FOSUNPHARMA
复星医药

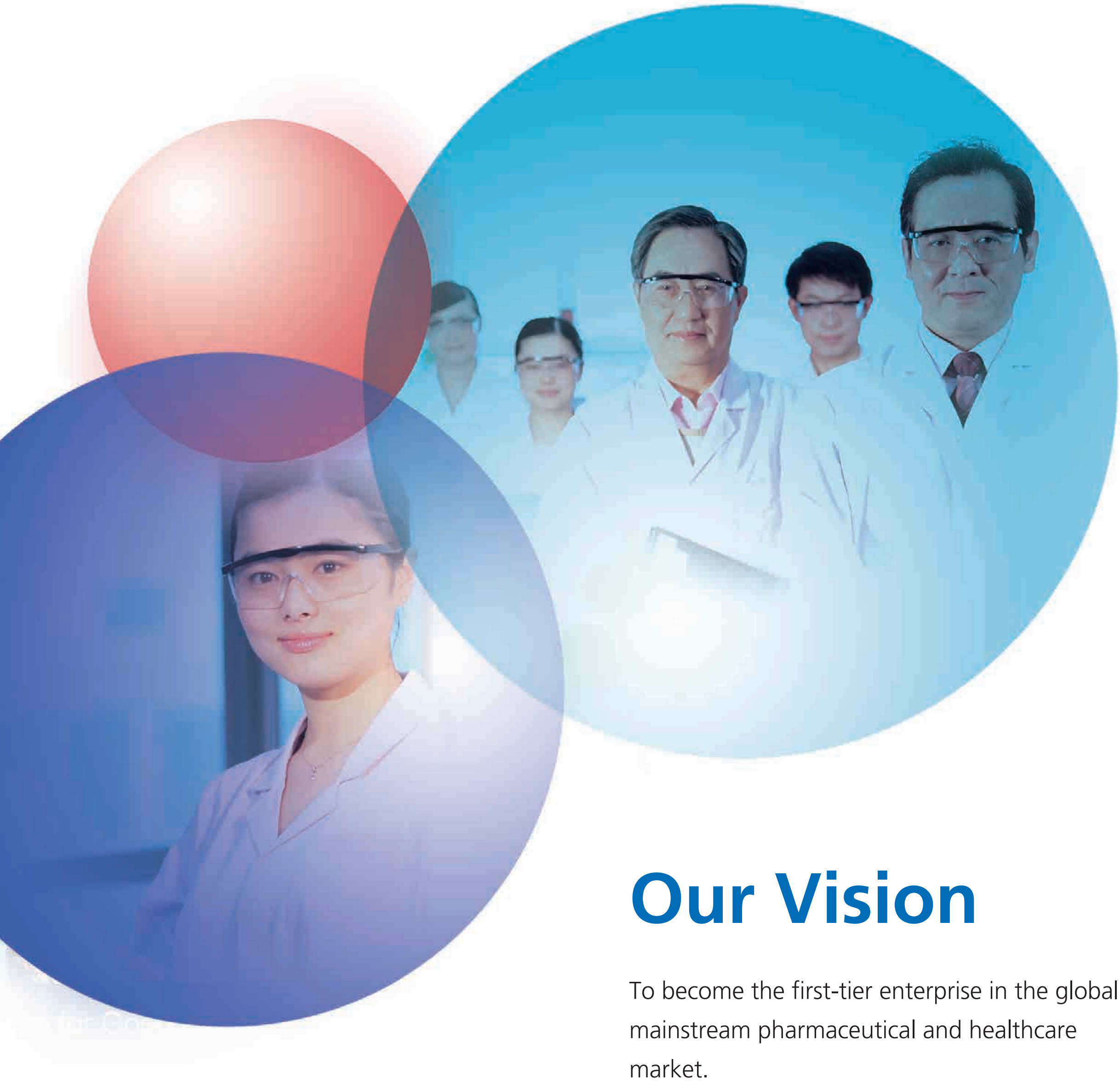
Innovation
for good
health

上海復星醫藥（集團）股份有限公司
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 02196

ANNUAL REPORT 2012

* *For identification purposes only*



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 healthy products and services.

Contents

Corporate Information

Directors

Executive Directors
Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方)

Non-executive Directors
Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Mr. Zhang Guozheng (章國政)

Independent Non-executive Directors
Mr. Guan Yimin (管一民)
Mr. Han Jiong (韓炯)
Dr. Zhang Weijiong (張維炯)
Mr. Li Man-kiu Adrian David (李民橋)

Supervisors
Mr. Liu Hailiang (柳海良) *(Chairman)*
Mr. Wang Pinliang (王品良)
Mr. Cao Genxing (曹根興)

Joint Company Secretaries
Dr. Qiao Zhicheng (喬志城)
Ms. Lo Yee Har Susan (盧綺霞)

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. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Dr. Zhang Weijiong (張維炯)
Mr. Han Jiong (韓炯)

Audit Committee
Mr. Guan Yimin (管一民) *(Chairman)*
Mr. Han Jiong (韓炯)
Mr. Zhang Guozheng (章國政)

Nomination Committee
Mr. Han Jiong (韓炯) *(Chairman)*
Mr. Guan Yimin (管一民)
Mr. Guo Guangchang (郭廣昌)

Remuneration and Appraisal Committee
Dr. Zhang Weijiong (張維炯) *(Chairman)*
Mr. Guan Yimin (管一民)
Mr. Wang Qunbin (汪群斌)

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 28, Three Pacific Place
1 Queen's Road East
Hong Kong

Legal Advisers in Hong Kong
Morrison & Foerster

Legal Advisers in the PRC
Chen & Co. Law Firm

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

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 Kong
Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

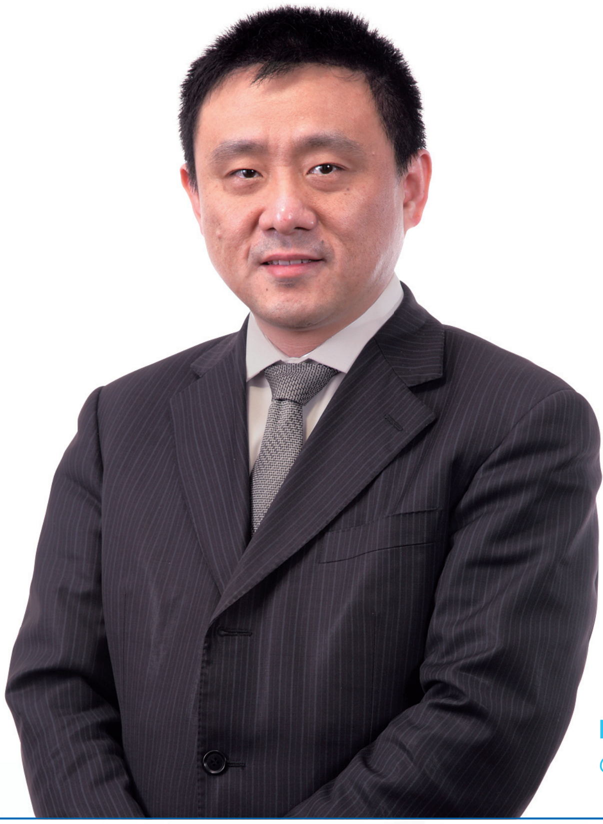
Company's Website
http://www.fosunpharma.com

Financial Highlights

Unit: RMB million

	2012	2011
Operating Results		
Revenue	**7,278**	6,433
Gross profit	**3,151**	2,441
Operating profit	**594**	345
Profit before tax	**2,123**	1,727
Profit for the year attributable to owners of the parent	**1,564**	1,166
Profitability		
Gross margin	**43.3%**	37.9%
Operating profit margin	**8.2%**	5.4%
Net profit margin	**25.3%**	21.5%
Earnings per share		
(in RMB)		
Earnings per share — basic	**0.80**	0.61
Earnings per share — diluted	**0.80**	0.61
Assets		
Total assets	**25,450**	22,234
Equity attributable to owners of the parent	**13,502**	9,715
Total liabilities	**10,202**	10,920
Cash and cash equivalents	**4,973**	2,895
Debt-to-asset ratio	**40.1%**	49.1%
Of which: Pharmaceutical manufacturing and R&D segment		
Revenue	**4,633**	3,831
Gross profit	**2,437**	1,816
Segment results	**694**	441
Segment profit for the year	**829**	645

Chairman's Statement



Mr. Chen Qiyu
Chairman

Dear Shareholders,

Although the growth of the global economy has slowed down and the overall macro environment was unfavorable in 2012, the healthcare industry of the PRC continued to witness rapid development as the domestic per capita disposable income has been rising continuously and the PRC government has continued to increase its spending on healthcare programs. China's Twelfth Five-year Plan in relation to the healthcare industry encourages enterprises to upscale their operations by means of sustaining innovation and international expansion. The overall market environment of the PRC pharmaceutical industry has been improving driven by the government's efforts to further standardize the quality of pharmaceutical products and healthcare services, control prices of pharmaceutical products and overhaul pharmaceutical distribution channels.

In 2012, the principal businesses of the Group grew rapidly as it adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical businesses, continued to develop product innovation and improve management, and promoted the strategies of organic growth, external expansion and integrated development.

Chairman's Statement

2012 REVIEW

During the Reporting Period, revenue of the Group increased by 13.14% to RMB7,278 million from 2011; in 2012, profit before tax of the Group and profit for the year attributable to owners of the parent of the Group increased by 22.93% and 34.13%, respectively, to RMB2,123 million and RMB1,564 million from 2011, respectively. The Board has proposed a final dividend of RMB0.21 per ordinary share, inclusive of tax, for the year ended 31 December 2012.

The Group has built up 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. According to the data from IMS for 2012, the Group was one of the leading enterprises in the pharmaceutical industry in the PRC, and five products of the Group were ranked as one of the Top 200 of the IMS list in terms of their sales volume. In 2012, 11 products of the Group each recorded revenue of over RMB100 million. The Group was one of the first enterprises in the pharmaceutical industry in the PRC to develop internationally, and its production capacity has met the international standards, with several production lines recognised by the SFDA, the European Directorate for Quality Medicines (EDQM), and the PreQualification Certification of World Health Organisation, and some of the formulations and APIs entered the international markets in a considerable scale.

The Group has developed strong R&D capabilities and established an efficient R&D platform in areas of small molecular innovative drugs, monoclonal antibodies and generic drugs with high barriers-to-entry. Currently, there are over 100 pipeline projects, 13 projects under clinical trial application, 5 projects under clinical trial, and 16 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation for the Group to maintain a sustainable growth in the future.

Whilst enhancing the competitiveness of its products, the Group also focuses on developing its marketing capabilities. With a marketing team consists of over 2,000 employees and a sales network covers most of the major domestic markets, the Group's capabilities in sales and marketing have been improving. The Group has strategically invested in Sinopharm, the largest nation-wide enterprise in the pharmaceutical distribution and retail sector in the PRC. It would be easier for the Group's products to enter local markets with the synergies with Sinopharm.

The Group's capabilities in investment, merger and acquisition and consolidation have been widely recognised in the pharmaceutical industry, providing a solid foundation for the Group to make a leap-forward development in the future. The H Shares of the Group were successfully listed on the Hong Kong Stock Exchange in 2012. As a result, the Group is listed both in the A share market and the H share market. The proceeds from the capital market had created favorable condition for the Group to rapidly expand its operation scale and enhance its competitive strengths 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 2013, the pharmaceutical industry in China will be presented with numerous opportunities. In terms of market demand, the increasing 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 enjoying favorable capital market conditions and product market opportunities, the international expansion of the PRC pharmaceutical enterprises is also consistent with the policy directions of the PRC government's industry plans.

In 2013, the Group will continue to be committed to its mission of improving public health, adhere to its company philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the rapid 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 the development of product innovation and product marketing systems, and enhancing the core competence of the Group, the Group strives to further enhance its operating results.

I would like to express my sincere gratitude to all Shareholders, members of the Board, employees and business partners of the Group.

Chen Qiyu
Chairman

26 March 2013

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 RMB7,278 million, representing an increase of 13.14% over 2011.

During the Reporting Period, profit before tax and profit for the year attributable to owners of the parent of the Group increased by 22.93% and 34.13% to RMB2,123 million and RMB1,564 million from 2011, respectively.

During the Reporting Period, earnings per share of the Group increased by 31.15% to RMB0.80 from 2011.

Management Discussion and Analysis

REVENUE

During the Reporting Period, revenue of the Group increased by 13.14% to RMB7,278 million from 2011, with some changes in the scope of the consolidated statements as a result of the disposal of Zhejiang Fosun and Science & Technology Imp. & Exp. in 2011. The increase in revenue of the Group was mainly due to the contribution from the growth of major products, such as products in therapeutic areas of cardiovascular system, central nervous system, blood system, metabolism and alimentary tract and anti-infection. The increase in revenue was lower than expected, mainly due to factors such as the adjustment of distribution of Siemens' products and the relocation of production lines of amino acid products and other products.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group recorded a revenue of RMB4,633 million, representing an increase of 20.93% from 2011; and segment results of RMB694 million, representing an increase of 57.37% from 2011, which was mainly due to the changes in the scope of the consolidated statements as well as an increase in operating profit of the core pharmaceutical subsidiaries.

COST OF SALES

During the Reporting Period, costs of sales of the Group increased by 3.41% to RMB4,127 million from RMB3,991 million in 2011, which was mainly due to the changes in the scope of the consolidated statements as well as the growth in business of the core pharmaceutical subsidiaries.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group increased by 29.09% to RMB3,151 million from RMB2,441 million in 2011. The gross margin of the Group in 2012 and 2011 were 43.3% and 37.9%, respectively.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 24.96% to RMB1,512 million from RMB1,210 million in 2011, which was mainly due to the changes in the scope of the consolidated statements as well as the growth in business of the core pharmaceutical subsidiaries.

R&D COSTS AND R&D INVESTMENTS

During the Reporting Period, R&D costs of the Group increased by 61.90% to RMB306 million from RMB189 million in 2011, which was mainly due to the Group's continuing to increase 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 18.21% to RMB370 million from RMB313 million in 2011, accounting for 5.08% of the revenue for the Reporting Period.

Management
Discussion and Analysis

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased by 27.96% to RMB810 million from RMB633 million in 2011, which was mainly due to the continuous growth in the operating results of significant associates of the Group.

PROFIT FOR THE YEAR

Due to the above reasons, during the Reporting Period, profit for the year of the Group increased by 32.78% to RMB1,839 million from RMB1,385 million in 2011. The net profit margin of the Group in 2012 and 2011 were 25.3% and 21.5%, 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 34.13% to RMB1,564 million from RMB1,166 million in 2011, which was mainly due to the further optimization of the product structure of the Group, the increasing competitiveness of the Group's major products, and the continuing rapid growth of Sinopharm, a subsidiary of an associate of the Group.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total debt

As at 31 December 2012, total debt of the Group decreased from RMB6,094 million as at 31 December 2011 to RMB5,655 million, which was mainly due to the repayment of borrowings. In addition, in configuring the debt structure, the Group increased as many medium and long term debts as practicable. As at 31 December 2012, medium and long term debts of the Group accounted for 75.69% of the total debt, higher than the 64.27% as at 31 December 2011, which indicated that the Group’s debt structure has been further optimized. As at 31 December 2012, cash and bank balances increased by 71.78% from RMB2,895 million as at 31 December 2011 to RMB4,973 million.

As at 31 December 2012, the amount of RMB185 million (at 31 December 2011: RMB670 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 2012, cash and cash equivalents of the Group denominated in foreign currencies amounted to RMB2,848 million (at 31 December 2011: RMB260 million).

Management
Discussion and Analysis

Unit: RMB million

Cash and cash equivalents denominated in:	**2012**	2011
RMB	**2,125**	2,635
US dollars	**147**	231
HK dollars	**2,645**	4
Others	**56**	25
Total	**4,973**	2,895

Gearing ratio

As at 31 December 2012, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets as at 31 December 2012, was 22.22%, as compared with 27.41% as at 31 December 2011.

Interest rate

As at 31 December 2012, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB631,422,000 (at 31 December 2011: RMB4,999,514,000).

As at 31 December 2012, the Group issued the 5-year medium-term notes with an aggregate amount of RMB2,600 million, which bore interest at a floating interest rate.

Maturity structure of outstanding debts

Unit: RMB million

	31 December 2012	31 December 2011
Within 1 year	**1,375**	2,177
1 to 2 years	**41**	962
2 to 5 years	**4,219**	2,905
Over 5 years	**20**	50
Total	**5,655**	6,094

Management
Discussion and Analysis

Available facilities

As at 31 December 2012, save for cash and bank balances of RMB4,973 million, the Group had unutilised banking facilities of RMB9,271 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 2012, total available banking facilities under these arrangements were approximately RMB10,548 million in aggregate, of which RMB1,277 million had been utilized. Besides, the Group has obtained the approval from the CSRC for issuing corporate bonds in tranches with the aggregate principal amount of not more than RMB3,000 million on 23 November 2011, and the first tranche of corporate bonds of RMB1,500 million was issued in April 2012. 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, and the first tranche of short-term bonds of RMB500 million was issued in December 2012.

Pledged assets

As at 31 December 2012, the Group had pledged the following for certain bank borrowings: several term deposits amounting to RMB Nil (at 31 December 2011: RMB157,500,000), property, plant and equipment amounting to RMB302,735,000 (at 31 December 2011: RMB350,696,000), prepaid land lease payments amounting to RMB39,042,000 (at 31 December 2011: RMB73,744,000), and 94.16% equity interest in Guilin Pharma held by the Group (at 31 December 2011: 70% equity interest in Shenyang Hongqi Pharma held by the Group). Details of the pledged assets are set out in note 34 to the financial statements.

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 2012 and 2011.

Unit: RMB million

	2012	2011
Net cash flows from operating activities	**666**	317
Net cash flows used in investing activities	**(975)**	(1,706)
Net cash flows from financing activities	**2,065**	853
Net increase/(decrease) in cash and cash equivalents	**1,755**	(537)
Cash and cash equivalents at the beginning of the year	**2,428**	2,971
Cash and cash equivalents at the end of the year	**4,172**	2,428

Management
Discussion and Analysis

Capital expenditures and capital commitments

During the Reporting Period, capital expenditures of the Group amounted to RMB1,166 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 2012, the Group's capital commitments contracted but not provided for and capital commitments authorised but not contracted amounted to RMB915 million and RMB204 million, respectively. These were mainly committed for reconstruction and renewal of plant and machinery as well as new investees. Details of capital commitments are set out in note 45 to the financial statements.

PROPERTY VALUATION

As stated in the Prospectus, the valuation of the Group's buildings and prepaid land lease payments on 31 July 2012 was RMB2,735 million. If the Group's buildings and prepaid land lease payments were recorded in the financial statements for the year ended 31 December 2012 at such valuation amount, there would be an additional depreciation and amortisation expense of RMB15 million recognised in the consolidated income statement for the year ended 31 December 2012. Details of property valuation are set out in notes 16 and 17 to the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any contingent liabilities.

INTEREST COVERAGE

In 2012, the interest coverage, which is calculated by EBITDA divided by financial costs was 7.53 times as compared with 7.16 times in 2011. The increase of interest coverage was mainly because the Group's EBITDA in 2012 increased by 24.01% to RMB2,789 million from RMB2,249 million in 2011.

Management
Discussion and Analysis

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.

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 Company for the Reporting Period

Although the growth of the global economy has slowed down and the overall macro environment was unfavorable in 2012, the healthcare industry of the PRC continued to witness rapid development as the domestic per capita disposable income has been rising continuously and the PRC government has continued to increase its spending on healthcare programs. China's Twelfth Five-year Plan in relation to the healthcare industry encourages enterprises to upscale their operations by means of sustaining innovation and international expansion. The overall market environment of the PRC pharmaceutical industry has been improving driven by the government's efforts to further standardize the quality of pharmaceutical products and healthcare services, control prices of pharmaceutical products and overhaul pharmaceutical distribution channels.

In October 2012, notwithstanding the unfavorable international financial environment, the Company successfully completed the offering and listing of its H Shares, raising approximately HK$3,965 million. As a result, the Company is listed both in the A share market and the H share market, which further extends its funding sources and has created favorable conditions for the Company to expand continuously its mergers and acquisitions of domestic and overseas pharmaceutical companies, strengthen the development of its international research and development (R&D) platform and further the growth of its principal businesses.

In 2012, the principal businesses of the Group grew rapidly as it adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical businesses, continued to develop product innovation and improve management, and promoted the strategies of organic growth, external expansion and integrated development.

During the Reporting Period, revenue of the Group amounted to RMB7,278 million, representing an increase of 13.14% over 2011, with some changes in the scope of the consolidated statements as a result of the disposal of Zhejiang Fosun and Science & Technology Imp. & Exp. in 2011. The increase in revenue of the Group was mainly due to the contribution from the growth of major products, such as products in therapeutic areas of cardiovascular system, central nervous system, blood system, metabolism and alimentary tract, and anti-infection. The increase in revenue was lower than expected mainly due to factors such as the adjustment of distribution rights for Siemens' products and the relocation of production lines of amino acid products and other products.

Management
Discussion and Analysis

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

Unit: RMB million

Business Segment	Revenue 2012	Revenue 2011	Year-on-year increase or decrease (%)
Pharmaceutical manufacturing and R&D	**4,633**	3,831	20.93
Pharmaceutical distribution and retail	**1,423**	1,436	–0.91
Healthcare services	**159**	11	1,345.45
Manufacturing of medical diagnosis and medical devices	**580**	477	21.59
Distribution of medical diagnosis and medical devices	**469**	572	–18.01

In 2012, the Group recorded profit before tax of RMB2,123 million and profit for the year attributable to owners of the parent of the Group of RMB1,564 million, representing an increase of 22.93% and 34.13% over 2011 respectively. Increase in operating profit, profit before tax and profit for the year attributable to owners of the parent of the Group was mainly due to the further optimization of the product structure of the Group, the increasing competitiveness of the major products, and the continuing rapid growth of Sinopharm, an associate company of the Group.

During the Reporting Period, the Group continued to increase its investments, focusing on the R&D of generic biopharmaceutical drugs and innovative drugs. At the end of the Reporting Period, there were approximately 110 pipeline drugs and vaccines, and five products, including pemetrexed disodium, had been granted with production approvals. During the Reporting Period, the Group had applied for 70 patents in the pharmaceutical manufacturing segment.

Pharmaceutical Manufacturing and R&D

In 2012, the Group had overcome a series of challenges in the pharmaceutical manufacturing and R&D segment, and maintained a rapid growth. The adverse factors the Group faced during the Reporting Period included the "toxic capsule event" which resulted in a decrease in sales of capsule products in the whole market and also affected some products of the Group, the relocation of production lines of amino acid products which resulted in a year-on-year decrease in revenue of such products, and the relocation of production lines of anti-malaria products which resulted in the lower-than-expected growth in revenue of such products. In 2012, the pharmaceutical manufacturing and R&D segment of the Group recorded a revenue of RMB4,633 million, representing an increase of 20.93% from 2011; and segment results of RMB694 million, representing an increase of 57.37% from 2011, which was mainly due to the changes in the scope of the consolidated statements as well as an increase in operating profit of the core pharmaceutical subsidiaries.

