上海復星醫藥（集團）股份有限公司

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

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

(Stock Code: 02196)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

Interim Condensed Consolidated Statement of Profit or Loss

Six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**6,877,865**	5,871,372
Cost of sales		**(3,228,575)**	(2,929,465)
Gross profit		**3,649,290**	2,941,907
Other income	*4*	**85,548**	59,272
Selling and distribution expenses		**(1,679,761)**	(1,280,684)
Administrative expenses		**(663,711)**	(601,546)
Research and development expenses		**(307,236)**	(299,182)
Other gains	*5*	**375,268**	624,777
Other expenses		**(48,344)**	(53,194)
Interest income		**35,973**	25,493
Finance costs	*7*	**(234,453)**	(223,375)
Share of profits and losses of:			
Joint ventures		**868**	(8,976)
Associates		**716,328**	625,601
PROFIT BEFORE TAX	*6*	**1,929,770**	1,810,093
Income tax expense	*8*	**(181,145)**	(293,988)
PROFIT FOR THE PERIOD		**1,748,625**	1,516,105
Attributable to:			
Owners of the parent		**1,500,266**	1,303,484
Non-controlling interests		**248,359**	212,621
		1,748,625	1,516,105
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
— Basic		**RMB0.65**	RMB0.56
— diluted		**RMB0.65**	RMB0.56

Interim Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,748,625**	1,516,105
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Available-for-sale investments		
Changes in fair value	**(69,921)**	1,093,230
Reclassification adjustments for gains included in the consolidated statement of profit or loss — Gain on disposal	**(95,637)**	(523,906)
Income tax effect	**39,465**	(142,034)
	(126,093)	427,290
Share of other comprehensive income of associates	**58,732**	(196,518)
Exchange differences on translation of foreign operations	**(10,841)**	(6,237)
Other comprehensive income not being reclassified to profit or loss in subsequent periods	**—**	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(78,202)**	224,535
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,670,423**	1,740,640
Attributable to:		
Owners of the parent	**1,419,695**	1,527,633
Non-controlling interests	**250,728**	213,007
	1,670,423	1,740,640

Interim Condensed Consolidated Statements of Financial Position
30 June 2016

	Notes	**30 June 2016** ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**6,004,075**	5,777,567
Prepaid land lease payments		**1,040,198**	1,041,705
Goodwill		**3,337,696**	3,303,379
Other intangible assets		**2,533,388**	2,204,086
Investments in joint ventures		**226,162**	225,285
Investments in associates		**15,326,401**	13,637,584
Available-for-sale investments		**2,774,513**	3,314,452
Deferred tax assets		**110,027**	102,477
Other non-current assets		**175,256**	212,927
Total non-current assets		**31,527,716**	29,819,462
CURRENT ASSETS			
Inventories		**1,698,533**	1,648,773
Trade and bills receivables	*10*	**2,428,669**	2,146,570
Prepayments, deposits and other receivables		**465,429**	399,719
Equity investments at fair value through profit or loss		**26,974**	33,751
Available-for-sale investments		**15,979**	67,928
Cash and bank balances		**4,723,910**	4,028,637
Total current assets		**9,359,494**	8,325,378

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,100,576**	1,048,650
Other payables and accruals		**2,225,498**	2,155,959
Interest-bearing bank and other borrowings		**7,166,195**	7,323,428
Tax payable		**318,007**	411,163
Total current liabilities		**10,810,276**	10,939,200
NET CURRENT LIABILITIES		**(1,450,782)**	(2,613,822)
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,076,934**	27,205,640
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**5,284,050**	3,571,526
Deferred tax liabilities		**1,795,569**	1,844,762
Deferred income		**320,899**	169,318
Other long term liabilities		**907,260**	1,007,272
Total non-current liabilities		**8,307,778**	6,592,878
Net assets		**21,769,156**	20,612,762
EQUITY			
Equity attributable to owners of the parent			
Issued share capital		**2,314,075**	2,314,075
Treasury shares		**(36,062)**	(43,494)
Reserves		**16,657,925**	15,854,102
		18,935,938	18,124,683
Non-controlling interests		**2,833,218**	2,488,079
Total equity		**21,769,156**	20,612,762

1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016 (the "**Period**"), have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

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

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

Segment assets exclude equity investments at fair value through profit or loss, available-for-sale investments and unallocated head office and 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.

Six months ended 30 June 2016 (unaudited)

	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	**4,796,657**	**752,150**	**1,315,954**	**—**	**13,104**	**—**	**6,877,865**
Intersegment sales	**6,710**	**—**	**—**	**—**	**16,369**	**(23,079)**	**—**
Total revenue	**4,803,367**	**752,150**	**1,315,954**	**—**	**29,473**	**(23,079)**	**6,877,865**
Segment results*	**812,431**	**132,660**	**245,118**	**—**	**5,593**	**(12,995)**	**1,182,807**
Other income	**69,572**	**77**	**4,091**	**—**	**—**	**—**	**73,740**
Other gains	**101,752**	**67**	**4,873**	**—**	**—**	**(2,450)**	**104,242**
Interest income	**9,126**	**2,500**	**4,140**	**—**	**280**	**—**	**16,046**
Finance costs	**(41,510)**	**(3,208)**	**(16,285)**	**—**	**(5,341)**	**31,755**	**(34,589)**
Other expenses	**(5,175)**	**(4,179)**	**(10,838)**	**—**	**(17)**	**2,450**	**(17,759)**
Share of profits and losses of:							
Joint ventures	**(1,199)**	**669**	**—**	**—**	**1,398**	**—**	**868**
Associates	**76,543**	**18,576**	**(5,518)**	**694,625**	**(50,198)**	**—**	**734,028**
Unallocated other income, interest income and other gains							**285,061**
Unallocated finance cost							**(199,864)**
Unallocated expenses							**(214,810)**
Profit before tax	**1,021,540**	**147,162**	**225,581**	**694,625**	**(48,285)**	**18,760**	**1,929,770**
Tax	**(164,351)**	**(35,216)**	**(36,489)**	**—**	**—**	**—**	**(236,056)**
Unallocated tax							**54,911**
Profit for the period	**857,189**	**111,946**	**189,092**	**694,625**	**(48,285)**	**18,760**	**1,748,625**
Segment assets:	**15,990,694**	**5,274,836**	**4,480,443**	**9,652,826**	**2,281,881**	**(137,022)**	**37,543,658**
Including:							
Investments in joint ventures	***15,718***	***200,669***	**—**	**—**	***9,775***	**—**	***226,162***
Investments in associates	***1,688,535***	***2,038,467***	***399,720***	***9,652,826***	***1,546,853***	**—**	***15,326,401***
Unallocated assets							**3,343,553**
Total assets							**40,887,211**
Segment liabilities:	**7,554,962**	**747,313**	**1,361,811**	**—**	**538,436**	**(5,407,364)**	**4,795,158**
Unallocated liabilities							**14,322,896**
Total liabilities							**19,118,054**
Other segment information:							
Depreciation and amortisation	**292,376**	**38,027**	**37,982**	**—**	**10,281**	**—**	**378,666**
Provision for impairment of inventories	**1,463**	**—**	**2,821**	**—**	**—**	**—**	**4,284**
Provision for impairment of trade and other receivables	**(1,175)**	**18,321**	**1,137**	**—**	**—**	**—**	**18,283**
Capital expenditure**	**766,326**	**65,592**	**30,996**	**—**	**25,413**	**—**	**888,327**

