FOSUNPHARMA
复星医药

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 2015

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 2015 (the "**Reporting Period**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	*3*	**12,502,163**	11,938,243
Cost of sales		**(6,308,041)**	(6,718,569)
Gross profit		**6,194,122**	5,219,674
Other income	*4*	**170,822**	124,958
Selling and distribution expenses		**(2,815,141)**	(2,300,424)
Administrative expenses		**(1,235,486)**	(1,162,601)
Research and development expenses		**(670,036)**	(564,218)
Other gains	*6*	**1,174,531**	1,239,446
Other expenses		**(140,682)**	(403,956)
Interest income		**56,246**	69,764
Finance costs	*7*	**(470,011)**	(415,040)
Share of profits and losses of:			
Joint ventures		**(11,049)**	(18,698)
Associates		**1,118,516**	929,148
PROFIT BEFORE TAX	*5*	**3,371,832**	2,718,053
Income tax expense	*8*	**(501,171)**	(348,214)
PROFIT FOR THE YEAR		**2,870,661**	2,369,839
Attributable to:			
Owners of the parent		**2,460,094**	2,112,869
Non-controlling interests		**410,567**	256,970
		2,870,661	2,369,839
Earnings per share attributable to ordinary equity holders of the parent:	*10*		
Basic		**RMB1.07**	RMB0.92
Diluted		**RMB1.06**	RMB0.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,777,567**	5,694,638
Prepaid land lease payments		**1,041,705**	862,037
Goodwill		**3,303,379**	3,255,042
Other intangible assets		**2,204,086**	2,049,826
Investments in joint ventures		**225,285**	121,382
Investments in associates		**13,637,584**	11,727,481
Available-for-sale investments		**3,314,452**	2,499,156
Deferred tax assets		**102,477**	101,222
Other non-current assets		**212,927**	304,581
Total non-current assets		**29,819,462**	26,615,365
CURRENT ASSETS			
Inventories		**1,648,773**	1,604,562
Trade and bills receivables	*11*	**2,146,570**	1,976,673
Prepayments, deposits and other receivables		**399,719**	362,980
Equity investments at fair value through profit or loss		**33,751**	33,771
Available-for-sale investments		**67,928**	—
Cash and bank balances		**4,028,637**	3,695,698
		8,325,378	7,673,684
Assets of a disposal group classified as held for sale		**—**	990,341
Total current assets		**8,325,378**	8,664,025

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,048,650**	904,962
Other payables and accruals		**2,155,959**	2,887,415
Interest-bearing bank and other borrowings		**7,323,428**	4,939,433
Tax payable		**411,163**	216,392
		10,939,200	8,948,202
Liabilities directly associated with the assets classified as held for sale		**—**	589,118
Total current liabilities		**10,939,200**	9,537,320
NET CURRENT LIABILITIES		**(2,613,822)**	(873,295)
TOTAL ASSETS LESS CURRENT LIABILITIES		**27,205,640**	25,742,070
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**3,571,526**	3,856,675
Deferred tax liabilities		**1,844,762**	1,929,331
Deferred income		**169,318**	139,593
Other long-term liabilities		**1,007,272**	770,356
Total non-current liabilities		**6,592,878**	6,695,955
Net assets		**20,612,762**	19,046,115
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,314,075**	2,311,611
Treasury shares		**(43,494)**	(23,925)
Reserves		**15,854,102**	14,330,276
		18,124,683	16,617,962
Non-controlling interests		**2,488,079**	2,428,153
Total equity		**20,612,762**	19,046,115

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"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

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

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

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

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

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

(a) Classification and measurement

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

(b) Impairment

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

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

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

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

(i) the materiality requirements in HKAS 1;

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

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

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

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

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit or loss after tax except that 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 2015

