amortisation of other intangible assets	**522,544**	402,894
Less: Government grants for R&D projects*	**(10,703)**	(59,020)
	511,841	343,874
Auditors' remuneration	**4,380**	4,500
Operating lease payments	**60,110**	59,041
Depreciation of items of property, plant and equipment	**459,310**	334,397
Amortisation of prepaid land lease payments	**20,199**	13,118
Amortisation of other intangible assets	**83,530**	72,983
Provision for impairment of goodwill	**202,500**	—
Provision for impairment of other intangible assets	**83,995**	—
Provision for impairment of property, plant and equipment	**3,550**	—
Provision for impairment of inventories	**27,708**	27,937
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	**15,854**	8,625
Fair value loss/(gain) on equity investments at fair value through profit or loss	**10,702**	(30,370)
Foreign exchange (gain)/loss, net	**(10,463)**	49,483
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets	**(2,099)**	10,128
Donations	**7,350**	4,243

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

6. OTHER GAINS

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Gain on disposal of interests in associates and joint ventures	**266,186**	532,816
Fair value gains on equity investments at fair value through profit or loss	**—**	30,370
Gain on disposal of available-for-sale investments	**682,203**	191,873
Gain on disposal of a subsidiary	**15,918**	—
Gain on disposal of equity investments at fair value through profit or loss	**—**	25,069
Gain on settlement of payable balance not to be paid	**256,015**	—
Others	**19,124**	9,638
	1,239,446	789,766

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**424,595**	365,905
Less: Interest capitalised	**(9,555)**	(15,454)
Interest expenses, net	**415,040**	350,451

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. ("ALMA"), a subsidiary of the Company incorporated in Israel, is based on a preferential rate of 16%.

	2014	2013
	RMB'000	*RMB'000*
		(Restated)
Current		
— Mainland China	**399,289**	286,403
— Hong Kong	**2,897**	114,536
— Israel and others	**15,384**	11,788
Deferred	**(69,356)**	(54,569)
Total tax charge for the year	**348,214**	358,158

9. DIVIDENDS

Cash dividend

	2014	2013
	RMB'000	*RMB'000*
Proposed final — RMB0.28 (2013: RMB0.27) per ordinary share	**647,187**	605,987

The Company proposed to distribute a cash dividend of RMB0.28 (inclusive of tax) for each ordinary share to all shareholders. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the final dividend amount will be determined by of the number of the ordinary shares on the dividend payment date.

The amount of the proposed final dividend of RMB647,187,000 is calculated based on the total number of ordinary shares of the Company of 2,311,380,364 on 24 March 2015.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,294,807,864 (2013: 2,240,462,364) 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 2014 and 2013 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:

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**2,112,869**	1,582,561

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares	**2,294,807,864**	2,240,462,364

11. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**1,342,232**	1,164,220
Bills receivable	**435,846**	295,791
	1,778,078	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, based on the invoice date and net of provisions, as at the respective reporting dates is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**1,336,762**	1,161,231
1 to 2 years	**31,772**	18,479
2 to 3 years	**5,097**	7,397
Over 3 years	**32,217**	21,100
	1,405,848	1,208,207
Less: Provision for impairment	**(63,616)**	(43,987)
	1,342,232	1,164,220

12. TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**804,162**	957,572
Bills payable	**70,987**	145,588
	875,149	1,103,160

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:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**788,282**	947,748
1 to 2 years	**9,287**	4,878
2 to 3 years	**2,974**	944
Over 3 years	**3,619**	4,002
	804,162	957,572

13. EVENTS AFTER THE REPORTING PERIOD

(a) Repurchase and cancellation of certain unlocked restricted A shares

Pursuant to the restricted A share incentive scheme as adopted by the Company (the "Restricted A Share Incentive Scheme"), since three share incentive participants (the "Resigned Participants") have resigned from their respective positions and terminated their employment contracts with the Company or the relevant subsidiary, the restricted A shares held by the Resigned Participants no longer satisfy the conditions for unlocking. As resolved by the Company's 40th meeting of the sixth session of the board of directors and the sixth session of the Supervisory Committee held on 19 January 2015, a total of 231,000 restricted A shares (the "Repurchased Restricted A Shares") which have been granted to the Resigned Participants but have not been unlocked, shall be repurchased and cancelled at a repurchase price of RMB6.08 per share for a total repurchase consideration of RMB1,404,480, and the dividends from the respective restricted A shares for year 2013 distributable to the Resigned Participants and held in escrow by the Company shall be forfeited by the Company. On 12 February 2015, the Repurchased Restricted A Shares were cancelled, following which, the total issued shares of the Company reduced from 2,311,611,364 to 2,311,380,364.

(b) Unlocking and trading of the first tranche of restricted A shares

On 7 January 2014, in accordance with the Restricted A Share Incentive Scheme, the Company granted a total of 3,935,000 restricted A shares of the Company to 27 share incentive participants. As of 12 February 2015, the lock-up period for the first tranche of restricted A shares has expired. In the Company's 40th meeting of the sixth session of the board of directors and the sixth session of the Supervisory Committee held on 19 January 2015, the directors and supervisors of the Company have considered and approved, respectively, the resolution in relation to the fulfilment of the conditions for unlocking the first tranche of restricted A shares, and the conditions for unlocking the restricted A shares have been satisfied by the share incentive participants. As a result, a total of 1,222,320 restricted A shares have been unlocked and commenced trading on 25 February 2015. The total issued share capital of the Company did not change following the unlocking and trading of the aforementioned restricted A shares.

