



Interim Report 2014



**Shanghai Pharmaceuticals Holding Co., Ltd.\***

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

*(Stock Code of H Share: 02607) (Stock Code of A Share: 601607)*

*\* For identification purpose only*

## IMPORTANT NOTICE

- I. The board of directors and the board of supervisors of the Company and the directors, supervisors and senior management warrant that this interim report is true, accurate and complete and contains no false information, misleading statement or material omission and assume joint and several responsibilities therefor.
- II. All directors of the Company attended the tenth meeting of the fifth session of the board of directors on 27 August 2014, at which resolutions including the interim results of the Company for the six months ended 30 June 2014 were approved.
- III. The interim financial report of the Company is unaudited. The board of directors and the audit committee of the Company have reviewed and confirmed this financial report.
- IV. Mr. Lou Dingbo, the person in charge of the Company, Mr. Cho Man, the principal in charge of accounting and Mr. Shen Bo, Head of the Accounting Department (Chief Financial Officer), hereby declare that they warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.
- V. The forward-looking statements, such as future plans, contained in this interim report do not constitute any substantive commitment by the Company to the investors. Investors are advised to be aware of the investment risks involved.
- VI. Is there any appropriation of funds by the controlling shareholders and their connected parties that is unrelated to operation? No
- VII. Is there any instance of providing external guarantee that is in breach of the established decision making procedure? No

The background of the page is a light blue gradient. It is decorated with numerous translucent blue bubbles of various sizes. Some of the bubbles contain the letters 'SPH' in white. In the bottom right corner, there is a blue, cylindrical object that looks like a pen nib or a stylus, pointing upwards and to the left.

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# CHAPTER 1 DEFINITIONS

## I. DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

Definitions of Common Terms	
"Group", "Company" or "Shanghai Pharmaceuticals"	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), or Shanghai Pharmaceuticals Holding Co., Ltd. and its subsidiaries, where applicable
"Articles of Association" or "Articles"	the articles of association of Shanghai Pharmaceuticals (as amended from time to time)
"Reporting Period"	the 6-month period from 1 January 2014 to 30 June 2014
"YOY"	year-on-year
"Shares"	shares of Shanghai Pharmaceuticals with a nominal value of RMB1.00 each, comprising both A Shares and H Shares
"A Shares"	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"H Shares"	overseas shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"HK\$" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"PRC" or "China"	the People's Republic of China; unless the context otherwise requires, references to the PRC or China herein do not include Hong Kong, Macau or Taiwan
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Hong Kong Listing Rules (as amended, supplemented or otherwise modified from time to time)
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules (as amended, supplemented or otherwise modified from time to time)
"NSSF"	the National Council for Social Security Fund of the People's Republic of China (中華人民共和國全國社會保障基金理事會), serving as a strategic reserve fund accumulated by the central government to support future social security expenditures

# CHAPTER 1

## DEFINITIONS

Definitions of Common Terms	
"SFO"	the Securities and Futures Ordinance, Chapter 571, Laws of Hong Kong (as amended)
"Controlling Shareholders"	unless otherwise stated, has the meaning ascribed to it under the Hong Kong Listing Rules, including SIIC, Shanghai Shangshi and Shanghai Pharmaceutical (Group)
"Shanghai SASAC"	Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
"SIIC"	Shanghai Industrial Investment (Holdings) Co., Ltd. (上海實業(集團)有限公司)
"Shanghai Shangshi"	Shanghai Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司)
"Shanghai Pharmaceutical (Group)"	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)
"Shanghai Guosheng"	Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司)
"Shanghai Shengrui"	Shanghai Shengrui Investment Co., Ltd. (上海盛睿投資有限公司)
"Shenergy Group"	Shenergy (Group) Co., Ltd. (申能(集團)有限公司)

# CHAPTER 2 BASIC CORPORATE INFORMATION

## I. CORPORATE INFORMATION

Legal name of the Company in Chinese	上海醫藥集團股份有限公司
Legal Chinese abbreviation of the name of the Company	上海醫藥
Legal name of the Company in English	Shanghai Pharmaceuticals Holding Co., Ltd.
Legal representative of the Company	Mr. Lou Dingbo
Authorised representatives of the Company	Mr. Lou Dingbo, Ms. Han Min

## II. CONTACT PERSON AND CONTACT DETAILS

Secretary of the board of directors, Joint Company Secretary	
Name	Han Min
Contact address	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai
Telephone	8621-63730908
Facsimile	8621-63289333
E-mail	pharm@sphchina.com

## III. CHANGES IN BASIC CORPORATE INFORMATION

During the Reporting Period, there was no change in basic corporate information.

## IV. CHANGES IN INFORMATION DISCLOSURE AND PLACE WHERE INFORMATION IS AVAILABLE FOR INSPECTION

During the Reporting Period, there was no change in information disclosure and place where information is available for inspection.

## V. STOCK INFORMATION OF THE COMPANY

Stock Information of the Company			
Type of stock	Stock exchange on which shares are listed	Stock abbreviation	Stock code
A Shares	Shanghai Stock Exchange	上海醫藥	601607
H Shares	Hong Kong Stock Exchange	SH PHARMA	02607

## VI. CHANGES IN REGISTRATION OF THE COMPANY DURING THE REPORTING PERIOD

There was no change in registration of the Company during the Reporting Period.

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF  
THE COMPANY(I) Major Accounting Data Prepared in accordance with the Chinese  
Accounting Standards for Business Enterprises

Unit: RMB

	Reporting Period (January to June)	Corresponding period last year	Increase (decrease) during the Reporting Period as compared to the corresponding period last year (%)
Major accounting data			
Operating revenue	<b>44,013,016,325.43</b>	38,717,901,798.14	13.68
Net profit attributable to equity holders of the Company	<b>1,318,002,918.94</b>	1,189,609,405.94	10.79
Net profit after deduction of nonrecurring profit or loss attributable to equity holders of the Company	<b>1,197,068,289.47</b>	1,131,579,157.01	5.79
Net cash flows from operating activities	<b>271,115,060.72</b>	338,690,231.09	-19.95

	As at the end of the Reporting Period	As at the end of last year	Increase (decrease) as at the end of the Reporting Period as compared to the end of last year (%)
Net assets attributable to equity holders of the Company	26,561,424,776.64	25,953,812,431.68	2.34
Total assets	63,152,696,902.21	56,311,521,570.36	12.15

(II) Major Financial Indicators Prepared in accordance with the Chinese Accounting Standards for Business Enterprises

Major financial indicators	Reporting Period (January to June)	Corresponding period last year	Increase (decrease) during the Reporting Period as compared to the corresponding period last year (%)
Basic earnings per share (RMB per share)	<b>0.4902</b>	0.4424	10.79
Diluted earnings per share (RMB per share)	<b>0.4902</b>	0.4424	10.79
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	<b>0.4452</b>	0.4208	5.79
Weighted average return on net assets (%)	<b>4.99</b>	4.76	Increased by 0.23 percentage point
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	<b>4.53</b>	4.52	Increased by 0.01 percentage point

(III) Major Accounting Data and Financial Indicators Prepared in accordance with the Hong Kong Financial Reporting Standards

*Unit: RMB*

	As at the end of the Reporting Period	As at the end of last year	Increase (decrease) as at the end of the Reporting Period as compared to the end of last year (%)
Total assets	<b>63,152,695</b>	56,311,522	12.15
Equity attributable to equity holders of the parent	<b>26,561,429</b>	25,953,813	2.34
Net assets per share attributable to equity holders of the parent (RMB per share)	<b>9.88</b>	9.65	2.34



	Reporting Period (January to June)	Corresponding period last year	Increase (decrease) during the Reporting Period as compared to the corresponding period last year (%)
Profit before income tax	<b>1,917,104</b>	1,709,183	12.16
Net profit attributable to equity holders of the parent	<b>1,318,004</b>	1,189,609	10.79
Basic and diluted earnings per share (RMB)	<b>0.49</b>	0.44	10.79
Weighted average return on net assets (%)	<b>4.99</b>	4.76	Increased by 0.23 percentage point

## II. DISCREPANCIES IN ACCOUNTING DATA UNDER THE CHINESE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES AND HONG KONG FINANCIAL REPORTING STANDARDS

### (I) Note on discrepancies under the Chinese Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards

There are no substantial discrepancies in the consolidated net profit and consolidated net assets disclosed in the financial reports prepared under both the Hong Kong Financial Reporting Standards and the Chinese Accounting Standards for Business Enterprises. Unless otherwise stated, the financial data and analysis presented in this interim report are extracted from the financial report of the Company prepared under the Chinese Accounting Standards for Business Enterprises.

III. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNT  
PREPARED UNDER THE CHINESE ACCOUNTING STANDARDS FOR  
BUSINESS ENTERPRISES

*Unit: RMB*

Non-recurring Profit or Loss Item	Reporting Period (January to June)	Corresponding period last year
Profit or loss on disposal of non-current assets	<b>26,725,188.13</b>	9,071,738.62
Government grants included in profit or loss for the current period (except those closely related to the Group's operations and granted in accordance with national unified standards for a fixed amount or quota)	<b>45,473,722.69</b>	24,366,497.27
Profit arising from investment costs for acquisition of a subsidiary, an associate and a joint venture by the corporation being less than its share of fair value of identifiable net assets of the investee on investment	<b>36,180.05</b>	-
Except for the effective hedging activities related to the Group's ordinary operations, profit or loss arising from changes in fair value of financial assets and financial liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and available-for-sale financial assets	<b>37,606.80</b>	756,246.70
Reversal of provisions on receivables assessed for impairment on an individual basis	-	2,761,932.53
Other non-operating income and expenses other than the aforesaid items	<b>-12,311,246.39</b>	-5,099,459.45
Other profit or loss items that meet the definition of nonrecurring profit or loss	<b>105,695,189.29</b>	36,814,698.47
Effect on income tax	<b>-40,964,616.58</b>	-7,550,259.65
Effect on minority interests (after tax)	<b>-3,757,394.52</b>	-3,091,145.56
<b>Total</b>	<b>120,934,629.47</b>	58,030,248.93

## I. BOARD DISCUSSION AND ANALYSIS OF THE OVERALL OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

The rate of growth in the overall revenue and profit of the pharmaceutical industry slackened in the first half of 2014 due to a number of factors such as the decelerated rate of growth in the macro economy, continued medical insurance control reimbursements, anticipated reduction in drug prices and launch of a new round of tender invitations by some provinces as well as progress of the new Good Manufacturing Practice for Pharmaceutical Products (GMP) and the new Good Supplying Practice of Pharmaceutical Products (GSP) certification. But in the long run, the support from drugs demand, technical progress, model innovation and policy catalysis will allow the pharmaceutical industry to maintain a steady growth in the second half of the year and we expect growth rate of the second half of the year will still maintain the same of the first half. As to industry policy, the “Key Tasks for Deepening the Reform on the Pharmaceutical and Public Health System in 2014” published by the State Council, the “Notice Regarding Improving the Management of Low-price Medicines” issued by the National Development and Reform Commission (“NDRC”), the “Notice Regarding Services of Non-public Medical Institutions Being Subject to Market-regulated Prices” issued by the National Development and Reform Commission as well as other ministries and commissions, and the launch of invitation of tenders for basic and non-basic drugs in various provinces will have a some impact on the overall industry.

2014 is a crucial year for Shanghai Pharmaceuticals to carry out innovation and development. During the Reporting Period, based on the overall arrangements for the new round of the three-year development plan for 2013-2015 and the budgetary arrangements made at the beginning of 2014, and guided by the core values which were “innovation, integrity, cooperation, inclusiveness and responsibility”, the Company proactively built a V-shaped collaboration started to optimize the marketing and research and development (“R&D”) systems, continued to carry out Lean Six Sigma management projects, comprehensively optimize the organizational structure and deepened the integration of internal resources to effectively control operational risks, so that the Company achieved various objectives for operational budget in the first half of the year in a satisfactory manner.

During the Reporting Period, the Company’s operating revenue was RMB44.013 billion (denominated in RMB, the same hereinafter), up by 13.68% as compared with the corresponding period of last year. Net profit attributable to the equity holders of the listed Company was RMB1.318 billion, representing an increase of 10.79% as compared with the corresponding period of last year. The operating profit margin after deducting sales and administration expenses was 4.11%, up by 0.08 percentage point from the corresponding period of last year. Basic earnings per share amounted to RMB0.4902 and basic earnings per share after deducting non-recurring profits and losses were RMB0.4452. During the Reporting Period, the Company’s net cash flows from operating activities amounted to RMB271 million. As at 30 June 2014, the owners’ equity of the Company was RMB29.79 billion, its owners’ equity after deducting minority interest was RMB26.561 billion and its total assets were RMB63.153 billion.

## ■ Key Honours of the Company

During the Reporting Period, the Group was awarded with the following key honours:

- “2014 Integrity Top 50 Listed on the Main Board (“2014主板誠信50強”) awarded by www.cnlist.com (中國上市公司網) and China Information Agency (中國信息報社) under the State Statistics Bureau;
- “2014 Top 100 Industry Leading Listed Enterprises in China” (“2014中國上市公司百佳行業領軍企業”) awarded by China Listed Company Development Center (中國上市公司發展研究會), China International Urban Development Institute (中國國際城市發展研究院), <http://www.paihangbang.org.cn> (中國行業榜網) and Southern Entrepreneur Magazine (《南方企業家》雜誌);
- “2013 Top 100 Competitive Industrial Enterprises in PRC” (2013中國工業企業品牌競爭力百強) awarded by Chinese Ministry of Industry and Information Technology (MIIT) and China Industry News (中國工業報社);
- Ranking 3<sup>rd</sup> among wholesale enterprises in terms of principal operating income in 2013 issued by the Ministry of Commerce;
- “Outstanding Enterprises in Shanghai in respect of Promotion of Employment”(“上海市促進就業先進企業”) awarded by Shanghai Municipal Peoples Government;
- “2012-2013 Contract-abiding and Trustworthy Enterprises with an AAA Credit Level”(“2012-2013上海市守合同重信用企業AAA級”) awarded by Shanghai Contract Credit Promotion Association (上海市合同信用促進會);
- Ranking 3<sup>rd</sup> among the top 100 enterprises in pharmaceutical industry in China in 2013 according to Medicine Economic Press (《醫藥經濟報》) published by SFDA South Medicinal Economic Institution (國家食品藥品監督管理局南方醫藥經濟研究所);
- Ranking 67<sup>th</sup> among the list of the top 500 enterprises of China in 2014 issued by Fortune (Chinese version) moving up by nine ranks as compared with last year;
- “2013-2014 Ten Human Resources Special Cases in Pharmaceutical Industry of China” (“2013-2014中國醫藥十大人力資源特色案例”) awarded by E Medicine Manager Magazine (《E藥經理人》雜誌).

## ■ Pharmaceutical Research and Development (“R&D”) and manufacturing

### 1. *Pharmaceutical R&D*

During the Reporting Period, the Company took various measures to build efficient R&D systems. The Company formulated a program for controlling and assessing the Group’s R&D system. It held the technology innovation conference and established the science and technology innovation council of the Group to participate in the material decision making process in respect of the R&D. In addition to the six branches, the Company set up the No. 1 Biochemical Branch under the Central Research Institute (中央研究院第一生化分院) and worked out an operating program for the Central Research Institute of the Group.

During the Reporting Period, the Company made progress in the development and research of innovative drugs, obtaining 4 extra clinical approvals in total for 2 drugs.

In respect of the R&D of the antibody drugs, the application for pharmaceutical clinical trial on “Recombinant humanized anti-CD20 monoclonal antibody injection” has been accepted by China Food and Drug Administration on May 2014, and passed the registration test and quality standards review by the National Institutes for Food and Drug Control of China. “Recombinant fusion protein of human tumor necrosis factor receptor mutant – Fc fragment injection”, a medicine co-developed with Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., has been granted a pharmaceutical clinical approval on May 2014, to enter the clinical trial stage. In addition, the Company launched the plan for the construction of the Group’s antibody industrialisation base.

In respect of the R&D of Chinese medicine, since its establishment, the Chinese Medicine Research Institute under the Shanghai Pharmaceuticals Central Research Institute has launched the two projects of secondary development for Chinese medicine products, i.e. Babaodan and Wanbi Tablets. The company also cooperated with the Eastern Hepatobiliary Surgery Hospital subordinated to The People’s Liberation Army Second Military Medical University of China (“Second Military Medical University”) and Shanghai Institutes for Biological Sciences under Chinese Academy of Sciences (“CAS”).

