FOSUNPHARMA
复星医药

Innovation for good health

上海復星醫藥（集團）股份有限公司

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

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

Stock Code: 02196

** For identification purposes only*

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

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

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Highlights

	2013	2012
	RM	RMB million
O		
Revenue	**4,473.64**	3,464.11
Gross profit	**1,959.39**	1,529.28
Operating profit	**468.66**	308.43
Profit before tax	**1,451.09**	987.23
Profit for the year attributable to owners of the parent	**1,053.14**	701.77
P		
Gross margin	**43.80%**	44.15%
Operating profit margin	**10.48%**	8.90%
Net profit margin	**26.87%**	24.76%
E		
(in RMB)		
Earnings per share — basic	**0.47**	0.37
Earnings per share — diluted	**0.47**	0.37
A		
Total assets	**27,545.59**	25,450.25
Equity attributable to owners of the parent	**14,146.62**	13,501.91
Total liabilities	**11,583.48**	10,202.49
Cash and cash equivalents	**3,227.01**	4,972.52
Debt-to-asset ratio	**42.05%**	40.09%
O : P R&D		
Revenue	**3,034.61**	2,175.88
Gross profit	**1,545.88**	1,176.49
Segment results	**525.51**	362.23
Segment profit for the year	**497.98**	379.47

Discussion and Analysis

FINANCIAL RE IE

During the Reporting Period, the unaudited half-year results and the summary of basic financial results prepared by the Group in accordance with HKFRS are as follows:

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During the Reporting Period, revenue of the Group amounted to RMB4,473.64 million, representing an increase of 29.14% over the six months ended 30 June 2012.

R&D CO AND R&D IN E MEN

During the Reporting Period, R&D costs of the Group increased by 61.58% to RMB164.38 million from RMB101.73 million for the six months ended 30 June 2012, primarily because the Group continued to increase R&D investments, with a focus on the R&D of generic biopharmaceutical drugs and innovative drugs.

During the Reporting Period, R&D investments of the Group amounted to RMB182.65 million, accounting for 4.08% of the revenue for the

As at 30 June 2013, cash and cash equivalents of the Group denominated in foreign currencies amounted to RMB1,112.63 million (31 December 2012: RMB2,847.60 million).

Unit: RMB million

Currency	30 June 2013	31 December 2012
RMB	**2,114.38**	2,124.93
US dollars	**233.69**	147.04
HK dollars	**858.55**	2,644.74
Others	**20.39**	55.82
Total	**3,227.01**	4,972.53

Gearing Ratio

As at 30 June 2013, the gearing ratio, calculated as total interest-bearing bank and other borrowings over total assets as at 30 June 2013, was 21.94%, as compared with 22.22% as at 31 December 2012.

Interest Rate

As at 30 June 2013, total interest-bearing bank and other borrowings at a floating interest rate amounted to RMB1,327,478,789 (31 December 2012: RMB631,422,000).

As at 30 June 2013, the Group issued the 5-year medium-term notes with an aggregate amount of RMB2,600.00 million, which bore interest at a floating interest rate.

Maturity Profile of Borrowings

Unit: RMB million

	30 June 2013	31 December 2012
Within 1 year	**1,810.36**	1,374.70
1 to 2 years	**40.91**	40.91
2 to 5 years	**4,173.30**	4,219.26
Over 5 years	**20.00**	20.00
Total	**6,044.57**	5,654.87

Available Banking Facilities

As at 30 June 2013, save for cash and bank balances of RMB3,227.01 million, the Group had unutilised banking facilities of RMB7,801.62 million in aggregate. The Group has also entered into cooperation agreements with various major banks in China. According to such agreements, the banks granted the Group with general banking facilities to support its capital requirements. The utilisation of such bank facilities was subject to the approval of individual projects from the banks in accordance with banking regulations of China. As at 30 June 2013, total available banking facilities under these arrangements were approximately RMB9,735.28 million in aggregate, of which RMB1,933.66 million had been utilized. Besides, the Group has obtained the approval from the CSRC for issuing corporate bonds in tranches with the aggregate principal amount of not more than RMB3,000.00 million on 23 November 2011, and the first tranche of corporate bonds of RMB1,500.00 million was issued in April 2012. The Group obtained the approval from the National Association of Financial Market Institutional Investors for issuing short-term bonds in tranches with the aggregate principal amount of not more than RMB2,000.00 million on 31 October 2012.