(c) Completion of disposal of equity interests in Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy

On 10 December 2014, the Company entered into certain equity transfer agreements with Sinopharm Holding GuoDa Drug Store Co., Ltd. ("Guoda Drug Store"), pursuant to which, the Company agreed to sell and Guoda Drug Store agreed to purchase 53.13% equity interest in Beijing Golden Elephant Pharmacy Medicine Chain Company Limited ("Golden Elephant Pharmacy"), 97% equity interest in Shanghai Fosun Pharmaceutical Company Limited ("Fosun Pharmaceutical") and 92% equity interest in Shanghai For Me Yixing Pharmacy Chain-Store Company Limited ("For Me Pharmacy") for aggregate considerations of approximately RMB414,356,000. On 4 January 2015 and 9 January 2015, the disposal transactions were completed following the completion of changes in business registrations and each of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy ceased to be subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2014, the global economic downturn, slowdown of the domestic economic growth, continuing reform of the medical system in the People's Republic of China ("**PRC**" or "**China**") and slow pharmaceutical manufacturing industry growth have brought policy opportunities to the development of medical services. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical and healthcare businesses, continued to develop product innovation and improve management, actively promoted the strategies of organic growth, external expansion and integrated development, and thereby maintaining the growth of the principal businesses.

During the Reporting Period, the Group realized revenue of RMB11,938 million, representing an increase of 20.33% as compared to 2013, of which, the Group realized revenue of RMB7,265 million in pharmaceutical manufacturing and research and development (R&D) segment, representing an increase of 11.36% as compared to 2013. Revenue from healthcare service business amounted to RMB1,186 million, representing an increase of 149.68% as compared to 2013. The increase in the revenue of the Group was mainly due to the growth in revenue from the manufacturing business segment and healthcare service business segment.

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

Unit: RMB million

Business segment	**Revenue 2014**	Revenue 2013	Year-on-year increase/ decrease *(%)*
Pharmaceutical manufacturing and R&D	**7,265**	6,524	11.36
Pharmaceutical distribution and retail	**1,542**	1,502	2.66
Healthcare services	**1,186**	475	149.68
Manufacturing of medical diagnosis and medical devices	**1,496**	1,081	38.39
Distribution of medical diagnosis and medical devices	**435**	326	33.44

The Group has fully implemented nine Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC during the period from January to July 2014 when preparing the annual financial statements for 2014, and the consolidated financial statements have been adjusted retrospectively according to the changes in the accounting policies. The Group recorded profit before tax of RMB2,718 million and profit for the year attributable to owners of the parent of RMB2,113 million for 2014, each representing an increase of 17.48% and 33.51%, respectively, as compared with that in the consolidated financial statements for 2013 that has been retrospectively adjusted. The impacts of the above changes in accounting policy on the consolidated financial statements of the Group for 2014 and the comparative period are as follow:

Unit: RMB million

	After retrospective adjustments			Before retrospective adjustments		
Accounting Items	**2014**	2013	**Year-on-year increase/ decrease** *(%)*	**2014**	2013	**Year-on-year increase/ decrease** *(%)*
Profit for the year attributable to owners of the parent	**2,113**	1,583	33.51	**2,636**	2,027	30.02

The increase in each of the profit before tax and profit for the year attributable to owners of the parent was mainly due to (1) the steady growth maintained by businesses of the Group; and (2) the rapid growth maintained by Sinopharm Group Co. Ltd. ("**Sinopharm**"), an associate of the Company.

During the Reporting Period, the Group continued to increase its investments in R&D, and completed its capital increase in Shanghai Henlius Biotech Company Limited* ("**Shanghai Henlius**"), Chongqing Fochon Pharmaceutical Research Company Limited* ("**Fochon Pharma**") and Shanghai SunTech Pharmaceutical Co., Ltd.* ("**SunTech Pharma**") so as to effectively advance the R&D of generic biopharmaceutical drugs and innovative drugs. During the Reporting Period, the Group applied for 86 patents, including 6 patents in the United States ("**U.S.**") and 3 applications under the Patent Cooperation Treaty ("**PCT**"), in its pharmaceutical manufacturing and R&D segment. The pharmaceutical manufacturing and R&D segment of the Group obtained 36 licensed patents, including 35 invention patents (of which 17 patents were obtained in the U.S., Japan and Europe). In addition, during the Reporting Period, Hunan Dongting Pharmaceutical Company Limited* ("**Dongting Pharma**")'s Escitalopram API and tablets, a new chemical drug of category 3.1, Guilin South Pharma Company Limited* ("**Guilin Pharma**")'s Sulfadoxine and Pyrimethamine tablet, a new chemical drug of category 3.2, Chongqing Yao Pharmaceutical Company Limited* ("**Yao Pharma**")'s dl-α tocopherol APIs and Suzhou Erye Pharmaceutical Company Limited* ("**Erye Pharmaceutical**")'s enoxaparin sodium for injection, a chemical generic drug of category 6, were granted manufacturing approval. As at the end of the Reporting Period, the Group had 125 pipeline drug, generic drug, generic biopharmaceutical drug and vaccine projects. During the Reporting Period, the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB452 million, representing 6.2% of the revenue of the pharmaceutical manufacturing and R&D segment.