In respect of the R&D of bio-chemical drugs, on April 2014, the approvals were granted to the LLTD-8, a new drug under class 1.1, for the extended clinical trial of phase I, and it was permitted to enter into the extended clinical research of phase I. The Company also developed the plan for the construction of the Group’s industrialization base for chemical active pharmaceutical ingredients (API).

The Company confirmed 13 innovation co-operation projects under the cooperation of “Translational Medicine Alliance” with the Second Military Medical University, with annual investment of RMB10 million. During the Reporting Period, the Company’s R&D expenses amounted to a total of RMB208.9 million, accounting for approximately 3.67% of the Company’s manufacturing sales revenue, of which 20.24% was used for R&D of innovative medicine, 49.20% was used for R&D of first generic drugs and other generic drugs, and 30.56% was used for secondary development of existing products. During the Reporting Period, the Company filed 42 invention patent applications and was granted 10 invention patents. During the Reporting Period, sales revenue from the Company’s new products launched in recent years through R&D amounted to RMB556 million, representing approximately 9.78% of the Company’s manufacturing sales revenue.

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, “The Construction of an Open Platform for Innovative Drugs and Research on Types of Drugs” submitted by the Company was selected as a new major specialised project in 2014 for “Major New Drug Innovation” under the 12th Five Year Plan, and was selected as a national special program to which the first payment of subsidy was made. The two projects “Construction Project of Shanghai Pharmaceuticals Antibody Industrialisation Base” and “Capability Building Project for Shanghai Pharmaceuticals Central Research Institute” submitted by the Company and selected as technology innovation and ramp up projects by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government in 2013 were conducted as scheduled. The project of “Development and Technological Innovations in Antipsychotic Drug Aripiprazole” (“抗精神分裂症藥阿立呱唑的開發和工藝技術創新”項目) undertaken by Shanghai Zhongxi Pharmaceuticals Co., Ltd., of which the Company is a member, was honoured with the 2013 Shanghai Technological Invention Award (Second Class). The project “Development of and Industrialization Research on Trichosanthes Peel Injection” (“瓜蒌皮注射液開發及其產業化研究”項目) undertaken by Shanghai No. 1 Biochemical and Pharmaceutical Co., Ltd., of which the Company is a member, was honoured with the Shanghai Science and Technology Progress Award (Third Class).

## 2. *Pharmaceutical manufacturing*

During the Reporting Period, the Company’s sales revenue from the pharmaceutical business was RMB5.687 billion, representing a growth of 3.27% as compared with the corresponding period of last year; its gross profit margin was 47.79%, increased by 0.63 percentage point as compared with the corresponding period of last year. The operating profit margin after deducting sales and administration costs was 12.73%, up by 0.62 percentage point as compared with the corresponding period of last year. The Company continued to focus on 64 key products, to formulate and define marketing target and strategy of key products and to track its implementation, in order to meet progress target.

During the Reporting Period, the Company’s sales revenue from biological drugs was RMB143 million, down by 17.57% as compared with the corresponding period of last year as a result of temporary cessation of production due to transformation of workshops of key products; sales revenue from chemical and biochemical drugs was RMB2,549 million, up by 7.40% as compared with the corresponding period of last year; sales revenue from Chinese medicines (including Chinese patent medicine and Chinese herbal medicine) was RMB1,957 million, up by 3.94% as compared with the corresponding period of last year; and sales revenue from other industrial products (including AP, healthcare products and medical devices, etc.) were RMB1,038 million, decreased by 3.65% as compared with the corresponding period of last year. During the Reporting Period, 22 products attained sales revenue of RMB50 million or more, among which 8 products achieved sales revenue of RMB100 million or more.

During the Reporting Period, the Company realized sales revenue of RMB3.347 billion from its 64 key products, an increase of 3.92% as compared to the corresponding period of last year and accounting for 58.85% of the revenue from manufacturing sales with an average gross profit margin of 62.82%. The average growth rate of the top five fastest growing products is 68.08%, while that of the bottom five is -36.21%; among the key products, 32 products achieved a growth rate higher than or equivalent to that of similar products of IMS Health Inc (IMS Health is a company that provides information, services and strategic consultancy for the healthcare industry.) It is expected that 25 major products of which the

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

sales revenue for the year exceeds RMB100 million are key products, and the sales revenue of these products amounted to 2,565 million, accounting for 45.10% of the revenue from manufacturing sales, specifically as below:

No.	Product name	Therapeutic area	Sales revenue from January to June in 2014 (RMB10,000)
1	Shenmai injection	Cardiovascular system disease	30,657
2	Tanshinone IIA	Cardiovascular system disease	21,463
3	Divine elephant series	Healthcare products	18,055
4	Hydroxychloroquine	Antineoplastic drug and immunomodulator	17,333
5	Wangbi tablets	Musculo-skeletal system	14,937
6	Calcium dibutyryl adenosine cyclophosphate	Cardiovascular system disease	14,306
7	Live combined bifidobacterium	Digestive and metabolic disease	13,080
8	Cefotiam	Systemic anti-infective medicine	10,937
9	Trichosanthes peel injection	Cardiovascular system disease	9,423
10	Ceftriaxone Sodium for Injection	Systemic anti-infective medicine	9,284
11	Chymotrypsin	Respiratory system	8,324
12	Yangxinshi	Cardiovascular system disease	7,886
13	Qingchunbao anti-caducity tablets	Healthcare products	7,874
14	Xinhuang tablets	Respiratory system	7,824
15	Tatin-based medicine	Cardiovascular system disease	7,571
16	Weifuchun tablets	Digestive and metabolic disease	6,914
17	Aripiprazole	Neurological system	6,745
18	Soothing ointment	Others	6,532
19	Rupixiao tablets	Genito-urinary system and sex hormones	6,475
20	Cisatracurium Besylate	Musculo-skeletal system	5,906
21	Cefotaxime sodium for injection	Systemic anti-infective medicine	5,769
22	Babaodan	Digestive and metabolic disease	5,714
23	Yinxing Tongzhi series	Cardiovascular system disease	4,600
24	Hongyuanda	Blood and blood-forming organ	4,541
25	Thalidomide	Antineoplastic drug and immunomodulator	4,351
Total			256,499

As at the end of the Reporting Period, 300 products of the Company were listed on List of Low-price Drugs Among the Pricing Range Set by the National Development and Reform Commission (《國家發展改革委定價範圍內的低價藥品清單》) by the number of the existing approvals, among which, 210 are chemical medicines with 893 specifications in aggregate, 90 are Chinese patent medicine with 205 specification in aggregate. 11 key products of the Company, 10 exclusive products or exclusive dosage forms of the Company were on the list, including Weifuchun tablets. Being listed on list of low-price drugs will have positive impact on the operation results of the Company.

As at the end of the Reporting Period, 25 of the Company's subsidiaries were granted GMP Certificates for 43 new versions of drugs (18 of which were aseptic drugs). 14 aseptic drugs manufacturing subsidiaries would complete the new GMP certification as soon as possible except Zhongxi Pharmaceuticals Co., Ltd.(中西製藥有限公司), while other subsidiaries completed the new GMP certification as scheduled. A total of 38 companies produced non-aseptic products (including Chinese herbal pieces), of which 16 have passed the new GMP certification, 10 plan to pass it by the end of this year, 6 plan to pass it next year and 6 will obtain certification for certain API as required. After a new round of GMP reform and certification, the Company's comprehensive pharmaceutical production capabilities in technical equipment, production management and quality control were enhanced to ensure the quality and safety of pharmaceuticals. During the Reporting Period, the China Food and Drug Administration did not make any announcement regarding the Company's drug quality.

During the Reporting Period, the Company took effective measures to cut the losses incurred by the Taopu production base under Zhongxi Sunve and the Fengpu production base under Shanghai Traditional Chinese Medicine, relevant tasks including the moving of the production of products and the construction of projects being carried out in an orderly manner, which achieved certain preliminary results in cutting losses.

