

Innovation
for good
health



上海復星醫藥（集團）股份有限公司
Shanghai Fosun Phar
Ltd.*

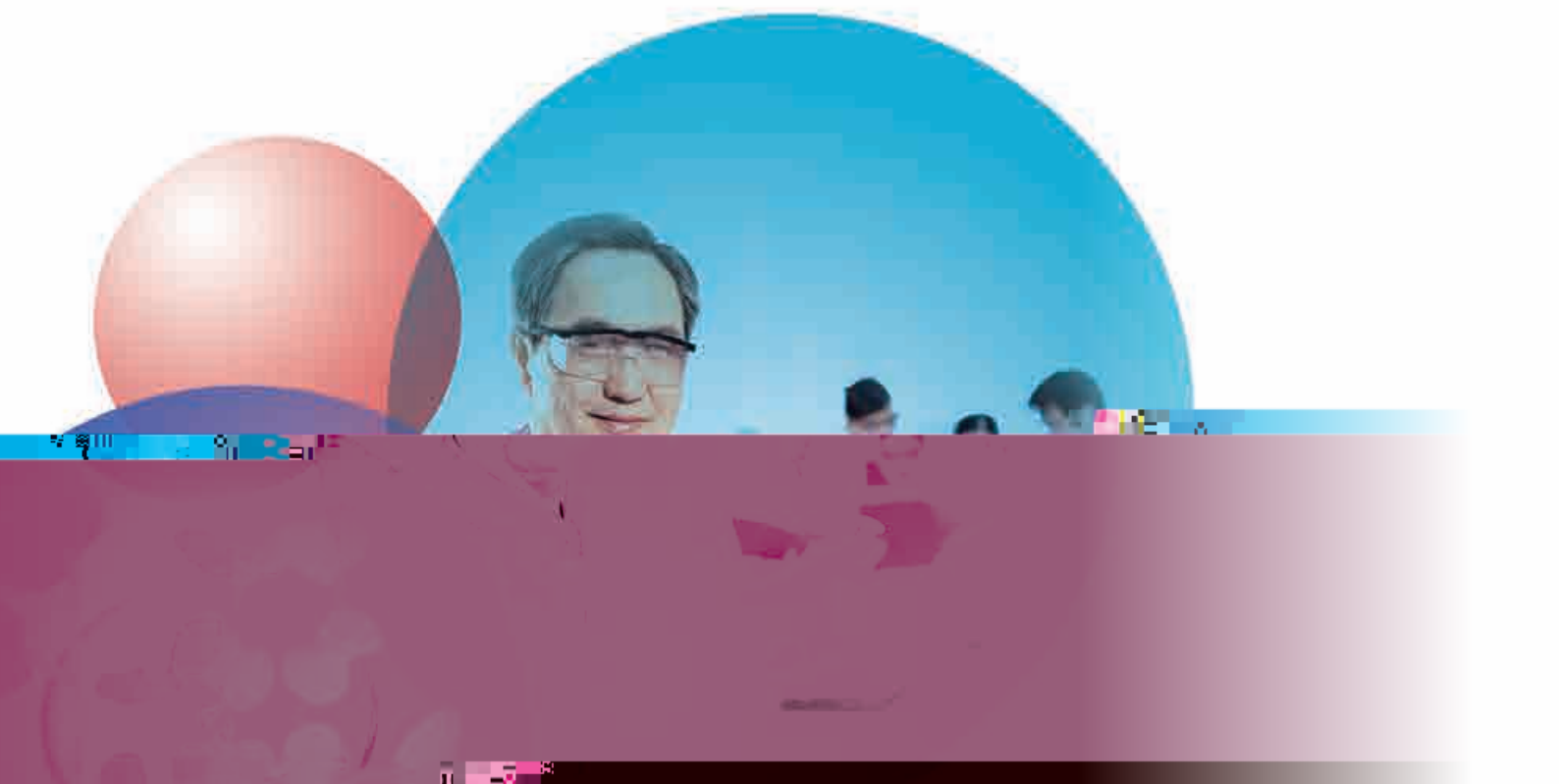
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hina with limited liability)

Stock Code: 02196

ANNUAL REPORT 2013

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Our Vision

To become the first-tier enterprise in the global mainstream pharmaceutical and healthcare market.

Our Mission

Fosun Pharma will continue to strengthen its innovation capability, service quality and internationalization level through the investment, management and integration of excellent enterprises in the industry, so as to become the leading company for innovative healthcare products and services.

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Corporate Information

Directors

Executive Directors

Mr. Chen Qiyu (陳啟宇) (*Chairman*)

Mr. Yao Fang (姚方)

(*Vice Chairman, President and Chief Executive Officer*)

Non-executive Directors

Mr. Guo Guangchang (郭廣昌)

Mr. Wang Qunbin (汪群斌)

Mr. Zhang Guozheng (章國政)

Mr. Wang Pinliang (王品良)¹

Ms. Kang Lan (康嵐)¹

Independent Non-executive Directors

Mr. Han Jiong (韓炯)

Dr. Zhang Weijiong (張維炯)

Mr. Li Man-kiu Adrian David (李民橋)

Mr. Cao Huimin (曹惠民)¹

Mr. Guan Yimin (管一民)²

Supervisors

Mr. Zhou Wen Yue (周文岳) (*Chairman*)¹

Mr. Li Haifeng (李海峰)¹

Mr. Cao Genxing (曹根興)

Mr. Liu Hailiang (柳海良)²

Mr. Wang Pinliang (王品良)²

Joint Company Secretaries

Mr. Zhou Biao (周颺)¹

Ms. Lo Yee Har Susan (盧綺霞)

Dr. Qiao Zhicheng (喬志城)³

Authorized Representatives

Mr. Chen Qiyu (陳啟宇)

Ms. Lo Yee Har Susan (盧綺霞)

Strategic Committee

Mr. Chen Qiyu (陳啟宇) (*Chairman*)

Mr. Yao Fang (姚方)¹

Mr. Guo Guangchang (郭廣昌)

Mr. Wang Qunbin (汪群斌)

Dr. Zhang Weijiong (張維炯)

Mr. Han Jiong (韓炯)²

Audit Committee

Mr. Cao Huimin (曹惠民) (*Chairman*)¹

Mr. Han Jiong (韓炯)

Mr. Wang Pinliang (王品良)¹

Mr. Guan Yimin (管一民)²

Mr. Zhang Guozheng (章國政)²

Nomination Committee

Mr. Han Jiong (韓炯) (*Chairman*)

Dr. Zhang Weijiong (張維炯)¹

Ms. Kang Lan (康嵐)¹

Mr. Guan Yimin (管一民)²

Mr. Guo Guangchang (郭廣昌)²

Remuneration and Appraisal Committee

Dr. Zhang Weijiong (張維炯) (*Chairman*)

Mr. Cao Huimin (曹惠民)¹

Ms. Kang Lan (康嵐)¹

Mr. Chen Qiyu (陳啟宇)⁴

Mr. Han Jiong (韓炯)⁴

Mr. Guan Yimin (管一民)²

Mr. Wang Qunbin (汪群斌)²

¹ Appointed on 28 June 2013

² Retired on 28 June 2013

³ Resigned on 28 June 2013

⁴ Appointed on 6 September 2013

Corporate Information

Registered Office

9th Floor, No. 510 Caoyang Road
Putuo District
Shanghai, 200063, China

Principal Place of Business in the PRC

Fosun Commercial Building
No. 2 Fuxing Road East
Huangpu District
Shanghai, 200010, China

Principal Place of Business in Hong Kong

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisers in Hong Kong

Morrison & Foerster

Legal Advisers in the PRC

Chen & Co. Law Firm⁵

Auditors

Ernst & Young

Compliance Adviser

Haitong International Capital Limited

Principal Banks

China Merchants Bank Shanghai Jiangwan Sub-branch
Bank of Beijing Shanghai Branch
Bank of Communications Shanghai Zhabei Sub-branch

Stock Name

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Stock Abbreviation

FOSUN PHARMA

Share Listing

A Share: Shanghai Stock Exchange
Stock Code: 600196
H Share: The Stock Exchange of Hong Kong Limited
Stock Code: 02196

⁵ Grandall Law Firm (Shanghai) has been appointed as the Company's legal advisers in the PRC since March 2014.

Corporate Information

A Share Registrar and Transfer Office in the PRC

China Securities Depository & Clearing Corporation Limited
(CSDCC) Shanghai Branch
China Insurance Building
166 East Lujiazui Road
Pudong District
Shanghai, China

H Share Registrar and Transfer Office in Hong Kong⁶

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Company's Website

<http://www.fosunpharma.com>

⁶ The address of the Company's H Share registrar and transfer office in Hong Kong has been relocated from 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to the current address with effect from 31 March 2014

Financial Highlights

Unit: RMB million

	2013	2012
Operating Results		
Revenue	9,921	7,278
Gross profit	4,378	3,151
Operating profit	1,114	594
Profit before tax	2,906	2,123
Profit for the year attributable to owners of the parent	2,027	1,564
Profitability		
Gross margin	44.1%	43.3%
Operating profit margin	11.2%	8.2%
Net profit margin	24.2%	25.3%
Earnings per share		
(in RMB)		
Earnings per share — basic	0.90	0.80
Earnings per share — diluted	0.90	0.80
Assets		
Total assets	29,418	25,450
Equity attributable to owners of the parent	15,275	13,502
Total liabilities	11,811	10,202
Cash and bank balances	3,067	4,973
Debt-to-asset ratio	40.1%	40.1%
Of which: Pharmaceutical manufacturing and R&D segment		
Revenue	6,524	4,633
Gross profit	3,355	2,437
Segment results	1,201	694
Segment net profit	1,468	829

Chairman's Statement



Mr. Chen Qiyu
Chairman

Dear Shareholders,

In 2013, the global economic downturn, slowdown of the domestic economy growth and the continuing reform of medical system in the PRC brought policy opportunities to the development of medical services. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical healthcare businesses, continued to develop product innovation and improve management, actively promoted the strategies of organic growth, external expansion and integrated development, and thereby maintaining a rapid growth of its major businesses.

Chairman's Statement

2013 Review

During the Reporting Period, the Group recorded revenue of RMB9,921 million, representing an increase of 36.31% as compared with 2012, of which the Group recorded revenue of RMB6,524 million in pharmaceutical manufacturing and research and development (R&D), representing an increase of 40.82% as compared with 2012.

The Board proposed to distribute a final dividend of RMB0.27 (inclusive of tax) per share for the year ended 31 December 2013.

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

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

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

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

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

In addition, the Group's capabilities in investment, merger and acquisition activities and consolidation have been widely recognized in the pharmaceutical industry, providing a solid foundation for the Group to make a leap-forward development in the future. A-share market and the H-share market have created favorable condition for the Group to rapidly expand its scale of operation and enhance its competitiveness through merger and acquisition activities. In order to maintain its rapid growth, the Group will follow the direction of China's Twelfth Five-year Plan in relation to the pharmaceutical industry, take advantage of its competitive strengths and adhere to the strategies of organic growth, external expansion and integrated development.

Chairman's Statement

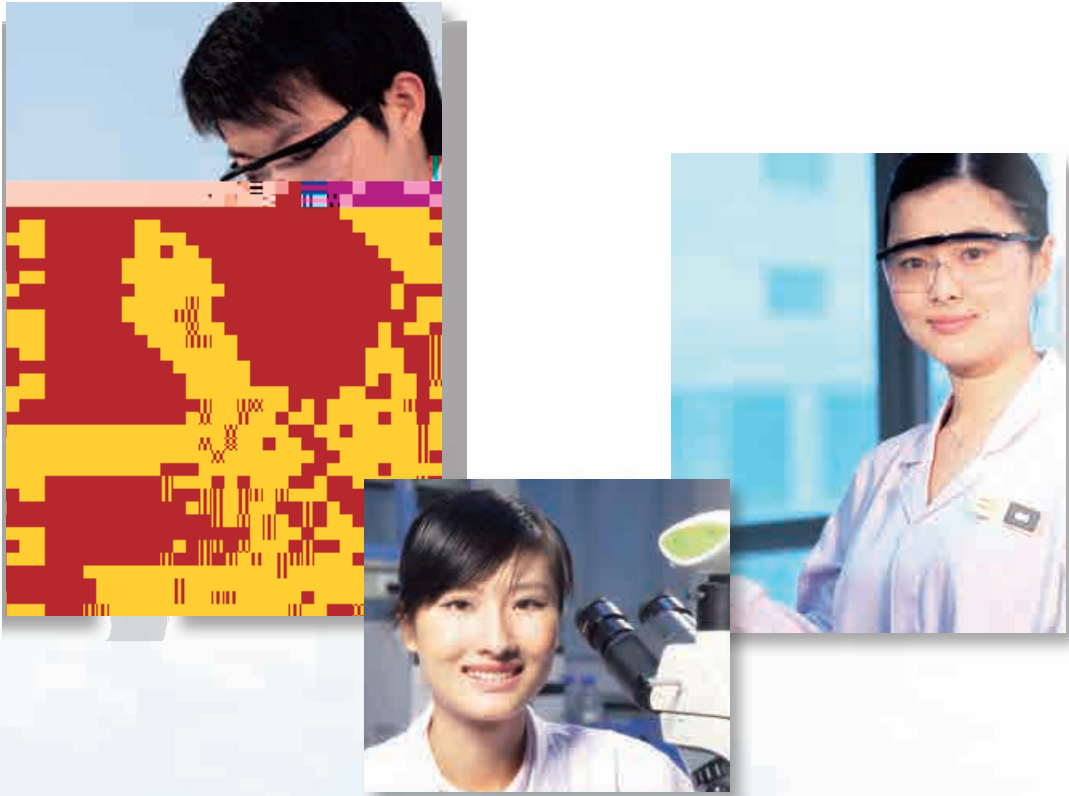
Outlook

In 2014, the pharmaceutical industry in China will be presented with numerous opportunities. In terms of market demand, the increase in the proportion of the aging population in the PRC, the increased spending on healthcare programs by the PRC government and the increase in the domestic per capita disposable income have been the three major driving factors for the rapid development of the pharmaceutical industry, and these factors will continue to exist and drive the industry to rapidly grow in the foreseeable future. In terms of industry structure, the domestic economy has maintained stable growth and the PRC government has encouraged and guided the strategic emerging industries to upgrade the industry and optimize the industry structure and supports the development of the innovation-oriented pharmaceutical industry. The implementation of the National List of Essential Drugs has established a relatively solid foundation for the domestic pharmaceutical enterprises. The implementation of China's Twelfth Five Year Plan for the pharmaceutical industry has driven greater competition in the industry as a whole. As a result, pharmaceutical enterprises with advantages in scale, technology, brand and marketing will have valuable



Technology Innovation

Management Discussion and Analysis



FINANCIAL REVIEW

During the Reporting Period, the audited annual results and the summary of basic financial results prepared by the Group in accordance with HKFRS are as follows:

During the Reporting Period, revenue of the Group amounted to RMB9,921 million, representing an increase of 36.31% over 2012.

During the Reporting Period, profit before tax and profit for the year attributable to owners of the parent of the Group increased by 36.89% and 29.61% to RMB2,906 million and RMB2,027 million from 2012, respectively.

During the Reporting Period, earnings per share of the Group increased by 12.50% to RMB0.90 from 2012.

Management Discussion and Analysis

REVENUE

During the Reporting Period, revenue of the Group increased by 36.31% to RMB9,921 million from 2012. Such increase in revenue was mainly due to (1) higher sales in business segments of pharmaceutical manufacturing and medical diagnosis and medical devices, and (2) the contribution from newly acquired enterprises.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group recorded revenue of RMB6,524 million, representing an increase of 40.82% from 2012; and segment results of RMB1,201 million, representing an increase of 73.13% from 2012. Such increase in revenue of the pharmaceutical manufacturing and R&D segment and segment results was mainly due to higher revenue from major products as well as the change in scope of the consolidated statements.

COST OF SALES

During the Reporting Period, costs of sales of the Group increased by 34.33% to RMB5,543 million from RMB4,127 million in 2012, which was mainly due to higher revenue from major products as well as the change in scope of the consolidated statements.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group increased by 38.94% to RMB4,378 million from RMB3,151 million in 2012. The gross margin of the Group in 2013 and 2012 were 44.1% and 43.3%, respectively.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 21.90% to RMB1,844 million from RMB1,512 million in 2012, which was mainly due to higher revenue from major products as well as the change in scope of the consolidated statements.

R&D COSTS AND R&D INVESTMENTS

During the Reporting Period, R&D costs of the Group increased by over 43% to RMB438 million from RMB306 million in 2012, which was mainly because the Group has increased its R&D investments, with a focus on the R&D of generic biopharmaceutical drugs and innovative drugs.

During the Reporting Period, R&D investments of the Group increased by 36.49% to RMB505 million from RMB370 million in 2012, accounting for 5.09% of the revenue for the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group decreased by 3.46% to RMB782 million from RMB810 million in 2012, which was mainly due to the dilution in the investment of the Group resulting from the completion of placing of H shares by Sinopharm, the disposal of Tongjitang Medicine and the change in net profit of associates.

Management Discussion and Analysis

PROFIT FOR THE YEAR

Due to the above reasons, during the Reporting Period, profit for the year of the Group increased by 30.48% to RMB2,400 million from RMB1,839 million in 2012. The net profit margin of the Group in 2013 and 2012 were 24.2% and 25.3%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the year attributable to owners of the parent of the Group increased by 29.61% to RMB2,027 million from RMB1,564 million in 2012, which was mainly due to (1) the steady growth maintained by the principal businesses of the Group; (2) the gain on deemed disposal recognised from the dilution of equity interest resulting from the completion of placing of H shares by Sinopharm, an investee company of the Group, in April 2013. Upon completion of placing of Sinopharm's H shares, the investment of the Group in Sinopharm was diluted from 32.05% to 29.98% and the effect of gain recognised on deemed disposal resulting from the diluted equity interests amounted to a gross profit of RMB595 million and a net profit after tax of RMB446 million; (3) the effect of gain recognised from disposal of Tongjitang Medicine amounted to a gross profit of RMB520 million and a net profit after tax of RMB414 million.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total debt

As at 31 December 2013, total debt of the Group decreased from RMB5,655 million as at 31 December 2012 to RMB5,624 million, which was mainly due to the repayment of borrowings. As at 31 December 2013, cash and bank balances decreased by 38.31% from RMB4,973 million as at 31 December 2012 to RMB3,067 million, mainly because external investments have been increased and the proceeds from listing of H Shares were principally used for project investments, R&D, repayment of interest-bearing debt as well as general working capital.

As at 31 December 2013, the amount of RMB510 million (2012: RMB185 million) out of the total debt of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 31 December 2013, cash and bank balances of the Group denominated in foreign currencies amounted to RMB495 million (2012: RMB2,848 million).

Unit: RMB million

Cash and bank balances denominated in:	2013	2012
RMB	2,572	2,125
US dollars	162	147
HK dollars	294	2,645
Others	39	56
Sub-total	3,067	4,973

Management Discussion and Analysis

Gearing ratio

As at 31 December 2013, the gearing ratio, calculated as total interest-bearing debts over total assets, was 19.12%, as compared with 22.22% as at 31 December 2012.

Interest rate

As at 31 December 2013, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB1,261 million (2012: RMB631 million).

As at 31 December 2013, the Group issued the 5-year medium-term notes with an aggregate amount of RMB2,600 million, which were interest-bearing at a floating interest rate.

Maturity structure of outstanding debts

Unit: RMB million

	31 December 2013	31 December 2012
Within 1 year	1,424	1,375
1 to 2 years	1,035	41
2 to 5 years	3,165	4,219
Over 5 years	—	20
Total	5,624	5,655

Available facilities

As at 31 December 2013, save for cash and bank balances of RMB3,067 million, the Group had unutilised banking facilities of RMB10,141 million in aggregate. The Group has also entered into cooperation agreements with various major banks (the "Banks") in China. According to such agreements, the Banks granted the Group general banking facilities to support its capital requirements. The utilisation of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations of China. As at 31 December 2013, total available banking facilities under these arrangements were approximately RMB11,828 million in aggregate, of which RMB1,687 million had been utilised. The Group obtained the approval from the National Association of Financial Market Institutional Investors for issuing short-term bonds in tranches with the aggregate principal amount of not more than RMB2,000 million on 31 October 2012. On 31 December 2013, the balance of short-term bonds payable is 0.

Pledged assets

As at 31 December 2013, the Group had pledged the following for certain bank borrowings: property, plant and equipment amounting to RMB124 million (2012: RMB303 million), prepaid land lease payments amounting to RMB26 million (2012: RMB39 million), and 94.16% equity interest in Guilin Pharma held by the Group (2012: 94.16% equity interest in Guilin Pharma held by the Group). Details of the pledged assets are set out in note 34 to the financial statements.

Management Discussion and Analysis

Cash flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principals of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used for) operating activities, investing activities and financing activities for 2013 and 2012.

Unit: RMB million

	2013	2012
Net cash flows from operating activities	1,012	666
Net cash flows used in investing activities	(1,803)	(975)
Net cash flows from financing activities	(932)	2,065
Increase/decrease in cash and cash equivalents	(1,724)	1,755
Cash and cash equivalents at the beginning of the year	4,172	2,428
Cash and cash equivalents at the end of the year	2,416	4,172

Capital expenditures and capital commitments

During the Reporting Period, capital expenditures of the Group amounted to RMB1,096 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments. Details of capital expenditures are set out in note 4 to the financial statements.

As at 31 December 2013, the Group's capital commitments contracted but not provided for and capital commitments authorised but not contracted amounted to RMB410 million and RMB92 million, respectively. These were mainly committed for reconstruction and renewal of plant and machinery as well as for new investees. Details of capital commitments are set out in note 43 to the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any contingent liabilities.

INTEREST COVERAGE

In 2013, EBITDA divided by interest costs being 10.50 times as compared with 7.53 times in 2012. The increase of interest coverage was mainly because the Group's EBITDA in 2013 increased by 31.80% to RMB3,677 million from RMB2,789 million in 2012.

RISK MANAGEMENT

Foreign currency exposure

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

Management Discussion and Analysis

Interest rate exposure

It is the Group's strategy to use debts with fixed and floating interest rates to manage its interest costs. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

BUSINESS REVIEW

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

In 2013, the global economic downturn, slowdown of the domestic economy growth and the continuing reform of medical system in the PRC brought policy opportunities to the development of medical services. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical healthcare businesses, continued to develop product innovation and improve management, actively promoted the strategies of organic growth, external expansion and integrated development, and thereby maintaining a rapid growth of its major businesses.

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

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

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

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

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

Management Discussion and Analysis

In 2013, the Group recorded profit before tax of RMB2,906 million and net profit attributable to Shareholders of the Company of RMB2,027 million, representing an increase of 36.89% and 29.61% as compared with 2012, respectively. The increase in profit before tax and net profit attributable to Shareholders of the Company was mainly due to (1) the steady growth maintained by the principal businesses of the Group; (2) the gain on deemed disposal recognized from the dilution of equity interest resulting from the completion of placing of H shares by Sinopharm, an investee company of the Group, in April 2013. Upon completion of placing of Sinopharm's H shares, the investment of the Group in Sinopharm was diluted from 32.05% to 29.98% and the effect of gain recognized on deemed disposal resulting from the diluted equity interests amounted to a gross profit of RMB595 million and a net profit after tax of RMB446 million; (3) the effect of gain recognized from disposal of Tongjitang Medicine amounted to a gross profit of RMB520 million and a net profit after tax of RMB414 million.

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

During the Reporting Period, the Group further increased its investment in the healthcare services segment. It invested in the Nanyang Cancer Hospital (南洋腫瘤醫院), a traditional Chinese medicine and western medicine integration tumor specialist hospital, and the Chancheng Hospital (禪城醫院), a tier-three class A hospital in Foshan. The Group substantially completed the strategic deployment of its healthcare services business to combine high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC.

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

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group recorded revenue of RMB6,524 million, representing an increase of 40.82% as compared with 2012, and segment results of RMB1,201 million, representing an increase of 73.13% as compared with 2012. The increase in the revenue and segment results in pharmaceutical manufacturing and R&D segment was mainly due to the increase in the sales revenue of major products and changes in the scope of consolidated statements.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group grew rapidly and the development of its professional operational team was further strengthened. In 2013, the sales of the Group's major products in therapeutic areas of cardiovascular system, central nervous system, blood system, metabolism and alimentary tract and anti-infection maintained a stronger growth momentum, recording a year- on-year growth of 31.05%, 89.94%, 37.79%, 15.64% and 47.04%, respectively.