During the Reporting Period, the Group further increased its investment in the healthcare services segment. The Group participated in the privatization of Chindex International, Inc. ("**Chindex**") 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. Meanwhile, the Group continued to reinforce its 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. A new complex of Chancheng Hospital (禪城醫院), "Excelsior Tower" (精進樓), was completed and commenced operation, establishing a foundation for creating differentiated healthcare service platform. The tumor centre jointly established by Foshan Chancheng Central Hospital Company Limited* (佛山市禪城區中心醫院有限公司) and Guangzhou Nanyang Cancer Hospital Co., Ltd.* (廣州南洋腫瘤醫院有限公司), the laser plastic surgery center established under the cooperation of Chancheng Hospital (禪城醫院) and Alma Lasers Ltd. ("**Alma Lasers**"), and the project in respect of establishment of a rehabilitation and body-check hospital initiated by Suqian Zhongwu Hospital Co., Ltd.* (宿遷鍾吾醫院有限公司) have further diversified the healthcare service platform of the Group. Furthermore, the Taizhou Zanyang Medical Care Project (i.e., Taizhou Public Zhedong Medical Care Investment and Management Company Limited* (台州市立浙東醫養投資管理有限公司) and its ancillary hospitals) have commenced construction, which will become a platform for the Group to explore new healthcare models.

Furthermore, the Group vigorously promoted its international strategy. During the Reporting Period, the Group invested in approximately 37% equity interest in miacom Diagnostics GmbH, a German enterprise principally engaged in developing low-cost, efficient and convenient in-vitro diagnostic reagents. The Group also entered into agreements (i) with Nature's Sunshine Products, Inc., a U.S. company listed on NASDAQ principally engaged in manufacturing and sale of healthcare products, to subscribe for approximately 15% equity interest issued by Nature's Sunshine Products, Inc.; (ii) with Amerigen Pharmaceuticals, Ltd. ("**AMG**"), a U.S. developer and manufacturer of oral sustained-release and controlled-release generic drug, to acquire additional class A-1 preference shares representing approximately 24.1% of the total share capital of AMG; and (iii) with Genefirst Limited, a company from the United Kingdom ("**U.K.**") principally engaged in developing and manufacturing molecular diagnostic products for infectious diseases, cancer and personalized medicine, to acquire approximately 35.23% equity interest in it.

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB7,265 million, representing an increase of 11.36% as compared to 2013, segment results of RMB1,103 million, representing a decrease of 8.18% as compared to 2013, and segment profit of RMB1,095 million, representing a decrease of 25.53% as compared to 2013. Changes in segment profit were mainly due to the effect of post-tax gain recognized from the disposal and the share of profits of associates resulting from the disposal of equity interest of Tongjitang Chinese Medicines Company in 2013 amounting to RMB451 million. Excluding such effect, the profit of the pharmaceutical manufacturing and R&D segment grew by 7.45% as compared to 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 2014, the sales of the Group's major products in therapeutic areas such as cardiovascular system, metabolism and alimentary system, anti-infection and anti-tumor maintained rapid growth, recorded a year-on-year growth of 25.24%, 17.39%, 30.37% and 254.37%, respectively. Among the new products, the sales of You Di Er (優帝爾) (alprostadil dried emulsion), a product in the cardiovascular system therapeutic area, and You Li Tong (優立通) (febuxostat tablets), a product in the metabolism therapeutic area, had experienced prominent growth.

In 2014, the Group had 17 formulation items or series with sales over RMB100 million, among which sales of the products such as Xihuang capsules (西黃膠囊) and compound aloe capsules (複方蘆薈膠囊) exceeded RMB100 million for the first time and the sales of the products such as Ao De Jin (奧德金) and Atomolan series (阿托莫蘭系列) exceeded RMB500 million.

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	**2014**	2013	Year-on-year change (%)
Major products of cardiovascular system therapeutic area *(note 1)*	**654**	522	25.24
Major products of central nervous system therapeutic area *(note 2)*	**892**	838	6.46
Major products of blood system therapeutic area *(note 3)*	**246**	278	–11.75
Major products of metabolism and alimentary system therapeutic area *(note 4)*	**1,516**	1,291	17.39
Major products of anti-infection therapeutic area *(note 5)*	**1,100**	844	30.37
Major products of anti-tumor therapeutic area *(note 6)*	**148**	42	254.37
Major products of APIs and intermediate products *(note 7)*	**903**	934	–3.26

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 system 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 anti-tumor therapeutic area include Xihuang capsules and pemetrexed disodium;