## ■ Pharmaceutical services

### 1. *Pharmaceutical distribution*

During the Reporting Period, the sales revenue from pharmaceutical distribution business was RMB38.509 billion, up by 15.17% as compared with the corresponding period of last year, with a gross profit margin of 6.02%, marking a decrease of 0.09 percentage point as compared with the corresponding period of last year. The margin of sales and administration costs was 3.24%, representing a decrease of 0.34 percentage point as compared with the corresponding period of last year. The operating profit margin after deducing selling, general & administrative expenses (SG&A) was 2.78%, up by 0.25 percentage point as compared with the corresponding period of last year.

During the Reporting Period, in response to pressure of declining distribution profit margin, the Company continued to optimize its product structure, maintain reasonable direct sale proportion and to implement Lean Six Sigma management, in order to improve cost control. The Company also further expanded innovative services on hospital supply chain, entrusting total 60 hospital pharmacies currently. During the Reporting Period, the Company continued to consolidate planning and construction on distribution logistics. Ningbo Logistics Project of Shanghai Pharmaceutical Distribution Co., Ltd. had completed relocation and officially put into operation, and SPH Keyuan Airport Logistics Center in Beijing had commenced operation fully. As at the end of the Reporting Period, the Company obtained total 30 new GSP Certificates.

During the Reporting Period, among the distribution regions of the Company, the proportion of sales in the areas of East China, North China and South China was 66.81%, 24.32% and 6.11% respectively. The distribution business of the Company maintained reasonable proportions, 48.60% for sales of joint ventures manufactured and imported products and 61.40% for direct hospital sales, representing a YOY increase of 0.12 percentage point and a YOY decrease of 1.18 percentage points respectively.



# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

## 4

As at the end of the Reporting Period, the Company's distribution business covered 11,411 medical institutions, of which 11,054 were hospitals and 357 were centres of disease control (CDC). Of the hospitals, 722 were class 3, accounting for 39.48% of the hospitals of its kind in the PRC. During the Reporting Period, in order to expand and enrich the product line, the Company introduced 3,693 new products, of which 435 were imported and joint venture manufactured, and 3,258 were domestically manufactured.

During the Reporting Period, new businesses such as high value medicines direct to patients (DTP), vaccines and high value consumables kept expanding rapidly with a sales revenue of RMB2.774 billion, representing a YOY growth of 41.46%, of which:

- DTP: Taking SPH Zhongxie as the platform to integrate DTP business, the Company realized revenue of RMB1.007 billion, representing a YOY growth of 38.13%. As at the end of the Reporting Period, 23 DTP designated drugstores were under the DTP business, spanning 20 cities and provinces.
- Vaccines: Sales revenue amounted to RMB1.196 billion, representing a YOY increase of 31.14%. The Company introduced 4 new products and expanded its network coverage with 37 newly covered CDC, bringing the total number of centres to 357.
- High value consumables: Sales revenue amounted to RMB572 million, representing a YOY growth of 78.75%.

### 2. *Pharmaceutical Retail*

During the Reporting Period, the sales revenue from the Company's pharmaceutical retail was RMB1.645 billion, up by 11.09% YOY; gross profit margin was 18.93%; and operating profit margin after deducting sales and administration costs was 0.98%.

As at the end of the Reporting Period, the Company had 1,794 chain retail pharmacies under its brand family, including 1,214 directly operated pharmacies.

## ■ External Merger and Acquisition and Internal integration

### 1. *External mergers and acquisitions*

During the Reporting Period, to further expand the pharmaceutical distribution network in Northern China and other regions, the Company acquired 50% equity interest in Beijing Xin Hai Feng Yuan Biopharma Technology Development Co., Ltd., 85% equity interest in Shaanxi Huaxin Pharmaceutical Co., Ltd. (陝西華信醫藥有限公司) and a 100% equity interest in Ordos Yili Pharmaceutical Co., Ltd. (鄂爾多斯市德利醫藥有限責任公司), through SPH Keyuan Xinhai Pharmaceutical Co., Ltd., a subsidiary of the Company, and to date the transfer of equity interests has been completed. To further expand the pharmaceutical distribution network in Shandong, Shanghai Pharmaceutical Distribution Co., Ltd., a subsidiary of the Company, acquired 75% equity interest in Shandong SPH Pharmaceutical Co., Ltd. (山東上藥醫藥有限公司), and increased its holding in Shandong SPH Shanglian Pharmaceutical Co., Ltd. (山東上藥商聯藥業有限公司) to 35% equity interest. To strengthen international cooperation in research and development of innovative drugs, enhance the quality of pharmacodynamic studies on new drugs, the Company made an equity investment by establishing Sichuan Green Tech Biotechnology Co., Ltd. (四川格林泰科生物科技有限公司) in the new area of Sichuan Meishan Economic Development Zone, which is engaged in preclinical technical services for modern new drugs.

## 2. *Optimizing cash management to reduce financial expenses*

During the Reporting Period, the Company continued to effectively play the role as a cash pool. Internal financing of the Company further expanded to RMB2.2 billion, directly reducing financial expenses by RMB53.06 million during the Reporting Period. To optimize the Company's financial management, improve capital efficiency and reduce financing costs and risks, the Company entered into a Finance Services Framework Agreement with Shanghai SICC Finance Co., Ltd. and Shanghai Shangshi (Group) Co., Ltd., for the finance company's provision of deposit, loan, settlement and other finance services to the Group. The Company also acted as an overseas pharmaceutical trading payment platform through China International Pharmaceutical (Holding) Corporation Limited, a platform in Hong Kong, to carry out import business settlement for Shanghai Pharmaceutical Distribution Co., Ltd. and SPH Keyuan Xinhai Pharmaceutical Co., Ltd., both subsidiaries of the Company, for reducing financial expenses.

## 3. *Implementing centralized procurement*

During the Reporting Period, the Company continued to carry out the centralized procurement of 13 bulk medicinal materials in addition to centralized procurement of raw and auxiliary materials made last year, and completed the invitation of tenders for the centralized procurement of aluminum foils and capsules. Following the tenders, the average price cut was 17%. The Company continued to carry out and optimize the centralized procurement of tickets, accommodation and office supplies for the Group's headquarters and ten directly-controlled entities in Shanghai, and commenced centralized procurement for 21 subsidiaries including Shanghai Pharmaceutical Pharma Sales Co., Ltd., and the directly-controlled entities in Shanghai to further increase the level of concentration of procurement for facilitating the setup of an "office supplies counter". During the period from January to June, the Company's cost for centralized procurement of air tickets decreased by approximately 27% on the average as compared to that by the full ticket prices, and the average discounts decreased by 13 percentage points as compared with that as at the commencement date of centralized procurement; the cost for centralized booking of hotel accommodation decreased by approximately 24% as compared to that by front-desk prices; and the cost for centralized procurement of office supplies decreased by approximately 15% as compared to that by the original prices from the suppliers.

## 4. *Promoting the synergy between internal manufacturing and business segments*

During the Reporting Period, the Company established a market access system for the Group, supported by the Group's market access office and a manufacturing and business linkage mechanism for strengthening collaboration with the Group's controlled business companies in market development. Market access offices were established in 7 provinces, i.e. Beijing, Guangdong, Fujian, Henan, Hubei, Hunan and Shandong to unify and coordinate the invitation of tenders for pharmaceuticals in various places and to allocate resources according to market-based principles.

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## 5. *Embarking on “Lean Six Sigma” management*

During the Reporting Period, the Company selected 8 pharmaceutical manufacturers as well as 17 production bases and plants for the launch of 33 improvement projects on an experimental basis under a production and manufacturing Lean Six Sigma project, covering quality, efficiency and cost items in pharmaceutical manufacturing. These projects were progressing smoothly, improvement was made generally and desired results were achieved. Business enterprises reaped phasic benefits from cost reduction and efficiency enhancement with the ongoing commencement of the Lean Six Sigma project. During the same period, Lean Six Sigma management project were also carried out in the distribution segment. Two distribution subsidiaries under the Company has each selected 16 and 10 improvement projects respectively. Closely related to the corporate strategies and operations and focused on logistic costs, efficiency, customer services, etc, these projects are expected to bring substantial income to the Company.