Management Discussion and Analysis

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

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

Unit: RMB million

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

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

Note 2: Major products in therapeutic area of cardiovascular system include heparin series preparations, Xin Xian An (meglumine adenosine cyclophosphate for injection), Ke Yuan (calcium dobesilate), Bang Tan (Telmisartan), Bang Zhi (pitavastatin) and You Di Er (alprostadil dried emulsion);

Note 3: Major products in therapeutic area of central nervous system include Ao De Jin (deproteinised calf blood injection) and quetiapine fumarate (quetiapine fumarate tablets);

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

Note 5: Major products in therapeutic area of metabolism and alimentary tract include Atomolan series, Wan Su Ping (glimepiride), animal insulin and its formulation, recombinant human erythropoietin (Yi Bao), compound aloe capsules and Mo Luo Dan;

Note 6: Major products in therapeutic area of anti-infection include anti-tuberculosis series, artesunate series, Xi Chang (cefmetazole sodium) and Shaduolika (potassium sodium dehydroandrographolide succinate);

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

Management Discussion and Analysis

The Group has placed great emphasis on quality and risk management of the life cycle of its products, implemented stringent quality and safety control mechanism and monitored adverse drug reaction at each stage of the production chain from R&D to sales, so as to ensure the R&D, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing segment fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, management of change, management of deviation, OOS investigation and audit on suppliers. The Group's pharmaceutical manufacturing segment continued to push forward qualification certifications, ensure fulfillment of the new Good Manufacturing Practice ("GMP") in China, further international qualification certifications, and encourage voluntary adoption of international standards such as the European Directorate for the Quality of Medicines, the United States Pharmacopeia and IP in the production processes. As of the end of the Reporting Period, 16 APIs of the Group received certifications from the FDA of the U.S., EU Certification, Ministry of Health, Labour and Welfare of Japan and Federal Ministry of Health of Germany. One production line for oral solid dosage formulation and two productions lines for injection of Guilin Pharma obtained PreQualification ("PQ") from the World Health Organization ("WHO") and a production line of oral solid dosage formulation of Yao Pharma was recognized by FDA of Canada.

The Group has focused on innovation and R&D in long run. During the Reporting Period, the R&D expenses were RMB438 million, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB359 million, representing 5.50% of the revenue of the pharmaceutical manufacturing and R&D segment. The Group has continuously improved pharmaceutical R&D system that integrates imitation and innovation, increased investment in the "4+1" R&D platform, improved its innovation system, enhanced R&D capabilities, launched new products, and strengthened the core competitiveness of the Group. The Group owned a national-level enterprise technical center and established highly-efficient international R&D teams in Shanghai, Chongqing and San Francisco. In order to leverage its competitive strengths, the Group focused its R&D on therapeutic areas including metabolism and alimentary tract, cardiovascular system, central nervous system, anti-tumor and immune modulating and anti-infection, and the major products have gained leading position in each of the market segments. In China, the Group has competitive advantage in segment markets of liver disease, diabetes and tuberculosis whereas in the global market, the Group is a pioneer in the manufacturing and R&D of anti-malaria products. During the Reporting Period, the Group completed the first overseas transfer of its R&D project. In 2013, the Group has transferred relevant intellectual property of its self-invented Fotagliptin Benzoate and Pan-HER Inhibitors across the world (excluding China) to SELLAS, strengthening our confidence in expanding our self-invented medicine into the European and American market.

As of the end of the Reporting Period, the Group had 119 pipeline drugs and vaccines. The Group has completed construction and selection of high-expressing production cell lines for five monoclonal antibody products, tendered applications for clinical trial to the SFDA for four monoclonal antibody products (five indications) as of the end of the Reporting Period, and obtained the approval for the clinical trial for a new small molecular innovative chemical drug. During the Reporting Period, production approvals and licences for new medicines for Yu Li Tong APIs and formulation and production approvals for Entecavir APIs have been obtained; Chongqing Pharma Research has obtained the first licence for clinical study for methyl naltrexone bromide injection in China, and adopted the carrier drug delivery technology and invented the new formulation of "Rasagiline Transdermal Patches", for which it has obtained the approval for clinical study from SFDA. The new packaging of Artesun triple injection of Guilin Pharma also obtained the WHO-PQ certification in February 2013. In addition, the Group continued to implement its patent strategy and the Group's pharmaceutical manufacturing segment applied for a total of 72 patents during the Reporting Period.

Management Discussion and Analysis

Meanwhile, the Group creatively integrated domestic resources and continued to enhance R&D capabilities of the enterprise. The “Technology Innovation Strategic Alliance” formed by us with prestigious research institutes in China is one of the “industry-academia-research strategic alliances” under the national major project of pharmaceutical innovation and manufacturing. We cooperated with Shanghai Institute of Materia Medica of the Chinese Academy of Sciences (中國科學院上海醫藥研究所) to invent a new R&D model and to develop three anti-tumor innovative drug targets through sharing of benefits and risks. We established a joint venture company with Dalian Wanchun to jointly develop new anti-tumor drugs with international patents. We have also collaborated with Shanghai Jiao Tong University to jointly invent the synthesized arteannuin technology from arteannuin. As an “Innovative Pilot Enterprise” recognized by the PRC Ministry of Science and Technology and “National Enterprise Technology Centre”, the Group continued to enhance and improve its development as a pilot enterprise during the Reporting Period. In 2013, the Group was once again awarded the “Most Innovative Pharmaceutical Enterprise in China (中國最具創新力製藥企業)”.

Pharmaceutical Distribution and Retail

The pharmaceutical distribution and retail business of the Group recorded revenue of RMB1,502 million in 2013, representing an increase of 5.55% as compared with 2012. As of the end of the Reporting Period, our pharmaceutical retail brands, For Me Pharmacy and Golden Elephant Pharmacy, had a total of over 650 retail pharmacies, maintaining leading position in their respective regional markets. In 2013, For Me Pharmacy and Golden Elephant Pharmacy recorded sales of RMB828 million, maintaining a leading market share in the pharmaceutical retail markets in Shanghai and Beijing. Meanwhile, the Group actively explored the transformation of the pharmaceutical retail business model and tried new business models.

During the Reporting Period, Sinopharm, an investee company of the Group, completed placing of 165,668,190 of its H Shares, raising net proceeds of HK\$4,004 million. Continuous efforts were also made in accelerating industry consolidation, expanding distribution network of pharmaceutical products and maintaining rapid growth in business. In 2013, Sinopharm realized revenue of RMB166,866 million, net profit of RMB3,580 million and net profits attributable to Shareholders of RMB2,250 million, which represented an increase of 22.24%, 16.01% and 13.67% as compared with 2012, respectively. As of the end of the Reporting Period, the distribution network of Sinopharm further expanded to 51 distribution centers in 31 provinces, autonomous regions and municipalities in China. Its direct customers included 11,552 hospitals (only referring to hospitals with ranking and including 1,614 of the tier-three hospitals which are the largest and most highly-ranked hospitals). During the Reporting Period, Sinopharm’s revenue from pharmaceutical distribution business increased by 23.26% as compared with the same period of last year to RMB158,972 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB4,833 million generated during the Reporting Period, representing an increase of 17.49% as compared with the corresponding period of 2012; while its pharmaceutical retail network has further expanded, Sinopharm Holding GuoDa Drug Store Co., Ltd. has had 1,917 retail pharmacies as of the end of the Reporting Period.

Healthcare Services

In 2013, the Group further increased its investment in the healthcare services segment. It invested in the Nanyang Cancer Hospital (南洋腫瘤醫院), a traditional Chinese medicine and western medicine integration tumor specialist hospital, and the Chancheng Hospital (禪城醫院), a tier-three class A hospital in Foshan. The Group substantially completed the strategic deployment of our healthcare services business to combine high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC.

Management Discussion and Analysis

During the Reporting Period, the Group actively strengthened the operating capabilities of the healthcare institutions controlled by the Group, increased efforts in cultivating and recruiting medical staff, and facilitated the regional development of our healthcare services business. In 2013, the healthcare services entities controlled by the Group recorded a total revenue of RMB475 million; and as of the end of the Reporting Period, the total number of beds approved in Anhui Jimin Cancer Hospital (濟民腫瘤醫院), Guangji Hospital (廣濟醫院), Zhongwu Hospital (鐘吾醫院) as well as Chancheng Hospital (禪城醫院) was 2,090.

During the Reporting Period, the Group continued to support and facilitate the development and deployment of the hospital and clinic network under “United Family Hospital”, a leading premium healthcare services brand of Chindex. In 2013, there were significant and positive growth momentum in the United Family Hospital’s businesses in Beijing, Shanghai and Tianjin, and Beijing United Family Rehabilitation, one of the world’s leading hospitals, commenced operation officially. During the Reporting Period, revenue of the United Family Hospital recorded US\$179 million, representing an increase of 17.68% as compared with 2012, reflecting the growing market demand for premium healthcare services and the strong brand recognition of “United Family Hospital”.

Medical Diagnosis and Medical Devices

In 2013, the Group furthered its development in the medical diagnosis and medical devices segment by increasing investments and enhancing business cooperation. With respect to the medical diagnosis segment, the Group has invested in Saladax Biomedical, Inc., a U.S. corporation which is principally engaged in personalized medicine dose diagnostic tests and completed capital injection into OXFORD IMMUNOTEC GLOBAL PLC, a Tuberculosis in-vitro diagnostics products and services provider, and made its second capital injection into SD Biosensor Inc., a Korean company which engages in manufacturing of rapid diagnostic products during the Reporting Period. These investments further increased the varieties of diagnostic products and expanded our market share of rapid diagnostic products in the international market. With respect to medical devices segment, the Group invested in the world’s leading supplier of laser medical equipment, Alma Lasers, during the Reporting Period, maintaining its global leading position in such market segment.

During the Reporting Period, the Group recorded revenue of RMB1,081 million for the manufacturing of medical diagnosis and medical devices segment, representing an increase of 86.38% as compared with 2012. Excluding the impact of consolidation of Alma Lasers into the financial statements, the Group recorded revenue of RMB751 million from its medical diagnosis and medical devices manufacturing business during the Reporting Period, representing an increase of 29.45% as compared with the corresponding period of 2012. The revenue of distribution operations of the medical diagnosis and medical devices amounted to RMB326 million, representing a decrease of 30.49% as compared with the corresponding period of 2012. This was mainly due to the adjustment of distribution rights.

Environmental Protection, Healthy and Safety

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

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

Management Discussion and Analysis

Financing

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

Social Responsibility

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

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

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

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

The Group’s outstanding performance in corporate social responsibilities has gained recognition from all aspects of the society. During the Reporting Period, the Company was successfully selected as a sample stock in the dimension of social responsibility by “CCTV Finance Index 50 (399550)” (「央視財經50指數(399550)」社會責任維度樣本股) and as a sample stock by “CCTV Finance Index 50 — leading responses (399555)” (「央視財經 50責任領先指數(399555)」樣本股). The 2012 corporate social responsibility report of the Company was awarded the “Golden Bee 2013 Corporate Social Responsibility Report • Excellent Growth Companies” (「金蜜蜂2013優秀企業社會責任報告•成長型企業」獎).

Management Discussion and Analysis

A. Analysis on Principal Operations

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

Unit: million Currency: RMB

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

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

(2) *Revenue*

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

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

Management Discussion and Analysis

(3) Cost of Sales

a. Table of Analysis of Costs

Unit: million Currency: RMB

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

b. Major Suppliers

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

(4) R&D Expenditures

a. Table of R&D Expenditures

Unit: million Currency: RMB

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

Management Discussion and Analysis

b. Description

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

(5) Cash Flows

Unit: million Currency: RMB

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

(6) Others

- a. Details for Significant Changes in the Profit Components or Sources of Profit of the Group
Sinopharm completed placing of its H shares in April 2013. The equity interest held by the Group was therefore diluted from 32.05% to 29.98%, resulting in a net gain after tax of RMB446 million on the deemed disposal recognized from the dilution of equity interest. A net profit after tax of RMB414 million on the deemed disposal of Tongjitang Medicine was recognized.
- b. Progressing of Development Strategy and Business Plan
During the Reporting Period, the Group adhered to the strategies of organic growth, external expansion and integrated development, concentrated resources on its core businesses of pharmaceutical R&D, insisted on product innovation and further improved the competitiveness of its products. The number of formulations that gained sales volume as much as RMB100 million has increased to 15 in 2013 from 11 in 2012. Meanwhile, the Group continued to increase its investment in the healthcare services segment and substantially completed the strategic deployment of its healthcare services segment to combine high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second- tier and third-tier cities in the PRC. In addition, during the Reporting Period, the Group accelerated the pace of its international merger and acquisition and made aggressive progress on its internationalization strategies and increase business scale through acquisition of overseas enterprises such as Alma Lasers, Saladax Biomedical, Inc. and OXFORD IMMUNOTEC GLOBAL PLC.

Management Discussion and Analysis

B. Industry and Regional Operation

(1) Business by Segments

Unit: million Currency: RMB

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

Notes:

- The significant increase in revenue of the pharmaceutical manufacturing and R&D segment was mainly due to the increase in revenue of major products and changes in the scope of consolidated statements.
- The significant increase in revenue of the medical diagnosis and medical devices segment was mainly due to the increase in sales of existing subsidiaries and the consolidation of Alma Lasers into the financial statements.
- The significant increase in revenue of the healthcare services segment was mainly due to changes in the scope of the consolidated statements.

(2) Revenue by Geographical Segments

Unit: million Currency: RMB

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

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

Management Discussion and Analysis

C. Assets and Liabilities

(1) Table of Assets and Liabilities

Unit: million Currency: RMB

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

Management Discussion and Analysis

D. Core Competence Analysis

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

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

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

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

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

In addition, the Group's capabilities in investment, merger and acquisition activities and consolidation have been widely recognized in the pharmaceutical industry, providing a solid foundation for the Group to make a leap-forward development in the future. A-share market and the H-share market have created favorable condition for the Group to rapidly expand its scale of operation and enhance its competitiveness through merger and acquisition activities. In order to maintain its rapid growth, the Group will follow the direction of China's Twelfth Five-year Plan in relation to the pharmaceutical industry, take advantage of its competitive strengths and adhere to the strategies of organic growth, external expansion and integrated development.

Management Discussion and Analysis

E. Major Subsidiaries and Investee Companies

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

Unit: million Currency: RMB

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

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

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

Unit: million Currency: RMB

Name	Nature of business	Principal product or service	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd.	Pharmaceutical investment	Chemical APIs, chemical agent, antibiotic, Chinese patent drug, biochemicals, wholesales of diagnostic drugs, industrial investment, trustee management and capital reorganization for pharmaceutical companies, domestic trading, retail chain, logistics and relevant advisory services	100	105,414	28,933	166,558	4,310	3,580

Management Discussion and Analysis

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

Unit: million Currency: RMB

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

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

F. Employees

Total number of employees of the Group 16,791

Function

Category	Headcounts
Production personnel	6,468
Sales personnel	3,927
Technology and R&D personnel	1,570
Finance and audit personnel	436
Administration personnel	1,552
Management (including HR)	635
Medical care personnel	2,203
Total	16,791

Education

Category	Headcounts
Doctors	80
Masters	637
University graduates	3,794
Tertiary college graduates	4,368
Secondary school and below	7,912
Total	16,791

Management Discussion and Analysis

2. The Board's Discussion and Analysis on Future Development of the Group

A. Competition and Development Trends of the Industry

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

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

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

Management Discussion and Analysis

B. Development Strategy of the Group

In 2014, the Group will continue to be committed to improve public health as its mission, adhere to its company philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the development of the pharmaceutical market in China as well as the rapid growth of generic drugs in mainstream markets such as Europe and the United States. It will adhere to the development strategies of organic growth, external expansion and integrated development, and further its efforts in acquiring quality companies in the pharmaceutical industry. By continuing to optimize and integrate resources in the pharmaceutical industry chain, strengthening development of product innovation and product marketing systems, positively implementing internationalization and enhancing the core competence of the Group, the Group strives to further enhance its operating results.

C. Operation Plan

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

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

Pharmaceutical R&D and Manufacturing:

In 2014, the Group will continue to focus on innovation and international development, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group seeks to achieve continuous and rapid growth of its revenue and profit.

The Group will actively push forward the development of professional marketing teams and follow-on products in therapeutic areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary tract, and anti-infection. In addition to solidifying the market position and product growth in the existing key segments and products, the Group will further its efforts in promoting products such as You Di Er, Bang Ting, Ao De Jin, Atomolan, EPO and You Li Tong (優立通) so as to maintain and further improve the leading position in their respective market segments.

Management Discussion and Analysis

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

Pharmaceutical Distribution and Retail

In 2014, the Group will continue to facilitate consolidation and rapid development of Sinopharm in its pharmaceutical distribution business, and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical distribution segment. The Group will also actively support the leap-forward and integrated development of Sinopharm’s pharmacy in the pharmaceutical retail segment, through which the leading position of Sinopharm in the pharmaceutical retail segment can be established. At the same time, faced with opportunities brought by the explosive growth of the Internet e-commerce, the Group will achieve transformation and rapid growth by leveraging its established pharmaceutical e-commerce platform and competitive edge in retail business. The Group will also further improve and enhance retail brands such as For Me Pharmacy and Golden Elephant Pharmacy, strengthen the consolidation within the industry in regions where the Group operates, and consolidate and increase market share in the regional markets.

Healthcare Services

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

Management Discussion and Analysis

Medical Devices and Medical Diagnosis

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

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

Financing

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

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

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

E. Potential Risks

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

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

Management Discussion and Analysis

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

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

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

3. Other Events

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

The Restricted A Share Incentive Scheme was approved by the Shareholders at its extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting on 20 December 2013.

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

(b) Development and commercial transfer of intellectual property

During the Reporting Period, our subsidiary Chongqing Fochon Pharmaceutical Research Co., Ltd. transferred relevant intellectual property and other rights of Fotagliptin Benzoate and Pan-HER Inhibitors across the world (excluding China) to SELLAS. According to the transfer agreement, as at the end of the Reporting Period, SELLAS should pay transfer consideration of €1.50 million, and the consideration was paid in full. As at the date of this annual report, the accumulated consideration payable by SELLAS amounted to €8 million, with the actual paid consideration amounted to €1.50 million. The remaining consideration is pending to be paid by SELLAS.

Management Discussion and Analysis

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

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

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

The above proposed transactions are subject to Shareholders' approval.

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

As disclosed in the Company's announcement dated 28 February 2014, Fosun Pharmaceutical Industrial, a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Xinjiang Boze, Aohong Pharma and Mr. Yu Hongru on 28 February 2014, pursuant to which Fosun Pharmaceutical Industrial shall acquire an aggregate of 28.146% equity interest in Aohong Pharma from Xinjiang Boze at a consideration of no more than RMB1,866.08 million. The transactions are subject to Shareholders' approval.

Five-Year Statistics

Unit: RMB million

Year	2009	2010	2011	2012	2013
Operating Results					
Revenue	3,850	4,529	6,433	7,278	9,921
Profit for the year	2,567	1,000	1,385	1,839	2,400
Profit for the year attributable to owners of the parent	2,501	864	1,166	1,564	2,027
EBITDA	3,537	1,518	2,249	2,789	3,676
Proposed final dividend (in RMB)	0.10	0.10	0.10	0.21	0.27
Earnings per share (in RMB)					
Earnings per share — basic	1.35	0.46	0.61	0.80	0.90
Earnings per share — diluted	1.35	0.46	0.61	0.80	0.90
Equity					
Total equity	6,895	9,355	11,314	15,248	17,608
Equity attributable to owners of the parent	6,420	8,366	9,715	13,502	15,275
Equity per share attributable to owners of the parent	5.19	4.39	5.10	6.03	6.82
Debt					
Total debt	2,869	4,590	6,094	5,655	5,624
Gearing ratio (%)	25.01%	27.36%	27.41%	22.22%	19.12%
Interest coverage (times)	26.71	9.35	7.16	7.53	10.50
Assets					
Cash and bank balances	1,297	3,344	2,895	4,973	3,067
Property, plant and equipment	1,260	1,697	2,632	3,502	4,930
Prepaid land lease payments	183	299	459	544	780
Investments in joint ventures	8	2	2	17	118
Investments in associates	5,622	6,065	7,395	7,903	8,765
Available-for-sale investments	977	2,055	2,789	2,070	2,664
Equity investments at fair value through profit or loss	12	219	231	225	44
Segment net profit					
Pharmaceutical manufacturing and R&D	271	436	645	829	1,468
Pharmaceutical distribution and retail	2,328	434	1,046	662	1,153
Medical diagnosis and medical devices	25	31	55	65	66
Healthcare service	N/A	N/A	3	17	42
Other business operations	71	(60)	(127)	18	(2)

The Directors are pleased to present their 2013 report and the audited consolidated financial statements of the Company for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the development, manufacture and sale of pharmaceutical products and medical equipment, import and export of medical equipment, healthcare services and the provision of related and other consulting services and investment management.

Details of the principal activities of the principal subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 73 to 186.

The Board has proposed a final dividend of RMB0.27 per share, inclusive of tax, for the year ended 31 December 2013, which will be subject to the approval by the Shareholders at the forthcoming AGM.

The Company will dispatch a circular containing, *inter alia*, further information relating to the proposed distribution of final dividend and the forthcoming AGM to Shareholders as soon as practicable.

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

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

Report of the Directors

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The notice of the forthcoming AGM will be published and dispatched to Shareholders of the Company in accordance with the requirements of the Hong Kong Listing Rules and the Articles of Association. The Company will announce the period of closure of register of members of H Shares in the notice of AGM to be issued.

SUMMARY FINANCIAL INFORMATION

A summary of the financial information for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out in the section headed "Five-Year Statistics" in this annual report.

ISSUED CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 38 to the financial statements.

SUBSIDIARIES

Particulars of the names, places of incorporation and issued/registered share capital of the Company's principal subsidiaries are set out in note 20 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2013, calculated in accordance with PRC rules and regulation, was RMB1,058 million. Details of movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 77 to 78 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the total purchases attributable to the Group's five largest suppliers were less than 30%, and the total turnover attributable to the Group's five largest customers was less than 30%.

Report of the Directors

DIRECTORS

As of the end of the Reporting Period, the Directors of the Company are as follows:

Executive Directors

Mr. Chen Qiyu (陳啟宇) (*Chairman*)

Mr. Yao Fang (姚方) (*Vice Chairman, President and Chief Executive Officer*)

Non-executive Directors

Mr. Guo Guangchang (郭廣昌)

Mr. Wang Qunbin (汪群斌)

Mr. Zhang Guozheng (章國政)

Mr. Wang Pinliang (王品良)

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Report of the Directors

DIRECTORS' REMUNERATION

The executive Directors who are also the senior management of the Company shall not only be entitled to receive by way of remuneration for their services as being executive Directors, but also to receive by way of remuneration for their services as being the senior management of the Company, and such remuneration will be assessed and determined by the Board. The remuneration for the full-time Directors should be determined by the general meetings based on the economic benefits received by the Company and by reference to other factors including the responsibilities and performance of the Directors and the remuneration standards of the industry. The allowances for the independent non-executive Directors should be determined by the general meetings of the Company.

Details of the Directors' remuneration are set out in note 10 to the financial statements.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or its subsidiaries was a party subsisted at the end of the Reporting Period or at any time during the Reporting Period in which a Director or Supervisor of the Company had a material interest.

PENSION SCHEME

The full-time employees of the Group are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries (subject to maximum caps) to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred. The Group's pension cost charged to the income statement for the Reporting Period was RMB83 million.

MANAGEMENT CONTRACT

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors and Supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the Directors or Supervisors to acquire such rights in any other body corporate.

Report of the Directors

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long positions in the Shares, underlying shares and debentures of the Company

Name of Directors	Capacity	Class of Shares	Number of Shares ⁽¹⁾	Approximate percentage of Shares in relevant class of shares
Mr. Guo Guangchang	Interest of a controlled corporation	A Share	920,641,314(L) ⁽²⁾	48.34%
Mr. Guo Guangchang	Beneficial owner	A Share	114,075(L)	0.01%
Mr. Chen Qiyu	Beneficial owner	A Share	114,075(L)	0.01%
Mr. Wang Qunbin	Beneficial owner	A Share	114,075(L)	0.01%

Notes:

(1) (L) — Long position; (S) — Short position; (P) — Lending pool

(2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly-owned by Fosun International, which in turn is owned as to 79.03% by Fosun Holdings, and Fosun Holdings is wholly-owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 58% by Mr. Guo Guangchang, he is deemed to be interested in the Shares held by Fosun High Tech.