During the Reporting Period, the pharmaceutical manufacturing business of the Group grew rapidly and the development of its professional operational team was further strengthened. In 2012, the Group's major products in therapeutic areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary tract, and anti-infection recorded a year-on-year growth in revenue of 29.13%, 101.37%, 43.26%, 4.59% and 16.67%, respectively. Sales of products including Atomolan, Artesunate series, Ao De Jin, Bang Ting, Shaduolika, EPO experienced rapid growth and sales volume of new products such as You Di Er grew significantly.

Management
Discussion and Analysis

In 2012, 11 formulation items and series of the Group each recorded sales revenue of over RMB100 million, among which sales of Xin Xian An and Shaduolika exceeded RMB100 million for the first time and sales of Atomolan exceeded RMB500 million.

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

Unit: RMB million

	2012	2011 *(note 7)*	Year-on-year increase (%)
Major products of cardiovascular system therapeutic area *(note 1)*	**399**	309	29.13
Major products of central nervous system therapeutic area *(note 2)*	**441**	219	101.37
Major products of blood system therapeutic area *(note 3)*	**202**	141	43.26
Major products of metabolism and alimentary tract therapeutic area *(note 4)*	**1,117**	1,068	4.59
Major products of anti-infection therapeutic area *(note 5)*	**574**	492	16.67
Major products of APIs and intermediate products *(note 6)*	**677**	725	–6.62

Notes:

(1) 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).

(2) Major products in therapeutic area of central nervous system include Ao De Jin (deproteinised calf blood injection).

(3) Major products in therapeutic area of blood system include Bang Ting (hemocoagulase for injection).

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

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

(6) APIs and intermediate products include amino acid and clindamycin hydrochloride.

(7) The data of the major products in therapeutic area of central nervous system and major products of blood system therapeutic area in 2011 is the annualised data.

During the Reporting Period, the Group's revenue generated from APIs and intermediate products decreased year on year by 6.62% to RMB677 million. The year-on-year decrease in the revenue of APIs and intermediate products was mainly due to the factors such as the relocation of the production lines of amino acid products and other products. The construction of the amino acid production lines of Shine Star was completed and the production lines were put into production in the second half of 2012.

While enhancing product sales, the Group also continued its efforts in improving product quality based on international quality standards. During the Reporting Period, it obtained another PreQualification ("PQ") from the World Health Organisation for the combined medication of its Artesunate series, which is the fifth PQ for its anti-malaria medicines received by the Company from the World Health Organisation.

Management Discussion and Analysis

During the Reporting Period, on the basis of the existing R&D system that integrates imitation and innovation, the Group continued to increase its R&D expenditure, improve the development of its innovation system, enhance its R&D capabilities, launch new products and strengthen the core competitiveness of the Group. As of the end of the Reporting Period, the Group had approximately 110 pipeline drugs and vaccines. The Group had completed the construction and selection of high-expressing production cell lines for 3 monoclonal antibody products, and had applied to the SFDA for the clinical trial of the first monoclonal antibody product, while the application for the clinical trial of for the second monoclonal antibody product was submitted before the end of 2012. The Group had also applied for the clinical trial approval for an innovative small molecule chemical drug before the end of 2012. Five products, including pemetrexed disodium, had been granted with production approvals. In addition, the Group continued to implement its patent strategy and had applied for a total of 70 patents in the pharmaceutical manufacturing segment in 2012.

Meanwhile, as an "Innovative Pilot Enterprise" recognised by the PRC Ministry of Science and Technology, the Group continued to enhance and improve its development during the Reporting Period. In July 2012, the Company was named one of the "Top 10 Most Innovative Companies in China" in a survey on the "Top 100 Enterprises in Pharmaceutical Manufacturing Industry in China", which was sponsored by the Southern Medicine Economic Institute under the SFDA.

Pharmaceutical Distribution and Retail

The pharmaceutical distribution and retail business of the Group recorded a revenue of RMB1,423 million in 2012, representing a decrease of 0.91% as compared with 2011. The decrease was mainly due to changes in the scope of the consolidated statements as a result of the disposal of Zhejiang Fosun, an entity engaging in distribution of pharmaceutical products, by the Group in the middle of 2011; and excluding that factor, the pharmaceutical distribution and retail business of the Group would have recorded a growth in revenue of 8.00% over 2011. As of the end of 2012, our pharmaceutical retail brands, For Me Pharmacy and Golden Elephant Pharmacy, had a total of over 660 retail pharmacies, maintaining a leading position in their respective regional markets. Sales of For Me Pharmacy and Golden Elephant Pharmacy in 2012 amounted to RMB780 million, with 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 continued to accelerate its efforts in industry consolidation and maintained rapid growth in business. In 2012, Sinopharm recorded revenue of RMB135,787 million, profit for the year of RMB3,080 million, profit for the year attributable to its shareholders of RMB1,974 million, representing a year-on-year growth of 32.83%, 28.20% and 26.48%, respectively, which further consolidated its leading position as the largest distributor and supply chain services provider of pharmaceutical and healthcare products in the PRC. In 2012, the distribution network of Sinopharm further expanded to 51 distribution centers, covering 180 cities in 30 provinces, autonomous regions and municipalities. Its direct customers included 10,351 hospitals, accounting for approximately 76.66% of the total number of hospitals in the PRC, of which 1,321 were the largest and most highly ranked class-three hospitals, representing approximately 94.42% of the total number of class-three hospitals in China. During the Reporting Period, Sinopharm's revenue from pharmaceutical distribution business increased by 33.16% year on year to RMB128,320 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth in 2012 with revenue of RMB3,982 million, representing a year-on-year increase of 30.80%; while its pharmaceutical retail network has further expanded to over 1,795 retail pharmacies as of 31 December 2012.

Healthcare Services

During the year 2012, the Group continued to increase its investment in the healthcare services segment and substantially completed the 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 endeavoured to strengthen the operating capabilities of the healthcare institutions controlled by the Group, increase efforts in cultivating and recruiting medical staff, and facilitate the regional development of our healthcare services business. In 2012, the healthcare services entities controlled by the Group recorded a total revenue of RMB159 million; and as of the end of the Reporting Period, the total number of beds available for the public in these entities was over 600.

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 2012, there were significant increase and positive growth momentum in the United Family Hospital's businesses in Beijing, Shanghai and Tianjin. Revenue of the United Family Hospital in 2012 increased by 33.33% over 2011 to US$152 million, reflecting the growing market demand for premium healthcare services and the strong brand recognition of "United Family Hospital".

Medical Diagnosis and Medical Devices

In 2012, the Group furthered its development in the medical diagnosis and medical devices segment by increasing investments and enhancing business cooperation. During the Reporting Period, the revenue of manufacturing operations of the segment amounted to RMB580 million, representing a growth of 21.59% as compared with 2011; and the revenue of distribution operations amounted to RMB469 million, representing a decrease of 18.01% as compared with 2011. The decrease was mainly due to the significant decrease in revenue as a result of the adjustment of distribution rights for Siemens' products and the reduction in the distribution operation of medical devices with low gross margins.

In 2012, with the completion of the Project of Production Base for In-vitro Diagnostic Products and the commencement of its operation, the Group substantially established diagnostic products production lines for biochemical diagnostic products, immunologic diagnostic products, molecular diagnostic products and microbial diagnostic products, and the production capacity of the diagnostic products was further enhanced. During the Reporting Period, business operations of the Group grew rapidly by enhancing brand promotion and marketing management, and the revenue of gene chip products and biochemical diagnostic products increased by 64.16% and 45.67%, respectively, as compared with 2011. In 2012, the Group has also acquired 17.65% equity interests in SD Biosensor Inc., which is a Korean company that engages in the research and development and manufacturing of rapid diagnostic products. The acquisition enabled the Group to enter the area of rapid test on blood glucose and lipid with a global competitive advantage.

During the Reporting Period, the Group's medical devices manufacturing segment continued to grow steadily. The Group had obtained 2 product patents in its blood treatment operation and the market share of the blood virus inactivation products had reached over 50%, ranking first in the PRC. A digital processing center for dentistry jointly developed by the Group and Bego, a German company, had been successfully launched for operation, the new products from that center had been adopted by major domestic dental hospitals, and the sales volume had increased steadily on a monthly basis. In addition, Huaiyin Medical Instruments Co., Ltd., a subsidiary of the Group, was recognised as a national high-tech enterprise. As for the distribution of medical devices, the Group's operational cash flow for such business had increased significantly through the proactive adjustment of the focuses in the product offerings.

Management
Discussion and Analysis

Establishment and Assessment of Internal Control

Based on the internal control systems established in 2011, the Company and each of its subsidiaries have streamlined business processes for their principal operating activities in relation to, amongst others, financial reporting, financing activities (including guarantee), asset management, procurement business, sales and inventory management in 2012 according to the Internal Control Guidelines (first draft) issued at the beginning of 2012, and rectified the identified defects in the internal control system. In the meantime, the Group has established a special working group of internal control, which has streamlined the business processes for the principal operating activities of the four newly acquired subsidiaries based on the preliminary evaluation, enhanced their operation and management systems, and procured these subsidiaries to rapidly improve their internal control commensurate with the level that a listed company should meet.

In 2012, the Group completed the Internal Control Assessment Guidelines on the basis of the Overall Improvement of Internal Control Project carried out by the Group in 2011. Pursuant to the guidelines, the Group has orderly carried out internal control assessments for a total of 53 business processes of 16 subsidiaries in relation to cash capital, purchase and payment, sales and collection, construction projects, asset management, and financial reporting. In addition, the special working group has carried out internal control audit for the four subsidiaries which have not been included in the scope of internal control assessment, achieving the objective of carrying out internal control assessment and internal control audit simultaneously.

With the further development of internal control in 2012, the Group has set up a closed management cycle from the development of internal control to the self-assessment and then to the improvement of internal control, and established a relatively enhanced internal control system to better manage business risks.

Environmental Protection, Quality and Safety

The Group highly recognises the importance of environmental protection, proactively implements environmental protection policies, and strictly manages treatment of wastes and pollutants. Each of the pharmaceutical manufacturing subsidiaries of the Group has the ability to ensure the waste treatment meets the relevant regulatory requirements. Also, the Group has effectively saved energy and reduced waste emission by means of technological advancement, process improvement and productivity control.

The Group proactively carries out daily management of EHS system, and controls and monitors the environment, occupational health and safety of the pharmaceutical manufacturing subsidiaries of the Group through a number of measures, including unannounced inspections and special examinations.

Each manufacturing subsidiary of the Group recognises the importance of managing manufacturing safety. During the Reporting Period, no significant safety incidents or personal injury had occurred and each of these subsidiaries had maintained sound manufacturing safety.

Each of the pharmaceutical manufacturing subsidiaries of the Company organises production and operation by strictly complying with the Good Manufacturing Practice (《藥品生產質量管理規範》) ("GMP"), so as to ensure that the quality of pharmaceutical products meets the requirements of the PRC Pharmacopoeia and the National Drug Code, and to provide safe and effective pharmaceutical products for patients. The Company has been proactively procuring its subsidiaries to obtain the New GMP certification and international certifications. Oral solid dosage formulation and APIs of Guilin Pharma has passed the inspection of the World Health Organisation, and cilostazol APIs of Chongqing Kangle Pharmaceutical Co., Ltd. has passed the inspection of the Food and Drug Administration of the United States.

Management
Discussion and Analysis

Financing

In 2012, the Company had further improved its financing structure and optimized its debt structure. During the Reporting Period, the Company had completed the issuance of first tranche of corporate bonds with an aggregate amount of RMB1,500 million and the issuance of first tranche of short-term commercial papers with an amount of RMB500 million, and obtained credit facilities from International Finance Corporation (IFC) in an amount of RMB300 million. In October 2012, the Company completed the offering and listing of its H Shares, which raised approximately HK$3,965 million. The offering and listing of H Shares has further broadened the financing channels for the Company and enabled the Company to continually to increase mergers and acquisitions of domestic and overseas pharmaceutical companies, to enhance the construction of international R&D platform, and to 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, optimizes the production process and improved the utilization rate of the production facilities for the purposes of energy saving, emission reduction and environment protection. 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. During the Reporting Period, the Group continued to undertake to organize the anti-malaria training courses and seminars on medicine quality for developing countries sponsored by the Ministry of Commerce of the PRC, with an aim to help the developing countries, particularly African countries prone to outbursts of malaria, to fight and prevent malaria. 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. Furthermore, the Group has published its corporate social responsibility report for the fifth consecutive year, which fully demonstrated its commitment, practice and performance in respect of economy, environment, employees and the society to its stakeholders.

Employee and Corporate Culture

The Group takes the concept of "self cultivation, family harmony, careers building and helping the world" as its own enterprise spirit, values its employees as the most important core assets, focuses on staff development, corporate social responsibilities and community welfare, makes significant efforts in building a positive, creative, active, grateful and sustainable corporate culture, and achieves a comprehensive coordination among our enterprise, the society and environment.

Management
Discussion and Analysis

Employees

Total number of employees	14,357

Function

Category	Headcounts
Production personnel	6,272
Sales personnel	3,829
Technology and R&D personnel	1,545
Finance and audit personnel	349
Administration and logistics personnel	1,177
Management (including HR)	512
Medical care personnel	673
Total	14,357

Education

Category	Headcounts
Doctors	50
Masters	472
University graduates	2,931
Tertiary college graduates	3,364
Secondary school and below	7,540
Total	14,357

Management
Discussion and Analysis

Use of Proceeds

In October 2012, upon approval by the CSRC through the Approval Document (Zheng Jian Xu Ke [2012] No.444), the Company made a global offering of 336,070,000 H Shares, and the total proceeds were HK$3,965,626,000.00. The net proceeds, together with relevant interest income, and after deducting the listing expenses of HK$83,714,611.85 paid overseas, were HK$3,881,921,953.91. During the Reporting Period, the use of proceeds was as follows:

Unit: HK$ million

Name of projects undertaken	Change or not	Amount of proceeds proposed to be applied	Amount of proceeds actually applied
Mergers and acquisitions in pharmaceutical, pharmaceutical distribution and retail, healthcare, medical diagnosis and medical devices segments	No	1,863	—
Funding for existing R&D projects, expanding R&D teams and acquiring new R&D projects	No	738	—
Repayment of part of principal and interest of interest-bearing debts	No	893	73
Replenishment of working capital	No	388	10
Total		3,882	83

Major Subsidiaries and Investee Companies

(1) Operation and results of the major subsidiaries of the Company

Unit: RMB million

Company Name	Nature of business	Main products or services	Registered capital	Total assets	Equity	Revenue	Operating profit	Profit for the year
Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司)	Pharmaceutical manufacturing	Atomolan, You Di Er, Potassium Sodium Dehydroandrographolide Succinate, V Jialin etc.	196.54	1,146	600	1,312	152	133
Jiangsu Wanbang Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥股份有限公司)	Pharmaceutical manufacturing	Wan Su Lin, Wan Su Ping etc.	119.04	1,482	751	1,000	73	65
Shine Star (Hubei) Biological Engineering Company Limited (湖北新生源生物製藥工程股份有限公司)	Manufacturing of amino acid	Amino acid series products	51.12	985	379	856	68	62
Guilin South Pharma Co., Ltd (桂林南藥股份有限公司)	Pharmaceutical manufacturing	Artesunate series products	285.03	917	481	368	23	25
Jinzhou Aohong Pharmaceutical Co. Ltd (錦州奧鴻藥業有限公司)	Pharmaceutical manufacturing	Deproteinised Calf Blood Serum Injection, Homocoagulase For Injection	107.88	606	507	638	428	363

Management
Discussion and Analysis

(2) Operation and results of investee companies whose profit for the year and investment income contributing more than 10% of the Group's profit for the year

Unit: RMB million

Company name	Nature of business	Main products or services	Registered capital	Total assets	Equity	Revenue	Operating profits	Profit for the year
Sinopharm Industrial Investment Company Limited (國藥產業投資有限公司)	Pharmaceutical investment	Chemical APLs, 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	80,986	23,135	136,262	3,558	3,090

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

Competition and Development Trends of the Industry

In 2013, the pharmaceutical industry in China will be presented with numerous opportunities. In terms of market demand, the increasing 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

Management Discussion and Analysis

Chinese companies with capabilities to innovate and manage international expansion. While enjoys favorable capital market conditions and product market opportunities, the international expansion of the PRC pharmaceutical enterprises is also consistent with the policy directions of the PRC government's industry plans.

Being a pharmaceutical enterprise with a considerable size and the first pharmaceutical group in the PRC 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.

Development Strategy of the Group

In 2013, the Group will continue to be committed to its mission of improving public health, adhere to its company philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the rapid development of the pharmaceutical market in China as well as rapid growth of the 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 system, and enhancing the core competence of the Group, the Group strives to further enhance its operating results. Meanwhile, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

Operation Plan

There may be significant changes in the external environment in 2013. The development of pharmaceutical companies will be presented with both opportunities and challenges. In 2013, the Group will endeavor to develop its product-oriented strategy and further strengthen its marketing efforts for core 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.

Management Discussion and Analysis

The Group plans to achieve a rapid growth in revenue in 2013. Meanwhile, the Group will strive to control cost and various expenses to enhance profit margin and profitability of its major 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 Manufacturing and R&D

In 2013, 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 endeavors to achieve continuous and rapid growth of its revenue and profit.

The Group will actively push forward the development of professional marketing teams and follow-on products in areas such as cardiovascular system, central nervous system, blood system, metabolism and alimentary tract, and anti-infection. In addition to solidifying the market position and product growth in 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 anti-tuberculosis series so as to maintain a leading position in their respective market segments.

The Group will continue to adopt the strategy to combine imitation with innovation and to combine international technology licenses with domestic industry-university-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 investments in research and development. 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 team 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 Feibusita, 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 and the market so that demand and supply are better matched. We will fully take advantage of the benefits of various R&D platforms, and strive to develop strategic product lines as well as R&D systems that are in line with international standards for new pharmaceutical products, and accelerate the development and reserve for follow-on strategic products, in order to solidify the core competence of our pharmaceutical manufacturing business.

Pharmaceutical Distribution and Retail

In 2013, the Group will continue to facilitate consolidation and rapid development of Sinopharm in its pharmaceutical distribution business, and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical distribution and retail segment. Meanwhile, the Group will further improve and enhance retail brands such as For Me Pharmacy and Golden Elephant Pharmacy, strengthen the consolidation within the industry, consolidate and increase market share in the regional markets, and achieve coverage and expansion in various regions. In addition, the Group will actively develop e-commerce and facilitate rapid development of the pharmaceutical retail business.

Management Discussion and Analysis

Healthcare Services

In 2013, the Group will continue to capture the high growth and investment opportunities in the healthcare services industry in China. We will continuously increase our investments in the healthcare services segment, and strengthen the current 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", which is a high-end brand for healthcare services under Chindex. In addition to clinical applications in obstetrics and gynaecology hospitals, the Group will also enhance the development of its high-end healthcare services with such characteristics as multiple levels, diversification and extensibility.

Medical Diagnosis and Medical Devices

In 2013, 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 2013, the Group will increase its investments in R&D and manufacturing of medical devices. Meanwhile, the Group will continue to leverage its strengths in expanding international operation, and actively explore the opportunities to cooperate with overseas companies, so as to achieve the growth in the scale of its medical devices business.

Financing

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

Financial Support Required 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 RMB1,000 million for production capacity expansion, plant relocation and the development of cGMP in 2013. 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, corporate bonds and short-term bonds.

Management
Discussion and Analysis

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.

With the official launch of the healthcare system reform in the PRC, 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.

Five-Year Statistics

Unit: RMB million

Year	2008	2009	2010	2011	2012
Operating Results					
Revenue	3,755	3,850	4,529	6,433	**7,278**
Profit for the year	782	2,567	1,000	1,385	**1,839**
Profit for the year attributable to owners of the parent	712	2,501	864	1,166	**1,564**
EBITDA *(note)*	1,140	3,537	1,518	2,249	**2,789**
Proposed final dividend (in RMB)	0.10	0.10	0.10	0.10	**0.21**
Earnings per share (in RMB)					
Earnings per share — basic	0.38	1.35	0.46	0.61	**0.80**
Earnings per share — diluted	0.38	1.35	0.46	0.61	**0.80**
Equity					
Total equity	4,389	6,895	9,355	11,314	**15,248**
Equity attributable to owners of the parent	3,952	6,420	8,366	9,715	**13,502**
Equity per share attributable to owners of the parent	3.19	5.19	4.39	5.10	**6.03**
Debt					
Total debt	2,185	2,869	4,590	6,094	**5,655**
Gearing ratio (%)	29.20%	25.01%	27.36%	27.41%	**22.22%**
Interest coverage (times)	7.62	26.71	9.35	7.16	**7.53**
Assets					
Cash and cash equivalents	1,006	1,297	3,344	2,895	**4,973**
Property, plant and equipment	1,147	1,260	1,697	2,632	**3,502**
Prepaid land lease payments	177	183	299	459	**544**
Investments in jointly-controlled entities	9	8	2	2	**17**
Investments in associates	2,453	5,622	6,065	7,395	**7,903**
Available-for-sale investments	1,165	977	2,055	2,789	**2,070**
Equity investments at fair value through profit or loss	13	12	219	231	**225**
Segment profit for the year					
Pharmaceutical manufacturing and R&D	263	271	436	645	**829**
Pharmaceutical distribution and retail	308	2,328	434	1,046	**662**
Medical diagnosis and medical devices	16	25	31	55	**65**
Healthcare service	N/A	N/A	N/A	3	**17**
Other business operations	53	71	(60)	(127)	**18**

Note: EBITDA = profit before tax + finance costs + depreciation and amortisation

Report of the Directors

The Directors of the Company are pleased to present their 2012 report and the audited consolidated financial statements of the Company for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company 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.

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 2012 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 61 to 174.

The Board has proposed a final dividend of RMB0.21 per share, inclusive of tax, for the year ended 31 December 2012, which will be subject to the approval by the Shareholders of the Company 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 Corporate 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 2012 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

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date.

Since the Listing Date and up to 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2012, calculated in accordance with PRC rules and regulation, was RMB709 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 65 to 66 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%.

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 and President)*

Non-executive Directors
Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Mr. Zhang Guozheng (章國政)

Independent non-executive Directors
Mr. Guan Yimin (管一民)
Mr. Han Jiong (韓炯)
Dr. Zhang Weijiong (張維炯)
Mr. Li Man-kiu Adrian David (李民橋)

The term of the current session of the Board will expire on 8 June 2013 (or at the conclusion of the forthcoming AGM which will elect members of the next session of the Board). The Board proposed that the sixth session of the Board should be constituted by eleven directors, consisting of two executive Directors, five non-executive Directors and four independent non-executive Directors. The Board also proposed to re-elect Mr. Chen Qiyu and Mr. Yao Fang as the executive Directors of the sixth session of the Board; re-elect Mr. Guo Guangchang, Mr. Wang Qunbin and Mr. Zhang Guozheng as the non-executive Directors of the sixth session of the Board and elect Mr. Wang Pinliang and Ms. Kang Lan as the non-executive Directors of the sixth Board; and re-elect 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 elect Mr. Cao Huimin as the independent non-executive Directors of the sixth session of the Board.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence, and considers that all of them had been independent during the Reporting Period and are still independent as at the date of this report.

