FOSUNPHARMA

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 2014

* *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 healthcare products and services.

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Corporate Information

Directors

Executive Directors
Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方)
(Vice Chairman, President, Chief Executive Officer)

Non-executive Directors
Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Mr. Wang Pinliang (王品良)
Ms. Kang Lan (康嵐)
Mr. John Changzheng Ma[1]
Mr. Zhang Guozheng (章國政)[2]

Independent Non-executive Directors
Mr. Han Jiong (韓炯)
Dr. Zhang Weijiong (張維炯)
Mr. Li Man-kiu Adrian David (李民橋)
Mr. Cao Huimin (曹惠民)

Supervisors

Mr. Zhou Wenyue (周文岳) *(Chairman)*
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)[1]
Mr. Li Haifeng (李海峰)[2]

Joint Company Secretaries

Mr. Zhou Biao (周颷)
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. Yao Fang (姚方)
Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Dr. Zhang Weijiong (張維炯)

Audit Committee

Mr. Cao Huimin (曹惠民) *(Chairman)*
Mr. Han Jiong (韓炯)
Mr. Wang Pinliang (王品良)

Nomination Committee

Mr. Han Jiong (韓炯) *(Chairman)*
Dr. Zhang Weijiong (張維炯)
Ms. Kang Lan (康嵐)

Remuneration and Appraisal Committee

Dr. Zhang Weijiong (張維炯) *(Chairman)*
Mr. Cao Huimin (曹惠民)
Ms. Kang Lan (康嵐)
Mr. Chen Qiyu (陳啟宇)
Mr. Han Jiong (韓炯)

[1] Appointed on 30 June 2014
[2] Resigned on 30 June 2014

Corporate Information

Registered Office

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

Principal Place of Business in the PRC[3]

Building A
No. 1289 Yishan Road
Shanghai, 200233, China

Principal Place of Business in Hong Kong

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

Legal Advisers in Hong Kong

Morrison & Foerster

Legal Advisers in the PRC

Grandall Law Firm (Shanghai)[4]

Auditors

Ernst & Young

Compliance Adviser

Haitong International Capital Limited

Principal Banks

The Export-Import Bank of China
Industrial and Commercial Bank of China Shanghai Branch
China Merchants Bank Shanghai Jiangwan Sub-branch
Bank of Beijing Shanghai 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

[3] The Company's principal place of business in the PRC has been relocated from Fosun Commercial Building, No. 2 Fuxing Road East, Huangpu District, Shanghai, China to the current address with effect from 13 September 2014

[4] Appointed since March 2014

Corporate Information

A Share Registrar and Transfer Office in the PRC

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

H Share Registrar and Transfer Office in Hong Kong[5]

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

Company's Website

http://www.fosunpharma.com

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

Financial Highlights

	2014 RMB million	2013 RMB million (Restated)
Operating results		
Revenue	11,938	9,921
Gross profit	5,220	4,378
Operating profit	1,192	1,114
Profit before tax	2,718	2,314
Profit for the period attributable to owners of the parent	2,113	1,583
Profitability		
Gross margin	43.73%	44.13%
Operating profit margin	9.98%	11.23%
Profit margin for the period	19.85%	19.71%
Earnings per share (RMB)		
Earnings per share — basic	0.92	0.71
Earnings per share — diluted	0.92	0.71
Assets		
Total assets	35,279	29,418
Equity attributable to owners of the parent	16,618	15,275
Total liabilities	16,233	11,811
Cash and bank balances	3,696	3,067
Debt-to-asset ratio	46.01%	40.15%
Of which: Pharmaceutical manufacturing and R&D segment		
Segment revenue	7,265	6,524
Segment gross profit	3,720	3,355
Segment results	1,103	1,201
Segment profit for the year	1,095	1,470

Chairman's Statement

Mr. Chen Qiyu
Chairman

Dear Shareholders,

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

Chairman's Statement

2014 Review

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

The Board proposed to distribute a final dividend of RMB0.28 (inclusive of tax) per share for the year ended 31 December 2014.

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

The Group has developed internationalized R&D structure and strong R&D capabilities. It has set up interactive and integrated R&D systems in Shanghai, Chongqing and San Francisco. It has also established an efficient R&D platform in areas of small molecular innovative chemical drugs, monoclonal chemical generic drugs, generic drugs with high barriers-to-entry and special formulation (administration technology). During the Reporting Period, the Group strengthened its presence in the production of anti-tumor drugs. There were over 20 pipeline biopharmaceutical drugs (mainly monoclonal antibodies) and chemical drugs after years of research and development. As at the end of the Reporting Period, there were 125 pipeline drugs, generic drugs, biosimilars and vaccine projects, 26 projects under clinical trial applications, 11 projects under clinical trial, and 41 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation to maintain sustainable growth of the Group in the future. As at the end of the Reporting Period, there were 856 staff in the R&D team. Meanwhile, the Group diversified its innovative research through strategic alliances, cooperative projects, joint ventures and other means so as to further strengthen its R&D capabilities.

Whilst enhancing the competitiveness of its products, the Group also focused on developing its marketing capabilities. With a marketing team consisting of over 3,900 employees and a sales network covering most of the major domestic markets, the Group has been improving its capabilities in sales and marketing. Sinopharm, an investee of the Group for over a decade, has developed into the largest pharmaceutical and healthcare distributor and a leading supply chain service provider in China possessing and operating China's largest drug distribution and delivery network. The Group, leveraging its long-established strategic cooperation with Sinopharm, put the synergy into full play.

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

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

In addition, the Group's capabilities in investment, merger and acquisition activities and consolidation have been widely recognized in the pharmaceutical industry, providing a solid foundation for the Group to make a leap-forward development in the future. The A-share and H-share markets have created favorable condition for the Group to rapidly expand its scale of operation and enhance its competitiveness through merger and acquisition activities. 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 2015, the pharmaceutical industry in China will be presented with numerous opportunities. In terms of market demand, the increase in the proportion of the aging population in the PRC, the increased spending on healthcare programs by the PRC government and the increase in the domestic per capita disposable income have been the three major driving factors for the rapid development of the pharmaceutical industry, and these factors will continue to exist and drive the industry to rapidly grow in the foreseeable future. In terms of industry structure, the domestic economy has maintained stable growth and the PRC government has encouraged and guided the strategic emerging industries to carry out industry upgrade and structure optimization and has supported the development of the innovation-oriented pharmaceutical industry. The implementation of the National List of Essential Drugs has established a relatively solid foundation for the domestic pharmaceutical enterprises. The implementation of China's Twelfth Five Year Plan for the pharmaceutical industry has driven greater competition in the industry as a whole. As a result, pharmaceutical enterprises with advantages in scale, technology, brand and marketing will have valuable opportunities for development. The PRC government has continually focused on the quality of pharmaceutical products and regulations over the operation of pharmaceutical enterprises, overhauled the sales channel of pharmaceutical products, accelerated implementation of regulation and control over prices and classification of pharmaceutical products, and further improved the centralized tender system for procurement of pharmaceutical products. Such measures have driven and accelerated consolidation in the domestic pharmaceutical industry and the level of industrial concentration will rapidly increase by way of acquisitions and reorganizations. The expiration of patents of pharmaceutical products in major markets such as Europe and the U.S. has presented opportunities for the rapid development of Chinese companies with capabilities to innovate and manage international expansion. While faced with favorable capital market conditions and product market opportunities, the international expansion by the PRC pharmaceutical enterprises is also consistent with the policy directions of the PRC government's industry plans.

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

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

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

Mr. Chen Qiyu
Chairman

24 March 2015

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 RMB11,938 million, representing an increase of 20.33% as compared to 2013.

During the Reporting Period, profit before tax and profit attributable to owners of the parent of the Group were RMB2,718 million and RMB2,113 million, increased by 17.48% and 33.51% as compared to 2013, respectively.

During the Reporting Period, earnings per share attributable to owners of the parent of the Group increased by 29.58% to RMB0.92 as compared to 2013.

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REVENUE

During the Reporting Period, revenue of the Group increased by 20.33% to RMB11,938 million as compared to 2013. The change in revenue was mainly attributable to the increase in revenue from the manufacturing business segment and healthcare service business segment of the Group.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB7,265 million, representing an increase of 11.36% as compared to 2013, segment results of RMB1,103 million, representing a decrease of 8.18% as compared to 2013, and segment profit of RMB1,095 million, representing a decrease of 25.53% as compared to 2013. The change in segment profit was mainly attributable to the gain on disposal after tax and share of profit of associate of RMB451 million in aggregate resulting from the disposal of equity interest in Tongjitang Medicines in 2013. Excluding the above impact, the profit of the pharmaceutical manufacturing and R&D segment represented an increase of 7.45% as compared to 2013.

COST OF SALES

During the Reporting Period, cost of sales of the Group increased by 21.20% to RMB6,719 million from RMB5,543 million for 2013, mainly attributable to the increase in revenue.

GROSS PROFIT

Based on the above reasons, during the Reporting Period, gross profit of the Group increased by 19.23% to RMB5,220 million from RMB4,378 million for 2013. The gross margin of the Group for 2014 and 2013 were 43.73% and 44.13%, respectively.

SELLING AND DISTRIBUTION EXPENSES

During the Reporting Period, selling and distribution expenses of the Group increased by 24.78% to RMB2,300 million from RMB1,844 million for 2013, mainly attributable to the increase in revenue.

R&D EXPENSES AND R&D EXPENDITURE

During the Reporting Period, R&D expenses of the Group increased by 28.93% to RMB564 million from RMB438 million for 2013, of which RMB452 million was attributable to the pharmaceutical manufacturing and R&D segment, representing 6.2% of revenue of such segment, primarily because the Group continued to increase its R&D investments with a focus on the R&D of generic biopharmaceutical drugs and innovative drugs.

During the Reporting Period, R&D expenditure of the Group amounted to RMB685 million, accounting for 5.7% of the revenue for the Reporting Period.

SHARE OF PROFITS OF ASSOCIATES

During the Reporting Period, share of profits of associates of the Group increased by 18.80% to RMB929 million from RMB782 million for 2013, which was mainly due to the continuous growth in the operating results of major associates of the Group.

Management
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PROFIT FOR THE YEAR

Due to the above reasons, during the Reporting Period, profit for the period of the Group increased by 21.23% to RMB2,370 million from RMB1,955 million for 2013. Net profit margin of the Group for 2014 and 2013 were 19.85% and 19.71%, respectively.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

During the Reporting Period, profit for the period attributable to owners of the parent of the Group increased by 33.51% to RMB2,113 million from RMB1,583 million for 2013 mainly due to (1) the steady growth maintained by businesses of the Group; and (2) the rapid growth maintained by Sinopharm, an associate of the Company.

DEBT STRUCTURE, LIQUIDITY AND SOURCES OF FUNDS

Total Debts

As at 31 December 2014, total debts of the Group increased to RMB8,796 million from RMB5,624 million as at 31 December 2013 mainly due to the increase in domestic and overseas acquisitions. As at 31 December 2014, mid- to long-term debts of the Group accounted for 43.85% of its total debts as compared to 74.68% as at 31 December 2013, mainly due to (1) the transfer of medium-term notes of RMB1,000 million expiring on 8 November 2015 to current liabilities during the Reporting Period; and (2) the short-term borrowings used as a bridge loan for overseas equity acquisition which will be substituted by long-term project loans in 2015. As at 31 December 2014, cash and bank balances increased by 20.51% to RMB3,696 million from RMB3,067 million as at 31 December 2013.

As at 31 December 2014, the equivalent amount of RMB2,313 million (31 December 2013: RMB510 million) out of the total debts of the Group was denominated in foreign currencies, and the remainder was denominated in RMB.

As at 31 December 2014, cash and cash equivalents of the Group denominated in foreign currencies amounted to RMB941 million (31 December 2013: RMB495 million).

Unit: RMB million

Cash and cash equivalents denominated in:	31 December 2014	31 December 2013
RMB	2,755	2,572
US dollars	835	162
HK dollars	82	294
Others	24	39
Total	3,696	3,067

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Gearing Ratio

As at 31 December 2014, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets, was 24.93%, as compared with 19.12% as at 31 December 2013.

Interest Rate

As at 31 December 2014, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB2,538 million (31 December 2013: RMB1,261 million).

As at 31 December 2014, the Group issued the 5-year medium-term notes with an aggregate amount of RMB2,600 million, which were interest-bearing at a floating interest rate.

Maturity Structure of Outstanding Debts

Unit: RMB million

	31 December 2014	31 December 2013
Within 1 year	**4,940**	1,424
1 to 2 years	**1,676**	1,035
2 to 5 years	**2,123**	3,165
Over 5 years	**57**	—
Total	**8,796**	5,624

Available Facilities

As at 31 December 2014, save for cash and bank balances of RMB3,696 million, the Group had unutilized banking facilities of RMB11,018 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 with general banking facilities to support its capital requirements. The utilization of such bank facilities was subject to the approval of individual projects from the Banks in accordance with banking regulations in China. As at 31 December 2014, total available banking facilities under these arrangements were approximately RMB12,945 million in aggregate, of which RMB1,927 million had been utilized. Besides, 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 balance of short-term commercial papers payable by the Group was RMB1,000 million as at 31 December 2014.

Collateral and Pledged Assets

As at 31 December 2014, the Group had placed the following as collateral for bank borrowings: property, plant and equipment amounting to RMB65 million (2013: RMB124 million) and prepaid land lease payments amounting to RMB35 million (31 December 2013: RMB26 million).

As at 31 December 2014, the Group had pledged the following for bank borrowings: 268,371,532 shares in Guilin Pharma held by the Group (31 December 2013: 268,371,532 shares in Guilin Pharma held by the Group) and the entire equity interest in Sisram Medical Ltd. held by the Group and Magnificent View Investment Limited (31 December 2013: nil). Details of the collateral and pledged assets are set out in note 34 to the financial statements.

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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 in) operating activities, investing activities and financing activities for 2014 and 2013.

Unit: RMB million

	2014	2013
Net cash flows from operating activities	**1,200**	1,012
Net cash flows used in investing activities	**(2,478)**	(1,803)
Net cash flows from financing activities	**1,863**	932
Net increase/(decrease) in cash and cash equivalents	**594**	(1,755)
Cash and cash equivalents at the beginning of the year	**2,416**	4,172
Cash and cash equivalents at the end of the year	**3,010**	2,416

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to RMB1,119 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments exclusive of amounts due to new acquisition of subsidiaries. Details of capital expenditures are set out in the consolidated statements of cash flows.

As at 31 December 2014, the Group's capital commitments contracted but not provided for and capital commitments authorized but not contracted amounted to RMB2,087 million and RMB126 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 44 to the financial statements.

Contingent Liabilities

As at 31 December 2014, the Group did not have any contingent liabilities.

Interest Coverage

In 2014, the interest coverage, which is calculated by EBITDA divided by financial costs was 8.91 times as compared with 8.81 times for 2013. The interest coverage increased mainly because the Group's EBITDA for 2014 increased by 19.88% to RMB3,697 million from RMB3,084 million for 2013.

RISK MANAGEMENT

Foreign Currency Exposure

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

Management
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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

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

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

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

Unit: RMB million

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

Management Discussion and Analysis

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

Unit: RMB million

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

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

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

Management Discussion and Analysis

During the Reporting Period, the Group further increased its investment in the healthcare services segment. The Group participated in the privatization of Chindex with a view to further strengthening Chindex's working capital, expanding its presence in the high-end healthcare services segment in the PRC and increasing its business scale and improving profitability. Meanwhile, the Group continued to reinforce its strategic deployment of healthcare services segment with high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC. A new complex of Chancheng Hospital (禪城醫院), "Excelsior Tower" (精進樓), was completed and commenced operation, establishing a foundation for creating differentiated healthcare service platform. The tumor centre jointly established by Chancheng Hospital and Nanyang Cancer Hospital, the laser plastic surgery center established under the cooperation of Chancheng Hospital (禪城醫院) and Alma Lasers, and the project in respect of establishment of a rehabilitation and body-check hospital initiated by Zhongwu Hospital have further diversified the healthcare service platform of the Group. Furthermore, the Taizhou Zanyang Medical Care Project (i.e., Taizhou Zhedong Medical Care and its ancillary hospitals) have commenced construction, which will become a platform for the Group to explore new healthcare models.

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

Pharmaceutical Manufacturing and R&D

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group realized revenue of RMB7,265 million, representing an increase of 11.36% as compared to 2013, segment results of RMB1,103 million, representing a decrease of 8.18% as compared to 2013, and segment profit of RMB1,095 million, representing a decrease of 25.53% as compared to 2013. Changes in segment profit were mainly due to the effect of post-tax gain recognized from the disposal and the share of profits of associates resulting from the disposal of equity interest of Tongjitang Medicines in 2013 amounting to RMB451 million. Excluding such effect, the profit of the pharmaceutical manufacturing and R&D segment grew by 7.45% as compared to 2013.

During the Reporting Period, the pharmaceutical manufacturing and R&D segment of the Group continued to grow steadily and the development of its professional operational team was further strengthened. In 2014, the sales of the Group's major products in therapeutic areas such as cardiovascular system, metabolism and alimentary system, anti-infection and anti-tumor maintained rapid growth, recorded a growth of 25.24%, 17.39%, 30.37% and 254.37% as compared to 2013, respectively. Among the new products, the sales of You Di Er (alprostadil dried emulsion), a product in the cardiovascular system therapeutic area, and You Li Tong (febuxostat tablets), a product in the metabolism therapeutic area, had experienced prominent growth.

In 2014, the Group had 17 formulation items or series with sales over RMB100 million, among which sales of the products such as Xihuang capsules and compound aloe capsules exceeded RMB100 million for the first time and the sales of the products such as Ao De Jin and Atomolan series exceeded RMB500 million.

Management Discussion and Analysis

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

Unit: RMB million

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

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

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

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

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

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

Note 6: Major products of anti-tumor therapeutic area include Xihuang capsules and pemetrexed disodium;

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

During the Reporting Period, the Group entered into agreements to acquire 51% equity interest in Huanghe Pharma, 23% equity interest in Aohong Pharma (which, as at the end of the Reporting Period, was held by the Group as to 93%) and 65% equity interest in Erye Pharmaceutical and to subscribe for additional class A-1 preference shares in AMG representing approximately 24.1% of the total share capital of AMG. It also completed its capital injection into Shanghai Henlius, Fochon Pharma and SunTech Pharma, which further strengthened the Group's pharmaceutical manufacturing and R&D segment.

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The Group has placed great emphasis on quality and risk management of the life cycle of its products and implemented stringent quality and safety control mechanisms and adverse drug reaction monitoring mechanisms at each stage of the production chain from R&D to sales, so as to ensure the R&D, production, sales, pulling off shelf and recall of pharmaceutical products are conducted safely and properly. The Group's pharmaceutical manufacturing segment fully implemented the concept of quality and risk management and focused on quality control mechanisms such as annual quality review, change management, deviation management, out-of-specification (OOS) investigation and audit on suppliers. The Group's pharmaceutical manufacturing segment continued to push forward qualification certifications, ensure fulfillment of the new Good Manufacturing Practice (GMP) in China, push forward international standards, and encourage voluntary adoption of international standards such as the European Directorate for the Quality of Medicines (EDQM), the United States Pharmacopeia (USP) and IP in the production processes. As at the end of the Reporting Period, 14 APIs of the Group received certifications from the U.S. FDA, EU Certification, Ministry of Health, Labour and Welfare of Japan, Federal Ministry of Health of Germany. 1 production line for oral solid dosage formulation, 2 production lines for injection and 2 production lines for APIs of Guilin Pharma also obtained PreQualification from the World Health Organization (WHO-PQ), and 1 production line of oral solid dosage formulation of Yao Pharma was recognized by the Canada FDA and the U.S. FDA.

The Group has focused on innovation and R&D in long run and continued to increase investment in R&D. During the Reporting Period, the R&D expenses were RMB564 million, increased by 28.93% as compared to 2013, of which the R&D expenses in the pharmaceutical manufacturing and R&D segment were RMB452 million, representing 6.2% of the revenue of the pharmaceutical manufacturing and R&D segment. The Group continued to optimize its pharmaceutical R&D system that integrates imitation and innovation, increased investment in the "4+1" R&D platform, improved its innovation system, enhanced R&D capabilities, launched new products, and strengthened the core competitiveness of the Group. The Group owned national-level enterprise technical centers and established highly-efficient international R&D teams in Shanghai, Chongqing and San Francisco. In order to leverage its competitive strengths, the Group focused its R&D on therapeutic areas including metabolism and alimentary system, cardiovascular system, central nervous system, anti-tumor and immune modulating and anti-infection, and the major products have gained leading position in their respective market segments.

As at the end of the Reporting Period, the Group had 125 pipeline drugs, generic drugs, generic biopharmaceutical drugs and vaccine projects; among which, the Group has tendered applications for clinical trial to the CFDA for 5 monoclonal antibody products (7 indications), and obtained approval of clinical trial and commenced clinical trial for 1 monoclonal antibody product (rituximab biosimilars). During the Reporting Period, Dongting Pharma's Escitalopram API and tablets, a new chemical drug of category 3.1, Guilin Pharma's Sulfadoxine and Pyrimethamine tablet, a new chemical drug of category 3.2, Yao Pharma's dl-α tocopherol APIs and Erye Pharmaceutical's enoxaparin sodium for injection, a chemical generic drug of category 6, were granted manufacturing approval. During the Reporting Period, the Group applied for a total of 86 patents, including 6 U.S. patents and 3 PCT applications, in its pharmaceutical manufacturing segment. The Group obtained 36 licensed patents, including 35 invention patents (of which 17 were obtained in the U.S., Japan and Europe).

Meanwhile, the Group creatively integrated domestic resources and continued to enhance its R&D capabilities. The Fosun Pharma Technology Innovation Strategic Alliance (復星醫藥技術創新戰略聯盟) formed by the Company with prestigious research institutes in China is one of the "industry, academia and research strategic alliances" under the national major project of innovation and manufacturing of new drugs. The Group has also successfully passed inspection by the panel members of the Major Special Project Office of China, and received municipal government and major special project subsidies for 6 projects.

Management Discussion and Analysis

Pharmaceutical Distribution and Retail

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

During the Reporting Period, Sinopharm, an associate of the Group, put continuous efforts in accelerating industry consolidation, expanding distribution network of pharmaceutical products and maintaining rapid growth in business. In 2014, Sinopharm realized revenue of RMB200,131 million, net profit of RMB4,552 million and net profits attributable to shareholders of the parent of RMB2,875 million, which represented an increase of 19.94%, 27.15% and 27.77% as compared to 2013, respectively. As at the end of the Reporting Period, the distribution network of Sinopharm covered 31 provinces, autonomous regions and municipalities in China. Its direct customers included 12,264 hospitals (only referring to hospitals with ranking, including 1,718 of the tier-three hospitals, which are the largest and most highly-ranked hospitals). During the Reporting Period, Sinopharm's revenue from pharmaceutical distribution business increased by 20.44% as compared to 2013 to RMB191,468 million. Meanwhile, the pharmaceutical retail business of Sinopharm also maintained growth with revenue of RMB5,904 million realized during the Reporting Period, representing an increase of 22.16% as compared to 2013, while its pharmaceutical retail network further expanded with retail pharmacies owned by GuoDa Drug Store, its subsidiary, amounted to 2,096 as at the end of the Reporting Period.

Healthcare Services

In 2014, the Group, based on its substantially completed deployment of its healthcare services business integrating high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC, further strengthened the operating capabilities of the healthcare institutions controlled by the Group, deepened hospitals' internal management, progressively promoted total cost management, increased efforts in recruiting talents, and facilitated the regional development of the Group's healthcare services business. During the Reporting Period, a new complex of Chancheng Hospital (禪城醫院), "Excelsior Tower" (精進樓), was completed and commenced operation, establishing a foundation for creating the differentiated healthcare service platform. The tumor center jointly established by Chancheng Hospital and Nanyang Cancer Hospital, the laser plastic surgery center established under the cooperation of Chancheng Hospital and Alma Lasers, and the establishment of a rehabilitation and body-check hospital initiated by Zhongwu Hospital have further diversified the healthcare service platform of the Group. The establishment of the Taizhou Zanyang Medical Care Project (i.e., Taizhou Zhedong Medical Care and its ancillary hospitals) have been initiated for exploration of new medical care models. In 2014, the healthcare services entities controlled by the Group realized total revenue of RMB1,186 million, representing an increase of 149.68% as compared to 2013, segment results of RMB170 million, representing an increase of 158.70% as compared to 2013, and segment profit of RMB112 million, representing an increase of 165.90% as compared to 2013. As at the end of the Reporting Period, the total number of beds available for the public in Jimin Cancer Hospital (濟民腫瘤醫院), Guangji Hospital (廣濟醫院), Zhongwu Hospital (鐘吾醫院) and Chancheng Hospital (禪城醫院), controlled by the Group, was 2,770.

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

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Medical Diagnosis and Medical Devices

In 2014, the Group furthered its development in the medical diagnosis and medical devices segment by increasing investments and enhancing business cooperation. During the Reporting period, the Group entered into agreements to invest in approximately 37% equity interest in miacom Diagnostics GmbH, a German enterprise principally engaged in developing low-cost, efficient and convenient in-vitro diagnostic reagents, and in approximately 35.23% equity interest in Genefirst Limited, a company from the U.K. principally engaged in developing and manufacturing molecular diagnostic products for infectious diseases and cancer, so as to further increase cooperation with international diagnosis companies and to extend the influence of the Group's diagnostic products in the international market.

In respect of the medical devices segment, during the Reporting Period, the Group actively fostered the business development of Alma Lasers and reorganized the business operations of CML. In 2014, Alma Lasers accelerated in developing the international market and especially key emerging markets such as China and India and recorded revenue of RMB621 million for the year, representing an increase of 13.40% as compared to 2013. It also strengthened its new product portfolio, in particular, by increasing R&D of medical devices and extending its production line into the clinical treatment area. Five of its products including the 1,470 nano-surgical laser system passed the qualifications for EU CE markings and three products were approved by the U.S. FDA.

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

Environment, Health and Safety

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

Financing

During the Reporting Period, the Company completed the placement of 67,214,000 new H shares and raised net proceeds of approximately HK$1,762 million to repay interest-bearing debts, replenish the working capital of the Group and fund acquisitions. Meanwhile, the Company also completed the issue of short-term commercial papers of RMB1,000 million, extended cooperation with International Finance Corporation (IFC) to obtain loans at low rates, and maintained solid partnerships and credit facilities with major principal banks domestically and overseas enabling the Company to continually further its mergers and acquisitions of domestic and overseas pharmaceutical companies, enhance the construction of international R&D platform, and strengthen the development of its principal businesses.

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Social Responsibility

Whilst the Group has been rapidly growing, the Group remains committed to undertaking social responsibilities. In 2014, with the focus on the core pharmaceutical business, the Group is committed to delivering innovative products and improving our management skills and knowhow. By leveraging corporate and product life cycles, the Group continues to develop strategies for sustainable products, services and talents.