(2) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO)

Name of Directors/ chief executive	Name of associated corporation	Class of Shares	Capacity	Number of Shares ⁽¹⁾	Approximate percentage of Shares in issue
Mr. Guo Guangchang	Fosun International Holdings	Ordinary share			

Report of the Directors

Notes:

- (1) (L) — Long position; (S) — Short position; (P) — Lending pool
- (2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly-owned by Fosun International, which in turn is owned as to 79.03% by Fosun Holdings, and Fosun Holdings is wholly-owned by Fosun International Holdings. As Fosun International Holdings is held as to approximately 58% by Mr. Guo Guangchang, he is deemed to be interested in the Shares held by Fosun High Tech.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, so far as is known to the Directors and Supervisors, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholders	Nature of Interest	Class of Shares	Number of Shares ⁽¹⁾	Approximate percentage of Shares in relevant class of shares
Fosun High Tech	Beneficial owner	A Share	920,641,314(L) ⁽²⁾	48.34%
Fosun International	Interest of a controlled corporation	A Share	920,641,314(L) ⁽²⁾	48.34%
Fosun Holdings	Interest of a controlled corporation	A Share	920,641,314(L) ⁽²⁾	48.34%
Fosun International Holdings	Interest of a controlled corporation	A Share	920,641,314(L) ⁽²⁾	48.34%
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500(L)	9.77%
JPMorgan Chase & Co.	Beneficial owner	H Share	510,600(L)	0.15%
JPMorgan Chase & Co.	Investment manager	H Share	1,196,500(L)	0.36%
JPMorgan Chase & Co.	Custodian — corporation/approved lending agent	H Share	22,253,713(L)	6.62%
Nomura Holdings Inc.	Interest of a controlled corporation	H Share	23,496,300(L)	6.99%
Norges Bank	Beneficial owner	H Share	21,122,213(L)	6.29%
Keywise Capital Management (HK) Limited	Investment manager	H Share	17,793,500(L)	5.29%

Notes:

- (1) (L) — Long position; (S) — Short position; (P) — Lending pool
- (2) These Shares are held by Fosun High Tech. Fosun High Tech is wholly-owned by Fosun International, which in turn is owned as to 79.03% by Fosun Holdings, and Fosun Holdings is wholly-owned by Fosun International Holdings. Therefore, Fosun International, Fosun Holdings and Fosun International Holdings are deemed to be interested in these Shares.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has been maintaining the sufficient public float as required by the Hong Kong Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or applicable laws of the PRC where the Company is incorporated.

DONATIONS

During the Reporting Period, the Group made donations of RMB4.24 million.

CONNECTED TRANSACTIONS

During the Reporting Period, the Company has entered into the following transaction with connected persons as defined in the Hong Kong Listing Rules:

(A) Non-exempt Connected Transaction

- (i) On 26 September 2013, the Board considered and approved the proposal to adopt the Restricted A Share Incentive Scheme of the Company to issue a total of 4,035,000 A Shares at a grant price of RMB6.08 per Restricted A Share to selected directors, member of senior management of the Group and core technical and management personnel who have direct impact on the overall results and continuous development of the Group. As certain participants of the Restricted A Share Incentive Scheme, being chief executive, directors or supervisors of the Company or its subsidiaries, are connected persons of the Company, any grant of the Restricted A Shares to such connected persons under the Restricted A Share Incentive Scheme by the Company constitutes a non-exempt connected transaction of the Company. The Restricted A Share Incentive Scheme was approved by the Shareholders at the extraordinary general meeting held on 20 December 2013.
- (ii) On 24 December 2013, the Board considered and approved that the Company, Fosun High Tech and Nanjing Steel United Co., Ltd., subject to approval by the China Banking Regulatory Commission, agreed to make a pro-rata capital contribution involving a total amount of approximately RMB1,200,000,000 in the amount of RMB108,000,000, RMB984,000,000,000 and RMB108,000,000, respectively, to Fosun Finance. As subsequently disclosed in the announcement of the Company dated 14 January 2014, the parties have entered into a capital increase agreement following receipt of the approval from the China Banking Regulatory Commission.

Report of the Directors

(B) Non-exempt Continuing Connected Transactions

The Group has previously disclosed a series of the continuing connected transactions relating to the Master Property Management Services Agreements, the Financial Services Agreement and the Master Leases. Certain details of the transactions are summarized in the table below. The Company has complied and will continue to comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions, including, among others, conducting annual review of the continuing connected transactions.

Unit: RMB

Report of the Directors

Unit: RMB

Connected person	Transaction	Type	Actual transaction amount 2013	Proposed annual caps 2013
Fosun Finance	Financial Services Agreement ⁽¹⁾			
	(a) Maximum daily outstanding balance of deposits placed by the Company with Fosun Finance	Deposit taking	296,181,515	300,000,000
	(b) Maximum daily outstanding balance of loans granted by Fosun Finance to the Company	Loan provision	0	300,000,000
	(c) Fees and charges paid by the Company to Fosun Finance for clearing and settlement services and other financial services	Service fee	600	1,000,000
Forte Investment and Management ⁽²⁾	Master Lease A, Master Lease B, Master Lease C and Master Lease D	Rental	4,608,085	5,186,050
Shanghai Fosun Property Management	Master Lease E and Master Lease F ⁽³⁾	Rental	7,606,980	9,933,084
Fosun High Tech	Master Lease H	Rental	76,868	224,604
		Total for rental	12,291,933	15,343,738

Notes:

- (1) On 26 August 2013, the Company entered into the financial services agreement with Fosun Finance to renew the Finance Services Agreement, which would expire on 31 December 2013, for a further term of three years commencing on 1 January 2014 ending on 31 December 2016.
- (2) The lessor has changed from Forte Investment and Management to Shanghai New Shihua Investment and Management Co., Ltd. with effect from 1 December 2013, both of which are wholly-owned subsidiaries of Forte, a 99.08% indirectly owned subsidiary of Fosun International, the Controlling Shareholder of the Company.
- (3) As disclosed in the announcement of the Company dated 4 January 2013, Shanghai ClonBiotech and Shanghai Fosun Property Management entered into the New Lease pursuant to which each of the annual caps for the years ending 31 December 2013 and 2014 in respect of the aggregate rental payable by Shanghai Fosun Property Management to the Group under Master Lease F was increased from RMB752,064 to RMB1,128,084 as a result of the enlarged leasing area. On 25 April 2013, the Company further announced that Shanghai ClonBiotech and Shanghai Fosun Property Management entered into a termination agreement pursuant to which the parties agreed to terminate the leasing of the premises under Master Lease F with effect from 1 May 2013 due to the change of business needs of Shanghai Fosun Property Management.

Report of the Directors

The Board has reviewed the continuing connected transactions as described above and confirmed that in 2013, such transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in 2013:

1. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board;
2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
3. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
4. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus and the announcements of the Company dated 4 January 2013, 25 April 2013 and 26 August 2013 in respect of each of the disclosed continuing connected transactions.

RELATED PARTY TRANSACTIONS

Report of the Directors

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 50 to the financial statements.

COMPLIANCE WITH THE MODEL CODE AND THE WRITTEN CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS/RELEVANT EMPLOYEES OF THE COMPANY (THE "WRITTEN CODE")

The Company has adopted the Model Code and 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.

COMPLIANCE WITH THE CG CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Hong Kong Listing Rules. The Board is of the view that, during the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code.

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 51 to 61 of this annual report.

AUDIT COMMITTEE

As of the end of the Reporting Period, the Audit Committee of the Company comprises Mr. Cao Huimin (chairman), an independent non-executive Director, Mr. Han Jiong, an independent non-executive Director, and Mr. Wang Pinliang, a non-executive Director. The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Group, and to provide recommendations and advice to the Board.

The Audit Committee of the Company has reviewed the 2013 annual results of the Group.

Report of the Directors

AUDITORS

The consolidated financial statements of the Group have been audited by Ernst & Young.

A resolution for re-appointing Ernst & Young as the auditors of the Company will be proposed at the forthcoming AGM of the Company.

On Behalf of the Board

Chen Qiyu

Chairman

Shanghai, PRC
24 March 2014

Supervisory Committee Report

A. DURING THE REPORTING PERIOD, THE DAILY OPERATION OF THE SUPERVISORY COMMITTEE IS AS FOLLOWS:

In 2013, the fifth and sixth session of the Supervisory Committee of the Company carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting (監事會議事規則):

The Supervisory Committee has met 7 times in 2013, and details are as follows:

1. On 26 March 2013, the Company convened the first meeting of the fifth session of the Supervisory Committee in 2013 (a regular meeting) to review and approve the 2012 Annual Report of the Group and its abstract, the Working Report of the Supervisory Committee for 2012, the Special Report of the Placement and Actual Use of the Proceeds in 2012, the 2012 Internal Control Self-Assessment Report and the resolution in relation to the candidates of the sixth session of the Supervisory Committee of the Company.
2. On 25 April 2013, the Company convened the second meeting of the fifth session of the Supervisory Committee in 2013 (a regular meeting) to review and approve the 2013 First Quarterly Report of the Group and the resolution to temporarily supplement the liquidity by using the unused proceeds.
3. On 28 June 2013, the Company convened the first meeting of the sixth session of the Supervisory Committee in 2013 (a special meeting) to elect the chairman of the sixth session of the Supervisory Committee of the Company.
4. On 26 August 2013, the Company convened the second meeting of the sixth session of the Supervisory Committee in 2013 (a regular meeting) to review and approve the 2013 Interim Report of the Group and its abstract, the 2013 Interim Internal Control Self-Assessment Report and the Interim Special Report of the Placement and Actual Use of the Proceeds in 2013.
5. On 26 September 2013, the Company convened the third meeting of the sixth session of the Supervisory Committee in 2013 (a special meeting) to review and approve the resolution in relation to the Restricted A Share Incentive Scheme (draft) and its abstract, the resolution in relation to the participants of the Restricted A Share Incentive Scheme and the resolution in relation to the administrative measures for the appraisal system of the Restricted A Share Incentive Scheme.
6. On 30 October 2013, the Company convened the fourth meeting of the sixth session of the Supervisory Committee in 2013 (a regular meeting) to review and approve the 2013 Third Quarterly Report of the Group, the resolution in relation to the Restricted A Share Incentive Scheme (revised draft) and its abstract and the resolution in relation to the participants of the Restricted A Share Incentive Scheme.
7. On 9 December 2013, the Company convened the fifth meeting of the sixth session of the Supervisory Committee in 2013 (a special meeting) to review and approve the resolution to temporarily supplement the liquidity by using the unused proceeds.

Supervisory Committee Report

B. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE LAWFUL OPERATION OF THE COMPANY

The Supervisory Committee is of the view that the operation of the Company has been consistent with the provisions of the PRC Company Law, the PRC Securities Law and the Articles of Association; that the decision-making process of the Company has been in compliance with the laws, and the Company has established a relatively comprehensive internal control system; and that the Directors and senior management of the Company, in discharging their duties, have not violated any law, regulation or the Articles of Association, nor have they acted in a way which is prejudicial to the interests of the Company.

C. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE FINANCIAL POSITION OF THE GROUP

The Supervisory Committee agreed with the audit opinion issued by Ernst & Young on the 2013 annual financial report of the Group, and that the financial report of the Group has given a true and fair view of the financial position and the operating results of the Group.

D. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE ACQUISITIONS OR DISPOSALS OF ASSETS BY THE GROUP

The Supervisory Committee is of view that the Group acquired and disposed of assets at reasonable prices, and it is not aware of any insider dealing or any act that is prejudicial to the interests of Shareholders or resulting in any loss of assets of the Group.

E. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CONNECTED TRANSACTIONS OF THE GROUP

The Supervisory Committee is of view that the connected transactions of the Group were fair, and were not prejudicial to the interests of the Group.

F. THE REVIEW OF THE INTERNAL CONTROL SELF-ASSESSMENT REPORT BY THE SUPERVISORY COMMITTEE

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the period ended 31 December 2013.

CORPORATE GOVERNANCE PRACTICES

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, relevant laws and the Shanghai Listing Rules and Hong Kong Listing Rules. The Company seeks to continually improve its corporate governance structure, and to optimize its internal management and control and corporate operations in order to improve the Company's corporate governance.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Hong Kong Listing Rules.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code and the Written Code throughout the Reporting Period.

No incident of non-compliance of the Written Code by the Directors and relevant employees was noted by the Company.

Corporate Governance Report

BOARD OF DIRECTORS

As at the end of the Reporting Period, the Board is constituted by eleven members, including two executive Directors, five non-executive Directors and four independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors:

Mr. Chen Qiyu (*Chairman*)

Mr. Yao Fang (*Vice Chairman, President and Chief Executive Officer*)

Non-executive Directors:

Mr. Guo Guangchang

Mr. Wang Qunbin

Mr. Zhang Guozheng

Mr. Wang Pinliang

Ms. Kang Lan

Independent Non-executive Directors:

Mr. Han Jiong

Dr. Zhang Weijiong

Mr. Li Man-kiu Adrian David

Mr. Cao Huimin

Biographical information of the Directors are set out on pages 62 to 70 of this annual report.

None of the members of the Board is related to one another.

Chairman of the Board and Chief Executive Officer of the Company

The positions of chairman of the Board and chief executive officer of the Company (equivalent to the chief executive officer referred to in the CG Code) are held by Mr. Chen Qiyu and Mr. Yao Fang, respectively. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise, and the independent non-executive Directors represent over one-third of the Board.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Corporate Governance Report

Appointment, Removal and Re-election of Directors

A Director shall have a term of office of three years and shall be entitled to be re-appointed when the term of office expires provided that the term of office of independent non-executive Directors shall not exceed six years. The Company has entered into a service contract with each executive Director and a letter of appointment with each non-executive Director and independent non-executive Director for a term of three years. The appointment and removal of Directors shall be approved by Shareholders at the general meeting.

During the Reporting Period, the Company held an election of a new session of the Board. On 28 June 2013, the AGM re-elected Mr. Chen Qiyu and Mr. Yao Fang as the executive Directors of the sixth session of the Board; re-elected Mr. Guo Guangchang, Mr. Wang Qunbin and Mr. Zhang Guozheng as the non-executive Directors of the sixth session of the Board and elected Mr. Wang Pinliang and Ms. Kang Lan as the non-executive Directors of the sixth session of the Board; and re-elected Mr. Han Jiong, Dr. Zhang Weijiong and Mr. Li Man-kiu Adrian David as the independent non-executive Directors of the sixth session of the Board and elected Mr. Cao Huimin as the independent non-executive Director of the sixth session of the Board. On 28 June 2013, Mr. Guan Yimin retired from the office as an independent non-executive Director.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors shall take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Directors, directing and coordinating the daily operation and management of the Company are delegated to the senior management.

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of his/her responsibilities and obligations under the Hong Kong Listing Rules and relevant statutory rules.

Corporate Governance Report

All Directors have participated in continuous professional development program during the Reporting Period in order to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

According to the records maintained by the Company, as at 31 December 2013, all Directors received training with an emphasis on the roles, functions and duties as a director of a listed company in compliance with the code provisions relating to continuous professional development under the CG Code. The training records of the Directors for the year ended 31 December 2013 is set out in the table on page 55 of this annual report.

BOARD COMMITTEES

The Board has established four committees, namely, Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategic Committee, for overseeing all aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (<http://www.fosunpharma.com>) and the Hong Kong Stock Exchange's website (<http://www.hkexnews.hk>) and are available to Shareholders upon request.

The majority of the members of each Board committee (except Strategic Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reports, internal control procedures and risk management system, arranging audit plans and contacting with external auditors, and reviewing the arrangement for enabling employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

In 2013, the Audit Committee held 10 meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2013 and to discuss significant issues relating to the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

In 2013, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration and Appraisal Committee

The primary functions of the Remuneration and Appraisal Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management and the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

In 2013, the Remuneration and Appraisal Committee met twice to review and make recommendations to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, the Restricted A Share Incentive Scheme and other related matters.

Corporate Governance Report

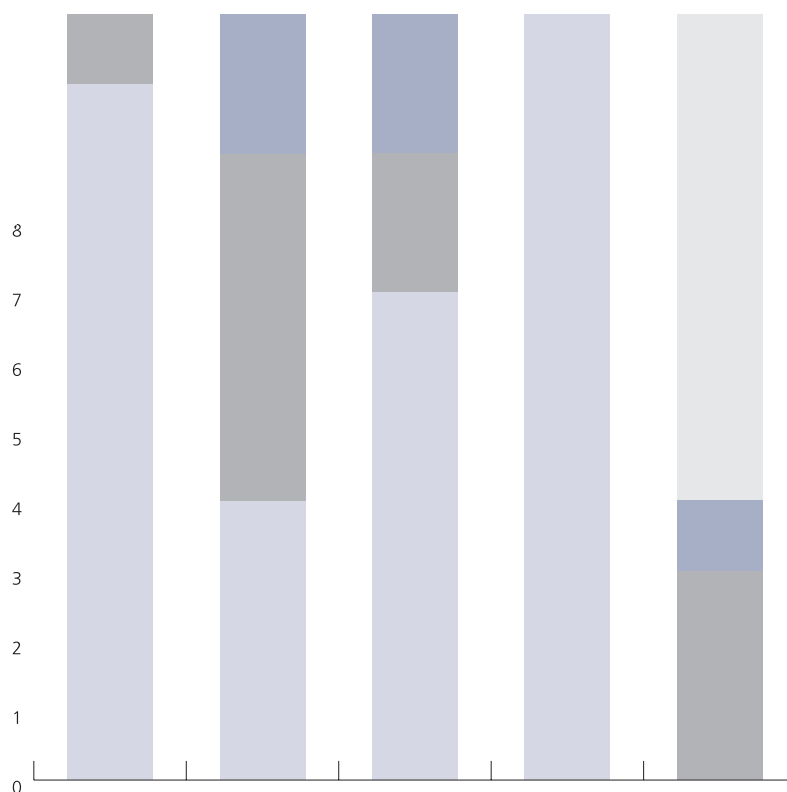
Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive Directors.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The Company has committed to provide equal opportunities in different aspects of our operations. In August 2013, the Company adopted the Board Diversity Policy (the "**Policy**"), which has been made available on the Company's website. The Nomination Committee, in nominating and appointing new Board members, shall consider a range of diversity perspectives pursuant to the Policy, including but not limited to gender, age, culture and education background, professional experience, skills, knowledge and term of service, and make the final decision based on the merits and contribution that the candidate will bring to the Board. The Nomination Committee will review the Policy in due course to ensure its continued effectiveness.

An analysis of the Board's diversity as at the end of the Reporting Period is set out as follows:



Corporate Governance Report

In 2013, the Nomination Committee met four times to review and make recommendations to the Board on the structure, size and composition of the Board, the appointment of the senior management and the independence of the independent non-executive Directors.

Strategic Committee

The primary responsibilities of the Strategic Committee are to develop and evaluate the Company's operational targets and long-term development strategies and formulate the Company's development strategies and plans, which include, among other things:

- understanding and mastering the overall operations of the Company, the international and domestic market trends and the relevant governmental policies;
- researching and advising on the short-term, medium-term and long-term development strategies of the Company and major investment decisions; and
- reviewing and approving research reports on development strategy.

In 2013, the Strategic Committee met once to understand and master the overall operations of the Group, the international and domestic market trend and the relevant government policies, to research and advise on the short term, medium-term and long-term development strategies of the Group and major investment decision, and review and approve research reports on development strategy.

Corporate Governance Responsibilities

The Board is responsible for performing the functions as set out in code provision D.3.1 of the CG Code to ensure that the Company has established comprehensive corporate governance practices and procedures. During the Reporting Period, the Board has:

- (1) established and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;
- (2) reviewed and monitored the training and continuous development of the directors and senior management;
- (3) reviewed and monitored the policies and practices of the Company regarding the compliance of relevant legal and regulatory requirements;
- (4) established, reviewed and monitored the code of conduct for directors and employees; and
- (5) reviewed as to whether the Company has complied with the CG Code and made disclosures in the Corporate Governance Report.

Corporate Governance Report

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held for the year ended 31 December 2013 is set out in the table below:

Name of Director	Attendance/Number of Meetings					Annual General Meeting ⁽⁶⁾	Continuous Professional Development
	Board ⁽¹⁾	Nomination Committee ⁽²⁾	Remuneration and Appraisal Committee ⁽³⁾	Audit Committee ⁽⁴⁾	Strategic Committee ⁽⁵⁾		
Executive Directors							
Mr. Chen Qiyu	27/27		1/1(M)		1/1(C)	1/1	
Mr. Yao Fang	27/27				1/1(M)	1/1	
Non-executive Directors							
Mr. Guo Guangchang	27/27	2/2(M)			1/1(M)	0/1	
Mr. Wang Qunbin	27/27		1/1(M)		1/1(M)	0/1	
Mr. Zhang Guozheng	27/27			5/5(M)		0/1	
Mr. Wang Pinliang	11/11			5/5(M)		1/1	
Ms. Kang Lan	11/11	2/2(M)	1/1(M)			1/1	
Independent Non- executive Directors							
Mr. Han Jiong	27/27	4/4(C)	1/1(M)	10/10(M)		1/1	
Dr. Zhang Weijiong	27/27	2/2(M)	2/2(C)		1/1(M)	0/1	
Mr. Li Man-kiu Adrian David	27/27					1/1	
Mr. Cao Huimin	11/11		1/1(M)	5/5(C)		1/1	
Mr. Guan Yimin	16/16	2/2(M)	1/1(M)	5/5(C)		0/1	

Notes:

- (1) Mr. Guan Yimin retired from his position as non-executive Director on 28 June 2013. During the period from 1 January 2013 to 27 June 2013, the Company convened 16 Board meetings in total. Mr. Wang Pinliang and Ms. Kang Lan were appointed as non-executive Directors on 28 June 2013. Mr. Cao Huimin was appointed as an independent non-executive Director on 28 June 2013. During the period from 28 June 2013 to 31 December 2013, the Company convened 11 Board meetings in total.
- (2) Mr. Guo Guangchang and Mr. Guan Yimin retired from their positions as members of the Nomination Committee of the Company on 28 June 2013. During the period from 1 January 2013 to 27 June 2013, the Company convened 2 Nomination Committee meetings in total. Ms. Kang Lan and Dr. Zhang Weijiong were appointed as members of the Nomination Committee of the Company on 28 June 2013. During the period from 28 June 2013 to 31 December 2013, the Company convened 2 Nomination Committee meetings in total.
- (3) Mr. Wang Qunbin and Mr. Guan Yimin retired from their positions as members of the Remuneration and Appraisal Committee of the Company on 28 June 2013. During the period from 1 January 2013 to 27 June 2013, the Company convened 1 Remuneration and Appraisal Committee meeting in total. Ms. Kang Lan and Mr. Cao Huimin were appointed as members of the Remuneration and Appraisal Committee of the Company on 28 June 2013. Mr. Chen Qiyu and Mr. Han Jiong were appointed as members of the Remuneration and Appraisal Committee of the Company on 6 September 2013. During the period from 28 June 2013 to 5 September 2013, the Company did not convene any Remuneration and Appraisal Committee meeting. From 6 September 2013 to 31 December 2013, the Company convened 1 Remuneration and Appraisal Committee meeting.

Corporate Governance Report

- (4) Mr. Guan Yimin retired from his position as chairman of the Audit Committee of the Company on 28 June 2013. Mr. Zhang Guozheng retired from his position as a member of the Audit Committee of the Company on 28 June 2013. During the period from 1 January 2013 to 27 June 2013, the Company convened 5 Audit Committee meetings in total. Mr. Cao Huimin and Mr. Wang Pinliang were appointed as chairman and member of the Audit Committee of the Company on 28 June 2013, respectively. During the period from 28 June 2013 to 31 December 2013, the Company convened 5 Audit Committee meetings in total.
- (5) Mr. Han Jiong retired from his position as a member of the Strategic Committee of the Company on 28 June 2013. During the period from 1 January 2013 to 27 June 2013, the Company did not convene any Strategic Committee meeting. Mr. Yao Fang was appointed as a member of the Strategic Committee of the Company on 28 June 2013. During the period from 28 June 2013 to 31 December 2013, the Company convened 1 Strategic Committee meeting.
- (6) The annual general meeting was held on 28 June 2013.
- (7) (C) — Chairman of the committee; (M) — Committee member

During the Reporting Period, the Company convened meetings among non-executive Directors (including non-executive Directors and independent non-executive Directors) only without the presence of executive Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2013.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 71 to 72.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2013 amounted to RMB4.5 million. There is no remuneration paid to external auditors in respect of non-audit services.

INTERNAL CONTROLS

During the Reporting Period, the Board, through the Audit Committee, conducted a review of the effectiveness on the internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

Corporate Governance Report

JOINT COMPANY SECRETARIES

On 28 June 2013, Dr. Qiao Zhicheng ceased to be the senior vice president, chief financial officer, secretary to the Board and joint company secretary of the Company.

On 28 June 2013, Mr. Zhou Biao was appointed as the vice president, secretary to the Board and joint company secretary of the Company.

At the end of the Reporting Period, Mr. Zhou Biao and Ms. Lo Yee Har Susan of Tricor Services Limited, an external service provider, were the joint company secretaries of the Company. The primary contact person of Ms. Lo Yee Har Susan is Mr. Zhou Biao, who is the vice president, secretary to the Board and joint company secretary of the Company.

RIGHTS OF SHAREHOLDERS

To safeguard the interests and rights of the Shareholders, a separate resolution is proposed for each substantially separate issue at the general meetings, including the election of individual directors. All resolutions put forward at the general meetings will be voted on by poll pursuant to the Hong Kong Listing Rules except where the chairman of the meeting, in good faith, decides to allow a resolution which relates merely to a procedural or administrative matter to be voted on by a show of hands, and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each the general meeting.