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

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

Six months ended 30 June 2015 (unaudited)

	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	4,077,237	673,938	1,109,713	—	10,484	—	5,871,372
Intersegment sales	27	—	—	—	11,322	(11,349)	—
Total revenue	4,077,264	673,938	1,109,713	—	21,806	(11,349)	5,871,372
Segment results*	602,382	116,307	201,709	—	1,002	616	922,016
Other income	23,025	—	2,945	—	—	—	25,970
Other gains	44,674	319	420	—	17,303	—	62,716
Interest income	15,781	890	3,816	—	305	—	20,792
Finance costs	(62,228)	(4,500)	(18,532)	—	(5,585)	42,004	(48,841)
Other expenses	(7,173)	1,621	(9,160)	—	(10)	—	(14,722)
Share of profits and losses of:							
Joint ventures	(821)	(6,686)	—	—	(1,469)	—	(8,976)
Associates	103,921	(12,482)	(432)	529,510	5,084	—	625,601
Unallocated other income, interest income and other gains							600,064
Unallocated finance cost							(174,534)
Unallocated expenses							(199,993)
Profit before tax	719,561	95,469	180,766	529,510	16,630	42,620	1,810,093
Tax	(106,307)	(28,290)	(27,802)	—	(4,326)	—	(166,725)
Unallocated tax							(127,263)
Profit for the period	613,254	67,179	152,964	529,510	12,304	42,620	1,516,105
Segment assets:	14,419,729	4,556,838	3,183,888	8,799,077	798,875	(224,169)	31,534,238
Including:							
Investments in joint ventures	*20,105*	*65,962*	—	—	*7,100*	—	*93,167*
Investments in associates	*1,828,036*	*1,865,336*	*219,334*	*8,760,701*	*107,237*	—	*12,780,644*
Unallocated assets							4,755,187
Total assets							36,289,425
Segment liabilities:	6,455,805	681,473	1,208,177	—	76,015	(4,233,757)	4,187,713
Unallocated liabilities							12,296,063
Total liabilities							16,483,776
Other segment information:							
Depreciation and amortisation	216,411	57,062	33,164	—	11,952	—	318,589
Provision for impairment of inventories	685	—	3,246	—	—	—	3,931
Provision for impairment of trade and other receivables	1,809	(2,228)	2,025	—	—	—	1,606
Provision for impairment of investments in associates	—	—	—	—	16,200	—	16,200
Capital expenditure**	359,096	80,251	20,121	—	16,636	—	476,104

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

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

3. REVENUE

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sale of goods	**5,995,030**	5,121,126
Rendering of services	**881,916**	748,082
Sale of materials	**919**	2,164
	6,877,865	5,871,372

4. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends income from available-for-sale investments	**3,285**	32,747
Government grants	**82,263**	26,525
	85,548	59,272

5. OTHER GAINS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of available-for-sale investments	**267,005**	527,731
Gain on disposal of interests in associates	**91,313**	59,659
Gain on disposal of subsidiaries	**—**	30,950
Exchange gain	**12,095**	—
Fair value gains on an equity investment at fair value through profit or loss	**—**	3,220
Others	**4,855**	3,217
	375,268	624,777

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**2,701,925**	2,440,003
Cost of services provided	**526,650**	489,462
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration)		
Salaries and other staff costs	**942,149**	857,743
Retirement benefits:		
Defined contribution fund	**77,695**	78,048
Accommodation benefits:		
Defined contribution fund	**36,208**	32,302
Share-based payment expense	**13,301**	3,180
	1,069,353	971,273
Research and development expenses:		
Current year expenditure excluding amortisation of other intangible assets	**283,049**	274,995
Less: Government grants for R&D projects*	**8,718**	8,289
	274,332	266,706
Operating lease payments	**23,933**	18,263
Depreciation of items of property, plant and equipment	**286,030**	261,512
Amortisation of prepaid land lease payments	**10,896**	9,973
Amortisation of other intangible assets	**81,741**	47,104
Provision for impairment of inventories	**4,283**	3,931
Provision for impairment of trade and other receivables	**18,283**	1,606
Fair value loss on equity investments at fair value through profit or loss	**7,415**	(3,220)
Foreign exchange gain, net	**(12,095)**	2,181
Provision for impairment of investments in joint ventures	**—**	16,200
Loss on disposal of items of property, plant and equipment and other intangible assets	**3,687**	914

7. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**236,980**	226,149
Less: Interest capitalised	**(2,527)**	(2,774)
Interest expenses, net	**234,453**	223,375

8. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% (for the six months ended 2015: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 0% to 20%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. The provision of current income tax of Alma Lasers Ltd., a subsidiary of the Group incorporated in Israel, is based on a preferential rate of 16% (for the six months ended 30 June 2015: 16%).