In 2014, the Group had made great progress in corporate governance, economic, environment, health and safety, products and services, employees and social contribution as it continued to assume the responsibility of a corporate citizen. During the Reporting Period, the Group had continually increased investment in upgrading its technology, improved production process, focused on the establishment of drug quality system, extended the life cycle of pharmaceutical products and lowered the cost in order to offer safe, efficient, affordable products and services. The Group constantly strengthened environment protection, optimized the production process and improved the utilization rate of the production facilities for the purposes of energy saving, emission reduction and environment protection. The Group emphasized harmonious development with nature to protect the sustainable development of the environment. The Group also improved clean production as well as environmental protection construction, and proactively supported environmental protection and charitable matters in the community. Meanwhile, to care for patients and life, the Group has set up and continually improved a long-term mechanism and contingency plan for monitoring adverse drug reaction.

In terms of social welfare, during the Reporting Period, the Group undertook its social responsibilities and benefited the society by continuously investing in education, supporting scientific researches and community healthcare services, alleviating poverty by donations, and providing disaster assistances. Moreover, during the Reporting Period, the Group continued to proactively participate in the Chinese government projects of anti-malarial in Africa, and successfully held the "Study Class on Drug Quality and Safety in English-speaking African countries in 2014 (2014年非洲英語國家藥品質量與安全研修班)" as commissioned by the Ministry of Commerce.

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

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

A Analysis on Principal Operations

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

Unit: RMB million

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

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

(2) Revenue

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

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

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

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(3) Cost of Sales

a. Analysis of Costs

Unit: RMB million

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

b. Major Suppliers

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

(4) R&D Expenditures

a. R&D Expenditures

Unit: RMB million

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

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b. Descriptions

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

(5) Cash Flows

Unit: RMB million

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

(6) Progress of Development Strategy and Business Plan

During the Reporting Period, the Group adhered to the strategies of organic growth, external expansion and integrated development, concentrated resources on its core businesses of pharmaceutical R&D, insisted on product innovation and further improved the competitiveness of its products. The number of formulations that gained sales volume as much as RMB100 million has increased to 17 in 2014 from 15 in 2013. Meanwhile, the Group continued to increase its investment in the healthcare services segment and substantially completed the strategic deployment of its healthcare services segment to combine high-end healthcare institutions in the more developed coastal cities and specialty and general hospitals in second-tier and third-tier cities in the PRC. In addition, the Group made aggressive progress on its internationalization strategies, accelerated the pace of its international merger and acquisition and increased business scale.

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B Segment and Regional Operation

(1) Business by Segment

Unit: RMB million

By segments	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change in revenue (%)	Year-on-year change in cost of sales (%)	Year-on-year change in gross margin (%)
	Business by segment					
Pharmaceutical manufacturing and R&D	7,265	3,545	51.20	11.36	11.76	down by 0.18 per cent
Pharmaceutical distribution and retail	1,542	1,307	15.24	2.66	2.83	down by 0.14 per cent
Healthcare services *(note 1)*	1,186	889	25.04	149.68	151.13	down by 0.43 per cent
Medical diagnosis and medical devices *(note 2)*	1,931	959	50.34	37.24	29.77	up by 2.86 per cent

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

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

(2) Business by Geographical Location

Unit: RMB million

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

Note: The significant increase in revenue in Mainland China and overseas countries or regions was mainly due to the increase in scale of principal businesses and the consolidation of Alma Lasers into the financial statements since 27 May 2013.

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Discussion and Analysis

C Assets and Liabilities

Analysis of Assets and Liabilities

Unit: RMB million

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

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

Note 2: Mainly due to (1) the transfer of medium-term notes of RMB1,000 million expiring on 8 November 2015 to current liabilities during the reporting period; and (2) the new bridge loan use for overseas equity acquisition during the reporting period. The abovementioned bridge loan will be substituted by long-term project loans in 2015.

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D Core Competence Analysis

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

The Group has developed internationalized R&D structure and strong R&D capabilities. It has set up interactive and integrated R&D systems in Shanghai, Chongqing and San Francisco. It has also established an efficient R&D platform in areas of small molecular innovative chemical drugs, monoclonal chemical generic drugs, generic drugs with high barriers-to-entry and special formulation (administration technology). During the Reporting Period, the Group strengthened its presence in the production of anti-tumor drugs. There were over 20 pipeline biopharmaceutical drugs (mainly monoclonal antibodies) and chemical drugs after years of research and development. As at the end of the Reporting Period, there were 125 pipeline drugs, generic drugs, biosimilars and vaccine projects, 26 projects under clinical trial applications, 11 projects under clinical trial, and 41 projects awaiting official approval for sales. It is expected that these projects under development will provide a solid foundation to maintain sustainable growth of the Group in the future. As at the end of the Reporting Period, there were 856 staff in the R&D team. Meanwhile, the Group diversified its innovative research through strategic alliances, cooperative projects, joint ventures and other means so as to further strengthen its R&D capabilities.

Whilst enhancing the competitiveness of its products, the Group also focused on developing its marketing capabilities. With a marketing team consisting of over 3,900 employees and a sales network covering most of the major domestic markets, the Group has been improving its capabilities in sales and marketing. Sinopharm, an investee of the Group for over a decade, has developed into the largest pharmaceutical and healthcare distributor and a leading supply chain service provider in China possessing and operating China's largest drug distribution and delivery network. The Group, leveraging its long-established strategic cooperation with Sinopharm, put the synergy into full play.

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

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

Management Discussion and Analysis

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

E Analysis on Major Subsidiaries and Investee Companies

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

Unit: RMB million

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

Note: Aohong Pharma's data include valuation gains and relevant amortization.

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

Unit: RMB million

Name	Nature of business	Major products or services	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)	Pharmaceutical investment	Pharmaceutical investment	100	128,902	36,915	199,770	5,706	4,555

Management Discussion and Analysis

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

Unit: RMB million

Name	Method of acquisition	Net assets (at the end of 2013)	Net profit (from acquisition date to 31 December 2014)	Acquisition date
Huanghe Pharma	Equity transfer	1	3	16 June 2014
Erye Pharmaceutical	Equity transfer	525	—	25 December 2014

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

Unit: RMB million

Name	Method of disposal	Net assets as at disposal date	Net profit from the beginning of the Reporting Period to disposal date	Disposal date
Chongqing Kangle Pharmaceutical Co., Ltd. (重慶康樂製藥有限公司)	Equity transfer	34	0.10	29 January 2014

F Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had a total of 18,081 employees. The employee's remuneration policies of the Group are formulated on the basis of the results, work experience and salary level prevailing in the market.

Function	Number of individuals
Production personnel	7,547
Sales personnel	3,938
Technology and R&D personnel	1,675
Finance and audit personnel	462
Administration personnel	1,396
Management (including HR)	666
Medical care personnel	2,397
Total	18,081

Education level	Number of individuals
Doctors	93
Masters	749
University graduates	4,229
Tertiary college graduates	4,693
Secondary school and below	8,317
Total	18,081

Management
Discussion and Analysis

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

A Competition and Development Trends of the Industry

In 2015, the pharmaceutical industry in China will be presented with numerous opportunities. In terms of market demand, the increase in the proportion of the aging population in the PRC, the increased spending on healthcare programs by the PRC government and the increase in the domestic per capita disposable income have been the three major driving factors for the rapid development of the pharmaceutical industry, and these factors will continue to exist and drive the industry to rapidly grow in the foreseeable future. In terms of industry structure, the domestic economy has maintained stable growth and the PRC government has encouraged and guided the strategic emerging industries to carry out industry upgrade and structure optimization and has supported the development of the innovation-oriented pharmaceutical industry. The implementation of the National List of Essential Drugs has established a relatively solid foundation for the domestic pharmaceutical enterprises. The implementation of China's Twelfth Five Year Plan for the pharmaceutical industry has driven greater competition in the industry as a whole. As a result, pharmaceutical enterprises with advantages in scale, technology, brand and marketing will have valuable opportunities for development. The PRC government has continually focused on the quality of pharmaceutical products and regulations over the operation of pharmaceutical enterprises, overhauled the sales channel of pharmaceutical products, accelerated implementation of regulation and control over prices and classification of pharmaceutical products, and further improved the centralized tender system for procurement of pharmaceutical products. Such measures have driven and accelerated consolidation in the domestic pharmaceutical industry and the level of industrial concentration will rapidly increase by way of acquisitions and reorganizations. The expiration of patents of pharmaceutical products in major markets such as Europe and the U.S. has presented opportunities for the rapid development of Chinese companies with capabilities to innovate and manage international expansion. While faced with favorable capital market conditions and product market opportunities, the international expansion by the PRC pharmaceutical enterprises is also consistent with the policy directions of the PRC government's industry plans.

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

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

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B Development Strategies of the Group

In 2015, the Group will continue to be committed to its mission of improving human health, adhere to its corporate philosophy of "Innovation for Good Health", and endeavor to capture the opportunities presented by the development of the pharmaceutical market in China as well as the rapid growth of generic drugs in mainstream markets such as Europe and the U.S.. It will adhere to the development strategies of organic growth, external expansion and integrated development, and further its efforts in acquiring quality companies in the pharmaceutical industry. By continuing to optimize and integrate resources in the pharmaceutical industry chain, strengthening product innovation and product marketing systems, positively implementing internationalization and enhancing the core competence of the Group, the Group strives to further enhance its operating results. Meanwhile, the Group will continue to actively explore the financing channels domestically and internationally and create favorable conditions for the continuous development of the Group.

C Operation Plan

In 2015, the development of the pharmaceutical industry will be presented with both opportunities and challenges. The Group will endeavor to develop its product-oriented strategy and further strengthen its marketing efforts for major products, and enhance its investments in R&D activities. In addition, the Group will continue to increase investment in the healthcare services segment to expand the operating scale in the segment and improve its ability of operation management. Meanwhile, the Group will accelerate its mergers and acquisitions as well as integration of quality domestic and overseas pharmaceutical companies, and promote the consolidation of Sinopharm in the pharmaceutical distribution segment.

In 2015, the Group plans to achieve a rapid growth in revenue. Meanwhile, the Group will strive to control costs and various expenses to enhance profit margin and profitability of its core products. The Group will continue to optimize its operation and control as well as enhance the efficiency of the utilization of its assets. Detailed operational goals and proposed methods are as follows:

Pharmaceutical R&D and Manufacturing
In 2015, the Group will continue to focus on innovation and international development, and strive to develop strategic products. Whilst actively seeking opportunities for mergers and acquisitions as well as consolidation in the industry, the Group seeks to achieve continuous and rapid growth of its revenue and profit.

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

Management Discussion and Analysis

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

Pharmaceutical Distribution and Retail

In 2015, the Group will continue to facilitate consolidation and rapid development of Sinopharm in its pharmaceutical distribution business, and the continued expansion of the competitive advantages of Sinopharm in the pharmaceutical distribution and retail sector. The Group will actively support the leap-forward and integrated development of Guoda Drug Store in the pharmaceutical retail segment, thus enabling Sinopharm to build up its leading position in the pharmaceutical retail segment. Meanwhile, the Group will launch industry chain cooperation with Guahao.com Limited (掛號網) in terms of "Insurance, Medical Treatment and Medicine" to activate prescription drug online to offline (O2O) business model.

Healthcare Services

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

Medical Diagnosis and Medical Devices

In 2015, the Group will continue to develop and introduce products, launch new products and enrich new product lines for its diagnostic business. The Group will continue to enhance the development of domestic and overseas sales network and its professional sales team, strive to increase the market share of its diagnostic products including those newly introduced and registered in 2015, and actively seek opportunities to invest in quality diagnostic companies both domestically and internationally.

Management Discussion and Analysis

In 2015, the Group will increase its investments in R&D, manufacturing and sales of medical devices. Alma Lasers will further stimulate the R&D and sales of medical devices and synergy and innovation in service models with other business segments in order to extend its business from device supply to services. Meanwhile, the Group will continue to leverage on its strengths in expanding international operations, and with its existing overseas companies as platforms, vigorously explore cooperation with overseas companies on the basis of proactive integration, so as to achieve growth in the scale of its medical devices business.

Financing

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

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

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

E Potential Risks

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

The competition among domestic pharmaceutical companies is more intense. The reform measures relating to, among others, unregulated drug prices and the payment covered by medical insurance fund are developing. The centralized tender system for procurement of pharmaceutical products of various provinces is planned to be completed by 30 June 2015, which increases the risk of uncertainty of product prices of pharmaceutical manufacturing companies. As such, the Group will continue to place a great emphasis on the research and development of new products, maintain the competitive edge in the costs of its main products, actively strengthen the marketing efforts for its products and the sales in the international market, and optimize its product structure. Going forward, the Group will actively develop, cultivate and introduce new patented products, and maintain the healthy and sustainable development of its R&D of pharmaceutical products and its pharmaceutical manufacturing business.

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

With the implementation of internationalization strategy, and the increasing proportion settlement of the Group's purchases, sales, merges and acquisitions in foreign currencies, fluctuations in exchange rate of RMB to foreign currencies may also impact the operations of the Group.

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

3. Other Events

A The Restricted A Share Incentive Scheme

The Restricted A Share Incentive Scheme was approved by the shareholders of the Company at its extraordinary general meeting, the A shareholders' class meeting and the H shareholders' class meeting on 20 December 2013. On 7 January 2014, the Company granted a total of 4,035,000 Restricted A Shares at the grant price of RMB6.08 each to 28 participants (the "**Grantees**") pursuant to the Restricted A Share Incentive Scheme. As disclosed in the announcement of the Company dated 21 January 2014, 27 out of 28 of the Grantees have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 3,935,000 Restricted A Shares has been issued by the Company to the relevant Grantees.

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

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

B The Restricted A Share Incentive Scheme II

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

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4. Use of Proceeds

A In May 2010, upon approval by CSRC through the approval document (Zheng Jian Xu Ke [2010] No.334), the Company made a non-public offer of 31,820,000 domestic shares of RMB1.00 each in the PRC at the issue price of RMB20.60 per share. The total proceeds raised from such offer amounted to RMB655 million and, after deducting the underwriting commission attributable to the brokers and other expenses, the net proceeds were RMB635 million.

As at 31 December 2014, the Group applied an accumulated amount of proceeds of approximately RMB553 million.

Details of the use of proceeds of the A Shares are set out below:

Unit: RMB million

Projects undertaken	Amount of proceeds proposed to be applied	Amount of proceeds applied as at 31 December 2014
Recombinant human insulin (API + formulation) industrialized project	371	**293**
Artesunate high-technology industrialized model project[1]	190	**186**
In-vitro diagnostic products production facilities project[2]	74	**74**[3]

Notes:

(1) The final payment remained to be paid following the completion and acceptance of the project.

(2) The relevant designated account for the proceeds had been cancelled following the completion and acceptance of the project.

(3) The accumulated amount of proceeds applied included the interest income of RMB0.04 million from a designated account for the proceeds.

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B In October 2012, upon approval by CSRC through the approval document (Zheng Jian Xu Ke [2012] No.444), the Company made a global offering of 336,070,000 H Shares of RMB1.00 each and the total proceeds were HK$3,966 million. The net proceeds, together with relevant interest income, and after deducting the listing expenses of HK$84 million paid overseas, were HK$3,882 million. As at 31 December 2014, the Group applied an accumulated amount of proceeds of approximately HK$3,475 million, in the manner consistent with the purposes set out in the Prospectus.

Details of the use of proceeds from such issue of the H Shares are set out below:

Unit: HK$ million

Usage	Amount of proceeds proposed to be applied	Amount of proceeds applied as at 31 December 2014
Acquisitions and consolidation in the areas of pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services and diagnostic products and medical devices segment	1,863	**1,551**
Funding for existing research and development projects, expansion of research and development teams and acquiring new research and development projects	738	**602**
Repayment of part of principal and interest of interest-bearing debts	893	**933**
Supplementing our Group's general working capital	388	**388**

Note:

(1) As at 24 March 2015, the net proceeds from the abovementioned offering of H Shares had been fully applied.

C In April 2014, upon approval by CSRC through the approval document (Zheng Jian Xu Ke [2014] No.240), the Company issued an additional of 67,214,000 H Shares of RMB1.00 each, and the total proceeds raised from such issue were HK$1,782 million. The net proceeds, together with relevant interest income, after deducting the listing expenses of HK$20 million paid overseas, were HK$1,762 million.

As at 31 December 2014, the Group applied an accumulated amount of proceeds of approximately HK$1,773 million.

As at 31 December 2014, the Group had fully applied the net proceeds from such issue of H Shares, and the details of the use of proceeds from such issue of H Shares are as follows:

Unit: HK$ million

Usage	Amount of proceeds proposed to applied	Amount of proceeds applied as at 31 December 2014
Repayment of interest-bearing debts, replenishing the working capital of the Group and financing potential mergers and acquisitions domestically or overseas	1,762	**1,773**

Five-Year Statistics

Unit: RMB million

Year	2010 (restated)	2011 (restated)	2012 (restated)	2013 (restated)	2014
Operating Results					
Revenue	4,529	6,433	7,278	9,921	**11,938**
Profit for the year	938	880	1,839	1,956	**2,370**
Profit for the year attributable to owners of the parent	802	661	1,564	1,583	**2,113**
EBITDA	1,435	1,576	2,789	3,084	**3,697**
Proposed final dividend (in RMB)	0.10	0.10	0.21	0.27	**0.28**
Earnings per share (in RMB)					
Earnings per share — basic	0.43	0.35	0.80	0.71	**0.92**
Earnings per share — diluted	0.43	0.35	0.80	0.71	**0.92**
Equity					
Total equity	9,355	11,314	15,248	17,608	**19,046**
Equity attributable to owners of the parent	8,366	9,715	13,502	15,275	**16,618**
Equity per share attributable to owners of the parent	4.39	5.10	6.03	6.82	**—**
Debt					
Total debt	4,590	6,094	5,655	5,624	**8,796**
Gearing ratio (%)	27.36%	27.41%	22.22%	19.12%	**24.93%**
Interest coverage (times)	8.86	5.02	7.53	8.81	**8.91**
Assets					
Cash and bank balances	3,344	2,895	4,973	3,067	**3,696**
Property, plant and equipment	1,697	2,632	3,502	4,930	**5,695**
Prepaid land lease payments	299	459	544	780	**862**
Investments in joint ventures	2	2	17	118	**121**
Investments in associates	6,065	7,395	7,903	8,765	**11,727**
Available-for-sale investments	2,055	2,789	2,070	2,664	**2,499**
Equity investments at fair value through profit or loss	219	231	225	44	**34**
Segment net profit					
Pharmaceutical manufacturing and R&D	374	645	829	1,470	**1,095**
Pharmaceutical distribution and retail	434	541	662	707	**863**
Medical diagnosis and medical devices	31	55	65	66	**127**
Healthcare service	N/A	3	17	42	**112**
Other business operations	(60)	(127)	18	(2)	**19**

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

Report of the Directors

The Directors are pleased to present their 2014 report and the audited consolidated financial statements of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

Details of the principal activities of the principal subsidiaries are set out in note 21 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 2014 and the state of affairs of the Group at that date are set out in the financial statements and the accompanying notes on pages 75 to 198.

The Board has proposed a final dividend of RMB0.28 per share, inclusive of tax, for the year ended 31 December 2014, which will be subject to the approval by the Shareholders at the forthcoming AGM.

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

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

According to the PRC Enterprise Income Tax Law and its implementing rules which became effective on 1 January 2008 and relevant regulations, the Company is required to withhold and pay enterprise income tax at the rate of 10% for the 2014 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.

The arrangement relating to withholding tax, if any, in respect of the final dividend for the year ended 31 December 2014 to be paid by the Company to the investors of the Shanghai Stock Exchange who invest in the H Shares of the Company listed on the Main Board of the Hong Kong Stock Exchange will be finalized with the PRC authorities prior to the payment of the final dividend.

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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 21 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

(a) Restricted A Share Incentive Scheme

The Restricted A Share Incentive Scheme was approved by the Shareholders at the extraordinary general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting held on 20 December 2013. On 7 January 2014, the Company granted a total of 4,035,000 Restricted A Shares at the grant price of RMB6.08 each to 28 participants (the "**Grantees**") pursuant to the Restricted A Share Incentive Scheme. As disclosed in the announcement of the Company dated 21 January 2014, 27 out of 28 of the Grantees have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 3,935,000 Restricted A Shares has been issued by the Company to the relevant Grantees. On 19 January 2015, the Board has approved that a total of 231,000 Restricted A Shares, which have been granted to Mr. Wu Yijian, Mr. Hu Jianglin and Mr. Ni Xiaowei but have not been unlocked, shall be repurchased and cancelled at a repurchase price of RMB6.08 per share by the Company for a total repurchase amount of RMB1,404,480 following the resignation from their respective positions in the Company or the relevant subsidiary. The aforementioned repurchase was completed on 11 February 2015 and the cancellation of the repurchased shares was completed on 12 February 2015.

(b) Placing of H Shares

On 26 March 2014, the Company entered into a placing agreement with UBS AG, Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited and CCB International Capital Limited (as the placing agents) in relation to the placing of 67,214,000 H Shares at a placing price of HK$26.51 per H Share (exclusive of brokerage) (the "**Placing**").

The Company announced on 3 April 2014 that all conditions precedent to the Placing were satisfied and completion of the Placing took place on 3 April 2014. An aggregate of 67,214,000 new H Shares, representing approximately 16.67% of the total number of H Shares in issue as enlarged by the allotment and issue of the H Shares, have been successfully allotted and issued by the Company on 3 April 2014 at the placing price of HK$26.51 per H Share to no less than six but no more than ten placees, who and whose ultimate beneficial owners are third parties independent of and not connected with the Company.

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

DISTRIBUTABLE RESERVES

The amount of the Company's reserves available for distribution as at 31 December 2014, calculated in accordance with PRC rules and regulation, was RMB2,840 million.

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

During the Reporting Period and up to the date of this annual report, the Directors of the Company are as follows:

Executive Directors

Mr. Chen Qiyu (陳啟宇) *(Chairman)*
Mr. Yao Fang (姚方) *(Vice Chairman, President, Chief Executive Officer)*

Non-executive Directors

Mr. Guo Guangchang (郭廣昌)
Mr. Wang Qunbin (汪群斌)
Mr. Wang Pinliang (王品良)
Ms. Kang Lan (康嵐)
Mr. John Changzheng Ma[(1)]
Mr. Zhang Guozheng (章國政)[(1)]

Report of the Directors

Independent non-executive Directors

Mr. Han Jiong (韓炯)[(2)]
Dr. Zhang Weijiong (張維炯)
Mr. Li Man-kiu Adrian David (李民橋)[(3)]
Mr. Cao Huimin (曹惠民)

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 annual report.

SUPERVISORS

During the Reporting Period and up to the date of this annual report, the Supervisors of the Company are as follows:

Mr. Zhou Wenyue (周文岳) *(Chairman)*
Mr. Cao Genxing (曹根興)
Mr. Guan Yimin (管一民)[(1)]
Mr. Li Haifeng (李海峰)[(1)]

Notes:

(1) At the AGM held on 30 June 2014, the Shareholders elected Mr. John Changzheng Ma as a non-executive Director of the sixth session of the Board and Mr. Guan Yimin as a Supervisor of the sixth session of the Supervisory Committee, both appointments with effect from 30 June 2014 until the term of the current session of the Board and the Supervisory Committee expires. Mr. Zhang Guozheng and Mr. Li Haifeng resigned from their positions as a non-executive Director and a Supervisor, respectively, with effect from 30 June 2014.

(2) As disclosed in the Company's announcement dated 24 March 2015, Mr. Han Jiong has served as an independent non-executive Director for almost six years consecutively, and will retire from his positions as an independent non-executive Director until the formal appointment of the new independent non-executive director at the forthcoming AGM.

(3) As disclosed in the Company's announcement dated 14 July 2014, Mr. Li Man-kiu Adrian David has tendered to the Board his resignation as an independent non-executive Director due to work arrangements, and will continue to fulfill his duties until the formal appointment of the new independent non-executive director at the general meeting of the Company.

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 64 to 72 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 and Supervisory Committee. None of the Directors and Supervisors has an unexpired service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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', Supervisors' and chief executives' and details of the five highest paid employees' remuneration are set out in note 10 and note 11 to the financial statements.

For the year ended 31 December 2014, the remuneration, including salaries, allowances and benefits in kind, performance-related bonuses, pension scheme contribution and the shares awarded under the Restricted A Share Incentive Scheme, of the Company's senior management (excluding Ms. Lo Yee Har Susan, one of the joint company secretaries) whose profiles are included in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report fell within the following bands:

Remuneration bands	**Number of individuals**
RMBNil to RMB2,000,000	9
RMB2,000,001 to RMB4,000,000	11
RMB4,000,001 to RMB6,000,000	0
RMB6,000,001 to RMB8,000,000	1

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 RMB135 million.

Report of the Directors

MANAGEMENT CONTRACT

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

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2014, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

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

Name of Directors	Capacity	Class of Shares	Number of Shares[1]	Approximate percentage of Shares in relevant class of shares
Mr. Guo Guangchang	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.24%
	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%
Mr. Yao Fang	Beneficial owner	A Share	548,000(L)[3]	0.03%

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 79.6% 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.

(3) According to the Restricted A Share Incentive Scheme of the Company which was approved by the Shareholders at its extraordinary general meeting held on 20 December 2013, Mr. Yao Fang was granted 548,000 Restricted A Shares on 21 January 2014.

Report
of the Directors

(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 corporations	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	5,510,793,609(L)[(2)]	79.6%
	Fosun High Tech	Ordinary share	Interest of a controlled corporation	3,800,000,000(L)[(2)]	100%
Mr. Wang Qunbin	Fosun International Holdings	Ordinary share	Beneficial owner	5,000(L)	10%
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	3,773,000(L)	0.05%

Notes:

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

(2) Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 79.6% 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 Holdings, Fosun International and Fosun High Tech.

Report of the Directors

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

As at 31 December 2014, 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]	48.24%
Fosun International	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.24%
Fosun Holdings	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.24%
Fosun International Holdings	Interest of a controlled corporation	A Share	920,641,314(L)[2]	48.24%
The Prudential Insurance Company of America	Beneficial owner	H Share	32,849,500(L)	8.15%
Wellington Management Company, LLP	Investment manager	H Share	28,406,133(L)	7.04%
The Capital Group Companies, Inc.	Interest of controlled corporations	H Share	24,377,000(L)	6.04%
JPMorgan Chase & Co.	Beneficial owner/ Investment manager/ Custodian — corporation/ approved lending agent	H Share	24,130,273 (L)	5.98%
	Beneficial owner	H Share	165,000 (S)	0.04%
	Custodian — corporation/ approved lending agent	H Share	22,656,718 (P)	5.62%

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 79.6% 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of the Directors, as at the date of this annual report, the Company has been maintaining 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 RMB7.35 million.

CONNECTED TRANSACTIONS

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

(A) Non-exempt Connected Transactions

(i) On 24 December 2013, the Board considered and approved that the Company, Fosun High Tech and Nanjing Steel United Co., Ltd. (南京鋼鐵聯合有限公司) ("**Nanjing Steel United**"), subject to approval by the China Banking Regulatory Commission, agreed to make a pro-rata capital contribution involving a total amount of approximately RMB1,200 million in the amount of RMB108 million, RMB984 million and RMB108 million, respectively, to Fosun Finance (the "**Capital Increase Proposal**"). As subsequently disclosed in the announcement of the Company dated 14 January 2014, the parties have entered into a capital increase agreement following receipt of the approval from the China Banking Regulatory Commission[(1)].