In the second half of the year, upon conclusion and review of the experience of the experimental manufacturers in carrying out lean production activities, all manufacturers will carry out a comprehensive Lean Six Sigma management project. The Company plans to carry out rolling improvement projects every year, and to carry out projects in three stages every two years, so that its overall projects reach a certain size, create a certain cumulative effect and build a domestically leading production and manufacturing system geared to international standards. The Lean Six Sigma management project will be further carried out in the distribution segment so as to reach the target of the project as scheduled, hence improving the medical services and building a first-class medical service enterprise in China.

## 6. *Pushing forward internal business integration*

During the Reporting Period, the Company pushed forward the establishment of a work operating mechanism for marketing centres, defined the principle of dividing various marketing departments by products and devised basic workflows and policies for the marketing centres. The Company was assigned 100% equity interest in Shanghai Zhongxi Pharmaceutical (Group) Co., Ltd., a subsidiary of Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., and established Shanghai Pharmaceutical Group Pharma Sales Co., Ltd. (上海醫藥集團藥品銷售有限公司). Marketing Department I was operating using Shanghai Pharmaceutical Group Pharma Sales Co., Ltd. as a platform; marketing of certain products from Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., Dongying (Jiangsu) Pharmaceuticals Co., Ltd. and Shanghai No. 1 Biochemical and Pharmaceutical Co., Ltd. and the whole Qingdao Growful Pharmaceutical Co., Ltd., were gradually incorporated into the management scope of Marketing Department I and formed a basic regulatory model. Marketing Department II pushed forward system integration, and was operating using Shanghai Sine Pharmaceutical Laboratories Co., Ltd. as a platform; It included the sales of Shanghai New Asiatic Pharmaceutical Co., Ltd. in the scope of management. Marketing Department III started to carry out services, guidance and supervision for its corresponding subsidiaries and the key products. To further enhance its marketing capabilities and build up a marketing sub-platform, the Company also decided to make an investment by setting up Shanghai Shangke Pharmaceutical Co., Ltd. (上海上柯醫藥有限公司), which is in the process of GPS certification under the Drug Administration Law.

During the Reporting Period, for the integration of the Group’s traditional Chinese medicine resources and build-up of a bulk herbs procurement platform, the Company, decided to increase its holding to 34.78% equity interest held by minority shareholders in Shanghai Huayu Pharmaceuticals Co., Ltd. (“Huayu Pharmaceuticals”) through Shanghai Traditional Chinese

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

Medicine Co., Ltd., a subsidiary of the Company, to make it a wholly-owned subsidiary, while Huayu Pharmaceuticals increased its holding to 30% equity interest in Shanghai Dehua Traditional Chinese Medicines Co., Ltd. to further push forward the integration of Chinese herbal piece resources and to date, both the transfers of equity interest have been completed. During the Reporting Period, to concentrate the resources on operating the principal business, the Shanghai Medical Instruments Co., Ltd., a subsidiary of the Company, assigned to Wing Fat Printing Co., Ltd. 75% equity interest held in Shanghai Shengli Medical Instruments Co., Ltd. (上海勝利醫療器械有限公司).

The fixed assets investment budget of the Company for 2014 amounted to RMB 1.069 billion. During the Reporting Period, the Company's investment in fixed assets relating to projects of chemical drugs, Chinese medicine products, commercial logistics, and medical equipment, was RMB 141 million and the remaining investment will be made in the second half of this year to ensure that all projects proceed on schedule.

## (I) Analysis of principal business

### 1. Analysis on changes in relevant items of the financial statements

Unit: RMB

Item	Amount for the Reporting Period	Amount for the Corresponding period last year	Change percentage (%)	Reasons for change
Operating income	<b>44,013,016,325.43</b>	38,717,901,798.14	13.68	Increase of sales income during the Reporting Period
Operating costs	<b>38,434,323,587.26</b>	33,583,070,263.47	14.45	Increase of sales volume during the Reporting Period
Sales costs	<b>2,316,294,278.69</b>	2,214,763,275.74	4.58	Increase of sales volume during the Reporting Period
Management costs	<b>1,338,666,263.26</b>	1,255,182,241.69	6.65	Increase of management costs resulting from the increase in the sales volume during the Reporting Period
Finance costs	<b>197,392,620.19</b>	84,209,752.69	134.41	Increase of interest expense and decrease of interest income
Net cash flows generated from operating activities	<b>271,115,060.72</b>	338,690,231.09	-19.95	Increase in the demand for funds due to business growth during the Reporting Period
Net cash flow generated from investing activities	<b>-923,286,276.06</b>	-760,087,434.63	-	Increase of expense for merger and acquisition during the Reporting Period
Net cash flow Generated from financing activities	<b>-709,765,027.28</b>	-563,425,275.77	-	Increase of dividend paid on ordinary shares during the Reporting Period
Research and Development expenses	<b>208,900,000.00</b>	187,384,900.00	11.48	Increase of R&D investment during the Reporting Period

# CHAPTER 4

## REPORT OF THE BOARD OF DIRECTORS

### 2. Others

- (1) *Detailed explanation on major changes in the Company's constituents or sources of profit*

During the Reporting Period, there were no major changes in the Company's constituents or sources of profit.

- (2) *Analysis on the progress of implementation of various financing and major asset restructuring initiatives by the Company in the previous period*

Please refer to "Use of Proceeds" below.

- (3) *Progress on the implementation of operational plan, and the business development plan and measures to handle risks for the second half of the year*

Given the presence of various uncertainties in the pharmaceutical industry in the second half of 2014, the launch of more invitations of tenders for essential and non-essential drugs in various provinces, adjustment to the prices of Chinese patent medicines and implementation of the low-price drug policy will be the major policy focuses.

In the second half of the year, the Company will primarily accomplish the following tasks:

In respect of the pharmaceutical R&D business, the Company will implement the spirit of the Group's technology innovation conference, continue to push forward the programmes on the optimization of the R&D system and product R&D, commence the construction of the Group's antibody base, push forward the construction of the Group's industrialization base for chemical API for pilot test, push forward the second development of key projects identified by the Institute of Chinese Medicines of the Central Research Institute, and accelerate collaborative R&D projects.

In respect of the pharmaceutical manufacturing business, the Company will push forward the implementation of Lean Six Sigma management in the manufacturing segment across the Group, push forward the implementation of the Group's bio-chemical drug development plan, complete the compilation of coordinative planning for the development of the traditional Chinese medicine segment, commence the implementation of procurement, complete the goal for new GMP transformation certification for non-septic drugs. Meanwhile, the Company will strengthen industrial sales, push the marketing departments to carry out physical operations, carry out the optimization of the sales systems of experimental enterprises, follow up the achievement of marketing objectives for key products and accelerate the planning for market access regions and proactively cooperate in the invitation of tenders for basic drugs, medical insurance categories and pharmaceuticals in various places.

In respect of the medical services business, the Company will maintain a well-defined business structure to ensure a more stable gross profit margin level, promote the development of the advantageous distribution business, accelerate new business development and logistics build-up, and create an innovative extension service model for hospital supply chain.

The Company will carry out the aforesaid relevant targeted initiatives to ensure that the objectives for operating budget are achieved throughout the year.

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

## (II) Analysis of operation by industry, product or region

### 1. Principal business by industry and product

Unit: RMB

Principal business by industry						
By Industry	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income YOY (%)	Increase/decrease in operating costs YOY (%)	Increase/decrease in gross profit margin YOY (%)
Manufacturing	5,687,201,118.80	2,911,689,468.52	48.80	3.27	1.88	Increased by 0.7 percentage point
Distribution	38,508,691,167.58	36,143,309,213.76	6.14	15.17	15.30	Decreased by 0.1 percentage point
Retail	1,645,263,210.66	1,327,176,559.57	19.33	11.09	12.20	Decreased by 0.8 percentage point
Others	14,239,072.85	5,816,375.40	59.15	58.20	21.02	Increased by 12.6 percentage points
Offsetting	-2,024,984,648.86	-2,022,502,196.07				

Note: For the above table, Gross profit margin = (Revenue – Cost of sales)/Operating income x 100%

### 2. Principal business by region

Unit: RMB

Region	Operating income	Increase/decrease in operating income YOY (%)
Domestic	43,279,334,165.99	14.32
Overseas	551,075,755.04	-14.49

## (III) Analysis on assets, liabilities and capital

### 1. Capital structure

As at 30 June 2014, the Company's debt asset ratio (total liabilities divided by total assets) was 52.83% (31 December 2013: 48.50%), representing an increase of 4.33 percentage points as compared with the beginning of the year. Interest coverage ratio (EBIT divided by interest expenses) was 8.24 times (from January to June 2013: 10.03 times).