The major components of tax expenses for the six months ended 30 June 2016 and 2015 are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current		
— Mainland China	**225,855**	291,190
— Elsewhere	**(22,634)**	11,523
	203,221	302,713
Deferred	**(22,076)**	(8,725)
Total tax charge for the Period	**181,145**	293,988

9. 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 period 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 2,310,121,004 (for the six months period ended 30 June 2015: 2,308,796,824) in issue excluding restricted shares during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the period 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. ("**Chindex**"), which is not an entity within the Group.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,500,266**	1,303,484
Less: Cash dividends attributable to the shareholders of restricted shares expected to be unlocked in the future	**(1,265)**	(695)
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,499,001**	1,302,789

	Number of shares	
	30 June 2016	30 June 2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,310,121,004**	2,308,694,964
Effect of dilution — weighted average number of ordinary shares: Restricted shares	**3,954,360**	2,762,400
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**2,314,075,364**	2,311,457,364

10. TRADE AND BILLS RECEIVABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**2,029,669**	1,736,220
Bills receivable	**399,000**	410,350
	2,428,669	2,146,570

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

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances with ages:		
Within 1 year	**2,034,124**	1,740,265
1 to 2 years	**32,293**	47,975
2 to 3 years	**36,961**	17,073
Over 3 years	**32,791**	31,415
	2,136,169	1,836,728
Less: Provision for impairment of trade receivables	**(106,500)**	(100,508)
	2,029,669	1,736,220

11. TRADE AND BILLS PAYABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**1,004,422**	973,220
Bills payable	**96,154**	75,430
	1,100,576	1,048,650

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

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances with ages:		
Within 1 year	**975,781**	952,031
1–2 years	**13,330**	6,216
2–3 years	**9,383**	8,920
Over 3 years	**5,928**	6,053
	1,004,422	973,220

12. DIVIDENDS

The Directors did not recommend the payment of an interim dividend in respect of the Period (for the six months period ended 30 June 2015: Nil).

The proposed final dividend of RMB0.32 (tax included) per ordinary share for the year ended 31 December 2015 was declared payable and approved by the shareholders at the annual general meeting of the Company on 7 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

In the first half of 2016, amidst the severe situation that was full of challenges and uncertainties in the economies of the world and the People's Republic of China (the "**PRC**" or "**China**"), continuous reform of the medical system in the PRC and the limited growth of pharmaceutical manufacturing industry 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 balanced growth of its principal businesses.

During the Reporting Period, the revenue of the Group increased by 17.15% as compared to the corresponding period of 2015 to RMB6,878 million, and excluding the impact of the disposal of Handan Pharmaceutical Co., Ltd. ("**Handan Pharmaceutical**"), revenue would have increased by 18.77% as compared with the corresponding period of 2015. Of which, the revenue from pharmaceutical manufacturing and research and development (R&D) segment of the Group amounted to RMB4,797 million, representing an increase of 17.66%

as compared to the corresponding period of 2015, and excluding the impact of the disposal of Handan Pharmaceutical, revenue from pharmaceutical manufacturing and R&D would have increased by 20.03% as compared with the corresponding period of 2015. The revenue from healthcare service business amounted to RMB752 million, representing an increase of 11.57% as compared to the corresponding period of 2015.

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

Unit: RMB million

Business segment	**Revenue for January to June 2016**	Revenue for January to June 2015	Year-on-year increase/ decrease *(%)*
Pharmaceutical manufacturing and R&D *(Note 1)*	**4,797**	4,077	17.66
Healthcare services	**752**	674	11.57
Manufacturing of medical diagnosis and medical devices	**945**	827	14.27
Distribution of medical diagnosis and medical devices *(Note 2)*	**371**	283	31.10

Note 1: Excluding the impact of disposal of Handan Pharmaceutical, the revenue of pharmaceutical manufacturing and R&D would have increased by 20.03% on the same basis as compared to the corresponding period of 2015.

Note 2: 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.

From January to June 2016, the Group recorded profit before tax of RMB1,930 million and profit attributable to owners of the parent of RMB1,500 million, representing an increase of 6.61% and 15.10%, respectively, as compared to the corresponding period of 2015. The increase in each of the profit before tax and profit attributable to owners of the parent was mainly due to (1) the steady growth maintained by businesses of the Group, the further optimized sales structure, the construction of marketing system and emergence of effects arising from supply chain integration ; (2) the rapid growth maintained by Sinopharm Group Co., Ltd. ("**Sinopharm**"), an associate of the Company.

During the Reporting Period, net cashflow from operating activities continued to rise, increasing to RMB936 million for the first half of 2016, representing an increase of 38.17% as compared to the corresponding period of 2015. The profitability and operational quality of the Group further enhanced.

During the Reporting Period, the Group continued to increase the investment in R&D. The R&D expense of pharmaceutical manufacturing and R&D segment amounted to RMB243 million, representing a 4.14% growth from the corresponding period of 2015 and accounting for 5% of the revenue of the pharmaceutical manufacturing and R&D segment. During the Reporting Period, the R&D expenses of the Group amounted to RMB307 million, representing an increase of 2.69% as compared to the corresponding period of 2015. R&D

expenditure (including capitalized expenditure) amounted to RMB488 million, representing an increase of 37.06% as compared with the corresponding period of 2015. As at the end of the Reporting Period, the Group had 172 pipeline drug, generic drug, generic biopharmaceutical drug and vaccine projects. During the Reporting Period, the Group applied for 37 patents, including 13 United States ("**U.S.**") patent applications and 2 Patent Cooperation Treaty ("**PCT**") applications, in the pharmaceutical manufacturing and R&D segment. The pharmaceutical manufacturing and R&D segment of the Group obtained 13 licensed patents, all of which were invention patents. N-Acetyl Cysteine and Histidine hydrochloride APIs of Shine Star (Hubei) Biological Engineering Company Limited ("**Hubei Shine Star**"), Fasudil Hydrochloride APIs of Chongqing Yao Pharmaceutical Company Limited ("**Yao Pharma**") and thymopentinfor injection of Suzhou Erye Pharmaceutical Co., Ltd. ("**Suzhou Erye**") obtained production approval.

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. It established regional medical centers and a supply chain spanning major health industries and explored models of cooperation with local large state-owned enterprises, public hospitals and university-affiliated hospitals to accelerate its internet medical development and enhance operating capabilities and profitability. During the Reporting Period, the "Phase II district project of Qingdao Qilu Hospital of Shandong University" and the healthcare business reorganization of relevant medical institutions that were owned by the Xuzhou Coal Mining Group, in which the Group took part, have already started, Wenzhou Geriatric Hospital invested by the Group commenced operation and the Group commenced its blood dialysis specialty franchise medical operation through Hunan Jingren Medical Investment Management Co., Ltd.* ("**Hunan Jingren**").