	Pharmaceutical manufacturing and R&D *RMB'000*	Healthcare Service *RMB'000*	Medical diagnosis and medical devices *RMB'000*	Pharmaceutical distribution and retail *RMB'000*	Other business operations *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Segment revenue:							
Sales to external customers	8,842,663	1,377,350	2,244,371	—	37,779	—	12,502,163
Intersegment sales	41,243	—	—	—	38,476	(79,719)	—
Total revenue	8,883,906	1,377,350	2,244,371	—	76,255	(79,719)	12,502,163
Segment results*	1,270,328	202,769	383,723	—	32,454	(64,822)	1,824,452
Other income	67,695	1,720	10,882	—	—	—	80,297
Other gains	63,756	1,003	—	—	58,907	(2,450)	121,216
Interest income	19,521	6,239	7,223	—	687	(1,642)	32,028
Finance cost	(107,171)	(7,679)	(35,688)	—	(11,130)	84,538	(77,130)
Other expenses	(18,244)	(12,943)	(44,649)	—	(54)	2,450	(73,440)
Share of profits and losses of:							
Joint ventures	(4,011)	(6,686)	—	—	(352)	—	(11,049)
Associates	147,172	(55,013)	(2,225)	1,036,958	(8,376)	—	1,118,516
Unallocated other income, interest income and other gains							1,168,058
Unallocated finance cost							(392,881)
Unallocated expenses							(418,235)
Profit before tax	1,439,046	129,410	319,266	1,036,958	72,136	18,074	3,371,832
Tax	(201,200)	(53,473)	(46,826)	—	(14,732)	—	(316,231)
Unallocated tax							(184,940)
Profit for the year	1,237,846	75,937	272,440	1,036,958	57,404	18,074	2,870,661
Segment assets	14,336,441	4,850,967	4,266,743	9,059,857	1,478,786	(148,466)	33,844,322
Including:							
Investments in joint ventures	16,916	200,000	—	—	8,369	—	225,285
Investments in associates	1,579,615	1,923,387	355,500	9,059,851	719,231	—	13,637,584
Unallocated assets							4,300,578
Total assets							38,144,840
Segment liabilities	7,138,640	736,517	1,359,640	—	104,738	(4,886,973)	4,452,562
Unallocated liabilities							13,079,516
Total liabilities							17,532,078
Other segment information:							
Depreciation and amortisation	508,912	52,875	75,127	—	20,397	—	657,311
Provision for impairment of inventories	7,875	—	10,884	—	—	—	18,759
Provision for impairment of trade and other receivables	1,676	34,094	15,903	—	—	—	51,673
Provision for impairment of property, plant and equipment	23	—	—	—	—	—	23
Capital expenditure**	932,632	244,176	49,965	—	83,982	—	1,310,755

* Segment results are obtained as segment revenue less costs of sales, selling and distribution expenses and 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 2014

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

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

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

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

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

	2015	2014
	RMB'000	*RMB'000*
Mainland China	**23,845,874**	20,982,085
Overseas countries and regions	**2,556,659**	3,032,902
	26,402,533	24,014,987

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

Information about major customers

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

3. REVENUE

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

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

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

4. OTHER INCOME

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

5. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**5,530,418**	5,760,790
Cost of services provided	**777,623**	957,779
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**1,870,720**	1,493,991
Retirement benefits:		
Defined contribution fund	**148,055**	135,207
Accommodation benefits:		
Defined contribution fund	**65,375**	48,119
Share-based payment expense	**9,654**	38,360
	2,093,804	1,715,677
Research and development costs:		
Current year expenditure excluding amortisation of other intangible assets	**621,662**	522,544
Less: Government grants for R&D projects*	**(24,965)**	(10,703)
	596,697	511,841

	2015	2014
	RMB'000	*RMB'000*
Auditors' remuneration	**4,250**	4,380
Operating lease payments	**36,067**	60,110
Depreciation of items of property, plant and equipment	**535,087**	459,310
Amortisation of prepaid land lease payments	**20,128**	20,199
Amortisation of other intangible assets	**102,096**	83,530
Provision for impairment of goodwill	**—**	202,500
Provision for impairment of other intangible assets	**—**	83,995
Provision for impairment of property, plant and equipment	**23**	3,550
Provision for impairment of inventories	**18,759**	27,708
Provision for impairment of trade and other receivables	**51,673**	15,854
Fair value loss on equity investments at fair value through profit or loss	**2,218**	10,702
Foreign exchange gain, net	**(3,156)**	(10,463)
Gain on disposal of items of property, plant and equipment and other intangible assets	**(2,874)**	(2,099)
Donations	**8,473**	7,350

* The Group received various government grants related to research and development projects. The government grants received have been deducted from the research and development 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

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

7. FINANCE COSTS

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

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%.