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

During the Reporting Period, the Group entered into agreements to acquire 51% equity interest in Jiangsu Huanghe Pharmaceutical Company Limited* ("**Huanghe Pharma**"), 23% equity interest in Jinzhou Aohong Pharmaceutical Company Limited* ("**Aohong Pharma**") (which, as at the end of the Reporting Period, was held by the Group as to 93%) and 65% equity interest in Erye Pharmaceutical and to subscribe for additional class A-1 preference shares in AMG representing approximately 24.1% of the total share capital of AMG. It also completed its capital injection into Shanghai Henlius, Fochon Pharma and SunTech 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, out-of-specification (OOS) investigation and audit on suppliers. The Group's pharmaceutical manufacturing segment continued to push forward qualification certifications, ensure fulfillment of the new Good Manufacturing Practice (GMP) in China, push forward international standards, and encourage voluntary adoption of international standards such as 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, 14 APIs of the Group received certifications from the U.S. Food and Drug Administration ("**FDA**"), European Union (EU) Certification, Ministry of Health, Labour and Welfare of Japan, Federal Ministry of Health of Germany. 1 production line for oral solid dosage formulation, 2 production lines for injection and 2 production lines for APIs of Guilin Pharma also obtained PreQualification from the World Health Organization (WHO-PQ), and 1 production line of oral solid dosage formulation of Yao Pharma was recognized by the Canada FDA and the U.S. FDA.

The Group has focused on innovation and R&D in long run and continued to increase investment in R&D. During the Reporting Period, the R&D expenses were RMB564 million, increased by 28.93% as compared to 2013, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB452 million, representing 6.2% 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 system, 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 drug, generic drug, generic biopharmaceutical drug and vaccine projects; among which, the Group has tendered applications for clinical trial to the State FDA for 5 monoclonal antibody products (7 indications), and obtained approval of clinical trial and commenced clinical trial for 1 monoclonal antibody product (rituximab biosimilars). During the Reporting Period, Dongting Pharma's Escitalopram API and tablets, a new chemical drug of category 3.1, Guilin Pharma's Sulfadoxine and Pyrimethamine tablet, a new chemical drug of category 3.2, Yao Pharma's dl-α tocopherol APIs and Erye Pharmaceutical's enoxaparin sodium for injection, a chemical generic drug of category 6, were granted manufacturing approval. During the Reporting Period, the Group applied for a total of 86 patents, including 6 U.S. patents and 3 PCT applications, in its pharmaceutical manufacturing segment. The Group obtained 36 licensed patents, including 35 invention patents (of which 17 were obtained in the U.S., Japan and Europe).

Meanwhile, the Group creatively integrated domestic resources and continued to enhance its R&D capabilities. The Fosun Pharma Technology Innovation Strategic Alliance (復星醫藥技術創新戰略聯盟) 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 6 projects.

Pharmaceutical Distribution and Retail

The pharmaceutical distribution and retail business of the Group realized revenue of RMB1,542 million for 2014, representing an increase of 2.66% as compared to 2013. During the Reporting Period, the Group entered into equity transfer agreements with Sinopharm to consolidate and optimize resource allocation of its pharmaceutical distribution and retail business including Shanghai Fosun Pharmaceutical Company Limited* ("**Fosun Pharmaceutical**"), Shanghai For Me Yixing Pharmacy Chain-store Company Limited* ("**For Me Pharmacy**") and Beijing Golden Elephant Pharmacy Medicine Chain Company Limited* ("**Golden Elephant Pharmacy**"). Furthermore, the Group tried to develop new business models by cooperation with Guahao.com Limited (掛號網).

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 2014, Sinopharm realized revenue of RMB200,131 million, net profit of RMB4,552 million and net profits attributable to shareholders of RMB2,875 million, which represented an increase of 19.94%, 27.15% and 27.77% as compared to 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 12,264 hospitals (only referring to hospitals with ranking, including 1,718 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 20.44% as compared with the previous year to RMB191,468 million. Meanwhile, the pharmaceutical retail business of

Sinopharm also maintained growth with revenue of RMB5,904 million realized during the Reporting Period, representing an increase of 22.16% as compared to 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) ("**GuoDa Drug Store**"), its subsidiary, amounted to 2,096 as at the end of the Reporting Period.

Healthcare Services

In 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), "Excelsior Tower" (精進樓), was completed and commenced operation, establishing a foundation for creating the differentiated healthcare service platform. The tumor center jointly established by Chancheng Hospital (禪城醫院) and Nanyang Tumour Hospital (南洋腫瘤醫院), the laser plastic surgery center established under the cooperation of Chancheng Hospital (禪城醫院) and Alma Lasers, and the 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. The establishment of the Taizhou Zanyang Medical Care Project (i.e., Taizhou Municipal Zhedong Medical Care Investment Management Company Limited* (台州市立浙東醫養投資管理有限公司) and its ancillary hospitals) have been initiated for exploration of new medical care models. In 2014, the healthcare services entities controlled by the Group realized total revenue of RMB1,186 million, representing an increase of 149.68% as compared to 2013, segment results of RMB170 million, representing an increase of 158.70% as compared to 2013, and segment profit of RMB112 million, representing an increase of 165.90% as compared to 2013. 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 2,770.

In addition, during the Reporting Period, the Group participated in the privatization of Chindex and actively supported and facilitated the development and deployment of hospital and clinic network under "United Family Hospital", a leading premium healthcare services brand under Chindex. In 2014, the United Family Hospital's businesses in Beijing, Shanghai and Tianjin grew significantly and maintained a good momentum, reflecting the growing market demand for premium healthcare services and the strong brand recognition of "United Family Hospital".