(1) Shareholder's requests to convene an extraordinary general meeting

Pursuant to Article 71 of the Articles of Association, if Shareholders require the convening of an extraordinary general meeting or a class general meeting, the following procedures shall be followed:

- (i) Shareholders individually or jointly holding more than ten percent (10%) of the Company's shares shall have the right to make a request in writing to the Board for the holding of an extraordinary general meeting, which request shall be in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response within ten (10) days after receipt of such request as to whether or not it agrees that an extraordinary general meeting should be held.
- (ii) If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such general meeting within five (5) days after the resolution has been made by the Board. Any change to the original proposal set forth in the notice shall be subject to approval by the relevant Shareholders.
- (iii) If the Board does not agree to convene the extraordinary general meeting or fails to give a written reply within ten (10) days after receipt of the request, the Shareholders individually or jointly holding more than ten percent (10%) of shares of the Company shall have the right to request the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing.
- (iv) If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such general meeting within five (5) days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of the relevant Shareholders shall be obtained.

Corporate Governance Report

- (v) If the Supervisory Committee fails to serve the notice of such general meeting within the prescribed period, it shall be deemed as having failed to convene and preside over the general meeting, and the Shareholders individually or jointly holding ten percent (10%) or more shares of the Company for ninety (90) consecutive days may convene and preside over the meeting on their own, the procedures for convening such meeting shall follow those for convening a general meeting by the Board as closely as practicable.
- (vi) When the Shareholders convene a general meeting as the Board has failed to convene the meeting pursuant to the aforesaid provision, the reasonable expense incurred shall be borne by the Company and shall be deducted from the outstanding amounts payable by the Company to the defaulting Directors.

(2) Proposals of General Meetings

Pursuant to Article 76 of the Articles of Association, Shareholders individually or jointly holding more than three percent (3%) of the Shares of the Company shall have the right to put forward proposals to the Company, and the Company shall include in the agenda of the said general meeting the matters of the said motions falling within the term of reference of general meetings. In addition, Shareholders individually or jointly holding more than three percent (3%) of the Shares of the Company may submit written provisional proposal(s) to the convener not later than ten (10) days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within two (2) days after receipt of the proposal(s) and announce the contents thereof.

(3) Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

(4) Primary Contact Persons

Shareholders may send their enquiries or requests as mentioned above to the Company by means of facsimile, email or post. The details of contact are as follows:

The Company Secretary's office of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.

Address: No. 2, Fuxing Road East, Shanghai, China

Fax: 8621-23138035

Email: ir@fosunpharma.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice, statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information will be disclosed as required by law.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board and the chairmen of all Board committees (or their delegates) will attend in person at the annual general meetings to meet with the Shareholders and answer their enquiries.

On 28 June 2013, the Shareholders have approved a special resolution in relation to the amendments of Article 145 of the Articles of Association. An updated version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

To promote effective communication, the Company maintains a website at <http://www.fosunpharma.com>, where information and updates on the Company's business developments and operation, financial information, corporate governance practices and other information are available for public access.

GOING CONCERN

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Chen Qiyu (陳啟宇), aged 41, is the Company's executive Director and chairman of the Board. Mr. Chen joined the Group in April 1994 and was appointed as a Director on 10 May 2005. Mr. Chen is responsible for the overall development and strategic planning of the Group. Prior to joining the Group, Mr. Chen worked at Shanghai RAAS Blood Product Corporation (上海萊士血液製品有限公司), now known as Shanghai RAAS Blood Product Company Limited (上海萊士血液製品股份有限公司), a company listed on the SME board of the Shenzhen Stock Exchange (stock code: 002252) from July 1993 to March 1994. Mr. Chen is a vice president of Fosun International Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Sinopharm Group Co. Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Zhejiang D.A. Diagnostic Company Limited (浙江迪安診斷技術股份有限公司), a company listed on the growth enterprise board of the Shenzhen Stock Exchange (stock code: 300244), and was a non-executive director of Shanghai Forte Land Co. Limited, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Chen is the vice president of China Pharmaceutical Industry Research and Development Association (中國醫藥工業科研開發促進會), vice council chairman of the China Medicinal Biotechnology Association (中國醫藥生物技術協會), vice president of the China Pharmaceutical Industry Association (中國化學製藥工業協會), chairman of the Shanghai Biopharmaceutical Industry Association (上海生物醫藥行業協會) and council member of the Shanghai Society of Genetics (上海市遺傳學會). Mr. Chen obtained a bachelor's degree in genetics from Fudan University (復旦大學) in July 1993 and a master degree of business administration from China Europe International Business School (中歐國際工商學院) in September 2005.

Mr. Yao Fang (姚方), aged 44, is the Company's executive Director, vice chairman of the Board, and president and chief executive officer of the Company. Mr. Yao joined the Group in April 2010 and was appointed as a Director on 9 June 2010. Mr. Yao is mainly responsible for the daily operations of the Group. Prior to joining the Group, from 1993 to 2009, Mr. Yao was successively the assistant general manager of the international business department of Shanghai Wanguo Securities Company Limited, now known as Shenying & Wanguo Securities Company Limited (申銀萬國證券股份有限公司), general manager of Shanghai Industrial Assets Management Company Limited (上海上實資產經營有限公司), general manager of Shanghai Industrial Management (Shanghai) Company Limited (上實管理(上海)有限公司), managing director of Shanghai Industrial Pharmaceutical Investment Company Limited (上海實業醫藥投資股份有限公司), a company delisted from the Shanghai Stock Exchange on 12 February 2010, chairman of Shanghai Overseas Company (上海海外公司), non-executive director of Lianhua Supermarket Holdings Company Limited (聯華超市股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00980), and executive director of Shanghai Industrial Holdings Limited (上海實業控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 00363). Mr. Yao was a non-executive director of BioSino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司) between 24 January 2011 to 13 March 2014, a company listed on the Hong Kong Stock Exchange (stock code: 08247), and is currently the chief supervisor of Sinopharm Group Co. Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 01099). Mr. Yao is a vice chairman of the Shanghai Pharmaceutical Industry Association (上海醫藥行業協會) since June 2010. Mr. Yao obtained a bachelor degree of economics from Fudan University (復旦大學) in July 1989 and a master degree of business administration from The Chinese University of Hong Kong in December 1993.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Guo Guangchang (郭廣昌), aged 46, is the Company's non-executive Director. Mr. Guo joined the Group in January 1994 and was appointed as a Director on 31 May 1995. Mr. Guo was the chairman of the Board from July 1995 to October 2007. Mr. Guo is the executive director and chairman of Fosun International Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00656), the director of Club Méditerranée SA, a company listed on the NYSE Euronext Paris, a director of Shanghai Forte Land Co. Limited, a company delisted from the Hong Kong Stock Exchange in May 2011, and a non-executive Director of China Minsheng Banking Corp., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600016). Mr. Guo was a non-executive director of Sinopharm Group Co. Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 01099). Mr. Guo is the vice president of the Shanghai Federation of Industry and Commerce (上海市工商業聯合會(商會)), honorary chairman of the Zhejiang Chamber of Commerce in Shanghai (上海市浙江商會), a deputy to the 10th and 11th National People's Congress of the PRC and a member of the 9th and the 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Guo was the recipient of the Directors of the Year Awards 2010 (Non Hang Seng Index Constituents) awarded by The Hong Kong Institute of Directors in November 2010. Mr. Guo obtained a bachelor degree of philosophy and a master degree of business administration from Fudan University (復旦大學) in July 1989 and July 1999, respectively.

Mr. Wang Qunbin (汪群斌), aged 44, is the Company's non-executive Director. Mr. Wang joined the Group in January 1994, and was appointed as a Director on 31 May 1995. Mr. Wang served as the Company's Director and general manager from 1995 to 2007 and was the chairman of the Board from October 2007 to June 2010. Currently, Mr. Wang an executive director and president of Fosun International Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Sinopharm Group Co. Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Henan Lingrui Pharmaceutical Company Limited (河南羚銳製藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600285), and a director of Shanghai Forte Land Co. Limited, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Wang was a director of Shanghai Friendship Group Co., Ltd.d Commerce (

Biographical Details of Directors, Supervisors and Senior Management

Mr. Wang Pinliang (王品良), aged 45, was appointed as the Company's non-executive Director on 28 June 2013. Mr. Wang joined the Group in July 2000, and served as the deputy general manager, vice president and chief accountant in the finance department of the Company from July 2000 to February 2009, and the Company's supervisor from June 2010 to June 2013. Prior to joining the Group, Mr. Wang worked for Sinopec Shanghai Petrochemical Company Limited (上海石油化工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600688), from July 1991 to July 2000. Currently, Mr. Wang is the deputy chief financial officer, and general manager of the financial and accounting department and the general manager of the financial analysis department of Shanghai Fosun High Technology (Group) Co., Ltd., and was previously a director of Shanghai Yuyuan Tourist Mart Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600655) from September 2009 to December 2010. Mr. Wang obtained a bachelor degree of accounting from SUFE in July 1991 and a master degree of accounting from The Chinese University of Hong Kong in December 2007. Mr. Wang qualified as a certified public accountant in the PRC in May 1996.

Ms. Kang Lan (康嵐), aged 44, was appointed as the Company's non-executive Director on 28 June 2013. Ms. Kang was the project manager of Nanjing High Technology Industry Development Company (南京高新技術產業發展總公司) from August 1991 to June 1993, a researcher of Memorial Sloan-Kettering Cancer Center in the United States from October 1995 to May 1998, a research and development scientist in Wyeth from May 1998 to August 2000, a consultant of McKinsey & Company from August 2002 to February 2007, and a senior client partner of Korn/Ferry International Consulting Ltd. (光輝國際諮詢顧問公司) from March 2007 to August 2010. Ms. Kang is the senior assistant to the president and the general manager of the human resources department of Shanghai Fosun High Technology (Group) Co., Ltd. since August 2010. Ms. Kang obtained a bachelor degree in biological sciences and biotechnology from Zhejiang University in June 1991, a master degree in biochemistry from Tulane University in the United States in June 1995, and a master degree in business and administration from the Wharton School of the University of Pennsylvania in May 2002.

Mr. Han Jiong (韓炯), aged 44, was appointed as an independent Director on 23 April 2009. He is currently an independent non-executive Director of the Company. Mr. Han is currently a partner of Llinks Law Offices (通力律師事務所), which was co-founded by Mr. Han and other partners in September 1998. Mr. Han resigned as a managing partner and director on 27 January 2014. He is also an independent non-executive director of Jingrui Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01862). Mr. Han was a paralegal and an associate at Shanghai Jinmao Law Firm (上海金茂律師事務所) from July 1992 to September 1998. Mr. Han was a member of the Seventh and Eighth CSRC Public Offering Review Committee from January 2005 to April 2007, was appointed by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) as a member of the First and Second Review Committee for the Enterprise Annuity Fund Management Association (企業年金基金管理機構評審委員會) from June 2005 to August 2009, and is a council member of the Shanghai Bar Association (上海市律師協會) since April 2008. Mr. Han obtained a bachelor degree of laws from East China University of Political Science and Law (華東政法大學) in July 1992. Mr. Han qualified as a lawyer in the PRC in February 1993.

Dr. Zhang Weijiong (張維炯), aged 60, was appointed as an independent Director on 9 June 2010. He is currently an independent non-executive Director of the Company. Dr. Zhang joined China Europe International Business School in 1997 and currently serves as professor of Science of Strategy, co-dean and president (Chinese affairs) in China Europe International Business School. Prior to joining China Europe International Business School, Dr. Zhang was associate dean and associate professor at the Management School of Shanghai Jiao Tong University (上海交通大學) ("SJTU") from 1982 to 1997. Dr. Zhang is currently an independent director of Shanghai Automatic Industry Corporation (Group) (華域汽車系統股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600741), and an independent non-executive director of Springland International Holdings Limited (華地國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01700). Dr. Zhang obtained a bachelor degree of engineering from SJTU in March 1982. Dr. Zhang received a master degree of science in business administration and a doctoral degree in philosophy from the University of British Columbia, Canada in May 1989 and May 1997, respectively.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Li Man-kiu Adrian David (李民橋), JP, aged 40, has served as an independent non-executive Director of the Company since 30 October 2012. Mr. Li joined The Bank of East Asia, Limited (“BEA”), a company listed on the Hong Kong Stock Exchange (stock code: 00023) in August 2000. Mr. Li currently serves as the deputy chief executive of BEA and is responsible for the bank’s business activities in Hong Kong. Mr. Li is also an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: Sino Land Company Limited (stock code: 00083), Tsim Sha Tsui Properties Limited (stock code: 00247), Sino Hotels (Holdings) Limited (stock code: 01221), China State Construction International Holdings Limited (stock code: 03311), and COSCO Pacific Limited (stock code: 01199), and an alternate independent non-executive director of San Miguel Brewery Hong Kong Limited (stock code: 00236). In addition, Mr. Li is a non-executive director of The Berkeley Group Holdings plc, a UK listed company, an alternate director of AFFIN Holdings Berhad, a Malaysia listed company, and a member of International Advisory Board of Abertis Infraestructuras, S.A., a company listed in Spain. Mr. Li is currently a member of the Guangdong Provincial Committee of the Chinese People’s Political Consultative Conference, a member of the All-China Youth Federation, deputy chairman of the Beijing Youth Federation, a counsellor of the Hong Kong United Youth Association, a board member of The Community Chest of Hong Kong, a member of the HKSAR Government-mandated Banking Industry Training Advisory Committee, a member of the MPF Industry Schemes Committee of the Hong Kong Mandatory Provident Fund Schemes Authority, an advisory committee member of the Hong Kong Baptist University’s School of Business, a vice president of the council of The Hong Kong Institute of Bankers, and a Steering Committee member of the Asian Financial Forum. Furthermore, Mr. Li serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 12th National People’s Congress. Mr. Li holds a master degree of management from Kellogg School of Management, Northwestern University and a bachelor degree and a master degree of arts in law from the University of Cambridge and was admitted as a solicitor of the Supreme Court of England and Wales and the High Court of Hong Kong in September 1998 and February 1999, respectively.

Mr. Cao Huimin (曹惠民), aged 59, was appointed as the Company’s independent non-executive Director on 28 June 2013. Mr. Cao is currently the assistant president and the professor in accountancy of Shanghai Lixin University of Commerce (上海立信會計學院), and also a standing member of the Chinese Institute of Business Administration (中國企業管理研究會) and a member of Applied College Specialty Committee of National Higher Education Research Association (全國高等院校教學研究會應用型本科院校專門委員會). Mr. Cao is an independent director of Shanghai Friendship Group Co., Ltd. (上海友誼集團股份有限公司) (stock code: 600827) and Shanghai Industrial Development Co., Ltd. (上海實業發展股份有限公司) (stock code: 600748), both of which are listed companies in Shanghai Stock Exchange, and an independent director of Shanghai HAND Enterprise Solution Company Ltd. (上海漢得信息技術股份有限公司), a company listed in Shenzhen Stock Exchange (stock code: 300170) and Shanghai Flyco Electrical Appliance Co., Ltd. (上海飛科電器股份有限公司). Mr. Cao graduated from Shanghai University of Finance and Economics with a master degree in economics (accounting) in January 1988.

Mr. Guan Yimin (管一民), aged 63, was the Company’s independent non-executive Director for the period from 28 May 2007 to 28 June 2013.

Biographical Details of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Zhou Wenyue (周文岳), aged 53, was appointed as the Company's Supervisor on 28 June 2013 and served as the chief Supervisor. Mr. Zhou joined the Group in 2007, and was the Company's vice president and senior vice president. Prior to joining the Group, Mr. Zhou was a director of the human resources department of China Europe International Business School ("CEIBS") from October 1997 to June 2000, the deputy general manager of Shanghai East-China Computer Co., Ltd. (上海華東電腦股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600850), from September 2000 to June 2003 and the deputy director of the human resources department of Shanghai Fosun High Technology (Group) Co., Ltd. from May 2003 to December 2006. Mr. Zhou obtained a bachelor degree of engineering from University of Science and Technology of China (中國科學技術大學) in July 1983 and a master degree of business administration from China Europe International Business School in April 1997.

Mr. Cao Genxing (曹根興), aged 67, has served as the Company's Supervisor since 26 May 2008. Mr. Cao Genxing currently serves as the secretary to the president of Dahua Group Limited (大華(集團)有限公司). Mr. Cao Genxing graduated from Central Agricultural Broadcasting and Television School (中央農業廣播電視學校) with a diploma in agricultural science in December 1985. Mr. Cao Genxing graduated from Shanghai Baoshan District Vocational University (上海寶山區業餘大學) with a diploma in party and government management in January 1991.

Mr. Li Haifeng (李海峰), aged 55, was appointed as the Company's Supervisor on 28 June 2013. Mr. Li joined Shanghai Fosun High Technology (Group) Co., Ltd. in July 2001, and is currently the executive assistant to the president, the general manager of the public relations department, the chief representative of the Beijing headquarter, and the general manager of the Major Project Investment Development Department. Mr. Li obtained the certificate in Marxist theory from the East China University of Science and Technology in March 1996, and the postgraduate certificate in Marxist philosophy from Fudan University in July 2009.

Mr. Liu Hailiang (柳海良), aged 64, joined the Group in March 2000 and was the Company's supervisor for the period from 26 May 2008 to 28 June 2013.

SENIOR MANAGEMENT

Mr. Li Xianlin (李顯林), aged 58, joined the Group in 2004 and is currently the Company's senior vice president. Mr. Li joined Xuzhou Biopharmaceuticals Manufactures Plant (徐州生物化學製藥廠), now known as Jiangsu Wanbang Biopharmaceutical Company Limited, in August 1982, and successively served as the factory manager, director manager and chairman of that company from June 1993 to February 2008. Mr. Li obtained a bachelor degree of Pharmacy from Nanjing Pharmaceutical College (南京藥學院), now known as China Pharmaceutical University (中國藥科大學), in July 1982 and a master degree of business administration from China Europe International Business School in June 2008.

Mr. Li Dongjiu (李東久), aged 48, joined the Group in 2009 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Li worked for North China Pharmaceutical Group Corporation (華北製藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600812), from July 1987 to December 2009. Mr. Li is currently the director of Sinopharm Industrial Investment Co., Ltd., the non-executive director of Sinopharm Group Co. Ltd., 0.119 Tw T* (on (High T7C l8959. of 0F03740Bc7 a ma4A6aster degree of business n15obtaical

Biographical Details of Directors, Supervisors and Senior Management

Mr. Wang Cheng (汪誠), aged 50, joined the Group in 2011 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Wang worked for Holley Group Company Limited (華立集團股份有限公司) from July 1994 to September 2010 and was a director, head of the financial department, president and chairman of the board of Holley Share Company Limited (重慶華立控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607), from October 1999 to October 2006. Mr. Wang was the vice president and chairman of the board of Kunming Pharmaceutical Group Corporation Limited (昆明製藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600422), from November 2002 to October 2006. Mr. Wang was the chairman of the board of Wuhan Jianmin Pharmaceutical Groups Corporation Limited (武漢健民藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600976), from October 2009 to September 2010. Mr. Wang obtained a bachelor degree in literature in July 1988 and a master degree of business administration in July 1998 from Hangzhou University (杭州大學), now known as Zhejiang University (浙江大學).

Mr. Li Chun (李春), aged 50, joined the Group in March 2013 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Li successively held the posts of recruiting specialist and HR manager of Xian-Janssen Pharmaceutical Ltd. (西安楊森製藥公司) from July 1988 to April 1993; during the period from April 1993 to April 1995, he successively held the posts of deputy general manager of Xian Meadow Gold Foodstuff Co., Ltd. (西安美登高食品有限公司), a subsidiary of Meadow Gold Investment (US) Co., Ltd., and general manager of Chengdu Meadow Gold Foodstuff Co., Ltd. (成都美登高食品有限公司). He was the HR manager of Quaker (China) Ltd. (桂格中國公司) in China region from April 1995 to April 1998, the chief HR officer of Pillsbury (China) Ltd. (品食樂中國有限公司) from April 1998 to November 2001, the chief HR officer of China business AprR officerApr of 1(he)1(suy the Apr of1(heldngdu Tw T* (ofTj -0(of he boarw Gold)Tes)1(TjdXteadow Gold genera0 manager

Mr. Li069un (, aged 50, joined 069un up in Ma47h 2013 and is currentlead of th22s senior vice president.rior to DÚ ÞÝéÝéíÈÛÀ•é

Biographical Details of Directors, Supervisors and Senior Management

Mr. John Changzheng Ma, aged 51, joined the Group in August 2013 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Ma was the engineer at Shanghai Metallurgical Design and Research Institute (上海冶金設計研究院) from June 1983 to July 1990, operations manager of International Business Department in Preformed Line Products Company (NASDAQ: PLPC) from May 1995 to May 2000, vice president and general manager of GE Healthcare China from May 2000 to May 2005, president of Asia-Pacific of Pentair Ltd. (NYSE: PNR) from May 2005 to May 2010, and vice president of Express Scripts Holding Company (NASDAQ: ESRX) and its president in China from May 2010 to December 2012. Mr. Ma obtained a doctoral degree of materials science and engineering from Wayne State University.

Mr. Zhou Biao (周颯), aged 43, joined the Group in June 2013 and is currently the Company's senior vice president, secretary to the Board and joint company secretary. Prior to joining the Group, Mr. Zhou served as a lawyer of Shanghai Qiao Wen Law Firm (上海市喬文律師事務所) from September 1996 to May 2000, a lawyer of Shanghai Hua Ye Law Firm (上海市華暉律師事務所) from May 2000 to May 2005 and a lawyer of Shanghai Jiu Cheng Law Firm (上海久誠律師事務所) from May 2005 to June 2013. Mr. Zhou obtained a bachelor degree of laws in economic law from Fudan University (復旦大學) in July 1993.

Mr. Cui Zhiping (崔志平), aged 50, joined the Group in 2006 and is currently the Company's vice president. Prior to joining the Group, Mr. Cui worked for Shanghai Pharmaceuticals Holding Co. Ltd., a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange (stock code: 601607 and 02607, respectively), from 2001 to 2005. Mr. Cui obtained a bachelor's degree of pharmacy from SMC in July 1986 and a master degree of business administration from La Trobe University in March 2002.

Mr. Zhu Yaoyi (朱耀毅), aged 51, joined the Group in 1999 and is currently the Company's vice president. Prior to joining the Group, Mr. Zhu was a manager of Beckman Coulter Commercial Enterprise Company Limited, responsible for marketing activities in Eastern China, from February 1991 to April 1999. Mr. Zhu obtained a bachelor degree of engineering and a master degree of engineering from Shanghai Machinery College (上海機械學院), now known as Shanghai Polytechnic University (上海理工大學), in July 1984 and July 1987, respectively.

Mr. Wang Kexin (王可心), aged 51, joined the Group in 2010 and is currently the Company's vice president. Prior to joining the Group, Mr. Wang was the deputy general manager of Sea Rainbow Holding Corporation (海虹控股醫藥電子商務有限公司) from January 2001 to November 2002, marketing director of KPC and deputy general manager of Kunming Pharmaceutical Retail Company Limited (昆明製藥藥品銷售有限公司) from November 2002 to January 2004, general manager of Beijing Huali Jiuzhou Medical Company Limited (北京華立九州醫藥有限公司) from January 2004 to January 2009, vice-president of Chongqing Huali Pharmaceutical Industry Company Limited (重慶華立藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607), from January 2007 to January 2009. Mr. Wang obtained a bachelor degree of medicine from Shenyang Medical College (瀋陽醫學院) in July 1988.

Mr. Hu Jianglin (胡江林), aged 43, joined the Group in 2011 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Hu joined Shanghai Jiao Da Onlly Company Limited (上海交大昂立股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600530), in July 1994 and was its vice president from January 2005 to June 2011. Mr. Hu worked in Shanghai Jiaotong University Industrial Invest & Management Company Limited (上海交大產業投資管理(集團)有限公司) from June 2011 to August 2011. Mr. Hu obtained a bachelor degree of engineering from Shanghai Jiao Tong University in July 1992 and a master degree of business administration from China Europe International Business School in September 2005.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Ni Xiaowei (倪小偉), aged 50, joined the Group in 2011 and is currently the Company's vice president. Mr. Ni was successively the general manager of the retail pharmaceutical department of China Huayuan Group Limited (中國華源集團有限公司), deputy general manager of Beijing Pharmaceutical Group Company Limited (北京醫藥集團), and director and deputy general manager of China Huayuan Group Company Limited (中國華源生命產業有限公司) from 2002 to 2008. Mr. Ni was the chairman of Xian Xinxibei Shuanghe Pharmaceutical Company Limited (西安新西北雙鶴醫藥有限公司) and Kunshan Shuanghe Pharmaceutical Company Limited (昆山雙鶴醫藥有限公司) from 2008 to June 2011. Mr. Ni obtained an associate degree in mathematics from Shanghai Normal University (上海師範大學) in September 1982 and a master degree of business administration from Monash University in May 1998.