(ii) As disclosed in the announcement of the Company dated 28 February 2014 and the circular of the Company dated 9 April 2014, on 28 February 2014, the Company entered into an equity transfer agreement with Xinjiang Boze, Aohong Pharma and Mr. Yu Hongru (于洪儒), pursuant to which, Fosun Pharmaceutical Industrial, a wholly-owned subsidiary of the Company, intended to acquire an aggregate of 28.146% equity interest in Aohong Pharma from Xinjiang Boze at a consideration of not more than RMB1,866.08 million. On 29 May 2014, such transaction was approved at the 2014 first extraordinary general meeting of the Company. The transaction will be carried out in two phases. During the Reporting Period, Fosun Pharmaceutical Industrial proposed to acquire 23% equity interest in Aohong Pharma at a consideration of not more than RMB1,524.90 million, the registration of which with the industry and commerce authorities was completed on 4 June 2014.

(iii) As disclosed in the announcements of the Company dated 17 February 2014, 8 April 2014, 14 April 2014, 18 April 2014, 20 April 2014 and 30 September 2014 and the circular of the Company dated 13 May 2014, Fosun Industrial, a wholly-owned subsidiary of the Company, intended to participate in the privatization of Chindex using a consideration of not more than US$223.62 million and an aggregate of 3,157,163 class A common stock of Chindex, and to acquire 30% equity interest in CML at a consideration not exceeding US$45.00 million. Such transaction was approved at the 2013 Annual General Meeting held on 30 June 2014.

Note:

(1) As disclosed in the announcement of the Company dated 24 March 2015, based on overall strategic considerations, Fosun Finance decided to adjust the original ownership structure and Capital Increase Proposal, and the Capital Increase Proposal was not implemented in the end. The Company, Fosun High Tech and Nanjing Steel United , after deliberation, have agreed to adjust the Capital Increase Proposal and intended to enter into a new capital increase agreement in due course. It was considered and approved at the 44th meeting of the sixth session of the Board that the Company, Fosun High Tech, Nanjing Steel United and Shanghai Yuyuan shall make capital contribution involving a total amount of approximately RMB1,440 million (the "**New Capital Increase Proposal**"), in the amount of RMB327.60 million, RMB892.80 million, RMB129.60 million, RMB90 million, respectively, to Fosun Finance. The New Capital Increase Proposal is conditional on the approval of the Shanghai Branch of China Banking Regulatory Commission as at the date of this annual report.

Report
of the Directors

(B) Non-exempt Continuing Connected Transactions

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

Unit: RMB

Connected person	Transaction	Type	Actual transaction amount 2014	Proposed annual caps 2014
Shanghai Furui	Master Property Management Services Agreement A and Master Property Management Services Agreement B	Service fee	**3,934,542**	**4,344,276**
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	**1,001,771**	**1,375,000**
		Total for service fee	**4,936,313**	**5,719,276**

Unit: RMB

Connected person	Transaction	Type	Actual transaction amount 2014	Proposed annual caps 2014
Fosun Finance	Financial Services Agreement[(1)]			
	(a) Maximum daily outstanding balance of deposits placed by the Company with Fosun Finance	Deposit taking	**950,370,100**	**1,000,000,000**
	(b) Maximum daily outstanding balance of loans granted by Fosun Finance to the Company	Loan provision	**0**	**1,000,000,000**
	(c) Fees and charges paid by the Company to Fosun Finance for clearing and settlement services and other financial services	Service fee	**0**	**1,000,000**
Forte Investment and Management[(2)]	Master Lease A, Master Lease B, Master Lease C and Master Lease D	Rental	**5,043,057**	**5,378,050**
Shanghai Fosun Property Management	Master Lease E	Rental	**4,622,635**	**9,865,000**
Fosun High Tech	Master Lease H	Rental	**37,716**	**224,604**
		Total for rental	**9,703,408**	**15,467,654**

Notes:

(1) On 26 August 2013, the Company entered into the financial services agreement with Fosun Finance to renew the Finance Services Agreement, which would expire on 31 December 2013, for a further term of three years commencing on 1 January 2014 ending on 31 December 2016.

(2) The lessor has changed from Forte Investment and Management to Shanghai New Shihua Investment and Management Co., Ltd. with effect from 1 December 2013, both of which are wholly-owned subsidiaries of Forte, a 99.08% indirectly owned subsidiary of Fosun International, the Controlling Shareholder of the Company.

The Board has reviewed the continuing connected transactions as described above and confirmed that in 2014, such transactions have been entered into:

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

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in 2014:

1. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus and the announcements of the Company dated 4 January 2013, 25 April 2013 and 26 August 2013 in respect of each of the disclosed continuing connected transactions.

Report of the Directors

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 45 to the financial statements. Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related parties transactions disclosed in note 45 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

The independent non-executive Directors have reviewed 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 51 to the financial statements.

COMPLIANCE WITH THE MODEL CODE AND THE WRITTEN CODE

The Company has adopted the Model Code and the Written Code as its codes of conduct regarding securities transactions. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the standards as set out in the Model Code and the Written Code throughout the Reporting Period.

COMPLIANCE WITH THE CG CODE

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

Further information on the corporate governance practices of the Company is set out in the Corporate Governance Report on pages 54 to 63 of this annual report.

Report
of the Directors

AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the 2014 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
24 March 2015

Supervisory Committee Report

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

In 2014, the sixth session of the Supervisory Committee of the Company carried out the work diligently, lawfully and efficiently in accordance with the Articles of Association and the Rules of Procedures for the Supervisory Committee's Meeting (監事會議事規則):

The Supervisory Committee has met seven times in 2014, and details are as follows:

1. On 7 January 2014, the Company convened the first meeting of the sixth session of the Supervisory Committee in 2014 (a special meeting) to review and approve the matters relevant to the grant of shares under the Restricted A Share Incentive Scheme.

2. On 24 March 2014, the Company convened the second meeting of the sixth session of the Supervisory Committee in 2014 (a regular meeting) to review and approve the 2013 Annual Report of the Group, the Working Report of the Supervisory Committee for 2013, the Special Report of the Placement and Actual Use of the Proceeds in 2013, the 2013 Internal Control Self-Assessment Report.

3. On 29 April 2014, the Company convened the third meeting of the sixth session of the Supervisory Committee in 2014 (a regular meeting) to review and approve the 2014 First Quarterly Report of the Group and the resolution in relation to the change of Supervisor.

4. On 14 July 2014, the Company convened the fourth meeting of the sixth session of the Supervisory Committee in 2014 (a special meeting) to review and approve the resolution to temporarily supplement the working capital by using the unused proceeds.

5. On 26 August 2014, the Company convened the fifth meeting of the sixth session of the Supervisory Committee in 2014 (a regular meeting) to review and approve the 2014 Interim Report of the Group, the 2014 Interim Internal Control Self-Assessment Report and the Interim Special Report of the Placement and Actual Use of the Proceeds in 2014.

6. On 28 October 2014, the Company convened the sixth meeting of the sixth session of the Supervisory Committee in 2014 (a regular meeting) to review and approve the resolution in relation to the changes in the accounting policy and the 2014 Third Quarterly Report of the Group.

7. On 17 December 2014, the Company convened the seventh meeting of the sixth session of the Supervisory Committee in 2014 (a special meeting) to review and approve the resolution to temporarily supplement the working capital by using the unused proceeds.

Supervisory Committee Report

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

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

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

The Supervisory Committee agreed with the audit opinion issued by Ernst & Young on the 2014 annual financial report of the Group, and that the financial report of the Group has given a true and fair view of the financial position and the operating results of the Group.

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

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

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

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

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

The Supervisory Committee has reviewed the 2014 Internal Control Self-Assessment Report of the Group, 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
Zhou Wenyue
Chairman

Shanghai, PRC
24 March 2015

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

As a public company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has remained in strict compliance with the Articles of Association, relevant laws and the Shanghai Listing Rules and Hong Kong Listing Rules. The Company seeks to continually improve its corporate governance structure, and to optimize its internal management and control and corporate operations in order to improve the Company's corporate governance.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules and formulated the Written Code as its code of conduct regarding securities transactions.

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

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

Corporate Governance Report

BOARD OF DIRECTORS

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

The composition of the Board is as follows:

Executive Directors:
Mr. Chen Qiyu *(Chairman)*
Mr. Yao Fang *(Vice Chairman, President, Chief Executive Officer)*

Non-executive Directors:
Mr. Guo Guangchang
Mr. Wang Qunbin
Mr. Wang Pinliang
Ms. Kang Lan
Mr. John Changzheng Ma

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

Biographical information of the Directors are set out on pages 64 to 72 of this annual report.

The members of the Board do not have any relationship, including financial, business, family or other material or relevant relationship, with each other.

Chairman of the Board and Chief Executive Officer of the Company

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

Independent Non-executive Directors

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

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

Corporate Governance Report

Appointment, Removal and Re-election of Directors

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

During the Reporting Period, Mr. Zhang Guozheng resigned from the office as a non-executive Director with effect from 30 June 2014. At the AGM held on 30 June 2014, the Shareholders elected Mr. John Changzheng Ma as non-executive Director of the sixth session of the Board.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

Corporate Governance Report

According to the records maintained by the Company, as at 31 December 2014, all Directors received training with an emphasis on the roles, functions and duties as a director of a listed company in compliance with the code provisions relating to continuous professional development under the CG Code. In addition, relevant reading materials including directors' manual and legal and regulatory update have been provided to the Directors for their reference and studying. The continuous professional development records of the Directors for the year ended 31 December 2014 is set out in the table on page 60 of this annual report.

BOARD COMMITTEES

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

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

Audit Committee

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

In 2014, the Audit Committee held 14 meetings to review the interim report for the six months ended 30 June 2014 and the 2013 annual financial results and reports 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 2014, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration and Appraisal Committee

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

In 2014, the Remuneration and Appraisal Committee held 3 meetings to review and make recommendations to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, the Restricted A Share Incentive Scheme and other related matters.

Corporate
Governance Report

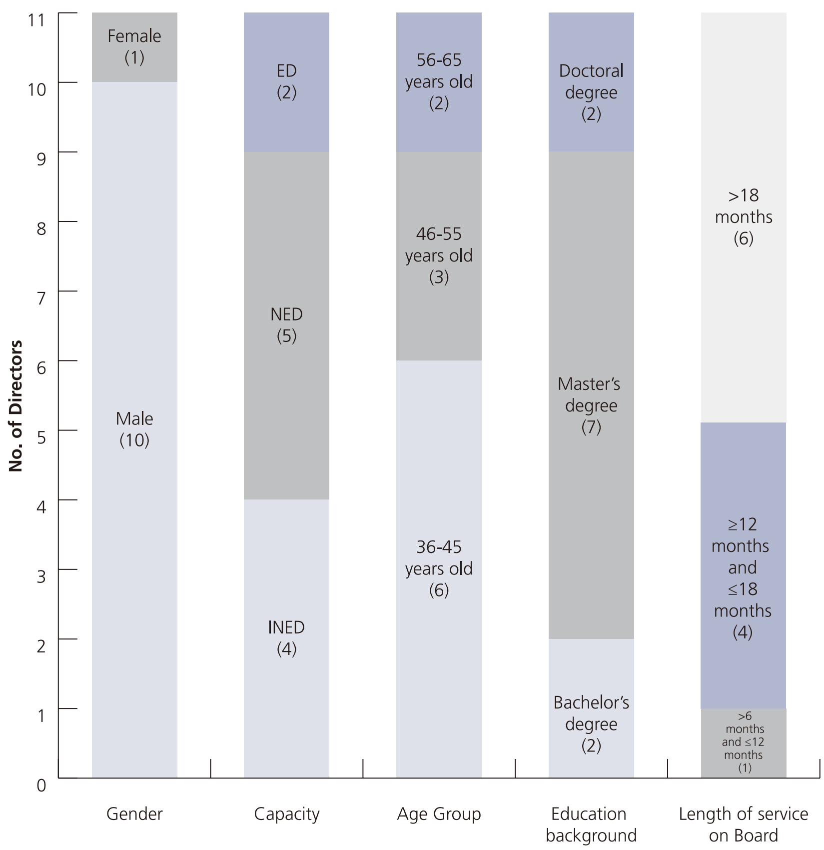
Nomination Committee

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

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

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

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



In 2014, the Nomination Committee held 8 meetings to review and make recommendations to the Board on the structure, size and composition of the Board, the appointment of the senior management and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of Mr. John Changzheng Ma as non-executive Director. The Nomination Committee considered an appropriate balance of diversity of the Board has been maintained.

Strategic Committee

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

- understanding and mastering the overall operations of the Group, 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 Group and major investment decisions; and

- reviewing and approving research reports on development strategy.

In 2014, the Strategic Committee met once to understand and master the overall operations of the Group, the international and domestic market trend and the relevant government policies, to research and advise on the short term, medium-term and long-term development strategies of the Group and major investment decision, and review and approve research reports on development strategy.

Corporate Governance Responsibilities

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

(1) established and reviewed the corporate governance policies and practices of the Company as well as made relevant recommendations;

(2) reviewed and monitored the training and continuous development of the directors and senior management;

(3) reviewed and monitored the policies and practices of the Company regarding the compliance of relevant legal and regulatory requirements;

(4) established, reviewed and monitored the code of conduct for directors and employees; and

(5) reviewed as to whether the Company has complied with the CG Code and made disclosures in the Corporate Governance Report.

Corporate
Governance Report

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board committee meetings of the Company held for the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings						
Name of Directors	**Board**	**Nomination Committee**	**Remuneration and Appraisal Committee**	**Audit Committee**	**Strategic Committee**	**Annual General Meeting**[1]	**Continuous Professional Development**
Executive Directors							
Mr. Chen Qiyu	28/28		3/3(M)		1/1(C)	1/1	✓
Mr. Yao Fang	28/28				1/1(M)	1/1	✓
Non-executive Directors							
Mr. Guo Guangchang	28/28				1/1(M)	0/1	✓
Mr. Wang Qunbin	28/28				1/1(M)	0/1	✓
Mr. Zhang Guozheng	16/16[2]					0/1	✓
Mr. Wang Pinliang	28/28			14/14(M)		1/1	✓
Ms. Kang Lan	27/28[3]	8/8(M)	3/3(M)			1/1	✓
Mr. John Changzheng Ma	12/12[2]					0/0	✓
Independent Non-executive Directors							
Mr. Han Jiong	28/28	8/8(C)	3/3(M)	14/14(M)		0/1	✓
Dr. Zhang Weijiong	28/28	8/8(M)	3/3(C)		1/1(M)	1/1	✓
Mr. Li Man-kiu Adrian David	28/28					0/1	✓
Mr. Cao Huimin	28/28		3/3(M)	14/14(C)		0/1	✓

Notes:

(1) The annual general meeting was held on 30 June 2014.

(2) Mr. Zhang Guozheng resigned from his position as non-executive Director on 30 June 2014. During the period from 1 January 2014 to 30 June 2014, the Company convened 16 Board meetings in total. Mr. John Changzheng Ma was appointed as non-executive Director on 30 June 2014. During the period from 30 June 2014 to 31 December 2014, the Company convened 12 Board meetings in total.

(3) Among the 28 Board meetings held during the Reporting Period, Ms. Kang Lan attended 27 meetings in person and 1 meeting by her proxy.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2014.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 73 to 74.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the annual report for the year ended 31 December 2014 amounted to RMB4.38 million. There is no remuneration paid to external auditors in respect of non-audit services.

INTERNAL CONTROLS

During the Reporting Period, the Board, through the Audit Committee, conducted a review of the effectiveness on the internal control system of the Group, including review of the Group's all material controls, including financial operational and compliance controls and risk management functions, as well as review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

JOINT COMPANY SECRETARIES

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

RIGHTS OF SHAREHOLDERS

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

Corporate
Governance Report

(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.

(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: Building A, No. 1289 Yishan Road, Shanghai, China
Fax: 8621-33987871
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 AGMs 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 AGMs to meet with the Shareholders and answer their enquiries.

On 21 January 2014 and 29 April 2014, based on the Shareholders' approval, the Board has passed the resolutions approving the amendments to Article 21 and 24 of the Articles of Association respectively. An updated version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

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

Biographical Details of Directors, Supervisors and Senior Management

DIRECTORS

Mr. Chen Qiyu (陳啟宇), aged 42, 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 Limited, a company listed on the Hong Kong Stock Exchange (stock code: 00656), a non-executive director of Sinopharm Group Co. Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 01099), a director of Zhejiang D.A. Diagnostic Company Limited (浙江迪安診斷技術股份有限公司), a company listed on the growth enterprise board of the Shenzhen Stock Exchange (stock code: 300244), and was a non-executive director of Shanghai Forte Land Co. Limited, a company delisted from the Hong Kong Stock Exchange in May 2011. Mr. Chen is the chairman of China Medical Pharmaceutical Material Association, vice president of China Pharmaceutical Industry Research and Development Association (中國醫藥工業科研開發促進會), vice council chairman of the China Medicinal Biotechnology Association (中國醫藥生物技術協會), vice president of the China Pharmaceutical Industry Association (中國化學製藥工業協會), chairman of the Shanghai Biopharmaceutical Industry Association (上海生物醫藥行業協會) and council member of the Shanghai Society of Genetics (上海市遺傳學會). Mr. Chen obtained a bachelor 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) ("**CEIBS**") in September 2005.

Mr. Yao Fang (姚方), aged 45, is the Company's executive Director, vice chairman of the Board, and president and chief executive officer of the Company. Mr. Yao joined the Group in April 2010 and was appointed as a Director on 9 June 2010. Mr. Yao is mainly responsible for the daily operations of the Group. Prior to joining the Group, from 1993 to 2009, Mr. Yao was successively the assistant general manager of the international business department of Shanghai Wanguo Securities Company Limited, now known as 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 was a non-executive director of BioSino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司) between 24 January 2011 to 13 March 2014, a company listed on the Hong Kong Stock Exchange (stock code: 08247), and is currently the chief supervisor of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Mr. Yao is a vice chairman of the Shanghai Pharmaceutical Industry Association (上海醫藥行業協會) since June 2010. Mr. Yao obtained a bachelor degree of economics from Fudan University (復旦大學) in July 1989 and a master degree of business administration from The Chinese University of Hong Kong in December 1993.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Guo Guangchang (郭廣昌), aged 47, 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 Shanghai Forte, a company delisted from the Hong Kong Stock Exchange in May 2011, a non-executive Director of China Minsheng Banking Corp., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600016), chairman of Fidelidade-Companhia de Seguros, S.A., Multicare-Seguros de Saúde, S.A. and Cares-Companhia de Seguros, S.A., vice chairman of Nanjing Nangang Iron & Steel United Company Limited and chairman of Peak Reinsurance Company Limited. Mr. Guo was a non-executive director of Sinopharm, a company listed on the Hong Kong Stock Exchange (stock code: 01099). Mr. Guo is now a member of the 12th National Committee of the Chinese People's Political Consultative Conference, a member of the 11th standing committee of All-China Federation of Industry & Commerce, a member of the 11th standing committee of All-China Youth Federation, honorary chairman of the Zhejiang Chamber of Commerce in Shanghai, vice council chairman of China Foundation for Glory Society and vice chairman of Youth Business China. Mr. Guo was 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.

Mr. Wang Qunbin (汪群斌), aged 45, 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 (河南羚銳製藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600285), a director of Shanghai Forte, a company delisted from the Hong Kong Stock Exchange in May 2011, a director of Nanjing Nangang Iron & Steel United Company Limited, a director of Fidelidade-Companhia de Seguros, S.A., a director of Multicare-Seguros de Saúde, S.A., a director of Cares-Companhia de Seguros, S.A., a director of ROC Oil Company Limited and the chairman of Peak Reinsurance Company Limited. 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 honorary chairman of Shanghai Bio Industry Association, the vice chairman and 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 49, was the Company's non-executive Director from 26 May 2008 to 30 June 2014.

Mr. Wang Pinliang (王品良), aged 46, was appointed as the Company's non-executive Director on 28 June 2013. Mr. Wang joined the Group in July 2000, and served as the deputy general manager, vice president and chief accountant in the finance department of the Company from July 2000 to February 2009, and the Company's supervisor from June 2010 to June 2013. Prior to joining the Group, Mr. Wang worked for Sinopec Shanghai Petrochemical Company Limited (上海石油化工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600688), from July 1991 to July 2000. Currently, Mr. Wang is an assistant to president and financial general manager of the finance division of Fosun High Tech, and was previously a director of Shanghai Yuyuan, 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 Shanghai University of Finance and Economics (上海財經大學) ("**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.

Biographical Details of Directors, Supervisors and Senior Management

Ms. Kang Lan (康嵐), aged 45, was appointed as the Company's non-executive Director on 28 June 2013. Ms. Kang was the project manager of Nanjing High Technology Industry Development Company (南京高新技術產業發展總公司) from August 1991 to June 1993, a researcher of Memorial Sloan-Kettering Cancer Center in the United States from October 1995 to May 1998, a research and development scientist in Wyeth from May 1998 to August 2000, a consultant of McKinsey & Company from August 2002 to February 2007, and a senior client partner of Korn/Ferry International Consulting Ltd. (光輝國際諮詢顧問公司) from March 2007 to August 2010. Ms. Kang was the senior assistant to the president and the general manager of the human resources department of Fosun High Tech from August 2010 to December 2014, and has been a vice president and chief human resources officer of the same since December 2014. Ms. Kang obtained a bachelor degree in biological sciences and biotechnology from Zhejiang University in June 1991, a master degree in biochemistry from Tulane University in the United States in June 1995, and a master degree in business and administration from the Wharton School of the University of Pennsylvania in May 2002.

Mr. John Changzheng Ma, aged 52, was appointed as the Company's non-executive Director on 30 June 2014. Mr. John Changzheng Ma joined the Group in August 2013 and was the Company's senior vice president from August 2013 to April 2014. Prior to joining the Group, Mr. Ma was the engineer at Shanghai Metallurgical Design and Research Institute (上海冶金設計研究院) from June 1983 to July 1990, operations manager of International Business Department in Preformed Line Products Company (NASDAQ: PLPC) from May 1995 to May 2000, vice president and general manager of GE Healthcare China from May 2000 to May 2005, president of Asia-Pacific of Pentair Ltd. (NYSE: PNR) from May 2005 to May 2010, and vice president of Express Scripts Holding Company (NASDAQ: ESRX) and its president in China from May 2010 to December 2012. Mr. John Changzheng Ma is currently senior assistant to the president of Fosun High Tech and chief executive director of Shanghai Fosun Health Industry Holdings Ltd. (上海復星健康產業控股有限公司). Mr. Ma obtained a doctoral degree of materials science and engineering from Wayne State University.

Mr. Han Jiong (韓炯), aged 45, was appointed as an independent Director on 23 April 2009. He is currently an independent non-executive Director of the Company. Mr. Han is currently a partner of Llinks Law Offices (通力律師事務所), which was cofounded by Mr. Han and other partners in September 1998. Mr. Han resigned as a managing partner and director on 27 January 2014. He is also an independent non-executive director of Jingrui Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01862). Mr. Han was a paralegal and an associate at Shanghai Jinmao Law Firm (上海金茂律師事務所) from July 1992 to September 1998. Mr. Han was a member of the Seventh and Eighth CSRC Public Offering Review Committee from January 2005 to April 2007, was appointed by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) as a member of the First and Second Review Committee for the Enterprise Annuity Fund Management Association (企業年金基金管理機構評審委員會) from June 2005 to August 2009, and is a council member of the Shanghai Bar Association (上海市律師協會) since April 2008. Mr. Han obtained a bachelor degree of laws from East China University of Political Science and Law (華東政法大學) in July 1992. Mr. Han qualified as a lawyer in the PRC in February 1993.

Dr. Zhang Weijiong (張維炯), aged 61, was appointed as an independent Director on 9 June 2010. He is currently an independent non-executive Director of the Company. Dr. Zhang joined CEIBS in 1997 and currently serves as professor of Science of Strategy, co-dean and president (Chinese affairs) in CEIBS. Prior to joining CEIBS, Dr. Zhang was associate dean and associate professor at the Management School of Shanghai Jiao Tong University (上海交通大學) ("**SJTU**") from 1982 to 1997. Dr. Zhang is currently an independent director of Shanghai Automatic Industry Corporation (Group) (華域汽車系統股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600741), and an independent non-executive director of Springland International Holdings Limited (華地國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01700). Dr. Zhang obtained a bachelor degree of engineering from SJTU in March 1982. Dr. Zhang received a master degree of science in business administration and a doctoral degree in philosophy from the University of British Columbia, Canada in May 1989 and May 1997, respectively.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Li Man-kiu Adrian David (李民橋), JP, aged 41, has served as an independent non-executive Director of the Company since 30 October 2012. Mr. Li joined The Bank of East Asia, Limited ("**BEA**"), a company listed on the Hong Kong Stock Exchange (stock code: 00023) in August 2000. Mr. Li currently serves as an executive director and the deputy chief executive of BEA. Mr. Li is also an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: Sino Land Company Limited (stock code: 00083), Tsim Sha Tsui Properties Limited (stock code: 00247), Sino Hotels (Holdings) Limited (stock code: 01221), China State Construction International Holdings Limited (stock code: 03311), and COSCO Pacific Limited (stock code: 01199), and an alternate independent non-executive director of San Miguel Brewery Hong Kong Limited (stock code: 00236). In addition, Mr. Li is a non-executive director of The Berkeley Group Holdings plc, a UK listed company, and a member of International Advisory Board of Abertis Infraestructuras, S.A., a company listed in Spain. Mr. Li was an alternate director of AFFIN Holdings Berhad, a company listed in Malaysia. 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 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 and a vice president of the council of The Hong Kong Institute of Bankers. Furthermore, Mr. Li serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 12th National People's Congress. Mr. Li holds a master degree of management from Kellogg School of Management, Northwestern University and a bachelor degree and a master degree of arts in law from the University of Cambridge and was admitted as a solicitor of the Supreme Court of England and Wales and the High Court of Hong Kong in September 1998 and February 1999, respectively.

Mr. Cao Huimin (曹惠民), aged 60, was appointed as the Company's independent non-executive Director on 28 June 2013. Mr. Cao is currently a professor in accountancy at Shanghai Lixin University of Commerce (上海立信會計學院), and also a standing member of the Chinese Institute of Business Administration (中國企業管理研究會) and a member of Applied College Specialty Committee of National Higher Education Research Association (全國高等院校教學研究會應用型本科院校專門委員會). Mr. Cao is an independent director of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) (stock code: 600827) and Shanghai Industrial Development Co., Ltd. (上海實業發展股份有限公司) (stock code: 600748), both of which are listed companies in Shanghai Stock Exchange, and an independent director of Shanghai HAND Enterprise Solution Company Ltd. (上海漢得信息技術股份有限公司), a company listed in Shenzhen Stock Exchange (stock code: 300170) and Shanghai Flyco Electrical Appliance Co., Ltd. (上海飛科電器股份有限公司). Mr. Cao graduated from SUFE with a master degree in economics (accounting) in January 1988.