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB4,797 million, representing an increase of 17.66% as compared to the corresponding period of 2015, and excluding the impact of the disposal of Handan Pharmaceutical, revenue would have increased by 20.03% as compared with the corresponding period of 2015. During the Reporting Period, segment results and segment profit of the pharmaceutical manufacturing and R&D segment of the Group amounted to RMB812 million and RMB857 million, which increased by 34.87% and 39.78% as compared to the corresponding period of 2015 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 the first half of 2016, the sales of the Group's major products in therapeutic areas such as cardiovascular system, anti-infection and central nervous system maintained rapid growth. Among new and recent products, the cardiovascular therapeutic product You Di Er (alprostadil dried emulsion) and the metabolism system therapeutic

product You Li Tong (febuxostat tablets) maintained prominent growth exceeding 100% as compared to the corresponding period last year. During the Reporting Period, the 19 formulation items and series with sales over RMB100 million in 2015 increased by 26.45% as compared to the corresponding period of 2015.

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

Unit: RMB million

Pharmaceutical manufacturing and R&D	**January to June 2016**	January to June 2015	Changes compared to the corresponding period of 2015 *(%)*
Major products of cardiovascular system therapeutic area *(Note 1)*	**585**	395	48.00
Major products of central nervous system therapeutic area *(Note 2)*	**488**	387	26.38
Major products of blood system therapeutic area *(Note 3)*	**114**	112	1.10
Major products of metabolism and alimentary system therapeutic area *(Note 4)*	**847**	816 *(Note 4*)*	12.91
Major products of anti-infection therapeutic area *(Note 5)*	**936**	714	31.12
Major products of anti-tumor therapeutic area *(Note 6)*	**155**	127	22.44
Major products of APIs and intermediate products *(Note 7)*	**544**	456	19.19

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

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

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

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

Note 4:* The comparative figures of the corresponding period last year as shown in the above table include Mo Luo Dan products;

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

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

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

The Group has placed great emphasis on quality and risk management of the life cycle of its products 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 and R&D segment has fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, change management, deviation management, out-of-specification (OOS) investigation, Corrective and Preventive Actions (CAPA) and audit on suppliers. In the first half of 2016, the Group issued a series of pharmaceutical quality system guidance documents and completed its interim quality objective. The Group 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 49 Good Manufacturing Practices (GMP) certificates (2010) in aggregate, which included 32 production lines for sterile preparation, 29 production lines for oral formulation and 61 APIs. All subsidiaries that engaged in pharmaceutical manufacturing business fulfilled the new GMP in China. While ensuring the production lines to fulfil the new GMP in China, the Group strove for its quality system to comply with international Current Good Manufacturing Practice (cGMP) certifications such as the U.S., European Union and World Health Organization (WHO) into practice and encouraged its products to comply with international advanced standards such as European Pharmacopoeia, United States Pharmacopeia (USP) and International Pharmacopoeia (InP). As at the end of the Reporting Period, 13 APIs of the Group received certifications from the U.S. FDA, EU, Ministry of Health, Labor and Welfare of Japan and Federal Ministry of Health of Germany; 1 production line for oral solid dosage formulation, 3 production lines for injection and 5 production lines for APIs of Guilin South Pharma Company Limited ("**Guilin Pharma**"), a subsidiary, obtained PreQualification from the WHO-PQ; and 1 production line of oral solid dosage formulation of Yao Pharma, a subsidiary, was recognized by Canada FDA and the U.S. FDA and its many formulations products were sold overseas.

The Group has focused on innovation and R&D in long run and continued to increase investment in R&D. During the Reporting Period, expenses recognized as R&D expenditures were RMB307 million, representing an increase of 2.69% as compared to the corresponding period of 2015, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB243 million, accounting for 5% 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 platforms, namely small

molecular innovative drugs, large-molecule biosimilars, generic drugs with high value and specialized formulation technology, improved its innovation system, enhanced R&D capabilities, 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 projects on therapeutic areas including cardiovascular system, 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 172 pipeline drugs, generic drugs, biosimilars and vaccine projects, During the Reporting Period, applications for clinical trial had been tendered to the China Food and Drug Administration ("**CFDA**") for PA-824 type 1.1 innovative active pharmaceutical ingredient ("**API**") and tablets; research on monoclonal antibody products further accelerated and recombinant murine/human chimeric anti-CD20 monoclonal antibody injection, recombinant humanized anti-HER2 monoclonal antibody injection, recombinant anti-TNF α fully human monoclonal antibody injection, recombinant humanized anti-VEGF monoclonal antibody injection and HLX07 (anti-EGFR humanized monoclonal antibody) injection were in or approved to commence clinical trial. Recombinant murine/human chimeric anti-CD20 monoclonal antibody injection was in phase III of the trial; recombinant humanized anti-HER2 monoclonal antibody injection was approved to commence the trial; HLX07 (anti-EGFR humanized monoclonal antibody) injection intended to commence phase I of the trial in Taiwan. During the Reporting Period, approval of clinical trial was obtained for 22 products. In addition, during the Reporting Period, N-Acetyl Cysteine and Histidine hydrochloride APIs of Hubei Shine Star, Fasudil Hydrochloride APIs of Yao Pharma and thymopentinfor injection of Suzhou Erye obtained production approval.

During the Reporting Period, a total of 37 patents had been applied for in the pharmaceutical manufacturing and R&D segment, including 13 U.S. patent applications and 2 PCT applications, and 13 licensed patents had been obtained, all of which were invention parents.