Report of the Directors

SUPERVISORS

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

Mr. Liu Hailiang (柳海良) *(Chairman)*
Mr. Wang Pinliang (王品良)
Mr. Cao Genxing (曹根興)

The term of the current session of the Supervisory Committee will expire on 8 June 2013 (or at the conclusion of the forthcoming AGM which will elect members of the next session of the Supervisory Committee). The Supervisory Committee proposed to re-elect Mr. Cao Genxing as a supervisor of the sixth session of the Supervisory Committee, and to elect Mr. Li Haifeng as a supervisor of the sixth session of the Supervisory Committee.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and the senior management of the Company are set out on pages 51 to 58 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of not more than three years until the conclusion of the forthcoming AGM which will elect members of the next session of the Board. None of the Directors and Supervisors proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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 RMB63 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 year.

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 of the Company 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 2012, 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 as set out in Appendix 10 to the Hong Kong Listing Rule (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 79.08% 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	Beneficial owner	29,000(L)(2)	58%
	Fosun Holdings	Ordinary share	Interest of a controlled corporation	1(L)(2)	100%
	Fosun International	Ordinary share	Interest of a controlled corporation	5,078,198,000(L)(2)	79.08%
	Fosun High Tech	Ordinary share	Interest of a controlled corporation	2,300,000,000(L)(2)	100%
Mr. Wang Qunbin	Fosun International Holdings	Ordinary share	Beneficial owner	5,000(L)	10%

Note:

(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 79.08% 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 of the above-mentioned companies.

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

As at 31 December 2012, 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][3]	48.34%
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500(L)	9.77%
JPMorgan Chase & Co.	Custodian/approved lending agent	H Share	27,920,500(L) 27,920,500(P)	8.31% 8.31%
Wellington Management Company, LLP	Investment manager	H Share	26,424,500(L)	7.86%
National Council for Social Security Fund of the PRC	Beneficial owner	H Share	25,870,000(L)	7.70%
Norges Bank	Beneficial owner	H Share	20,374,000(L)	6.06%

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 79.08% 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.

(3) Fosun International Holdings is held as to approximately 58% by Mr. Guo Guangchang. Therefore, Mr. Guo Guangchang is deemed to be interested in the Shares held by Fosun High Tech.

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 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 RMB3.33 million.

CONNECTED TRANSACTIONS

The Group has disclosed in the Prospectus 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

Connected person	Transaction	Type	Actual transaction amount 2012	Proposed annual caps 2012
Shanghai Furui	Master Property Management Services Agreement A and Master Property Management Services Agreement B	Service fee	**2,319,479.00**	**2,372,738.00**
Shanghai Golte	Master Property Management Services Agreement C	Service fee	**895,855.59**	**1,049,412.00**
Beijing Golte	Master Property Management Services Agreement D, Master Property Management Services Agreement E, Master Property Management Services Agreement F and Master Property Management Services Agreement G	Service fee	**994,439.62**	**1,030,134.00**
		Total for service fee	**4,209,774.21**	**4,452,284.00**

Unit: RMB

Connected person	Transaction	Type	Actual transaction amount 2012	Proposed annual caps 2012
Fosun Finance	Financial Services Agreement			
	(a) Maximum daily outstanding balance of deposits placed by the Company with Fosun Finance	Deposit taking	**25,000,000.00**	**300,000,000.00**
	(b) Maximum daily outstanding balance of loans granted by Fosun Finance to the Company	Loan provision	**293,922,300.00**	**300,000,000.00**
	(c) Fees and charges paid by the Company to Fosun Finance for clearing and settlement services and other financial services	Service fee	**110,500.00**	**1,000,000.00**
Forte Investment and Management	Master Lease A, Master Lease B, Master Lease C and Master Lease D	Rental	**4,475,884.48**	**4,738,820.00**
Shanghai Fosun Property Management	Master Lease E and Master Lease F(1)	Rental	**7,983,016.08**	**8,612,064.00**
Forte	Master Lease G(1)	Rental	**752,064.00**	**770,778.00**
Fosun High Tech	Master Lease H	Rental	**56,151.00**	**224,604.00**
		Total for rental	**13,267,115.56**	**14,346,266.00**

Note:

(1) As disclosed in the announcement dated 4 January 2013 by the Company on the Hong Kong Stock Exchange's website, on 31 December 2012, Shanghai ClonBiotech and Forte agreed to terminate the leasing of the premises under the Master Lease G due to change of business needs of Forte. And on 31 December 2012, Shanghai ClonBiotech and Shanghai Fosun Property Management entered into the New Lease pursuant to which the leasing area will increase from 519 sq.m. to 778.5 sq.m. As a result of the increase in rental payment under the New Lease, the annual caps of the continuing connected transactions contemplated under the Master Lease F will be increased from RMB752,064 and RMB752,064 to RMB1,128,084 and RMB1,128,084 for the two years ending 31 December 2013 and 2014, respectively.

The Board has reviewed the continuing connected transactions as described above and confirmed that in 2012, such transactions have been entered into:

(i) in the ordinary and usual course of business of the Company;

(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 Company 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.

Report
of the Directors

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 2012:

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 Company's Board of Directors;

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 in respect of each of the disclosed continuing connected transactions.

RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the Reporting Period are disclosed in note 46 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related parties transactions disclosed in note 46 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, the independent non-executive Directors will review all the matters, if any, relating to the enforcement of the Deed of Non-Competition. Fosun International Holdings, Fosun Holdings, Fosun International, Fosun High Tech, Mr. Guo Guangchang, Mr. Liang Xinjun, Mr. Wang Qunbin and Mr. Fan Wei have provided the Company with an annual declaration of compliance with the provisions of the Deed of Non-Competition.

SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in note 52 to the financial statements.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding Directors' 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 throughout the Reporting Period.

Report
of the Directors

COMPLIANCE WITH THE CG CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Hong Kong Listing Rules. The Board is of the view that, during the period from the Listing Date to 31 December 2012, 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 42 to 50 of this annual report.

AUDIT COMMITTEE

As of the end of the Reporting Period, the Audit Committee of the Company comprises Mr. Guan Yimin *(chairman)*, an independent non-executive Director, Mr. Han Jiong, an independent non-executive Director, and Mr. Zhang Guozheng, 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 Company, and to provide recommendations and advice to the Board.

The Audit Committee of the Company has reviewed the 2012 annual results of the Group.

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
26 March 2013

Supervisory Committee Report

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

In 2012, the fifth session of the Supervisory Committee of the Company carried out the work diligently, lawfully and efficiently in according to the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting (監事會議事規則):

The fifth session of the Supervisory Committee has met 6 times in 2012, and details are as follows:

1. on 12 January 2012, the Company convened the first meeting of the fifth session of the Supervisory Committee in 2012 (a special meeting) to review and pass the resolution to change some fund-raising investment projects.

2. on 22 March 2012, the Company convened the second meeting of the fifth session of the Supervisory Committee in 2012 (a regular meeting) to review and approve the 2011 Annual Report and its abstract, the working report of the Supervisory Committee for 2011, the resolution to make provision for impairment in 2011 by the Company, the special report of the placement and actual use of the proceeds in 2011, the resolution to temporarily supplement the liquidity by using the unused proceeds and the 2011 Internal Control Self-assessment Report.

3. on 26 April 2012, the Company convened the third meeting of the fifth session of the Supervisory Committee in 2012 (a regular meeting) to review and approve the 2012 First Quarterly Report of the Company.

4. on 24 August 2012, the Company convened the fourth meeting of the fifth session of the Supervisory Committee in 2012 (a regular meeting) to review and approve the 2012 Semi-annual Report and its abstract and the 2012 Semi-annual Internal Control Self-assessment Report.

5. on 16 October 2012, the Company convened the fifth meeting of the fifth session of the Supervisory Committee in 2012 (a special meeting) to review and approve the resolution to temporarily supplement the liquidity by using part of the unused proceeds.

6. on 30 October 2012, the Company convened the sixth meeting of the fifth session of the Supervisory Committee in 2012 (a regular meeting) to review and approve the 2012 Third Quarterly Report of the Company.

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 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 COMPANY

The Supervisory Committee agreed with the audit opinion issued by Ernst & Young on the 2012 annual financial report of the Company, and that the financial report of the Company has given a true and fair view of the financial position and the operating results of the Company.

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

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

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

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

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

The Supervisory Committee has reviewed the 2012 Internal Control Self-Assessment Report, and considers that the Group has established an appropriate internal control system in all material respects and the internal control system has operated efficiently, which ensures the implementation of the internal control measures and the normal conduct of production and operation.

On Behalf of the Supervisory Committee
Liu Hailiang
Chairman

Shanghai, PRC
26 March 2013

Corporate Governance Report

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date. The Board hereby presents to the Shareholders the corporate governance report for the period from the Listing Date to 31 December 2012 (the "Period")

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 of the Company, relevant laws and the Shanghai Listing Rules and Hong Kong Listing Rules. The Company seeks to continually improve its corporate governance structure, and optimize its internal management and control, and corporate operations 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 Corporate Governance Code and the Corporate Governance Report (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 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 for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules.

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

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Corporate Governance Report

BOARD OF DIRECTORS

The Board of the Company is currently constituted by nine members, including two executive Directors, three non-executive Directors and four independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors:
Mr. Chen Qiyu *(Chairman of the Board, which is equivalent to the Chairman referred to in the CG Code)*
Mr. Yao Fang *(Vice Chairman and President, which is equivalent to the Chief Executive Officer referred to in the CG Code)*

Non-executive Directors:
Mr. Guo Guangchang
Mr. Wang Qunbin
Mr. Zhang Guozheng

Independent Non-executive Directors:
Mr. Guan Yimin
Mr. Han Jiong
Dr. Zhang Weijiong
Mr. Li Man-kiu Adrian David

The biographical information of the Directors are set out on pages 51 to 58 of this annual report.

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

Chairman of the Board and President of the Company

The positions of Chairman of the Board and President of the Company 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 President 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 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.

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.

Appointment, Removal and Re-election of Directors

A Director of the Company 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 with a term of three years. The appointment and removal of directors shall be approved by Shareholders at the general meeting.

Corporate Governance Report

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 of the Board 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 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 co-ordinating 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.

As the time of the listing of the Company's H Shares is relatively short, none of the Directors has participated in any continuous professional development program during the Period. However, the Company understands that the Directors should participate in appropriate continuous professional development programs to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for the Directors will be arranged in the next financial year and reading material on relevant topics will be issued to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

BOARD COMMITTEES

The Board has established four committees, namely, the 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 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 2012, the Audit Committee held 16 meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2012 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 2012, 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, 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 associates will participate in deciding his/her own remuneration.

In 2012, the Remuneration and Appraisal Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

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.

In 2012, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

Corporate
Governance Report

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 2012, the Strategic Committee met once to understand and master the overall operations of the Company, 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 Company and major investment decision, and review and approve research reports on development strategy.

Corporate Governance Responsibilities

The Board is responsible for ensuring that the Company shall establish comprehensive corporate governance practices and procedures. During the 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 code of conduct for directors and employees; and

(5) reviewed as to whether the Company has complied with the CG Code and made necessary 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 2012 is set out in the table below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Nomination Committee**[5]	**Remuneration and Appraisal Committee**[5]	**Audit Committee**[5]	**Strategic Committee**[5]	**Annual General Meeting**[4]
Executive Directors						
Mr. Chen Qiyu	26/26				1/1(C)	1/1
Mr. Yao Fang	26/26					1/1
Non-executive Directors						
Mr. Guo Guangchang	26/26	1/1(M)			1/1(M)	0
Mr. Wang Qunbin	26/26		1/1(M)		1/1(M)	0
Mr. Zhang Guozheng	26/26			16/16(M)		0
Independent Non-executive Directors						
Mr. Guan Yimin	26/26	1/1(M)	1/1(M)	16/16(C)		1/1
Mr. Han Jiong	25[1]/26	1/1(C)		15[1]/16(M)	0[2](M)	0
Dr. Zhang Weijiong	26/26		1/1(C)		1/1(M)	0
Mr. Li Man-kiu Adrian David	8[3]/8					0

Notes:

(1) Mr. Han Jiong could not attend the 67th meeting of the fifth Board and the 11th meeting in 2012 of Auditing Committee of the fifth Board for business reason, and therefore he has authorized Mr. Guan Yimin, an independent non-executive Director, to attend and vote at that meetings on his behalf.

(2) Mr. Han Jiong could not attend the first meeting in 2013 of the Strategic Committee of the fifth Board for business reason, and therefore he has authorized Dr. Zhang Weijiong, an independent non-executive Director, to attend and vote at that meeting on his behalf.

(3) Mr. Li Man-kiu Adrian David was appointed as an independent non-executive Director on 30 October 2012. During the Period, the Company has held 8 meetings of the Board.

(4) The annual general meeting was held on 17 April 2012.

(5) (C) — Chairman of the Board committee; (M) — Committee member

As the time of the listing of the Company's H Shares which was on 30 October 2012 is relatively short, no meeting between the Chairman of the Board and the non-executive Directors (including non-executive Directors and independent non-executive Directors) without the presence of executive Directors was held during the Period.

Corporate
Governance Report

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company'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 59 to 60.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the annual report for the year ended 31 December 2012 amounted to RMB2.30 million and RMB0.07 million respectively.

INTERNAL CONTROLS

During the 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.

JOINT COMPANY SECRETARIES

Ms. Lo Yee Har Susan of Tricor Services Limited, an external service provider, has been engaged by the Company as one of its joint company secretaries to act jointly with Dr. Qiao Zhicheng. The primary contact person of Ms. Lo Yee Har Susan is Dr. Qiao Zhicheng, who is a senior vice president, chief financial officer and secretary of the Board 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.

(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.

Corporate
Governance Report

(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.

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.

An updated Articles of Association has been adopted by the Company on the Listing Date. The said up to date version of the Articles of Association is also 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 Company's ability to continue as a going concern.

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Chen Qiyu (陳啟宇), aged 40, 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, a company listed on the Hong Kong Stock Exchange (stock code: 0656), a non-executive director of Sinopharm, 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 Forte, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Chen is the 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 43, is the Company's executive Director, vice chairman of the Board and President. Mr. Yao joined the Group in April 2010 and was appointed as a Director on 09 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 Shenyin & 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 is currently 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), a company listed on the Hong Kong Stock Exchange (stock code: 08247), and chief supervisor of Sinopharm, 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.

Mr. Guo Guangchang (郭廣昌), aged 45, 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, 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 Forte, 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, 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 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.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Wang Qunbin (汪群斌), aged 43, 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, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Henan Lingrui Pharmaceutical Company Limited (河南羚鋭製藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600285), and a director of Forte, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Wang was a director of Shanghai Friendship Group Co., Ltd. (上海友誼集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600827). Mr. Wang is currently the vice chairman of China Chamber of International Commerce (中國國際商會) and chairman of the Huzhou Chamber of Commerce in Shanghai (上海湖州商會). Mr. Wang was named a "China's Top 10 Professional Manager" in the pharmaceuticals sector in 2004. Mr. Wang obtained a bachelor degree of science from Fudan University (復旦大學) in July 1991.

Mr. Zhang Guozheng (章國政), aged 47, is the Company's non-executive Director. Mr. Zhang joined the Group in January 2007 and was the Company's deputy general manager and chief financial officer until May 2009. Mr. Zhang was appointed as a Director on 26 May 2008. Prior to joining the Group, Mr. Zhang was the chief audit officer and chief financial officer of Bright Dairy and Food Co., Ltd. (光明乳業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600597), from May 2001 to December 2006. Currently, Mr. Zhang is a senior assistant to the president as well as president of the finance group of Fosun High Tech, the chairman of Tebon Securities Company Limited, the chairman of Yantai Zhongzhou Futures Co., Ltd., and a director of Fosun Finance. Mr. Zhang was a supervisor of Forte, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Zhang obtained a bachelor degree of economics from Xiamen University (廈門大學) in July 1987 and a master degree of professional accountancy from The Chinese University of Hong Kong (香港中文大學) in December 2004. Mr. Zhang qualified as a certified public accountant in the PRC in June 2000.

Mr. Guan Yimin (管一民), aged 62, was appointed as an independent Director on 28 May 2007. He is currently an independent non-executive Director of the Company. Mr. Guan is a professor at the Shanghai National Accounting Institute (上海國家會計學院) ("SNAI"). Mr. Guan taught at SUFE from January 1983 to September 2000 and was a professor in the accounting department and associate dean and assistant to the president in the adult education school before joining SNAI as vice president in September 2000. Mr. Guan has solid work experience in accounting and financial management. Mr. Guan is an independent director of Bank of Shanghai (上海銀行股份有限公司) and Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600018). Mr. Guan also serves as the chairman of the audit committee of these companies in which he is required to review and analyse the audited financial statements of the relevant companies. In addition, Mr. Guan has experience in reviewing and monitoring the adoption of internal control measures. Mr. Guan obtained a bachelor degree of accounting from SUFE in January 1983.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Han Jiong (韓炯), aged 43, was appointed as an independent Director on 23 April 2009. He is currently an independent non-executive Director of the Company. Mr. Han co-founded Llinks Law Offices (通力律師事務所) in September 1998 and is currently its managing partner. Prior to that, 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 59, 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 serves as professor of Science of Strategy, director of EMBA program, president (Chinese affairs), co-dean and the director of the Centre of Chinese Private Enterprises 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 (UBC), Canada in May 1989 and May 1997, respectively.

Mr. Li Man-kiu Adrian David (李民橋), JP, aged 39, has served as an independent non-executive Director of the Company since 30 October 2012. Mr. Li joined The Bank of East Asia, Limited, 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 The Bank of East Asia, Limited 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 an alternate director of AFFIN Holdings Berhad, a company listed on the Bursa Malaysia Securities Berhad. 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 obtained a bachelor degree of arts and a master degree of arts in law from the University of Cambridge in July 1995 and May 1999, respectively, and a master degree of management from Kellogg School of Management, Northwestern University in June 2000. Mr. Li 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.

Biographical Details of
Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Liu Hailiang (柳海良), aged 63, has served as the Company's Supervisor since 28 May 2004 and has served as the chief Supervisor since 26 May 2008. Mr. Liu joined the Group in March 2000 and served as the assistant to general manager and personnel director of the Company. Prior to joining the Group, Mr. Liu worked in Shanghai RAAS Blood Products Corporation (上海萊士血製品有限公司), now known as Shanghai RAAS Blood Products 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), as a human resources manager from November 1989 to March 1995. Mr. Liu was the human resources manager of Johnson & Johnson (China) Limited from March 1995 to March 2000. Currently, Mr. Liu is a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Mr. Liu completed an associate education in business administration from Shanghai Construction Institute (上海市建築專科學校) in September 1986.

Mr. Wang Pinliang (王品良), aged 44, has served as the Company's Supervisor since 9 June 2010. 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. 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 Fosun High Tech, 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.

Mr. Cao Genxing (曹根興), aged 66, has served as the Company's Supervisor since 26 May 2008. Mr. Cao currently serves as the secretary to the president of Dahua Group Limited (大華(集團)有限公司) and assistant to the chairman of Shanghai Shenxin Group Limited (上海申新(集團)有限公司). Mr. Cao 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 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.

Biographical Details of
Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Fan Banghan (范邦翰), aged 59, joined the Group in 2000. During the Reporting Period, Mr. Fan served as the Company's senior vice president, mainly responsible for the strategic planning of the pharmaceutical distribution and retail division; since 1 March 2013, Mr. Fan has ceased to be the Company's senior vice president, and has taken on the position of the senior consultant of the President. Prior to joining the Group, Mr. Fan served as a deputy general manager of Shanghai Pharmaceuticals Co., Ltd. (上海市醫藥股份有限公司), now known as 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 January 1998 to March 2000. Mr. Fan is currently a director of China National Medicines Corporation Limited (國藥集團藥業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600511), and a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Mr. Fan is also the vice chairman of the Shanghai Pharmaceutical Commerce Association (上海醫藥商業行業協會). Mr. Fan obtained an associate degree from Shanghai Education Institute (上海教育學院分院), majoring in politics and education, in July 1984.

Mr. Li Xianlin (李顯林), aged 57, joined the Group in 2004, is currently the Company senior vice president and is mainly responsible for the strategic planning and management of the pharmaceutical manufacturing and research and development divisions. Mr. Li joined Xuzhou Biopharmaceuticals Manufactures Plant (徐州生物化學製藥廠), now known as Wanbang Pharma, 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.

Dr. Qiao Zhicheng (喬志城), aged 40, joined the Group in October 2010, is currently the Company's senior vice president, chief financial officer, secretary to the Board and a joint company secretary, mainly responsible for the overall management of the Group's financial and securities affairs. Prior to joining the Group, Dr. Qiao worked in Youngjin Group (湧金集團) from 1998 to 2003. Dr. Qiao joined Zhuzhou Qianjin Pharmacy Company Limited (株洲千金藥業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600479), in 2004 as the chief investment officer, and was its general manager from December 2004 to August 2010 and its vice chairman from July 2009 to August 2010. Dr. Qiao is 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), a company listed on the Hong Kong Stock Exchange (stock code: 08247). Dr. Qiao obtained a bachelor degree of engineering and a master degree of engineering from Tsinghua University (清華大學) in June 1996 and June 1998, respectively. Dr. Qiao obtained a doctoral degree in economics from Peking University (北京大學) in January 2007.

Dr. Zhang Xinmin (張新民), aged 46, joined the Group in 2010, is currently the Company's senior vice president, mainly responsible for the daily management of the medical service division. Prior to joining the Group, Dr. Zhang worked for the anti-epidemic station, Huaiyin city, Jiangsu province, PRC from July 1989 to August 1991, and the Department of Health Education of the Shanghai Municipal Government from July 1994 to 1995. Dr. Zhang successively held the posts of assistant director, director of finance, deputy director, and deputy office director of the Shanghai Social Medical Insurance Bureau (上海市醫療保險局) between September 1999 and December 2009. Dr. Zhang worked in Shanghai Xingye Investment Development Limited Company (上海興業投資發展有限公司) as vice president from December 2009 to May 2010. Dr. Zhang obtained a bachelor degree of medicine and a master degree of medicine from Shanghai Medical University (上海醫科大學), now known as Shanghai Medical College of Fudan University (復旦大學上海醫學院) ("SMC"), in July 1989 and July 1994, respectively. Dr. Zhang obtained a doctoral degree in management from Fudan University (復旦大學) in June 2001 and subsequently completed the postdoctoral research of business management at Fudan University in December 2004.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Zhou Wenyue (周文岳), aged 52, joined the Group in 2007. During the Reporting Period, Mr. Zhou was the Company's senior vice president, mainly responsible for the administrative management. Prior to joining the Group, Mr. Zhou was a director of the human resources department of China Europe International Business School from October 1997 to June 2000, deputy general manager of Shanghai Huadong Computing Group Company Limited (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 deputy director of the human resources department of Fosun High Tech 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. Li Dongjiu (李東久), aged 47, is the chief senior engineer. He joined the Group in 2009, and is currently the Company's senior vice president, mainly responsible for the daily operations of the pharmaceutical manufacturing division; and since 2013, he is mainly responsible for the strategic planning and daily operations of the medicine commercialization and consumer products divisions. 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 vice chairman of China Nonprescription Medicines Association (中國非處方藥物協會), and a member of the Women and Children's Healthcare Salvation Committee of the United Nation (聯合國拯救婦女和兒童醫療健康委員會). Mr. Li obtained a bachelor degree of engineering from Dalian Engineering College (大連工學院), now known as Dalian University of Technology (大連理工大學), in July 1987, a master degree of management from Wuhan University of Technology (武漢交通科技大學), now known as Wuhan University of Technology (武漢理工大學), in July 1999, and a master degree of arts from the Flinders University of South Australia in October 2005.