SUPERVISORS

Mr. Zhou Wenyue (周文岳), aged 54, was appointed as the Company's Supervisor on 28 June 2013 and served as the chief Supervisor. Mr. Zhou joined the Group in 2007, and was the Company's vice president and senior vice president. Prior to joining the Group, Mr. Zhou was a director of the human resources department of CEIBS from October 1997 to June 2000, the deputy general manager of Shanghai East-China Computer Co., Ltd. (上海華東電腦股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600850), from September 2000 to June 2003 and the deputy director of the human resources department of 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 CEIBS in April 1997.

Mr. Cao Genxing (曹根興), aged 68, has served as the Company's Supervisor since 26 May 2008. Mr. Cao Genxing currently serves as the secretary to the president of Dahua Group Limited (大華(集團)有限公司). Mr. Cao Genxing graduated from Central Agricultural Broadcasting and Television School (中央農業廣播電視學校) with a diploma in agricultural science in December 1985. Mr. Cao Genxing graduated from Shanghai Baoshan District Vocational University (上海寶山區業餘大學) with a diploma in party and government management in January 1991.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Li Haifeng (李海峰), aged 56, was the Company's Supervisor from 28 June 2013 to 30 June 2014.

Mr. Guan Yimin (管一民), aged 64, was appointed as the Company's Supervisor on 30 June 2014. Mr. Guan was a professor of Shanghai National Accounting Institute from September 2000 to August 2014. He was an independent director of the Company from May 2007 to June 2013, and an independent non-executive director of the Company from October 2012 to June 2013. He is now concurrently an independent director of Bank of Shanghai Co. Ltd. (上海銀行股份有限公司), an independent director of 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), an independent non-executive director of China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601866) and Hong Kong Stock Exchange (stock code: 02866), an independent director of Porton Fine Chemicals Ltd. (重慶博騰製藥科技股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300363) and an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (天津創業環保股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600874) and Hong Kong Stock Exchange (stock code: 01065). Mr. Guan obtained a bachelor degree in accounting from SUFE in January 1983.

SENIOR MANAGEMENT

Mr. Yao Fang (姚方), is the Company's executive Director, vice chairman of the Board, and president and chief executive officer of the Company. His biographical details are set out on page 64 of this annual report.

Mr. Li Xianlin (李顯林), aged 59, joined the Group in 2004 and is currently the Company's senior vice president. Mr. Li joined Xuzhou Biopharmaceuticals Manufactures Plant (徐州生物化學製藥廠), now known as 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 CEIBS in June 2008.

Mr. Li Dongjiu (李東久), aged 49, joined the Group in 2009 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Li worked for North China Pharmaceutical Group Corporation (華北製藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600812), from July 1987 to December 2009. Mr. Li is currently the director of Sinopharm Industrial Investment Co., Ltd., the non-executive director of Sinopharm, a company listed on Hong Kong Stock Exchange (Stock Code: 01099), an director of Nature's Sunshine Products Inc., a company listed on NASDAQ, USA (NASDAQ: NATR), the vice chairman of China Nonprescription Medicines Association (CNMA, 中國非處方藥物協會), a vice chairman of China Association of Pharmaceutical Commerce, 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 (大連理工學院), now known as Dalian University of Technology (大連理工大學), in July 1987, a master degree in 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, a master degree in arts from the Flinders University of South Australia in October 2005, a doctorate degree in engineer from Wuhan University of Technology in June 2013 and a master degree in business administration from CEIBS in October 2013.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Wang Cheng (汪誠), aged 51, joined the Group in 2011 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Wang worked for Holley Group Company Limited (華立集團股份有限公司) from July 1994 to September 2010 and was a director, head of the financial department, president and chairman of the board of Holley Share Company Limited (重慶華立控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607), from October 1999 to October 2006. Mr. Wang was the vice president and chairman of the board of Kunming Pharmaceutical Group Corporation Limited (昆明製藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600422), from November 2002 to October 2006. Mr. Wang was the chairman of the board of Wuhan Jianmin Pharmaceutical Groups Corporation Limited (武漢健民藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600976), from October 2009 to September 2010. Mr. Wang obtained a bachelor degree in literature in July 1988 and a master degree of business administration in July 1998 from Hangzhou University (杭州大學), now known as Zhejiang University (浙江大學).

Mr. Li Chun (李春), aged 51, joined the Group in March 2013 and is currently the Company's senior vice president. Prior to joining the Group, Mr. Li successively held the posts of recruiting specialist and HR manager of Xian-Janssen Pharmaceutical Ltd. (西安楊森製藥公司) from July 1988 to April 1993; during the period from April 1993 to April 1995, he successively held the posts of deputy general manager of Xian Meadow Gold Foodstuff Co., Ltd. (西安美登高食品有限公司), a subsidiary of Meadow Gold Investment (US) Co., Ltd., and general manager of Chengdu Meadow Gold Foodstuff Co., Ltd. (成都美登高食品有限公司). He was the HR manager of Quaker (China) Ltd. (桂格中國公司) in China region from April 1995 to April 1998, the chief HR officer of Pillsbury (China) Ltd. (品食樂中國有限公司) from April 1998 to November 2001, the chief HR officer of China business department of Trane Air-Conditioning from November 2001 to 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) from April 2005 to 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.

Dr. Zhang Xinmin (張新民), aged 48, joined the Group in 2010 and is currently the Company's senior vice president. 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 April 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) from September 1999 to December 2008, and served as a deputy director or Shanghai Medical Insurance Office from January 2009 to 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) (the "**SMC**"), in July 1989 and July 1994, respectively. Dr. Zhang obtained a doctoral degree of Management from Fudan University (復旦大學) in June 2001 and subsequently acquired a postdoctoral degree of business management from Fudan University in June 2004.

Mr. Hongfei Jia, aged 47, joined the Group in June 2013 and is currently the Company's senior vice president and chief financial officer. Prior to joining the Group, Mr. Jia worked for The Gillette Company from September 1989 to December 1993 and the Audit Department of NCH Corporation in the U.S. from October 1994 to October 1996. He was the manager in financial budgeting and planning of Sino-American Tianjin Smith Kline &French Laboratories Ltd. and financial manager of Glaxo Wellcome (China) Co., Ltd. from November 1996 to May 1999, financial manager of SAMTACK COMPUTER INC. from November 1999 to October 2002, chief financial officer of AchieveGlobal from January 2003 to November 2003, deputy general manager and chief financial officer of The Siemon Company from December 2013 to June 2007, chief financial officer of Jingrui Properties Group Limited (景瑞地產(集團)股份有限公司) from September 2007 to May 2010, and chief financial officer 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) from July 2011 to October 2012. Mr. Jia obtained a bachelor degree of science in management science from Fudan University (復旦大學) in July 1989, and acquired a master degree of business administration from the University of Dallas in December 2005.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Zhou Biao (周飇), aged 44, joined the Group in June 2013 and is currently the Company's senior vice president, secretary to the Board and joint company secretary. Prior to joining the Group, Mr. Zhou served as a lawyer of Shanghai Qiao Wen Law Firm (上海市喬文律師事務所) from September 1996 to May 2000, a lawyer of Shanghai Hua Ye Law Firm (上海市華曄律師事務所) from May 2000 to May 2005 and a lawyer of Shanghai Jiu Cheng Law Firm (上海久誠律師事務所) from May 2005 to June 2013. Mr. Zhou obtained a bachelor degree of laws in economic law from Fudan University (復旦大學) in July 1993.

Mr. Wu Yifang (吳以芳), aged 45, joined the Group in 2004 and is currently a senior vice president of the Company. Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), now known as Wanbang Pharma, from June 1987 to April 1997, a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物化學製藥廠), now known as Wanbang Pharma, from April 1997 to December 1998, the president of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司), now known as Wanbang Pharma, and a deputy general manager of Wanbang Pharma from December 1998 to March 2007 and the president of Wanbang Pharma from March 2007 to April 2011 and has been the chairman and CEO of Wanbang Pharma. Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce in 1996 and obtained a master degree in business administration from Saint Joseph's University in 2005.

Mr. Cui Zhiping (崔志平), aged 51, joined the Group in 2006 and is currently the Company's vice president. Prior to joining the Group, Mr. Cui worked for Shanghai Pharmaceuticals Holding Co. Ltd. (上海醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601607) and the Hong Kong Stock Exchange (stock code: 02607), from 2001 to 2005. Mr. Cui obtained a bachelor degree of pharmacy from SMC in July 1986 and a master degree of business administration from La Trobe University in March 2002.

Mr. Zhu Yaoyi (朱耀毅), aged 52, joined the Group in 1999 and is currently the Company's vice president. Prior to joining the Group, Mr. Zhu was a manager of Beckman Coulter Commercial Enterprise Company Limited, responsible for marketing activities in Eastern China, from February 1991 to April 1999. Mr. Zhu obtained a bachelor degree of engineering and a master degree of engineering from Shanghai Machinery College (上海機械學院), now known as Shanghai Polytechnic University (上海理工大學), in July 1984 and July 1987, respectively.

Mr. Wang Kexin (王可心), aged 52, joined the Group in 2010 and is currently the Company's vice president. Prior to joining the Group, Mr. Wang was the deputy general manager of Sea Rainbow Holding Corporation (海虹控股醫藥電子商務有限公司) from January 2001 to November 2002, marketing director of KPC and deputy general manager of Kunming Pharmaceutical Retail Company Limited (昆明製藥藥品銷售有限公司) from November 2002 to January 2004, general manager of Beijing Huali Jiuzhou Medical Company Limited (北京華立九州醫藥有限公司) from January 2004 to January 2009, vice-president of Chongqing Huali Pharmaceutical Industry Company Limited (重慶華立藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000607), from January 2007 to January 2009. Mr. Wang obtained a bachelor degree of medicine from Shenyang Medical College (瀋陽醫學院) in July 1988.

Mr. John Changzheng Ma joined the Group in August 2013 as the Company's senior vice president and ceased to hold such position from April 2014. Mr. Ma has been a non-executive Director since 30 June 2014, and his biographical details are set out on page 66 of this annual report.

Mr. Hu Jianglin (胡江林), aged 44, joined the Group in 2011 and had been a vice president of the Company during the Reporting Period until 29 December 2014.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Ni Xiaowei (倪小偉), aged 51, joined the Group in 2011 and had been a vice president of the Company during the Reporting Period until 29 December 2014.

Mr. Dong Zhichao (董志超), aged 48, joined the Group in February 1992 and is currently the Company's vice president. Prior to joining the Group, Mr. Dong acted as a teaching assistant and lecturer in the Department of Pharmaceutics at the School of Pharmacy of Second Military Medical University (第二軍醫大學) from September 1991 to December 1998, and chief engineer in Zhaohui pharmaceutical factory affiliated to Second Military Medical University (第二軍醫大學朝輝製藥廠) from March 1997 to December 1998. Mr. Dong obtained a bachelor degree of Medicine from Second Military Medical University in July 1988 and acquired a master degree of Medicine (with a major in Pharmaceutics) from the Second Military Medical University and a degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business (長江商學院) in July 1991 and September 2008, respectively.

Ms. Guan Xiaohui (關曉暉), aged 43, joined the Group in May 2000 and is currently the Company's vice president and chief accountant. Ms. Guan was successively the Company's financial manager of the retail pharmaceutical department, chief financial officer of Fosun Pharmaceutical and the Company's vice chief financial officer. She served as the Company's deputy director of business management committee and the Company's assistant to the president and general manager of financial department. Prior to joining the Group, from July 1992 to May 2000, Ms. Guan worked for Industrial and Commercial Bank of China Jiangxi Branch (中國工商銀行江西分行). Ms. Guan is currently the supervisor of China National Accord Medicines Corporation Ltd. (國藥一致藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000028) and Biosino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 08247). Ms. Guan obtained a bachelor degree of economics from Jiangxi University of Finance and Economics (江西財經大學) and acquired a master degree of professional accountancy from Chinese University of Hong Kong in December 2007.

Mr. Ding Xiaojun (丁曉軍), aged 50, joined the Group in 1999 and had been a vice president of the Company during the Reporting Period until 24 March 2014.

Mr. Bing Li (黎兵), aged 46, joined the Group in May 2014 and is currently a vice president of the Company. Mr. Bing Li was the strategy manager of China/India Region, global new product planning manager and consultant of the biotechnology strategy department of Eli Lilly and Company (HQs) from 1999 to 2006, the general manager of business development division of China/Hong Kong region for GlaxoSmithKline from August 2006 to June 2010, an executive director of Warburg Pincus LLC. from June 2010 to April 2014, an non-executive director of China Biologic Products, Inc. (NASDAQ: CBPO) from March 2011 to May 2014, a director of Kunming Jida Pharmaceutical Co., Ltd. (昆明積大製藥股份有限公司) from March 2011 to January 2014, and a director of Zhejiang Vacin Bio-Pharmaceutical Ltd. (浙江衛信生物藥業有限公司) from August 2011 to April 2014. Mr. Bing Li obtained a bachelor degree of science in biophysics from Fudan University (復旦大學) in July 1990, a doctoral degree in cell and molecular biology from University of Rochester in October 1997 and a master degree in business administration and a master degree in engineering management from Kellogg School of Management, Northwestern University, USA in 1999.

Biographical Details of
Directors, Supervisors and Senior Management

Mr. Wang Yao (汪曜), aged 41, joined the Group in September 2014 and is currently a vice president of the Company. Mr. Wang was field management engineer of Shanghai Automotive Casting Plant of SAIC Motor Corporation Limited (上海汽車集團股份有限公司上海汽車鑄造總廠) from July 1995 to January 1998, the senior project manager of the strategic investment committee of D'Long International Strategic Investment Company (德隆國際戰略投資有限公司) from November 1999 to March 2001, the vice general manager of Zhongqi Asset Custody Co. Ltd. (中企資產託管有限公司), a subsidiary of D'Long International Strategic Investment Company from April 2001 to May 2004, the investment manager of Hongpu Investment Holdings (China) Co., Ltd. (宏普投資控股(中國)有限公司) from June 2004 to April 2006, the director in merger and acquisition of Asian-Pacific Region of PENTAIR LTD, a company listed on the New York Stock Exchange (NYSE: PNR), from April 2006 to May 2011, during which he was concurrently the general manager of Beijing Pentair-Jieming Environmental Protection Equipment Co., Ltd. (北京濱特爾潔明環保設備有限公司), an affiliate of PENTAIR LTD, from June 2009 to August 2010, and vice president of group investment and asset management of Suntech Power Holdings Co., Ltd., a company listed on the New York Stock Exchange (NYSE: STP), from May 2011 to July 2014. Mr. Wang obtained a bachelor degree in metal casting from Shanghai University (上海大學) in 1995 and a master degree in business administration from CEIBS in 1999.

Mr. Shao Ying (邵穎), aged 49, joined the Group in March 2012 and is currently a vice president of the Company. Mr. Shao was a lecturer and associate professor of Medicinal Chemistry Teaching and Research Office in China Pharmaceutical University (中國藥科大學) from August 1991 to July 2003, the deputy chief and chief of the former Review Department of Center for Drug Evaluation (CDE) and the chief of the Research and Evaluation Department under China Food and Drug Bureau (now known as China Food and Drug Administration) from August 2003 to December 2011, the assistant president and executive deputy director of Corporate Technological Center of Fosun Pharmaceutical Industrial from March 2012 to August 2012, the assistant president and director of Corporate Technological Center of Fosun Pharmaceutical Industrial l from August 2012 to December 2012, and the assistant president and director of R&D Center of the Company from January 2013 to October 2014. Mr. Shao obtained a bachelor degree in biopharmaceuticals from China Pharmaceutical University in 1988, a master degree in pharmaceutical chemistry from China Pharmaceutical University in 1991 and a doctoral degree in chemistry from China Pharmaceutical University in 2006.

JOINT COMPANY SECRETARIES

Mr. Zhou Biao (周飈), aged 44, the joint company secretary, is also the Company's senior vice president and secretary to the Board. Please refer to page 70 of this annual report for his biography.

Ms. Lo Yee Har Susan (盧綺霞), aged 56, is an executive director of Tricor Services Limited ("**Tricor**"). She also serves as the Head of Learning & Development of Tricor. Prior to joining Tricor, Ms. Lo served as director of the company secretarial department of Tengis Limited (now Tricor Tengis Limited). Ms. Lo has more than 30 years of experience in company secretarial industry, and has provided services to companies ranging from private companies to public companies listed on the Hong Kong Stock Exchange. Ms. Lo is currently named company secretary to five Hong Kong listed companies. She is a fellow member of both The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Lo graduated from The Hong Kong Polytechnic (now The Hong Kong Polytechnic University).

Independent Auditor's Report

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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 75 to 197, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, 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 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
24 March 2015

Consolidated
Statements of Profit or Loss

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
REVENUE	4,5	**11,938,243**	9,921,487
Cost of sales		**(6,718,569)**	(5,543,369)
Gross profit		**5,219,674**	4,378,118
Other income	6	**124,958**	120,901
Selling and distribution expenses		**(2,300,424)**	(1,843,534)
Administrative expenses		**(1,162,601)**	(983,025)
Research and development expenses		**(564,218)**	(437,613)
Other gains	8	**1,239,446**	789,766
Other expenses		**(403,956)**	(196,096)
Interest income		**69,764**	63,846
Finance costs	9	**(415,040)**	(350,451)
Share of profits and losses of:			
Joint ventures		**(18,698)**	(10,765)
Associates		**929,148**	782,462
PROFIT BEFORE TAX	7	**2,718,053**	2,313,609
Income tax expense	12	**(348,214)**	(358,158)
PROFIT FOR THE YEAR		**2,369,839**	1,955,451
Attributable to:			
Owners of the parent	13	**2,112,869**	1,582,561
Non-controlling interests		**256,970**	372,890
		2,369,839	1,955,451
Earnings per share attributable to ordinary equity holders of the parent:	16		
Basic		**RMB0.92**	RMB0.71
Diluted		**RMB0.92**	RMB0.71

Details of the dividends payable and proposed for the year are disclosed in note 15 to the financial statements.

Consolidated
Statements of Comprehensive Income

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
PROFIT FOR THE YEAR		**2,369,839**	1,955,451
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments			
Changes in fair value		**580,276**	550,896
Reclassification adjustments for gains included in the consolidated statements of profit or loss			
— Gain on disposal		**(662,074)**	(191,873)
Income tax effect		**15,912**	(65,702)
		(65,886)	293,321
Share of other comprehensive (loss)/income of associates		**(7,993)**	102,281
Exchange differences on translation of foreign operations		**6,190**	(372)
Other comprehensive income not being reclassified to profit or loss in subsequent periods		**—**	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(67,689)**	395,230
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,302,150**	2,350,681
Attributable to:			
Owners of the parent	13	**2,051,338**	1,981,805
Non-controlling interests		**250,812**	368,876
		2,302,150	2,350,681

Consolidated
Statements of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**5,694,638**	4,930,175
Prepaid land lease payments	18	**862,037**	779,873
Goodwill	19	**3,255,042**	2,976,039
Other intangible assets	20	**2,049,826**	1,859,570
Investments in joint ventures	22	**121,382**	118,177
Investments in associates	23	**11,727,481**	8,765,410
Available-for-sale investments	24	**2,499,156**	2,664,409
Deferred tax assets	26	**101,222**	88,091
Other non-current assets	25	**304,581**	250,015
Total non-current assets		**26,615,365**	22,431,759
CURRENT ASSETS			
Inventories	27	**1,604,562**	1,614,272
Trade and bills receivables	28	**1,778,078**	1,460,011
Prepayments, deposits and other receivables	29	**346,387**	593,936
Due from related companies	35	**215,188**	206,715
Equity investments at fair value through profit or loss	30	**33,771**	44,196
Cash and bank balances	31	**3,695,698**	3,067,414
		7,673,684	6,986,544
Assets of a disposal group classified as held for sale	14	**990,341**	—
Total current assets		**8,664,025**	6,986,544
CURRENT LIABILITIES			
Trade and bills payables	32	**875,149**	1,103,160
Other payables and accruals	33	**2,738,097**	2,514,339
Interest-bearing bank and other borrowings	34	**4,939,433**	1,424,210
Due to related companies	35	**179,131**	37,693
Tax payable		**216,392**	198,719
		8,948,202	5,278,121
Liabilities directly associated with the assets classified as held for sale	14	**589,118**	—
Total current liabilities		**9,537,320**	5,278,121
NET CURRENT (LIABILITIES)/ASSETS		**(873,295)**	1,708,423
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,742,070**	24,140,182

Consolidated
Statements of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,742,070**	24,140,182
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	**3,856,675**	4,199,709
Deferred tax liabilities	26	**1,929,331**	1,783,520
Deferred income	36	**139,593**	95,624
Other long-term liabilities	37	**770,356**	453,702
Total non-current liabilities		**6,695,955**	6,532,555
Net assets		**19,046,115**	17,607,627
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**2,311,611**	2,240,462
Reserves	39(a)	**13,659,164**	12,428,848
Proposed final dividend	15	**647,187**	605,987
		16,617,962	15,275,297
Non-controlling interests		**2,428,153**	2,332,330
Total equity		**19,046,115**	17,607,627

Chen Qiyu
Director

Yao Fang
Director

Consolidated
Statements of Changes in Equity

Year ended 31 December 2014

	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	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013											
As previously reported	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
Retrospective adjustments	—	—	—	—	2,522,885	—	(2,522,885)	—	—	—	—
As restated	2,240,462	3,635,037	804,686	1,338,476	2,522,885	(10,462)	2,500,324	470,497	13,501,905	1,745,856	15,247,761
Profit for the year	—	—	—	—	—	—	1,582,561	—	1,582,561	372,890	1,955,451
Other comprehensive income for the year:											
Changes in fair value of available-for-sale investments, net of tax	—	—	294,590	—	—	—	—	—	294,590	(1,269)	293,321
Share of other comprehensive income of associates	—	—	102,281	—	—	—	—	—	102,281	—	102,281
Exchange differences on translation of foreign operations	—	—	—	—	—	2,373	—	—	2,373	(2,745)	(372)
Total comprehensive income for the year	—	—	396,871	—	—	2,373	1,582,561	—	1,981,805	368,876	2,350,681
Profit appropriation to reserve	—	—	—	146,897	—	—	(146,897)	—	—	—	—
Transaction costs related to issue of new shares	—	4,150	—	—	—	—	—	—	4,150	—	4,150
Deemed acquisition of additional interests in subsidiaries	—	—	—	—	(2,571)	—	—	—	(2,571)	2,571	—
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	2,098	—	—	—	2,098	(3,545)	(1,447)
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(191,843)	(191,843)
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	433,623	433,623
Acquisition of non-controlling interests	—	—	—	—	(199,734)	—	—	—	(199,734)	(6,636)	(206,370)
Equity-settled share-based payment	—	—	—	—	6,795	—	—	—	6,795	2,912	9,707
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	—	—	—	—	25,523	—	—	—	25,523	17,244	42,767
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	(5,483)	—	—	—	(5,483)	(38,881)	(44,364)
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	2,153	2,153
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	431,306	—	—	—	431,306	—	431,306
Final 2012 dividend declared and paid	—	—	—	—	—	—	—	(470,497)	(470,497)	—	(470,497)
Proposed final 2013 dividend *(note 15)*	—	—	—	—	—	—	(605,987)	605,987	—	—	—
At 31 December 2013	2,240,462	3,639,187*	1,201,557*	1,485,373*	2,780,819*	(8,089)*	3,330,001*	605,987	15,275,297	2,332,330	17,607,627

Consolidated
Statements of Changes in Equity

Year ended 31 December 2014

	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	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014											
As previously reported	2,240,462	3,639,187	1,201,557	1,485,373	(186,563)	(8,089)	6,297,383	605,987	15,275,297	2,332,330	17,607,627
Retrospective adjustments	—	—	—	—	2,967,382	—	(2,967,382)	—	—	—	—
As restated	2,240,462	3,639,187	1,201,557	1,485,373	2,780,819	(8,089)	3,330,001	605,987	15,275,297	2,332,330	17,607,627
Profit for the year	—	—	—	—	—	—	2,112,869	—	2,112,869	256,970	2,369,839
Other comprehensive loss for the year:	—	—	—	—	—	—	—	—	—	—	—
Changes in fair value of available-for-sale investments, net of tax	—	—	(59,952)	—	—	—	—	—	(59,952)	(5,934)	(65,886)
Share of other comprehensive income of associates	—	—	(7,994)	—	—	—	—	—	(7,994)	1	(7,993)
Exchange differences on translation of foreign operations	—	—	—	—	—	6,415	—	—	6,415	(225)	6,190
Total comprehensive income for the year	—	—	(67,946)	—	—	6,415	2,112,869	—	2,051,338	250,812	2,302,150
Profit appropriation to reserve	—	—	—	177,000	—	—	(177,000)	—	—	—	—
Issue of H shares	67,214	1,336,395	—	—	—	—	—	—	1,403,609	—	1,403,609
Issue of restricted A shares	3,935	(3,935)	—	—	—	—	—	—	—	—	—
Capital Injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	1,372	1,372
Deemed acquisition of additional interests in subsidiaries	—	—	—	—	(27,310)	—	—	—	(27,310)	27,310	—
Deemed disposal of partial interest in a subsidiary without loss of control	—	—	—	—	(258)	—	—	—	(258)	258	—
Dividends declared to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(219,593)	(219,593)
Acquisitions of subsidiaries *(note 40)*	—	—	—	—	—	—	—	—	—	183,452	183,452
Disposal of a subsidiary *(note 41)*	—	—	—	—	—	—	—	—	—	(162)	(162)
Disposal partial interest in an associate	—	—	—	—	(23,598)	—	—	—	(23,598)	—	(23,598)
Acquisition of non-controlling interests	—	—	—	—	(1,706,908)	—	—	—	(1,706,908)	(187,196)	(1,894,104)
Equity-settled share-based payment *(note 42)*	—	—	—	—	33,404	—	—	—	33,404	4,956	38,360
Fair value adjustment on the loan from a non-controlling shareholder of a subsidiary	—	—	—	—	(1,852)	—	—	—	(1,852)	1,852	—
Fair value adjustment on the share redemption option granted to non-controlling shareholders of a subsidiary	—	—	—	—	(7,176)	—	—	—	(7,176)	(10,382)	(17,558)
Establishment of new subsidiaries	—	—	—	—	—	—	—	—	—	43,144	43,144
Share of changes in equity other than comprehensive income and distributions received of associates	—	—	—	—	245,551	—	—	—	245,551	—	245,551
Final 2013 dividend declared and paid	—	—	—	—	—	—	(18,148)	(605,987)	(624,135)	—	(624,135)
Proposed final 2014 dividend *(note 15)*	—	—	—	—	—	—	(647,187)	647,187	—	—	—
At 31 December 2014	2,311,611	4,971,647*	1,133,611*	1,662,373*	1,292,672*	(1,674)*	4,600,535*	647,187	16,617,962	2,428,153	19,046,115

* These reserve accounts comprise the consolidated reserves of RMB13,659,164,000 (2013: RMB12,428,848,000) in the consolidated statements of financial position.