Mr. Dong Zhichao (董志超), aged 47, joined the Group in February 1992 and is currently the Company's vice president. Prior to joining the Group, Mr. Dong acted as a teaching assistant and lecturer in the Department of Pharmaceutics at the School of Pharmacy of Second Military Medical University (第二軍醫大學) from September 1991 to December 1998, and chief engineer in Zhaohui pharmaceutical factory affiliated to Second Military Medical University (第二軍醫大學朝輝製藥廠) from March 1997 to December 1998. Mr. Dong obtained a bachelor degree of Medicine from Second Military Medical University in July 1988 and acquired a master degree of Medicine (with a major in Pharmaceutics) from the Second Military Medical University and a degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business (長江商學院) in July 1991 and September 2008, respectively.

Ms. Guan Xiaohui (關曉暉), aged 42, joined the Group in May 2000 and is currently the Company's chief accountant. Ms. Guan was successively the Company's financial manager of the retail pharmaceutical department, chief financial officer of Shanghai Fosun Pharmaceutical Co., Ltd. (上海復星藥業有限公司) and the Company's vice chief financial officer. She served as the Company's deputy director of business management committee and the Company's assistant to the president and general manager of financial department. Prior to joining the Group, from July 1992 to May 2000, Ms. Guan worked for Industrial and Commercial Bank of China Jiangxi Branch (中國工商銀行江西分行). Ms. Guan is currently the supervisor of China National Accord Medicines Corporation Ltd. (國藥一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028) and Biosino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08247). Ms. Guan obtained a bachelor degree of economics from Jiangxi University of Finance and Economics (江西財經大學) and acquired a master degree of professional accountancy from Chinese University of Hong Kong in December 2007.

Mr. Ding Xiaojun (丁曉軍), aged 49, joined the Group in 1999 and had been the Company's vice president during the Reporting Period until 24 March 2014. Prior to joining the Group, Mr. Ding was an engineer at the Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會) responsible for the management of the biotechnology projects, and was the standing deputy director of the Shanghai Technology Innovation Center from September 1992 to September 1998. Mr. Ding obtained a bachelor degree of engineering from East China College of Chemical (華東化工學院), now known as East China University of Science and Technology (華東理工大學), in July 1985 and a master degree of business administration from Touro University International, now known as TUI University, in November 2002.

Mr. Fan Banghan (范邦翰), aged 60, joined the Group in 2000, and ceased to be the Company's senior vice president since 1 March 2013.

Dr. Qiao Zhicheng (喬志城), aged 41, joined the Group in October 2010, was the Company's senior vice president, chief financial officer, secretary to the Board and joint company secretary. Dr. Qiao ceased to be the Group's senior vice president, chief financial officer, secretary to the Board and joint company secretary since 28 June 2013.

Biographical Details of Directors, Supervisors and Senior Management

JOINT COMPANY SECRETARIES

Mr. Zhou Biao (周颢), aged 43, the joint company secretary, is also the Company's senior vice president and secretary to the Board. Please refer to page 68 of the annual report for his biography.

Ms. Lo Yee Har Susan (盧綺霞), aged 55, is an executive director of Tricor Services Limited ("Tricor"). She also serves as the Head of Learning & Development of Tricor. Prior to joining Tricor, Ms. Lo served as director of the company secretarial department of Tengis Limited (now Tricor Tengis Limited). Ms. Lo has more than 30 years of experience in company secretarial industry, and has provided services to companies ranging from private companies to public companies listed on the Hong Kong Stock Exchange. Ms. Lo is currently named company secretary to five Hong Kong listed companies. She is a fellow member of both The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Lo graduated from The Hong Kong Polytechnic (now The Hong Kong Polytechnic University).

Independent Auditor's Report

& Young

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Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong
24 March 2014

Consolidated Statements of Profit or Loss

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	4, 5	9,921,487	7,278,287
Cost of sales		(5,543,369)	(4,126,804)
Gross profit		4,378,118	3,151,483
Other income	6	120,901	90,806
Selling and distribution expenses		(1,843,534)	(1,512,286)
Administrative expenses		(983,025)	(739,619)
Research and development expenses		(437,613)	(306,033)
Other gains	8	1,382,429	1,064,292
Other expenses		(196,096)	(92,838)
Interest income		63,846	29,696
Finance costs	9	(350,451)	(370,599)
Share of profits and losses of:			
Joint ventures		(10,765)	(1,514)
Associates		782,462	809,647
PROFIT BEFORE TAX	7	2,906,272	2,123,035
Income tax expense	12	(506,324)	(283,764)
PROFIT FOR THE YEAR		2,399,948	1,839,271
Attributable to:			
Owners of the parent	13	2,027,058	1,563,916
Non-controlling interests		372,890	275,355
		2,399,948	1,839,271
Earnings per share attributable to ordinary equity holders of the parent:	15		
Basic		RMB0.90	RMB0.80
Diluted		RMB0.90	RMB0.80

Details of the dividends payable and the proposed for the year are disclosed in note 14 to the financial statements.

Consolidated Statements of Comprehensive Income

Year ended 31 December 2013

	<i>Notes</i>	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR		2,399,948	1,839,271
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments			
Changes in fair value		550,896	(239,580)
Reclassification adjustments for gains included in the consolidated statement of profit or loss			
— Gain on disposal	8	(191,873)	(708,533)
Income tax effect		(65,702)	246,725
		293,321	(701,388)
Exchange differences on translation of foreign operations		(372)	1,421
Share of other comprehensive income of associates		102,281	21,016
Other comprehensive income not being reclassified to profit or loss in subsequent periods		—	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		395,230	(678,951)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,795,178	1,160,320
Attributable to:			
Owners of the parent	13	2,426,302	900,772
Non-controlling interests		368,876	259,548
		2,795,178	1,160,320

Consolidated Statements of Financial Position

31 December 2013

	<i>Notes</i>	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	4,930,175	3,501,614
Prepaid land lease payments	17	779,873	543,518
Goodwill	18	2,976,039	1,661,771
Other intangible assets	19	1,859,570	1,238,758
Investments in joint ventures	21	118,177	17,281
Investments in associates	22	8,765,410	7,902,902
Available-for-sale investments	23	2,664,409	2,070,223
Deferred tax assets	25	88,091	31,483
Other non-current assets	24	250,015	101,185
Total non-current assets		22,431,759	17,068,735
CURRENT ASSETS			
Inventories	26	1,614,272	1,273,439
Trade and bills receivables	27	1,460,011	1,075,172
Prepayments, deposits and other receivables	28	593,936	643,353
Due from related companies	35	206,715	192,195
Equity investments at fair value through profit or loss	29	44,196	224,834
Other current assets	30	—	—
Cash and bank balances	31	3,067,414	4,972,525
Total current assets		6,986,544	8,381,518
CURRENT LIABILITIES			
Trade and bills payables	32	1,103,160	882,037
Other payables and accruals	33	2,514,339	1,466,170
Interest-bearing bank and other borrowings	34	1,424,210	1,374,706
Due to related companies	35	37,693	36,994
Tax payable		198,719	133,325
Total current liabilities		5,278,121	3,893,232
NET CURRENT ASSETS		1,708,423	4,488,286
TOTAL ASSETS LESS CURRENT LIABILITIES		24,140,182	21,557,021

Consolidated Statements of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		24,140,182	21,557,021
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	4,199,709	4,280,165
Deferred tax liabilities	25	1,783,520	1,359,938
Deferred income	36	95,624	41,535
Other long-term liabilities	37	453,702	627,622
Total non-current liabilities		6,532,555	6,309,260
Net assets		17,607,627	15,247,761
EQUITY			
Equity attributable to owners of the parent			
Issued share capital	38	2,240,462	2,240,462
Reserves	39(a)	12,428,848	10,790,946
Proposed final dividend	14	605,987	470,497
Non-controlling interests		15,275,297	13,501,905
		2,332,330	1,745,856
Total equity		17,607,627	15,247,761

Chen Qiyu
Director

Yao Fang
Director

Consolidated Statements of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent									
	Issued share capital RMB'000 (note 38)	Share premium RMB'000	Available- for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	1,904,392	894,510	1,469,252	1,184,552	(11,883)	4,083,714	190,439	9,714,976	1,598,965	11,313,941
Profit for the year	—	—	—	—	—	1,563,916	—	1,563,916	275,355	1,839,271
Other comprehensive income for the year:										
Changes in fair value of available- for-sale investments, net of tax	—	—	(683,959)	—	—	—	—	(683,959)	(17,429)	(701,388)
Share of other comprehensive income of associates	—	—	19,393	—	—	—	—	19,393	1,623	21,016
Exchange differences on translation of foreign operations	—	—	—	—	1,421	—	—	1,421	—	1,421
Total comprehensive (loss)/income for the year	—	—	(664,566)	—	1,421	1,563,916	—	900,771	259,549	1,160,320
Profit appropriation to reserve	—	—	—	153,924	—	(153,924)	—	—	—	—
Issue of new shares (note 38)	336,070	2,730,206	—	—	—	—	—	3,066,276	—	3,066,276
Deemed disposal of partial interest in a subsidiary without loss of control	—	14,861	—	—	—	—	—	14,861	3,871	18,732
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	33,001	33,001
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(193,718)	(193,718)
Acquisitions of subsidiaries (note 40)	—	—	—	—	—	—	—	—	36,023	36,023
Acquisition of non-controlling interests	—	(8,217)	—	—	—	—	—	(8,217)	5,348	(2,869)
Partial disposal of a subsidiary without loss of control	—	584	—	—	—	—	—	584	(155)	429
Equity-settled share-based payment (note 41)	—	3,093	—	—	—	—	—	3,093	2,972	6,065
Final 2011 dividend declared and paid	—	—	—	—	—	—	(190,439)	(190,439)	—	(190,439)
Proposed final 2012 dividend (note 14)	—	—	—	—	—	(470,497)	470,497	—	—	—
At 31 December 2012	2,240,462	3,635,037*	804,686*	1,338,476*	(10,462)*	5,023,209*	470,497	13,501,905	1,745,856	15,247,761

Consolidated Statements of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent										
	Issued share capital RMB'000 (note 38)	Share premium RMB'000	Available- for-sale	Statutory surplus reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
			investment								
			reserve RMB'000								
At 1 January 2013	2,240,462	3,635,037	804,686	1,338,476	—	(10,462)	5,023,209	470,497	13,501,905	1,745,856	15,247,761
Profit for the year	—	—	—	—	—	—	2,027,058	—	2,027,058	372,890	2,399,948
Other comprehensive income for the year:											
Changes in fair value of available- for-sale investments, net of tax	—	—	294,590	—	—	—	—	—	294,590	(1,269)	293,321
Share of other comprehensive income of associates	—	—	102,281	—	—	—	—	—	102,281	—	102,281
Exchange differences on translation of foreign operations	—	—	—	—	—	2,373	—	—	2,373	(2,745)	(372)
Total comprehensive income for the year	—	—	396,871	—	—	2,373	2,027,058	—	2,426,302	368,876	2,795,178
Profit appropriation to reserve	—	—	—	146,897	—	—	(146,897)	—	—	—	—
Transaction costs related to issue of new shares	—	4,150	—	—	—	—	—	—	4,150	—	4,150
Deemed acquisition of additional interests in subsidiaries	—	—	—	—	(2,571)	—	—	—	(2,571)	2,571	—
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	2,098	—	—	—	2,098	(3,545)	(1,447)
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(191,843)	(191,843)
Acquisitions of subsidiaries (note 40)	—	—	—	—	—	—	—	—	—	433,623	433,623
Acquisition of non-controlling interests	—	—	—	—	(199,734)	—	—	—	(199,734)	(6,636)	(206,370)
Equity-settled share-based payment (note 41)	—	—	—	—	6,795	—	—	—	6,795	2,912	9,707
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	—	—	—	—	25,523	—	—	—	25,523	17,244	42,767
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	(5,483)	—	—	—	(5,483)	(38,881)	(44,364)
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	2,153	2,153
Share of changes in equity other than other comprehensive income of associates	—	—	—	—	(13,191)	—	—	—	(13,191)	—	(13,191)
Final 2012 dividend declared and paid	—	—	—	—	—	—	—	(470,497)	(470,497)	—	(470,497)
Proposed final 2013 dividend (note 14)	—	—	—	—	—	—	(605,987)	605,987	—	—	—
At 31 December 2013	2,240,462	3,639,187*	1,201,557*	1,485,373*	(186,563)*	(8,089)*	6,297,383*	605,987	15,275,297	2,332,330	17,607,627

* These reserve accounts comprise the consolidated reserves of RMB12,428,848,000 (2012: RMB10,790,946,000) in the consolidated statements of financial position.

Consolidated Statements of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,906,272	2,123,035
Adjustments for:			
Finance costs	9	350,451	370,599
Share of losses of joint ventures		10,765	1,514
Share of profits of associates		(782,462)	(809,647)
Depreciation	7	334,397	234,308
Amortisation of prepaid land lease payments	7	13,118	11,430
Amortisation of other intangible assets	7	72,983	49,652
Loss on disposal of items of property, plant and equipment and other tangible assets	7	10,128	564
Gain on disposal of interests in associates and joint ventures	8	(530,516)	(315,605)
Gain on deemed disposal of interests in associates	8	(594,963)	—
Gain on disposal of available-for-sale investments	8	(191,873)	(708,653)
Gain on bargain purchase of a subsidiary	8	—	(491)
Dividend income	6	(25,699)	(33,587)
Gain on disposal of equity investments at fair value through profit or loss	8	(25,069)	—
Provision for impairment of investments in associates	7	34,600	—
Provision for impairment of available-for-sale investments	7	11,400	—
Provision for impairment of inventories	7	27,937	11,947
Provision for impairment of trade and other receivables	7	8,625	5,861
Fair value (gain)/loss on equity investments at fair value through profit or loss	7	(30,370)	35,894
		1,599,724	976,821
Increase in inventories		(149,565)	(155,062)
(Increase)/decrease in trade and bills receivables		(161,752)	76,378
Decrease/(increase) in prepayments, deposits and other receivables		57,693	(115,609)

Consolidated Statements of Cash Flows

Year ended 31 December 2013

Consolidated Statements of Cash Flows

Year ended 31 December 2013

	<i>Notes</i>	2013 RMB'000	2012 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,723,926)	1,755,344
Cash and cash equivalents at beginning of year		4,171,574	2,428,219
Effect of foreign exchange rate changes, net		(31,387)	(11,989)
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	2,416,261	4,171,574

Statements of Financial Position

31 December 2013

	<i>Notes</i>	31 December 2013 RMB'000	31 December 2012 RMB'000
EQUITY			
Issued share capital	38	2,240,462	2,240,462
Reserves	39(b)	4,073,046	3,693,414
Proposed final dividend	14	605,987	470,497
Total equity		6,919,495	6,404,373

Chen Qiyu
Director

Yao Fang
Director

Notes to the Financial Statements

31 December 2013

1. CORPORATE INFORMATION

The Company was established as a joint stock company with limited liability on 31 May 1995 in the PRC. The Company's A Shares have been listed on the Shanghai Stock Exchange since 7 August 1998. The registration number of the Company's business licence is 310000000036602. The operating term is from 31 December 1998 to indefinite period.

The holding company of the Company is Shanghai Fosun High Technology (Group) Co., Ltd. ("Fosun High Tech"). The ultimate holding company of the Group is Fosun International Limited. The ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

During the year, the Group was principally engaged in the development, manufacture and sale of pharmaceutical products and medical equipment, import and export of medical equipment and the provision of related and other consulting services and investment management.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 30 October 2012.

2.1 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and financial liabilities designated upon initial recognition as at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB"), with values rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to the Financial Statements

31 December 2013

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Notes to the Financial Statements

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 48 to the financial statements.
- (c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.
- (d) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in notes 18 to the financial statements.
- (e) Annual Improvements 2009–2011 Cycle issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:
- *HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

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

Notes to the Financial Statements

31 December 2013

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(e) (Continued)

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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

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

² Effective for annual periods beginning on or after 1 July 2014

³ No mandatory effective date yet determined but is available for adoption

⁴ Effective for annual periods beginning on or after 1 January 2016

Further information about those HKFRSs that are expected to be applicable to the Group 7y 2 (nuaLe mwTj ET 81 34 5.2T*KFRS 14)9s

Notes to the Financial Statements

31 December 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS (Continued)

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

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

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

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

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

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments and financial liabilities designated upon initial recognition as at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10 to 45 years
Plant and machinery	5 to 15 years
Office equipment	3 to 15 years
Motor vehicles	4 to 12 years
Leasehold improvements	

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks

Trademarks with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 12 years. Trademarks with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of trademarks are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Medicine licences and technical know-how

Medicine licences and technical know-how with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of medicine licences and technical know-how are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of 5 to 20 years.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Office software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 3 to 10 years.

Business networks

Business networks are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related companies, interest-bearing bank and other borrowings and other long-term liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value of wactsr and an appropriat1(and)16GS1 g 102.0468 2ork9 TDn

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision (Continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries or areas in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, including processing fees, import and export agent fees, consulting fees, when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Retirement benefits

The full-time employees of the Group in the PRC are covered by various government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administered by government agencies are charged to the statement of profit or loss as and when they incurred.

Share based payments

Certain employees of Chindex International, Inc. ("Chindex"), the non-controlling shareholder of one of the Group's subsidiaries, Chindex Medical Limited ("CML"), provide services to CML. The service agreement between CML and Chindex provides that certain compensation costs (including monetary and nonmonetary) of the specific Chindex employees who provide service to CML will be charged to CML, which will include the cost of share-based compensation on a non-cash basis, if applicable to the employees. In addition, certain former Chindex employees that are now employees of CML retained options on Chindex's common shares granted in prior years. Employees and non-employees of CML receive remuneration in the form of share-based payments, whereby employees and non-employees render services as consideration for equity instruments ("equity-settled transactions"). Further details are given in note 41 to the financial statements.

The cost of equity-settled transactions with employees and non-employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model.

Notes to the Financial Statements

31 December 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments (Continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Operating lease commitments — Group as lessee

Notes to the Financial Statements

31 December 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 18 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale investments

The Group classifies certain investments as available for sale and recognises movements of their fair values in other comprehensive income. When the fair value declines, management makes judgements about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss.

Provision for bad debts of loans and receivables

The Group reviews the recoverability and ageing of loans and receivables and provides impairment provisions if the balances are not fully recoverable. The assessments involve estimation of the recoverability of these balances. Any change in the key sources of estimations will affect the carrying amounts of the loans and receivables, and impairment losses in the period in which such estimate is changed.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs and prices change when the products' expiration date is approaching. Management reassesses these estimates at the end of the reporting period.

Notes to the Financial Statements

31 December 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets (other than goodwill)

The Group determines the estimated useful lives for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Unrecognised deductible temporary differences and tax losses are set out in note 25 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Contingent consideration for acquisitions of subsidiaries

The Group estimates the fair value of a contingent consideration for acquisitions of subsidiaries by the income approach that involves the forecasted cash flows, which are discounted to the acquisition date at an appropriately chosen discount rate. Significant management estimation is required to determine the expected cash flows and discount rate. Management reassesses these estimates at the end of the reporting period.

Notes to the Financial Statements

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) the pharmaceutical manufacturing and R&D segment mainly engages in the production, sale and research of medicine;
- (b) the pharmaceutical distribution and retail segment mainly engages in the retail and wholesale of medicine;
- (c) the medical diagnosis and medical devices segment mainly engages in the sale of medical equipment and the provision of medical services;
- (d) the healthcare service mainly engages in the provision of healthcare and hospital management; and
- (e) the other business operations segment comprises businesses other than those mentioned above.

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

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

Segment assets exclude equity investments at fair value through profit or loss, available-for-sale investments and unallocated head office and investment management entities assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, interest payable and unallocated head office and investment management entities liabilities as these liabilities are managed on a group basis.

Notes to the Financial Statements

31 December 2013

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013

	Pharma- ceutical manufacturing and R&D RMB'000	Pharma- ceutical distribution and retail RMB'000	Medical diagnosis and medical devices RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	6,523,708	1,502,013	1,407,481	474,606	13,679	—	9,921,487
Intersegment sales	2,236	—	—	—	16,387	(18,623)	—
Total revenue	6,525,944	1,502,013	1,407,481	474,606	30,066	(18,623)	9,921,487
Segment results*	1,201,028	20,593	93,347	65,889	7,231	(10,308)	1,377,780
Other income	65,009	1,062	8,014	113	—	—	74,198
Other gains	535,309	596,856	1,943	685	622	—	1,135,415
Interest income	9,241	3,522	5,214	1,639	450	(3,373)	16,693
Finance cost	(81,615)	—	(6,203)	(4,670)	(6,109)	72,306	(26,291)
Other expenses	(52,098)	(3,575)	(18,389)	(5,250)	(17)	—	(79,329)
Share of profits and losses of:							
Joint ventures	(8,810)	(1,955)	—	—	—	—	(10,765)
Associates	92,088	693,728	267	358	(3,979)	—	782,462
Unallocated other income, interest income and other gains							340,870
Unallocated finance cost							(324,160)
Unallocated expenses							(380,601)
Profit before tax	1,760,152	1,310,231	84,193	58,764	(1,802)	58,625	2,906,272
Tax	(291,853)	(157,182)	(18,348)	(16,714)	(181)	—	(484,278)
Unallocated tax							(22,046)
Profit for the year	1,468,299	1,153,049	65,845	42,050	(1,983)	58,625	2,399,948
Segment assets:	11,917,926	7,796,080	2,914,863	2,204,728	564,747	(80,190)	25,318,154
Including:							
Investments in joint ventures	10,207	5,563	—	102,407	—	—	118,177
Investments in associates	1,456,257	6,913,184	230,340	3,592	162,037	—	8,765,410
Unallocated assets							4,100,149
Total assets							29,418,303
Segment liabilities	4,573,279	532,464	1,083,091	598,738	14,597	(2,814,039)	3,988,130
Unallocated liabilities							7,822,546
Total liabilities							11,810,676
Other segment information:							
Depreciation and amortisation	321,551	10,400	45,470	32,715	10,362	—	420,498
Provision for impairment of inventories	23,625	—	4,312	—	—	—	27,937
Provision/(reversal) for impairment of trade and other receivables	(859)	—	4,751	4,691	42	—	8,625
Provision for impairment of available-for-sale investments and investments in associates	—	—	—	—	46,000	—	46,000
Capital expenditure**	876,893	17,060	28,700	110,290	62,843	—	1,095,786

* Segment results 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 acquisitions of subsidiaries).

Notes to the Financial Statements

31 December 2013

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Pharmaceutical manufacturing and R&D RMB'000	Pharmaceutical distribution and retail RMB'000	Medical diagnosis and medical devices RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	4,633,015	1,423,039	1,048,904	159,110	14,219	—	7,278,287
Intersegment sales	1,873	—	411	—	15,455	(17,739)	—
Total revenue	4,634,888	1,423,039	1,049,315	159,110	29,674	(17,739)	7,278,287
Segment results*	693,716	23,867	40,245	23,360	10,327	(6,184)	785,331
Other income	41,860	400	6,194	—	—	—	48,454
Other gains	87,037	1,344	26,282	—	—	—	114,663
Interest income	10,771	4,377	2,874	126	1,928	(4,073)	16,003
Other expenses	(17,739)	(2,501)	(11,452)	(2,026)	(103)	—	(33,821)
Share of profits and losses of:							
Joint ventures	(1,541)	27	—	—	—	—	(1,514)
Associates	155,360	643,658	5,112	2	5,515	—	809,647
Unallocated other income, interest income and other gains							1,005,676
Finance costs							(370,599)
Unallocated expenses							(250,805)
Profit before tax	969,464	671,172	69,255	21,462	17,667	(10,257)	2,123,035
Tax	(140,158)	(9,455)	(4,110)	(4,500)	(20)	—	(158,243)
Unallocated tax							(125,521)
Profit for the year	829,306	661,717	65,145	16,962	17,647	(10,257)	1,839,271
Segment assets:	10,264,147	7,060,060	1,301,063	676,168	578,492	(199,931)	19,679,999
Including:							
Investments in joint ventures	16,517	764	—	—	—	—	17,281
Investments in associates	1,606,571	5,891,308	198,699	15,446	190,878	—	7,902,902
Unallocated assets							5,770,254
Total assets							25,450,253
Segment liabilities	2,056,046	1,298,192	470,686	403,122	522,264	(1,330,332)	3,419,978
Unallocated liabilities							6,782,514
Total liabilities							10,257,492

Notes to the Financial Statements

31 December 2013

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about major customers

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

Notes to the Financial Statements

31 December 2013

5. REVENUE

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

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

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

6. OTHER INCOME

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

Notes to the Financial Statements

31 December 2013

7. PROFIT BEFORE TAX

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

	Notes	2013 RMB'000	2012 RMB'000
Cost of inventories sold		5,186,887	4,039,123
Cost of services provided		356,482	87,681
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration (note 10))			
Salaries and other staff costs		1,226,333	694,431
Retirement benefits:			
Defined contribution fund		82,592	63,229
Accommodation benefits:			
Defined contribution fund		38,962	28,836
Share-based payment expense	41	9,707	6,065
		1,357,594	792,561
Research and development expenses:			
Current year expenditure excluding amortisation of other intangible assets		402,894	281,104
Less: Government grants for R&D projects*		(32,947)	(29,364)
		369,947	251,740
Auditors' remuneration		4,500	2,370
Operating lease payments		59,041	54,150
Depreciation of items of property, plant and equipment	16	334,397	234,308
Amortisation of prepaid land lease payments	17	13,118	11,430
Amortisation of other intangible assets	19	72,983	49,652
Provision for impairment of inventories		27,937	11,947
Provision for impairment of available-for-sale investments	23	11,400	—
Provision for impairment of investments in associates		34,600	—
Provision for impairment of trade and other receivables	27, 28	8,625	5,861
Fair value (gain)/loss on equity investments at fair value through profit or loss		(30,370)	35,894
Foreign exchange loss, net		49,483	5,744
Loss on disposal of items of property, plant and equipment and other intangible assets		10,128	564
Donations		4,243	3,332

Notes to the Financial Statements

31 December 2013

7. PROFIT BEFORE TAX (Continued)

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

8. OTHER GAINS

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

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

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

9. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on bank and other borrowings wholly repayable within five years	365,761	379,980
Interest on bank and other borrowings not wholly repayable within five years	—	840
	365,761	380,820
Less: Interest capitalised (note 16)	(15,310)	(10,221)
Interest expenses, net	350,451	370,599

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31 December 2013

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Group

	2013 RMB'000	2012 RMB'000
Fees	709	308
Other emoluments:		
Salaries, allowances and benefits in kind	5,150	4,337
Performance related bonuses	8,587	6,912
Pension scheme contributions	108	66
	14,554	11,623

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	2013 RMB'000	2012 RMB'000
Mr. Guan Yimin	50	100
Mr. Han Jiong	192	100
Dr. Zhang Weijiong	192	100
Mr. Li Man-kiu Adrian David	192	8
Mr. Cao Huimin*	83	—
	709	308

* Mr. Cao Huimin was appointed as an Independent non-executive Director of the Company in June 2013.