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

9. DIVIDENDS

Cash dividend

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

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

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

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 excluding cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future as of the balance sheet date and the weighted average number of ordinary shares of 2,308,796,824 (2014: 2,290,872,864) in issue excluding restricted shares during the year.

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

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

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

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

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

11. TRADE AND BILLS RECEIVABLES

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

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

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

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

12. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**973,220**	833,975
Bills payable	**75,430**	70,987
	1,048,650	904,962

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

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

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**952,031**	818,095
1 to 2 years	**6,216**	9,287
2 to 3 years	**8,920**	2,974
Over 3 years	**6,053**	3,619
	973,220	833,975

13. EVENTS AFTER THE REPORTING PERIOD

(a) The public issuance of corporate bonds to qualified investors (first tranche)

On 30 December 2015, China Securities Regulatory Commission ("CSRC") approved the Company to publicly issue the corporate bonds to the qualified investors, pursuant to which the issuance of the corporate bonds should not exceed RMB5 billion. On 4 March 2016, the Company completed the issuance of the first tranche of five-year domestic corporate bonds with a par value of RMB3 billion and an effective interest rate of 3.35% per annum. According to the term of the corporate bonds, the Company shall be entitled to adjust upwards the interest rate and the investors shall be entitled to sell back the corporate bonds at the end of the third year.

(b) Approval for the proposed non-public issuance of the A shares of the Company

On 18 March 2016, the Issuance Examination Committee of the CSRC reviewed the proposed non-public issuance of the domestic listed A shares of the Company. According to the review results, the proposed non-public issuance was unconditionally approved. The Company proposed to issue no more than 99,052,541 A shares to the subscribers at the issue price of RMB23.22 per share. As of the date of this announcement, the Company has not received the CSRC's approval documents in writing.

(c) Establishment of an associate

On 22 February 2016, the Company, Xuzhou Coal Mining Group Co., Ltd. and Taikang Life Insurance Co., Ltd. entered into a health care business reorganisation agreement, pursuant to which the parties will jointly establish a new company and cooperation will be established with regard to the health care business reorganisation of relevant health care institutions which were then owned by Xuzhou Coal Mining Group Co., Ltd. The registered capital of the new company is preliminary determined as RMB714,290,000, of which RMB250,000,000 is to be subscribed for by the Group at a cash contribution of RMB538,460,000. Thus, the Company will indirectly hold 35% equity interest therein.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

During the Reporting Period, the Group realized revenue of RMB12,502 million, representing an increase of 4.72% as compared to 2014; excluding the impact of the disposal of four companies, namely Shanghai Fosun Pharmaceutical Company United (上海復星藥業有限公司) ("**Fosun Pharmaceutical**")*(note 1)*, Shanghai For Me Yixing Pharmacy Chain-Store Company Limited (上海復美益星大藥房連鎖有限公司) ("**For Me Pharmacy**")*(note 2)*, Beijing Golden Elephant Pharmacy Medicine Chain Company Limited (北京金象大藥房醫藥連鎖有限責任公司) ("**Golden Elephant Pharmacy**") and Handan Pharmaceutical Co., Ltd. (邯鄲製藥股份有限公司) ("**Handan Pharmaceutical**") and the new acquisition of Suzhou Erye Pharmaceutical Co. Ltd. (蘇州二葉製藥有限公司) ("**Erye Pharmaceutical**"), the revenue would have increased by 15.03% on the same basis as compared to 2014. Of which, the Group realized revenue of RMB8,843 million in pharmaceutical manufacturing and research and development (R&D) segment, representing an increase of 21.72% as compared to 2014. Revenue from healthcare service business amounted to RMB1,377 million, representing an increase of 16.10% as compared to 2014. The increase in the revenue of the Group was mainly due to the growth in revenue from the business segments of manufacturing, healthcare services and distribution of medical devices.