Consolidated Statements of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,718,053**	2,313,609
Adjustments for:			
Finance costs	9	**415,040**	350,451
Share of losses of joint ventures		**18,698**	10,765
Share of profits of associates		**(929,148)**	(782,462)
Depreciation of items of property, plant and equipment	7	**459,310**	334,397
Amortisation of prepaid land lease payments	7	**20,199**	13,118
Amortisation of other intangible assets	7	**83,530**	72,983
(Gain)/loss on disposal of items of property, plant and equipment and other tangible assets	7	**(2,099)**	10,128
Gain on disposal of interests in associates and joint ventures	8	**(266,186)**	(532,816)
Gain on disposal of a subsidiary	8	**(15,918)**	—
Gain on disposal of equity investments at fair value through profit or loss	8	**—**	(25,069)
Gain on disposal of available-for-sale investments	8	**(682,203)**	(191,873)
Dividend income from available for sale investments	6	**(50,253)**	(25,699)
Provision for impairment of goodwill	7	**202,500**	—
Provision for impairment of property, plant and equipment	7	**3,550**	—
Provision for impairment of other intangible assets	7	**83,995**	—
Provision for impairment of investments in associates	7	**—**	34,600
Provision for impairment of available-for-sale investments	7	**—**	11,400
Provision for impairment of inventories	7	**27,708**	27,937
Provision for impairment of trade and other receivables	7	**15,854**	8,625
Fair value loss/(gain) on equity investments at fair value through profit or loss	7	**10,702**	(30,370)
		2,113,332	1,599,724
Increase in inventories		**(104,993)**	(149,565)
Increase in trade and bills receivables		**(452,044)**	(161,752)
Decrease in prepayments, deposits and other receivables		**87,936**	57,693
Increase in amounts due from related companies		**(13,785)**	(11,669)
Increase/(decrease) in trade and bills payables		**409,870**	(36,458)
(Decrease)/increase in other payables and accruals		**(275,545)**	139,649
Increase in amounts due to related companies		**142,972**	700
Increase in pledged bank balances to secure bills payable		**(308,049)**	(91,500)
Cash generated from operations		**1,599,694**	1,346,822
Income tax paid		**(399,480)**	(335,189)
Net cash flows from operating activities		**1,200,214**	1,011,633

Consolidated
Statements of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
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		**(1,119,437)**	(1,040,055)
Receipt of government grants		**5,960**	34,410
Acquisitions of subsidiaries, net of cash acquired	40	**(1,194,483)**	(2,225,240)
Proceeds receipt from consideration adjustment of a subsidiary acquisition		**67,581**	—
Purchase of equity investments at fair value through profit or loss		**—**	(30,713)
Payment of expense related to the disposal of equity investments at fair value through profit or loss		**—**	(1,360)
Acquisition of interests in associates and joint ventures		**(1,603,593)**	(179,646)
Purchases of available-for-sale investments		**(339,646)**	(153,756)
Disposal and partial disposal of associates		**426,503**	907,689
Advance receipt from disposal of a disposal group classified as held for sale		**124,310**	—
Deposit payment for planned acquisition		**(20,002)**	—
Disposal of available-for-sale investments		**779,100**	352,242
Advance receipt from disposal of an available-for-sale investment		**15,000**	—
Disposal of subsidiaries	41	**48,737**	—
Dividends from associates		**172,214**	264,982
Dividends from available-for-sale investments		**53,147**	15,801
Refund of principal arose from fund withdrawal		**2,131**	—
Proceeds from disposal of items of property, plant and equipment		**126,972**	5,972
Proceeds arose from the acquisitions of subsidiaries to be paid on behalf of the selling shareholder and payment related to dividend received from an available-for-sale investment		**—**	33,383
Payment of withholding individual income tax arose from acquisition		**(61,261)**	—
Cash and bank balances of a disposal group classified as held for sale		**(223,213)**	—
Refund of acquisition of prepaid land lease payment		**7,148**	—
Payment of expenditures incurred by a subsidiary closely related to the acquisition on behalf of the selling shareholder		**—**	(28,459)
Decrease in non-pledged time deposits with original maturity of three months or more when acquired and deposits for other acquisitions		**273,659**	241,298
Other payments relating to investing activities		**(19,164)**	—
Net cash flows used in investing activities		**(2,478,337)**	(1,803,452)

Consolidated
Statements of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**5,894,058**	2,815,566
Repayment of bank and other borrowings		**(2,928,698)**	(2,494,086)
Interest paid		**(339,581)**	(333,966)
Proceeds from issuance of new shares		**1,423,336**	—
Share issue expenses		**(15,657)**	(15,809)
Capital injections from non-controlling shareholders of subsidiaries		**42,770**	30,514
Dividends paid to owners of the parent		**(623,073)**	(470,497)
Dividends paid to non-controlling shareholders of subsidiaries		**(163,469)**	(253,556)
Advance payment for acquisition of non-controlling interests		**(31,200)**	—
Acquisition of non-controlling interests		**(1,395,416)**	(210,273)
Net cash flows from/(used in) financing activities		**1,863,070**	(932,107)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**584,947**	(1,723,926)
Cash and cash equivalents at beginning of year		**2,416,261**	4,171,574
Effect of foreign exchange rate changes, net		**8,947**	(31,387)
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	**3,010,155**	2,416,261

Statements of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**21,189**	20,165
Other intangible assets	20	**2,832**	3,059
Investments in subsidiaries	21	**4,262,176**	4,062,317
Investments in associates	23	**7,343,160**	356,061
Available-for-sale investments	24	**440,465**	250,498
Due from related companies	35	**3,594,740**	4,062,847
Total non-current assets		**15,664,562**	8,754,947
CURRENT ASSETS			
Inventories	27	**—**	518
Prepayments, deposits and other receivables	29	**45,582**	4,496
Due from related companies	35	**3,048,425**	2,158,869
Cash and bank balances	31	**739,943**	928,132
		3,833,950	3,092,015
Non-current assets classified as held for sale	14	**276,758**	—
Total current assets		**4,110,708**	3,092,015
CURRENT LIABILITIES			
Other payables and accruals	33	**348,286**	312,197
Interest-bearing bank and other borrowings	34	**2,036,111**	400,000
Due to related companies	35	**495,510**	14,829
Total current liabilities		**2,879,907**	727,026
NET CURRENT ASSETS		**1,230,801**	2,364,989
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,895,363**	11,119,936
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	**3,170,483**	4,198,391
Deferred income	36	**1,750**	2,050
Deferred tax liability	26	**1,010,785**	—
Total non-current liabilities		**4,183,018**	4,200,441
Net assets		**12,712,345**	6,919,495

Statements of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
EQUITY			
Share capital	38	**2,311,611**	2,240,462
Reserves	39(b)	**9,753,547**	4,073,046
Proposed final dividend	15	**647,187**	605,987
Total equity		**12,712,345**	6,919,495

Chen Qiyu
Director

Yao Fang
Director

Notes to the Financial Statements

31 December 2014

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 operating term is from 31 December 1998 to indefinite period.

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

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the development, manufacture and sale of pharmaceutical products and medical equipment, import and export of medical equipment and the provision of related and other consulting services and investment management.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative periods continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for certain equity investments, which have been measured at fair value. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell 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 for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group historically recognised its share of the changes in the net assets of the associates of the Group that are not recognised in profit or loss or other comprehensive income of the associates, and are not distributions received into the statement of profit or loss of the Group such as the change of the Group's share of ownership interest in the associate indirectly due to the capital contribution made by other investors of the associates ("Deemed Disposal of Interests in Associates") in the consolidated financial statements of the Group prepared under HKFRSs. There is no difference on the accounting policy adopted on such transactions between the financial statements prepared under generally accepted accounting principles in the PRC ("PRC GAAP") and HKFRSs before 31 December 2013.

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

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

Notes to the Financial Statements

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

Impact on the consolidated statement of profit or loss:

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

Notes to the Financial Statements

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Impact on the consolidated statement of profit or loss: (Continued)

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

Notes to the Financial Statements

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

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

1 Effective from 1 July 2014

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

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

Notes to the Financial Statements

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

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

2.3 NEW AND REVISED HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

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

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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2.3 NEW AND REVISED HKFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (Continued)

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

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

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

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

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

The Annual Improvements to HKFRSs 2010–2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*s are stated at cost less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

Fair value measurement

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

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

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

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

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

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

Notes to the Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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

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

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

Buildings	10 to 45 years
Plant and machinery	5 to 16 years
Office equipment	3 to 15 years
Motor vehicles	4 to 12 years
Leasehold improvements	The shorter of the lease terms and their useful lives

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

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

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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

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

Medicine licences and technical know-how

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

Patents

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

Office software

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 2 to 10 years.

Business networks

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

Research and development costs

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

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, commencing from the date when the products are put into commercial production.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, including prepaid land lease payments under 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

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

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 other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

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

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

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

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

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

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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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

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

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

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.

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

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

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

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.

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 asset 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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

Notes to the Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

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

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and bank balances 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 bank balances 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.

Notes to the Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision (Continued)

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

Government grants

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

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

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, including processing fees, import and export agent fees, consulting fees, when the relevant services have been rendered and it is probable that economic benefits will flow to the Group and the relevant fees can be measured reliably;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset; and

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

Retirement benefits

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

Accommodation benefits

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

Share based payments

The Company operates a share incentive scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In addition, certain employees of Chindex International, Inc. ("Chindex"), the non-controlling shareholder of one of the Group's subsidiaries, Chindex Medical Limited ("CML"), provide services to CML. The service agreement between CML and Chindex provides that certain compensation costs (including monetary and nonmonetary) of the specific Chindex employees who provide service to CML will be charged to CML, which will include the cost of share-based compensation on a non-cash basis, if applicable to the employees. In addition, certain former Chindex employees that are now employees of CML retained options on Chindex's common shares granted in prior years. Employees and non-employees of CML receive remuneration in the form of share-based payments, whereby employees and non-employees render services as consideration for equity instruments ("equity-settled transactions"). Further details are given in note 42 to the financial statements.

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

Notes to the Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments (Continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 19 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

Impairment of available-for-sale investments

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

Provision for bad debts of loans and receivables

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

Notes to the Financial Statements

31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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 26 to the financial statements.

Development costs

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

Contingent consideration for acquisitions of subsidiaries

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

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 production and sale of medical equipment and diagnostic products;

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

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

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

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

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

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

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31 December 2014

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

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

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013

	Pharmaceutical manufacturing and R&D RMB'000 (Restated)	Pharmaceutical distribution and retail RMB'000 (Restated)	Medical diagnosis and medical devices RMB'000	Healthcare service RMB'000	Other business operations RMB'000	Eliminations RMB'000	Total RMB'000 (Restated)
Segment revenue:							
Sales to external customers	6,523,708	1,502,013	1,407,481	474,606	13,679	—	9,921,487
Intersegment sales	2,236	—	—	—	16,387	(18,623)	—
Total revenue	6,525,944	1,502,013	1,407,481	474,606	30,066	(18,623)	9,921,487
Segment results*	1,201,028	20,593	93,347	65,889	7,231	(10,308)	1,377,780
Other income	65,009	1,062	8,014	113	—	—	74,198
Other gains	537,609	1,893	1,943	685	622	—	542,752
Interest income	9,241	3,522	5,214	1,639	450	(3,373)	16,693
Finance cost	(81,615)	—	(6,203)	(4,670)	(6,109)	72,306	(26,291)
Other expenses	(52,098)	(3,575)	(18,389)	(5,250)	(17)	—	(79,329)
Share of profits and losses of:							
Joint ventures	(8,810)	(1,955)	—	—	—	—	(10,765)
Associates	92,088	693,728	267	358	(3,979)	—	782,462
Unallocated other income, interest income and other gains							340,870
Unallocated finance cost							(324,160)
Unallocated expenses							(380,601)
Profit before tax	1,762,452	715,268	84,193	58,764	(1,802)	58,625	2,313,609
Tax	(292,428)	(8,441)	(18,348)	(16,714)	(181)	—	(336,112)
Unallocated tax							(22,046)
Profit for the year	1,470,024	706,827	65,845	42,050	(1,983)	58,625	1,955,451
Segment assets:	11,917,926	7,796,080	2,914,863	2,204,728	564,747	(80,190)	25,318,154
Including:							
Investments in joint ventures	10,207	5,563	—	102,407	—	—	118,177
Investments in associates	1,456,257	6,913,184	230,340	3,592	162,037	—	8,765,410
Unallocated assets							4,100,149
Total assets							29,418,303
Segment liabilities	4,573,279	532,464	1,083,091	598,738	14,597	(2,814,039)	3,988,130
Unallocated liabilities							7,822,546
Total liabilities							11,810,676
Other segment information:							
Depreciation and amortisation	321,551	10,400	45,470	32,715	10,362	—	420,498
Provision for impairment of inventories	23,625	—	4,312	—	—	—	27,937
Provision/(reversal) for impairment of trade and other receivables	(859)	—	4,751	4,691	42	—	8,625
Provision for impairment of available-for-sale investments and investments in associates	—	—	—	—	46,000	—	46,000
Capital expenditure**	876,893	17,060	28,700	110,290	62,843	—	1,095,786

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

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

Notes to the Financial Statements

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4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about major customers

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended 31 December 2014 and 2013.

Notes to the Financial Statements

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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:

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

6. OTHER INCOME

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

Notes to the Financial Statements

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7. PROFIT BEFORE TAX

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

	Notes	**2014 RMB'000**	2013 RMB'000
Cost of inventories sold		**5,760,790**	5,186,887
Cost of services provided		**957,779**	356,482
Staff costs (including Directors', Supervisors' and Chief Executive's remuneration *(note 10)*			
Salaries and other staff costs		**1,493,991**	1,226,333
Retirement benefits:			
Defined contribution fund		**135,207**	82,592
Accommodation benefits:			
Defined contribution fund		**48,119**	38,962
Share-based payment expense	42	**38,360**	9,707
		1,715,677	1,357,594
Research and development expenses:			
Current year expenditure excluding amortisation of other intangible assets		**522,544**	402,894
Less: Government grants for R&D projects*		**(10,703)**	(32,947)
		511,841	369,947
Auditors' remuneration		**4,380**	4,500
Operating lease payments		**60,110**	59,041
Depreciation of items of property, plant and equipment	17	**459,310**	334,397
Amortisation of prepaid land lease payments	18	**20,199**	13,118
Amortisation of other intangible assets	20	**83,530**	72,983
Provision for impairment of goodwill	19	**202,500**	—
Provision for impairment of other intangible assets	20	**83,995**	—
Provision for impairment of property, plant and equipment	17	**3,550**	—
Provision for impairment of inventories	27	**27,708**	27,937
Provision for impairment of available-for-sale investments	24	**—**	11,400
Provision for impairment of investments in associates		**—**	34,600
Provision for impairment of trade and other receivables	28, 29	**15,854**	8,625
Fair value loss/(gain) on equity investments at fair value through profit or loss		**10,702**	(30,370)
Foreign exchange (gain)/loss, net		**(10,463)**	49,483
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets		**(2,099)**	10,128
Donations		**7,350**	4,243

7. PROFIT BEFORE TAX (Continued)

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

8. OTHER GAINS

	2014 RMB'000	2013 RMB'000 (Restated, note 2.2)
Gain on disposal of interests in associates and joint ventures	**266,186**	532,816
Fair value gains on equity investments at fair value through profit or loss	**—**	30,370
Gain on disposal of available-for-sale investments	**682,203**	191,873
Gain on disposal of a subsidiary	**15,918**	—
Gain on disposal of equity investments at fair value through profit or loss	**—**	25,069
Gain on settlement of payable balance not to be paid	**256,015**	—
Others	**19,124**	9,638
	1,239,446	789,766

9. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**424,595**	365,761
Less: Interest capitalised *(note 17)*	**(9,555)**	(15,310)
Interest expenses, net	**415,040**	350,451

Notes to the Financial Statements

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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 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

Group

	2014 RMB'000	2013 RMB'000
Fees	**800**	709
Other emoluments:		
Salaries, allowances and benefits in kind	**5,899**	5,150
Performance-related bonuses	**7,394**	8,587
Pension scheme contributions	**126**	108
Equity-settled share incentive scheme expense	**3,042**	—
	17,261	14,554

(a) Independent Non-Executive Directors

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

	2014 RMB'000	2013 RMB'000
Mr. Guan Yimin*	**—**	50
Mr. Han Jiong	**200**	192
Dr. Zhang Weijiong	**200**	192
Mr. Li Man-kiu Adrian David	**200**	192
Mr. Cao Huimin	**200**	83
	800	709

* Mr. Guan Yimin resigned as an independent non-executive director of the Company in June 2013.

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

Notes to the Financial Statements

31 December 2014

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	Share incentive scheme expense RMB'000	Total remuneration RMB'000
2014						
Executive Directors						
Mr. Chen Qiyu	—	2,596	3,830	37	—	6,463
Mr. Yao Fang *(Chief Executive)*	—	1,809	2,818	37	3,042	7,706
	—	4,405	6,648	74	3,042	14,169
Non-Executive Directors						
Mr. Guo Guangchang	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—	—
Ms. Kang Lan	—	—	—	—	—	—
Mr. John Changzheng Ma*	—	692	270	15	—	977
Mr. Zhang Guozheng***	—	—	—	—	—	—
	—	692	270	15	—	977
Supervisors						
Mr. Li Haifeng****	—	—	—	—	—	—
Mr. Cao Genxing	—	—	—	—	—	—
Mr. Guan Yimin**	—	—	—	—	—	—
Mr. Zhou Wenyue	—	802	476	37	—	1,315
	—	802	476	37	—	1,315
	—	5,899	7,394	126	3,042	16,461

Notes to the Financial Statements

31 December 2014

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

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

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Share incentive scheme expense RMB'000	Total remuneration RMB'000
2013						
Executive Directors						
Mr. Chen Qiyu	—	2,396	4,449	36	—	6,881
Mr. Yao Fang *(Chief Executive)*	—	1,639	3,322	36	—	4,997
	—	4,035	7,771	72	—	11,878
Non-Executive Directors						
Mr. Guo Guangchang	—	—	—	—	—	—
Mr. Wang Qunbin	—	—	—	—	—	—
Mr. Zhang Guozheng	—	—	—	—	—	—
	—	—	—	—	—	—
Supervisors						
Mr. Liu Hailiang	—	390	360	—	—	750
Mr. Cao Genxing	—	—	—	—	—	—
Mr. Wang Pinliang	—	—	—	—	—	—
Mr. Zhou Wenyue		725	456	36	—	1,217
	—	1,115	816	36	—	1,967
	—	5,150	8,587	108	—	13,845

There was no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the year (2013: Nil).

* Mr. John Changzheng Ma was appointed as non-executive directors of the Company on 30 June 2014.

** Mr. Guan Yimin was appointed as supervisor of the Company on 30 June 2014.

*** Mr. Zhang Guozheng resigned as an non-executive directors of the Company on 30 June 2014.

**** Mr. Li Haifeng resigned as a supervisor of the Company on 30 June 2014.

Notes to the Financial Statements

31 December 2014

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors including the chief executive (2013: 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 (2013: three) highest paid employees who are not a director, supervisor, or the chief executive of the Company are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries, allowances and benefits in kind	**2,698**	2,533
Performance-related bonuses	**4,652**	3,235
Pension scheme contributions	**111**	91
Equity-settled share incentive scheme expense	**2,859**	—
	10,320	5,859

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2014	2013
HKD2,000,001 to HKD2,500,000	**—**	2
HKD2,500,001 to HKD3,000,000	**—**	1
HKD3,000,001 to HKD3,500,000	**—**	—
HKD3,500,001 to HKD4,000,000	**—**	—
HKD4,000,001 to HKD4,500,000	**3**	—
	3	3

During the year, restricted A shares were granted to an executive director in respect of his services to the Group, further details of which are included in the disclosures in note 42 to the financial statements. The fair value of these restricted A shares, which has been recognised in the statement of profit or loss over the lock-up period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above executive director's remuneration disclosures.

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 0% to 20%.

Notes to the Financial Statements

31 December 2014

12. INCOME TAX (Continued)

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

Group

	2014 RMB'000	2013 RMB'000 *(Restated, note 2.2)*
Current		
— Mainland China	**399,289**	286,403
— Hong Kong	**2,897**	114,536
— Israel and others	**15,384**	11,788
Deferred *(note 26)*	**(69,356)**	(54,569)
Total tax charge for the year	**348,214**	358,158

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

	2014 RMB'000	2013 RMB'000 *(Restated, note 2.2)*
Profit before tax	**2,718,053**	2,313,609
Tax at the statutory tax rate	**679,513**	578,402
Lower tax rates for certain entities	**(134,620)**	(171,558)
Adjustments in respect of current tax of previous years	**(9,017)**	(1,275)
Effect on opening deferred tax of increase in rates	**(280)**	—
Profit attributable to joint ventures and associates	**(227,213)**	(185,641)
Income not subject to tax	**(59,979)**	(11,361)
Expenses not deductible for tax	**28,866**	20,990
Tax losses utilised from previous periods	**(7,217)**	(1,363)
Tax incentives on eligible expenditures	**(16,552)**	(20,033)
Deductible temporary differences and tax losses not recognised	**94,713**	149,997
Tax charge at the Group's effective rate	**348,214**	358,158

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 include the losses of approximately RMB311,119,000 (2013: RMB467,326,000) which have been dealt with in the financial statements of the Company (note 39).

14. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/ NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 10 December 2014, the Company entered into certain equity transfer agreements with Sinopharm Holding GuoDa Drug Store Co., Ltd.("Guoda Drug Store"), pursuant to which, the Company agreed to sell and Guoda Drug Store agreed to purchase 53.13% equity interest in Beijing Golden Elephant Pharmacy Medicine Chain Company Limited ("Golden Elephant Pharmacy"), 97% equity interest in Shanghai Fosun Pharmaceutical Company Limited ("Fosun Pharmaceutical") and 99.76% equity interest in Shanghai For Me Yixing Pharmacy Chain-Store Company Limited ("For Me Pharmacy") for aggregate considerations of approximately RMB414,356,000. Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy mainly engaged in pharmaceutical distribution and retail business. The Group has decided to dispose of these interests for the purpose of optimising the resource allocation of the Group and moving forward the transition of business model of retail business of the Group. As at 31 December 2014, the Company has entered into non-cancellable equity transfer agreements for such disposal. As a result, investments in Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy with the carrying amount of RMB276,758,000 as at 31 December 2014 were classified as non-current assets classified as held for sale in the statement of financial position of the Company, while all the assets and liabilities of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy were classified as asset of a disposal group held for sale and liabilities directly associated with the assets classified as held to sale in aggregate in the consolidated statement of financial position.

Notes to the Financial Statements

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14. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE/ NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Assets and liabilities of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy classified as held for sale as at 31 December 2014 are as follows:

	Notes	2014 RMB'000
Assets		
Property, plant and equipment	17	46,804
Prepaid land lease payments	18	260
Goodwill	19	13,893
Other intangible assets	20	75,870
Investments in associates		972
Available-for-sale investments		1,230
Other non-current assets		8,433
Inventories		252,915
Trade and bills receivables		179,233
Prepayments, deposits and other receivables		167,914
Due from related companies		19,604
Cash and cash bank balances		223,213
Assets classified as held for sale		990,341
Liabilities		
Trade and bills payables		432,217
Other payables and accruals		123,698
Due to related companies		13,676
Tax payable		675
Deferred tax liabilities		18,852
Liabilities directly associated with the assets classified as held for sale		589,118
Net assets directly associated with the disposal group		401,223

15. DIVIDENDS

Cash dividend

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

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

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

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

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years. Chindex Medical Limited's share option plan was not considered as a potential dilutive event as the options granted were in respect of the common shares of Chindex International, Inc., which is not an entity within the Group.

The calculation of basic earnings per share is based on:

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

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

Notes to the Financial Statements

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17. PROPERTY, PLANT AND EQUIPMENT

Group

	Year ended 31 December 2014						
	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2014	2,277,764	2,723,536	170,424	81,981	41,806	1,325,367	6,620,878
Additions	144,140	97,397	59,432	15,902	7,801	819,412	1,144,084
Acquisitions of subsidiaries *(note 40)*	126,161	225,059	8,762	4,121	—	15,467	379,570
Disposals	(15,468)	(53,554)	(4,011)	(10,923)	(77)	(56,220)	(140,253)
Disposal of a subsidiary *(note 41)*	(18,258)	(25,218)	(1,245)	(1,079)	(4,307)	—	(50,107)
Assets included in assets of a disposal group classified as held for sale *(note 14)*	(11,670)	(10,713)	(32,678)	(6,915)	(10,479)	(994)	(73,449)
Transferred from construction in progress	746,959	276,965	20,155	1,438	—	(1,045,517)	—
At 31 December 2014	3,249,628	3,233,472	220,839	84,525	34,744	1,057,515	7,880,723
Accumulated depreciation:							
At 1 January 2014	(408,212)	(1,130,545)	(69,114)	(46,247)	(19,082)	—	(1,673,200)
Depreciation charge for the year *(note 7)*	(146,006)	(259,280)	(39,161)	(10,228)	(4,634)	—	(459,310)
Acquisitions of subsidiaries *(note 40)*	(38,470)	(92,985)	(6,241)	(3,139)	—	—	(140,835)
Disposals	8,794	37,504	3,329	7,130	—	—	56,758
Disposal of a subsidiary *(note 41)*	5,561	14,180	655	860	2,212	—	23,468
Assets included in assets of a disposal group classified as held for sale *(note 14)*	2,734	7,293	13,176	3,442	—	—	26,645
At 31 December 2014	(575,599)	(1,423,833)	(97,356)	(48,182)	(21,504)	—	(2,166,474)
Impairment losses:							
At 1 January 2014	(13,945)	(3,473)	(3)	(7)	—	(75)	(17,503)
Charge for the year *(note 7)*	(670)	(2,607)	(273)	—	—	—	(3,550)
Disposals	—	1,435	—	7	—	—	1,442
At 31 December 2014	(14,615)	(4,645)	(276)	—	—	(75)	(19,611)
Net carrying amount:							
At 31 December 2014	2,659,414	1,804,994	123,207	36,343	13,240	1,057,440	5,694,638
At 1 January 2014	1,855,607	1,589,518	101,307	35,727	22,724	1,325,292	4,930,175

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

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

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17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Year ended 31 December 2014				
	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:					
At 1 January 2014	14,914	8,138	35	7,356	30,443
Additions	—	674	—	3,322	3,996
Disposals	—	—	—	(825)	(825)
At 31 December 2014	14,914	8,812	35	9,853	33,614
Accumulated depreciation:					
At 1 January 2014	(3,406)	(3,664)	(32)	(3,176)	(10,278)
Depreciation charge for the year	(671)	(995)	—	(1,223)	(2,889)
Disposals	—	—	—	742	742
At 31 December 2014	(4,077)	(4,659)	(32)	(3,657)	(12,425)
Impairment losses:					
At 1 January 2014 and 31 December 2014	—	—	—	—	—
Net carrying amount:					
At 31 December 2014	10,837	4,153	3	6,196	21,189
At 1 January 2014	11,508	4,474	3	4,180	20,165

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17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company (Continued)

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

The carrying amounts of construction in progress of the Group included capitalised interest of approximately RMB9,555,000 (2013: RMB15,454,000) charged for the year (note 9) prior to being transferred to property, plant and equipment.