### 2. Liquidity and financial resources of the Company

During the Reporting Period, the Company had sound liquidity and financial resources.

As at 30 June 2014, the balance of the Company's borrowings was RMB7,307 million, of which the balances of USD denominated borrowings were equivalent to RMB158 million.

As at 30 June 2014, the Company had net accounts receivable and notes receivable of RMB21.947 billion (31 December 2013: RMB16.567 billion), representing an increase of 32.47% as compared with the beginning of the year. Such increase was mainly attributed to the increase in the scale of the principal business and the increase in the newly acquired enterprises.

As at 30 June 2014, the balance of the Company's accounts payable and notes payable was RMB20.432 billion (31 December 2013: RMB16.876 billion), representing an increase of 21.07% as compared with the beginning of the year. Such increase was mainly attributed to the scaled-up principal business and the increase in the newly acquired enterprises.

### 3. The Company's pledge of assets

As at 30 June 2014, the Company's land use rights with site area of 559,790.63 m<sup>2</sup> (original price: RMB125,075,143.78 and book value of RMB98,859,985.23) and houses, buildings, machineries and equipment of book value of RMB312,739,043.59 (original price: RMB442,434,229.42) were pledged to secure short-term borrowings of RMB402,950,000.00, long-term borrowings of RMB79,540,061.85 and long-term borrowings due within one year of RMB40,678,904.00.

As at 30 June 2014, accounts receivable at book value of RMB1,083,206,698.39 and notes receivable at book value of RMB10,974,050.01 and other monetary resources at book value of RMB115,751,549.17 were pledged to secure bank loans of RMB1,038,133,865.49.

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

## 4. Contingent liabilities

- ① During the Reporting Period, the Group had no material pending litigation or arbitration required to be disclosed.
- ② During the Reporting Period, the contingent liabilities arising from debt guarantees provided for third parties and guarantees provided for connected parties by the Group and their financial impacts are as follows:

Guarantor	Guarantee	Value of guarantee (RMB in thousand)	Commencement date of guarantee	Expiry date of guarantee
Shanghai Pharmaceutical Distribution Co., Ltd.	Shanghai Luoda Pharmaceutical Co., Ltd.	9,000.00	16 April 2014	13 April 2015
Shanghai Pharmaceutical Distribution Co., Ltd.	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	9,920.00	6 September 2013	5 September 2014
Total		18,920.00		

The above guarantees do not have any material adverse financial impact on the Group.

## 5. Risk in foreign exchange rate fluctuation and any relevant hedging

The principal activities of the Company are conducted in the PRC, and the settlement of the principal activities is denominated in RMB. However, there are foreign exchange risks associated with assets and liabilities denominated in foreign currencies already recognized by the Company as well as foreign currencies-denominated transactions in the future (mainly denominated in USD and HKD).

## (IV) Core competitiveness analysis

1. The overall scale of Shanghai Pharmaceuticals in the pharmaceutical manufacturing and service ranks the top three in China. The embedding of the superior resources of industry chain and the large scale operations, while focusing on customer experience, are conducive to bring about synergy and integration, which lay a solid foundation for future development.
2. As the first dual-listed pharmaceutical company in the A-share and H-share markets, Shanghai Pharmaceuticals has concrete capital strength, sound financial structure and free access to financing channels, which provide backup for its subsequent development.
3. Shanghai Pharmaceuticals has a management team and groups of cadres and technical personnel who are familiar with the industry, possess extensive experience and a spirit of innovation, forming the advantage in industry competition and development
4. Shanghai Pharmaceuticals has an edge in resources at infrastructure level that are essential to the development of the pharmaceutical industry. Its products have a presence in a wide range of categories with numerous types in each category.



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5. Shanghai Pharmaceuticals owns a slew of well-known brands with long history and high market recognition.
6. Shanghai Pharmaceuticals has preliminarily built up a nationwide distribution network, covering mainly covering three key regions, i.e. East China, North China and South China with a stronger competitive strength, which provides our customers with a superior end-user network and value-added services.
7. Shanghai Pharmaceuticals makes marketing and sales efforts in the research and development of innovative products, and a R&D products chain is taking shape, with more innovative products expected to enter the clinical trial in future.
8. The marketing departments under Shanghai Pharmaceuticals possess strong capability in making academic promotion by hospital distribution points, conducting depth distribution, and engaging in investment promotion and agency for products.
9. To embracing digitalization, Shanghai Pharmaceuticals has built up a strong digital capability, by setting up the financial management platform and the financial analysis system, so as to ensure an efficient data decision support. In addition, substantial progress was made in development of the human resource management system.

### (V) Employees, remuneration policy and training scheme

As at 30 June 2014, Shanghai Pharmaceuticals had a total of 39,960 employees.

The Company puts much emphasis on the recruitment, incentive, and training of talents and concerns about the fairness and external competitiveness of the internal remuneration policy, and initially implemented a collective wage negotiation system. We implement a market-oriented remuneration policy based on performance appraisal, and the salary of our staff comprises basic salary, subsidies and bonus. In accordance with the applicable laws of the PRC, the Company has entered into a labor contract with each employee and the contract includes provisions in relation to contract term, compensation, working hours, break and vacation, employee benefits, social insurance, health and safety, confidentiality obligations and termination, etc.

In accordance with the applicable laws and regulations of the PRC, the Company established pension insurance, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance for its employees. Contributions to the aforesaid social welfare schemes are made in strict compliance with the national, provincial and municipal requirements of the PRC. The Company has also established an employee housing fund in accordance with the applicable regulations in the PRC.

The Company improves the capabilities of our staff through various plans. In addition to the leadership program for managers at intermediary or senior levels as well as for backup management officers, the Company also offers management courses and occupational skills training to technical, sales and production staff to cater for the Company's business development, as part of its commitment to continuously upgrading employees' knowledge and skills.

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

## (VI) Analysis of Investments

### 1. Overall analysis of external investment in equity interests

Unit: RMB10,000

Investment in the Reporting Period	196,681
Change in the increase/decrease in amount of investment	78,479
Investment in the same period last year	118,202
Percentage increase/decrease in the amount of investment (%)	66.39

#### Particulars of major invested company

Invested Company name	Principal operations	Percentage of the equity interest in the invested company (%)
Shandong SPH Pharmaceutical Co., Ltd. 山東上藥醫藥有限公司	Sale of pharmaceuticals	75
Shaanxi Huaxin Pharmaceutical Co., Ltd. 陝西華信醫藥有限公司	Sale of pharmaceuticals	85
Beijing Xin Hai Feng Yuan Biopharma Technology Development Co., Ltd.	Sale of pharmaceuticals	100

(1) *Securities Investment*

Number	Securities type	Stock code	Securities Short name	Initial investment amount (RMB)	Number of shares held (share)	Book value at the end of the period (RMB)	Percentage in total securities investment at the end of the period (%)	Profit or loss during the Reporting Period (RMB)
1	Share	600618	Chlor-Alkali Chemical	186,500.00	50,820	377,592.60	100	37,606.80
	Other securities investments held at the end of the period					/		
	Gains or losses on securities investments sold in the Reporting Period				/	/	/	/
Total				186,500.00	/	377,592.60	100	37,606.80