Mr. Wang Cheng (汪誠), aged 49, joined the Group in 2011, is currently the Company's senior vice president, mainly responsible for the management of the pharmaceutical manufacturing and research and development divisions. 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's 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 39, joined the Group in March 2013 and served as the Company's senior vice president. 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) between July 1988 and 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 between April 1995 and April 1998, the chief HR officer of Pillsbury (China) Ltd. (品食樂中國有限公司) between April 1998 and November 2001, the chief HR officer of China business department of Trane Air-Conditioning between November 2001 and March 2005, and the vice president of HR department of Goodbaby International Holdings Limited (好孩子國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01086) between April 2005 and February 2013. Mr. Li obtained a bachelor degree of education from the Department of Psychology in East China Normal University (華東師範大學) in July 1988.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Fu Jiemin (傅潔民), aged 60, joined the Group in 2005. Mr. Fu served as the Company's vice president during the period from 2005 to December 2012, mainly responsible for the pharmaceutical research and development. Prior to joining the Group, Mr. Fu was the president of the Pharmacology Office of Chongqing Pharmaceutical Research Institute (重慶醫藥工業研究院). Mr. Fu obtained a master degree of medicine from Inner Mongolia Medical College (內蒙古醫學院) in July 1987.

Mr. Cui Zhiping (崔志平), aged 49, joined the Group in 2006, is currently the Company's vice president, mainly responsible for the international business of the Company. 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), between 2001 and 2005. Mr. Cui obtained a bachelor degree of pharmacy from Shanghai Medical University, now known as SMC in July 1986 and a master degree of business administration from La Trobe University in March 2002.

Mr. Ding Xiaojun (丁曉軍), aged 48, joined the Group in 1999, is currently the Company's vice president, mainly responsible for the strategic planning and daily operations of the medical device division. 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. Zhu Yaoyi (朱耀毅), aged 50, joined the Group in 1999, is currently the Company's vice president, mainly responsible for the strategic planning and daily operations of the medical diagnostic division. 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 50, joined the Group in 2010, is currently the Company's vice president and is mainly responsible for the investment business of the Company's pharmaceutical manufacturing segment. 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, and chairman of Beijing Tianren Hexin Pharmaceutical Company Limited (北京天仁合信醫藥經營有限責任公司) from February 2009 to March 2010. Mr. Wang obtained a bachelor degree of medicine from Shenyang Medical College (瀋陽醫學院) in July 1988.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Hu Jianglin (胡江林), aged 42, joined the Group in 2011, is currently the Company's senior vice president, mainly responsible for the investment in consumer products. 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 Investment & 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 SJTU in July 1992 and a master degree of business administration from China Europe International Business School in September 2005.

Mr. Ni Xiaowei (倪小偉), aged 49, joined the Group in 2011, is currently the Company's senior vice president, mainly responsible for the strategic planning and daily operations of the investment division. Prior to joining the Group, Mr. Ni worked in the human resources department, and subsequently served as the general manager of the retail pharmaceutical department, of 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), and general manager of Putong Medicine Corporation (浦東醫藥公司) from 1990 to 1998. Mr. Ni was the general manager of the investment business division and the retail pharmaceutical department of the Company from 1998 to 2001. 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.

JOINT COMPANY SECRETARIES

Dr. Qiao Zhicheng (喬志城), aged 40, the joint company secretary, is also the senior vice president, chief financial officer and secretary to the Board. Please refer to page 55 of the annual report for his biography.

Ms. Lo Yee Har Susan (盧綺霞), aged 53, is the joint company secretary. Ms. Lo is a director of Corporate Services Department of Tricor Services Limited ("Tricor") and serves as the Head of Professional Development and Training at Tricor. Prior to joining Tricor, Ms. Lo served as director of the company secretarial department of Tricor Tengis Limited and Ernst & Young in Hong Kong. Ms. Lo has experience in a diversified range of corporate services and has been providing professional secretarial services for over 30 years. Ms. Lo is currently the company secretary to four Hong Kong listed companies. Ms. Lo 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 known as The Hong Kong Polytechnic University.

Independent Auditor's Report

ERNST & YOUNG
安 永

To the shareholders of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
(Established in People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 61 to 174, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2012, 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
26 March 2013

Consolidated Income Statements

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	5	**7,278,287**	6,432,589
Cost of sales		**(4,126,804)**	(3,991,147)
Gross profit		**3,151,483**	2,441,442
Other income	6	**90,806**	123,318
Selling and distribution expenses		**(1,512,286)**	(1,209,957)
Administrative expenses		**(739,619)**	(696,707)
Research and development costs		**(306,033)**	(189,427)
Other gains	8	**1,064,292**	1,101,638
Other expenses		**(92,838)**	(213,649)
Interest income		**29,696**	51,579
Finance costs	9	**(370,599)**	(313,978)
Share of profits and losses of:			
Jointly-controlled entities		**(1,514)**	(189)
Associates		**809,647**	633,168
PROFIT BEFORE TAX	7	**2,123,035**	1,727,238
Income tax	12	**(283,764)**	(341,819)
PROFIT FOR THE YEAR		**1,839,271**	1,385,419
Attributable to:			
Owners of the parent	13	**1,563,916**	1,166,184
Non-controlling interests		**275,355**	219,235
		1,839,271	1,385,419
Earnings per share attributable to ordinary equity holders of the parent:	15		
Basic		**RMB0.80**	RMB0.61
Diluted		**RMB0.80**	RMB0.61

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 2012

	Notes	2012 RMB'000	2011 RMB'000
PROFIT FOR THE YEAR		**1,839,271**	1,385,419
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments			
Changes in fair value		**(239,580)**	1,112,382
Reversal of changes in fair value due to an available-for-sale investment becoming an associate		**—**	(58,284)
Reclassification adjustments for gains included in the consolidated income statements			
— Gain on disposal	8	**(708,533)**	(192,750)
Income tax effect		**246,725**	(280,012)
		(701,388)	581,336
Share of other comprehensive income/(loss) of associates		**21,016**	(182,733)
Exchange differences on translation of foreign operations		**1,421**	(8,410)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(678,951)**	390,193
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,160,320**	1,775,612
Attributable to:			
Owners of the parent	13	**900,772**	1,539,051
Non-controlling interests		**259,548**	236,561
		1,160,320	1,775,612

Consolidated Statements of Financial Position

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**3,501,614**	2,632,165
Prepaid land lease payments	17	**543,518**	458,910
Goodwill	18	**1,661,771**	1,585,136
Other intangible assets	19	**1,238,758**	1,246,188
Investments in jointly-controlled entities	21	**17,281**	1,954
Investments in associates	22	**7,902,902**	7,395,499
Available-for-sale investments	23	**2,070,223**	2,788,504
Deferred tax assets	25	**31,483**	16,727
Other non-current assets	24	**101,185**	59,742
Total non-current assets		**17,068,735**	16,184,825
CURRENT ASSETS			
Inventories	26	**1,273,439**	1,123,943
Trade and bills receivables	27	**1,075,172**	1,147,700
Prepayments, deposits and other receivables	28	**643,353**	519,448
Due from related companies	35	**192,195**	132,123
Equity investments at fair value through profit or loss	29	**224,834**	231,319
Other current asset	30	**—**	—
Cash and cash equivalents	31	**4,972,525**	2,894,573
Total current assets		**8,381,518**	6,049,106
CURRENT LIABILITIES			
Trade and bills payables	32	**882,037**	919,648
Other payables and accruals	33	**1,466,170**	1,775,933
Interest-bearing bank and other borrowings	34	**1,374,706**	2,177,051
Due to related companies	35	**36,994**	43,588
Tax payable		**133,325**	75,506
Total current liabilities		**3,893,232**	4,991,726
NET CURRENT ASSETS		**4,488,286**	1,057,380
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,557,021**	17,242,205

Consolidated
Statements of Financial Position

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	4,280,165	3,916,817
Deferred tax liabilities	25	1,359,938	1,595,765
Deferred income	36	41,535	40,164
Other long-term liabilities	37	627,622	375,518
Total non-current liabilities		6,309,260	5,928,264
Net assets		15,247,761	11,313,941
EQUITY			
Equity attributable to owners of the parent			
Issued share capital	38	2,240,462	1,904,392
Reserves	39(a)	10,790,946	7,620,145
Proposed final dividend	14	470,497	190,439
		13,501,905	9,714,976
Non-controlling interests		1,745,856	1,598,965
Total equity		15,247,761	11,313,941

Chen Qiyu
Director

Yao Fang
Director

Consolidated
Statements of Changes in Equity

Year ended 31 December 2011

	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 RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	1,904,392	894,282	1,087,975	975,114	(3,473)	3,317,407	190,439	8,366,136	988,862	9,354,998
Profit for the year	—	—	—	—	—	1,166,184	—	1,166,184	219,235	1,385,419
Other comprehensive income for the year:										
Changes in fair value of available-for-sale investments, net of tax	—	—	566,443	—	—	—	—	566,443	14,893	581,336
Share of other comprehensive income/(loss) of associates	—	—	(185,166)	—	—	—	—	(185,166)	2,433	(182,733)
Exchange differences on translation of foreign operations	—	—	—	—	(8,410)	—	—	(8,410)	—	(8,410)
Total comprehensive income for the year	—	—	381,277	—	(8,410)	1,166,184	—	1,539,051	236,561	1,775,612
Profit appropriation to reserve	—	—	—	209,438	—	(209,438)	—	—	—	—
Capital injections from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	109,511	109,511
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(60,732)	(60,732)
Acquisition of subsidiaries *(note 40)*	—	—	—	—	—	—	—	—	396,654	396,654
Acquisition of non-controlling interests	—	(3,858)	—	—	—	—	—	(3,858)	(62,091)	(65,949)
Disposal of subsidiaries *(note 41)*	—	—	—	—	—	—	—	—	(14,173)	(14,173)
Partial disposal of a subsidiary without loss of control	—	153	—	—	—	—	—	153	594	747
Equity-settled share-based payment *(note 43)*	—	3,933	—	—	—	—	—	3,933	3,779	7,712
Final 2010 dividend declared and paid	—	—	—	—	—	—	(190,439)	(190,439)	—	(190,439)
Proposed final 2011 dividend *(note 14)*	—	—	—	—	—	(190,439)	190,439	—	—	—
At 31 December 2011	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

Consolidated
Statements of Changes in Equity

Year ended 31 December 2012

	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 RMB'000	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/(loss) 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 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)
Acquisition 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 43)*	—	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

* These reserve accounts comprise the consolidated reserves of RMB10,790,946,000 (2011: RMB7,620,145,000) in the consolidated statements of financial position.

Consolidated Statements of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,123,035	1,727,238
Adjustments for:			
Finance costs	9	370,599	313,978
Share of losses of jointly-controlled entities		1,514	189
Share of profits of associates		(809,647)	(633,168)
Depreciation	7	234,308	172,299
Amortisation of prepaid land lease payments	7	11,430	7,313
Amortisation of other intangible assets	7	49,652	28,016
Loss on disposal of items of property, plant and equipment and other tangible assets	7	564	16,659
Gain on disposal of subsidiaries	8	—	(8,675)
Gain on bargain purchase of a subsidiary	8	(491)	—
Gain on bargain purchase of an associate	8	—	(90,678)
Gain on disposal of interests in associates and a jointly-controlled entity	8	(315,605)	(36,554)
Gain on deemed disposal of interests in associates	8	—	(751,007)
Gain on disposal of available-for-sale investments	8	(708,653)	(192,750)
Dividend income	6	(33,587)	(61,579)
Gain on disposal of equity investments at fair value through profit or loss	8	—	(2,422)
Provision for/(reversal of) impairment of trade and other receivables	7	5,861	(544)
Impairment of other current asset	7	—	148,049
Impairment of items of property, plant and equipment	7	—	473
Provision for/(reversal of) impairment of inventories	7	11,947	(12,196)
Fair value loss on equity investments at fair value through profit or loss	7	35,894	24,941
		976,821	649,582
Increase in inventories		(155,062)	(99,816)
Decrease/(increase) in trade and bills receivables		76,378	(161,255)
(Increase)/decrease in prepayments, deposits and other receivables		(115,609)	190,554
Increase in amounts due from related companies		(69,205)	(86,632)
(Decrease)/increase in trade and bills payables		(79,725)	178,118
Increase in amounts due to related companies		3,406	20,162
Increase/(decrease) in other payables and accruals		221,062	(99,573)
Decrease/(increase) in pledged bank balances to secure bills payable		35,525	(57,507)
Cash generated from operations		893,591	533,633
Income tax paid		(228,074)	(216,983)
Net cash flows from operating activities		665,517	316,650

Consolidated
Statements of Cash Flows

Year ended 31 December 2012

	Notes	**2012 RMB'000**	2011 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment, prepaid land lease payments, other intangible assets and other non-current assets		**(1,160,597)**	(796,833)
Acquisition of subsidiaries, net of cash acquired		**(391,050)**	(1,114,111)
Purchase of equity investments at fair value through profit or loss		**(30,160)**	(77,287)
Acquisition of interests in associates and a jointly-controlled entity		**(133,186)**	(59,452)
Deposit for acquisition of a subsidiary		**(100,000)**	—
Purchases of available-for-sale investments		**(179,000)**	(91,037)
Disposal of associates		**147,066**	50,186
Disposal of available-for-sale investments		**1,040,183**	218,714
Disposal of equity investments at fair value through profit or loss		**—**	31,702
Disposal of subsidiaries	41	**2,403**	12,661
Dividends from associates		**246,870**	150,716
Dividends from available-for-sale investments		**50,576**	61,579
Proceeds from disposal of items of property, plant and equipment		**9,437**	3,833
Provision of an entrusted loan to an associate	46	**—**	(98,000)
Collection of an entrusted loan to an associate	46	**—**	98,000
Interest received		**—**	4,577
Deposit for a potential acquisition		**—**	(150,000)
Deposit received for purchase of a land use right		**50,000**	50,000
Decrease in non-pledged time deposits with original maturity of three months or more when acquired		**(527,622)**	(1,423)
Net cash flows used in investing activities		**(975,080)**	(1,706,175)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**1,364,993**	4,006,942
Repayment of bank and other borrowings		**(3,864,420)**	(4,203,050)
Interest paid		**(310,480)**	(246,872)
Proceeds from issuance of new shares		**3,118,348**	—
Share issue expenses		**(19,579)**	—
Proceeds from issuance of medium-term notes		**—**	1,576,000
Proceeds from issuance of corporate bonds		**1,486,500**	—
Proceeds from issuance of short-term bonds		**499,375**	—
Capital injections from non-controlling shareholders of subsidiaries		**32,727**	75,656
Dividends paid to owners of the parent		**(190,439)**	(190,439)
Dividends paid to non-controlling shareholders of subsidiaries		**(206,556)**	(105,980)
Decrease in pledged bank balances to secure bank borrowings		**157,500**	—
Acquisition of non-controlling interests		**(3,491)**	(60,372)
Partial disposal of a subsidiary without loss of control		**429**	747
Net cash flows from financing activities		**2,064,907**	852,632
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,755,344**	(536,893)
Cash and cash equivalents at beginning of year		**2,428,219**	2,971,131
Effect of foreign exchange rate changes, net		**(11,989)**	(6,019)
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	**4,171,574**	2,428,219

Statements of Financial Position

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**20,815**	20,739
Other intangible assets	19	**3,496**	3,763
Investments in subsidiaries	20	**3,299,905**	3,310,283
Investments in associates	22	**171,840**	171,840
Available-for-sale investments	23	**96,748**	176,388
Due from related companies	35	**4,035,134**	1,093,151
Total non-current assets		**7,627,938**	4,776,164
CURRENT ASSETS			
Inventories	26	**516**	498
Prepayments, deposits and other receivables	28	**120,001**	36,863
Due from related companies	35	**1,170,534**	1,697,119
Cash and cash equivalents	31	**2,804,109**	417,006
Total current assets		**4,095,160**	2,151,486
CURRENT LIABILITIES			
Other payables and accruals	33	**218,527**	129,475
Interest-bearing bank and other borrowings	34	**854,375**	298,000
Due to related companies	35	**14,976**	12,496
Total current liabilities		**1,087,878**	439,971
NET CURRENT ASSETS		**3,007,282**	1,711,515
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,635,220**	6,487,679

Statements
of Financial Position

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	**4,228,347**	3,245,056
Deferred income	36	**2,500**	—
Total non-current liabilities		**4,230,847**	3,245,056
Net assets		**6,404,373**	3,242,623
EQUITY			
Issued share capital	38	**2,240,462**	1,904,392
Reserves	39(b)	**3,693,414**	1,147,792
Proposed final dividend	14	**470,497**	190,439
Total equity		**6,404,373**	3,242,623

Chen Qiyu
Director

Yao Fang
Director

Notes to the Financial Statements

31 December 2012

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 registered office of the Company is located at 9th Floor, 510 Caoyang Road, Putuo District, Shanghai, the PRC.

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

The Financial Information has 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"), the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain buildings classified as property, plant and equipment, derivative financial instruments and certain equity investments, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are 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 2012. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Notes to the Financial Statements

31 December 2012

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKFRS 12 Amendments	Amendments to HKAS 12 *Income taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs have had no significant financial effect on these financial statements.

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 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *— Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) *— Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statements 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 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statements and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

Notes to the Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly-controlled entities (Continued)

The results of jointly-controlled entities are included in the Company's income statements to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled 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.

The Group's investments in associates 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statements and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

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

When an investment in an associate 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 and liabilities assumed by the Group to the former owners of the acquiree in exchange for control of the acquiree. For each business combination, the Group elects whether to measures the non-controlling interests in the acquiree that are present ownership interest and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share 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 acquired 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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 net 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 the consolidated income statement as a gain on bargain purchase.

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 in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

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 held for sale), 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 less costs to sell, 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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Notes to the Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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 consolidated income statement 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

(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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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 consolidated income statement 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 recognised 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 14 years
Motor vehicles	5 to 12 years
Leasehold improvements	The shorter of the lease terms and their useful lives

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 consolidated income statement 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, office equipment and motor vehicles 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.

Notes to the Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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 as 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

Medicine licences 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 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, technical know-how, office software and a franchise

Purchased patents, technical know-how, office software and a franchise are stated at cost less any impairment losses and are amortised on the straight-line basis over the respective estimated useful lives of not exceeding 20 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

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 of not exceeding 15 years.

Research and development costs

All research costs are charged to the consolidated income statements as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products of five to seven years, commencing from the date when the products are put into commercial production.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statements so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statements on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated income statements on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Notes to the Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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 the other gains and negative net change in fair value presented as other expenses in the consolidated income statements. These net fair value changes recognised do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

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

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial investments or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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 interest income in the consolidated income statements. The loss arising from impairment is recognised in the consolidated income statements in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments 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 fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the consolidated income statements. The loss arising from impairment is recognised in the consolidated income statements in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated 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 consolidated income statements 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 consolidated income statements in other expenses. 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 consolidated income statements 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.

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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 investments in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

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 asset 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 consolidated income statements.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss 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 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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated income statement. 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 receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement.

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. The determination of what is "significant" or "prolonged" requires judgement. "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 consolidated income statement — is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments classified as available for sale are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Notes to the Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 derecognised 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 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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 and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification.

Loans and borrowings

After initial recognition, interest-bearing bank and other 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 consolidated income statements when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Notes to the Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Loans and borrowings (Continued)

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 consolidated income statement.

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 consolidated income statement.

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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

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 is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Notes to the Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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 income statement.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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 realised 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 values 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 consolidated income statement over the expected useful life of the relevant asset by equal annual instalments.

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31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) 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

(d) dividend income, when the shareholders' right to receive payment has been established.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The Financial Information is 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 retranslated 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 consolidated income statements.

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 determined. 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 items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or the consolidated income statement, respectively).

The functional currencies of certain overseas subsidiaries and associates 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 income statements 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 consolidated income statement.

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 and associates are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and associates 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.

Notes to the Financial Statements

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated income statements 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 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 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 43 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.

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. 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 consolidated income statement 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.

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

The Group has entered into property, plant and equipment leases with various lessors. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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 to sell and its value in use. The calculation of the fair value less costs to sell 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 consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

Contingent consideration for acquisition of subsidiaries

The Group estimates the fair value of a contingent consideration for acquisition 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.

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 finance costs, dividend income from available-for-sale investments, gain or loss on disposal of available-for-sale investments, fair value gain or loss from equity investments at fair value through profit or loss, impairment of available-for-sale investments as well as head office and corporate income and expenses are excluded from such measurement.

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

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

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

Notes to the Financial Statements

31 December 2012

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	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	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:							
Jointly-controlled entities	(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 jointly-controlled entities	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							10,202,492
Other segment information:							
Depreciation and amortisation	240,816	8,348	23,661	11,989	10,576	—	295,390
Provision for impairment of inventories	8,128	—	3,819	—	—	—	11,947
Provision for impairment of trade and other receivables	1,640	—	4,221	—	—	—	5,861
Capital expenditure*	908,542	22,538	48,667	26,208	160,428	—	1,166,383

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

Notes to the Financial Statements

31 December 2012

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2011

	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	3,830,824	1,436,049	1,049,304	11,258	105,154	—	6,432,589
Intersegment sales	612	—	—	—	10,244	(10,856)	—
Total revenue	3,831,436	1,436,049	1,049,304	11,258	115,398	(10,856)	6,432,589
Segment results	440,793	22,848	52,352	681	2,663	3,486	522,823
Other income	38,525	—	8,679	—	134	—	47,338
Other gains	158,988	677,916	1,031	632	22,696	—	861,263
Interest income	13,437	7,905	3,029	611	1,606	(3,921)	22,667
Other expenses	(4,805)	(1,960)	(278)	(4)	(159,293)	—	(166,340)
Share of profits and losses of:							
Jointly-controlled entities	(274)	85	—	—	—	—	(189)
Associates	97,934	517,796	5,439	897	11,102	—	633,168
Unallocated other income, interest income and other gains							345,267
Finance costs							(313,978)
Unallocated expenses							(224,781)
Profit before tax	744,598	1,224,590	70,252	2,817	(121,092)	(435)	1,727,238
Tax	(99,172)	(178,428)	(15,593)	(101)	(5,980)	—	(299,274)
Unallocated tax							(42,545)
Profit for the year	645,426	1,046,162	54,659	2,716	(127,072)	(435)	1,385,419
Segment assets:	9,589,327	6,705,071	1,224,029	398,501	494,110	(108,988)	18,302,050
Including:							
Investments in jointly-controlled entities	1,217	737	—	—	—	—	1,954
Investments in associates	1,652,828	5,403,896	104,606	15,444	218,725	—	7,395,499
Unallocated assets							3,931,881
Total assets							22,233,931
Segment liabilities	1,952,877	1,244,447	639,858	164,794	671,388	(80,425)	4,592,939
Unallocated liabilities							6,327,051
Total liabilities							10,919,990
Other segment information:							
Depreciation and amortisation	169,555	7,738	21,354	727	8,254	—	207,628
Provision for impairment of other current asset	—	—	—	—	148,049	—	148,049
Provision for impairment of items of property, plant and equipment	473	—	—	—	—	—	473
Reversal of impairment of inventories	(9,975)	—	(2,221)	—	—	—	(12,196)
(Reversal of)/provision for impairment of trade and other receivables	(415)	(102)	59	—	(86)	—	(544)
Capital expenditure*	773,702	14,685	58,197	2,517	22,333	—	871,434

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments.