There were no other emoluments payable to the independent non-executive Directors during the year (2012: Nil).

Notes to the Financial Statements

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10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive Directors, Non-Executive Directors, Supervisors and the Chief Executive

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2013					
<i>Executive Directors</i>					
Mr. Chen Qiyu	—	2,396	4,449	36	6,881
Mr. Yao Fang (<i>Chief Executive</i>)	—	1,639	3,322	36	4,997
	—	4,035	7,771	72	11,878
<i>Non-Executive Directors</i>					
Mr. Guo Guangchang	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—
Mr. Zhang Guozheng	—	—	—	—	—
	—	—	—	—	—
<i>Supervisors</i>					
Mr. Liu Hailiang	—	390	360	—	750
Mr. Cao Genxing	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—
Mr. Zhou Wenyue	—	725	456	36	1,217
	—	1,115	816	36	1,967
	—	5,150	8,587	108	13,845
2012					
<i>Executive Directors</i>					
Mr. Chen Qiyu	—	2,211	3,330	33	5,574
Mr. Yao Fang (<i>Chief Executive</i>)	—	1,351	3,262	33	4,646
	—	3,562	6,592	66	10,220
<i>Non-Executive Directors</i>					
Mr. Guo Guangchang	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—
Mr. Zhang Guozheng	—	—	—	—	—
	—	—	—	—	—
<i>Supervisors</i>					
Mr. Liu Hailiang	—	775	320	—	1,095
Mr. Cao Genxing	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—
	—	775	320	—	1,095
	—	4,337	6,912	66	11,315

There was no arrangement under which a Director, a Supervisor or the Chief Executive waived or agreed to waive any remuneration during the year (2012: Nil).

Notes to the Financial Statements

31 December 2013

12. INCOME TAX (Continued)

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 Lasers"), a subsidiary of the Group incorporated in Israel, is based on a preferential rate of 12.5%.

Group

	2013 RMB'000	2012 RMB'000
Current		
— Mainland China	286,403	297,371
— Elsewhere	126,324	(2,571)
Deferred (note 25)	93,597	(11,036)
Total tax charge for the year	506,324	283,764

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate applicable in Mainland China to the tax expense at the Group's effective tax rate is as follows:

Group

	2013 RMB'000	2012 RMB'000
Profit before tax	2,906,272	2,123,035
Tax at the statutory tax rate	726,568	530,759
Lower tax rates for certain entities	(171,558)	(79,612)
Adjustments in respect of current tax of previous years	(1,275)	(10,856)
Profit attributable to joint ventures and associates	(185,641)	(196,209)
Income not subject to tax	(11,361)	(17,131)
Expenses not deductible for tax	20,990	32,709
Tax losses utilised from previous periods	(1,363)	(37,601)
Tax incentives on eligible expenditures	(20,033)	(9,451)
Deductible temporary differences and tax losses not recognised	149,997	71,156
Tax charge at the Group's effective rate	506,324	283,764

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13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profits attributable to owners of the parent for the year ended 31 December 2013 include the losses of approximately RMB178,839,000 (2012: RMB146,087,000) which have been dealt with in the financial statements of the Company.

14. DIVIDENDS

Cash dividend

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

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

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

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

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

The calculation of basic earnings per share is based on:

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

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15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

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

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Year ended 31 December 2013						Total RMB'000
	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Moto vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	
Cost:							
At 1 January 2013	1,677,644	1,984,575	76,195	70,422	36,006	884,501	4,729,343
Additions	11,533	111,811	32,296	9,567	5,800	863,685	1,034,692
Acquisitions of subsidiaries (note 40)	302,656	245,882	48,892	8,373	—	418,328	1,024,131
Disposals	(39,397)	(65,237)	(3,117)	(7,324)	—	(52,213)	(167,288)
Transferred from construction in progress	325,328	446,505	16,158	943	—	(788,934)	—
At 31 December 2013	2,277,764	2,723,536	170,424	81,981	41,806	1,325,367	6,620,878
Accumulated depreciation:							
At 1 January 2013	(315,533)	(811,271)	(28,606)	(40,700)	(14,114)	—	(1,210,224)
Depreciation charge for the year (note 7)	(75,022)	(233,283)	(13,126)	(7,998)	(4,968)	—	(334,397)
Acquisitions of subsidiaries (note 40)	(41,705)	(138,907)	(30,148)	(3,999)	—	—	(214,759)
Disposals	24,048	52,916	2,766	6,450	—	—	86,180
At 31 December 2013	(408,212)	(1,130,545)	(69,114)	(46,247)	(19,082)	—	(1,673,200)
Impairment losses:							
At 1 January 2013	(13,945)	(3,475)	(3)	(7)	—	(75)	(17,505)
Disposals	—	2	—	—	—	—	2
At 31 December 2013	(13,945)	(3,473)	(3)	(7)	—	(75)	(17,503)
Net carrying amount:							
At 31 December 2013	1,855,607	1,589,518	101,307	35,727	22,724	1,325,292	4,930,175
At 1 January 2013	1,348,166	1,169,829	47,586	29,715	21,892	884,426	3,501,614

Notes to the Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Year ended 31 December 2012						Total RMB'000
	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Moto vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	
Cost:							
At 1 January 2012	1,117,817	1,356,635	82,502	64,613	7,392	1,067,263	3,696,222
Additions	32,097	91,595	715	10,554	28,638	901,228	1,064,827
Acquisitions of subsidiaries	47,290	27,596	7	200	—	—	75,093
Disposals	(36,238)	(46,176)	(8,434)	(4,945)	(24)	(10,982)	(106,799)
Transferred from construction in progress	516,678	554,925	1,405	—	—	(1,073,008)	—
At 31 December 2012	1,677,644	1,984,575	76,195	70,422	36,006	884,501	4,729,343
Accumulated depreciation:							
At 1 January 2012	(270,768)	(705,960)	(26,921)	(36,569)	(4,126)	—	(1,044,344)
Depreciation charge for the year (note 7)	(66,715)	(141,328)	(7,885)	(8,392)	(9,988)	—	(234,308)
Disposals	21,950	36,017	6,200	4,261	—	—	68,428
At 31 December 2012	(315,533)	(811,271)	(28,606)	(40,700)	(14,114)	—	(1,210,224)
Impairment losses:							
At 1 January 2012	(13,945)	(5,619)	(12)	(62)	—	(75)	(19,713)
Disposals	—	2,144	9	55	—	—	2,208
At 31 December 2012	(13,945)	(3,475)	(3)	(7)	—	(75)	(17,505)
Net carrying amount:							
At 31 December 2012	1,348,166	1,169,829	47,586	29,715	21,892	884,426	3,501,614
At 1 January 2012	833,104	645,056	55,569	27,982	3,266	1,067,188	2,632,165

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16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Year ended 31 December 2013				Total RMB'000
	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Moto vehicles RMB'000	
Cost:					
At 1 January 2013	14,914	7,766	35	7,353	30,068
Additions	—	372	—	1,890	2,262
Disposals	—	—	—	(1,887)	(1,887)
At 31 December 2013	14,914	8,138	35	7,356	30,443
Accumulated depreciation:					
At 1 January 2013	(2,735)	(2,634)	(32)	(3,852)	(9,253)
Depreciation charge for the year	(671)	(1,030)	—	(893)	(2,594)
Disposals	—	—	—	1,569	1,569
At 31 December 2013	(3,406)	(3,664)	(32)	(3,176)	(10,278)
Impairment losses:					
At 1 January 2013 and 31 December 2013	—	—	—	—	—
Net carrying amount:					
At 31 December 2013	11,508	4,474	3	4,180	20,165
At 1 January 2013	12,179	5,132	3	3,501	20,815

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16.

Notes to the Financial Statements

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17. PREPAID LAND LEASE PAYMENTS

Group

	2013 RMB'000	2012 RMB'000
Net carrying amount at 1 January	543,518	458,910
Additions	32,187	76,612
Acquisitions of subsidiaries (note 40)	251,351	19,426
Disposals	(34,065)	—
Amortisation for the year (note 7)	(13,118)	(11,430)
Net carrying amount at 31 December	779,873	543,518

The leasehold land is situated in Mainland China and is held under a long-term lease.

As at 31 December 2013, certain of the Group's prepaid land lease payments with a net carrying amount of RMB25,556,000 (2012: RMB39,042,000) were pledged to secure certain of the Group's bank and other borrowings (note 34).

18. GOODWILL

Group

	2013 RMB'000	2012 RMB'000
Cost and net carrying amount at 1 January	1,661,771	1,585,136
Acquisitions of subsidiaries (note 40)	1,324,082	69,125
Other additions	—	7,510
Exchange realignment	(9,814)	—
Cost and net carrying amount at 31 December	2,976,039	1,661,771

The addition of the Group's goodwill in 2013 resulted from the acquisition of Hunan Dongting Pharmaceutical Co., Ltd. ("Dongting Pharma"), Zaozhuang Sinock Biochemical pharmaceutical Co., Ltd. ("Sinock Pharma"), Alma Lasers, Foshan City Chancheng District Central Hospital Co., Ltd. ("Chancheng Hospital") and Guangzhou Haoyang Medicine Co., Ltd..

Notes to the Financial Statements

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18. GOODWILL (Continued)

Impairment testing of goodwill

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, in performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired.

The recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are in a range of 13% to 17%. The growth rate used to extrapolate the cash flows of the above cash-generating units beyond the five-year period is 3%, which is also an estimate of the rate of inflation.

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2013 and 31 December 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant units.

The values assigned to key assumptions on market development of pharmaceutical products and the pharmaceutical industry, discount rate and raw materials price inflation are consistent with external information sources.

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19. OTHER INTANGIBLE ASSETS

Group

	Year ended 31 December 2013							Total RMB'000
	Medicine licences RMB'000	Patents and technical know-how RMB'000	Office software RMB'000	Trademarks RMB'000	Business networks RMB'000	Deferred development costs RMB'000	Patents RMB'000	
Cost:								
At 1 January 2013	265,000	711,945	9,688	113,742	206,000	31,187	8,777	1,346,339
Additions	—	—	6,254	—	—	22,653	—	28,907
Acquisitions of subsidiaries (note 40)	56,000	149,620	6,540	157,395	314,598	—	—	684,153
Transferred from deferred development costs	—	—	—	—	—	—	—	—
Disposals	—	(6,895)	(15)	(4,243)	—	(3,179)	(286)	(14,618)
At 31 December 2013	321,000	854,670	22,467	266,894	520,598	50,661	8,491	2,044,781
Accumulated amortisation:								
At 1 January 2013	—	(80,801)	(5,194)	(78)	(18,311)	(1,711)	(392)	(106,487)
Amortisation for the year (note 7)	—	(49,612)	(4,295)	(485)	(18,267)	—	(324)	(72,983)
Acquisitions of subsidiaries (note 40)	—	—	(4,662)	—	—	—	—	(4,662)
Disposals	—	—	15	—	—	—	—	15
At 31 December 2013	—	(130,413)	(14,136)	(563)	(36,578)	(1,711)	(716)	(184,117)
Impairment losses:								
At 1 January 2013 and 31 December 2013	—	(1,094)	—	—	—	—	—	(1,094)
Net carrying amount:								
At 31 December 2013	321,000	723,163	8,331	266,331	484,020	48,950	7,775	1,859,570
At 1 January 2013	265,000	630,050	4,494	113,664	187,689	29,476	8,385	1,238,758

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20. INVESTMENTS IN SUBSIDIARIES

Company

	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	4,062,317	3,299,905

Particulars of the principal subsidiaries are as follows:

Company name*	Place of incorporation/ registration and business Note	Nominal value of issued/ registered share capital (‘000)	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術有限公司)****	PRC/ Mainland China	USD30,000	—	74	Research and development of biopharmaceutical drugs
Shanghai For Me Yixing Pharmacy Chain-Store Co., Ltd. (上海復美益星大藥房連鎖有限公司)**	PRC/ Mainland China	RMB50,000	—	100	Distribution and retail of medicine
Chongqing Fochon Pharmaceutical Research Co., Ltd. (重慶復創醫藥研究有限公司)***	PRC/ Mainland China	USD11,430	—	70	Research and development of chemical drugs
Fosun Industrial (HK) Co., Ltd. (復星實業(香港)有限公司)	Hong Kong	USD115,320	100	—	Investment management
Shanghai Fosun Pingyao Investment Management Co., Ltd. (上海復星平耀投資管理有限公司)**	PRC/ Mainland China	RMB10,000	100	—	Investment management
Shanghai Qishen Investment Management Co., Ltd. (上海齊紳投資管理有限公司)**	PRC/ Mainland China	RMB822,430	100	—	Investment management
Shanghai Yicheng Hospital Investment Management Co., Ltd. (上海醫誠醫院投資管理有限公司)**	PRC/ Mainland China	RMB100,000	100	—	Investment management

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	Place of incorporation/ registration and business <i>Note</i>	Nominal value of issued/ registered share capital (‘000)	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Ample Up Limited (能悅有限公司)	Hong Kong	USD61,590	—	100	Investment management
Chongqing Yao Pharmaceutical Co., Ltd. (重慶藥友製藥有限責任公司)****	PRC/ Mainland China	RMB196,540	—	51	Manufacture and trading of medicine
Jiangsu Wanbang Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥股份有限公司)****	PRC/ Mainland China	RMB440,455	—	95.2	Manufacture and trading of medicine
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)****	PRC/ Mainland China	RMB285,030	—	95.05	Manufacture and trading of medicine
Shanghai Fosun Pharmaceutical Co., Ltd. (上海復星藥業有限公司)****	PRC/ Mainland China	RMB66,550	—	97	Distribution of medicine
Shanghai Fosun Long March Medical Science Co., Ltd. (上海復星長征醫學科學有限公司)**	PRC/ Mainland China	RMB156,854	100	—	Manufacture and sale of diagnostic products
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (上海復星醫藥產業發展有限公司)**	PRC/ Mainland China	RMB953,308	100	—	Investment management
Jinzhou Aohong Pharmaceutical Co. Ltd. (錦州奧鴻藥業有限責任公司)****	PRC/ Mainland China	RMB107,875	—	70	Manufacture and sale of pharmaceutical products
Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司)****	PRC/ Mainland China	RMB55,000	—	56.89	Research and development of medicine

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Yueyang Guangji Hospital Co., Ltd. (岳陽廣濟醫院有限責任公司)****	PRC/ Mainland China	RMB28,898	—	55	Healthcare services
Yaneng Bioscience (Shenzhen) Co., Ltd. (亞能生物技術(深圳)有限公司)***	PRC/ Mainland China	HKD11,430	—	51	Manufacture and trading of diagnostic drugs
Dalian Aleph Biomedical Co. Ltd. (大連雅立峰生物製藥有限公司)****	PRC/ Mainland China	USD78,220	—	75	Manufacture and sale of biologic pharmaceutical product
Beijing Golden Elephant Pharmacy Medicine Chain Co., Ltd. (北京金象大藥房醫藥連鎖 有限責任公司)****	PRC/ Mainland China	RMB42,222	55	—	Distribution and retail of medicine
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程股份有限公司)****	PRC/ Mainland China	RMB51,120	—	51	Manufacture and trading of medicine
Chindex Medical Limited (美中互利醫療有限公司)	Hong Kong	HKD200,000	—	70	Manufacture and sale of medical devices
Shenyang Hongqi Pharmaceutical Co., Ltd. (瀋陽紅旗製藥有限公司)****	PRC/ Mainland China	RMB12,000	—	100	Manufacture and trading of medicine
Handan Moluodan Pharmaceutical Co., Ltd. (邯鄲摩羅丹藥業股份有限公司)****	PRC/ Mainland China	RMB66,670	—	60.68	Manufacture and trading of medicine
Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院)****	PRC/ Mainland China	RMB10,000	—	70	Healthcare Services

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital (‘000)	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司)****	PRC/ Mainland China	RMB17,500	—	55	Healthcare services
Alma Lasers Ltd.	(1) State of Israel	NIS6,472	—	95.16	Manufacture and sale of medical devices
Hunan Dongting Pharmaceutical Co., Ltd. (湖南洞庭藥業股份有限公司)****	(1) PRC/ Mainland China	RMB110,064	77.78	—	Manufacture and trading of medicine
Foshan City Chancheng District Central Hospital Co., Ltd. (佛山市禪城區中心醫院有限公司)****	(1) PRC/ Mainland China	RMB50,000	—	60	Healthcare Services

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

** These subsidiaries are registered as wholly-owned enterprises under PRC law.

*** These subsidiaries are registered as Sino-foreign equity joint ventures under PRC law.

**** These subsidiaries are registered as limited liability companies under PRC law.

***** Anhui Jimin Cancer Hospital is registered as a non-profit medical institution under PRC law.

Note:

(1) These subsidiaries were acquired by the Group in 2013. Further details of these acquisitions are included in note 40 to the financial statements.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

There is no subsidiary that has non-controlling interest that is material to the Group during the year.

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21. INVESTMENTS IN JOINT VENTURES

Group

	2013 RMB'000	2012 RMB'000
Share of net assets	38,006	17,281
Goodwill on acquisition	80,171	—
	118,177	17,281

Particulars of the Group's principal joint venture is as follow:

Company name*	Place of registration and business	Nominal value of issued/registered share capital ('000)	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Guangzhou Nanyang Cancer Hospital Co., Ltd.** (廣州南洋腫瘤醫院有限公司)	PRC/Mainland China	RMB30,000	50	50	50	Healthcare Services

* The English name of the company registered in the PRC represents the best efforts of the management of the Company in directly translating the Chinese name of this company as no English name has been registered.

** Guangzhou Nanyang Cancer Hospital Co., Ltd. ("Nanyang Hospital") was acquired by the Group in 2013.

The above investment in joint venture is indirectly held by the Company.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2013 RMB'000	2012 RMB'000
Share of the joint ventures' loss for the year	(10,765)	(1,514)
Share of the joint ventures' other comprehensive income	—	—
Share of the joint ventures' total comprehensive income	(10,765)	(1,514)
Aggregate carrying amount of the Group's investments in the joint ventures	118,177	17,281

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22. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	—	—	356,061	171,840
Share of net assets	8,682,577	7,775,810	—	—
Goodwill on acquisition	117,433	127,092	—	—
	8,800,010	7,902,902	356,061	171,840
Provision for impairment	(34,600)	—	—	—
	8,765,410	7,902,902	356,061	171,840
Market value of listed shares*	841,363	452,068	—	—

* The carrying amount of listed shares included in the investments in associates at 31 December 2013 was RMB241,418,000 (2012: RMB233,616,000).

Particulars of the Group's principal associates are as follows:

Company name*	Note	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)**		PRC/Mainland China	RMB100,000	—	49	Manufacture and trading of medicine
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)**		PRC/Mainland China	RMB674,970	25	—	Manufacture and sale of medicine
Hunan Hansen Pharmaceutical Co., Ltd. (湖南漢森製藥股份有限公司)**		PRC/Mainland China	RMB148,000	—	14.45	Manufacture and sale of medicine
Hunan Time Sun Pharmaceutical Co., Ltd. (湖南時代陽光藥業股份有限公司)**		PRC/Mainland China	RMB80,000	—	30	Manufacture and sale of medicine
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金象復星醫藥股份有限公司)**		PRC/Mainland China	RMB127,418	50	—	Distribution and retail of medicine
Chengde Jingfukang Pharmaceutical Co., Ltd. (承德頸復康藥業集團有限公司)**		PRC/Mainland China	RMB60,000	—	25	Manufacture and trading of medicine
SD Biosensor Inc. ("SDB")**	(1)	Korea	USD15,000	—	19.42	Research, development, manufacture and sale of blood glucose analysers

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22. INVESTMENTS IN ASSOCIATES (Continued)

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

** Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Note:

(1) In 2013, Fosun Industrial (HK) Co., Ltd., a wholly-owned subsidiary of the Group, entered into a share subscription agreement with the shareholder of SDB, an independent third party, to subscribe 185,163 new shares of SDB. Upon the issuance of shares, the equity interest in SDB held by the Group increased from 17.6500% to 19.4271%.

The above table lists the associates of the Group which, in the opinion of the Directors of the Company, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors of the Company, result in particulars of excessive length.

Sinopharm Industrial Investment Co., Ltd., which is considered a material associate of the Group, has significant impact on share of profits of associates and is accounted for using the equity method.

The following table illustrates the summarised financial information of Sinopharm Industrial Investment Co., Ltd. adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2013 RMB'000	2012 RMB'000
Revenues	166,866,146	136,501,660
Profit for the year	3,579,897	3,090,004
Other comprehensive income	2,839	(3,923)
Total comprehensive income for the year	3,582,736	3,086,081
Profit for the year attributable to the Group's share	1,401,510	1,296,209
Current assets	89,569,259	67,008,760
Non-current assets	15,845,111	13,977,236
Current liabilities	(70,982,107)	(51,280,571)
Non-current liabilities	(5,499,139)	(6,570,812)
Net assets	28,933,124	23,134,613
Net assets attributable to the Group's share	13,720,829	11,632,031
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	6,723,206	5,699,695
Goodwill on acquisition (less cumulative impairment)	—	—
Carrying amount of the investment	6,723,206	5,699,695
Dividend received by the Group	245,000	146,312

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22. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 RMB'000	2012 RMB'000
Share of the associates' profit for the year	95,722	173,922
Share of the associates' other comprehensive income	102,281	28,021
Share of the associates' total comprehensive income	198,003	201,943
Aggregate carrying amount of the Group's investments in the associates	2,042,204	2,203,207

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Listed equity investments, at fair value:				
United States	335,509	208,366	—	—
Mainland China	1,337,279	1,245,758	—	—
	1,672,788	1,454,124	—	—
Unlisted equity investments, at cost	991,621	616,099	250,498	96,748
	2,664,409	2,070,223	250,498	96,748

The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

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25. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profit RMB'000	Provision for impairment of assets RMB'000	Depreciation and amortisation RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2012	—	7,279	506	8,942	—	—	16,727
Deferred tax credited/(charged) to the statement of profit or loss during the year	1,392	6,983	(161)	6,542	—	—	14,756
Gross deferred tax assets at 31 December 2012 and 1 January 2013	1,392	14,262	345	15,484	—	—	31,483
Acquisitions of subsidiaries (<i>note 40</i>)	6,987	6,744	—	6,844	7,171	—	27,746
Deferred tax credited to the statement of profit or loss during the year	5,620	1,557	2,665	8,445	6,879	3,696	28,862
Gross deferred tax assets at 31 December 2013	13,999	22,563	3,010	30,773	14,050	3,696	88,091

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26. INVENTORIES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Raw materials	426,816	367,728	—	—
Work in progress	322,635	210,491	—	—
Finished goods	858,722	667,942	—	—
Spare parts and consumables	38,686	35,143	518	516
Others	23,233	25,862	—	—
	1,670,092	1,307,166	518	516
Less: Provision	(55,820)	(33,727)	—	—
	1,614,272	1,273,439	518	516

27. TRADE AND BILLS RECEIVABLES

Group

	2013 RMB'000	2012 RMB'000
Trade receivables	1,164,220	802,798
Bills receivable	295,791	272,374
	1,460,011	1,075,172

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

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27. TRADE AND BILLS RECEIVABLES (Continued)

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

Group

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

Movements in the provision for impairment of trade receivables are as follows:

Group

	2013 RMB'000	2012 RMB'000
At 1 January	39,135	35,506
Impairment losses recognised	13,117	6,298
Impairment losses reversed	(4,025)	(1,267)
Acquisitions of subsidiaries	2,150	—
Amounts written off as uncollectible	(6,390)	(1,402)
At 31 December	43,987	39,135

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments. The Group does not hold any collateral or other credit enhancements over these balances.