Medical Diagnosis and Medical Devices

In 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 entered into agreements to invest in approximately 37% equity interest in miacom Diagnostics GmbH, a German enterprise principally engaged in developing low-cost, efficient and convenient in-vitro diagnostic reagents, and in approximately 35.23% equity interest in Genefirst Limited, a company from the U.K. principally engaged in developing and manufacturing molecular diagnostic products for infectious diseases, cancer and personalized medicine, 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 respect of the medical devices segment, during the Reporting Period, the Group actively fostered the business development of Alma Lasers and reorganized the business operations of Chindex Medical Limited. In 2014, Alma Lasers accelerated in developing the international market and especially key emerging markets such as China and India and recorded revenue of RMB621 million for the year, representing an increase of 13.40% as compared to 2013. It also strengthened its new product portfolio, in particular, by increasing R&D of medical devices and extending its production line into the clinical treatment area. Five of its products including the 1,470 nano-surgical laser system passed the qualifications for EU CE markings and three products were approved by the U.S. FDA.

During the Reporting Period, the Group realized revenue of RMB1,496 million from the manufacturing of medical diagnosis and medical devices segment, representing an increase of 38.39% as compared to 2013. Excluding the impact of Alma Lasers, the manufacturing of medical diagnosis and medical devices segment grew by 16.51% during the Reporting Period as compared to 2013. The revenue of distribution operations amounted to RMB435 million, representing an increase of 33.44% as compared to 2013.

Environment, Health and Safety

During the Reporting Period, the Group highly recognized environment, health and safety ("**EHS**"), and published the latest "Fosun Pharma EHS Guidelines" (《復星醫藥EHS手冊》) to promote EHS policies and the guidelines' practice through internal communication and campaigns within its five major business segments of pharmaceutical manufacturing and R&D, pharmaceutical distribution and retail, healthcare services and manufacturing of medical diagnosis and medical devices. During the Reporting Period, the Group improved its EHS management system by drawing up a set of EHS code of practice; enhanced the occupational skills of EHS professional management staff by organizing EHS and process safety managing training; supervised EHS risk control and implementation of relevant improvements of each member company through process safety, risk control checks and EHS audits; regulated EHS risk of investment projects through due diligence; issued standard materials of the latest trend of and major changes in EHS laws and regulations through EHS Management Department to facilitate the compliance of member companies and promote building EHS culture of the Group.

Financing

During the Reporting Period, the Company completed the placement of 67,214,000 new H shares and raised net proceeds of approximately HK$1,762 million to repay interest-bearing debts, replenish the working capital of the Group and fund acquisitions. Meanwhile, the Company also completed the issue of short-term commercial papers of RMB1,000 million, extended cooperation with International Finance Corporation (IFC) to obtain loans at low rates, and maintained solid partnerships and credit facilities with major principal banks domestically and overseas enabling 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 undertaking social responsibilities. In 2014, with the focus on the core pharmaceutical business, the Group is committed to delivering innovative products and improving our management skills and knowhow. By leveraging corporate and product life cycles, the Group continues to develop strategies for sustainable products, services and talents.

In 2014, the Group had made great progress in corporate governance, economic, environment, health and safety, products and services, employees and social contribution as it continued to assume the responsibility of a corporate citizen. During the Reporting Period, the Group had continually increased investment in upgrading its technology, improved production process, focused on the establishment of drug quality system, extended the life cycle of pharmaceutical products and lowered the cost in order to offer safe, efficient, affordable products and services. The Group constantly strengthened environment protection, optimized the production process and improved the utilization rate of the production facilities for the purposes of energy saving, emission reduction and environment protection. The Group emphasized harmonious development with nature to protect the sustainable development of the environment. The Group also improved clean production as well as environmental protection construction, and proactively supported environmental protection and charitable matters in the community. 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 undertook its social responsibilities and benefited the society by continuously investing in education, supporting scientific researches and community healthcare services, alleviating poverty by donations, and providing disaster assistances. Moreover, during the Reporting Period, the Group continued to proactively participate in the Chinese government projects of anti-malarial in Africa, and successfully held the "Study Class on Drug Quality and Safety in English-speaking African countries in 2014 (2014年非洲英語國家藥品質量與安全研修班)" as commissioned by the Ministry of Commerce.

Every year, social responsibility report of the Group is published along with its annual report to fully demonstrate to stakeholders its data, measures and cases in respect of corporate strategic development, corporate governance, economic responsibility, environmental protection, product and service quality, occupational health and safety, employees' development and social welfare.

The Group's outstanding performance in corporate social responsibilities has gained recognition from all aspects of the society. During the Reporting Period, the Company was awarded the "Best Corporate Social Responsibility award" in the China Finance Summit, "First in the List of Survey on Corporate Social Responsibility of China's Listed Pharmaceutical Companies", the "Best Charity Practice Award" under the China Charity Festival, and other honors.