Notes to the Financial Statements

31 December 2012

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2012 **RMB'000**	2011 RMB'000
Mainland China	**6,574,229**	5,675,645
Overseas countries and regions	**704,058**	756,944
	7,278,287	6,432,589

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

(b) Non-current assets

	2012 **RMB'000**	2011 RMB'000
Mainland China	**14,840,635**	13,032,573
Overseas countries and regions	**126,394**	347,021
	14,967,029	13,379,594

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 2011 and 2012.

Notes to the Financial Statements

31 December 2012

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:

	2012 RMB'000	2011 RMB'000
Sale of goods	7,121,138	6,154,004
Rendering of services	149,900	262,345
Sale of materials	7,249	16,240
	7,278,287	6,432,589

6. OTHER INCOME

	2012 RMB'000	2011 RMB'000
Dividend income from available-for-sale investments	33,587	61,579
Government grants *(note 36)*	57,219	61,739
	90,806	123,318

Notes to the Financial Statements

31 December 2012

7. PROFIT BEFORE TAX

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

	Notes	2012 RMB'000	2011 RMB'000
Cost of inventories sold		**4,039,123**	3,761,483
Cost of services provided		**87,681**	229,664
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration *(note 10)*)			
Salaries and other staff costs		**694,431**	558,193
Retirement benefits:			
Defined contribution fund		**63,229**	62,528
Accommodation benefits:			
Defined contribution fund		**28,836**	20,389
Share-based payment expense	43	**6,065**	7,712
		792,561	648,822
Research and development costs:			
Current year expenditure excluding amortisation of other intangible assets		**281,104**	189,427
Less: Government grants for R&D projects*		**(29,364)**	(25,645)
		251,740	163,782
Auditors' remuneration		**7,506**	8,826
Operating lease payments		**54,150**	62,243
Depreciation of items of property, plant and equipment	16	**234,308**	172,299
Amortisation of prepaid land lease payments	17	**11,430**	7,313
Amortisation of other intangible assets	19	**49,652**	28,016
Provision for/(reversal of) impairment of inventories		**11,947**	(12,196)
Provision for impairment of items of property, plant and equipment	16	**—**	473
Provision for impairment of other current asset		**—**	148,049
Provision for/(reversal of) impairment of trade and other receivables		**5,861**	(544)
Fair value loss on equity investments at fair value through profit or loss		**35,894**	24,941
Foreign exchange loss, net		**5,744**	5,412
Loss on disposal of items of property, plant and equipment and other intangible assets		**564**	16,659
Donations		**3,332**	2,911

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

Notes to the Financial Statements

31 December 2012

8. OTHER GAINS

	2012 RMB'000	2011 RMB'000
Gain on disposal of interests in associates and jointly-controlled entities*	**315,605**	36,554
Gain on deemed disposal of associates	**—**	751,007
Gain on bargain purchase of a subsidiary *(note 40)*	**491**	—
Gain on bargain purchase of an associate	**—**	90,678
Gain on disposal of subsidiaries *(note 41)*	**—**	8,675
Gain on disposal of available-for-sale investments	**708,653**	192,750
Gain on disposal of equity investments at fair value through profit or loss	**—**	2,422
Others	**39,543**	19,552
	1,064,292	1,101,638

* In the year ended 31 December 2012, including in the balance was the gain on disposal of Zhejiang Crystal-Optech Co., Ltd. and Shandong Jincheng Pharmaceutical and Medical Co., Ltd. of RMB232,681,000 and RMB82,651,000, respectively. Further details are given in note 22(1 & 2) to the financial statements.

9. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**379,980**	315,759
Interest on bank and other borrowings not wholly repayable within five years	**840**	2,255
	380,820	318,014
Less: Interest capitalised	**(10,221)**	(4,036)
Interest expenses, net	**370,599**	313,978

Notes to the Financial Statements

31 December 2012

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

	2012 RMB'000	2011 RMB'000
Fees	**308**	300
Other emoluments:		
Salaries, allowances and benefits in kind	**4,337**	3,952
Performance related bonuses	**6,912**	1,920
Pension scheme contributions	**66**	60
	11,623	6,232

(a) Independent non-executive Directors

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

	2012 RMB'000	2011 RMB'000
Mr. Guan Yimin	**100**	100
Mr. Han Jiong	**100**	100
Dr. Zhang Weijiong	**100**	100
Mr. Li Man-kiu Adrian David*	**8**	—
	308	300

* Mr. Li Man-kiu Adrian David was appointed as an Independent non-executive Director of the Company in October 2012.

There were no other emoluments payable to the independent non-executive Directors during the year (2011: Nil).

Notes to the Financial Statements

31 December 2012

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
2012					
Executive Directors					
Mr. Chen Qiyu	—	2,211	3,330	33	5,574
Mr. Yao Fang *(Chief Executive)*	—	1,351	3,262	33	4,646
	—	3,562	6,592	66	10,220
Non-Executive Directors					
Mr. Guo Guangchang	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—
Mr. Zhang Guozheng	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Liu Hailiang	—	775	320	—	1,095
Mr. Cao Genxing	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—
	—	775	320	—	1,095
	—	4,337	6,912	66	11,315
2011					
Executive Directors					
Mr. Chen Qiyu	—	2,025	800	30	2,855
Mr. Yao Fang *(Chief Executive)*	—	1,227	800	30	2,057
	—	3,252	1,600	60	4,912
Non-Executive Directors					
Mr. Guo Guangchang	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—
Mr. Zhang Guozheng	—	—	—	—	—
	—	—	—	—	—
Supervisors					
Mr. Liu Hailiang	—	700	320	—	1,020
Mr. Cao Genxing	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—
	—	700	320	—	1,020
	—	3,952	1,920	60	5,932

There was no arrangement under which a Director, a Supervisor or the Chief Executive waived or agreed to waive any remuneration during the year (2011: Nil).

Notes to the Financial Statements

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11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two Directors including the Chief Executive (2011: two Directors including the Chief Executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2011: three) highest paid employees who are not a Director, Supervisor, or the Chief Executive of the Company are as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	2,609	2,453
Performance related bonuses	3,093	1,723
Pension scheme contributions	100	60
	5,802	4,236

The number of non-Director, non-Supervisor and non-Chief Executive highest paid employees whose remuneration fell within the following bands is as follows:

	2012 RMB'000	2011 RMB'000
HK$1,000,001 to HK$1,500,000	—	2
HK$1,500,001 to HK$2,000,000	—	1
HK$2,000,001 to HK$2,500,000	2	—
HK$2,500,001 to HK$3,000,000	1	—
	3	3

12. INCOME TAX

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at preferential rates of 12.5% to 20%.

Notes to the Financial Statements

31 December 2012

12. INCOME TAX (Continued)

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. Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

Group

	2012 RMB'000	2011 RMB'000
Current		
— Mainland China	**297,371**	142,348
— Hong Kong	**(2,571)**	3,522
Deferred *(note 25)*	**(11,036)**	195,949
Total tax charge for the year	**283,764**	341,819

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

	2012 RMB'000	2011 RMB'000
Profit before tax	**2,123,035**	1,727,238
Tax at the statutory tax rate	**530,759**	431,810
Lower tax rates for certain entities	**(79,612)**	(69,589)
Adjustments in respect of current tax of previous years	**(10,856)**	2,434
Profit attributable to jointly-controlled entities and associates	**(196,209)**	(158,245)
Income not subject to tax	**(17,131)**	(25,982)
Expenses not deductible for tax	**32,709**	13,153
Tax losses utilised from previous periods	**(37,601)**	—
Tax incentives on eligible expenditures	**(9,451)**	(4,003)
Deductible temporary differences and tax losses not recognised	**71,156**	152,241
Tax charge at the Group's effective rate	**283,764**	341,819

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profits attributable to owners of the parent for the years ended 31 December 2012 include the losses of approximately RMB146,087,000 (2011: RMB181,240,000) which have been dealt with in the financial statements of the Company.

Notes to the Financial Statements

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14. DIVIDENDS

Cash dividend

	2012 RMB'000	2011 RMB'000
Proposed final — RMB0.21 (2011: RMB0.1) per ordinary share	470,497	190,439

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 1,960,404,031 (2011: 1,904,392,364) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years. CML'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, which is not an entity within the Group.

The calculation of basic earnings per share is based on:

	2012 RMB'000	2011 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	1,563,916	1,166,184

	Number of shares 2012	 2011
Shares		
Weighted average number of ordinary shares	1,960,404,031	1,904,392,364

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31 December 2012

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Year ended 31 December 2012						
	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	Total 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
Acquisition of subsidiaries *(note 40)*	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

Notes to the Financial Statements

31 December 2012

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Year ended 31 December 2011						
	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	Total RMB'000
Cost:							
At 1 January 2011	925,559	1,147,345	47,738	52,976	9,120	383,082	2,565,820
Additions	14,723	86,157	19,422	7,232	3,518	685,438	816,490
Acquisition of subsidiaries *(note 40)*	127,180	144,413	12,771	11,833	—	158,872	455,069
Disposals	(18,010)	(48,382)	(2,878)	(6,225)	(5,246)	(9,811)	(90,552)
Disposal of subsidiaries *(note 41)*	(37,548)	(10,844)	(515)	(1,638)	—	(60)	(50,605)
Transferred from construction in progress	105,913	37,946	5,964	435	—	(150,258)	—
At 31 December 2011	1,117,817	1,356,635	82,502	64,613	7,392	1,067,263	3,696,222
Accumulated depreciation:							
At 1 January 2011	(225,187)	(569,347)	(18,895)	(32,209)	(3,595)	—	(849,233)
Depreciation charge for the year *(note 7)*	(42,653)	(112,737)	(9,640)	(6,738)	(531)	—	(172,299)
Acquisition of subsidiaries *(note 40)*	(20,606)	(65,511)	(6,084)	(4,477)	—	—	(96,678)
Disposals	5,769	33,522	7,271	5,551	—	—	52,113
Disposal of subsidiaries *(note 41)*	11,909	8,113	427	1,304	—	—	21,753
At 31 December 2011	(270,768)	(705,960)	(26,921)	(36,569)	(4,126)	—	(1,044,344)
Impairment losses:							
At 1 January 2011	(13,945)	(5,994)	(15)	(7)	—	(75)	(20,036)
Provided for the year	—	(418)	—	(55)	—	—	(473)
Disposals	—	793	3	—	—	—	796
At 31 December 2011	(13,945)	(5,619)	(12)	(62)	—	(75)	(19,713)
Net carrying amount:							
At 31 December 2011	833,104	645,056	55,569	27,982	3,266	1,067,188	2,632,165
At 1 January 2011	686,427	572,004	28,828	20,760	5,525	383,007	1,696,551

The Group's buildings, at cost included above, were valued at RMB1,735,281,000 as at 31 July in the prospectus issued on 17 October 2012 in connection with the listing of the Company's H Shares on 30 October 2012 (note 38). Had the Group's buildings been included in these financial statements at such valuation amount throughout the year ended 31 December 2012, an additional depreciation charge of RMB3,093,000 would have been recognised in the consolidated income statement for the year ended 31 December 2012.

Notes to the Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Year ended 31 December 2012				
	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Moto vehicles RMB'000	Total RMB'000
Cost:					
At 1 January 2012	14,914	6,749	35	7,877	29,575
Additions	—	1,017	—	1,595	2,612
Disposals	—	—	—	(2,119)	(2,119)
At 31 December 2012	14,914	7,766	35	7,353	30,068
Accumulated depreciation:					
At 1 January 2012	(2,064)	(1,582)	(32)	(5,158)	(8,836)
Depreciation charge for the year	(671)	(1,052)	—	(601)	(2,324)
Disposals	—	—	—	1,907	1,907
At 31 December 2012	(2,735)	(2,634)	(32)	(3,852)	(9,253)
Impairment losses:					
At 1 January 2012 and 31 December 2012	—	—	—	—	—
Net carrying amount:					
At 31 December 2012	12,179	5,132	3	3,501	20,815
At 1 January 2012	12,850	5,167	3	2,719	20,739

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16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company (Continued)

	Year ended 31 December 2011					
	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Moto vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2011	14,914	7,107	555	9,197	2,645	34,418
Additions	—	1,227	—	512	386	2,125
Transferred from construction in progress	—	3,031	—	—	(3,031)	—
Disposals	—	(4,616)	(520)	(1,832)	—	(6,968)
At 31 December 2011	14,914	6,749	35	7,877	—	29,575
Accumulated depreciation:						
At 1 January 2011	(1,393)	(4,223)	(500)	(6,014)	—	(12,130)
Depreciation charge for the year	(671)	(848)	—	(768)	—	(2,287)
Disposals	—	3,489	468	1,624	—	5,581
At 31 December 2011	(2,064)	(1,582)	(32)	(5,158)	—	(8,836)
Impairment losses:						
At 1 January 2011	—	(779)	—	—	—	(779)
Disposals	—	779	—	—	—	779
At 31 December 2011	—	—	—	—	—	—
Net carrying amount:						
At 31 December 2011	12,850	5,167	3	2,719	—	20,739
At 1 January 2011	13,521	2,105	55	3,183	2,645	21,509

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB10,221,000 (2011: RMB4,036,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

As at 31 December 2012, the Group have not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB385,557,000. The Directors are of the opinion that the aforesaid matter does not have any significant impact on the Group's financial position as at 31 December 2012.

As at 31 December 2012, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB302,735,000 (2011: RMB350,696,000) were pledged to secure certain of the Group's bank and other borrowings (note 34).

17. PREPAID LAND LEASE PAYMENTS

Group

	2012 RMB'000	2011 RMB'000
Net carrying amount at 1 January	458,910	298,707
Additions	76,612	26,385
Acquisition of subsidiaries *(note 40)*	19,426	148,382
Disposals	—	(2,659)
Disposal of subsidiaries *(note 41)*	—	(4,592)
Amortisation for the year *(note 7)*	(11,430)	(7,313)
Net carrying amount at 31 December	543,518	458,910

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

As at 31 December 2012, certain of the Group's prepaid land lease payments with a net carrying amount of RMB39,042,000 (2011: RMB73,744,000) were pledged to secure certain of the Group's bank and other borrowings (note 34).

The Group's prepaid land lease payments at cost included above were valued at RMB1,000,321,000 as at 31 July in the prospectus issued on 17 October 2012 in connection with the listing of the Company's H Shares on 30 October 2012 (note 38). Had the Group's prepaid land lease payments been included in these financial statements at such valuation amount throughout the year ended 31 December 2012, an additional amortisation charge of RMB11,618,000 would have been recognised in the consolidated income statement for the year ended 31 December 2012.

18. GOODWILL

Group

	2012 RMB'000	2011 RMB'000
Cost and net carrying amount at 1 January	1,585,136	338,909
Acquisition of subsidiaries *(note 40)*	69,125	1,246,227
Other addition	7,510	—
Cost and net carrying amount at 31 December	1,661,771	1,585,136

The addition of the Group's goodwill in 2012 resulted from the acquisition of Suqian Zhongwu Hospital Co., Ltd. ("Zhongwu Hospital"), Yueyang Guangji Hospital Co., Ltd. and Hunan Province Guangji Real Estate Co., Ltd.

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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 15%. 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 2012 and 31 December 2011. 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 2012							
	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	Franchise RMB'000	Total RMB'000
Cost:								
At 1 January 2012	265,000	684,442	9,570	116,035	206,000	23,622	1,800	1,306,469
Additions	—	705	166	—	—	17,096	6,977	24,944
Transferred from deferred development costs	—	7,872	—	—	—	(7,872)	—	—
Capital injection from non-controlling shareholders of subsidiaries *(note 42)*	—	19,006	—	—	—	—	—	19,006
Disposals	—	(80)	(48)	(2,293)	—	(1,659)	—	(4,080)
At 31 December 2012	265,000	711,945	9,688	113,742	206,000	31,187	8,777	1,346,339
Accumulated amortisation:								
At 1 January 2012	—	(47,261)	(3,239)	(2,293)	(4,578)	(1,711)	(105)	(59,187)
Amortisation for the year *(note 7)*	—	(33,620)	(2,003)	(9)	(13,733)	—	(287)	(49,652)
Disposals	—	80	48	2,224	—	—	—	2,352
At 31 December 2012	—	(80,801)	(5,194)	(78)	(18,311)	(1,711)	(392)	(106,487)
Impairment losses:								
At 1 January 2012 and 31 December 2012	—	(1,094)	—	—	—	—	—	(1,094)
Net carrying amount:								
At 31 December 2012	265,000	630,050	4,494	113,664	187,689	29,476	8,385	1,238,758
At 1 January 2012	265,000	636,087	6,331	113,742	201,422	21,911	1,695	1,246,188

Notes to the Financial Statements

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19. OTHER INTANGIBLE ASSETS (Continued)

Group (Continued)

	Year ended 31 December 2011							
	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	Franchise RMB'000	Total RMB'000
Cost:								
At 1 January 2011	64,000	65,355	16,696	108,006	—	8,991	—	263,048
Additions	—	13,440	3,756	29	—	11,334	—	28,559
Acquisition of subsidiaries *(note 40)*	201,000	571,950	828	8,000	206,000	3,297	1,800	992,875
Capital injection from non-controlling shareholders of subsidiaries *(note 42)*	—	33,697	—	—	—	—	—	33,697
Disposals	—	—	(11,710)	—	—	—	—	(11,710)
At 31 December 2011	265,000	684,442	9,570	116,035	206,000	23,622	1,800	1,306,469
Accumulated amortisation:								
At 1 January 2011	—	(17,359)	(7,659)	(58)	—	(1,711)	—	(26,787)
Amortisation for the year *(note 7)*	—	(19,503)	(1,625)	(2,235)	(4,578)	—	(75)	(28,016)
Acquisition of subsidiaries *(note 40)*	—	(10,399)	(388)	—	—	—	(30)	(10,817)
Disposals	—	—	6,433	—	—	—	—	6,433
At 31 December 2011	—	(47,261)	(3,239)	(2,293)	(4,578)	(1,711)	(105)	(59,187)
Impairment losses:								
At 1 January 2011 and 31 December 2011	—	(1,094)	—	—	—	—	—	(1,094)
Net carrying amount:								
At 31 December 2011	265,000	636,087	6,331	113,742	201,422	21,911	1,695	1,246,188
At 1 January 2011	64,000	46,902	9,037	107,948	—	7,280	—	235,167

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19. OTHER INTANGIBLE ASSETS (Continued)

Company

	Year ended 31 December 2012		
	Office software RMB'000	**Trademarks RMB'000**	**Total RMB'000**
Cost:			
At 1 January 2012	**4,131**	**1,265**	**5,396**
Additions	**387**	**10**	**397**
At 31 December 2012	**4,518**	**1,275**	**5,793**
Accumulated amortisation:			
At 1 January 2012	**(1,633)**	**—**	**(1,633)**
Amortisation for the year	**(664)**	**—**	**(664)**
At 31 December 2012	**(2,297)**	**—**	**(2,297)**
Net carrying amount:			
At 31 December 2012	**2,221**	**1,275**	**3,496**
At 1 January 2012	**2,498**	**1,265**	**3,763**

	Year ended 31 December 2011		
	Office software RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
At 1 January 2011	3,430	1,236	4,666
Additions	701	29	730
At 31 December 2011	4,131	1,265	5,396
Accumulated amortisation:			
At 1 January 2011	(972)	—	(972)
Amortisation for the year	(661)	—	(661)
At 31 December 2011	(1,633)	—	(1,633)
Net carrying amount:			
At 31 December 2011	2,498	1,265	3,763
At 1 January 2011	2,458	1,236	3,694

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20. INVESTMENTS IN SUBSIDIARIES

Company

	2012 RMB'000	2011 RMB'000
Unlisted investments, at cost	3,299,905	3,310,283

Particulars of the principal subsidiaries are as follows:

Company name*	Note	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shanghai Xinchang Medical Equipment Co., Ltd. (上海信長醫療器械有限公司)**		PRC 6 January 2009	RMB1,000	—	100	Manufacture and sale of diagnostic products
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 21 March 2001	RMB50,000	—	100	Distribution and retail of medicine
Shanghai Fosun Pharmaceutical Investment Co., Ltd. (上海復星醫藥投資有限公司)**		PRC 1 September 2000	RMB689,600	100	—	Investment management
Shanghai Chemo Biopharma Co., Ltd. (上海凱茂生物醫藥有限公司)***		PRC 19 November 2008	RMB153,000	—	70	Manufacture and trade of medicine
Chongqing Fochon Pharmaceutical Research Co., Ltd. (重慶復創醫藥研究有限公司)***		PRC 18 March 2009	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 22 September 2004	USD115,320	100	—	Investment management
Shanghai Fosun Chemical Pharmaceutical Investment Co., Ltd. (上海復星化工醫藥創業投資有限公司)****		PRC 23 December 2003	RMB125,000	96	—	Investment management
Shanghai Fosun Biolog Biotech Co., Ltd. (上海復星佰珞生物技術有限公司)***		PRC 5 December 2002	USD1,200	—	75	Manufacture and sale of diagnostic products
Shanghai Xingtai Pharmaceutical Co., Ltd. (上海星泰醫藥科技有限公司)**	(1)	PRC 16 August 2006	RMB28,888	—	100	Research and development of medicine
Shanghai Fosun New Medicine Research Co., Ltd. (上海復星新藥研究有限公司)**		PRC 12 September 2008	RMB60,000	—	100	Research and development of medicine

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	Note	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Jiangsu Wanbang Pharmaceutical Marketing & Distribution Co., Ltd. (江蘇萬邦醫藥營銷有限公司)**		PRC 1 August 2008	RMB10,000	—	100	Sale of medicine
Shanghai Keling Pharmaceutical Technology Co., Ltd. (上海科麟醫藥科技有限公司)**		PRC 30 July 2008	RMB3,000	—	100	Research and development of medicine
Shanghai Fosun Pingyao Investment Management Co., Ltd. (上海復星平耀投資管理有限公司)**		PRC 21 March 2007	RMB10,000	100	—	Investment management
Chongqing Haisiman Pharmaceutical Co., Ltd. (重慶海斯曼藥業有限責任公司)**		PRC 21 June 2007	RMB5,000	—	100	Sale of medicine
Xuzhou Wanbang Jinqiao Pharmaceutical Co., Ltd. (徐州萬邦金橋製藥有限公司)***		PRC 27 September 2006	RMB41,000	—	97.98	Manufacture and trading of medicine
Shanghai Qiguang Investment Management Co., Ltd. (上海齊廣投資管理有限公司)**		PRC 24 April 2007	RMB5,000	—	100	Investment management
Shanghai Qishen Investment Management Co., Ltd. (上海齊紳投資管理有限公司)**		PRC 24 April 2007	RMB822,430	100	—	Investment management
Shanghai Qi Guang Investment Management Co., Ltd. (上海齊光投資管理有限公司)**		PRC 20 September 2007	RMB5,000	—	100	Investment management
Shanghai Qirong Investment Management Co., Ltd. (上海齊融投資管理有限公司)**		PRC 20 September 2007	RMB5,000	—	100	Investment management
Henlius Biopharmaceuticals, Inc.		United States of America 11 March 2010	USD4,350	—	100	Research and development of medicine
Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術有限公司)****		PRC 24 February 2010	USD300,000	—	74	Research and development of biopharmaceutical drugs
Chongqing Kaixing Pharmaceutical Co., Ltd. (重慶凱興製藥有限責任公司)**		PRC 28 January 2010	RMB5,000	—	100	Manufacture and trading of medicine