Notes:

1. Fosun Pharmaceutical has been renamed as Sinopharm Holdings GuoDa For Me Pharmaceutical (Shanghai) Company Limited* (國藥控股國大復美藥業（上海）有限公司).
2. For Me Pharmacy has been renamed as Sinopharm Holdings GuoDa For Me Pharmacy Shanghai Chain-Store Company Limited* (國藥控股國大復美大藥房上海連鎖有限公司).

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

Unit: million Currency: RMB

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

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

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

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

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

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

Pharmaceutical Manufacturing and R&D

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

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group continued to grow steadily and the development of its professional operational team was further strengthened. In 2015, the sales of the Group's major products in therapeutic areas such as cardiovascular system, metabolism and alimentary system, anti-infection and anti-tumor maintained rapid growth, with sales of anti-malaria medicines in the anti-infection therapeutic areas such as artesunate series increased by approximately 125.92%. Among these products, the sales of alprostadil dried emulsion, a product in the cardiovascular system therapeutic area, and febuxostat tablets, a product in the metabolism therapeutic area, had experienced prominent growth.

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

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

Unit: million Currency: RMB

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

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

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

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

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

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

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

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

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

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

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

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

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

As at the end of the Reporting Period, the Group had 161 pipeline drugs, generic drugs, biosimilars and vaccine projects. During the Reporting Period, the Group had tendered applications for clinical trial to China Food and Drug Administration ("**CFDA**") for 1 type 1 innovative drugs, 2 type 2 biosimilars (second indications), 2 type 1.1 innovative drugs and 10 domestically unlaunched type 3.1 new drugs and obtained approval of clinical trial for 23 products. In addition, during the Reporting Period, the arginie APIs of Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程股份有限公司) ("**Hubei Shine Star**") and the piperacillin sodium and sulbactam sodium for injection of Suzhou Erye passed the launching approval of CFDA and the venlafaxine hydrochloride tablets of Yao Pharma passed the launching approval of FDA.

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

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

Healthcare Services

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

During the Reporting Period, the healthcare services entities controlled by the Group realized total revenue of RMB1,377 million, representing an increase of 16.10% as compared to 2014, segment results of RMB203 million, representing an increase of 18.96% as compared to 2014, and segment profit of RMB76 million, representing a decrease of 32.08% as compared to 2014. Excluding the share of profit or loss of associates for the year and the previous year, the segment profit grew 19.65% as compared to 2014. As at the end of the Reporting Period, the total number of beds available for the public in Chancheng Hospital, Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院), Yueyang Guangji Hospital Company Limited (岳陽廣濟醫院有限公司) and Zhongwu Hospital controlled by the Group was 2,770.

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

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

Medical Diagnosis and Medical Devices

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

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

Pharmaceutical Distribution and Retail

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

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

Internal integration and operation enhancement

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

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

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

Environment, Health and Safety

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

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

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

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

Financing

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

Social Responsibility

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

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

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

2. MAJOR OPERATIONS IN THE REPORTING PERIOD

A. Analysis on Principal Operations

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

Unit: RMB million

Items	January to June 2015	January to June 2014	Year-on-year change *(%)*	Reasons
Revenue	12,502	11,938	4.72	
Cost of sales	6,308	6,719	–6.11	
Selling and distribution expenses	2,815	2,300	22.37	
Administrative expenses	1,235	1,163	6.27	
R&D expenses	670	564	18.75	
Finance costs	470	415	13.25	
Net cash flow generated from operating activities	1,621	1,200	35.06	*Note 1*
Net cash flow generated from investment activities	–1,870	–2,478	24.55	
Net cash flow generated from financing activities	551	1,863	–70.44	*Note 2*
R&D expenditure	830	685	21.27	