A Analysis on Principal Operations

1. Analysis of Changes in Relevant Items of Statement of Profit or Loss and Statement of Cash Flows

Unit: RMB million

Items	2014	2013	Percentage Changes *(%)*
Revenue	**11,938**	9,921	20.33
Cost of sales	**6,719**	5,543	21.20
Selling and distribution expenses	**2,300**	1,844	24.78
Administrative expenses	**1,163**	983	18.27
R&D expenses	**564**	438	28.93
Finance costs	**415**	350	18.57
Net cash flow generated from operating activities	**1,200**	1,012	18.64
Net cash flow generated from investment activities	**–2,478**	–1,803	–37.42
Net cash flow generated from financing activities	**1,863**	–932	299.88
R&D expenditures	**685**	505	35.65

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

2. Revenue

During the Reporting Period, revenue of the Group increased by 20.33% to RMB11,938 million from 2013.

The change in revenue was mainly attributable to the increase in revenue from the manufacturing business segment and healthcare service business segment of the Group.

Sales revenue of the top 5 customers of the Group amounted to RMB1,347 million, representing 11.28% of the total sales revenue in 2014.

3. Cost of Sales

(1) *Analysis of Costs*

Unit: RMB million

		By Segments					
Segments	**Cost**	**Amount for 2014**	**Percentage of the total cost for 2014**	**Amount for 2013**	**Percentage of the total cost for 2013**	**Ratio of change for 2014 as compared with 2013**	**Explanations**
Pharmaceutical manufacturing and R&D	Cost of products	3,545	52.77	3,169	57.17	11.88	mainly due to the increase in revenue
Pharmaceutical distribution and retail	Cost of goods	1,307	19.45	1,271	22.93	2.85	/
Medical diagnosis and medical devices	Cost of products and goods	959	14.28	739	13.33	29.79	mainly due to the increase in revenue
Healthcare services	Cost of services	889	13.23	354	6.38	151.31	mainly due to the increase in revenue
Others	Other cost	18	0.27	11	0.19	68.96	/
Total		6,718	100.00	5,544	100.00	21.20	/

(2) *Major Suppliers*

Purchases from the top five suppliers amounted to RMB1,038 million, accounting for 14.84% of the total purchases of the Group for 2014.

4. R&D Expenditures

(1) *R&D Expenditures*

Unit: RMB million

R&D expenditures expensed for the period	564
R&D expenditures capitalised for the period	120
Total R&D expenditures	685
Percentage of total R&D expenditures on net assets *(%)*	3.6
Percentage of total R&D expenditures on revenue *(%)*	5.7

(2) *Descriptions*

During the Reporting Period, the R&D expenses were RMB564 million, increased by over 28.93% as compared with 2013, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB452 million, accounting for 6.2% of the revenue of the pharmaceutical manufacturing and R&D segment, mainly because the Group has increased its investments on R&D of generic biopharmaceutical drugs and innovative drugs.

5. Cash Flows

Unit: RMB million

Items	**2014**	**2013**	**Ratio of Change** *(%)*	**Reasons**
Net cash flow generated from operating activities	**1,200**	1,012	18.64	optimization of core corporate operating activities
Net cash flow generated from investment activities	**–2,478**	–1,803	–37.42	increase in external investments
Net cash flow generated from financing activities	**1,863**	–932	299.88	issue of short-term commercial papers and new bank borrowings

6. Progress 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 17 in 2014 from 15 in 2013. 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 made aggressive progress on its internationalization strategies, accelerated the pace of its international merger and acquisition and increased business scale.

B Segment, Product and Regional Operation

1. Principal Business by Segment and Product

Unit: RMB million

				Business by segment		
By 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	7,265	3,545	51.20	11.36	11.76	down by 0.18 per cent
Pharmaceutical distribution and retail	1,542	1,307	15.24	2.66	2.83	down by 0.14 per cent
Healthcare services *(note 1)*	1,186	889	25.04	149.68	151.13	down by 0.43 per cent
Medical diagnosis and medical devices *(note 2)*	1,931	959	50.34	37.24	29.77	up by 2.86 per cent

Note 1: The significant increase in revenue of the healthcare services segment was mainly due to the consolidation of Chancheng Hospital into the financial statements since 12 November 2013.

Note 2: The significant increase in revenue of the medical diagnosis and medical devices segment and the medical diagnosis and medical devices products was mainly due to the increase in revenue of existing subsidiaries and the consolidation of Alma Lasers into the financial statements since 27 May 2013.

2. Business by Geographical Location

Unit: RMB million

Region	**Revenue**	**Year-on-year change in revenue** *(%)*
Mainland China	10,496	19.63
Overseas countries or regions	1,442	25.72

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.

C Assets and Liabilities

Analysis of Assets and Liabilities

Unit: RMB million

Items	Amount at the end of 2014	Percentage of amounts at the end of 2014 on total assets	Amount at the end of 2013	Percentage of amounts at the end of 2013 on total assets	Percentage change at the end of 2014 as compared with amounts at the end of 2013 *(%)*	Explanations
Prepayments, deposits and other receivables	346	0.98	594	2.02	–41.75	*Note 1*
Investments in associates	11,727	33.24	8,765	29.8	33.79	mainly due to the addition of new associates, growth in profits from associates and issue of additional Sinopharm's shares during the Reporting Period
Interest-bearing bank and other borrowings (current liabilities)	4,939	14.00	1,424	4.84	246.84	mainly due to the increase in new bank borrowings during the Reporting Period *(Note 2)*
Other long-term liabilities	770	2.18	454	1.54	69.6	mainly due to the increase in new equity transfer consideration payable during the Reporting Period
Deferred income	140	0.40	96	0.33	45.83	mainly due to the increase in government subsidies during the Reporting Period

Note 1: During the Reporting Period, the Company entered into irrevocable equity transfer agreements as approved by the Board in respect of equity interests held by it in Fosun Pharmaceutical, For Me Pharmacy and Golden Elephant Pharmacy, all of which were subsidiaries of the Company, and completed the transfer of equity interests in early January 2015, and accordingly, as at 31 December 2014, the Group classified the assets and liabilities of such subsidiaries as held-for-sale, which were included in "assets classified as held-for-sale" under current assets and "liabilities classified as held-for-sale" under current liabilities, respectively.