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery at 31 December 2014 amounted to RMB38,711,000 (2013: nil).

As at 31 December 2014, the Group have not obtained title certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB92,860,000 (2013: RMB483,122,000). 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 2014.

As at 31 December 2014, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB64,617,000 (2013: RMB123,652,000) were pledged to secure certain of the Group's bank and other borrowings (note 34).

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18. PREPAID LAND LEASE PAYMENTS

Group

	2014 RMB'000	2013 RMB'000
Net carrying amount at 1 January	779,873	543,518
Additions	51,565	32,187
Acquisitions of subsidiaries *(note 40)*	51,258	251,351
Disposals	(200)	(34,065)
Amortisation for the year *(note 7)*	(20,199)	(13,118)
Assets included in assets of a disposal group classified as held for sale *(note 14)*	(260)	—
Net carrying amount at 31 December	862,037	779,873

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

As at 31 December 2014, certain of the Group's prepaid land lease payments with a net carrying amount of RMB34,680,000 (2013: RMB25,556,000) were pledged to secure certain of the Group's bank and other borrowings (note 34).

19. GOODWILL

Group

	2014 RMB'000	2013 RMB'000
Cost and net carrying amount at 1 January	2,976,039	1,661,771
Acquisitions of subsidiaries *(note 40)*	562,774	1,324,082
Assets included in assets of a disposal group classified as held for sale *(note 14)*	(13,893)	—
Impairment during the year	(202,500)	—
Consideration adjustment during the measurement period	(67,581)	—
Exchange realignment	203	(9,814)
Net carrying amount at 31 December	3,255,042	2,976,039

19. GOODWILL (Continued)

Group (Continued)

	2014 RMB'000	2013 RMB'000
At 31 December		
Cost	**3,457,542**	2,976,039
Accumulated impairment	**(202,500)**	—
Net carrying amount	**3,255,042**	2,976,039

The addition of the Group's goodwill in 2014 resulted from the acquisition of Huanghe Pharmaceutical Co., Ltd. ("Huanghe Pharma"), Suzhou Erye Pharmaceutical Co., Ltd. ("Suzhou Erye") and Rongzhi Golden Elephant Pharmacy Medicine Chain Co., Ltd. ("Rongzhi Golden Elephant").

Impairment testing of goodwill

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

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

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2014 and 31 December 2013. 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. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

During the year, an impairment loss of RMB202,500,000 was recognised in the consolidated statement of profit or loss as other expense, in respect of the goodwill resulted from the acquisition of a subsidiary of the Group, Dalian Aleph Biomedical Co., Ltd. ("Dalian Aleph"). During the impairment test, Dalian Aleph was considered as a separate cash-generating unit ("Dalian Aleph CGU"). The impairment charges are driven by the lower recoverable amount of Dalian Aleph CGU resulting in the directors' reassessment of estimated future business performance taking the delay of Dalian Aleph's application of relevant certificates from the government for the manufacture permission of a new vaccine product into consideration.

The recoverable amount of Dalian Aleph CGU has been determined based on a value-in-use calculation, which is based on certain key assumptions including discount rate, long-term growth rate and budgeted gross margin. The carrying amount of Dalian Aleph CGU was determined to be higher than its recoverable amount of RMB818,696,000 and an impairment loss of RMB202,500,000 (2013: Nil) was recognised. The impairment loss was solely allocated to goodwill, as a result, the carrying amount of goodwill was reduced. The key assumptions used in value-in-use calculation include a discount rate of 14.1%, long-term growth rate of 3% and budgeted margin rates which are consistent with market average level and external information sources.

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20. OTHER INTANGIBLE ASSETS

Group

	Year ended 31 December 2014							
	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	Operating concession rights RMB'000	Total RMB'000
Cost:								
At 1 January 2014	321,000	854,670	22,467	266,894	520,598	50,661	8,491	2,044,781
Additions	—	7,978	5,818	1,188	—	61,882	1,208	78,074
Acquisitions of subsidiaries *(note 40)*	174,000	125,300	—	39,000	36,000	—	—	374,300
Transferred from deferred development costs	—	10,258	—	—	—	(10,258)	—	—
Assets included in assets of a disposal group classified as held for sale *(note 14)*	—	—	(870)	(75,000)	—	—	—	(75,870)
Disposals	—	(4,753)	(2,643)	—	—	(11,194)	—	(18,590)
Exchange realignment	—	—	—	(795)	—	—	—	(795)
At 31 December 2014	495,000	993,453	24,772	231,287	556,598	91,091	9,699	2,401,900
Accumulated amortisation:								
At 1 January 2014	—	(130,413)	(14,136)	(563)	(36,578)	(1,711)	(716)	(184,117)
Amortisation for the year *(note 7)*	—	(61,978)	(2,998)	—	(18,267)	—	(287)	(83,530)
Acquisitions of subsidiaries *(note 40)*	—	(943)	—	—	—	—	—	(943)
Disposals	—	338	1,267	—	—	—	—	1,605
At 31 December 2014	—	(192,996)	(15,867)	(563)	(54,845)	(1,711)	(1,003)	(266,985)
Impairment losses:								
At 1 January 2014	—	(1,094)	—	—	—	—	—	(1,094)
Impairment during the year *(note 7)*	(64,000)	(19,520)	—	—	—	—	(475)	(83,995)
At 31 December 2014	(64,000)	(20,614)	—	—	—	—	(475)	(85,089)
Net carrying amount:								
At 31 December 2014	431,000	779,843	8,905	230,724	501,753	89,380	8,221	2,049,826
At 1 January 2014	321,000	723,163	8,331	266,331	484,020	48,950	7,775	1,859,570

Notes to the Financial Statements

31 December 2014

20. OTHER INTANGIBLE ASSETS (Continued)

Group (Continued)

During the year, the impairment loss of other intangible assets was mainly composed of RMB80,000,000 recognised in respect of medicine license, patents and technical know-how attributable to Dalian Aleph, which was driven by the lower recoverable amount of these other intangible assets than the carrying amount of them mentioned above resulting in the directors' reassessment of estimated future business performance taking the delay of Dalian Aleph's application of relevant certificates from the government for the manufacture permission of a new vaccine product into consideration. The recoverable amount has been determined based on value-in-use calculation, which is based on certain key assumptions including discount rate and long-term growth rate. The carrying amounts of these intangible assets were determined to be higher than their recoverable amount of RMB157,000,000 in aggregate and impairment loss of RMB80,000,000 (2013: Nil) was recognised. The key assumptions used in value-in-use calculation include discount rate of 14.1% and long-term growth rate of 3%.

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

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20. OTHER INTANGIBLE ASSETS (Continued)

Company

	Year ended 31 December 2014		
	Office software RMB'000	**Trademarks RMB'000**	**Total RMB'000**
Cost:			
At 1 January 2014	**4,754**	**1,281**	**6,035**
Additions	**264**	**94**	**358**
At 31 December 2014	**5,018**	**1,375**	**6,393**
Accumulated amortisation:			
At 1 January 2014	**(2,976)**	**—**	**(2,976)**
Amortisation for the year	**(585)**	**—**	**(585)**
At 31 December 2014	**(3,561)**	**—**	**(3,561)**
Net carrying amount:			
At 31 December 2014	**1,457**	**1,375**	**2,832**
At 1 January 2014	**1,778**	**1,281**	**3,059**

	Year ended 31 December 2013		
	Office software RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
At 1 January 2013	4,518	1,275	5,793
Additions	236	6	242
At 31 December 2013	4,754	1,281	6,035
Accumulated amortisation:			
At 1 January 2013	(2,297)	—	(2,297)
Amortisation for the year	(679)	—	(679)
At 31 December 2013	(2,976)	—	(2,976)
Net carrying amount:			
At 31 December 2013	1,778	1,281	3,059
At 1 January 2013	2,221	1,275	3,496

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21. INVESTMENTS IN SUBSIDIARIES

Company

	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	4,262,176	4,062,317

Particulars of the principal subsidiaries are as follows:

Company name*	Note	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術有限公司)****		PRC/ Mainland China	USD35,118	—	77.68	Research and development of biopharma-ceutical drugs
Shanghai Fosun Chemical Pharmaceutical Investment Co., Ltd. (上海復星化工醫藥創業投資有限公司)****		PRC/ Mainland China	RMB125,000	96	—	Investment management
Chongqing Fochon Pharmaceutical Research Co., Ltd. (重慶複創醫藥研究有限公司)***		PRC/ Mainland China	USD14,288	—	75.32	Research and development of chemical drugs
Fosun Industrial (HK) Co., Ltd. (復星實業(香港)有限公司)		Hong Kong	USD115,320	100	—	Investment management
Shanghai Fosun Pingyao Investment Management Co., Ltd. (上海復星平耀投資管理有限公司)**		PRC/ Mainland China	RMB10,000	100	—	Investment management
Shanghai Yicheng Hospital Investment Management Co., Ltd. (上海醫誠醫院投資管理有限公司)**		PRC/ Mainland China	RMB100,000	100	—	Investment management
Ample Up Limited (能悅有限公司)		Hong Kong	USD61,587	67.36	32.64	Investment management
Chongqing Yao Pharmaceutical Co., Ltd. (重慶藥友製藥有限責任公司)****		PRC/ Mainland China	RMB196,540	—	51	Manufacture and trading of medicine
Jiangsu Wanbang Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥股份有限公司)****		PRC/ Mainland China	RMB440,455	—	95.2	Manufacture and trading of medicine

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	*Note*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Guilin South Pharma Co., Ltd. (桂林南藥股份有限公司)****		PRC/ Mainland China	RMB285,030	—	95.17	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/ Mainland China	RMB156,854	100	—	Manufacture and sale of diagnostic products
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (上海復星醫藥產業發展有限公司)**		PRC/ Mainland China	RMB2,253,308	100	—	Investment management
Jinzhou Aohong Pharmaceutical Co., Ltd. (錦州奧鴻藥業有限責任公司)****		PRC/ Mainland China	RMB107,875	—	93	Manufacture and sale of pharmaceutical products
Chongqing Pharmaceutical Research Institute Co., Ltd. (重慶醫藥工業研究院有限責任公司)****		PRC/ Mainland China	RMB55,000	—	56.89	Research and development of medicine
Yueyang Guangji Hospital Co., Ltd. (岳陽廣濟醫院有限責任公司)****		PRC/ Mainland China	RMB28,898	—	55	Healthcare services
Yaneng Bioscience (Shenzhen) Co., Ltd. (亞能生物技術(深圳)有限公司)***		PRC/ Mainland China	HKD11,635	—	50.1	Manufacture and trading of diagnostic drugs
Dalian Aleph Biomedical Co., Ltd. (大連雅立峰生物製藥有限公司)****		PRC/ Mainland China	USD52,000	—	75	Manufacture and sale of biologic pharmaceutical product
Shine Star (Hubei) Biological Engineering Co., Ltd. (湖北新生源生物工程股份有限公司)****		PRC/ Mainland China	RMB51,120	—	51	Manufacture and trading of medicine
Chindex Medical Limited (美中互利醫療有限公司)		Hong Kong	HKD245,000	—	70	Manufacture and sale of medical devices
Shenyang Hongqi Pharmaceutical Co., Ltd. (瀋陽紅旗製藥有限公司)****		PRC/ Mainland China	RMB12,000	—	100	Manufacture and trading of medicine

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21. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name*	*Note*	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Handan Pharmaceutical Co., Ltd. (邯鄲製藥股份有限公司)****		PRC/ Mainland China	RMB66,670	—	60.69	Manufacture and trading of medicine
Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院) *****		PRC/ Mainland China	RMB10,000	—	70	Healthcare services
Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司) ****		PRC/ Mainland China	RMB17,500	—	55	Healthcare services
Alma Lasers Ltd.		State of Israel	NIS6,472	—	95.16	Manufacture and sale of medical devices
Hunan Dongting Pharmaceutical Co., Ltd. (湖南洞庭藥業股份有限公司)****		PRC/ Mainland China	RMB110,064	77.78	—	Manufacture and trading of medicine
Foshan City Chancheng District Central Hospital Co., Ltd. (佛山市禪城區中心醫院有限公司)****		PRC/ Mainland China	RMB50,000	—	60	Healthcare services
Suzhou Erye Pharmaceutical Co., Ltd. (蘇州二葉製藥有限公司)****	(1)	PRC/ Mainland China	RMB118,420	—	65	Manufacture and trading of diagnostic drugs

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

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

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

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

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

Note:

(1) The subsidiary was acquired by the Group in 2014. Further details of the acquisition are included in note 40 to the financial statements.

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

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

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22. INVESTMENTS IN JOINT VENTURES

Group

	2014 RMB'000	2013 RMB'000
Share of net assets	41,211	38,006
Goodwill on acquisition	80,171	80,171
	121,382	118,177

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

Company name*	Place of registration and business	Nominal value of issued/registered share capital ('000)	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guangzhou Nanyang Cancer Hospital Co., Ltd.	PRC/ Mainland China	RMB36,000	50	50	50	Healthcare services

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

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

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Share of the joint ventures' loss for the year	(18,698)	(10,765)
Share of the joint ventures' other comprehensive income	1	—
Share of the joint ventures' total comprehensive income	(18,697)	(10,765)
Aggregate carrying amount of the Group's investments in the joint ventures	121,382	118,177

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23. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	**—**	—	**7,343,160**	356,061
Share of net assets	**11,579,205**	8,682,577	**—**	—
Goodwill on acquisition	**182,876**	117,433	**—**	—
	11,762,081	8,800,010	**7,343,160**	356,061
Provision for impairment	**(34,600)**	(34,600)	**—**	—
	11,727,481	8,765,410	**7,343,160**	356,061
Market value of listed shares*	**642,859**	841,363	**—**	—

* The carrying amount of listed shares included in the investments in associates at 31 December 2014 was RMB360,862,000 (2013: RMB241,418,000).

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

Company name*	*Note*	**Place of incorporation/ registration and business**	**Nominal value of issued/ registered share capital ('000)**	**Percentage of equity interest attributable to the Company Direct**	**Indirect**	**Principal activities**
Sinopharm Industrial Investment Co., Ltd. (國藥產業投資有限公司)#		PRC/ Mainland China	RMB100,000	49	—	Manufacture and trading of medicine
Tianjin Pharmaceutical Group Co., Ltd. (天津藥業集團有限公司)#		PRC/ Mainland China	RMB674,970	25	—	Manufacture and sale of medicine
Hunan Hansen Pharmaceutical Co., Ltd. (湖南漢森製藥股份有限公司)#/@		PRC/ Mainland China	RMB296,000	—	8.79	Manufacture and sale of medicine
Hunan Time Sun Pharmaceutical Co., Ltd. (湖南時代陽光藥業股份有限公司)#		PRC/ Mainland China	RMB80,000	—	30	Manufacture and sale of medicine
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. (北京金象復星醫藥股份有限公司)#		PRC/ Mainland China	RMB127,418	50	—	Distribution and retail of medicine

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23. INVESTMENTS IN ASSOCIATES (Continued)

Company name*	Note	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital ('000)	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Chengde Jingfukang Pharmaceutical Co., Ltd. (承德頸復康藥業集團有限公司)#		PRC/ Mainland China	RMB60,000	—	25	Manufacture and trading of medicine
SD Biosensor Inc. ("SDB")#/@		Korea	USD15,000	—	18.77	Research, development, manufacture and sale of blood glucose analysers
Nature's Sunshine Products, Inc. ("NSP")#/@		U.S.A/U.S.A	USD125,489	15.3	—	Manufacture and trading of nutrition
Sinopharm medical investment management co., LTD (國藥控股醫療投資管理有限公司)#		PRC/ Mainland China	RMB500,000	35	—	Investment Management
Healthy Harmony Holdings, L.P. ("HHH")	(1)	Cayman Islands/ Cayman Islands	USD24,136	42.927	—	Healthcare Services

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

\# The statutory financial statements of those associates were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

@ The Group's investments in these associates are accounted for under the equity method of accounting because the Group has significant influence over these entities by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's direct or indirect equity interests in these associates were lower than 20% for the year ended 31 December 2014.

Note:

(1) During the year, Fosun Industrial (HK) Co., Ltd. ("Fosun Industrial"), a wholly-owned subsidiary of the Group, participated in the privatization of Chindex International, Inc. ("Chindex"), together with TPG Healthy, L.P. and other individual parties. On 29 September 2014, upon the completion of the privatization transaction, Fosun Industrial acquired 42.927% equity interest in HHH at a total consideration of RMB1,454,450,000. HHH holds 100% equity interest in Chindex after its privatization.

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

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

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23. INVESTMENTS IN ASSOCIATES (Continued)

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

	2014 RMB'000	2013 RMB'000
Revenues	200,131,355	166,866,146
Profit for the year	4,554,592	3,579,897
Other comprehensive income	10,980	2,839
Total comprehensive income for the year	4,565,572	3,582,736
Profit for the year attributable to the Group's share	1,746,811	1,401,510
Current assets	110,497,256	89,569,259
Non-current assets	18,405,163	15,845,111
Current liabilities	(86,112,925)	(70,982,107)
Non-current liabilities	(5,874,166)	(5,499,139)
Net assets	36,915,328	28,933,124
Net assets attributable to the Group's share	16,033,447	13,720,829
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	7,856,389	6,723,206
Goodwill on acquisition (less cumulative impairment)	—	—
Carrying amount of the investment	7,856,389	6,723,206
Dividend received by the Group	147,000	245,000

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23. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Share of the associates' profit for the year	74,031	95,722
Share of the associates' other comprehensive income	(7,705)	102,281
Share of the associates' total comprehensive income	66,326	198,003
Aggregate carrying amount of the Group's investments in the associates	3,871,092	2,042,204

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Listed equity investments, at fair value:				
Mainland China	1,109,610	1,337,279	217,101	—
Hong Kong	1,823	—	—	—
United States	—	335,509	—	—
New Zealand	24,339	—	—	—
	1,135,772	1,672,788	217,101	—
Unlisted equity investments, at cost	1,363,384	991,621	223,364	250,498
	2,499,156	2,664,409	440,465	250,498

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

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24. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of the year	**11,734**	334	**—**	—
Provision of impairment losses *(note 7)*	**—**	11,400	**—**	—
Disposal of available-for-sale investments	**(200)**	—	**—**	—
At end of the year	**11,534**	11,734	**—**	—

25. OTHER NON-CURRENT ASSETS

Group

	2014	2013
	RMB'000	RMB'000
Prepayments for purchase of items of property, plant and equipment	**126,863**	119,820
Prepayments for acquisitions	**114,483**	76,907
Deposits for purchase of prepaid land lease payments	**30,929**	32,790
Prepayments for purchase of other intangible assets	**25,424**	6,400
Prepayments for research and development projects	**3,000**	—
Others	**3,882**	14,098
	304,581	250,015

26. DEFERRED TAX

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

Deferred tax assets

Group

	Losses available for offsetting against future taxable profit RMB'000	Provision for impairment of assets RMB'000	Depreciation and amortisation RMB'000	Accrued expenses RMB'000	Unrealised profit RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2013	1,392	14,262	345	15,484	—	—	31,483
Acquisitions of subsidiaries	6,987	6,744	—	6,844	7,171	—	27,746
Deferred tax charged to the statement of profit or loss during the year	5,620	1,557	2,665	8,445	6,879	3,696	28,862
Gross deferred tax assets at 31 December 2013 and 1 January 2014	13,999	22,563	3,010	30,773	14,050	3,696	88,091
Deferred tax credited/(charged) to the statement of profit or loss during the year	3,958	(1,815)	1,733	5,344	7,630	(3,696)	13,154
Disposal of a subsidiary *(note 41)*	—	(23)	—	—	—	—	(23)
Gross deferred tax assets at 31 December 2014	17,957	20,725	4,743	36,117	21,680	—	101,222

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26. DEFERRED TAX (Continued)

Deferred tax liabilities

Group

	Deemed disposal of associates RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2013	871,420	170,640	317,878	1,359,938
Acquisitions of subsidiaries	—	—	235,420	235,420
Deferred tax charged/(credited) to the statement of profit or loss during the year	(9,119)	(47,968)*	(16,588)	(73,675)
Deferred tax credited to reserves during the year	148,166	113,671	—	261,837
Gross deferred tax liabilities at 31 December 2013 and 1 January 2014	1,010,467	236,343	536,710	1,783,520
Acquisitions of subsidiaries *(note 40)*	—	—	62,600	62,600
Deferred tax charged/(credited) to the statement of profit or loss during the year	(12,907)	(116,662)*	(43,295)	(172,864)
Deferred tax charged to reserves during the year	174,177	100,750	—	274,927
Deferred tax liabilities included in liabilities directly associated with the assets classified as held for sale *(note 14)*	—	—	(18,852)	(18,852)
Gross deferred tax liabilities at 31 December 2014	1,171,737	220,431	537,163	1,929,331

* During the year ended 31 December 2014, deferred tax liability amounted to RMB116,662,000 was credited to other gains of the consolidated statement of profit or loss together with the gain on disposal of available-for-sale investments.

Company

	Deemed disposal of associates RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Total RMB'000
Gross deferred tax liabilities at 31 December 2013 and 1 January 2014	—	—	—
Legal merger of a subsidiary	968,947	—	968,947
Deferred tax charged to reserves during the year	—	41,838	41,838
Gross deferred tax liabilities at 31 December 2014	968,947	41,838	1,010,785

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26. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Tax losses	**1,217,225**	995,529	**628,598**	462,463
Deductible temporary differences	**119,353**	97,727	**65,708**	21,721
	1,336,578	1,093,256	**694,306**	484,184

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

27. INVENTORIES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**519,924**	426,816	**—**	—
Work in progress	**311,781**	322,635	**—**	—
Finished goods	**783,081**	858,722	**—**	—
Spare parts and consumables	**47,804**	38,686	**—**	518
Others	**19,991**	23,233	**—**	—
	1,682,581	1,670,092	**—**	518
Less: Provision	**(78,019)**	(55,820)	**—**	—
	1,604,562	1,614,272	**—**	518

28. TRADE AND BILLS RECEIVABLES

Group

	2014	2013
	RMB'000	RMB'000
Trade receivables	**1,342,232**	1,164,220
Bills receivable	**435,846**	295,791
	1,778,078	1,460,011

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

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28. 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

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

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

Group

	2014 RMB'000	2013 RMB'000
At 1 January	**43,987**	39,135
Impairment losses recognised	**20,343**	13,117
Impairment losses reversed	**(9,513)**	(4,025)
Acquisitions of subsidiaries	**9,627**	2,150
Amounts written off as uncollectible	**(771)**	(6,390)
Assets included in assets of a disposal group classified as held for sale	**(57)**	—
At 31 December	**63,616**	43,987

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.

28. 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

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**1,267,127**	1,106,667
Less than 3 months past due	**56,865**	46,017
3 to 6 months past due	**11,257**	5,942
6 months to 1 year past due	**5,720**	4,109
Over 1 year past due	**1,263**	1,485
	1,342,232	1,164,220

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.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Advances to suppliers	**137,629**	201,395	**—**	—
Deposits	**75,799**	199,249	**7**	7
Other receivables	**132,959**	193,292	**45,575**	4,489
	346,387	593,936	**45,582**	4,496

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29. 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**308,374**	310,702	**45,582**	4,496
1 to 2 years	**30,107**	84,458	**—**	—
2 to 3 years	**8,534**	194,983	**—**	—
Over 3 years	**11,966**	11,787	**97**	97
	358,981	601,930	**45,679**	4,593
Less: Provision for impairment of other receivables	**(12,594)**	(7,994)	**(97)**	(97)
	346,387	593,936	**45,582**	4,496

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**7,994**	11,382	**97**	97
Impairment losses recognised	**5,925**	910	**—**	—
Impairment losses reversed	**(901)**	(1,377)	**—**	—
Amounts written off as uncollectible	**(255)**	(2,921)	**—**	—
Assets included in assets of a disposal group classified as held for sale	**(169)**	—	**—**	—
At 31 December	**12,594**	7,994	**97**	97

30. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	2014	2013
	RMB'000	RMB'000
Listed equity investments, at market value		
United States	**33,771**	44,196

The above equity investments at 31 December 2014 and 2013 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss.

31. CASH AND BANK BALANCES

	Group		**Company**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**3,105**	2,501	**15**	23
Cash at banks, unrestricted	**2,790,888**	2,264,544	**360,681**	438,827
Deposits in Fosun Finance*	**216,162**	149,216	**146,247**	80,442
Cash and cash equivalents as stated in the consolidated statements of cash flows	**3,010,155**	2,416,261	**506,943**	519,292
Pledged bank balances to secure bills payable	**508,362**	200,313	**233,000**	—
Term deposits with original maturity of more than three months	**177,181**	450,840	**—**	408,840
Cash and bank balances as stated in the consolidated statements of financial position	**3,695,698**	3,067,414	**739,943**	928,132

* 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 45(d) to the financial statements.

As at 31 December 2014, the cash and cash equivalents of the Group denominated in foreign currencies amounted to RMB940,375,000 (2013: RMB495,792,000). 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 45(e) to the financial statements.

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32. TRADE AND BILLS PAYABLES

Group

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

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

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

Group

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

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33. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Notes	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Advances from customers		**258,255**	257,045	**—**	—
Payables relating to purchases items of plant, property and equipment		**225,960**	123,911	**—**	—
Deposits received		**313,626**	232,622	**—**	—
Payroll		**298,473**	253,056	**72,569**	60,830
Business tax		**12,086**	21,620	**8,646**	19,408
Value-added tax		**85,589**	43,189	**(2,358)**	(2,279)
Other taxes		**28,860**	25,377	**15,555**	5,100
Accrued interest expenses		**177,075**	147,655	**160,716**	144,355
Dividends payable to non-controlling shareholders of subsidiaries and shareholders of the Company		**1,280**	2,560	**1,062**	—
Other accrued expenses		**482,038**	331,886	**—**	—
Current portion of deferred warranty income *(note 36)*		**25,128**	22,977	**—**	—
Payables for acquisitions of subsidiaries, an available-for-sale investment and an associate	(i)	**763,040**	751,818	**—**	—
Payables for purchase of a joint venture		**—**	17,439	**—**	—
Loans from non-controlling shareholders of subsidiaries	(ii)	**119,700**	74,300	**—**	—
Current portion of government grants *(note 36)*		**32,114**	23,259	**—**	—
Subscription to restricted A shares under the restricted A share incentive scheme *(note 42(a))*		**23,925**	23,925	**23,925**	23,925
Considerations received on behalf of original shareholders of a subsidiary		**13,676**	74,536	**—**	—
Others	(iii)	**196,634**	170,920	**68,171**	60,858
		3,057,459	2,598,095	**348,286**	312,197
Less: Non-current portion of payables for acquisitions of subsidiaries *(note 37)*	(i)	**(319,362)**	(83,756)	**—**	—
		2,738,097	2,514,339	**348,286**	312,197

Notes:

(i) The balances as at 31 December 2014 mainly represented the cash considerations for the acquisitions of Aohong Pharma, Erye Pharma and Chancheng Hospital of RMB421,642,000, RMB245,200,000 and RMB55,440,000, respectively. The non-current portion consists of (a) the fair value of the contingent considerations for the acquisition of Chancheng Hospital of RMB27,720,000; and (b) non-current portion of unpaid cash consideration of RMB291,642,000 for the acquisition of equity interest in Aohong Pharma, which will be paid after 12 months.