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

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

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

I. *Analysis of Revenue and Cost of Sales*

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

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

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

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

Unit: million Currency: RMB

Principal Operations by Segments

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

Principal Operations by Products

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

Principal Operations by Geographical Locations

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

Descriptions on Principal Operations by Segments, Products and Geographical Locations

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

(2) *Analysis of Costs*

Unit: million Currency: RMB

By Segments

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

Unit: RMB million

By Therapeutic Areas

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

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

Major Suppliers

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

II. *Expenses*

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

III. *R&D Expenditure*

R&D Expenditure

Unit: million Currency: RMB

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

Descriptions

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

IV. *Cash Flows*

Unit: million Currency: RMB

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

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

Not applicable

C. Assets and liabilities analysis

Assets and liabilities

Unit: RMB million

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

D. Analysis on investments

Major Subsidiaries and Investees

(1) *Operation and Results of Subsidiaries*

① Operation and Results of Major Subsidiaries

Unit: million Currency: RMB

Name of subsidiary	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Reduced glutathione series, alprostadil dried emulsion, potassium sodium dehydroandrographolide succinate, etc	197	1,971	1,165	2,580	275	250
Jiangsu Wanbang Biopharmaceutical Company Limited (江蘇萬邦生化醫藥股份有限公司) (“**Wanbang Pharma**”)	Pharmaceutical manufacturing	Insulin isophane injections, glimepiride, Xihuang capsules, recombinant human erythropoietin, enoxaparin sodium series, etc.	440	2,295	1,143	2,263	235	216
Hubei Shine Star	Manufacturing of amino acid	Amino acid series products	51	898	534	1,043	57	52
Aohong Pharma	Pharmaceutical manufacturing	Deproteinised calf blood injection and hemocoagulase for injection	108	1,341	1,114	800	462	396
Guilin Pharma	Pharmaceutical manufacturing	Anti-malaria medicines such as Artesunate series	285	1,221	648	649	135	139
Shanghai Fosun Chemical Pharmaceutical Investment Co., Ltd. (上海復星化工醫藥創業投資有限公司)	Investment management	Investment management	125	358	264	—	383	301

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

② Status of Major Subsidiaries of Other Business Segments

Unit: RMB million

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

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

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

Unit: million Currency: RMB

Name of investee	Nature of business	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)	Pharmaceutical investment	Pharmaceutical investment	100	138,320	41,132	226,668	7,147	5,702

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

① Acquisition of Subsidiaries in 2015

On 25 October 2014, Erye Pharmaceutical, a subsidiary, entered into an equity transfer agreement with Zuo Shangjie (左尚潔), pursuant to which Zuo Shangjie transferred 50% equity interests in Hainan Kai Ye Medical Company Limited (海南凱葉醫藥有限公司) ("**Hainan Kaiye**") to Erye Pharmaceutical. As at the end of the Reporting Period, Erye Pharmaceutical held 100% equity interests in Hainan Kaiye.

On 1 August 2015, Wanbang Pharma, a subsidiary, entered into an equity transfer agreement with Shenyang Tianshengda Trading Company (瀋陽天晟達商貿有限公司), pursuant to which Wanbang Pharma acquired 51% equity interests in Shenyang Wanbang Tiancheng Biological Technology Co., Ltd. (瀋陽萬邦天晟生物科技有限公司) ("**Wanbang Tiansheng**").

On 26 November 2015, Shanghai Fosun Hospital Investment (Group) Co., Ltd. (上海復星醫院投資（集團）有限公司) ("**Fosun Hospital Investment**"), a subsidiary, entered into a shareholder loan agreement and an equity transfer agreement with Beijing Ruiershi Medical Investment Management Co., Ltd. (北京瑞而士醫療投資管理有限責任公司) ("**Beijing Ruiershi**"), Liu Ying, Wang Zixi (劉英, 王子熙) and others, pursuant to which Fosun Hospital Investment acquired 70% equity interests in Beijing Ruiershi.