Pledge

As at 30 June 2013, the Group had pledged the following for bank borrowings: property, plant and equipment amounting to RMB252,457,000 (31 December 2012: RMB302,735,000), prepaid land lease payments amounting to RMB43,057,000 (31 December 2012: RMB39,042,000), and 268,371,532 shares of equity interest in Guilin Pharma held by the Group (31 December 2012: 268,371,532 shares of equity interest in Guilin Pharma held by the Group). Details of the pledged assets are set out in note 15 to the interim condensed consolidated financial statements.

Cash Flow

The cash of the Group is mainly used for meeting capital requirements, repaying interest and principals of debts due, paying for purchases and capital expenditures, and funding growth and expansion of facilities and businesses of the Group. The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for the six months ended 30 June 2013 and six months ended 30 June 2012.

Unit: RMB million

	30 June 2013	30 June 2012
Net cash flows from operating activities	**311.48**	230.90
Net cash flows used in investing activities	**(1,715.60)**	(736.88)
Net cash flows from/used in financing activities	**306.82**	(462.47)
Net increase/(decrease) in cash and cash equivalents	**(1,097.30)**	(968.45)
Cash and cash equivalents at the beginning of the period	**4,171.57**	2,428.22
Cash and cash equivalents at the end of the period	**3,052.43**	1,463.13

Capital Expenditures and Capital Commitments

During the Reporting Period, capital expenditures of the Group amounted to RMB417.67 million, which mainly consisted of additions to property, plant and equipment, other intangible assets and prepaid land lease payments. Details of capital expenditures are set out in note 4 to the interim condensed consolidated financial statements.

As at 30 June 2013, the Group's capital commitments contracted but not provided for and capital commitments authorized but not contracted amounted to RMB753.43 million and RMB202.91 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 18 to the interim condensed consolidated financial statements.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any contingent liabilities.

INTEREST COVERAGE

For the six months ended 30 June 2013, the interest coverage, which is calculated by EBITDA divided by financial costs was 10.12 times as compared with 6.70 times for the six months ended 30 June 2012. The increase of interest coverage was mainly because the Group's EBITDA for the six months ended 30 June 2013 increased by 38.04% to RMB1,830.90 million from RMB1,326.35 million for the six months ended 30 June 2012.

RISK MANAGEMENT

Foreign Exchange 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.

Interest Rate Risk

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. Board's Discussion and Analysis on the Group's Performance

In 2013, we faced a challenging economic environment posed by unfavorable global economic conditions and decelerated growth of the domestic economy. During the Reporting Period, the Group adhered to its business philosophy of "Innovation for Good Health", focused on its core pharmaceutical businesses, continued to develop product innovation and improve management, actively promoted the strategies of organic growth, external expansion and integrated development, and thereby maintaining a rapid growth of the principal businesses.

During the Reporting Period, the Group recorded revenue of RMB4,473.64 million, representing an increase by 29.14% compared with the corresponding period in 2012. The Group recorded revenue of RMB3,034.61 million in pharmaceutical manufacturing and R&D segment, representing an increase by 39.47% compared with the corresponding year of 2012. During the Reporting Period, there were changes in the scope of consolidated statements, with the acquisitions of Hunan Dongting, Zaozhuang Sainuokang and ALMA and the inclusion of the income statement of Zhongwu Hospital. The increase in revenue of the Group was mainly due to (1) the growth in the sales of the pharmaceutical manufacturing, and the medical diagnosis and medical devices manufacturing business segments; and (2) the business contribution from the newly acquired and merged companies. The year-on-year decrease in revenue of the business segment in distribution of medical diagnosis and medical devices was due to the adjustment of distribution rights for Siemens' and Hologics' products and the delay in sales of the Da Vinci surgical robotic system.

In the first half of 2013, the revenue from each segment of the Group was as follows:

Unit: RMB million

	January to June 2013 Revenue	January to June 2012 Revenue	Year-on-year increase or decrease (%)
Pharmaceutical manufacturing and R&D	3,034.61	2,175.88	39.47
Pharmaceutical distribution and retail	708.31	692.69	2.26
Healthcare services	165.59	77.90	112.58
Manufacturing of medical diagnosis and medical devices	428.59	278.24	54.04
Distribution of medical diagnosis and medical devices	129.40	232.79	–44.41

Note: deedi 7 502pufacturing and R&D