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	Note	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shanghai Fusheng Pharmaceutical Technology Development Co., Ltd. (上海復盛醫藥科技發展有限公司)**		PRC 2 November 2010	RMB100,000	—	100	Research and development of medicine
Ample Up Limited (能悦有限公司)		Hong Kong 7 April 2010	HKD780	—	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 28 December 2010	RMB100,000	100	—	Investment management
Kelin Pharmaceutical Technology (Ghana) Limited (科麟醫藥科技(加納)有限公司)		Ghana 22 March 2010	USD300	—	100	Manufacture and trading of medicine
Chongqing Yao Pharmaceutical Co., Ltd. (重慶藥友製藥有限責任公司)****		PRC 21 July 1997	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 30 December 1998	RMB119,042	—	95.2	Manufacture and trading of medicine
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)****		PRC 22 June 2001	RMB285,030	—	94.25	Manufacture and trading of medicine
Shanghai Fosun Pharmaceutical Co., Ltd. (上海復星藥業有限公司)****		PRC 28 July 1993	RMB66,550	—	97	Distribution of medicine
Shanghai Xingyao Med-tech Development Co., Ltd. (上海星耀醫學科技發展有限公司)**	(2)	PRC 30 May 1994	RMB10,000	100	—	Manufacture and sale of diagnostic products
Chongqing Carelife Pharmaceutical Co., Ltd. (重慶凱林製藥有限公司)**		PRC 10 July 2000	RMB16,086	—	100	Manufacture and trading of medicine
Hebei Wanbang Fulin Pharmaceutical Co., Ltd. (河北萬邦復臨藥業有限公司)****		PRC 24 April 2004	RMB62,044	—	85	Manufacture and trading of medicine
Sichuan Nuoya Medical Service Science and Technology Co., Ltd. (四川諾亞醫療科技有限責任公司)**		PRC 7 April 2003	RMB2,600	—	100	Manufacture and sale of diagnostic products
Shanghai Technology Innovation Co., Ltd. (上海創新科技有限公司)**		PRC 5 February 1993	RMB100,000	—	100	Manufacture and sale of medical devices

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	Note	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shanghai Transfusion Technology Co., Ltd. (上海輸血技術有限公司)**		PRC 28 August 1992	RMB40,000	—	100	Manufacture and sale of medical devices
Shanghai Zhaohui Pharmaceutical Co., Ltd. (上海朝暉藥業有限公司)**		PRC 23 March 1988	RMB100,000	—	100	Manufacture and trading 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 9 February 1989	RMB126,854	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 27 November 2001	RMB653,308	100	—	Investment management
Shanghai ClonBiotech Co., Ltd. (上海克隆生物高技術有限公司)**		PRC 5 December 1996	RMB100,000	—	100	Research and development of biopharmaceutical drugs
Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司)****		PRC 17 December 1991	RMB55,000	—	56.89	Research and development of medicine
Chongqing Kangle Pharmaceutical Co., Ltd. (重慶康樂製藥有限公司)****		PRC 14 January 1988	RMB20,723	—	99.53	Manufacture and trading of medicine
Shanghai Fosun Medical System Co., Ltd. (上海復星醫療系統有限公司)**		PRC 20 January 2000	RMB5,000	—	100	Manufacture and sale of medical devices
Shanghai Fuji Medical Instrument Co., Ltd. (上海復技醫療器械有限公司)****		PRC 4 June 2001	RMB4,000	—	90	Manufacture and sale of medical devices
Huaiyin Medical Instruments Co., Ltd. (淮陰醫療器械有限公司)**		PRC 7 June 1999	RMB10,000	—	100	Manufacture and sale of medical devices
Fenghuang County Jiangshan Technology Development Co., Ltd. (鳳凰縣江山科技發展有限公司)****	(3)	PRC 19 May 2004	RMB19,300	—	55	Manufacture and trading of medicine
Zhejiang Anji Technology Innovation Co., Ltd. (安吉創新科技有限公司)**		PRC 12 January 2004	RMB20,000	—	100	Manufacture and sale of medical devices

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	Note	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程股份有限公司)****		PRC 10 December 2001	RMB51,120	—	51	Manufacture and trading of medicine
Sichuan Hexin Pharmaceutical Co., Ltd. (四川合信藥業有限責任公司)**		PRC 8 November 2002	RMB19,300	—	100	Manufacture and trading of medicine
Yaneng Bioscience (Shenzhen) Co., Ltd. (亞能生物技術(深圳)有限公司)***		PRC 18 July 2001	HKD11,430	—	51	Manufacture and trading of diagnostic drugs
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 7 March 2000	RMB42,220	—	55	Distribution and retail of medicine
Shenyang Hongqi Pharmaceutical Co., Ltd. (瀋陽紅旗製藥有限公司)****		PRC 30 October 1998	RMB12,000	—	74	Manufacture and trading of medicine
Handan Moluodan Pharmaceutical Co., Ltd. (邯鄲摩羅丹藥業股份有限公司)****		PRC 4 December 1998	RMB66,670	—	60.68	Manufacture and trading of medicine
Chindex Medical Limited (美中互利醫療有限公司)		Hong Kong 15 November 2010	USD51,880	—	51	Manufacture and sale of medical devices
Shanghai Fukun Pharmaceutical Technology Development Co., Ltd. (上海復坤醫藥科技發展有限公司)**		PRC 17 June 2011	RMB100,000	—	100	Research and development of medicine
Dalian Aleph Biomedical Co. Ltd. (大連雅立峰生物製藥有限公司)****		PRC 28 February 2002	USD52,000	—	75	Manufacture and sale of biologic pharmaceutical product
Jinzhou Aohong Pharmaceutical Co. Ltd. (錦州奧鴻藥業有限責任公司)****		PRC 28 January 2002	RMB107,875	—	70	Manufacture and sale of pharmaceutical products
Anhui Jimin Hospital Management Co. Ltd. (安徽濟民醫院經營管理有限公司)****		PRC 20 July 2011	RMB3,000	—	70	Hospital management
Anhui Jimin Cancer Hospital (安徽省濟民腫瘤醫院)*****		PRC 16 August 2010	RMB10,000	—	70	Healthcare Services
Yueyang Guangji Hospital Co., Ltd. (岳陽廣濟醫院有限公司)****		PRC 3 December 2004	RMB28,898	—	55	Healthcare services

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	Note	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Hunan Province Guangji Real Estate Co., Ltd. (湖南省廣濟置業有限公司)****		PRC 29 September 2007	RMB82,222	—	55	Real estate development
Jiangsu Changxing Medical Technology Co., Ltd. (江蘇長星醫療科技有限公司)**	(4)	PRC 24 May 2012	RMB10,000	—	100	Manufacture and sale of diagnostic products
Chongqing Ruizhe pharmaceutical Co., Ltd. (重慶睿哲製藥有限公司)**	(4)	PRC 15 February 2012	RMB30,000	—	100	Manufacture and sale of pharmaceutical products
Chongqing Yaoyou Investment Co., Ltd. (重慶藥友投資有限責任公司)**	(4)	PRC 21 May 2012	RMB1,000	—	100	Investment management
Guilin Pharma Western Africa Co., Limited (科麟醫藥科技西非有限公司)	(4)	Hong Kong 20 September 2012	HKD800	—	95	Sale of pharmaceutical products
Guilin Pharma Afrique Francophone Co., Limited (科麟醫藥科技西法(科特迪瓦)有限公司)	(4)	Ivory Coast 23 July 2012	EUR3	—	100	Sale of pharmaceutical products
Xizang Yaoyou pharmaceutical technology Consulting Co., Ltd. (西藏藥友藥業科技諮詢有限公司)**	(4)	PRC 24 October 2012	RMB3,000	—	100	Research and development of medicine
Chongqing Kemei Yaoyou Nano Biotechnology Development Co., Ltd. (重慶科美藥友納米生物技術開發公司)**	(5)	PRC 20 February 2004	RMB6,000	—	100	Research and development of medicine and healthcare products
Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司)****	(5)	PRC 15 March 2012	RMB17,500	—	55	Healthcare services
Suzhou Qitian Blood Transfusion Technology Co., Ltd. (蘇州奇天輸血技術有限公司)****	(5)	PRC 20 June 1986	RMB4,471	—	66.67	Manufacture and sale of medical devices

* 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.

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20. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

(1) In August 2012, Shanghai Fosun Omni Pharmaceutical Co., Ltd. was renamed to Shanghai Xingtai Pharmaceutical Co., Ltd. (上海星泰醫藥科技有限公司).

(2) In November 2012, Shanghai Fosun Med-tech Development Co., Ltd. was renamed to Shanghai Xingyao Med-tech Development Co., Ltd. (上海星耀醫學科技發展有限公司).

(3) The Group entered into an agreement to dispose of a 10% equity interest in Fenghuang Country Jiangshan Technology Development Co., Ltd. to an independent third party. The equity interest held by the Group thereby decreased from 65% to 55% when the transaction completed in August 2012.

(4) These subsidiaries were established by the Group in 2012.

(5) These subsidiaries were acquired by the Group in 2012. 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.

21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Group

	2012 RMB'000	2011 RMB'000
Share of net assets	**17,281**	1,954

Particulars of the jointly-controlled entities are as follows:

Company name*	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shanghai Huifeng Forme Pharmacy Co., Ltd. (上海滙豐復美大藥房有限公司)	PRC 29 July 2002	RMB500	—	50	Distribution and retail of medicine
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. (上海龍沙復星醫藥科技發展有限公司)**	PRC 17 August 2012	RMB10,000	—	50	Research and, development of medicine

* 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.

** Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. was established by the Group in 2012.

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21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2012 RMB'000	2011 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	17,283	1,416
Non-current assets	104	598
Current liabilities	(106)	(60)
Net assets	17,281	1,954
Share of the jointly-controlled entities' results:		
Revenue	5,421	2,856
Total expenses	(6,922)	(3,028)
Tax	(13)	(17)
Loss after tax	(1,514)	(189)

22. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	—	—	171,840	171,840
Share of net assets	7,775,810	7,329,257	—	—
Goodwill on acquisition	127,092	66,242	—	—
	7,902,902	7,395,499	171,840	171,840
Market value of listed shares*	452,068	965,341	—	—

* The carrying amount of listed shares at 31 December 2012 was RMB233,616,000 (2011: RMB461,312,000).

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22. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the Group's associates are as follows:

Company name*	Note	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)**		PRC 9 July 1988	RMB674,970	25	—	Manufacture and sale of medicine
Shandong Jincheng Pharmaceutical and Medical Co., Ltd. (山東金城醫藥化工股份有限公司)**	(1)	PRC 12 January 2004	RMB121,000	—	13.88	Manufacture and sale of medicine
Hunan Hansen Pharmaceutical Co., Ltd. (湖南漢森製藥股份有限公司)**		PRC 21 January 1998	RMB148,000	—	14.86	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 23 July 1999	RMB80,000	—	30	Manufacture and sale of medicine
Guangxi Huahong Pharmaceutical Co., Ltd. (廣西壯族自治區花紅藥業股份有限公司)**		PRC 26 August 1982	RMB100,000	—	36.65	Manufacture and sale of medicine
Shanghai Yaofang Co., Ltd. (上海藥房股份有限公司)**		PRC 30 December 1997	RMB35,000	—	27	Distribution and retail of medicine
Beijing Yongan Fosun Pharmaceutical Company Limited (北京永安復星醫藥股份有限公司)**		PRC 7 October 1993	RMB150,000	—	46	Distribution and retail 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 12 December 1992	RMB127,418	—	50	Distribution and retail of medicine
Shanghai Lianhua Fosun Pharmacy Chain-store Co., Ltd. (上海聯華復星藥房連鎖經營有限公司)**		PRC 15 May 2000	RMB5,000	—	50	Distribution and retail of medicine
Shanghai Liyi Pharmacy Co., Ltd. (上海利意大藥房有限公司)**		PRC 25 November 2003	RMB1,000	—	35	Distribution and retail of medicine
Taizhou Directional Reflecting Materials Co., Ltd. (台州市定向反光材料有限公司)**		PRC 12 October 2000	RMB38,000	—	49	Research, development, manufacture and sale of glass microspheres
Zhejiang Crystal-Optech Co., Ltd. (浙江水晶光電科技股份有限公司)**	(2)	PRC 2 August 2002	RMB249,706	—	—	Research, development, manufacture and sale of precision film optics

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22. INVESTMENTS IN ASSOCIATES (Continued)

Company name*	*Note*	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Zhejiang Qianglong Seating Co., Ltd. (浙江強龍椅業股份有限公司)**		PRC 6 May 1997	RMB56,400	—	20.04	Manufacture of furniture
Guilin Auspicious Pharmaceutical Industrial Ltd. (桂林澳林製藥有限責任公司)**		PRC 25 March 2002	RMB6,000	—	49	Research, development, manufacture and sale of medicine
Suzhou Laishi Transfusion Equipment Co., Ltd. (蘇州萊士輸血器材有限公司)**	(3)	PRC 25 December 1992	USD1,150	—	40	Manufacture and sale of medical devices
Zhejiang Old Uncle Restaurant Management Co., Ltd. (浙江老娘舅餐飲管理有限公司)**		PRC 12 May 2000	RMB10,750	—	23	Chinese fast food chain stores
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)**		PRC 6 May 2008	RMB100,000	—	49	Manufacture and trading of medicine
Shanghai Huixing Hospital Investment Management Co., Ltd. (上海匯星醫院投資管理有限公司)**	(4)	PRC 15 June 2009	RMB20,000	—	40	Provision of hospital management services
BioSino Bio-technology and Science Inc. (中生北控生物科技股份有限公司)		PRC 1 March 1988	RMB131,304	—	23.83	Manufacture and sale of medicine
Anhui Shanhe Medical Accessories Co., Ltd. (安徽山河藥用輔料股份有限公司)**		PRC 27 April 2001	RMB34,800	—	20	Manufacture and trading of medicine
Chengde Jingfukang Pharmaceutical Co., Ltd. (承德頸復康藥業集團有限公司)**		PRC 25 December 1997	RMB60,000	—	25	Manufacture and trading of medicine
Jiangxi Shengfulai Directional Reflecting Materials Co., Ltd. (江西盛富萊定向反光材料有限公司)**		PRC 16 June 2004	RMB20,000	—	35.59	Manufacture and sale of glass microspheres
Nanjing SINNOWA Medical Science & Technology Co., Ltd. (南京神州英諾華醫療科技有限公司)**		PRC 4 September 2002	RMB40,586	—	25	Research, development and manufacture of medicine equipment

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22. INVESTMENTS IN ASSOCIATES (Continued)

Company name*	Note	Place and date of incorporation/ registration	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Tongjitang Chinese Medicines Company		Cayman Islands 16 May 2006	USD100	—	32.1	Development, manufacture and sale of Chinese medicine
SD Biosensor Inc.**	(5)	Korea 21 December 2010	USD15,000	—	17.65	Research, development, manufacture and sale of blood glucose analysers
Shenzhen Belter Health Measurement and Analysis Technology Co., Ltd. (深圳市倍泰健康測量分析技術有限公司)**	(6)	PRC 30 June 1994	RMB26,596	—	11	Manufacture and trading of medicine
Dalian Wanchun Medicine Co., Ltd. (大連萬春藥業有限公司)**	(7)	PRC 25 December 2012	RMB150,000	—	6.67	Research, development and manufacture of medicine

* 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

Notes:

(1) Shandong Jincheng Pharmaceutical and Medical Co., Ltd. ("Jincheng Medical") was listed on the Shenzhen Stock Exchange on 22 June 2011. The Group reduced its equity interest in Jincheng Medical to 13.88% and lost significant influence on the board of directors as well as the operating and financial policies of Jincheng Medical in December 2012. Then, the Group started to account for Jincheng Medical as an available-for-sale investment at the end of 2012. The disposal gain was RMB82,651,000.

(2) Zhejiang Crystal-Optech Co., Ltd. ("Zhejiang Crystal") was listed on the Shenzhen Stock Exchange in September 2008. In March 2012, the Group further reduced its equity interest in Zhejiang Crystal to 5.03% and lost significant influence on the board of directors as well as the operating and financial policies of Zhejiang Crystal. Then, the Group started to account for Zhejiang Crystal as an available-for-sale investment from 1 April 2012. The disposal gain was RMB232,681,000. At the end of 2012, the Group disposed of all its equity interest in Zhejiang Crystal. The disposal gain was RMB48,897,000.

(3) In November 2012, the Group's entered into an agreement to acquire a 35% equity interest in Suzhou Qitian from an independent third party. The equity interest in Suzhou Qitian held by the Group increased from 31.67% to 66.67%. Suzhou Laishi Transfusion Equipment Co., Ltd., an associate of Suzhou Qitian, became an associate of the Group after this transaction.

22. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(4) The Group holds a 100% equity interest in Shanghai Huixing Hospital Investment Management Co., Ltd. ("Huixing Hospital"). Upon establishment of Huixing Hospital in 2009, the Group signed an agreement with Baihui (Shanghai) Hospital Management Co., Ltd. ("Baihui") and irrevocably entrusted 60% of voting rights of Huixing Hospital to Baihui. In addition, the Group pledged 60% of its equity interest in Huixin Hospital to Baihui. As a result, the Group has no control but merely exerts significant influence on the board of directors as well as the operating and financial policies of Huixing Hospital. Therefore, Huixing Hospital has been accounted for as an associate of the Group since its establishment.

(5) On 8 February 2012, Fosun Industrial (HK) Co., Ltd. entered into a share subscription agreement with the shareholder of SD Biosensor Inc. ("SDB"), an independent third party, to subscribe 154,286 new shares of SDB, representing, upon issuance, approximately 17.65% of the issued and outstanding share capital of SDB on a fully diluted basis. The Group accounts for SDB as an associate as the Group has significant influence on the board of directors as well as the operating and financial policies of this entity starting from 1 March 2012.

(6) On 28 February 2012, Shanghai Fosun Pingyao Investment Management Co., Ltd. entered into a capital injection agreement with the shareholders of Shenzhen Belter Health Measurement and Analysis Technology Co., Ltd. ("Shenzhen Belter"), which are independent third parties, to acquire 11% equity interest in Shenzhen Belter. The Group accounts for Shenzhen Belter as an associate as the Group has significant influence on the board of directors as well as the operating and financial policies of this entity since April 2012.

(7) On 30 November 2012, Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. entered into an agreement with the shareholders of Dalian Wanchun Medicine Co., Ltd. ("Dalian Wanchun"), which are independent third parties, to acquire 6.67% equity interest in Dalian Wanchun. The Group accounts for Dalian Wanchun as an associate as the Group has significant influence on the board of directors as well as the operating and financial policies of this entity since December 2012.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2012 RMB'000	2011 RMB'000
Total assets	96,987,559	84,372,896
Total liabilities	65,047,370	53,859,611

	2012 RMB'000	2011 RMB'000
Revenue	147,136,164	111,543,551
Profit after tax	3,692,653	2,978,956

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23. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed equity investments, at fair value:				
United States	**208,366**	169,488	**—**	—
Mainland China	**1,245,758**	1,948,446	**—**	—
	1,454,124	2,117,934	**—**	—
Unlisted equity investments, at cost	**616,099**	670,570	**96,748**	176,388
	2,070,223	2,788,504	**96,748**	176,388

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.

Movements in the provision for impairment of available-for-sale investments are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of the year	**50,334**	50,334	**50,000**	50,000
Disposal	**(50,000)**	—	**(50,000)**	—
At end of the year	**334**	50,334	**—**	50,000

24. OTHER NON-CURRENT ASSETS

Group

	2012 RMB'000	2011 RMB'000
Prepayments for purchase of property, plant and equipment	**69,259**	19,429
Deposits for purchase of land use rights	**24,730**	24,730
Prepayments for purchase of other intangible assets	**5,400**	5,400
Receivable for disposal of an associate*	**81,298**	81,298
Less: Provision for impairment*	**(81,298)**	(81,298)
Others	**1,796**	10,183
	101,185	59,742

* Receivable for disposal of an associate represents the Group's receivable for disposal of Huixin Biological Paper Co., Ltd. ("Huixin Paper"). According to the disposal agreement, the consideration will be received from 2012 till 2014. The amount was classified as an other non-current asset and an other current asset (note 30) as at 31 December 2011. As Huixin Paper has experienced financial difficulties and operational abnormalities since 2010, the receivable was fully impaired at 31 December 2011.

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25. DEFERRED TAX

The deferred tax assets and liabilities are attributed to the following items, which are reflected in the statement of financial position:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets:				
Provision for impairment of assets	**14,262**	7,279	**—**	—
Depreciation and amortisation	**345**	506	**—**	—
Losses available for offsetting against future taxable profit	**1,391**	—	**—**	—
Accrued expenses	**15,485**	8,942	**—**	—
Gross deferred tax assets	**31,483**	16,727	**—**	—
Deferred tax liabilities:				
Deemed disposal of associates	**839,807**	865,647	**—**	—
Fair value adjustments arising from available-for-sale investments	**202,253**	416,873	**—**	—
Fair value adjustments arising from acquisition of subsidiaries	**317,878**	313,245	**—**	—
Gross deferred tax liabilities	**1,359,938**	1,595,765	**—**	—
Net deferred tax liabilities	**1,328,455**	1,579,038	**—**	—

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25. DEFERRED TAX (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January, net	**(1,579,038)**	(846,450)	**—**	(7,488)
Deferred tax assets of acquired subsidiaries *(note 40)*	**—**	3,119	**—**	—
Deferred tax liabilities arising from acquisition of subsidiaries *(note 40)*	**(7,178)**	(259,746)	**—**	—
Deferred tax credited/(charged) to profit or loss during the year *(note 12)*	**11,036**	(195,949)	**—**	7,488
Deferred tax credited/(charged) to reserves during the year	**246,725**	(280,012)	**—**	—
At 31 December, net	**(1,328,455)**	(1,579,038)	**—**	—

Deferred tax assets have not been recognised in respect of the following items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the following items can be utilised:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Tax losses	**767,769**	657,506	**317,071**	212,758
Deductible temporary differences	**298,448**	296,748	**—**	50,000
	1,066,217	954,254	**317,071**	262,758

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

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26. INVENTORIES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**367,728**	324,339	**—**	—
Work in progress	**210,491**	172,150	**—**	—
Finished and semi-finished goods	**667,942**	596,753	**—**	—
Spare parts and consumables	**35,143**	35,466	**516**	498
Others	**25,862**	17,029	**—**	—
	1,307,166	1,145,737	**516**	498
Less: Provision	**(33,727)**	(21,794)	**—**	—
	1,273,439	1,123,943	**516**	498

27. TRADE AND BILLS RECEIVABLES

Group

	2012	2011
	RMB'000	RMB'000
Trade receivables	**802,798**	844,952
Bills receivable	**272,374**	302,748
	1,075,172	1,147,700

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

	2012 RMB'000	2011 RMB'000
Within 1 year	789,278	837,666
1 to 2 years	20,988	16,252
2 to 3 years	9,192	4,401
Over 3 years	22,475	22,139
	841,933	880,458
Less: Provision for impairment	(39,135)	(35,506)
	802,798	844,952

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

Group

	2012 RMB'000	2011 RMB'000
At 1 January	35,506	47,268
Provision of impairment losses	6,298	1,690
Impairment losses reversed	(1,267)	(4,657)
Acquisition of subsidiaries	—	11,566
Disposal of subsidiaries	—	(7,864)
Amounts written off as uncollectible	(1,402)	(12,497)
At 31 December	39,135	35,506

As at 31 December 2012, included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables with a carrying amount before provision of RMB39,135,000 (2011: RMB35,506,000).