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27. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	1,106,667	375,471
Less than 3 months past due	46,017	291,115
3 to 6 months past due	5,942	66,473
6 months to 1 year past due	4,109	56,218
Over 1 year past due	1,485	13,521
	1,164,220	802,798

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Advances to suppliers	201,395	238,900	—	—
Deposits	199,249	190,973	7	200
Other receivables	193,292	213,480	4,489	119,801
	593,936	643,353	4,496	120,001

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28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

An aged analysis of prepayments, deposits and other receivables as at the respective reporting dates, net of provisions, is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 1 year	310,703	617,276	4,496	89,427
1 to 2 years	84,458	22,829	—	30,574
2 to 3 years	194,983	3,759	—	—
Over 3 years	11,787	10,871	97	97
	601,930	654,735	4,593	120,098
Less: Provision for impairment of other receivables	(7,994)	(11,382)	(97)	(97)
	593,936	643,353	4,496	120,001

Movements in the provision for impairment of other receivables are as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 1 January	11,382	10,955	97	97
Impairment losses recognised	910	909	—	—
Impairment losses reversed	(1,377)	(79)	—	—
Amounts written off as uncollectible	(2,921)	(403)	—	—
At 31 December	7,994	11,382	97	97

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29. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2013 RMB'000	2012 RMB'000
Listed equity investments, at market value		
United States	44,196	224,834

The above equity investments at 31 December 2012 and 2013 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

30. OTHER CURRENT ASSET

Group

	2013 RMB'000	2012 RMB'000
Receivable for disposal of an associate	246,748	148,049
Less: Provision for impairment	(246,748)	(148,049)
	—	—

As at 31 December 2012 and 2013, the receivable for disposal of an associate represented the receivable for disposal of the Group's investment in Huixin Paper (note 24).

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32. TRADE AND BILLS PAYABLES

Group

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

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

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

Group

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

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33. OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Advances from customers		257,045	202,845	—	—
Payables relating to purchase of plant, property and equipment		25,768	48,221	—	—
Deposits received		216,078	173,954	—	—
Payroll		253,056	141,401	60,830	29,108
Business tax		21,620	7,812	19,408	—
Value-added tax		43,189	4,236	(2,279)	(2,066)
Other taxes		25,377	16,608	5,100	—
Accrued interest expenses		147,655	154,068	144,355	152,405
Dividends payable to non-controlling shareholders of subsidiaries		2,560	4,726	—	—
Other accrued expenses		229,764	167,291	—	—
Current portion of deferred warranty income (note 36)		22,977	15,471	—	—
Payables for acquisitions of subsidiaries	(i)	741,070	688,829	—	—
Payables for purchase of a joint venture	(ii)	17,439	57,397	—	—
Loans from non-controlling shareholders of subsidiaries	(iii)	41,300	55,400	—	—
Loans from independent third parties		—	21,000	—	—
Current portion of government grants (note 36)		23,259	—	—	—
Subscription to restricted A shares under the restricted A share incentive scheme		23,925	—	23,925	—
Other payables	(iv)	506,013	277,300	60,858	39,080
		2,598,095	2,036,559	312,197	218,527
Less: Non-current portion of payables for acquisitions of subsidiaries (note 37)	(i)	(83,756)	(570,389)	—	—
		2,514,339	1,466,170	312,197	218,527

Notes to the Financial Statements

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33. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

- (i) Payables for acquisitions of subsidiaries as at 31 December 2013 represented the cash considerations for the acquisitions of Dalian Aleph, Aohong Pharma, Chancheng Hospital, Zhongwu Hospital, Dongting Pharma, Suzhou Laishi and Sinock Pharma of RMB255,000,000, RMB250,425,000, RMB164,503,000, RMB28,316,000, RMB27,023,000, RMB8,351,000 and RMB6,452,000. The non-current portion is the fair value of the contingent considerations for the acquisition of Chancheng Hospital and non-current portion of unpaid cash consideration for the acquisition of Zhongwu Hospital, which will be paid in 2015 and 2016.
- (ii) Payables for purchase of a joint venture as at 31 December 2013 represented the cash consideration for the acquisition of Nanyang Hospital (note 21) amounting to RMB17,439,000.
- (iii) Loans from non-controlling shareholders of subsidiaries of RMB41,300,000 as at 31 December 2013 (2012: 55,400,000) bear interest at rates ranging from 0% to 12% (2012: 12% to 12.5%) per annum and are repayable on demand.
- (iv) Other payables are non-interest-bearing and repayable on demand.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Note	Group		Company	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Bank loans:	(1)				
Secured		228,950	743,000	165,000	520,000
Unsecured		1,321,578	349,149	360,000	—
		1,550,528	1,092,149	525,000	520,000
Medium-term notes	(2)	2,582,432	2,574,807	2,582,432	2,574,807
Corporate bonds	(3)	1,490,959	1,488,540	1,490,959	1,488,540
Short-term bonds		—	499,375	—	499,375
Total		5,623,919	5,654,871	4,598,391	5,082,722
Repayable:					
Within 1 year		1,424,210	1,374,706	400,000	854,375
1 to 2 years		1,035,044	40,909	1,034,135	40,000
2 to 5 years		3,164,665	4,219,256	3,164,256	4,168,347
Over 5 years		—	20,000	—	20,000
		5,623,919	5,654,871	4,598,391	5,082,722
Portion classified as current liabilities		(1,424,210)	(1,374,706)	(400,000)	(854,375)
Non-current portion		4,199,709	4,280,165	4,198,391	4,228,347

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34. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(1) Bank loans — Group

(a) Foreign currency loans

	2013 RMB'000	2012 RMB'000
USD:		
Unsecured	509,570	185,422
Ghana Cedi:		
Unsecured	409	—

(b) The bank loans bear interest at annual interest rates of:

	2013	2012
Interest rate range	1.700% to 7.200%	1.712% to 7.540%

(c) As at 31 December 2013, certain of the Group's bank loans were secured by the pledge of certain of the Group's property, plant and equipment (note 16) amounting to RMB123,652,000 (2012: RMB302,735,000), prepaid land lease payments (note 17) amounting to RMB25,556,000 (2012: RMB39,042,000), and the Group's 94.16% equity interest in Guilin South Pharma Co., Ltd. (2012: the Group's 94.16% equity interest in Guilin South Pharma Co., Ltd.).

(2) Medium-term notes

On 8 November 2010, the Company issued medium-term notes with a maturity of five years in an aggregate amount of RMB1,000,000,000, which bear interest at the one-year term deposit bank interest rate plus 240 basis points per annum. The interest is payable annually in arrears and the maturity date is 10 November 2015.

On 31 March 2011, the Company issued medium-term notes with a maturity of five years in an aggregate amount of RMB1,600,000,000, which bear interest at the one-year term deposit bank interest rate plus 290 basis points per annum. The interest is payable annually in arrears and the maturity date is 31 March 2016.

(3) Corporate bonds

On 25 April 2012, the Company issued corporate bonds with a maturity of five years in an aggregate amount of RMB1,500,000,000, which bear interest at 5.53% per annum. The interest is payable annually in arrears and the maturity date is 25 April 2017.

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35. BALANCES WITH RELATED COMPANIES

Due from related companies

	Notes	Group		Company	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Associates	(i)	204,992	151,288	12,316	491
Subsidiaries	(ii)	—	—	6,209,400	5,165,238
Other related companies		1,723	40,907	—	39,939
		206,715	192,195	6,221,716	5,205,668
Portion classified as current		(206,715)	(192,195)	(2,158,869)	(1,170,534)
		—	—	4,062,847	4,035,134

Notes:

- (i) The amounts due from associates as at 31 December 2013 included an amount of RMB15,149,000, which is dividend receivable from associates of the Group. The remaining balances due from associates as at 31 December 2013 were trade in nature, non-interest-bearing and collectable on demand.
- (ii) As at 31 December 2013, the balances due from subsidiaries included entrusted loans to the subsidiaries amounting to RMB6,175,048,000 (2012: RMB4,285,134,000), which bear interest at rates ranging from 2% to 10.5% per annum. The interest is payable annually from 2014 to 2017. The principal amounts will be repaid on the maturity dates. As at 31 December 2013, the balances due from subsidiaries also included dividend receivable amounting to RMB4,807,000 (2012: Nil) and interest receivable amounting to RMB26,560,000 (2012: RMB86,270,000). The remaining balances are trade in nature, non-interest-bearing and repayable on demand.

Due to related companies

	Notes	Group		Company	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Associates	(iii)	37,576	33,360	—	—
Subsidiaries	(iv)	—	—	14,829	14,976
Other related companies		117	3,634	—	—
		37,693	36,994	14,829	14,976

Notes:

- (iii) The amounts due to associates as at 31 December 2013 included an amount of RMB3,726,000, which is dividend payable to associates of the Group. The remaining balances due to associates as at 31 December 2013 were trade in nature, non-interest-bearing and repayable on demand.
- (iv) The amounts due to subsidiaries are unsecured, non-interest-bearing and repayable on demand.

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35. BALANCES WITH RELATED COMPANIES (Continued)

Due to related companies (Continued)

The remaining balances due to related parties are trade in nature, non-interest-bearing and repayable on demand.

The carrying amounts of the balances with related companies approximate to their fair values. The nature of the transactions with related companies is disclosed in note 45 to the financial statements.

36. DEFERRED INCOME

	Notes	Group		Company	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Government grants	(i)	118,883	37,025	2,050	2,500
Less: Government grants classified as current portion (note 33)		(23,259)	—	—	—
Deferred warranty income	(ii)	22,977	19,981	—	—
Less: deferred warranty income classified as current portion (note 33)		(22,977)	(15,471)	—	—
		95,624	41,535	2,050	2,500

- (i) Government grants were received by the Group as financial subsidies for some research and development projects, industrial development funds and value-added tax refund. Government grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. There are no unfulfilled conditions or contingencies relating to these grants.

The movements in government grants during the year are as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 1 January	37,025	35,101	2,500	—
Additions	89,695	59,143	—	2,500
Recognised as income during the year	(7,837)	(57,219)	(450)	—
At 31 December	118,883	37,025	2,050	2,500

- (ii) Deferred warranty income represents the consideration received for either stand alone warranty service contracts or extended warranty sold with sales of certain equipment. Such deferred income is amortised on a straight-line basis during the service period or warranty term as applicable.

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37. OTHER LONG-TERM LIABILITIES

Group

	Notes	2013 RMB'000	2012 RMB'000
Staff placement fees	(i)	35,589	37,743
Payables for acquisitions of subsidiaries	(ii)	83,756	570,389
Loan from non-controlling shareholders of subsidiaries	(iii)	265,387	—
The share redemption option granted to non-controlling shareholders of a subsidiary	(iv)	44,364	—
Others		24,606	19,490
		453,702	627,622

Notes:

- (i) Staff placement fees represent liabilities incurred by certain subsidiaries of the Group before 2008 in respect of the retirement benefits of certain employees and retirees.
- (ii) Payables for acquisitions of subsidiaries as at 31 December 2013 represent the fair value of the contingent consideration for the acquisition of Chancheng Hospital amounting to RMB55,440,000 and non-current portion of unpaid cash consideration for the acquisition of Zhongwu Hospital amounting to RMB28,316,000, which will be paid in 2015 and 2016 (note 33(i)).
- (iii) Sisram Medical Ltd. ("Sisram"), a subsidiary of the Group, has interest-free long-term capital notes, with a term from May 2013 to April 2018 payable to Pramerica Fosun Fund, a non-controlling shareholder of Sisram.
- (iv) Pursuant to the liquidity arrangement agreement signed between Sisram and non-controlling shareholder of Alma Lasers who owns 4.84% non-controlling interests in Alma Lasers on 27 May 2013, the 4.84% non-controlling interests in Alma Lasers have certain embedded "put rights" that are exercisable commencing on the third anniversary of the agreement date and if exercised, would require Sisram to acquire the non-controlling interests at a price based on certain multiples of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of Alma Lasers.

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38. ISSUED SHARE CAPITAL

	2013		2012	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Shares				
Registered, issued and fully paid:				
A Shares of RMB1 each	1,904,392	1,904,392	1,904,392	1,904,392
H Shares of RMB1 each	336,070	336,070	336,070	336,070
	2,240,462	2,240,462	2,240,462	2,240,462

Movements in the issued share capital during the year were as follows:

	2013		2012	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
At 1 January	2,240,462	2,240,462	1,904,392	1,904,392
Issue of H Shares	—	—	336,070	336,070
At 31 December	2,240,462	2,240,462	2,240,462	2,240,462

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39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity on pages 77 to 78 of the financial statements.

(b) Company

	Share premium RMB'000	Statutory surplus reserve (note) RMB'000	(Accumulated losses)/ retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2012	841,958	274,457	31,377	190,439	1,338,231
Profit for the year	—	—	285,913	—	285,913
Profit appropriation to reserve	—	31,178	(31,178)	—	—
Issue of H Shares	2,730,206	—	—	—	2,730,206
Final 2011 dividend declared and paid	—	—	—	(190,439)	(190,439)
Proposed final 2012 dividend	—	—	(470,497)	470,497	—
At 31 December 2012 and 1 January 2013	3,572,164	305,635	(184,385)	470,497	4,163,911
Profit for the period	—	—	906,238	—	906,238
Profit appropriation to reserve	—	91,066	(91,066)	—	—
Transaction costs related to issue of new shares	4,150	—	—	—	4,150
Legal merger of a subsidiary	15,041	60,189	—	—	75,230
Final 2012 dividend declared and paid	—	—	—	(470,497)	(470,497)
Proposed final 2013 dividend	—	—	(605,987)	605,987	—
At 31 December 2013	3,591,355	456,890	24,801	605,987	4,679,032

Note: The statutory surplus reserve is presented as part of the reserve in the consolidated statements of changes in equity. According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

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40. BUSINESS COMBINATION

The major acquisitions of subsidiaries accounted for as business combination is set out as follows:

On 18 December 2012, Shanghai Fosun Pharmaceutical Industrial Development Company Limited, a subsidiary of the Group, entered into an agreement with the shareholders of Dongting Pharma, all of which are independent third parties, to acquire 77.78% equity interests in Dongting Pharma at a consideration of RMB586,120,000. Dongting Pharma is engaged in the manufacture and sale of hemostatic and psychotropic medicines. The acquisition was undertaken under the Group's strategy to penetrate the market of hemostatic and psychotropic medicines. The acquisition was completed on 11 January 2013 when the Group obtained control of the operating and financial policies of Dongting Pharma.

On 18 January 2013, Jiangsu Wanbang Biopharmaceutical Co., Ltd. ("Wanbang Pharma"), a subsidiary of the Group, entered into an agreement with the shareholders of Sinock Pharma, all of which are independent third parties, to acquire 51% equity interests in Sinock Pharma at a consideration of RMB32,262,000. Sainuokang Biochemical is engaged in the manufacture and sale of heparin sodium API, which is the main raw material of heparin sodium, one of the major products of Wanbang Pharma. The acquisition was undertaken under the Group's strategy to integrate the supply chain and reduce the cost of raw material. The acquisition was completed on 11 March 2013 when the Group obtained control of the operating and financial policies of Sinock Pharma.

On 26 April 2013, Sisram entered into an agreement with the shareholders of Alma Lasers, all of which are independent third parties, to acquire 95.16% equity interests in Alma Lasers at a consideration of USD221,630,000, equivalent to RMB1,377,830,000 approximately. Alma Lasers is engaged in the design, manufacture and sale of medical and cosmetic devices. The acquisition was undertaken to gain access to the global leading medical equipment manufacturing business, which is conducive to strengthening the Group's medical equipment manufacturing business locally and globally. The acquisition completed on 27 May 2013 when the Group obtained control of the operating and financial policies of Alma Lasers.

On 9 October 2013, Shanghai Yicheng Hospital Investment Management Co., Ltd., a subsidiary of the Group, entered into an agreement with the shareholders of Chancheng Hospital, all of which are independent third parties, to acquire 60% equity interest in Chancheng Hospital at a consideration of RMB724,500,000. Chancheng Hospital is engaged in the provision of healthcare services. The acquisition was undertaken to strengthen the healthcare services of the Group. The acquisition completed on 12 November 2013 when the Group obtained control of the operating and financial policies of Chancheng Hospital.

The Group has elected to measure the non-controlling interests in all the subsidiaries acquired at the non-controlling interests' proportionate share of the acquired subsidiaries' identifiable net assets.

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40. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year ended 31 December 2013 were as follows:

	<i>Notes</i>	Fair value recognised on acquisition RMB'000
Property, plant and equipment	16	809,372
Prepaid land lease payments	17	251,351
Other intangible assets	19	679,491
Deferred tax assets	25	27,746
Other non-current assets		40,223
Inventories		213,362
Trade and bills receivables		227,940
Prepayments, deposits and other receivables		68,365
Cash and bank balances		358,377
Interest-bearing bank and other borrowings		(11,728)
Trade and bills payables		(257,580)
Tax payable		(12,144)
Other payables and accruals		(287,463)
Deferred tax liabilities	25	(235,420)
Other long-term liabilities		(24,693)
Total identifiable net assets at fair value		1,847,206
Non-controlling interests		(433,623)
		1,413,583
Goodwill on acquisition	18	1,324,082
		2,737,665
Satisfied by:		
Cash		2,530,336
Cash consideration unpaid	33(i)	207,329
		2,737,665

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40. BUSINESS COMBINATION (Continued)

The fair values of the trade receivables and other receivables as at the dates of acquisition amounted to RMB227,940,000 and RMB68,365,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB230,090,000 and RMB68,365,000, respectively, of which trade receivables of RMB2,150,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB6,486,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

The goodwill of RMB1,324,082,000 recognised above is due to the new markets entered by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore do not meet the criteria for recognition as intangible assets under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	RMB'000
Cash consideration paid	(2,530,336)
Cash and cash equivalents acquired	358,377
	(2,171,959)
Payment of unpaid cash consideration as at 31 December 2012	(155,088)
Prepayment of cash consideration as at 31 December 2012	101,807
	(2,225,240)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,225,240)
Transaction costs of the acquisitions included in cash flows from operating activities	(6,486)
	(2,231,726)

Since the acquisitions, all the acquired subsidiaries contributed RMB1,048,361,000 to the Group's revenue and RMB131,117,000 to the Group's profit after tax for the year ended 31 December 2013.

Had the combinations taken place at the beginning of the year ended 31 December 2013, the revenue and the profit after tax of the Group for the year ended 31 December 2013 would have been RMB10,329,891,000 and RMB2,354,360,000, respectively.

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41. SHARE-BASED PAYMENT

Certain employees of Chindex provide services to CML. The service agreement between CML and Chindex provides that the full compensation cost of Chindex employees who provide service to CML will be charged to CML, which will include the cost of share-based compensation on a non-cash basis, if applicable to the employees. In addition, certain former Chindex employees that are now employees of CML participate in Chindex's equity compensation program and hold options for Chindex's common shares and Chindex's restricted shares, and the costs of those share options are expensed as they provide services to CML. As at 31 December 2013, these former Chindex employees held 115,969 (31 December 2012: 114,590) options exercisable for 115,969 (31 December 2012: 114,590) Chindex's common shares, of which 45,761 (31 December 2012: 73,806) options were vested.

For the year ended 31 December 2013, the share-based compensation charged to CML by Chindex consisted of approximately RMB6,084,000 (2012: RMB5,145,000) for services provided by Chindex employees under the service agreement between CML and Chindex and approximately RMB3,623,000 (2012: RMB920,000) for services provided directly by CML employees who are former Chindex employees. For Chindex employees, their total share-based compensation cost was calculated by Chindex as part of its ongoing grant-by-grant calculation and was then allocated to CML based on the percentages defined in the CML-Chindex service agreement. For CML employees whose share options of Chindex continued to vest for their services provided to CML, the calculation was based on the "non-employee" model, which includes variable accounting ("mark-to-market") on a quarterly basis.

42. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group's subsidiaries lease the property, plant and equipment under operating lease agreements, with leases negotiated for terms ranging from two to twenty years.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 1 year	14,815	10,907	—	—
1 to 3 years, inclusive	3,720	8,380	—	—
Over 3 years	46	50	—	—
	18,581	19,337	—	—

Notes to the Financial Statements

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42. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

As at 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 1 year	51,081	31,809	—	—
1 to 3 years, inclusive	73,657	30,167	—	—
Over 3 years	71,430	8,029	—	—
	196,168	70,005	—	—

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) to the financial statements, the Group had the following capital commitments as at 31 December 2013:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Contracted, but not provided for				
Plant and machinery	347,977	351,583	—	—
Investments in a subsidiary and associates	34,892	506,120	—	—
Investments in available-for-sale financial assets	27,000	57,000	15,000	30,000
	409,869	914,703	15,000	30,000
Authorised, but not contracted for				
Plant and machinery	91,653	203,863	—	—

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44. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere, the Group had the following transactions with related parties during the year:

(a) Sales of pharmaceutical products

	2013 RMB'000	2012 RMB'000
Sinopharm Group Co., Ltd. (notes 5 & 8)	570,052	385,567
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (notes 1 & 5)	22,750	19,222
Shanghai Lianhua Fosun Pharmacy Chain-store Co., Ltd. (notes 1 & 5)	18,201	18,821
Zhejiang D.A. Diagnostic Co., Ltd. (notes 5 & 6)	8,701	8,460
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. (notes 3 & 5)	8,055	6,492
Suzhou Laishi Transfusion Equipment Co., Ltd. ("Suzhou Laishi") (notes 5 & 11)	6,642	9,291
Shanghai Yaofang Co., Ltd. (notes 1 & 5)	4,565	7,580
Shanghai Huifeng Forme Pharmacy Co., Ltd. (notes 2 & 5)	3,518	4,962
Shanghai Liyi Pharmacy Co., Ltd. (notes 1 & 5)	1,868	2,158
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. (notes 2 & 5)	1,832	—
Guilin Auspicious Pharmaceutical Industrial Ltd. (notes 1 & 5)	549	1,273
Hunan Time Sun Pharmaceutical Co., Ltd. (notes 1 & 5)	427	—
Shanghai Forte Land Co., Ltd. (notes 4 & 5)	35	—
Shanghai Forte Investment and Management Co., Ltd. (notes 4 & 5)	5	—
SINNOWA Medical Science & Technology Co., Ltd (notes 4 & 5)	4	73
Shanghai Fosun Chemical Pharmaceutical Investment Co., Ltd. (notes 4 & 5)	—	2
	647,204	463,901

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44. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

As lessee

	2013 RMB'000	2012 RMB'000
Shanghai Fosun Property Management Co., Ltd. (notes 4, 7 & 10)	7,231	7,231
Shanghai Forte Investment Management Co., Ltd. (notes 4, 7 & 10)	4,301	4,476
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (notes 1, 7 & 10)	3,705	2,662
Shanghai Furui Property Management Company Limited (notes 4, 7 & 10)	2,642	—
Shanghai New Shihua Investment and Management Co., Ltd. (notes 4, 7 & 10)	307	—
Beijing Golte Property Management Co., Ltd. (notes 4, 7 & 10)	1,007	994
Shanghai Golte Property Management Co., Ltd. (notes 4, 7 & 10)	—	896
	19,193	16,259

(d) Loan from/to related party

Loan from related party

	2013 RMB'000	2012 RMB'000
Fosun Finance (notes 9 & 10)	—	25,000

Maximum daily outstanding balance of deposits in Fosun Finance

	2013 RMB'000	2012 RMB'000
Fosun Finance (notes 9 & 10)	296,182	293,922

The Company entered into a financial service agreement with Fosun Finance, pursuant to which Fosun Finance shall provide financial services to the Company and its subsidiaries, including deposit service, credit service, settlement service and other financial services as approved by the China Banking Regulatory Commission for a period commenced from the date of the financial service agreement and ended 31 December 2013. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance shall not exceed RMB300,000,000. The maximum daily outstanding balance of loans granted by Fosun Finance to the Group shall not exceed RMB300,000,000.

Notes to the Financial Statements

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44. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from related parties

	2013 RMB'000	2012 RMB'000
Fosun Finance (notes 9 & 10)	2,491	1,445
	2,491	1,445

The interest rate for deposits in Fosun Finance is made referring to the benchmark interest rates on deposits issued by the People's Bank of China (PBOC), and is no less than the higher of (i) the interest rate payable to the Group by the domestic commercial banks; and (ii) that to others by Fosun Finance, for the deposit service of the similar terms and amounts.