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

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

Unit: RMB million

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

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

② Disposal of Subsidiaries in 2015

On 10 December 2014, the Company entered into separate equity transfer agreements with Sinopharm Holding GuoDa Drugstores Co., Ltd. (國藥控股國大藥房有限公司) ("**Guoda Drug Store**"), pursuant to which, the Company transferred its 53.13% equity interest in Golden Elephant Pharmacy, 97% equity interest in Fosun Pharmaceutical and 92% equity interest in For Me Pharmacy.

On 13 August 2015, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (上海復星醫藥產業發展有限公司) ("**Fosun Pharmaceutical Industrial**"), a subsidiary, entered into an equity transfer agreement with Chen Zhimin, Li Honghong and Wang Wenyu (陳致愍, 李紅紅 and 王文鈺), pursuant to which it transferred its 60.68% equity interests in Handan Pharmaceutical to the above.

In December 2015, Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術有限公司) ("**Shanghai Henlius**"), a subsidiary, deregistered its wholly-owned subsidiary Henlius Biopharmaceuticals, Inc..

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

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

Unit: RMB million

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

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

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

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

E. Core Competence Analysis

I. *Overview*

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

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

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

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

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

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

II. ***During the Reporting Period***

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

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

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

F. Employees and Remuneration Policies

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

3. THE BOARD'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

A. Competition and Development Trends of the Industry

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

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

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

B. Development Strategies

In 2016, the Group will continue to be committed to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the broad pharmaceutical market in China as well as the rapid growth of generic drugs in mainstream markets such as Europe and the U.S. It will adhere to the development strategies of organic growth, external expansion and integrated development, and further its efforts in acquiring quality companies in the pharmaceutical industry. By continuing to optimize and integrate resources in the pharmaceutical industry chain, strengthening product innovation and product marketing systems, positively implementing internationalization and enhancing the core competence of the Group, the Group strives to further enhance its operating results. Meanwhile, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

C. Operation Plan

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

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

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

Pharmaceutical R&D and Manufacturing

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

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

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

Healthcare Services

In 2016, the Group will continue to seize the business and investment opportunities arising from the opening up of the healthcare services segment to social enterprises. The Group will continuously increase its investments in the healthcare services segment, and strengthen the established strategic deployment of its healthcare services business which integrates high-end healthcare services in coastal developed cities and specialty hospitals and general hospitals in second-tier and third-tier cities in an effort to expand the scale of our healthcare services business. The healthcare institutions controlled by the Group will further strengthen their disciplines and quality management, enhance operational efficiency and accelerate the business development. With the commencement of operation of the new complex and tumor center of Chancheng Hospital (禪城醫院), the Group will continue to expand the coverage and regional influence of healthcare services of Chancheng Hospital (禪城醫院). The Group will also promote the implementation of the Taizhou Zhedong Hospital (台州浙東醫院), Wenzhou Geriatrics Hospital (温州老年病醫院) and the construction of Phase II of Qilu Hospital of Shandong University (Qingdao), and positively seek new opportunities for merger and acquisition of healthcare services. Furthermore, the Group will continue to support and promote the development of "United Family Hospital", a high-end brand for healthcare services under Chindex, and in particular the establishment and business expansion of hospitals in Guangzhou in order to accelerate the development of its high-end healthcare services characterized by multiple levels, diversification and extensibility.

Medical Diagnosis and Medical Devices

In 2016, the Group will continue to develop and introduce products, launch new products and enrich new product lines for its diagnostic business. The Group will continue to enhance the development of domestic and overseas sales network and its professional sales team, strive to increase the market share of its diagnostic products including those newly introduced and registered in 2016, and actively seek opportunities to invest in quality companies both domestically and internationally.

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

Pharmaceutical Distribution and Retail

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

Financing

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

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

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

E. Potential Risks

I. *Risks in relation to industry policies and system reforms*

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

II. ***Market risks***

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

III. ***Business and operating risks***

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

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

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

IV. *Management risks*

(1) *Management risks in relation to business expansion*

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

(2) *Risks arising from acquisitions and reorganizations*

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

V. *Force majeure risks*

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

Other Events

1. *The Restricted A Share Incentive Scheme*

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

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

2. *The Restricted A Share Incentive Scheme II*

On 20 January 2015, the Board considered and approved, among other things, the proposal to adopt the restricted A share incentive scheme II of the Company (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 CSRC had no objection to the Company convening a general meeting to consider the Restricted A Share Incentive Scheme II.