Healthcare Services

In the first half of 2016, 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. It established regional medical centers and a supply chain spanning major health industries and explored models of cooperation with local large state-owned companies, public hospitals and university-affiliated hospitals to accelerate its internet medical development strategy and enhance operating capabilities and profitability. During the Reporting Period, the "Phase II district project of Qingdao Qilu Hospital of Shandong University" and the Wenzhou Geriatric Hospital, in both of which the Group took

part, commenced and started operation respectively, laying foundations of a new model for social enterprises' participation in the healthcare services segment. The Group participated in the reorganization of healthcare operations of relevant medical institutions previously in the Xuzhou Coal Mining Group, which was a breakthrough of the Group in reorganizing healthcare operations of state-owned companies as it would facilitate the exploration of co-operating and managing medical institutions with such large local institutions and large insurers. Such a breakthrough was momentous towards the reformation of hospital with mixed ownership and integration of the healthcare supply chain. Furthermore, the Group commenced its blood dialysis specialty franchise medical operation through Hunan Jingren. Moreover, through further involvement in the "B" round financing of "Mingyi Zhudao" platform, a seamless integration of online and offline services was achieved and a closed circuit of O2O was 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 RMB752 million, representing an increase of 11.57% as compared to the corresponding period of 2015, segment results of RMB133 million, representing an increase of 14.06% as compared to the corresponding period of 2015, and segment profit of RMB112 million, representing an increase of 66.64% as compared to the corresponding period of 2015. As at the end of the Reporting Period, the total number of beds available for the public in Foshan Chancheng Central Hospital Company Limited ("**Chancheng Hospital**"), Anhui Jimin Cancer Hospital, Yueyang Guangji Hospital Company Limited, Suqian Zhongwu Hospital Co., Ltd. and Wenzhou Geriatrics Hospital etc controlled by the Group was 3,018 in aggregate.

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 the first half of 2016, the United Family Hospital maintained its brand awareness and prominent positions in high-end healthcare segment in major cities such as Beijing, Shanghai and Tianjin. 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 global mainstream market.

Medical Diagnosis and Medical Devices

The Company continued to push the development of the medical diagnosis and medical devices segment forward. During the Reporting Period, the Group actively fostered the business development of Alma Lasers Ltd. ("**Alma Lasers**"), commenced preparations for the listing of the Sisram Medical Limited ("**Sisram**") and its subsidiaries ("**Sisram Group**") and Yaneng Bioscience (Shenzhen) Co., Ltd. ("**Yaneng Bio**") in Hong Kong and

enhanced the expansion of the distribution business of Chindex Medical Limited ("**CML**"). The volume of surgery by Da Vinci surgical robotic system maintained a significant increase in the first half of 2016. In the first half of 2016, Alma Lasers continued to accelerate the development of the global market and especially key emerging markets such as China and India and recorded revenue of RMB383 million for the first half of 2016, representing an increase of 15.99% as compared to the corresponding period of 2015. 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 the first half of 2016, the products of Alma Lasers obtained 5 new EU CE certifications in aggregate. Furthermore, dental digitized product lines became the new source of growth. The first half of 2016 saw a growth of 175% as compared to the corresponding period of 2015.

During the Reporting Period, the Group realized revenue of RMB945 million from the manufacturing of medical diagnosis and medical devices segment, representing an increase of 14.27% as compared to the corresponding period of 2015. The revenue of medical diagnosis and medical device distribution business amounted to RMB371 million, representing an increase of 31.10% as compared to the corresponding period of 2015. The results and profit of this segment amounted to RMB245 million and RMB189 million, which increased by 21.52% and 23.62% as compared to the corresponding period of 2015 respectively. The increase in revenue of distribution business was mainly due to an increase in sales of consumables brought by the increase in sales of equipment resulting from an increase in sales and volume of surgery by Da Vinci surgical robotic system. In the first half of 2016, 12 Da Vinci surgical robotic systems were sold in Mainland China and Hong Kong with a volume of surgery amounting to approximately 8,000, representing growth of approximately 49% as compared to the corresponding period of 2015.

Pharmaceutical Distribution and Retail

During the Reporting Period, Sinopharm, an associate of the Group, put continuous efforts in accelerating industry consolidation, expanding distribution network of pharmaceutical products and maintaining rapid growth in business. In the first half of 2016, Sinopharm realized revenue of RMB125,888 million, net profit of RMB3,730 million and net profit attributable to shareholders of the Company RMB2,529 million, which represented an increase of 13.35%, 29.14% and 32.15% as compared to the corresponding period of 2015, respectively. As at the end of the Reporting Period, the distribution network of Sinopharm covered 31 provinces, autonomous regions and municipalities in China. The number of its direct customers reached 13,841 (only referring to hospitals with ranking, including 1,880 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 13.63% as compared to the corresponding period of 2015 to RMB119,779 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB4,909 million realized during the Reporting Period, representing an increase

of 19.69% as compared to the corresponding period of 2015, while its pharmaceutical retail network further expanded with retail pharmacies owned by GuoDa Drug Store, its subsidiary, amounted to 3,268 as at the end of the Reporting Period.

Internal Integration and Operation Enhancement

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

During the Reporting Period, the Company's centralized procurement and procurement management department further enhanced the operation efficiency in aspects such as centralized procurement, strategic procurement, procurement management system and platform establishment so as to cut cost and improve efficiency. During the Reporting Period, the centralized procurement projects implemented by the subsidiaries of each segments of the Group comprised twelve projects including raw materials, equipment, medical materials, medical equipment, IT equipment and non-production services. In the first half of 2016, the average decrease of the procurement costs of the project bids through centralized procurement was about 18%, and the highest decrease for the procurement price of an item was 43%. While cutting costs and making improvement, the Group further integrated the supplier resources of each category and strengthened its cooperation with the leading industry peers so as to reduce supply risk and enhance the quality of its own products and services. In respect of the establishment of management system, based on the Basic Guidelines for Procurement and Tendering of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Trial), the Company refined the procurement business management for production, construction and non-production and published and organized 20 business templates and 14 business processes covering business procedures such as budgeting and procurement and tendering. In respect of supplier management, the Group participated in the "Shanghai 100+ Enterprises Green Chain Project" organized by Shanghai Environmental Protection Bureau, by which it strengthened the assessment on supplier green management system on the basis of concerning the supply quality of suppliers. In order to enable the Group to comply with higher international environment standards, motivate the suppliers to strengthen self-regulation in environment and in the industry, facilitate a more healthy and more sustainable supply chain in the whole industry, the Group established a green supply chain management committee and issued the Basic Guidelines for Green Suppliers Management of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Trial). In respect of platform construction, the Group further promoted the application of its procurement and tendering platform, thereby strengthening the business synergies of the Group's subsidiaries in respect of project tendering, supplier sourcing and strategic agreements and improving business efficiency. Meanwhile, the Company also assisted the implementation of ERP system and further prepared the standardized procurement categories and materials information of the Group.