Note 2: The additional short-term borrowings were mainly used as bridge loan for overseas equity acquisition, which will be substituted by long-term project loans in 2015.

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	Major products	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Potassium Sodium Dehydroandrographolide Succinate, V Jialin, etc	197	1,798	944	2,041	222	201
Jiangsu Wanbang Biopharmaceutical Co., Ltd.*	Pharmaceutical manufacturing	Wan Su Lin, Wan Su Ping etc	440	2,110	956	1,782	209	171
Shine Star (Hubei) Biological Engineering Company Limited* ("**Hubei Shine Star**")	Manufacturing of amino acid	Amino acid series products	51	1,021	482	1,216	50	48
Aohong Pharma	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	1,246	1,063	902	561	484

Note: Aohong Pharma's data include valuation gains 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	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.*	Pharmaceutical investment	Pharmaceutical investment	100	128,902	36,915	199,770	5,706	4,555

(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: RMB million

Name	Method of acquisition	Net assets (as at 31 December 2014)	Net profit (from acquisition date to 31 December 2014)	Acquisition date
Huanghe Pharma	Equity transfer	1	3	16 June 2014
Erye Pharmaceutical	Equity transfer	525	—	25 December 2014

Note: Data of Huanghe Pharma includes valuation gains and relevant amortization; data of Eyre Pharmaceutical includes valuation gains.

Unit: RMB million

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

E Core Competence Analysis

The Group has formed a relatively complete product portfolio in the six major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary system, central nervous system, blood system, anti-infection and anti-tumor) which are areas with the greatest potential to grow in China's pharmaceutical market. Each of the major pharmaceutical products of the Group has its own competitive advantages in their respective segments. In 2014, there were 17 formulation products and series of the Group that each recorded revenue of over RMB100 million.

The Group has developed internationalized R&D structure and strong R&D capabilities. It has set up interactive and integrated R&D systems in Shanghai, Chongqing and San Francisco. It has also established an efficient R&D platform in areas of small molecular innovative chemical drugs, monoclonal chemical generic drugs, generic drugs with high barriers-to-entry and special formulation (administration technology). During the Reporting Period, the Group strengthened its presence in the production of anti-tumor drugs. There were over 20 pipeline biopharmaceutical drugs (mainly monoclonal antibodies) and chemical drugs after years of research and development. As of the end of the Reporting Period, there were 125 pipeline drug, generic drug, biosimilars and vaccine projects, 26 projects under clinical trial applications, 11 projects under clinical trial, and 41 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation to maintain sustainable growth of the Group in the future. As of the end of the Reporting Period, there were 856 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 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 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. Globally, it is the leading provider of anti-malaria medicines. The solid dosage formulation production line of Yao Pharma was recognized by the FDAs in Canada and the U.S.. The dietary supplement amino acid of Hubei Shine Star was recognized by the FDA.

The Group has taken the lead in entering into the healthcare service segment in China and has completed the strategic deployment of 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.

F EMPLOYEES AND REMUNERATION POLICIES

As at the end of the Reporting Period, the Group had a total of 18,081 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. THE BOARD'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

A Competition and Development Trends of the Industry

In 2015, 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 support 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 pharmaceutical products and regulations over the operation of pharmaceutical enterprises, overhauled the sales channel of pharmaceutical products, accelerated implementation of regulation and control over prices and classification of pharmaceutical products, and further improved the centralized tender system for procurement of pharmaceutical products. Such measures have driven and accelerated consolidation in the domestic pharmaceutical industry and the level of industrial concentration will rapidly increase by way of acquisitions and reorganizations. The expiration of patents of pharmaceutical products in major markets such as Europe and the U.S. has presented opportunities for the rapid development of Chinese companies with capabilities to innovate and 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 loosened, 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 amid the favorable policies.

B Development Strategies of the Group

In 2015, the Group will continue to be committed to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the 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.

C Operation Plan

In 2015, 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.