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

## (2) Equity interests held by the Group in other listed companies

Unit: RMB

Security code	Securities short name	Initial Investment cost	Shareholding ratio at the beginning of the Reporting Period (%)	Shareholding ratio at the end of the Reporting Period (%)	Book value at the end of the period	Profit or loss during the Reporting Period	Change in equity holders' interest during the Reporting Period	Accounting item	Source of shares
600377	Jiangsu Expressway	1,754,000.00	<1	<1	6,814,200.00	467,400.00	-49,200.00	Available-for-sale financial assets	Purchase
600329	Zhongxin Pharmaceutical	91,473.00	<1	<1	1,416,901.28		262,524.64	Available-for-sale financial assets	Debt set-off
000931	Centek	99,300.00	<1	<1	132,552.00		-13,608.00	Available-for-sale financial assets	Purchase
600675	China Enterprise	390,000.00	<1	<1	3,817,464.10	65,592.20	-714,956.92	Available-for-sale financial assets	Purchase
601328	Bank of Communications	5,895,157.00	<1	<1	6,127,505.52		63,170.16	Available-for-sale financial assets	Purchase
000048	Kondarl	134,547.00	<1	<1	1,391,467.09		-290,709.12	Available-for-sale financial assets	Transferred in from merger
06881(HK)	China Galaxy	50,000,000.00	<1	<1	39,769,380.00	707,407.48	-13,377,740.00	Available-for-sale financial assets	Corporate restructuring
08231(HK)	Fudan-Zhangjiang	31,955,101.23	22.77	22.77	130,905,565.83	8,264,559.58		Long-term equity investment	Purchase
Total		<b>90,319,578.23</b>	/	/	190,375,035.82	9,504,959.26	-14,120,519.24	/	/

## (3) Equity interests held in financial companies

Name	Initial investment amount (RMB)	Shareholding ratio at the beginning of the Reporting Period (%)	Shareholding ratio at the end of the Reporting Period (%)	Book value at the end of the period (RMB)	Profit or loss during the Reporting Period (RMB)	Change in equity holders' interest during the Reporting Period (RMB)	Accounting item	Source of shares
Shenyin & Wanguo Securities Co., Ltd.	1,250,000.00	<1	<1	1,250,000.00	176,000.00		Long-term equity investment	Subscription of legal persons shares
Total	1,250,000.00	/	/	1,250,000.00	176,000.00		/	/

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

## 2. Asset management mandates for non-financial companies and investment in derivatives

### (1) Asset management mandates

Unit: RMB

Name of partner	Type of asset management mandate	Amount of asset management mandate	Commencement date of asset management mandate	Termination date of asset management mandate	Remuneration determination method	Estimated profit	Actual principal amount recovered	Actual profit obtained	Going through legal procedures or not	Impairment provision amount provided	Related transactions or not	Litigation	Source of funds and indicate whether the funds are raised	Connected relationship
Bank A	Principal-preservation with floating return	100,000,000.00	2014/1/16	2014/6/26	Interest paid pursuant to agreement		100,000,000.00	1,600,273.97	Yes	0	No	No	Self-owned fund	
Bank A	Principal-preservation with floating return	50,000,000.00	2014/3/11	2014/6/26	Interest paid pursuant to agreement		50,000,000.00	533,835.62	Yes	0	No	No	Self-owned fund	
Bank A	Principal-preservation with floating return	50,000,000.00	2014/3/11	2014/6/26	Interest paid pursuant to agreement		50,000,000.00	533,835.62	Yes	0	No	No	Self-owned fund	
Bank A	Principal-preservation with floating return	50,000,000.00	2014/5/15	2014/6/26	Interest paid pursuant to agreement		50,000,000.00	195,616.44	Yes	0	No	No	Self-owned fund	
Bank A	Principal-preservation with floating return	50,000,000.00	2014/5/15	2014/6/26	Interest paid pursuant to agreement		50,000,000.00	195,616.44	Yes	0	No	No	Self-owned fund	
Bank B	Principal-preservation with floating return	50,000,000.00	2014/4/1	2014/4/24	Interest paid pursuant to agreement		50,000,000.00	119,726.03	Yes	0	No	No	Self-owned fund	
Bank B	Principal-preservation with floating return	50,000,000.00	2014/4/1	2014/4/24	Interest paid pursuant to agreement		50,000,000.00	119,726.03	Yes	0	No	No	Self-owned fund	
Total	/	400,000,000.00	/	/	/		400,000,000.00	3,298,630.15	/	0	/	/	/	/
Cumulative amount of principal and revenue overdue: (RMB)														

### (2) Entrusted loans

The Company had no entrusted loan during the Reporting Period.

## 3. Use of proceeds

### (1) A Shares

During the Reporting Period, the Company did not raise any funds or use any funds raised in the previous period.

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

## (2) H Shares

In 2011, the Company issued H Shares to foreign investors for the first time and the H Shares were listed and traded on the Hong Kong Stock Exchange on 20 May 2011. The Company raised net proceeds of HKD15,492.30 million (after deducting issue costs) through the issuance of H Shares. According to the Proposal Regarding Adjustment to Amounts for Use of Proceeds from H Share Offering considered and approved at the general meeting held in 2013, the Executive Committee under the Board of Directors of the Company was authorized by the General Meeting to adjust the proportion of the balance of the proceeds to be used for different purposes from time to time in accordance with the actual situation of business development, on condition that the original purposes for the use of the proceeds shall remain unchanged. As of the disclosure date of the Report, in line with the needs for the Company's overall development planning and business development and to improve efficiency in the use of funds, the Executive Committee under the Board of Directors of the Company has made appropriate adjustments to the usage of the remaining proceeds available as at 31 December 2013 as follows:

*Unit: HKD10,000*

Use of proceeds	Before adjustment			After adjustment	
	Proportion	Amount	Adjustment of	Proportion	Amount
Expansion and enhancement of the distribution network and integration of the existing distribution network	46%	712,645	63,000	50%	775,645
Strategic acquisition of domestic and international pharmaceutical business and internal integration of existing pharmaceutical business	36%	557,723	-118,524	28%	439,199
Investment in the information technology system and platform	1%	15,493	-8,767	1%	6,726
Further enhancement of product portfolio and products under R&D through investment in the product R&D platform	3%	46,477	-10,644	2%	35,833
Working capital requirements and general corporate purposes	14%	216,892	74,935	19%	291,827
<b>Total</b>	<b>100%</b>	<b>1,549,230</b>		<b>100%</b>	<b>1,549,230</b>

As at 30 June 2014, the overall use of H Share proceeds is as follows:

*Unit: HKD10,000*

Year of fund raising	Method of fund raising	Total net amount of proceeds	Total proceeds			Use and whereabouts of unused proceeds
			used during the Reporting Period	Accumulative proceeds used	Remaining unused proceeds	
2011	Initial Public Offering	1,549,230	138,708	1,341,383	207,847	Deposited in offshore wholly-owned subsidiaries by means of shareholder loans for the purpose of capital preservation and appreciation.

Unit: HKD10,000

Use of proceeds	Intended amount of proceeds to be used	Accumulative proceeds used	Percentage of proceeds used to the total	Proceeds remaining unused
Expansion and enhancement of the distribution network and integration of the existing distribution network	775,645	671,696	87%	103,949
Strategic acquisition of domestic and international pharmaceutical business and internal integration of existing pharmaceutical business	439,199	369,199	84%	70,000
Investment in the information technology system and platform	6,726	1,726	26%	5,000
Further enhancement of product portfolio and products under R&D through investment in the product R&D platform	35,833	24,833	69%	11,000
Working capital requirements and general corporate purposes	291,827	273,929	94%	17,898
<b>Total</b>	<b>1,549,230</b>	<b>1,341,383</b>	<b>87%</b>	<b>207,847</b>

Note: On 8 May 2014, upon the approval by the 2013 annual general meeting, on the basis of the Company's overall development planning and business development needs, the Company agreed that it authorized the Board and its delegated persons to make appropriate adjustments to the proportion of balance of proceeds in different uses with reference to actual business development provided that the use of proceeds remain unchanged, thereby improving the efficiency of funds under the condition that there are adequate funds to support the development of core businesses. The authorization shall be effective from the date on which it is passed at the annual general meeting until the date when the proceeds are fully utilised. Where the relevant proceeds are not applied for the above uses immediately, the Company could deposit the amount into the short-term interest-bearing account (e.g. deposit account or currency market fund) of the relevant commercial bank or other authorized financial institutions, or replenish the working capital of the Company and its subordinated units.

# CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

## 4. Analysis on major subsidiaries and invested companies

The following table shows the operating performance of the major subsidiaries and invested companies of Shanghai Pharmaceuticals.