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

	2012 RMB'000	2011 RMB'000
Neither past due nor impaired	**375,471**	344,873
Less than 3 months past due	**291,115**	425,301
3 to 6 months past due	**66,473**	52,874
6 months to 1 year past due	**56,218**	14,618
Over 1 year past due	**13,521**	7,286
	802,798	844,952

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	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Advances to suppliers	**238,900**	212,951	**—**	—
Deposits	**190,973**	182,676	**200**	500
Other receivables	**213,480**	123,821	**119,801**	36,363
	643,353	519,448	**120,001**	36,863

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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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**617,276**	506,273	**89,427**	36,863
1 to 2 years	**22,829**	8,767	**30,574**	—
2 to 3 years	**3,759**	5,785	**—**	—
Over 3 years	**10,871**	9,578	**97**	97
	654,735	530,403	**120,098**	36,960
Less: Provision for impairment of other receivables	**(11,382)**	(10,955)	**(97)**	(97)
	643,353	519,448	**120,001**	36,863

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**10,955**	14,307	**97**	97
Provision of impairment losses	**909**	2,964	**—**	—
Impairment losses reversed	**(79)**	(541)	**—**	—
Acquisition of subsidiaries	**—**	702	**—**	—
Disposal of subsidiaries	**—**	(755)	**—**	—
Amounts written off as uncollectible	**(403)**	(5,722)	**—**	—
At 31 December	**11,382**	10,955	**97**	97

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29. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2012 RMB'000	2011 RMB'000
Listed equity investments, at market value		
United States	**224,834**	231,319

The above equity investments at 31 December 2011 and 2012 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

	2012 RMB'000	2011 RMB'000
Receivable for disposal of an associate	**148,049**	148,049
Less: Provision for impairment	**(148,049)**	(148,049)
	—	—

As at 31 December 2012, the receivable for disposal of an associate represented the receivable for disposal of the Group's investment in Huixin Paper, which was expected to be received by instalments from February 2012 and was reclassified from other non-current assets (note 24).

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31. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**2,228**	10,060	**159**	28
Cash at banks, unrestricted	**4,051,173**	2,348,028	**2,082,641**	119,347
Deposits in Fosun Finance*	**118,173**	70,131	**8,171**	131
Cash and cash equivalents as stated in the consolidated statements of cash flows	**4,171,574**	2,428,219	**2,090,971**	119,506
Pledged bank balances to secure bills payable	**87,813**	123,338	**—**	—
Pledged bank balances to secure bank borrowings *(note 34)*	**—**	157,500	**—**	157,500
Term deposits with original maturity of more than three months	**713,138**	185,516	**713,138**	140,000
Cash and cash equivalents as stated in the consolidated statements of financial position	**4,972,525**	2,894,573	**2,804,109**	417,006

* Fosun Group Finance Corporation Limited ("Fosun Finance") is a licensed financial institution registered with the China Banking Regulatory Commission. Fosun Finance is a subsidiary of Fosun High Tech. Details of the deposits are given in note 46(d) to the financial statements

As at 31 December 2012, the cash and cash equivalents of the Group denominated in foreign currencies amounted to RMB2,847,601,000 (2011: RMB259,602,000). The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Term deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and three years. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. Details of the interest earned on deposits in Fosun Finance are set out in note 46(f) to the financial statements.

Notes to the Financial Statements

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32. TRADE AND BILLS PAYABLES

Group

	2012 RMB'000	2011 RMB'000
Trade payables	**754,721**	735,707
Bills payable	**127,316**	183,941
	882,037	919,648

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

	2012 RMB'000	2011 RMB'000
Within 1 year	**737,559**	717,565
1 to 2 years	**11,800**	4,352
2 to 3 years	**1,162**	6,620
Over 3 years	**4,200**	7,170
	754,721	735,707

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33. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Advances from customers		**202,845**	197,910	**—**	—
Payables relating to purchase of plant, property and equipment		**48,221**	47,937	**—**	—
Deposits received		**173,954**	118,956	**—**	—
Payroll		**141,401**	129,520	**29,108**	18,617
Business tax		**7,812**	3,074	**—**	—
Value-added tax		**4,236**	12,718	**(2,066)**	(1,093)
Other taxes		**16,608**	20,369	**—**	—
Accrued interest expenses		**154,068**	94,927	**152,405**	88,374
Dividends payable to non-controlling shareholders of subsidiaries		**4,726**	17,563	**—**	—
Other accrued expenses		**167,291**	91,995	**—**	—
Current portion of deferred income *(note 36)*		**15,471**	20,074	**—**	—
Payables for acquisition of subsidiaries	(i)	**688,829**	987,094	**—**	—
Payables for purchase of an associate and an available-for-sale investment	(ii)	**57,397**	—	**—**	—
Loans from non-controlling shareholders of subsidiaries	(iii)	**55,400**	43,324	**—**	—
Loans from independent third parties	(iv)	**21,000**	33,159	**—**	—
Other payables	(v)	**277,300**	269,949	**39,080**	23,577
		2,036,559	2,088,569	**218,527**	129,475
Less: Non-current portion of payables for acquisition of subsidiaries	(i)	**(570,389)**	(312,636)	**—**	—
		1,466,170	1,775,933	**218,527**	129,475

Notes:

(i) Payables for acquisitions of subsidiaries as at 31 December 2012 represented the cash considerations for the acquisitions of Dalian Aleph Biomedical Co., Ltd. ("Dalian Aleph"), Jinzhou Aohong Pharmaceutical Co., Ltd. ("Aohong Pharma") and Zhongwu Hospital of RMB255,000,000, RMB323,691,000, and RMB110,138,000, respectively. The non-current portion is the fair value of the contingent considerations for the acquisitions of Dalian Aleph, Aohong Pharma and Zhongwu Hospital, which will be paid in 2014 and 2015.

(ii) Payables for purchase of an associate and an available-for-sale investment as at 31 December 2012 represented the cash considerations for the acquisition of Shenzhen Belter (note 22(6)) and Shenzhen Haotong Investment Development Co., Ltd, amounting to RMB34,767,000 and RMB22,630,000, respectively.

(iii) The loans from non-controlling shareholders of subsidiaries as at 31 December 2012 were loans of RMB55,400,000 (2011: RMB43,324,000), which bear interest at rates ranging from 12% to 12.5% (2011: 12%) per annum and are repayable on demand.

(iv) Loans from independent third parties of RMB21,000,000 as at 31 December 2012 (2011: RMB33,159,000) bear interest at a rate of 10.5% (2011: 12%) per annum and are repayable on demand.

(v) Other payables are non-interest-bearing and repayable on demand.

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34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans: *(note (1))*				
Guaranteed by related parties	**—**	511,018	**—**	455,000
Secured	**743,000**	881,179	**520,000**	320,000
Unsecured	**349,149**	2,133,615	**—**	200,000
	1,092,149	3,525,812	**520,000**	975,000
Medium-term notes *(note (2))*	**2,574,807**	2,568,056	**2,574,807**	2,568,056
Corporate bonds *(note (3))*	**1,488,540**	—	**1,488,540**	—
Short-term bonds *(note (4))*	**499,375**	—	**499,375**	—
Total	**5,654,871**	6,093,868	**5,082,722**	3,543,056
Repayable:				
Within 1 year	**1,374,706**	2,177,051	**854,375**	298,000
1 to 2 years	**40,909**	962,114	**40,000**	412,000
2 to 5 years	**4,219,256**	2,904,703	**4,168,347**	2,783,056
Over 5 years	**20,000**	50,000	**20,000**	50,000
	5,654,871	6,093,868	**5,082,722**	3,543,056
Portion classified as current liabilities	**(1,374,706)**	(2,177,051)	**(854,375)**	(298,000)
Non-current portion	**4,280,165**	3,916,817	**4,228,347**	3,245,056

Notes to the Financial Statements

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

Notes:

(1) Bank loans — Group

(a) Foreign currency loans

	2012 RMB'000	2011 RMB'000
US$:		
Guaranteed by related parties	—	126,018
Unsecured	185,422	404,858
	185,422	530,876
HK$:		
Secured	—	139,479

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

	2012 RMB'000	2011 RMB'000
Interest rate range	1.712% to 7.540%	1.000% to 8.530%

(c) As at 31 December 2012, certain of the Group's bank loans are secured by the pledge of certain of the Group's time deposits (note 31) amounting to nil (2011: RMB157,500,000), property, plant and equipment (note 16) amounting to RMB302,735,000 (2011: RMB350,696,000), prepaid land lease payments (note 17) amounting to RMB39,042,000 (2011: RMB73,744,000), and the Group's 94.16% equity interest in Guilin South Pharma Co., Ltd. (2011: the Group's 70% equity interest in Shenyang Hongqi Pharmaceutical 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.

(4) Short-term bonds

On 18 December 2012, the company issued short-term bonds with a maturity of 180 days in an aggregate amount of RMB500,000,000, which bear interest at 4.75% per annum. The interest is payable at the maturity date on 17 June 2013.

The carrying amounts of the Group's current bank and other borrowings approximate to their fair values. The fair value of the Group's non-current bank and other borrowings at 31 December 2012 was RMB4,243,335,000 (2011: RMB3,822,693,000). The carrying amounts of the Company's current bank and other borrowings approximate to their fair values. The fair value of the Company's non-current bank and other borrowings as at 31 December 2012 was RMB4,190,902,000 (2011: RMB3,159,356,000). The fair value has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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35. BALANCES WITH RELATED COMPANIES

Due from related companies

		Group		Company	
		2012	2011	**2012**	2011
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Associates	(i)	**151,288**	132,123	**491**	—
Subsidiaries	(ii)	**—**	—	**5,165,238**	2,790,270
Other related companies		**40,907**	—	**39,939**	—
		192,195	132,123	**5,205,668**	2,790,270
Portion classified as current		**(192,195)**	(132,123)	**(1,170,534)**	(1,697,119)
		—	—	**4,035,134**	1,093,151

Notes:

(i) The amounts due from associates as at 31 December 2012 included an amount of RMB12,298,000, which is dividend receivable from associates of the Group. The remaining balances due from associates as at 31 December 2012 were trade in nature, non-interest-bearing and repayable on demand.

(ii) As at 31 December 2012, the balances due from subsidiaries included entrusted loans to the subsidiaries amounting to RMB4,285,134,000 (2011: RMB1,773,150,000), which bear interest at rates ranging from 2% to 10.5% per annum. The interest is payable annually from 2012 to 2017. The principal amounts will be repaid on the maturity dates. As at 31 December 2012, the balances due from subsidiaries also included dividend receivable amounting to nil (2011: RMB31,000,000) and interest receivable amounting to RMB86,270,000 (2011: RMB7,371,000). The remaining balances are trade in nature, non-interest-bearing and repayable on demand.

35. BALANCES WITH RELATED COMPANIES (Continued)

Due to related companies

		Group		Company	
	Notes	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Associates	(iii)	**33,360**	43,588	**—**	—
Subsidiaries	(iv)	**—**	—	**14,976**	12,496
Other related companies		**3,634**	—	**—**	—
		36,994	43,588	**14,976**	12,496

Notes:

(iii) The amounts due to associates as at 31 December 2011 included an amount of RMB10,000,000, which is an entrusted loan from an associate of the Group. Further details are given in note 46(d) to the financial statements.

(iv) The amounts due to subsidiaries are unsecured, non-interest-bearing and repayable on demand.

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 46 to the financial statements.

36. DEFERRED INCOME

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Government grants	**37,025**	35,101	**2,500**	—
Extended warranty	**19,981**	25,137	**—**	—
Less: Extended warranty classified as current portion *(note 33)*	**(15,471)**	(20,074)	**—**	—
	41,535	40,164	**2,500**	—

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.

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36. DEFERRED INCOME (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**35,101**	39,370	**—**	—
Additions	**59,143**	57,470	**2,500**	—
Recognised as income during the year	**(57,219)**	(61,739)	**—**	—
At 31 December	**37,025**	35,101	**2,500**	—

37. OTHER LONG-TERM LIABILITIES

Group

	Notes	**2012** **RMB'000**	2011 RMB'000
Staff placement fees	(i)	**37,743**	44,376
Payables for acquisition of subsidiaries	(ii)	**570,389**	312,636
Others		**19,490**	18,506
		627,622	375,518

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 acquisition of subsidiaries represent the fair value of the contingent consideration for the acquisitions of Dalian Aleph, Aohong Pharma and Zhongwu Hospital, which will be paid in 2014 and 2015 (note 33(i)).

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38. ISSUED SHARE CAPITAL

	2012		2011	
	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**	—	—
	2,240,462	**2,240,462**	1,904,392	1,904,392

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

	2012		2011	
	Number of shares '000	**Nominal value RMB'000**	Number of shares '000	Nominal value RMB'000
At 1 January	**1,904,392**	**1,904,392**	1,904,392	1,904,392
Issue of H Shares	**336,070**	**336,070**	—	—
At 31 December	**2,240,462**	**2,240,462**	1,904,392	1,904,392

On 30 October 2012, the Company completed an issue of 336,070,000 H Shares. The net proceeds received from the issue amounted to RMB3,066,276,000, after deduction of issue expenses of RMB158,579,000 (including accrued issue expenses). Part of the proceeds, amounting to RMB336,070,000, was credited as issued and fully paid share capital, and the remaining balance of RMB2,730,206,000 was credited to share premium.

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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 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 2011	841,958	224,965	(210,452)	190,439	1,046,910
Profit for the year	—	—	481,760	—	481,760
Profit appropriation to reserve	—	49,492	(49,492)	—	—
Final 2010 dividend declared and paid	—	—	—	(190,439)	(190,439)
Proposed final 2011 dividend	—	—	(190,439)	190,439	—
At 31 December 2011 and 1 January 2012	841,958	274,457	31,377	190,439	1,338,231
Profit for the period	—	—	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	3,572,164	305,635	(184,385)	470,497	4,163,911

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.

40. ACQUISITION OF SUBSIDIARIES

In November 2012, the Group's subsidiary, Chongqing Yao Pharmaceutical Co., Ltd. ("Yao Pharma") entered into an agreement with a shareholder of Chongqing Kemei Yaoyou Nano Biotechnology Development Co., Ltd. ("Kemei Yaoyou"), which is an independent third party, to acquire 50% equity interest in Kemei Yaoyou at a cash consideration of RMB640,000. Kemei Yaoyou was a jointly-controlled entity of Yao Pharma and is engaged in the research and development of nano biotechnology medicine and healthcare products. The acquisition was undertaken under the Group's strategy to develop nano biotechnology medicine and healthcare products. The acquisition was completed in November 2012 when the Group obtained control of the operating and financial policies of Kemei Yaoyou, which became a wholly-owned subsidiary of Yao Pharma.

In November 2012, the Group's wholly-owned subsidiary, Shanghai Yicheng Hospital Investment Management Co., Ltd. ("Yicheng Management") entered into an agreement with the shareholders of Zhongwu Hospital, all of which are independent third parties, to acquire 55% equity interest in Zhongwu Hospital at a cash consideration not exceeding RMB110,138,000. Zhongwu Hospital is a privately operated general hospital. The acquisition was undertaken under the Group's strategy to penetrate the market of healthcare services. The first instalment amounting to RMB42,000,000 was paid in February 2013. The remaining cash consideration shall be paid in two instalments in 2014 and 2015, respectively. The finalised consideration is capped at RMB110,138,000 and will be adjusted based on the actual operating profits of Zhongwu Hospital of 2012 and 2013 according to the terms and conditions set out in the acquisition agreement. The acquisition was completed in December 2012 when the Group obtained control of the operating and financial policies of Zhongwu Hospital.

In November 2012, the Group's wholly-owned subsidiary, Shanghai Transfusion Technology Co., Ltd. ("Transfusion Technology") entered into an agreement with a shareholder of Suzhou Qitian Blood Transfusion Technology Co., Ltd. ("Suzhou Qitian"), which is an independent third party, to acquire 35% equity interest in Suzhou Qitian at a consideration of RMB2,100,000. Suzhou Qitian was an associate of Transfusion Technology and is engaged in the manufacture and sale of transfusion devices. The acquisition was undertaken under the Group's strategy to penetrate the market of transfusion devices. The acquisition was completed in November 2012 when the Group obtained control of the operating and financial policies of Suzhou Qitian. The equity interest in Suzhou Qitian held by the Group increased from 31.67% to 66.67%.

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.

Notes to the Financial Statements

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40. ACQUISITION OF SUBSIDIARIES (Continued)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year ended 31 December 2012 were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	16	75,093
Prepaid land lease payments	17	19,426
Investments in associates		4,651
Inventories		6,368
Trade and bills receivables		7,478
Prepayments, deposits and other receivables		915
Cash and cash equivalents		31,148
Interest-bearing bank and other borrowings		(2,500)
Trade and bills payables		(42,114)
Tax payable		(8,943)
Other payables and accruals		(1,093)
Deferred tax liabilities	25	(7,178)
Total identifiable net assets at fair value		83,251
Non-controlling interests		(36,023)
Goodwill on acquisition	18	69,125
Gain on disposal of interests in an associate and a jointly-controlled entity		(273)
Gain on bargain purchase of a subsidiary	8	(491)
		115,589
Satisfied by:		
Cash*		112,878
31.67% equity interest in Suzhou Qitian		2,052
50% equity interest in Kemei Yaoyou		659
		115,589

* Among the cash consideration, RMB2,740,000 was paid in 2012. The remaining balance of RMB110,138,000 (note 33(i)) is payable from 2013 to 2015.

40. ACQUISITION OF SUBSIDIARIES (Continued)

The fair values of the non-current assets were based on valuation reports provided by Shanghai Shenwei Asset Appraisal Firm, Chongqing Zhongrui Asset Appraisal Firm and Shanghai Dongzhou Asset Appraisal Firm, independent professionally qualified valuers.

The fair values of the trade receivables and other receivables as at the dates of acquisition amounted to RMB7,478,000 and RMB915,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB7,478,000 and RMB915,000, respectively, of which no trade receivables and other receivables were expected to be uncollectible.

The Group incurred transaction costs of RMB176,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

The goodwill of RMB69,125,000 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	2,740
Cash and cash equivalents acquired as stated in the consolidated statement of cash flows	(31,148)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(28,408)
Transaction costs of the acquisitions included in cash flows from operating activities	176
	(28,232)

Since the acquisitions, all the acquired subsidiaries contributed RMB3,140,000 to the Group's revenue and RMB12,000 to the Group's profit after tax for the year ended 31 December 2012.

Had the combinations taken place at the beginning of the year ended 31 December 2012, the revenue and the profit after tax of the Group for the year ended 31 December 2012 would have been RMB7,400,783,000 and RMB1,872,989,000, respectively.

Notes to the Financial Statements

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40. ACQUISITION OF SUBSIDIARIES (Continued)

Subsequent to 31 December 2012

In December 2012, the Company entered into an agreement with the shareholders of Hunan Dongting Pharmaceutical Co., Ltd. ("Dongting Pharma"), which are independent third parties, to acquire 77.78% equity interest 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 in early January 2013 when the Group obtained control of the operating and financial policies of Dongting Pharma.

In January 2013, one of the Group's subsidiaries, Jiangsu Wanbang Biopharmaceutical Co., Ltd. ("Wanbang Pharma"), entered into an agreement with the shareholders of Zaozhuang Sainuokang Biochemical Co., Ltd. ("Sainuokang Biochemical"), which are independent third parties, to acquire 51% equity interest in Sainuokang Biochemical 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 in February 2013 when the Group obtained control of the operating and financial policies of Sainuokang Biochemical.

The information of the fair values of the identifiable assets and liabilities of the above subsidiaries as at the date of acquisition is not available at the date of this report, which will be disclosed in the consolidated financial statements of the Group for the year ended 31 December 2013.

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41. DISPOSAL OF SUBSIDIARIES

No disposal occurred during year 2012.

	Notes	2012 RMB'000	2011 RMB'000
Net assets disposed of:			
Property, plant and equipment	16	—	28,852
Prepaid land lease payments	17	—	4,592
Investments in associates		—	3,720
Available-for-sale investments		—	500
Other non-current assets		—	154
Inventories		—	50,818
Trade receivables		—	69,435
Prepayments, deposits and other receivables		—	16,108
Cash and cash equivalents		—	28,864
Interest-bearing bank and other borrowings		—	(24,000)
Trade and bills payables		—	(81,823)
Other payables and accruals		—	(42,336)
Tax payable		—	(46)
Non-controlling interests of subsidiaries within the disposal groups		—	(484)
Other long-term liabilities		—	(2,659)
Total identifiable net assets at fair value		—	51,659
Non-controlling interests		—	(13,689)
Gain on disposal of subsidiaries	8	—	8,675
		—	46,645
Satisfied by:			
Cash*		—	44,774
Fair value of the remaining 31.67% equity interest in Suzhou Qitian		—	1,871
		—	46,645

* Among the cash consideration, RMB41,525,000 had been received as of 31 December 2011. The remaining balance of RMB2,403,000 was paid during the year ended 31 December 2012.

Notes to the Financial Statements

31 December 2012

41. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2012 RMB'000	2011 RMB'000
Cash consideration	**2,403**	41,525
Cash and cash equivalents disposed of	**—**	(28,864)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**2,403**	12,661

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During 2012, the Group and the non-controlling shareholder of Shanghai Henlius Biotech Co., Ltd. ("Shanghai Henlius") increased capital in Shanghai Henlius amounting to RMB76,025,000. The non-controlling shareholders paid the consideration by injecting technical know-how amounting to RMB19,006,000.

(b) During 2011, the Group and the non-controlling shareholder of Shanghai Henlius increased capital in Shanghai Henlius amounting to RMB65,051,000. The non-controlling shareholders paid the consideration by injecting technical know-how amounting to RMB16,263,000.

(c) During 2011, the Group and the non-controlling shareholders of Fochon Pharma increased capital in Fochon Pharma amounting to RMB57,293,000. One of the non-controlling shareholders paid the consideration by injecting technical know-how amounting to RMB17,434,000.

43. 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 on Chindex's common shares participate in Chindex's equity compensation program and maintain options and restricted shares on Chindex's common shares, and the costs of those share options are expensed as they provide services to CML. As at 31 December 2012, these former Chindex employees retained 114,590 (31 December 2011: 117,215) options to acquire 114,590 (31 December 2011: 117,215) Chindex's common shares, of which 73,806 (31 December 2011: 53,455) options were vested.

43. SHARE-BASED PAYMENT (Continued)

For the year ended 31 December 2012, the share-based compensation charged to CML by Chindex consists of approximately RMB5,145,000 (2011: RMB5,752,000) for services provided by Chindex employees under the service agreement between CML and Chindex and approximately RMB920,000 (2011: RMB1,960,000) 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 process and then was 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.