Environment, Health and Safety

During the Reporting Period, the Group continued to proceed at the subsidiary level with the establishment and deepening implementation of the management system of environment, health and safety (EHS). Through a series of proactive improvements ranging from the comprehensive EHS compliance and risk assessment, modification and upgrade of EHS governance facilities to risk self-assessment, reporting and rectification, the Group further lowered its EHS risk. The management at each level had set up the system of regular EHS review and decision making and further consolidated the organizational structure, human resources, the management process and the securing of resources. Improvement to the EHS taskforce was promoted and its expertise enhanced, while the EHS awareness and consciousness of all staff heightened, so as to ensure the compliance and continuous improvement of the Group's EHS.

During the Reporting Period, the Group announced the updated EHS policy (2016) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. and devised and initiated various EHS-related management and improvement activities, such as EHS cross-audit spanning different segments and units, and a platform for sharing information of internal affairs and excellent practices. These efforts rendered the Group's EHS management more professional and refined and continuously procured the lowering of operational EHS risks and the wide increase in staff participation. Meanwhile, with regard to EHS risk control, the Group continued to tighten its control measures and put into full implementation the accountability of chief officers. Defects were tracked and rectified under a red and yellow cards mechanism and zero tolerance was given to any violation of laws or regulations. As a result, the whole Group had consistently adopted an EHS risk management philosophy of early identification and early resolution.

The Group, in light of its rapid development and needs arising during the course of internationalization, conducted EHS due diligence against all of its domestic and overseas investment, acquisition or merger projects and set this as a significant consideration when making investment decisions. It further promptly took over management of investees and introduced and enforced its EHS management system in them.

Financing

During the Reporting Period, the proposed non-public issuance of A shares of the Company ("**A Shares**") was approved by China Securities Regulatory Commission ("**CSRC**"), and the total proceeds of approximately RMB2,300 million were proposed to be used for the purposes of the repayment of interest-bearing debts and replenishment of working capital. Meanwhile, during the Reporting Period, the Company completed the issue of RMB3,000 million corporate bonds and the first tranche of super short-term commercial paper of RMB500 million, and adjusted its debt structure to further reduce financing costs. Fosun Industrial Co., Limited, a subsidiary of the Company, entered into an agreement for a syndicated loan of US$500 million equivalent with an overseas bank consortium.

Meanwhile, 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 extended and maintained solid partnerships and further increased credit facilities with major principal banks domestically and overseas, enabling the Group to continuously 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.

A. *Analysis on Principal Operations*

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

Unit: RMB million

Items	**January to June 2016**	January to June 2015	Year-on-year change *(%)*
Revenue	**6,878**	5,871	17.15
Cost of sales	**3,229**	2,929	10.21
Selling and distribution expenses	**1,680**	1,281	31.16
Administrative expenses	**664**	602	10.30
R&D expenses	**307**	299	2.68
Finance costs	**234**	223	4.93
Net cash flow generated from operating activities	**936**	677	38.17
Net cash flow generated from investment activities	**–1,128**	–627	–80.01
Net cash flow generated from financing activities	**668**	–201	431.67
R&D expenditure	**488**	357	37.06

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

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 increase in net cash flow generated from operating activities was mainly due to the sound sales performance and enhancement in operation of the Group during the Reporting Period;

The decrease in net cash flow generated from investment activities was mainly due to more cash received from disposal of subsidiaries and returns of investments during the corresponding period of the previous year.

The increase in net cash flow generated from financing activities was mainly due to the issuance of bonds by the Group during the Reporting Period included in the comparative figures.

The increase in R&D expenditure was mainly due to the increase in the investment in R&D by the Group during the Reporting Period.

(2) *R&D Expenditure*

① R&D Expenditure

Unit: RMB million

R&D expenditures expensed for the period	307
R&D expenditures capitalized for the period	181
Total R&D expenditures	488
Percentage of total R&D expenditures on net assets (%)	2.24
Percentage of total R&D expenditures on revenue (%)	7

② Descriptions

During the Reporting Period, the R&D expenses were RMB307 million, representing an increase of 2.69% as compared to last year, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB243 million, representing an increase of 4.14% as compared to the corresponding period in 2015 and accounting for 5% 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.

(3) *Introduction on the progress of operation plans*

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

B. *Industry and Regional Operations*

(1) *Principal Business by Segment*

Unit: RMB million

Business by segment						
Segments	**Revenue**	**Cost of sales**	**Gross margin** *(%)*	**Year-on-year change in revenue** *(%)*	**Year-on-year change in cost of sales** *(%)*	**Year-on-year change in gross margin**
Pharmaceutical manufacturing and R&D	4,797	2,009	58.12	17.66	6.27	increase of 4.48 percentage points
Healthcare services	752	534	28.99	11.57	11.75	decrease of 0.09 percentage point
Medical diagnosis and medical devices	1,316	668	49.24	18.56	22.17	decrease of 1.48 percentage points

(2) *Business by Geographical Location*

Unit: RMB million

Region	**Revenue**	**Year-on-year change in revenue** (%)
Mainland China	5,952	15.73
Overseas countries or regions	926	27.23

C. *Analysis on Major Subsidiaries and Investee Companies*

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

① Operation and Results of Major Subsidiaries

Unit: RMB million

Name	Nature of business	Main products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Yao Pharma	Pharmaceutical manufacturing	Atomolan, You Di Er, Potassium Sodium Dehydroandrographolide Succinate	197	2,174	1,326	1,489	175	195
Jiangsu Wanbang Biopharmaceutical Company Limited ("**Wanbang Pharma**")	Pharmaceutical manufacturing	Wan Su Lin, Wan Su Ping, Xihuang capsules, EPO, heparin series, etc.	440	2,620	1,152	1,265	157	134
Hubei Shine Star	Manufacturing of amino acid	Amino acid series products	51	804	552	562	56	44
Jinzhou Aohong Pharmaceutical Company Limited ("**Aohong Pharma**") *(note)*	Pharmaceutical manufacturing	Ao De Jin, Bang Ting	108	1,595	1,137	490	237	202