(ii) Loans from non-controlling shareholders of subsidiaries of RMB119,700,000 as at 31 December 2014 (2013: RMB74,300,000) bear no interests (2013: 0% to 12%), and are repayable on demand.

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

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34. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group		Company	
		2014	2013	2014	2013
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans:	(1)				
Secured		609,956	228,950	125,000	165,000
Unsecured		3,104,558	1,321,578	—	360,000
		3,714,514	1,550,528	125,000	525,000
Medium-term notes	(2)	2,589,183	2,582,432	2,589,183	2,582,432
Corporate bonds	(3)	1,493,516	1,490,959	1,493,516	1,490,959
Short-term commercial paper ("短期融資券")	(4)	998,895	—	998,895	—
Total		8,796,108	5,623,919	5,206,594	4,598,391
Repayable:					
Within 1 year		4,939,433	1,424,210	2,036,111	400,000
1 to 2 years		1,676,345	1,035,044	1,626,967	1,034,135
2 to 5 years		2,122,990	3,164,665	1,543,516	3,164,256
Over 5 years		57,340	—	—	—
		8,796,108	5,623,919	5,206,594	4,598,391
Portion classified as current liabilities		(4,939,433)	(1,424,210)	(2,036,111)	(400,000)
Non-current portion		3,856,675	4,199,709	3,170,483	4,198,391

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

Notes:

(1) Bank loans — Group

(a) Foreign currency loans

	2014 RMB'000	2013 RMB'000
USD:		
Secured	412,056	—
Unsecured	1,900,636	509,570
	2,312,692	509,570
Ghana cedi:		
Unsecured	178	409

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

	2014	2013
Interest rate range	1.512% to 7.800%	1.700% to 7.200%

(c) As at 31 December 2014, certain of the Group's bank loans were secured by the pledge of certain of the Group's property, plant and equipment (note 17) amounting to RMB64,617,000 (31 December 2013: RMB123,652,000) and prepaid land lease payments (note 18) amounting to RMB34,680,000 (31 December 2013: RMB25,556,000).

As at 31 December 2014, certain of the Group's bank loans were secured by the pledge of the Group's 268,371,532 shares issued by Guilin South Pharma Co., Ltd. (2013: the Group's 268,371,532 shares issued by Guilin South Pharma Co., Ltd.), and the Group and Magnificent View Investment Limited's 100% equity interest in Sisram Medical Ltd. (31 December 2013: Nil).

(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 8 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 Commercial paper

On 26 September 2014, the Company issued short-term commercial paper with a maturity of one year in an aggregate amount of RMB1,000,000,000, which bear interest at 5.15% per annum. The interest is payable annually in arrears and the maturity date is 26 September 2015.

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35. BALANCES WITH RELATED COMPANIES

Due from related companies

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Associates	(i)	**213,911**	204,992	**14,264**	12,316
Subsidiaries	(ii)	**—**	—	**6,628,695**	6,209,400
Other related companies		**1,277**	1,723	**206**	—
		215,188	206,715	**6,643,165**	6,221,716
Portion classified as current		**(215,188)**	(206,715)	**(3,048,425)**	(2,158,869)
		—	—	**3,594,740**	4,062,847

Notes:

(i) The amounts due from associates as at 31 December 2014 included an amount of RMB14,264,000, which is dividend receivable from associates of the Group. The remaining balances due from associates as at 31 December 2014 were trade in nature, non-interest-bearing and collectible on demand.

(ii) As at 31 December 2014, the balances due from subsidiaries included entrusted loans to the subsidiaries amounting to RMB5,763,000,000 (2013: RMB6,175,048,000), which bear interest at rates ranging from 5% to 10% per annum. The interest is payable annually from 2015 to 2017. The principal amounts will be repaid on the maturity dates. As at 31 December 2014, the balances due from subsidiaries also included dividend receivable amounting to RMB4,835,000 (2013: RMB4,807,000) and interest receivable amounting to RMB44,585,000 (2013: RMB26,560,000). The remaining balances are trade in nature, non-interest-bearing and repayable on demand.

Due to related companies

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Associates	(iii)	**179,052**	37,576	**124,310**	—
Subsidiaries	(iv)	**—**	—	**371,200**	14,829
Other related companies		**79**	117	**—**	—
		179,131	37,693	**495,510**	14,829

Notes:

(iii) The balances due to associates as at 31 December 2014 include the advance receipt from disposal of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy (note 14) amounting to RMB124,310,000. The remaining balances were trade in nature, non-interest-bearing and repayable on demand.

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

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

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

Notes to the Financial Statements

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36. DEFERRED INCOME

	Notes	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Government grants	(i)	**165,888**	118,883	**1,750**	2,050
Less: Government grants classified as current portion *(note 33)*		**(32,114)**	(23,259)	**—**	—
Deferred warranty income	(ii)	**30,947**	22,977	**—**	—
Less: deferred warranty income classified as current portion *(note 33)*		**(25,128)**	(22,977)	**—**	—
		139,593	95,624	**1,750**	2,050

Notes:

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

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

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
At 1 January	**118,883**	37,025	**2,050**	2,500
Additions	**54,897**	89,695	**—**	—
Recognised as income during the year	**(7,892)**	(7,837)	**(300)**	(450)
At 31 December	**165,888**	118,883	**1,750**	2,050

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

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37. OTHER LONG-TERM LIABILITIES

Group

	Notes	2014 RMB'000	2013 RMB'000
Staff placement fees	(i)	**42,683**	35,589
Payables for acquisitions of subsidiaries	(ii)	**319,362**	83,756
Loan from non-controlling shareholders of subsidiaries	(iii)	**274,461**	265,387
The share redemption option granted to non-controlling shareholders of a subsidiary	(iv)	**60,299**	44,364
Finance lease payable		**21,695**	—
Others		**51,856**	24,606
		770,356	453,702

Notes:

(i) Staff placement fees represent liabilities incurred by certain subsidiaries of the Group before 2008 in respect of the retirement benefits of certain employees and retirees.

(ii) Payables for acquisitions of subsidiaries as at 31 December 2014 represent (a) the fair value of the contingent consideration for the acquisition of Chancheng Hospital amounting to RMB27,720,000; and (b) non-current portion of unpaid cash consideration of RMB291,642,000 for the acquisition of equity interest in Aohong Pharma, which will be paid after 12 months (note 33(i)).

(iii) Sisram Medical Ltd. ("Sisram"), a subsidiary of the Group, has interest-free long-term capital notes, with a term from May 2013 to April 2018 payable to Magnificent View Investments Limited, a non-controlling shareholder of Sisram.

(iv) Pursuant to the liquidity arrangement agreement signed between Sisram and non-controlling shareholders of Alma Lasers who owns 4.84% non-controlling interest in Alma Lasers on 27 May 2013, the 4.84% non-controlling interest in Alma Lasers have certain embedded "put rights" that are exercisable commencing on the third anniversary of the agreement date and if exercised, would require Sisram to acquire the non-controlling interests at a price based on certain multiples of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Alma Lasers.

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38. SHARE CAPITAL

	2014 Number of shares '000	2014 Nominal value RMB'000	2013 Number of shares '000	2013 Nominal value RMB'000
Shares				
Restricted shares				
A Shares of RMB1 each	**3,935**	**3,935**	—	—
Unrestricted shares				
A Shares of RMB1 each	**1,904,392**	**1,904,392**	1,904,392	1,904,392
H Shares of RMB1 each	**403,284**	**403,284**	336,070	336,070
	2,311,611	**2,311,611**	2,240,462	2,240,462

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

	Note	2014 Number of shares '000	2014 Nominal value RMB'000	2013 Number of shares '000	2013 Nominal value RMB'000
At 1 January		**2,240,462**	**2,240,462**	2,240,462	2,240,462
Issue of H Shares	(i)	**67,214**	**67,214**	—	—
Share incentive scheme	(ii)	**3,935**	**3,935**	—	—
At 31 December		**2,311,611**	**2,311,611**	2,240,462	2,240,462

Notes:

(i) On 3 April 2014, the Company completed an issue of 67,214,000 H Shares. The net proceeds received from the issue amounted to RMB1,403,609,000, after deduction of issue expenses of RMB19,728,000 (including accrued issue expenses). Part of the proceeds, amounting to RMB67,214,000, was credited as issued and fully paid share capital, and the remaining balance of RMB1,336,395,000 was credited to share premium.

(ii) The restricted A shares were issued pursuant to the share incentive scheme adopted by the Company. Please refer to note 42 to the financial statements for more details.

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on pages 79 to 80 of the financial statements.

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39. RESERVES (Continued)

(b) Company

	Share premium RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve *(note)* RMB'000	Other reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2013	3,572,164	—	305,635	—	(184,385)	470,497	4,163,911
Total comprehensive income for the year	—	—	—	—	906,239	—	906,239
Profit appropriation to reserve	—	—	91,066	—	(91,066)	—	—
Transaction costs related to issue of new shares	4,150	—	—	—	—	—	4,150
Legal merger of a subsidiary	15,041	—	60,189	—	—	—	75,230
Final 2012 dividend declared and paid	—	—	—	—	—	(470,497)	(470,497)
Proposed final 2013 dividend	—	—	—	—	(605,987)	605,987	—
At 31 December 2013 and 1 January 2014	3,591,355	—	456,890	—	24,801	605,987	4,679,033

	Share premium RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve *(note)* RMB'000	Other reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 31 December 2013 and 1 January 2014	3,591,355	—	456,890	—	24,801	605,987	4,679,033
Total comprehensive income for the year	—	125,515	—	—	93,634	—	219,149
Profit appropriation to reserve	—	—	81,880	—	(81,880)	—	—
Legal merger of a subsidiary	2,691,995	—	411,215	—	1,669,176	—	4,772,386
Issue of H shares	1,336,395	—	—	—	—	—	1,336,395
Issue of restricted A shares	(3,935)	—	—	—	—	—	(3,935)
Equity-settled share-based payment *(note 42)*	—	—	—	21,841	—	—	21,841
Final 2013 dividend declared and paid	—	—	—	—	(18,148)	(605,987)	(624,135)
Proposed final 2014 dividend	—	—	—	—	(647,187)	647,187	—
At 31 December 2014	7,615,810	125,515	949,985	21,841	1,040,396	647,187	10,400,734

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. BUSINESS COMBINATION

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

On 18 May 2014, Jiangsu Wanbang Biopharmaceutical Co., Ltd., a subsidiary of the Group, acquired 51% equity interests in Huanghe Pharmaceutical Co., Ltd. ("Huanghe Pharma") at a consideration of RMB58,079,000. Huanghe Pharma is engaged in the manufacture and sale of tablets, capsules and traditional Chinese medicine. The acquisition was undertaken under the Group's strategy to strengthen the market of endocrine and metabolic, cardiovascular and cancer medicines. The acquisition was completed on 16 June 2014 when the Group obtained control of the operating and financial policies of Huanghe Pharma.

On 4 December 2014 and 17 December 2014, Fosun Industrial (HK) Co., Ltd. and Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. entered into agreements with the shareholders of Suzhou Erye, all of which are independent third parties, to acquire 65% equity interests in Suzhou Erye at a consideration of RMB845,000,000. Suzhou Erye Pharmaceutical is principally engaged in the manufacturing of anti-infectious drugs. The acquisition completed on 25 December 2014 when the Group obtained control of the operating and financial policies of Suzhou Erye.

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

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40. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the year ended 31 December 2014 were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	17	238,735
Prepaid land lease payments	18	51,258
Other intangible assets	20	373,357
Investments in joint ventures		2,500
Other non-current assets		1,191
Inventories		166,954
Trade and bills receivables		92,798
Prepayments, deposits and other receivables		17,425
Cash and cash equivalents		33,026
Restricted cash		94,185
Interest-bearing bank and other borrowings		(113,000)
Trade and bills payables		(165,609)
Tax payable		(3,392)
Other payables and accruals		(202,311)
Deferred tax liabilities	26	(62,600)
Total identifiable net assets at fair value		524,517
Non-controlling interests		(183,452)
Goodwill on acquisition	19	562,774
		903,839
Satisfied by:		
Cash consideration paid		658,639
Cash consideration unpaid		245,200
		903,839

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40. BUSINESS COMBINATION (Continued)

The fair values of the trade receivables and other receivables as at the dates of acquisition amounted to RMB92,798,000 and RMB17,425,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB102,426,000 and RMB17,425,000, respectively, of which trade receivables of RMB9,628,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB811,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

The goodwill of RMB562,774,000 recognised above is due to the new markets entered by the Group to achieve product and business diversification. The above factor is neither separable nor contractual and therefore do not meet the criteria for recognition as intangible assets under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

	RMB'000
Cash consideration paid	(658,639)
Cash and cash equivalents acquired	33,026
	(625,613)
Payment of unpaid cash consideration as at 31 December 2013	(568,870)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,194,483)
Transaction costs of the acquisitions included in cash flows from operating activities	(811)
	(1,195,294)

Since the acquisitions, all the acquired subsidiaries contributed RMB41,090,000 to the Group's revenue and RMB3,161,000 to the Group's profit after tax for the year ended 31 December 2014.

Had the combinations taken place at the beginning of the year ended 31 December 2014, the revenue and the profit after tax of the Group for the year ended 31 December 2014 would have been RMB12,537,538,000 and RMB2,455,717,000, respectively.

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41. DISPOSAL OF A SUBSIDIARY

Chongqin Pharmaceutical Research Institute Co., Ltd. ("Chongqin Pharm"), a subsidiary of the Group, entered into an equity interest transfer agreement with Beijing Ziguang Pharmaceutical Co. Ltd. to dispose 99.53% equity interests in Chongqing Kangle Pharmaceutical Co., Ltd. ("Chongqin Kangle") at a consideration of RMB50,100,000. The disposal completed on 29 January 2014, since when Chongqin Kangle was not included in the consolidated financial statements of the Group. Financial information of Chongqin Kangle at the date of being disposed is as follow:

	Notes	**As of the disposal date** RMB'000
Net assets disposed of:		
Property, plant and equipment	17	26,639
Other intangible assets	20	3
Deferred tax assets	26	23
Inventories		14,178
Trade and bills receivables		8,165
Prepayments, deposits and other receivables		1,248
Cash and cash equivalents		1,363
Trade and bills payables		(4,862)
Other payables and accruals		(9,923)
Other long-term liabilities		(2,490)
Non-controlling interests		(162)
		34,182
Gain on disposal of a subsidiary	8	15,918
		50,100
Satisfied by:		
Cash		50,100

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

	RMB'000
Cash consideration	50,100
Cash and cash equivalents disposed of	(1,363)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	48,737

42. SHARE-BASED PAYMENT

(a) Restricted A share incentive scheme

The Company adopted a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of further refining the corporate governance structure of the Company, facilitating the establishment of the restricted incentive mechanism, fully motivating the directors and key personnel of the Company, as well as balancing the interests of the shareholders, the Company and the management for the long-term development of the Company.

The Restricted A Share Incentive Scheme was approved by the shareholders of the Company (the "Shareholders") at the 2013 first extraordinary general meeting of the Company, the 2013 first class meeting of A Shareholders and the 2013 first class meeting of H Shareholders convened on 20 December 2013. On 7 January 2014, relevant resolutions were considered and passed at the Company's 12th meeting of the 6th session of the board of directors and the 1st meeting of the 6th session of the Supervisory Committee, pursuant to which the date of grant for the Restricted A Share Incentive Scheme of the Company was set on 7 January 2014.

On 7 January 2014 (the "Date of Grant"), pursuant to the Restricted A Share Incentive Scheme, 4,035,000 A shares of the Company were granted to 28 eligible participants of the Restricted A Share Incentive Scheme (the "Share Incentive Participants") at a grant price of RMB6.08 per share. The Share Incentive Participants include executive directors and the member of senior management of the Company and core technical and management personnel of the Company and its subsidiaries.

27 out of 28 of the Share Incentive Participants have accepted and subscribed with their own funds under the Restricted A Share Incentive Scheme and a total of 3,935,000 Restricted A Shares (the "Restricted Shares") has been issued by the Company to the relevant Share Incentive Participants.

The Restricted A Share Incentive Scheme shall be valid for a term of four years, commencing from the Date of Grant of Restricted Shares and ending on the date on which all the Restricted Shares granted have been unlocked or otherwise repurchased and cancelled.

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42. SHARE-BASED PAYMENT (Continued)

(a) Restricted A share incentive scheme (Continued)

Restricted Shares shall be locked up immediately upon granting. All of the Restricted Shares granted to Share Incentive Participants shall be subject to various Lock-up Periods ranging from 1 year, 2 years to 3 years, respectively, immediately from the Date of Grant. Restricted Shares held by Share Incentive Participants shall be unlocked (or repurchased and cancelled by the Company) in three tranches in the proportion of 33%, 33% and 34% of the total number of the Restricted Shares granted upon the expiry of each Lock-up Period. Details of the unlock period and conditions are summarised as follows:

Unlock period	Performance Target	% of unlocked Shares to the total Restricted Shares granted
First unlock period: commencing from the first trading day after expiry of the 12-month period from the Date of Grant and ending on the last trading day of the 24-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2013 shall not be less than RMB1 billion; the operating revenue for the year 2013 shall not be less than RMB9 billion; the percentage of research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2013 shall not be less than 4.8%.	33%
Second unlock period: commencing from the first trading day after expiry of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2014 shall not be less than RMB1.25 billion; the operating revenue for the year 2014 shall not less than RMB10.5 billion; the percentage of research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2014 shall not be less than 4.9%.	33%
Third unlock period: Commencing from the first trading day after expiry of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	Net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for the year 2015 shall not be less than RMB1.56 billion; the operating revenue for the year 2015 shall be no less than RMB12.5 billion; the percentage of research and development expenditure on pharmaceutical manufacturing segment to the total sales revenue from the pharmaceutical business for the year 2015 shall not be less than 5.0%.	34%

42. SHARE-BASED PAYMENT (Continued)

(a) Restricted A share incentive scheme (Continued)

In addition, during the Lock-up Period of the Restricted Shares, net profit attributable to the shareholders of the Company and net profit (after extraordinary gain or loss) attributable to the shareholders of the Company for each year shall not be less than the average of their respective amount of the three preceding financial years prior to the Date of Grant, and shall not be negative.

Where the performance target at Company's level has been achieved, a Share Incentive Participants is only entitled to unlock the Restricted Shares upon achieving the benchmark of "Pass" or above in his performance target for the preceding year according to the Company's Administrative Measures in respect of Remuneration and Performance Appraisal (《與績效考核相關管理辦法》).

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB59,012,000, of which RMB35,087,000 will be charged to profit or loss and the capital reserve as costs of share-based compensation in aggregate from the date of grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounted to RMB23,925,000 (note 33). The Group has recognised an amount of RMB21,841,000 as expenses for the year ended 31 December 2014.

The fair value of Restricted Shares granted during the year was estimated as at the Date of Grant, using the Black-Scholes model, taking into account the terms and conditions upon which the shares were granted. The following table lists the inputs to the model used:

Unlock period	First unlock period	Second unlock period	Third unlock period
Risk-free interest rate (%)	4.18	4.33	4.36
Expected volatility (%)	37.22	37.22	37.22
Expected dividend yield (%)	1.10	1.10	1.10
Market price of the Company's shares on the date of grant	17.93	17.93	17.93
Fair value of the restricted shares on the date of grant	15.60	14.88	14.52

The exercise price of the Black-Scholes model was arrived at based on the market price of the Company's shares on the Date of Grant. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other feature of the Restricted Shares granted was incorporated into the measurement of fair value.

The grant of the Restricted Shares during the year resulted in the issue of 3,935,000 restricted A shares of the Company and new share capital of RMB3,935,000, as further detailed in note 38 to the financial statements.

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42. SHARE-BASED PAYMENT (Continued)

(b) CML share option

Certain employees of Chindex provide services to CML. The service agreement between CML and Chindex provides that the full compensation cost of Chindex employees who provide service to CML will be charged to CML, which will include the cost of share-based compensation on a non-cash basis, if applicable to the employees. In addition, certain former Chindex employees that are now employees of CML participate in Chindex's equity compensation program and hold options for Chindex's common shares and Chindex's restricted shares, and the costs of those share options are expensed as they provide services to CML. As at 29 September 2014, along with the privatisation and delisting of Chindex, all the share options and restricted shares held by relevant Chindex employees and non-employees were cancelled and settled by cash.

For the year ended 31 December 2014 and before the cancellation, the share-based compensation charged to CML by Chindex consisted of approximately RMB8,750,000 (2013: RMB6,084,000) for services provided by Chindex employees under the service agreement between CML and Chindex and approximately RMB7,769,000 (2013: RMB3,623,000) for services provided directly by CML employees who are former Chindex employees. For Chindex employees, their total share-based compensation cost was calculated by Chindex as part of its ongoing grant-by-grant calculation and was then allocated to CML based on the percentages defined in the CML-Chindex service agreement. For CML employees whose share options of Chindex continued to vest for their services provided to CML, the calculation was based on the "non-employee" model, which includes variable accounting ("mark-to-market") on a quarterly basis.

43. 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 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**13,313**	14,815	**900**	—
1 to 3 years, inclusive	**9,215**	3,720	**1,800**	—
Over 3 years	**46**	46	**2**	—
	22,574	18,581	**2,702**	—

43. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

As at 31 December 2014, 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**32,948**	51,081	**—**	—
1 to 3 years, inclusive	**46,252**	73,657	**—**	—
Over 3 years	**32,643**	71,430	**—**	—
	111,843	196,168	**—**	—

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43(b) to the financial statements, the Group had the following capital commitments as at 31 December 2014:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted, but not provided for				
Plant and machinery	**224,486**	347,977	**—**	—
Investments in a subsidiary and associates	**1,586,778**	34,892	**—**	—
Investments in available-for-sale financial assets	**275,355**	27,000	**—**	15,000
	2,086,619	409,869	**—**	15,000
Authorised, but not contracted for				
Plant and machinery	**126,486**	91,653	**—**	—

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45. 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 and services

	2014 RMB'000	2013 RMB'000
Sinopharm Group Co., Ltd. *(notes 5 & 7)*	**710,922**	570,052
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 5)*	**19,446**	22,750
Chindex International Inc *(notes 1 & 5)*	**13,801**	—
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. *(notes 3 & 5)*	**6,204**	8,055
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2 & 5)*	**4,291**	1,832
Shanghai Huifeng Forme Pharmacy Co., Ltd. *(notes 2 & 5)*	**2,978**	3,518
Shanghai Liyi Pharmacy Co., Ltd. *(notes 1 & 5)*	**1,712**	1,868
Shanghai Yaofang Co., Ltd. *(notes 1 & 5)*	**1,136**	4,565
Hunan Time Sun Pharmaceutical Co., Ltd. *(notes 1 & 5)*	**426**	427
Fosium Innovations (Shanghai) Co., Ltd. *(notes 2 & 5)*	**41**	—
Tong De Equity Investment Management (Shanghai) Co., Ltd. *(notes 2 & 5)*	**8**	—
SINNOWA Medical Science & Technology Co., Ltd. *(notes 4 & 5)*	**1**	4
Shanghai Lianhua Fosun Pharmacy Chain-store Co., Ltd. *(notes 1 & 5)*	**—**	18,201
Suzhou Laishi Transfusion Equipment Co., Ltd. ("Suzhou Laishi") *(notes 5 & 10)*	**—**	6,642
Guilin Auspicious Pharmaceutical Industrial Ltd. *(notes 1 & 5)*	**—**	549
Shanghai Forte Land Co., Ltd. *(notes 4 & 5)*	**—**	35
Shanghai Forte Investment and Management Co., Ltd. *(notes 4 & 5)*	**—**	5
	760,966	638,503

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45. RELATED PARTY TRANSACTIONS (Continued)

(b) Purchases of pharmaceutical products and services

	2014 RMB'000	2013 RMB'000
Sinopharm Group Co., Ltd. *(notes 5 & 7)*	**147,494**	136,262
Shanghai Tonghanchuntang Pharmaceutical Co., Ltd. *(notes 3 & 5)*	**7,090**	7,920
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1 & 5)*	**6,892**	5,537
Shanghai Yaofang Co., Ltd. *(notes 1 & 5)*	**409**	3,011
Shanghai Furui Property Management Company Limited *(notes 4, 6 & 9)*	**270**	—
SD Biosensor, Inc. *(notes 1 & 5)*	**141**	669
Beijing steellex Biological Technology Co., Ltd. *(notes 1 & 5)*	**117**	—
Shanghai Tonghanchuntang Traditional Chinese Medicine Co., Ltd. *(notes 3 & 5)*	**112**	161
Miacom Diagnostics GmbH *(notes 1 & 5)*	**64**	—
Beijing Golte Property Management Co., Ltd. *(notes 4 & 5)*	**59**	—
Anhui Shanhe Medicinal Materials Limited Company *(notes 1 & 5)*	**45**	—
Chengde Jingfukang Pharmaceutical Group Co., Ltd. *(notes 1 & 5)*	**40**	—
Shanghai Tonghanchuntang Pharmacy Co., Ltd. *(notes 3 & 5)*	**10**	221
Fosium Innovations (Shanghai) Co., Ltd. *(notes 2 & 5)*	**6**	215
Suzhou Laishi *(notes 5 & 10)*	**—**	15,282
Tongjitang Chinese Medicines Company ("Tongjitang") *(notes 5 & 11)*	**—**	13,272
	162,749	182,550

(c) Leasing and property management services

As lessor

	2014 RMB'000	2013 RMB'000
Fosium Innovations (Shanghai) Co., Ltd. *(notes 2, 6 & 9)*	**504**	517
Tong De equity Investment Management (Shanghai) Co., Ltd. *(notes 2, 6 & 9)*	**178**	—
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. *(notes 2, 6 & 9)*	**108**	98
Guilin Auspicious Pharmaceutical Industrial Ltd. *(notes 1, 6 & 9)*	**89**	52
Fosun High Tech *(notes 6 & 9)*	**75**	77
Shanghai Fosun Property Management Co., Ltd. *(notes 4, 6 & 9)*	**—**	376
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1, 6 & 9)*	**—**	40
	954	1,160

Notes to the Financial Statements

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45. RELATED PARTY TRANSACTIONS (Continued)

(c) Leasing and property management services (Continued)

As lessee

	2014 RMB'000	2013 RMB'000
Shanghai New Shihua Investment and Management Co., Ltd. *(notes 4, 6 & 9)*	**5,043**	307
Shanghai Fosun Property Management Co., Ltd. *(notes 4, 6 & 9)*	**4,623**	7,231
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(notes 1, 6 & 9)*	**3,993**	3,705
Shanghai Furui Property Management Company Limited *(notes 4, 6 & 9)*	**3,935**	2,642
Beijing Golte Property Management Co., Ltd. *(notes 4, 6 & 9)*	**1,002**	1,007
Shanghai Forte Investment Management Co., Ltd. *(notes 4, 6 & 9)*	**—**	4,301
	18,596	19,193

(d) Loan from/to related party

Maximum daily outstanding balance of deposits in Fosun Finance

	2014 RMB'000	2013 RMB'000
Fosun Finance *(notes 8 & 9)*	**950,370**	296,182

The Company entered into a financial service agreement with Fosun Group Finance Corporation Limited ("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 from 1 January 2014 and ended 31 December 2016. The maximum daily outstanding balance of deposits placed by the Group with Fosun Finance is RMB1,000,000,000. The maximum daily outstanding balance of loans granted by Fosun Finance to the Group is RMB1,000,000,000.