(f) Finance costs to related parties

	2013 RMB'000	2012 RMB'000
Fosun Finance (notes 9 & 10)	—	1,457
Chengde Jingfukang Pharmaceutical Co., Ltd. (note 1)	—	260
	—	1,717

The interest rate for credit services is made referring to the benchmark interest rates issued by the PBOC as well as the market rates, and is no higher than the lower of (i) the interest rate chargeable to the Group by the domestic commercial banks; and (ii) that to others by Fosun Finance, for the credit service of the similar terms and amounts.

(g) Finance service fee to related parties

	2013 RMB'000	2012 RMB'000
Fosun Finance (notes 9 & 10)	—	111

Notes to the Financial Statements

31 December 2013

44. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

- (6) The Group held a 4.47% equity interest in Zhejiang D.A. Diagnostic Co., Ltd.
- (7) The fees for the leasing and property management services received from or paid to these related companies were determined based on prices available to third party customers of these related companies.
- (8) Sinopharm Group Co., Ltd. is a major subsidiary of Sinopharm Investment, an associate of the Group.
- (9) Fosun Finance is a subsidiary of Fosun High Tech, the holding company of the Company.
- (10) The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Group confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of these transactions.
- (11) As at 30 September 2013, the Group acquired Suzhou Laishi and Suzhou Laishi was no longer an associate of the Group.
- (12) As at 30 October 2013, the Group disposed of entire equity interest in Tongjitang and Tongjitang was no longer an associate of the Group.

(i) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 31 and 35 to the financial statements.

Notes to the Financial Statements

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44. RELATED PARTY TRANSACTIONS (Continued)

(j) Compensation of key management personnel of the Group:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	13,678	11,342
Performance related bonuses	13,613	11,263
Pension scheme contributions	595	468
	27,886	23,073

Further details of Directors', Supervisors' and the Chief Executive's emoluments are included in note 10 to the financial statements.

45. CONTINGENT LIABILITIES

As the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Guarantees given to banks in connection with facilities granted to: Subsidiaries	—	—	—	83,853

46. PLEDGE OF ASSETS

As at 31 December 2013, the payables for acquisition of Aohong Pharma of RMB269,360,000 were secured by the Group's 51% equity interest in Aohong Pharma.

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 34 to the financial statements.

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47. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2012

	Group			Total RMB'000
	Financial assets at fair value through profit or loss — held for trading RMB'000	Loans and Receivables RMB'000	Available-for-sale financial assets RMB'000	
Financial assets:				
Available-for-sale investments	—	—	2,070,223	2,070,223
Equity investments at fair value through profit or loss	224,834	—	—	224,834
Trade and bills receivables	—	1,075,172	—	1,075,172
Financial assets included in prepayments, deposits and other receivables	—	404,453	—	404,453
Due from related companies	—	192,195	—	192,195
Cash and bank balances	—	4,972,525	—	4,972,525
	224,834	6,644,345	2,070,223	8,939,402
		Financial liabilities at fair value through profit or loss — Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities:				
Trade and bills payables		—	882,037	882,037
Financial liabilities included in other payables and accruals		—	1,077,797	1,077,797
Interest-bearing bank and other borrowings		—	5,654,871	5,654,871
Due to related companies		—	36,994	36,994
Other long-term liabilities		570,389	—	570,389
		570,389	7,651,699	8,222,088

Notes to the Financial Statements

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47. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2013

	Company		
	Loans and receivables RMB'000	Available-for- sale financial assets RMB'000	Total RMB'000
Financial assets:			
Available-for-sale investments	—	250,498	250,498
Financial assets included in prepayments, deposits and other receivables	4,496	—	4,496
Due from related companies	6,221,716	—	6,221,716
Cash and bank balances	928,132	—	928,132
	7,154,344	250,498	7,404,842

2012

	Company		
	Loans and receivables RMB'000	Available-for- sale financial assets RMB'000	Total RMB'000
Financial assets:			
Available-for-sale investments	—	96,748	96,748
Financial assets included in prepayments, deposits and other receivables	120,001	—	120,001
Due from related companies	5,205,668	—	5,205,668
Cash and bank balances	2,804,109	—	2,804,109
	8,129,778	96,748	8,226,526

Notes to the Financial Statements

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47. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

	Financial liabilities at amortised cost	
	2013 RMB'000	2012 RMB'000
Financial liabilities:		
Financial liabilities included in other payables and accruals	205,213	191,485
Interest-bearing bank and other borrowings	4,598,391	5,082,722
Due to related companies	14,829	14,976
	4,818,433	5,289,183

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills"), to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB232,324,000 (2012: RMB219,416,000). In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills") to certain banks to finance its operating cash flow with a carrying amount in aggregate of RMB124,559,000 (2012: RMB153,547,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills equals their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills and the Discounted Bills. No gains or losses were recognised from the continuing involvement, both during the year or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

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48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial Assets:				
Available-for-sale investments, listed	1,672,788	1,454,124	1,672,788	1,454,124
Equity investments at fair value through Profit or loss	44,196	224,834	44,196	224,834
	1,716,984	1,678,958	1,716,984	1,678,958
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	126,318	216,818	119,469	207,023
Non-current portion of other borrowings				

Notes to the Financial Statements

31 December 2013

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

The fair values of listed equity investments without a lock-up period are based on quoted market prices. The fair values of listed equity investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 31 December 2013, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments of the Group is RMB991,621,000 (2012: RMB616,099,000) and of the Company is RMB250,498,000 (2012: RMB96,748,000), respectively. All of them are unlisted equity investments in China, North America and other countries held by the Group, which are intended to be disposed by the Group after getting listed in the designated stock exchange in the future.

During the year ended 31 December 2013, the available-for-sale investments whose fair value could not be reliably measured with carrying amount of RMB28,058,000 were derecognised and the relevant gain on disposal amounted to RMB1,194,000 was recognized in the consolidated statement of profit or loss.

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48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2013:

As part of the purchases agreement, contingent consideration included in other long-term liabilities is payable, which is dependent on the profit target of Chancheng Hospital during the 24-month period subsequent to the acquisition as stated on the agreement. The amount recognised as at 31 December 2013 was RMB55,440,000 which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders in 2015 and 2016. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Projected profit target of Chancheng Hospital is consistent with that estimated when the purchase agreement was signed. Discount rate and discount for own non-performance risk is nil.

A significant decrease in the profit after tax of Chancheng Hospital would result in a significant decrease in the fair value of the contingent consideration liability.

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of a subsidiary included in other long-term liabilities is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of Alma Lasers in 2013 and cash and bank balances of Alma Lasers as at 31 December 2013.

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48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities measured at fair value:

Group

As at 31 December 2013

	Fair value measurement using			Total RMB'000
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Amounts included in other long-term liabilities (note 37)	—	—	99,804	99,804

As at 31 December 2012

	Fair value measurement using			Total RMB'000
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Amounts included in other long-term liabilities (note 37)	—	—	570,389	570,389

The movements in fair value measurements in Level 3 during the year are as follows:

	2013 RMB'000	2012 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	570,389	312,636
Total losses recognised in the statement of profit or loss included in finance costs	22,109	11,055
Addition	55,440	323,138
Reclassification	(548,134)	(76,440)
At 31 December	99,804	570,389

The Company did not have any financial liabilities measured at fair value as at 31 December 2013 (31 December 2012: nil).

Assets for which fair values are disclosed:

The Group and the Company did not have financial assets for which fair values are disclosed as at 31 December 2013 (31 December 2012: nil).

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48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities for which fair values are disclosed:

Group

As at 31 December 2013

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank borrowings	—	119,469	—	119,469
Non-current portion of other borrowings	1,440,000	2,582,432	—	4,022,432
Amounts included in other long-term liabilities	—	293,703	—	293,703
	1,440,000	2,995,604	—	4,435,604

As at 31 December 2012

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank borrowings	—	207,023	—	207,023
Non-current portion of other borrowings	1,508,250	2,574,807	—	4,083,057
	1,508,250	2,781,830	—	4,290,080

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48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities for which fair values are disclosed: (Continued)

Company

As at 31 December 2013

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank borrowings	—	118,192	—	118,192
Non-current portion of other borrowings	1,440,000	2,582,432	—	4,022,432
	1,440,000	2,700,624	—	4,140,624

As at 31 December 2012

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank borrowings	—	154,590	—	154,590
Non-current portion of other borrowings	1,508,250	2,574,807	—	4,083,057
	1,508,250	2,729,397	—	4,237,647

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012: nil).

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other interest-bearing borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and floating rate debts.

As at 31 December 2013, total borrowings of RMB1,260,752,000 (31 December 2012: RMB631,422,000) of the Group were with floating interest rates. All of the Company's borrowings were with fixed interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings and the Group's and the Company's equity.

Increase/(decrease) of the Group's and the Company's profit before tax

	Increase/ (decrease) in basis points	Group	Company
		Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in profit before tax RMB'000
2013			
RMB	1%	(7,730)	—
USD	1%	(4,878)	—
RMB	(1%)	7,730	—
USD	(1%)	4,878	—
2012			
RMB	1%	(4,460)	—
USD	1%	(1,854)	—
RMB	(1%)	4,460	—
USD	(1%)	1,854	—

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49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve of certain overseas subsidiaries, of which the functional currencies are currencies other than RMB.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2013			
If RMB weakens against USD	5	461	(15,391)
If RMB strengthens against USD	(5)	(461)	15,391
If RMB weakens against HKD	5	14,725	—
If RMB strengthens against HKD	(5)	(14,725)	—
2012			
If RMB weakens against USD	5	881	17,388
If RMB strengthens against USD	(5)	(881)	(17,388)
If RMB weakens against HKD	5	132,244	—
If RMB strengthens against HKD	(5)	(132,244)	—

* Excluding retained profits

(c) Credit risk

The Group trades only with related companies and recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, available-for-sale investments, equity investments at fair value through profit or loss, amounts due from related companies and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with related companies and recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analyses by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables were widely dispersed in different geographical regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 27 to the financial statements.

Notes to the Financial Statements

31 December 2013

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 December 2013, 25% (31 December 2012: 24%) of the Group's borrowings would mature in less than one year based on the carrying values of the borrowings.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2013					
Interest-bearing bank and other borrowings	—	1,701,757	4,601,039	—	6,302,796
Trade and bills payables	—	1,103,160	—	—	1,103,160
Financial liabilities included in other payables and accruals	1,090,835	753,056	—	—	1,843,891
Due to related companies	37,016	—	—	—	37,016
Other long-term liabilities	—	—	393,507	—	393,507
	1,127,851	3,557,973	4,994,546	—	9,680,370
2012					
Interest-bearing bank and other borrowings	—	1,664,294	4,924,229	20,630	6,609,153
Trade and bills payables	—	882,037	—	—	882,037
Financial liabilities included in other payables and accruals	901,960	175,837	—	—	1,077,797
Due to related companies	36,994	—	—	—	36,994
Other long-term liabilities	—	—	592,498	—	592,498
	938,954	2,722,168	5,516,727	20,630	9,198,479

Notes to the Financial Statements

31 December 2013

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

Company

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2013					
Interest-bearing bank and other borrowings	—	660,939	4,599,679	—	5,260,618
Financial liabilities included in other payables and accruals	205,213	—	—	—	205,213
Due to related companies	14,829	—	—	—	14,829
	220,042	660,939	4,599,679	—	5,480,660
2012					
Interest-bearing bank and other borrowings	—	1,125,184	4,867,275	20,630	6,013,089
Financial liabilities included in other payables and accruals	191,485	—	—	—	191,485
Due to related companies	14,976	—	—	—	14,976
	206,461	1,125,184	4,867,275	20,630	6,219,550

Notes to the Financial Statements

31 December 2013

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 29) and available-for-sale investments measured at fair value (note 23). The Group's listed investments are listed on the stock exchanges in Shenzhen, Shanghai and NASDAQ and are valued at quoted market prices or using valuation techniques at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2013	High/low 2013	31 December 2012	High/low 2012
Shanghai — A Share Index	2,214	2,558/1,935	2,376	2,578/2,052
Shenzhen — GEM Index	1,304	1,423/699	714	800/585
Shenzhen — A Share Index	1,103	1,155/850	920	1,057/766
New York — NYA Index	10,400	10,400/8,604	8,444	8,459/7,286
New York — NASDAQ Index	4,176	4,177/3,083	3,020	3,197/2,663

Notes to the Financial Statements

31 December 2013

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

The following table demonstrates the sensitivity to every 10% increase in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of profit or loss.

	Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity* RMB'000
2013			
Investments listed in:			
Shanghai — Available for sale	586,333	—	43,975
Shenzhen GEM — Available for sale	579,380	—	43,453
Shenzhen — Available for sale	171,567	—	12,914
NASDAQ — Available for sale	335,508	—	33,551
NASDAQ — Equity investments at fair value through profit or loss	44,196	4,420	—
	1,716,984	4,420	133,893
2012			
Investments listed in:			
Shanghai — Available for sale	609,703	—	45,728
Shenzhen GEM — Available for sale	387,428	—	29,057
Shenzhen — Available for sale	248,626	—	18,692
NYSE — Equity investments at fair value through profit or loss	224,834	22,483	—
NASDAQ — Available for sale	208,367	—	20,837
	1,678,958	22,483	114,314

* Excluding retained profits

Notes to the Financial Statements

31 December 2013

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	2013 RMB'000	2012 RMB'000
Interest-bearing bank and other borrowings (note 34)	5,623,919	5,654,871
Less: Cash and cash equivalents (note 31)	(2,416,261)	(4,171,574)
Net debt	3,207,658	1,483,297
Total equity	17,607,627	15,247,761
Total equity and net debt	20,815,285	16,731,058
Gearing ratio	15%	9%

Notes to the Financial Statements

31 December 2013

50. EVENTS AFTER THE REPORTING PERIOD

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

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

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

Passed by the Company's 17th meeting of the 6th board of directors, Chindex, a company listed on the NASDAQ and an invested company by Fosun Industrial, a wholly-owned subsidiary of the Group, was proposed to be delisted from the NASDAQ through privatization by merger. The Group will participate in the privatization of Chindex by way of capital contributions in Healthy Harmony Holdings L.P. ("Healthy Harmony"), using cash consideration of not exceeding US\$193.74 million and 3,157,163 class A common stock of Chindex held by Fosun Industrial on 17 February 2014. On 14 February 2014, the Company held an indirect 17.45% equity interest in Chindex. Upon Completion, the Company expects to indirectly hold no more than 48.65% equity interest in the delisted Chindex.

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

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

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

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

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

Notes to the Financial Statements

31 December 2013

51. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 24 Mar 2014.

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“A Share(s)”	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“AGM” or “Annual General Meeting”	the annual general meeting of the Company
“Alma Lasers”	Alma Lasers Ltd., a company incorporated in the State of Israel with limited liability
“Aohong Pharma”	Jinzhou Aohong Pharmaceutical Company Limited (錦州奧鴻藥業有限公司), an indirect 70% owned subsidiary of the Group
“API(s)”	active pharmaceutical ingredient(s), the biologically active substance in a pharmaceutical product, responsible for the therapeutic effect of a drug
“Articles” or “Articles of Association”	the articles of association of the Company
“associates”	has the meaning given to it under the Hong Kong Listing Rules
“Beijing Golte”	Beijing Golte Property Management Company Limited (北京高地物業管理有限公司), a wholly-owned subsidiary of Golte Assets, which in turn is wholly-owned by Forte. Forte is a 99.05% owned subsidiary of Fosun International (a Controlling Shareholder of the Company). Beijing Golte is a connected person of the Group under Rule 14A.11(4) of the Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 of the Hong Kong Listing Rules
“Chancheng Hospital”	Foshan Chancheng Central Hospital Company Limited* (佛山市禪城區中心醫院有限公司), a for-profit medical institution established with the approval by the Population, Health and Drug Administration of Chancheng District, Foshan* (佛山市禪城區人口和衛生藥品監督管理局)
“Chindex”	Chindex International, Inc., a company incorporated in Delaware of the United States and listed on the NASDAQ Stock Market (NASDAQ: CHDX)
“Chindex (Beijing)”	Chindex (Beijing) International Trade Company Limited (美中互利(北京)國際貿易有限公司), an indirect wholly-owned subsidiary of CML
“Chongqing Pharma Research”	Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司), an indirect 56.89% owned subsidiary of the Group
“CML”	Chindex Medical Limited (美中互利醫療有限公司), a 70% owned subsidiary of the Group
“Company” or “Fosun Pharma”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares and A Shares are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“connected person(s)”	has the meaning given to it under the Hong Kong Listing Rules

Definitions

“Controlling Shareholder(s)”	has the meaning given to it under the Hong Kong Listing Rules and in the context of our Company, means Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin, Fan Wei, Fosun International Holdings, Fosun Holdings, Fosun International and Fosun High Tech
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities market
“Dalian Wanchun”	Dalian Wanchun Medicine Co., Ltd. (大連萬春藥業有限公司)
“Deed of Non-Competition”	the deed of non-competition undertakings dated 13 October 2012 and executed by our Controlling Shareholders in favor of the Company (for itself and as trustee of its subsidiaries from time to time)
“Director(s)”	director(s) of our Company
“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“FDA”	Food and Drug Administration
“Financial Services Agreement”	the financial services agreement entered into between the Company and Fosun Finance dated 10 December 2011 for the provision of financial services by Fosun Finance to the Company, the term of which expired on 31 December 2013
“For Me Pharmacy”	Shanghai For Me Yixing Pharmacy Chain-Store Company Limited (上海復美益星大藥房連鎖有限公司), a wholly-owned subsidiary of the Company
“Forte”	Shanghai Forte Land Company Limited (復地(集團)股份有限公司), a 99.05% owned subsidiary of Fosun International (a Controlling Shareholder of the Company). Forte is a connected person under Rule 14A.11(4) of the Hong Kong Listing Rules
“Forte Investment and Management”	Shanghai Forte Investment and Management Company Limited (上海復地投資管理有限公司), a wholly-owned subsidiary of Forte. Forte is a 99.05% owned subsidiary of Fosun International (a Controlling Shareholder of the Company). Forte Investment and Management is a connected person under Rule 14A.11(4) of the Hong Kong Listing Rules
“Fosun Finance”	Fosun Group Finance Corporation Limited (上海復星高科技集團財務有限公司), an 82% owned subsidiary of Fosun High Tech (a Controlling Shareholder of the Company). Fosun Finance is a connected person under Rule 14A.11(4) of the Hong Kong Listing Rules
“Fosun Group”	Fosun International Holdings and its subsidiaries, other than the Group
“Fosun High Tech”	Shanghai Fosun High Technology (Group) Company Limited (上海復星高科技(集團)有限公司), a direct wholly-owned subsidiary of Fosun International and a Controlling Shareholder of the Company. Fosun High Tech is a connected person under Rule 14A.11(1) of the Hong Kong Listing Rules
“Fosun Holdings”	Fosun Holdings Limited (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
“Fosun Industrial”	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a wholly-owned subsidiary of the Company
“Fosun International”	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company

Definitions

“Master Lease F”	the master lease entered into between Shanghai ClonBiotech and Shanghai Fosun Property Management dated 30 October 2012 for the leasing of premises by Shanghai ClonBiotech to Shanghai Fosun Property Management for a term of three years
“Master Lease G”	the master lease entered into between Shanghai ClonBiotech and Forte dated 30 October 2012 for the leasing of premises by Shanghai ClonBiotech to Forte for a term of three years
“Master Lease H”	the master lease entered into between Shanghai ClonBiotech and Fosun High Tech dated 30 October 2012 for the leasing of premises by Shanghai ClonBiotech to Fosun High Tech for a term of three years
“Master Leases”	the Master Lease A, the Master Lease B, the Master Lease C, the Master Lease D, the Master Lease E, the Master Lease F, the Master Lease G and the Master Lease H
“Master Property Management Services Agreement A”	the master property management services agreement entered into between our Company and Shanghai Furui dated 30 October 2012 for the provision of property management services by Shanghai Furui to the Company for a term of three years
“Master Property Management Services Agreement B”	the master property management services agreement entered into between Shanghai Furui and Shanghai ClonBiotech dated 30 October 2012 for the provision of property management services by Shanghai Furui to Shanghai ClonBiotech for a term of three years
“Master Property Management Services Agreement D”	the master property management services agreement entered into between Chindex (Beijing) and Beijing Golte dated 30 October 2012 for the provision of property management services by Beijing Golte to Chindex (Beijing) for a term of three years
“Master Property Management Services Agreement E”	the master property management services agreement entered into between Fosun Pharmaceutical Industrial and Beijing Golte dated 30 October 2012 for the provision of property management services by Beijing Golte to Fosun Pharmaceutical Industrial for a term of three years
“Master Property Management Services Agreement F”	the master property management services agreement entered into between Yao Pharma and Beijing Golte dated 30 October 2012 for the provision of property management services by Beijing Golte to Yao Pharma for a term of three years
“Master Property Management Services Agreement G”	the master property management services agreement entered into between Wanbang Pharma and Beijing Golte dated 30 October 2012 for the provision of property management services by Beijing Golte to Wanbang Pharma for a term of three years
“Master Property Management Services Agreements”	the Master Property Management Services Agreement A, the Master Property Management Services Agreement B, the Master Property Management Services Agreement D, the Master Property Management Services Agreement E, the Master Property Management Services Agreement F and the Master Property Management Services Agreement G
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules
“Nanyang Cancer Hospital”	Guangzhou Nanyang Cancer Hospital Co., Ltd., (廣州南洋腫瘤醫院有限公司), a joint venture indirectly held by the Company

Definitions

“New Lease”	the new lease entered into between Shanghai ClonBiotech and Shanghai Fosun Property Management on 31 December 2012 for the leasing of premises by Shanghai ClonBiotech to Shanghai Fosun Property Management
“PRC” or “China”	the People’s Republic of China, and “Chinese” shall be construed accordingly. References in this annual report to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“PRC Enterprise Income Tax Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as adopted by the Tenth National People’s Congress on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises
“PRC government” or “Chinese government”	central government of the PRC, including all governmental sub-divisions (including provincial, municipal and other regional or local government entities)
“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the Standing Committee of the Ninth National People’s Congress on 29 December 1998 and effective on 1 July 1999, as amended, supplemented or otherwise modified from time to time
“Prospectus”	the prospectus of the Company dated 17 October 2012
“Reporting Period”	the 12-month period from 1 January 2013 to 31 December 2013
“Restricted A Share(s)”	the A Shares granted under the Restricted A Share Incentive Scheme
“Restricted A Share Incentive Scheme”	the Restricted A Share incentive scheme of the Company, as approved by the Shareholders on 20 December 2013
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SELLAS”	SELLAS Clinicals Holding AG, a company incorporated in Switzerland with limited liability
“SFC”	the Securities and Futures Commission of Hong Kong
“SFDA”	the State Food and Drug Administration (中華人民共和國國家食品藥品監督管理局), the PRC governmental authority responsible for the regulation of food and drugs
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai ClonBiotech”	Shanghai ClonBiotech Company Limited (上海克隆生物高技術有限公司), a wholly-owned subsidiary of Fosun Pharmaceutical Industrial
“Shanghai Fosun Property Management”	Shanghai Fosun Property Management Company Limited (上海復星物業管理有限公司), a wholly-owned subsidiary of Fosun High Tech (a Controlling Shareholder of the Company). Shanghai Fosun Property Management is a connected person under Rule 14A.11(4) of the Hong Kong Listing Rules

Definitions

“Shanghai Furui”	Shanghai Furui Property Management Company Limited (上海復瑞物業管理有限公司), 49% equity interest of which is owned by Zhejiang Fosun Commercial Development Limited, which in turn is wholly-owned by Fosun High Tech. Shanghai Furui is a connected person under Rule 14A.11(4) of the Hong Kong Listing Rules
“Shanghai Listing Rules”	the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Shareholders”	holders of the Shares
“Shares”	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Shine Star”	Shine Star (Hubei) Biological Engineering Company Limited (湖北新生源生物工程股份有限公司), an indirect 51% owned subsidiary of the Company
“Sinopharm”	Sinopharm Group Co. Ltd. (國藥控股股份有限公司)
“substantial shareholder(s)”	has the meaning given to it under the Hong Kong Listing Rules
“Supervisors”	the members of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases
“Tongjitang Medicine”	Tongjitang Chinese Medicine Company
“U.S.” or “United States”	United States of America, its territories and possessions, any State of the United States and the District of Columbia
“US dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“Wanbang Pharma”	Jiangsu Wanbang Biopharmaceutical Company Limited (江蘇萬邦生化醫藥股份有限公司), an indirect 95.2% owned subsidiary of the Company
“Xinjiang Boze”	Xinjiang Boze Equity Investment Limited Partnership (新疆博澤股權投資有限合夥企業)
“Yao Pharma”	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), an indirect 51% owned subsidiary of the Company
“€”	EURO, the lawful currency of the European Union
“%”	per cent

In this annual report, if there is any inconsistency between the Chinese names of the entities, authorities, organisations, institutions or enterprises established in China or the awards or certificates given in China and their English translations, the Chinese version shall prevail.

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