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

② Status of Major Subsidiaries of Other Business Segments

Unit: RMB million

Name	Nature of business	Major products	Registered Capital	Total assets	Net assets	Net profit
Alma Lasers *(Note)*	Medical Devices	Medical devices for beauty treatment and medical devices for medical purposes	N/A	1,106	876	62
Chancheng Hospital *(Note)*	Healthcare services	Healthcare services	50	1,531	1,054	76

Note: The figures of Alma Lasers and Chancheng Hospital included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

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

Unit: RMB million

Name	Nature of business	Main business	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.	Pharmaceutical investment	Pharmaceutical investment	100	152,592	44,000	125,685	4,426	3,723

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

Unit: RMB million

Name	Method of acquisition	Net assets (as at 30 June 2015)	Net profit (from acquisition date to the end of June)	Acquisition date
Xuzhou Wanbang Cloud Pharmacy Co., Ltd. ("**Wanbang Cloud Pharmacy**") *(Note)*	Equity transfer	0.14	–0.22	9 March 2016
Hunan Jingren	Equity transfer	58.08	–1.92	26 April 2016
Wanbang Hangzhou Tiancheng Commercial Co., Ltd. ("**Wanbang Tiancheng**") *(Note)*	Equity transfer	20.24	—	23 June 2016

Note: The figures of Wanbang Cloud Pharmacy (萬邦雲藥房) and Wanbang Tiancheng (萬邦天誠) included appreciation of asset evaluation and amortization of appreciation of asset evaluation.

D. *Core Competence Analysis*

The Group has formed a relatively complete product portfolio in the six major therapeutic areas (being areas of cardiovascular system, metabolism and alimentary system, central nervous system, blood system, anti-infection and anti-tumor) which are areas with the greatest potential to grow in China's pharmaceutical market. Each of the

major pharmaceutical products of the Group has its own competitive advantages in their respective segments. In 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 national level enterprise technical centers and has established international R&D teams in Shanghai, Chongqing, San Francisco and Taiwan. It continuously optimizes its pharmaceutical R&D system that integrates imitation and innovation by increasing investment in the four major R&D platforms, improves its innovation system, enhances R&D capabilities, launches new products, and strengthens the core competitiveness of the Group. As at the end of the Reporting Period, the Group had 172 pipeline drugs, generic drugs, biosimilars and vaccine projects. During the Reporting Period, applications for clinical trial had been tendered to the CFDA for PA-824 type 1.1 innovative API and tablets and approval of clinical trial was obtained for 22 products. 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 over 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 increasing innovation in systems, the Group also focuses on integrating and developing its product marketing systems. With a marketing team consisting of over 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, puts 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. As at the end of the Reporting Period, 13 APIs of the Group received GMP certifications from national health departments such as the U.S. FDA, EU, Ministry of Health, Labor and Welfare of Japan and Federal Ministry of Health of Germany. 1 production line for oral solid dosage formulation, 3 production lines for injection and 5 APIs of Guilin Pharma have also obtained PreQualification from the WHO-PQ, and 1 production line of oral solid dosage formulation of Yao Pharma has been recognized by Canada Health and the U.S. FDA. Globally, it is the leading provider and researcher of anti-malaria medicines.

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. Furthermore, it has established regional medical centers and a supply chain spanning major health industries and exploring models of cooperation with local large state-owned companies, public hospitals and university-affiliated hospitals to accelerate its internet medical development strategy.

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 conditions for the Group to rapidly expand its scale of operation and enhance its competitiveness through merger and acquisition activities.

E. ***Employees and Remuneration Policies***

As at the end of the Reporting Period, the Group had a total of 18,498 employees. The employee's remuneration policies of the Group were formulated on the basis of the results, work experience and salary level prevailing in the market.

2. Business Outlook for the Second Half of 2016

In the second half of 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 it will 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. and emerging markets in the world, in order to insist on the development strategies of organic growth, external expansion and integrated development, and step up its efforts to acquire and integrate with domestic and overseas quality pharmaceutical manufacturing companies. By strengthening product innovation, production and manufacturing systems and product marketing systems, the Group will proactively implement internationalization. Meanwhile, the Group will seize the development opportunities of healthcare services to strengthen its investment and management in the healthcare services segment. The Group will further enhance its core competence to improve its operating results. At the same time, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

Pharmaceutical Manufacturing and R&D

In the second half of 2016, the Group will continue to focus on innovation and international development, and strive to develop strategic products. The Group will actively seek opportunities for mergers and acquisitions as well as consolidation in the industry. The Group will proactively process the approval and completion matters in relation to the acquisition of Gland Pharma Limited ("**Gland Pharma**"). Existing products line and resources of the Group will be integrated and coordinated and businesses for the international market will be developed in order to scale up this segment and achieve continuous and rapid growth of its revenue and profit.

The Group will continue to 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 products in key areas, the Group will step up its efforts to promote products such as the anti-malaria medicines such as artesunate series, You Li Tong (febuxostat tablets), Qi Cheng (escitalopram tablets), Yi Bao (recombinant human erythropoietin), You Di Er (alprostadil dried emulsion) and Ke Yuan (calcium dobesilate) so as to maintain and promote their leading position in their respective market segments.

The Group will continue to adopt the R&D 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 key products including monoclonal antibody products and small molecular innovative drugs. The Group will also accelerate 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 and R&D segment.

At the same time, the Company will also push forward the quotation of Shanghai Henlius Biotech Co., Ltd. ("**Shanghai Henlius**") on National Equities Exchange and Quotations ("**NEEQ**").

Healthcare Services

In the second half of 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 and establish modern hospital management and operation models. The Group will continue to promote the construction of the "Phase II district project of Qingdao Qilu Hospital of Shandong University", the reorganization of healthcare operations of relevant medical institutions in the Xuzhou Coal Mining Group and the "Yulin cardiovascular and neurologist specialty hospital project". It will further strengthen healthcare institutions it controls in terms of their disciplines and quality management, operational efficiency and business development, whilst positively seeking 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 the second half of 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 to be newly introduced and registered in the second half of 2016, and actively seek opportunities to invest in quality companies both domestically and internationally.

In the second half of 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, accelerate the establishment of laser beauty centers and aesthetic medicine clinics, and actively explore synergy and innovation in service models with other business segments in order to extend its business from device supply to services. Meanwhile, the dental business will gradually expand to R&D and manufacturing of dental materials and equipment, the development of online dental business and the feasibility of dental services from being an agent of imported products. Furthermore, 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.