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45. RELATED PARTY TRANSACTIONS (Continued)

(e) Interest income from related parties

	2014 RMB'000	2013 RMB'000
Fosun Finance *(notes 8 & 9)*	1,917	2,491

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

(f) Commitments with related parties

As lessor

As at 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its related parties falling due as follows:

	2014 RMB'000	2013 RMB'000
Shanghai LONZA Fosun Pharmaceutical Science and Technology Development Ltd. *(note 2)*	1,048	27
Tong De equity investment management (Shanghai) Co., Ltd. *(note 2)*	611	—
Fosun High Tech	43	43
Fosium Innovations (Shanghai) Co., Ltd. *(note 2)*	—	253
Guilin Auspicious Pharmaceutical Industrial Ltd. *(note 1)*	—	190
	1,702	513

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31 December 2014

45. RELATED PARTY TRANSACTIONS (Continued)

(f) Commitments with related parties (Continued)

As lessee

As at 31 December 2014, 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:

	2014 RMB'000	2013 RMB'000
Shanghai New Shihua Investment and Management Co., Ltd. *(note 4)*	4,730	—
Shanghai Forte Investment Management Co., Ltd. *(note 4)*	—	21,971
Beijing Jinxiang Fosun Pharmaceuticals Joint Stock Co., Ltd. *(note 1)*	—	8,385
	4,730	30,356

Notes:

(1) They are associates of the Group.

(2) They are joint ventures 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.

(6) 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.

(7) Sinopharm Group Co., Ltd. is a major subsidiary of Sinopharm Investment, an associate of the Group.

(8) Fosun Finance is a subsidiary of Fosun High Tech, the holding company of the Company.

(9) 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.

(10) As at 30 September 2013, the Group acquired Suzhou Laishi and Suzhou Laishi was no longer an associate of the Group.

(11) As at 30 October 2013, the Group disposed of entire equity interest in Tongjitang and Tongjitang was no longer an associate of the Group.

45. RELATED PARTY TRANSACTIONS (Continued)

(g) 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.

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

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	18,545	13,678
Performance-related bonuses	17,004	13,613
Pension scheme contributions	692	595
Equity-settled share incentive scheme expense	13,271	—
	49,512	27,886

Further details of directors', supervisors' and the chief executive's emoluments are included in note 10 to the financial statements.

46. CONTINGENT LIABILITIES

As at 31 December 2014 and 31 December 2013, the Group and the Company did not have any contingent liabilities.

47. PLEDGE OF ASSETS

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.

Notes to the Financial Statements

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48. 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:

2014

	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	—	—	2,499,156	2,499,156
Equity investments at fair value through profit or loss	33,771	—	—	33,771
Trade and bills receivables	—	1,778,078	—	1,778,078
Financial assets included in prepayments, deposits and other receivables	—	200,558	—	200,558
Due from related companies	—	215,128	—	215,128
Cash and bank balances	—	3,695,698	—	3,695,698
	33,771	5,889,462	2,499,156	8,422,389

	Financial liabilities at fair value through profit or loss — Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities:			
Trade and bills payables	—	875,149	875,149
Financial liabilities included in other payables and accruals	—	1,973,667	1,973,667
Interest-bearing bank and other borrowings	—	8,796,108	8,796,108
Due to related companies	—	170,868	170,868
Financial liabilities included in other long-term liabilities	88,019*	631,417	719,436
	88,019	12,447,209	12,535,228

* The amount includes the share redemption option granted to non-controlling shareholders of a subsidiary amounting to RMB60,299,000, of which fair value change is recognised in other reserve due to the nature of equity transaction with non-controlling shareholder of a subsidiary of the Group.

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48. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2013

	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	—	—	2,664,409	2,664,409
Equity investments at fair value through profit or loss	44,196	—	—	44,196
Trade and bills receivables	—	1,460,011	—	1,460,011
Financial assets included in prepayments, deposits and other receivables	—	392,541	—	392,541
Due from related companies	—	205,810	—	205,810
Cash and bank balances	—	3,067,414	—	3,067,414
	44,196	5,125,776	2,664,409	7,834,381

	Financial liabilities at fair value through profit or loss — Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities:			
Trade and bills payables	—	1,103,160	1,103,160
Financial liabilities included in other payables and accruals	—	1,843,891	1,843,891
Interest-bearing bank and other borrowings	—	5,623,919	5,623,919
Due to related companies	—	37,016	37,016
Other long-term liabilities	99,804	295,424	395,228
	99,804	8,903,410	9,003,214

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Financial Statements

31 December 2014

48. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2014

	Company		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets:			
Available-for-sale investments	—	440,465	440,465
Financial assets included in prepayments, deposits and other receivables	45,582	—	45,582
Due from related companies	6,643,165	—	6,643,165
Cash and bank balances	739,943	—	739,943
	7,428,690	440,465	7,869,155

2013

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

48. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

	Financial liabilities at amortised cost	
	2014	2013
	RMB'000	RMB'000
Financial liabilities:		
Financial liabilities included in other payables and accruals	**229,949**	205,213
Interest-bearing bank and other borrowings	**5,206,594**	4,598,391
Due to related companies	**495,510**	14,829
	5,932,053	4,818,433

At 31 December 2014, 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 RMB667,859,000 (2013: RMB232,324,000). 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 RMB190,556,000 (2013: RMB124,559,000). The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangement with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognised the full carrying amounts of the Endorsed Bills and the Discounted Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills equals their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

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

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49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Group

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial Assets:				
Available-for-sale investments, listed	**1,135,772**	1,672,788	**1,135,772**	1,672,788
Equity investments at fair value through Profit or loss	**33,771**	44,196	**33,771**	44,196
	1,169,543	1,716,984	**1,169,543**	1,716,984
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**771,192**	126,318	**743,139**	119,469
Non-current portion of other borrowings	**3,085,483**	4,073,391	**3,090,317**	4,022,432
Other long-term liabilities	**719,436**	395,228	**719,436**	395,228
	4,576,111	4,594,937	**4,552,892**	4,537,129

Company

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
Available-for-sale investment, listed	**217,101**	—	**217,101**	—
Financial liabilities:				
Non-current portion of interest-bearing bank borrowings	**85,000**	125,000	**80,812**	118,192
Non-current portion of other borrowings	**3,085,483**	4,073,391	**3,090,317**	4,022,432
	3,170,483	4,198,391	**3,171,129**	4,140,624

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

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

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for non-current portion of interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

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

As at 31 December 2014, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments of the Group is RMB1,363,384,000 (2013: RMB991,621,000) and of the Company is RMB223,364,000 (2013: RMB250,498,000), respectively. All of them are unlisted equity investments in China, North America and other countries held by the Group, which are intended to be disposed by the Group after getting listed in the designated stock exchange in the future.

During the year ended 31 December 2014, the available-for-sale investments whose fair value could not be reliably measured with carrying amount of RMB3,361,000 were derecognised and no relevant gain or loss on disposal was recognised in the consolidated statement of profit or loss.

Notes to the Financial Statements

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2014:

As part of the purchases agreement, contingent consideration included in other long-term liabilities is payable, which is dependent on the profit after tax of Chancheng Hospital in 2015. The amount recognised as at 31 December 2014 was RMB27,720,000 (31 December 2013: RMB55,440,000) which was determined using the discounted cash flow model and is under Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders in 2016. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration are as follows:

As the profit after tax of Chancheng Hospital for the year ended 31 December 2014 was over the net profit target of RMB108,000,000, and it is estimated that the projected profit after tax of Chancheng Hospital for the year ended 31 December 2015 will exceed the net profit target of RMB129,600,000, there have been no adjustments to the contingent consideration during the year ended 31 December 2014. Discount rate and discount for own non-performance risk is nil.

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

Significant unobservable valuation input for the share redemption option granted to non-controlling shareholders of a subsidiary included in other long-term liabilities of RMB60,299,000 (31 December 2013: RMB44,364,000) is EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) of Alma Lasers in 2014 and cash and bank balances of Alma Lasers as at 31 December 2014.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:
Group
As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments — Listed *(note 24)*	1,135,772	—	—	1,135,772
Equity investments at fair value through profit or loss *(note 30)*	—	33,771	—	33,771
	1,135,772	33,771	—	1,169,543

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments — Listed *(note 24)*	1,672,788	—	—	1,672,788
Equity investments at fair value through profit or loss *(note 30)*	—	44,196	—	44,196
	1,672,788	44,196	—	1,716,984

Notes to the Financial Statements

31 December 2014

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

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

Company

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments — Listed (note 24)	217,101	—	—	217,101

The Company did not have any financial assets measured at fair value as at 31 December 2013.

Liabilities measured at fair value:

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Amounts included in other long-term liabilities *(note 37)*	—	—	88,019	88,019

As at 31 December 2013

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

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

Fair value hierarchy (Continued)

Liabilities measured at fair value: (Continued)

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

	2014 **RMB'000**	2013 RMB'000
Amounts included in other long-term liabilities:		
At 1 January	**99,804**	570,389
Total losses recognised in the statement of profit or loss included in finance costs	**—**	22,109
Addition	**15,935**	99,804
Reclassification	**(27,720)**	(592,498)
At 31 December	**88,019**	99,804

The Company did not have any financial liabilities measured at fair value as at 31 December 2014 (31 December 2013: Nil).

Assets for which fair values are disclosed:

The Group and the Company did not have financial assets for which fair values are disclosed as at 31 December 2014 (31 December 2013: Nil).

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	743,139	—	743,139
Non-current portion of other borrowings	1,498,350	1,591,967	—	3,090,317
Amounts included in other long-term liabilities	—	631,417	—	631,417
	1,498,350	2,966,523	—	4,464,873

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	119,469	—	119,469
Non-current portion of other borrowings	1,440,000	2,582,432	—	4,022,432
Amounts included in other long-term liabilities	—	295,423	—	295,423
	1,440,000	2,997,324	—	4,437,324

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)
Company
As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active Markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank borrowings	—	80,812	—	80,812
Non-current portion of other borrowings	1,498,350	1,591,967	—	3,090,317
	1,498,350	1,672,779	—	3,171,129

As at 31 December 2013

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Interest rate risk

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

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

As at 31 December 2014, total interest-bearing bank borrowings of RMB2,537,905,000 (31 December 2013: RMB1,260,752,000) of the Group were with floating interest rates. As at 31 December 2014, total interest-bearing bank borrowings of RMB125,000,000 (31 December 2013: RMB525,000,000) of the Company were with floating interest rates.

As at 31 December 2014, the Group had 5-year medium-term notes with carrying amount of RMB2,589,183,000, which were interest-bearing at a floating interest rate.

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

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

		Group	Company
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000	**Increase/ (decrease) in profit before tax** RMB'000
2014			
RMB	**1%**	**(30,032)**	**(27,142)**
USD	**1%**	**(21,239)**	**—**
RMB	**(1%)**	**30,032**	**27,142**
USD	**(1%)**	**21,239**	**—**
2013			
RMB	1%	(33,554)	(31,074)
USD	1%	(4,878)	—
RMB	(1%)	33,554	31,074
USD	(1%)	4,878	—

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31 December 2014

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

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

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

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	RMB'000	RMB'000
2014			
If RMB weakens against USD	**5**	**1,120**	**(88,897)**
If RMB strengthens against USD	**(5)**	**(1,120)**	**88,897**
If RMB weakens against HKD	**5**	**4,685**	**573**
If RMB strengthens against HKD	**(5)**	**(4,685)**	**(573)**
2013			
If RMB weakens against USD	5	461	(15,391)
If RMB strengthens against USD	(5)	(461)	15,391
If RMB weakens against HKD	5	14,725	—
If RMB strengthens against HKD	(5)	(14,725)	—

* Excluding retained profits

(c) Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and bank balances, amounts due from related companies and deposits and other receivables, arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 28 to the financial statements.

Notes to the Financial Statements

31 December 2014

50. 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 2014, 56% (31 December 2013: 25%) 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
2014					
Interest-bearing bank and other borrowings	**—**	**5,281,375**	**4,044,421**	**58,476**	**9,384,272**
Trade and bills payables	**—**	**875,149**	**—**	**—**	**875,149**
Financial liabilities included in other payables and accruals	**1,529,989**	**443,678**	**—**	**—**	**1,973,667**
Due to related companies	**170,868**	**—**	**—**	**—**	**170,868**
Other long-term liabilities	**—**	**—**	**719,436**	**—**	**719,436**
	1,700,857	**6,600,202**	**4,763,857**	**58,476**	**13,123,392**
2013					
Interest-bearing bank and other borrowings	—	1,701,757	4,601,039	—	6,302,796
Trade and bills payables	—	1,103,160	—	—	1,103,160
Financial liabilities included in other payables and accruals	1,090,835	753,056	—	—	1,843,891
Due to related companies	37,016	—		—	37,016
Other long-term liabilities	—	—	395,228	—	395,228
	1,127,851	3,557,973	4,996,267	—	9,682,091

Notes to the Financial Statements

31 December 2014

50. 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
2014					
Interest-bearing bank and other borrowings	**—**	**2,305,945**	**3,323,066**	**—**	**5,629,011**
Financial liabilities included in other payables and accruals	**229,949**	**—**	**—**	**—**	**229,949**
Due to related companies	**495,510**	**—**	**—**	**—**	**495,510**
	725,459	**2,305,945**	**3,323,066**	**—**	**6,354,470**
2013					
Interest-bearing bank and other borrowings	—	660,939	4,599,679	—	5,260,618
Financial liabilities included in other payables and accruals	205,213	—	—	—	205,213
Due to related companies	14,829	—	—	—	14,829
	220,042	660,939	4,599,679	—	5,480,660

Notes to the Financial Statements

31 December 2014

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 30) and available-for-sale investments measured at fair value (note 24). The Group's listed investments are listed on the stock exchanges in Shanghai, Shenzhen, NASDAQ, New Zealand and Hong Kong and are valued at quoted market prices or using valuation techniques at the end of the reporting period.

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

	31 December 2014	High/low 2014	31 December 2013	High/low 2013
Shanghai — A Share Index	3,389	3,389/2,084	2,214	2,558/1,935
Shenzhen — GEM Index	1,472	1,657/1,226	1,304	1,423/699
Shenzhen — A Share Index	1,478	1,571/1,051	1,103	1,155/850
New York — NASDAQ Index	4,736	4,807/3,946	4,176	4,177/3,083
New Zealand — NZX 50 Index	5,568	5,592/4,736	10,400	10,400/8,604
Hong Kong — HSI Index	23,605	25,318/21,138	23,306	24,039/22,463

Notes to the Financial Statements

31 December 2014

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Equity price risk (Continued)

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

	Carrying amount of equity investments RMB'000	Increase in profit before tax RMB'000	Increase in equity* RMB'000
2014			
Investments listed in:			
Shanghai — Available for sale	**300,748**	**—**	**22,556**
Shenzhen GEM — Available for sale	**714,486**	**—**	**53,586**
Shenzhen — Available for sale	**94,376**	**—**	**7,138**
NASDAQ — Equity investments at fair value through profit or loss	**33,771**	**3,377**	**—**
New Zealand — Available for sale	**24,339**	**—**	**2,434**
Hong Kong — Available for sale	**1,823**	**—**	**182**
	1,169,543	**3,377**	**85,896**
2013			
Investments listed in:			
Shanghai — Available for sale	586,333	—	43,975
Shenzhen GEM — Available for sale	579,380	—	43,453
Shenzhen — Available for sale	171,567	—	12,914
NASDAQ — Available for sale	335,508	—	33,551
NASDAQ — Equity investments at fair value through profit or loss	44,196	4,420	—
	1,716,984	4,420	133,893

* Excluding retained profits

Notes to the Financial Statements

31 December 2014

50. 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 2014 and 31 December 2013.

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:

	2014 **RMB'000**	2013 RMB'000
Interest-bearing bank and other borrowings *(note 34)*	**8,796,108**	5,623,919
Less: Cash and cash equivalents *(note 31)*	**(3,010,155)**	(2,416,261)
Net debt	**5,785,953**	3,207,658
Total equity	**19,046,115**	17,607,627
Total equity and net debt	**24,832,068**	20,815,285
Gearing ratio	**23%**	15%

51. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

On 4 January 2015, 9 January 2015 and 9 January 2015, the disposal transactions of Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy disclosed in note 14 were completed, respectively, following the completion of changes in business registrations and Golden Elephant Pharmacy, Fosun Pharmaceutical and For Me Pharmacy ceased to be subsidiaries of the Company.

52. COMPARATIVE AMOUNTS

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

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 24 March 2015.

Definitions

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

"A Share(s)"	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"A Shareholder(s)"	holder(s) of A Shares
"AGM" or "Annual General Meeting"	the annual general meeting of the Company
"Alma Lasers"	Alma Lasers Ltd., a company incorporated in the State of Israel with limited liability
"AMG"	Amerigen Pharmaceuticals, Ltd.
"Aohong Pharma"	Jinzhou Aohong Pharmaceutical Company Limited (錦州奧鴻藥業有限責任公司), an indirect 93% owned subsidiary of the Company
"API(s)"	active pharmaceutical ingredient(s), the biologically active substance in a pharmaceutical product, responsible for the therapeutic effect of a drug
"Articles" or "Articles of Association"	the articles of association of the Company
"associates"	has the meaning given to it under the Hong Kong Listing Rules
"Beijing Golte"	Beijing Golte Property Management Company Limited (北京高地物業管理有限公司), a wholly-owned subsidiary of Shanghai Golte Assets Management Company Limited (上海高地資產經營管理有限公司), which in turn is wholly-owned by Forte. Forte is a 99.08% owned subsidiary of Fosun International (a Controlling Shareholder of the Company). Beijing Golte is a connected person of the Group under Rule 14A.07(4) of the Hong Kong Listing Rules
"Board" or "Board of Directors"	the board of Directors of the Company
"CFDA"	China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局), the PRC governmental authority responsible for the regulation of food and drugs
"CG Code"	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules
"Chancheng Hospital"	Foshan Chancheng Central Hospital Company Limited (佛山市禪城區中心醫院有限公司), a for-profit medical institution established with the approval by the Population, Health and Drug Administration of Chancheng District, Foshan (佛山市禪城區人口和衛生藥品監督管理局)
"Chindex"	Chindex International, Inc., a company incorporated in Delaware of the United States
"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), an indirect 70% owned subsidiary of the Company

Definitions

"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 market
"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
"Dongting Pharma"	Hunan Dongting Pharmaceutical Co., Ltd. (湖南洞庭藥業股份有限公司), a 77.78% owned subsidiary of the Company
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"Erye Pharmaceutical"	Suzhou Erye Pharmaceutical Co., Ltd. (蘇州二葉製藥有限公司)
"FDA"	Food and Drug Administration
"Financial Services Agreement"	the financial services agreement entered into between the Company and Fosun Finance dated 26 August 2013 for the provision of financial services by Fosun Finance to the Company, the term of which expired on 31 December 2016
"Fochon Pharma"	Chongqing Fochon Pharmaceutical Research Company United (重慶復創醫藥研究有限公司), an indirect subsidiary of the Company as at the end of the Reporting Period
"For Me Pharmacy"	Shanghai For Me Yixing Pharmacy Chain-Store Company Limited (上海復美益星大藥房連鎖有限公司), a subsidiary of the Company as at the end of the Reporting Period
"Forte"	Shanghai Forte Land Company Limited (復地(集團)股份有限公司), a 99.08% owned subsidiary of Fosun International (a Controlling Shareholder of the Company). Forte is a connected person under Rule 14A.07(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 99.08% owned subsidiary of Fosun International (a Controlling Shareholder of the Company). Forte Investment and Management is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules

Definitions

"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.07(4) of the Hong Kong Listing Rules
"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.07(1) of the Hong Kong Listing Rules
"Fosun Holdings"	Fosun Holdings Limited (復星控股有限公司), a direct wholly-owned subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
"Fosun Industrial"	Fosun Industrial Co., Limited (復星實業(香港)有限公司), a wholly-owned subsidiary of the Company
"Fosun International"	Fosun International Limited (復星國際有限公司), an indirect subsidiary of Fosun International Holdings and a Controlling Shareholder of the Company
"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"	Shanghai Fosun Pharmaceutical Company United (上海復星藥業有限公司), a 97% owned subsidiary of the Company as at the end of the Reporting Period
"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), an indirect 55% owned subsidiary of the Company as at the end of the Reporting Period
"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
"Guangji Hospital"	Yueyang Guangji Hospital Company Limited (岳陽廣濟醫院有限公司), an indirect 55% owned subsidiary of the the Company
"Guilin Pharma"	Guilin South Pharma Company Limited (桂林南藥股份有限公司), an indirect 95.17% owned subsidiary of the Company
"GuoDa Drug Store"	Sinopharm Holding GuoDa Drug Store Co., Ltd. (國藥控股國大藥房有限公司)
"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
"H Shareholder(s)"	holder(s) of H Shares
"HKFRS"	the Hong Kong Financial Reporting Standards
"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

Definitions

"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
"Huanghe Pharma"	Jiangsu Huanghe Pharmaceutical Company United (江蘇黃河藥業股份有限公司), an indirect 51% owned subsidiary of the Company
"Hubei Shine Star"	Shine Star (Hubei) Biological Engineering Company Limited (湖北新生源生物工程股份有限公司), an indirect 51% owned subsidiary of the Company
"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
"Jimin Cancer Hospital"	Anhui Jimin Cancer Hospital (安徽濟民腫瘤醫院), a people run non-enterprise unit (民辦非企業單位) established in the PRC, an indirect 70% owned subsidiary of the Company
"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 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 and the Master Lease H
"Master Property Management Services Agreement A"	the master property management services agreement entered into between our Company and Shanghai Furui dated 30 October 2012 for the provision of property management services by Shanghai Furui to the Company for a term of three years
"Master Property Management Services Agreement B"	the master property management services agreement entered into between Shanghai Furui and Shanghai ClonBiotech dated 30 October 2012 for the provision of property management services by Shanghai Furui to Shanghai ClonBiotech for a term of three years

Definitions

"Master Property Management Services Agreement D"	the master property management services agreement entered into between Chindex (Beijing) and Beijing Golte dated 30 October 2012 for the provision of property management services by Beijing Golte to Chindex (Beijing) for a term of three years
"Master Property Management Services Agreement E"	the master property management services agreement entered into between Fosun Pharmaceutical Industrial and Beijing Golte dated 30 October 2012 for the provision of property management services by Beijing Golte to Fosun Pharmaceutical Industrial for a term of three years
"Master Property Management Services Agreement F"	the master property management services agreement entered into between Yao Pharma and Beijing Golte dated 30 October 2012 for the provision of property management services by Beijing Golte to Yao Pharma for a term of three years
"Master Property Management Services Agreement G"	the master property management services agreement entered into between Wanbang Pharma and Beijing Golte dated 30 October 2012 for the provision of property management services by Beijing Golte to Wanbang Pharma for a term of three years
"Master Property Management Services Agreements"	the Master Property Management Services Agreement A, the Master Property Management Services Agreement B, the Master Property Management Services Agreement D, the Master Property Management Services Agreement E, the Master Property Management Services Agreement F and the Master Property Management Services Agreement G
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"Nanyang Cancer Hospital"	Guangzhou Nanyang Cancer Hospital Co., Ltd., (廣州南洋腫瘤醫院有限公司), a joint venture indirectly held by the Company
"PCT"	Patent Cooperation Treaty
"PRC" or "China"	the People's Republic of China, and "Chinese" shall be construed accordingly. References in this annual report to the PRC or China, for geographical reference only, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC Enterprise Income Tax Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as adopted by the Tenth National People's Congress on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises
"PRC government" or "Chinese government"	central government of the PRC, including all governmental sub-divisions (including provincial, municipal and other regional or local government entities)
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the Standing Committee of the Ninth National People's Congress on 29 December 1998 and effective on 1 July 1999, as amended, supplemented or otherwise modified from time to time

Definitions

"Prospectus"	the prospectus of the Company dated 17 October 2012
"R&D"	research and development
"Reporting Period"	the 12-month period from 1 January 2014 to 31 December 2014
"Restricted A Share(s)"	the A Shares granted under the Restricted A Share Incentive Scheme
"Restricted A Share Incentive Scheme"	the Restricted A Share incentive scheme of the Company, as approved by the Shareholders on 20 December 2013
"Restricted A Share Incentive Scheme II"	the proposed restricted A Share incentive scheme II of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"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), an indirect 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.07(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), 49% equity interest of which is owned by Zhejiang Fosun Commercial Development Limited, which in turn is wholly-owned by Fosun High Tech. Shanghai Furui is a connected person under Rule 14A.07(4) of the Hong Kong Listing Rules
"Shanghai Henlius"	Shanghai Henlius Biotech Company Limited (上海復宏漢霖生物技術有限公司), an indirect 77.67% owned subsidiary of the Company as at the end of the Reporting Period
"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)
"Shanghai Yuyuan"	Shanghai Yuyuan Tourist Mart Company Limited (上海豫園旅遊商城股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600655)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Sinopharm"	Sinopharm Group Co. Ltd. (國藥控股股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 01099)
"substantial shareholder(s)"	has the meaning given to it under the Hong Kong Listing Rules
"SunTech Pharma"	Shanghai SunTech Pharmaceutical Co., Ltd. (上海星泰醫藥科技有限公司), an indirect wholly-owned subsidiary of the Company

Definitions

"Supervisors"	the members of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"Taizhou Zhedong Medical Care"	Taizhou Public Zhedong Medical Care Investment and Management Company Limited (台州市立浙東醫養投資管理有限公司), an indirect 75% owned subsidiary of the Company
"Tongjitang Medicines"	Tongjitang Chinese Medicines Company
"U.K."	United Kingdom of Great Britain and Northern Ireland
"U.S." or "United States"	United States of America, its territories and possessions, any State of the United States and the District of Columbia
"US dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"Wanbang Pharma"	Jiangsu Wanbang Biopharmaceutical Company Limited (江蘇萬邦生化醫藥股份有限公司), an indirect 95.2% owned subsidiary of the Company
"Written Code"	Written Code for Securities Transactions by Directors/Relevant Employees of the Company (《董事／有關僱員進行證券交易的書面指引》)
"Xinjiang Boze"	Xinjiang Boze Equity Investment Limited Partnership (新疆博澤股權投資有限合夥企業)
"Yao Pharma"	Chongqing Yao Pharmaceutical Company Limited (重慶藥友製藥有限責任公司), an indirect 51% owned subsidiary of the Company
"Zhongwu Hospital"	Suqian Zhongwu Hospital Co., Ltd. (宿遷市鐘吾醫院有限責任公司), an indirect 55% owned subsidiary of the Company
"€"	EURO, the lawful currency of the European Union
"%"	per cent

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

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