44. 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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**10,907**	13,509	**—**	—
1 to 3 years, inclusive	**8,380**	17,929	**—**	—
Over 3 years	**50**	1,285	**—**	—
	19,337	32,723	**—**	—

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44. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

As at 31 December 2012, 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**31,809**	22,120	**—**	—
1 to 3 years, inclusive	**30,167**	33,017	**—**	—
Over 3 years	**8,029**	14,117	**—**	—
	70,005	69,254	**—**	—

45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44(b) to the financial statements, the Group had the following capital commitments as at 31 December 2012:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted, but not provided for				
Plant and machinery	**351,583**	148,238	**—**	—
Investments in a subsidiary and an associate	**506,120**	—	**—**	—
Investment in available-for-sale financial assets	**57,000**	24,000	**30,000**	—
	914,703	172,238	**—**	—
Authorised, but not contracted for				
Plant and machinery	**203,863**	71,115	**—**	—

46. 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

	2012 **RMB'000**	2011 RMB'000
Sinopharm Group Co., Ltd. *(notes 5 & 8)*	**385,567**	318,027
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 5)*	**19,222**	22,181
Shanghai Lianhua Fosun Pharmacy Chain-store Co., Ltd. *(notes 1 & 5)*	**18,821**	24,834
Suzhou Laishi Transfusion Equipment Co., Ltd. *(notes 1 & 5)*	**9,291**	—
Zhejiang D.A. Diagnostic Co., Ltd. *(notes 5 & 6)*	**8,460**	6,409
Shanghai Yaofang Co., Ltd. *(notes 1 & 5)*	**7,580**	12,205
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. *(notes 3 & 5)*	**6,492**	7,626
Shanghai Huifeng Forme Pharmacy Co., Ltd. *(notes 2 & 5)*	**4,962**	4,651
Shanghai Liyi Pharmacy Co., Ltd. *(notes 1 & 5)*	**2,158**	3,386
Guilin Auspicious Pharmaceutical Industrial Ltd. *(notes 1 & 5)*	**1,273**	1,338
Nanjing SINNOWA Medical Science & Technology Co., Ltd. *(notes 1 & 5)*	**75**	—
Zhejiang Crystal-Optech Co., Ltd. *(notes 5 & 10)*	**—**	225
	463,901	400,882

(b) Purchases of pharmaceutical products

	2012 **RMB'000**	2011 RMB'000
Sinopharm Group Co., Ltd. *(notes 5 & 8)*	**165,865**	119,488
Suzhou Laishi Transfusion Equipment Co., Ltd. *(notes 1 & 5)*	**21,697**	—
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. *(notes 3 & 5)*	**12,950**	7,401
Tongjitang Chinese Medicines Company *(notes 1 & 5)*	**12,097**	6,748
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 5)*	**8,749**	8,967
Shanghai Yaofang Co., Ltd. *(notes 1 & 5)*	**4,752**	1,996
Zhejiang D.A. Diagnostic Co., Ltd. *(notes 5 & 6)*	**774**	—
Shanghai Tonghanchuntang Pharmacy Co., Ltd. *(notes 3 & 5)*	**334**	520
Shanghai Tonghanchuntang Traditional Chinese Medicine Co., Ltd. *(notes 3 & 5)*	**252**	221
	227,470	145,341

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46. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services

As lessor

	2012 RMB'000	2011 RMB'000
Shanghai Fosun Property Management Co., Ltd. *(notes 4 & 7 & 11)*	**752**	501
Shanghai Forte Land Co., Ltd. *(notes 4 & 7 & 11)*	**803**	501
Fosun High Tech *(note 7 & 11)*	**269**	94
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 7 & 11)*	**72**	60
	1,896	1,156

As lessee

	2012 RMB'000	2011 RMB'000
Shanghai Fosun Property Management Co., Ltd. *(notes 4 & 7 & 11)*	**7,231**	7,016
Shanghai Forte Investment Management Co., Ltd. *(notes 4 & 7 & 11)*	**4,476**	2,865
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 7 & 11)*	**2,662**	3,000
Beijing Golte Property Management Co., Ltd. *(notes 4 & 7 & 11)*	**994**	678
Shanghai Golte Property Management Co., Ltd. *(notes 4 & 7 & 11)*	**896**	1,806
	16,259	15,365

(d) Loans from/to related parties

Loans from related parties

	2012 RMB'000	2011 RMB'000
Chengde Jingfukang Pharmaceutical Co., Ltd. *(note 1)*	**—**	10,000
Fosun Finance *(note 9 & 11)*	**25,000**	—
	25,000	10,000

On 5 May 2011, one of the Group's subsidiaries, Dalian Aleph, entered into an loan agreement to borrow RMB10,000,000 (note 35(iii)) from an associate of the Group, Chengde Jingfukang Pharmaceutical Co., Ltd. The entrusted loan bears interest at a rate of 6.94% per annum and the maturity date is 5 May 2012.

46. RELATED PARTY TRANSACTIONS (Continued)

(d) Loans from/to related parties (Continued)

Loan to a related party

	2012 RMB'000	2011 RMB'000
Sinopharm Industrial Investment Co., Ltd.	—	98,000

Maximum daily outstanding balance of deposits in Fosun Finance

	2012 RMB'000	2011 RMB'000
Fosun Finance *(note 9 & 11)*	293,922	70,131

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 commencing from the date of the financial service agreement and ending 31 December 2013. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is not exceeding RMB300,000,000. The maximum daily outstanding balance of loans granted by Fosun Finance to the Group is not exceeding RMB300,000,000.

(e) Bank loans guaranteed by related parties

	2012 RMB'000	2011 RMB'000
Fosun High Tech	—	705,000
Fosun International Limited	—	126,018
	—	831,018

Notes to the Financial Statements

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46. RELATED PARTY TRANSACTIONS (Continued)

(f) Interest income from related parties

	2012 RMB'000	2011 RMB'000
Fosun Finance *(note 9 & 11)*	**1,445**	—
Sinopharm Industrial Investment Co., Ltd. *(note 1)*	**—**	4,913
	1,445	4,913

The interest rate for deposits in Fosun Finance is made reference 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 term and amount.

(g) Finance costs to related parties

	2012 RMB'000	2011 RMB'000
Fosun Finance *(note 9 & 11)*	**1,457**	—
Chengde Jingfukang Pharmaceutical Co., Ltd. *(note 1)*	**260**	454
	1,717	454

The interest rate for credit services is made reference 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 term and amount.

(h) Finance service fee to related parties

	2012 RMB'000	2011 RMB'000
Fosun Finance *(note 9 & 11)*	**111**	—

46. RELATED PARTY TRANSACTIONS (Continued)

(i) Commitments with related parties

As lessor

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2012	2011
	RMB'000	RMB'000
Shanghai Fosun Property Management Co., Ltd. *(note 4)*	**1,504**	2,507
Shanghai Forte Land Co., Ltd. *(note 4)*	**1,504**	2,507
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(note 1)*	**77**	1,20
Fosun High Tech	**119**	805
	3,204	5,939

As lessee

As at 31 December 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases and property management services agreements with their related parties in respect of land and buildings which fall due as follows:

	2012	2011
	RMB'000	RMB'000
Shanghai Forte Investment Management Co., Ltd. *(note 4)*	**12,730**	17,613
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(note 1)*	**7,986**	15,315
Beijing Golte Property Management Co., Ltd. *(note 4)*	**2,609**	3,039
Shanghai Golte Property Management Co., Ltd. *(note 4)*	**1,049**	—
	24,374	35,967

Notes:

(1) They are associates of the Group.

(2) They are jointly-controlled entities of the Group.

(3) They are associates of Fosun High Tech, the holding company of the Group.

(4) They are subsidiaries of Fosun International Limited, the ultimate holding company of the Group.

(5) The sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

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46. RELATED PARTY TRANSACTIONS (Continued)

(i) Commitments with related parties (Continued)

As lessee (Continued)

Notes: (Continued)

(6) The Group held a 10.57% 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) Zhejiang Crystal-Optech Co., Ltd. was no longer an associate of the Group as at 31 December 2012. Further details are given in note 22(2).

(11) 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.

(j) 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.

(k) Compensation of key management personnel of the Group

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	**11,342**	8,144
Performance related bonuses	**11,263**	4,480
Pension scheme contributions	**468**	336
	23,073	12,960

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

(l) On 20 July 2012, the Company entered into an agreement to dispose of all of its 3.23% equity interest (86,000,000 shares) in Yongan Property Insurance Co., Ltd. ("Yongan Insurance") to a subsidiary of Fosun High Tech, Shanghai Fosun Industrial Technology Development Co., Ltd., for a cash consideration of RMB99,760,000. The consideration was determined based on the fair value of Yongan Insurance's net assets. The gain on this transaction was RMB120,000.

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47. CONTINGENT LIABILITIES

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

	Group		Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	—	—	83,853	1,323,479

As at 31 December 2012, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB83,853,000 (2011: RMB1,323,479,000).

48. PLEDGE OF ASSETS

As at 31 December 2012, the payables for acquisition of Aohong Pharma of RMB323,691,000 are secured by 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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49. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts and of each of the categories of financial instruments as at the end of the reporting period are as follows:

2012

	Group			
	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	Total 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 cash equivalents	—	4,972,525	—	4,972,525
	224,834	6,644,345	2,070,223	8,939,402

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49. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2011

	Group			
	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	Total RMB'000
Financial assets:				
Available-for-sale investments	—	—	2,788,504	2,788,504
Equity investments at fair value through profit or loss	231,319	—	—	231,319
Trade and bills receivables	—	1,147,700	—	1,147,700
Financial assets included in prepayments, deposits and other receivables	—	306,497	—	306,497
Due from related companies	—	132,123	—	132,123
Cash and cash equivalents	—	2,894,573	—	2,894,573
	231,319	4,480,893	2,788,504	7,500,716

Group

	Financial liabilities at amortised cost	
	2012 RMB'000	2011 RMB'000
Financial liabilities:		
Trade and bills payables	**882,037**	919,648
Financial liabilities included in other payables and accruals	**1,077,797**	1,392,268
Interest-bearing bank and other borrowings	**5,654,871**	6,093,868
Due to related companies	**36,994**	43,588
Other long-term liabilities	**570,389**	312,636
	8,222,088	8,762,008

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49. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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 cash equivalents	**2,804,109**	**—**	**2,804,109**
	8,129,778	**96,748**	**8,226,526**

2011

	Company		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets:			
Available-for-sale investments	—	176,388	176,388
Financial assets included in prepayments, deposits and other receivables	36,863	—	36,863
Due from related companies	2,790,270	—	2,790,270
Cash and cash equivalents	417,006	—	417,006
	3,244,139	176,388	3,420,527

Company

	Financial liabilities at amortised cost	
	2012 RMB'000	2011 RMB'000
Financial liabilities:		
Financial liabilities included in other payables and accruals	**191,485**	111,951
Interest-bearing bank and other borrowings	**5,082,722**	3,543,056
Due to related companies	**14,976**	12,496
	5,289,183	3,667,503

49. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

At 31 December 2012, 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 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 RMB153,547,000. The Endorsed Bills and the Discounted Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments 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 to 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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50. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**4,972,525**	2,894,573	**4,972,525**	2,894,573
Trade and bills receivables	**1,075,172**	1,147,700	**1,075,172**	1,147,700
Available-for-sale investments	**2,070,223**	2,788,504	**2,070,223**	2,788,504
Equity investments at fair value through profit or loss	**224,834**	231,319	**224,834**	231,319
Financial assets included in prepayments, deposits and other receivables	**404,453**	306,497	**404,453**	306,497
Due from related companies	**192,195**	132,123	**192,195**	132,123
	8,939,402	7,500,716	**8,939,402**	7,500,716

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Trade and bills payables	**882,037**	919,648	**882,037**	919,648
Financial liabilities included in other payables and accruals	**1,077,797**	1,392,268	**1,077,797**	1,392,268
Interest-bearing bank and other borrowings	**5,654,871**	6,093,868	**5,618,041**	5,999,744
Due to related companies	**36,994**	43,588	**36,994**	43,588
Other long-term liabilities	**570,389**	312,636	**570,389**	312,636
	8,222,088	8,762,008	**8,185,258**	8,667,884

50. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**2,804,109**	417,006	**2,804,109**	417,006
Available-for-sale investments	**96,748**	176,388	**96,748**	176,388
Financial assets included in prepayments, deposits and other receivables	**120,001**	36,863	**120,001**	36,863
Due from related companies	**5,205,668**	2,790,270	**5,205,668**	2,790,270
	8,226,526	3,420,527	**8,226,526**	3,420,527

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Financial liabilities included in other payables and accruals	**191,485**	111,951	**191,485**	111,951
Interest-bearing bank and other borrowings	**5,082,722**	3,543,056	**5,045,277**	3,457,356
Due to related companies	**14,976**	12,496	**14,976**	12,496
	5,289,183	3,667,503	**5,251,738**	3,581,803

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 cash and cash equivalents, 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 companies approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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 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 using a valuation technique based on assumptions that are supported by observable market prices or rates. 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, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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50. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value

Group

As at 31 December 2012

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments *(note 23)*	**857,154**	**596,969**	**—**	**1,454,123**
Equity investments at fair value through profit or loss	**224,834**	**—**	**—**	**224,834**
	1,081,988	**596,969**	**—**	**1,678,957**

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments:				
Equity investments *(note 23)*	210,774	1,907,160	—	2,117,934
Equity investments at fair value through profit or loss	231,319	—	—	231,319
	442,093	1,907,160	—	2,349,253

The Company did not have any financial assets measured at fair value as at 31 December 2012.

During the year, there were no transfers into or out of Level 3 (2011: Nil).

50. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Liabilities measured at fair value

Group

As at 31 December 2012

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Other long-term liabilities	**—**	**570,389**	**—**	**570,389**

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Other long-term liabilities	—	312,636	—	312,636

The Company did not have any financial liabilities measured at fair value as at 31 December 2012.

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31 December 2012

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and short-term deposits. 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. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Directors meet regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management.

(a) Interest rate risk

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.

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

As at 31 December 2012, total borrowings of RMB631,422,000 (2011: RMB4,999,514,000) were with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change by 100 basis points in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

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

	2012 **RMB'000**	2011 RMB'000
If 100 basis points decrease in interest rates	**6,314**	49,995
If 100 basis points increase in interest rates	**(6,314)**	(49,995)

(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 to a reasonably possible change by 5% in the USD, HKD and EUR exchange rates, with all other variables held constant, of the Group's profit before tax due to changes in the fair values of monetary assets and liabilities.

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk (Continued)

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

2012	**Increase/(decrease) in foreign currency rate %**	**Increase/(decrease) in profit before tax RMB'000**
If RMB weakens against USD	**5**	**17,977**
If RMB strengthens against USD	**(5)**	**(17,977)**
If RMB weakens against HKD	**5**	**132,121**
If RMB strengthens against HKD	**(5)**	**(132,121)**
If RMB weakens against EUR	**5**	**2,373**
If RMB strengthens against EUR	**(5)**	**(2,373)**

2011	Increase/(decrease) in foreign currency rate %	Increase/(decrease) in profit before tax RMB'000
If RMB weakens against USD	5	3,396
If RMB strengthens against USD	(5)	(3,396)
If RMB weakens against HKD	5	(6,733)
If RMB strengthens against HKD	(5)	6,733
If RMB weakens against EUR	5	2,028
If RMB strengthens against EUR	(5)	(2,028)

(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 cash equivalents, a held-to-maturity investment, 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. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 47 to the financial statements.

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 2012

51. 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 2012, 24% (31 December 2011: 36%) 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 RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
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**
2011					
Interest-bearing bank and other borrowings	—	2,465,028	4,443,336	52,593	6,960,957
Trade and bills payables	—	919,648	—	—	919,648
Financial liabilities included in other payables and accruals	717,810	674,458	—	—	1,392,268
Due to related companies	33,588	10,000	—	—	43,588
Other long-term liabilities	—	—	345,800	—	345,800
	751,398	4,069,134	4,789,136	52,593	9,662,261

Notes to the Financial Statements

31 December 2012

51. 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
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**
2011					
Interest-bearing bank and other borrowings	—	497,976	3,744,580	52,593	4,295,149
Financial liabilities included in other payables and accruals	111,951	—	—	—	111,951
Due to related companies	12,496	—	—	—	12,496
	124,447	497,976	3,744,580	52,593	4,419,596

Notes to the Financial Statements

31 December 2012

51. 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 trading equity investments (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 the United States and are valued at quoted market prices or using valuation techniques at the end of the reporting period.

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 income statements.

2012	**Carrying amount of equity investments RMB'000**	**Increase in profit before tax RMB'000**	**Increase in equity* RMB'000**
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 — Held for trading	**224,834**	**22,483**	**—**
NASDAQ — Available for sale	**208,366**	**—**	**20,837**
	1,678,957	**22,483**	**114,314**

2011	Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity* RMB'000
Investments listed in:			
Shanghai — Available for sale	466,292	—	34,972
Shenzhen GEM — Available for sale	641,760	—	48,132
Shenzhen — Available for sale	840,394	—	63,030
NYSE — Held for trading	231,319	23,132	—
NASDAQ — Available for sale	169,488	—	16,949
Year ended 31 December 2011	2,349,253	23,132	163,083

* Excluding retained profits

Notes to the Financial Statements

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51. 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 2012 and 31 December 2011.

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:

	2012 **RMB'000**	2011 RMB'000
Interest-bearing bank and other borrowings *(note 34)*	**5,654,871**	6,093,868
Less: Cash and cash equivalents *(note 31)*	**(4,972,525)**	(2,894,573)
Net debt	**682,346**	3,199,295
Total equity	**15,247,761**	11,313,941
Total equity and net debt	**15,930,107**	14,513,236
Gearing ratio	**4%**	22%

Notes to the Financial Statements

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52. EVENTS AFTER THE REPORTING PERIOD

(a) In December 2012, the Company entered into an agreement with the shareholders of Dongting Pharma to acquire 77.78% equity interest 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 completed in early January 2013 when the Group obtained control of the operating and financial policies of Dongting Pharma. Details of the transaction are set out in note 40 to the financial statements.

(b) In January 2013, Wanbang Pharma entered into an agreement with the shareholders of Sainuokang Biochemical to acquire 51% equity interest in Sainuokang Biochemical at a consideration of RMB32,262,000. Sainuokang Biochemical is engaged in the manufacture and sale of heparin sodium API. Details of the transaction are set out in note 40 to the financial statements.

(c) In February 2013, the Company entered into an agreement with the shareholders of Saladax Biomedical, Inc. ("Saladax"), which are independent third parties, to purchase 4,299,425 series D preferred shares of Saladax at USD5.21 per share. The total consideration is USD22,400,000. Saladax is a United States private company engaging in individual dose detection industry. The total number of shares of Saladax (including both ordinary shares and preferred shares) before the issuance of new preferred shares are 12,961,904.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 26 March 2013.

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 RMB1.0 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
"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 under Rule 14A.11(4) of the Hong Kong Listing Rules
"Board" or "Board of Directors"	the board of Directors of the Company
"Chindex"	Chindex International, Inc.
"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
"CML"	Chindex Medical Limited (美中互利醫療有限公司), a 51% 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
"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 markets
"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
"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 will expire 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)

Definitions

"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 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
"Fosun International Holdings"	Fosun International Holdings Limited (復星國際控股有限公司), which is held as to 58%, 22%, 10% and 10% by Messrs. Guo Guangchang, Liang Xinjun, Wang Qunbin and Fan Wei, respectively, and a Controlling Shareholder of the Company
"Fosun Pharmaceutical Industrial"	Shanghai Fosun Pharmaceutical Industrial Development Company Limited (上海復星醫藥產業發展有限公司), a wholly-owned subsidiary of the Company
"Golden Elephant Pharmacy"	Beijing Golden Elephant Pharmacy Medicine Chain Company Limited (北京金象大藥房醫藥連鎖有限責任公司)
"Golte Assets"	Shanghai Golte Assets Management Company Limited (上海高地資產經營管理有限公司), a wholly-owned subsidiary of Forte
"Group", "we" or "us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"Guilin Pharma"	Guilin South Pharma Company Limited (桂林南藥股份有限公司)
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.0 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"HKFRS"	the Hong Kong Financial Reporting Standards

Definitions

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IMS"	IMS Health Incorporated, a global provider of market intelligence to the pharmaceutical and healthcare industries, which is an independent third party
"independent third part(ies)"	a person or persons or a company or companies that is not or are not connected person(s) of the Company
"Listing Date"	30 October 2012, on which the H Shares are listed on the Hong Kong Stock Exchange and from which dealings in the H Shares are permitted to take place on the Hong Kong Stock Exchange
"Master Lease A"	the master lease entered into between Chindex (Beijing) and Forte Investment and Management dated 30 October 2012 for the leasing of premises by Forte Investment and Management to Chindex (Beijing) for a term of three years
"Master Lease B"	the master lease entered into between Fosun Pharmaceutical Industrial and Forte Investment and Management dated 30 October 2012 for the leasing of premises by Forte Investment and Management to Fosun Pharmaceutical Industrial for a term of three years
"Master Lease C"	the master lease entered into between Yao Pharma and Forte Investment and Management dated 30 October 2012 for the leasing of premises by Forte Investment and Management to Yao Pharma for a term of three years
"Master Lease D"	the master lease entered into between Wanbang Pharma and Forte Investment and Management dated 30 October 2012 for the leasing of premises by Forte Investment and Management to Wanbang Pharma for a term of three years
"Master Lease E"	the master lease entered into between our Company and Shanghai Fosun Property Management dated 30 October 2012 for the leasing of premises by Shanghai Fosun Property Management to the Company for a term of three years
"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

Definitions

“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 C”	the master property management services agreement entered into between Shanghai ClonBiotech and Shanghai Golte dated 30 October 2012 for the provision of property management services by Shanghai Golte 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 C, 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
“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 GAAP”	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises

Definitions

"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 2012 to 31 December 2012
"RMB" or "Renminbi"	the lawful currency of the PRC
"Science & Technology Imp. & Exp."	Shanghai Science & Technology Imp. & Exp. Company Limited (上海科技進出口有限公司)
"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
"Shanghai Furui"	Shanghai Furui Property Management Company Limited (上海復瑞物業管理有限公司), a 49% 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). Shanghai Furui is a connected person under Rule 14A.11(4) of the Hong Kong Listing Rules
"Shanghai Golte"	Shanghai Golte Property Management Company Limited (上海高地物業管理有限公司), a 60% 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). Shanghai Golte 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
"Shenyang Hongqi Pharma"	Shenyang Hongqi Pharmaceutical Company Limited (瀋陽紅旗製藥有限公司)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)

Definitions

"Shine Star"	Shine Star (Hubei) Biological Engineering Company Limited (湖北新生源生物工程股份有限公司)
"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
"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), a 97.8% owned subsidiary of Fosun Pharmaceutical Industrial
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), a 51% owned subsidiary of Fosun Pharmaceutical Industrial
"Zhejiang Fosun"	Zhejiang Fosun Pharmaceutical Co., Ltd. (浙江復星醫藥有限公司)

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.

Design And Produced By: EDICO Financial Press Services Limited
設計及製作：鉅京財經印刷服務有限公司

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