Meanwhile, procedures for the listing of the Sisram Group and Yaneng Bio in Hong Kong will be performed.

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 actively seek the industry chain synergy with the internet healthcare and internet pharmaceutical platforms invested by the Group.

Financing

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

3. Other Events

(a) *The Restricted A Share Incentive Scheme*

On 7 January 2016, the Board considered and approved, the resolution in relation to the fulfillment of the conditions for unlocking the second tranche of the restricted A Share ("**Restricted A Shares**") in respect of the Restricted A Share Incentive Scheme of the Company (the "**Restricted A Share Incentive Scheme**"), 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 14 January 2016.

(b) *Proposed Non-public Issuance*

The shareholders of the Company approved, among other things, the proposal of non-public issuance of A Shares ("**Proposed Non-Public Issuance**") on 29 June 2015.

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 Asset Management Co., Ltd., China Fund Management Co., Ltd. and China Universal Asset Management Company Limited, 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 remained RMB23.22.

On 8 July 2016, the Company received an approval from the CSRC in relation to the Proposed Non-Public Issuance approving the non-public issuance of no more than 99,052,541 new A Shares by the Company.

Since the distribution of the Company's final dividend for 2015 was completed in July 2016, according to the proposal on the Proposed Non-Public Issuance, the issue price of the Proposed Non-Public Issuance was adjusted to RMB22.90 per share and the number of A Shares to be issued was adjusted to no more than 100,436,681 new A Shares.

(c) ***The public issuance of Corporate Bonds to qualified investors (first tranche)***

The Shareholders of the Company approved, among other things, the public issuance of corporate bonds on 16 November 2015 (the "**Corporate Bonds**").

The approval on the public issuance of the Corporate Bonds to the qualified investors was issued by CSRC on 30 December 2015, pursuant to which it approved the Company to publicly issue the Corporate Bonds not exceeding RMB5,000 million to qualified investors. For the issuance according to the "Announcement on the Public Issuance of Corporate Bonds to Qualified Investors (First Tranche) in 2016 by Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*", the public issuance of the first tranche of Corporate Bonds to qualified investors in 2016 by the Company (the "**First Tranche of the Corporate Bonds**") completed on 4 March 2016 and the issuance size was RMB3,000 million.

The value date for the First Tranche of the Corporate Bonds issued is 4 March 2016, with the final coupon rate at 3.35%.

(d) ***Issuance of Super Short-term Commercial Papers***

The shareholders of the Company approved, among other things, the issuance of inter-bank market debt financing instruments on 29 June 2015.

On 1 December 2015, the National Association of Financial Market Institutional Investors issued a "Letter of Acceptance of Registration" for accepting the registration of the Company's super short-term commercial papers with a register amount of RMB4,500 million. The registered amount shall be effective within a period of two years from the date of the letter. The Company can issue super short-term commercial papers in tranches during the valid period of registration.

The issuance of the first tranche of super short-term commercial papers for 2016 (the "**First Tranche of Super Short-term Commercial Papers for 2016**") was completed on 20 May 2016. The term of the First Tranche of Super Short-term Commercial Papers for 2016 was 180 days and the actual issuance size thereof is RMB500 million. The value date for the First Tranche of Super Short-term Commercial Papers for 2016 is 20 May 2016, with the coupon rate at 2.98%.

The issuance of the second tranche of super short-term commercial papers for 2016 (the "**Second Tranche of Super Short-term Commercial Papers for 2016**") was completed on 18 August 2016. The term of the Second Tranche of Super Short-term Commercial Papers for 2016 was 270 days and the actual issuance size thereof is RMB500 million. The value date for the Second Tranche of Super Short-term Commercial Papers for 2016 is 18 August 2016, with the coupon rate at 2.66%.

(e) ***Proposed Overseas Listing of Sisram Group***

On 30 June 2016, the Board considered and approved, among other things, the resolution in relation to the proposed overseas listing of Sisram Group. It was proposed by the Company that Sisram Group or a holding company subsidiary to be established by the Company for the purpose of a spin-off of the business of Sisram (the "**Sisram Listco**") be spun off and listed overseas on the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

As at the date hereof, the proposed overseas listing of Sisram Group is subject to approvals of the shareholders of the Company, CSRC and the Hong Kong Stock Exchange.

(f) ***Acquisition of the Controlling Interest in Gland Pharma***

On 28 July 2016, the Board considered and approved, among other things, the resolution in relation to the acquisition of the controlling interest in Gland Pharma.

The Company proposed to invest in no more than US$1,261.37 million through its subsidiaries to acquire in aggregate approximately 86.08% equity interest in Gland Pharma, including contingent consideration of no more than US$50 million for the launch of Enoxaparin in the U.S.

As at the date hereof, the acquisition of the controlling interest in Gland Pharma is subject to approval of the shareholders of the Company.

(g) ***Potential Quotation of Shanghai Henlius on NEEQ***

On 10 August 2016, the Board considered and approved, among other things, the resolution in relation to the potential quotation of Shanghai Henlius on NEEQ. The Company intended to convert Shanghai Henlius from a limited liability company (sino-foreign joint venture) into a limited corporation, and apply for the quotation of Shanghai Henlius on NEEQ upon obtaining approvals from relevant authorities in due course.

As at the date hereof, the potential quotation of Shanghai Henlius on NEEQ is subject to approvals of the shareholders of the Company, the Hong Kong Stock Exchange and NEEQ.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 CG CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Group's unaudited interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS AND 2016 INTERIM REPORT

This announcement is published on the websites of the Company (http://www.fosunpharma.com) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The 2016 Interim Report will be dispatched to the shareholders of the Company and will be made available on the websites of the Company and the Hong Kong Stock Exchange as and when appropriate.

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

Shanghai, The People's Republic of China
23 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Chen Qiyu and Mr. Yao Fang; the non-executive directors of the Company are Mr. Guo Guangchang, Mr. Wang Qunbin, Ms. Kang Lan and Mr. Wang Can; and the independent non-executive directors of the Company are Mr. Cao Huimin, Mr. Jiang Xian, Dr. Wong Tin Yau Kelvin and Mr. Wai Shiu Kwan Danny.

* *for identification purposes only*