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

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

B. Since the distribution of the Company's final dividend for 2014 was completed on 21 August 2015, pursuant to the terms of the Restricted A Share Incentive Scheme II, the proposed grant price under the Restricted A Share Incentive Scheme II was adjusted accordingly. Other than the above, no material changes have been made to the terms of the initial draft of the Restricted A Share Incentive Scheme II and the Proposed Grant as disclosed in the announcement of the Company dated 20 January 2015.

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

3. ***Proposed Non-public Issuance***

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

On 16 April 2015, the Board approved the Proposed Non-Public Issuance, pursuant to which the Company will issue not more than 246,808,510 new A Shares to China Life Insurance Company Limited (中國人壽保險股份有限公司), China Merchants Wealth Asset Management Co., Ltd. (招商財富資產管理有限公司)("**China Merchants Wealth**"), Taikang Asset Management Co., Ltd. (泰康資產管理有限責任公司)("**Taikang Asset Management**"), China Fund Management Co., Ltd. (中信建投基金管理有限公司)("**China Fund**"), China Universal Asset Management Company Limited (匯添富基金管理股份有限公司) ("**China Universal**"), Anhui Railway Construction Investment Fund Co., Ltd. (安徽省鐵路建設投資基金有限公司)

("**Anhui Railway Construction**"), Beijing Zhongrong Dingxin Investment Management Co., Ltd. (北京中融鼎新投資管理有限公司) and Elion Resources Holding Co. Ltd. (億利資源控股有限公司) (collectively, the "**Subscribers**").

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

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

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

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

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

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

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

The Restricted A Share Incentive Scheme was approved by the Shareholders at the extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting held on 20 December 2013. On 7 January 2014, the Company granted a total of 4,035,000 Restricted A Shares at the grant price of RMB6.08 each to 28 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 the repurchase and cancellation of certain Restricted A Shares which have not been unlocked under the Restricted A Share Incentive Scheme. Due to the resignation of Mr. Wu Yijian, Mr. Hu Jianglin and Mr. Ni Xiaowei and termination of their employment contracts with the Company or the relevant subsidiary, the Board has, pursuant to the Restricted A Share Incentive Scheme, approved that a total of 231,000 Restricted A Shares, which have been granted to Mr. Wu Yijian, Mr. Hu Jianglin and Mr. Ni Xiaowei but have not been unlocked, shall be repurchased and cancelled at a repurchase price of RMB6.08 per share 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 and 7 January 2016, the Board also considered and approved, the resolution in relation to the fulfillment of the conditions for unlocking the first tranche and second tranche of Restricted A Shares, and the conditions for unlocking the Restricted A Shares have been satisfied by 24 Grantees. As a result, a total of 1,222,320 Restricted A Shares were unlocked, and trading of such Restricted A Shares commenced on 25 February 2015; a total of 1,222,320 Restricted A Shares were unlocked, and trading of such Restricted A Shares commenced on 14 January 2016.

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

COMPLIANCE WITH THE ANNUAL CG CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Group's annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee of the Company.

FINAL DIVIDEND

The final dividend for the year ended 31 December 2015 (the "**2015 Final Dividend**") as proposed by the Board, inclusive of tax, amounted to RMB0.32 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 2015 Final Dividend is expected to be paid to the eligible Shareholders by no later than 31 August 2016.

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

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

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

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 2015 Annual Report will be dispatched to the Shareholders and will be made available on the websites of the Company and the Hong Kong Stock Exchange as and when appropriate.

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

Shanghai, the PRC
29 March 2016

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, Ms. Kang Lan and Mr. John Changzheng Ma; and the independent non-executive Directors are Dr. Zhang Weijiong, Mr. Cao Huimin, Mr. Jiang Xian and Dr. Wong Tin Yau Kelvin.

* *for identification purposes only*