In 2015, the Group plans to achieve a rapid growth in revenue. Meanwhile, the Group will strive to control costs 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 utilization of its assets. Detailed operational goals and proposed methods are as follows:

Pharmaceutical R&D and Manufacturing

In 2015, 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 system, anti-tumor and anti-infection. In addition to solidifying the market position and product growth in its existing key segments and products, the Group will further its efforts in promoting products 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 to integrate imitation with innovation to combine international technology licenses with domestic industry-university-research cooperation, and increase its investments in R&D driven by the cooperation tie of "project plus technology platform". Project approval process for new products will be strictly implemented in order to enhance the efficiency of research and development. The Group will strengthen the development of the teams for the registration of pharmaceutical products in order to accelerate the approval process of existing products as well as to support innovation. The Group will actively facilitate the R&D and registration processes for products including 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 2015, 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 Guoda Drug Store in the pharmaceutical retail segment, thus enabling Sinopharm to build up its leading position in the pharmaceutical retail segment. Meanwhile, the Group will launch industry chain cooperation with Guahao.com Limited (掛號網) in terms of "Insurance, Medical Treatment and Medicine" to activate prescription drug online to offline (O2O) business model.

Healthcare Services

In 2015, the Group will continue to seize the business and investment opportunities arising from the opening up of the healthcare services segment to social enterprises. The Group will continuously increase its investments in the healthcare services segment, and strengthen the established strategic deployment of its healthcare services business which integrates high-end healthcare services in coastal developed cities and specialty hospitals and general hospitals in second-tier and third-tier cities in an effort to expand the scale of our healthcare services business. The healthcare institutions controlled by the Group will further strengthen their disciplines and quality management, enhance operational efficiency and accelerate the business development. With the commencement of operation of the new complex and tumor center of Chancheng Hospital (禪城醫院), the Group will continue to expand the coverage and regional influence of healthcare services of Chancheng Hospital (禪城醫院). The Group will also promote the implementation of the 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 development of "United Family Hospital", a high-end brand for healthcare services under Chindex, and in particular the establishment and business expansion of hospitals in Tianjin and Guangzhou in order to accelerate the development of its high-end healthcare services characterized by multiple levels, diversification and extensibility.

Medical Diagnosis and Medical Devices

In 2015, 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 2015, and actively seek opportunities to invest in quality diagnostic companies both domestically and internationally.

In 2015, 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 operations, and with its existing overseas companies as platforms, vigorously explore cooperation with overseas companies on the basis of proactive integration, so as to achieve growth in the scale of its medical devices business.

Financing

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

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

With the organic growth of the Group and the steady growth in the industry consolidation, the Group expects to invest approximately RMB1,100 million for production capacity expansion, plant relocation and the development of cGMP and reconstruction and expansion of hospitals in 2015. Primary sources of funding include, among others, the Group's own capital, cash flow from operating activities, and proceeds from debt and equity financing.

E Potential Risks

With the official launch of the reform in medical and healthcare system, industry consolidation and 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 companies of high quality in the industry, and continuously improve its operational and management capabilities, its product innovation abilities and its presence in the international market in order to develop itself into a leading company in the pharmaceutical and healthcare industry in China.

The competition among domestic pharmaceutical companies is more intense. The reform measures relating to, among others, unregulated drug prices and the payment covered by medical insurance fund are developing. The centralized tender system for procurement of pharmaceutical products of various provinces is planned to be completed by 30 June 2015, which increases the risk of uncertainty of product prices of pharmaceutical manufacturing companies. 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.

Being a special commodity, pharmaceutical products are directly related to life and health. The quality problems arising from raw materials, production, transportation, storage, and usage of pharmaceutical products, may have adverse impact on the production, operation and market reputation of the Group. The Group will increasingly improve the quality and safety system of its pharmaceutical products 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 internationalization strategy, and the increasing proportion settlement of the Group's purchases, sales, merges and acquisitions in foreign currencies, fluctuations in exchange rate of RMB to foreign currencies may also impact the operations of the Group.

In addition, there exist risks of medical malpractice in the healthcare services segment, including complaints and disputes between doctors and patients arising from medical malpractice, medical misdiagnosis and incidents relating to defects of treatment devices. In event of serious medical malpractice, relevant compensation and loss may be incurred by the Group, and operation results, brand and market reputation of the Group's healthcare services segment could be adversely affected. In this respect, the Group will further focus on the continuous improvement in healthcare quality, implement various healthcare core systems and strengthen professional training for medical personnel and constantly improve the professionalism of its healthcare services.

3. OTHER EVENTS

(a) 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 (the "**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.

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

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

(b) The Restricted A Share Incentive Scheme II

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

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 "**Hong Kong 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 2014 (the "**2014 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 2014 have been reviewed by the Audit Committee of the Company.

FINAL DIVIDEND

The final dividend for the year ended 31 December 2014 (the "**2014 Final Dividend**") as proposed by the Board, inclusive of tax, amounted to RMB0.28 per share, and is subject to the approval of the Company's shareholders (the "**Shareholders**") at the forthcoming annual general meeting (the "**AGM**"). Subject to the approval of the Shareholders at the AGM, the 2014 Final Dividend is expected to be paid to the eligible Shareholders by no later than 31 August 2015.

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 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 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 2014 Final Dividend 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, 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.

The Company is in the process of seeking confirmation from the relevant PRC authorities regarding the arrangement relating to withholding tax, if any, in respect of the 2014 Final Dividend to be paid by the Company to the investors of the Shanghai Stock Exchange who invest in the shares in the Company listed on the Main Board of the Hong Kong Stock Exchange. The Company will make further announcement(s) as soon as practicable after such arrangement is finalized.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 Annual Report will be dispatched to the Shareholders and 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

24 March 2015

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*