Unit: RMB10,000

No.	Name of company	Nature of business	Company shareholding percentage	Registered capital	Scale of assets	Owners' equity	Operating income	Net profit
1	Shanghai Pharmaceutical Distribution Co., Ltd.	Sale of pharmaceuticals	100.00%	339,312.78	2,523,909.56	613,725.03	2,706,315.03	50,162.84
2	SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceuticals	100.00%	50,000.00	1,209,479.80	239,946.46	843,199.77	25,069.96
3	Shanghai Sine Pharmaceutical Laboratories Co., Ltd.	Production and sale of pharmaceuticals	100.00%	119,161.13	234,625.20	161,769.83	132,973.95	6,431.59
4	Shanghai No.1 Shanghai New Asiatic Pharmaceuticals Co., Ltd.	Production and sale of pharmaceuticals	100.00%	22,500.00	130,067.16	97,923.25	60,743.76	18,752.71
5	Shanghai New Asiatic Pharmaceuticals Co., Ltd.	Production and sale of pharmaceuticals	96.90%	105,242.91	192,444.70	113,099.87	98,422.93	-33.22
6	Changzhou Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	75.89%	7,879.03	291,770.22	137,726.21	242,678.28	7,900.39
7	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	100.00%	54,580.00	245,293.34	162,315.38	59,200.78	12,721.13
8	Dongying (Jiangsu) Pharmaceuticals Co., Limited	Production and sale of pharmaceuticals	90.25%	14,132.19	26,097.40	23,511.10	6,240.59	2,450.71
9	Shanghai Traditional Chinese Medicine Co., Ltd.	Production and sale of pharmaceuticals	100.00%	46,369.00	323,065.85	100,327.91	204,880.62	8,786.54
10	Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	75.00%	12,850.00	131,790.12	104,100.58	56,524.76	4,988.41
11	Qingdao Growful Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	67.52%	9,300.00	86,783.74	49,612.39	33,740.66	-6.77
12	Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	51.01%	5,316.00	56,302.94	27,079.30	20,646.24	1,346.10
13	Xiamen Traditional Chinese Medicine Co., Ltd.	Production and sale of pharmaceuticals	61.00%	8,403.00	37,008.26	26,002.23	16,248.68	1,792.99
14	Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Production and sale of pharmaceuticals	55.00%	5,100.00	43,728.13	22,389.98	25,654.53	2,103.38
15	Shanghai Zhonghua Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	100.00%	9,364.18	35,200.22	19,098.27	15,651.43	1,410.84
16	Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd.	Wholesale of chemical APIs	100.00%	7,139.00	12,479.67	9,679.05	11,663.52	332.84
17	Shanghai Medical Instruments Co., Ltd.	Production and sales of medical devices	100.00%	12,700.00	56,873.80	41,326.69	17,976.31	1,784.13
18	Shanghai Pharmaceutical Pharma Sales Co., Ltd.	Sale of pharmaceuticals	100.00%	5,000.00	33,813.55	7,207.87	15,537.50	705.40



## CHAPTER 4

# REPORT OF THE BOARD OF DIRECTORS

### 5. *Projects financed by non-raised capital*

There was no material investment project financed by non-raised capital during the Reporting Period.

## II. PLAN FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

### (I) Implementation or adjustment of the profit distribution plan during the Reporting Period

As approved in the 2013 annual general meeting of the Company held on 8 May 2014, the profit distribution plan of the Company for the year 2013 was as follows: on the basis of an aggregate of 2,688,910,538 Shares in issue as at 31 December 2013, a cash dividend of RMB2.60 (tax inclusive) per ten Shares should be distributed to all Shareholders, totaling RMB699,116,739.88, accounting for 31.17% of the consolidated net profit attributable to shareholders of the Company in that year. After the distribution, the Company's remaining consolidated undistributed profit was RMB7,553,529,501.87. There was no transfer of capital reserve fund into share capital during the year 2013. The implementation of such profit distribution plan was completed on 30 June 2014.

### (II) Profit distribution proposal and proposal for the conversion of capital reserve fund into share capital during the Reporting Period

The Company had no profit distribution proposal or proposal for the conversion of capital reserve fund into share capital during the Reporting Period.

## III. OTHER DISCLOSURE MATTERS

### (I) Statement of the board of directors and board of supervisors on the "Non standard audit report" prepared by the auditors

✓ Not applicable

# CHAPTER 5 SIGNIFICANT EVENTS

## I. MATERIAL LITIGATIONS, ARBITRATIONS, AND EVENTS THAT GIVE RISE TO THE MEDIA'S GENERAL ALLEGATIONS

During the Reporting Period, the Company had no material litigations, arbitrations, and events that give rise to the media's general allegations.

## II. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

During the Reporting Period, the Company had no issues relevant to insolvency and restructuring.

## III. ASSET TRANSACTIONS AND BUSINESS COMBINATIONS

### (I) The Company's acquisition and disposal of assets and business combinations disclosed in provisional announcements and without subsequent changes during implementation

Overview and Type of Event	Search Index
Acquisition of equity interests in Beijing Xin Hai Feng Yuan Biomedical Development Co., Ltd. (北京信海豐園生物醫藥科技發展有限公司), Shaanxi Huaxin Pharmaceutical Co., Ltd (陝西華信醫藥有限公司) and Ordos Elion Medicine Co., Ltd (鄂爾多斯市億利醫藥有限責任公司) by SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	The Company's announcement Lin No. 2014-021. Unless otherwise specified hereinafter, such announcement has been published on the Shanghai Securities News, Securities Times and the website of Shanghai Stock Exchange at <a href="http://www.sse.com.cn">www.sse.com.cn</a> . The relevant information can also be found on the website of the Hong Kong Stock Exchange at <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> and the Company's website.
Acquisition of equity interests in pharmaceutical distribution enterprises in Shandong province by Shanghai Pharmaceutical Distribution Co., Ltd. (上海醫藥分銷控股有限公司)	The Company's announcement Lin No. 2014-023

### (II) Events not disclosed in provisional announcements or with subsequent

#### 1. Acquisition of assets

There was no material acquisition of assets during the Reporting Period.

#### 2. Disposal of assets

There was no material disposal of assets during the Reporting Period.

#### 3. Assets swap

There was no material assets swap during the Reporting Period.

#### 4. Business combination

There was no material business combination during the Reporting Period.

# CHAPTER 5 SIGNIFICANT EVENTS

## IV. SHARE INCENTIVES OF THE COMPANY AND ITS INFLUENCE

✓ Not applicable

## V. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (I) Related party transactions relating to daily operations

1. *Events disclosed in provisional announcements and without subsequent development or changes during implementation*

Overview of Events	Search Index
<p>The Proposal of Shanghai Pharmaceuticals Holding Co., Ltd. regarding Continuing Related Party Transactions of the Company in 2014 was approved at the 7th meeting of the fifth session of the Board of Directors of the Company. Pursuant to the proposal, from January to December 2014, the expected amount of continuing related party transactions between the Company (and its subsidiaries) and Shanghai Pharmaceutical (Group) (and its subsidiaries) shall not exceed RMB130 million, of which the amount receivable by the Group from the sale of products and the provision of labour to Shanghai Pharmaceutical (Group) and its subsidiaries shall not exceed RMB10 million; the amount payable by the Group for the procurement of products and receiving labour from Shanghai Pharmaceutical (Group) and its subsidiaries shall not exceed RMB20 million; and the amount payable by the Group for leasing premises and production equipments from Shanghai Pharmaceutical (Group) and its subsidiaries shall not exceed RMB100 million. (Note 1)</p>	<p>The Company's announcement Lin No. 2014-004</p>
<p>The Proposal of Shanghai Pharmaceuticals Holding Co., Ltd. Regarding Entry into Financial Service Framework Agreement and Connected Transactions with Shanghai Shangshi Group Finance Co., Ltd was approved at the seventh meeting of the fifth session of the Board of Directors of the Company and the annual general meeting for 2013: In a bid to optimize the Company's financial management and improve the capital efficiency and reduce finance costs and funding risks, the Company entered into Financial Service Framework Agreement with Shanghai Shangshi Group Finance Co., Ltd (currently in the process of establishment, hereinafter referred to as the "Finance Company") and Shanghai Shangshi. Under the agreement, the Finance Company will provide the Company, its controlled subsidiaries and other related companies with deposits, loans, settlements and other financial services approved by China Banking Regulatory Commission, effective from the date of the agreement to the date of the Company's annual general meeting for 2014. During the term of the agreement, the Group's maximum daily deposit balance shall not be more than RMB1.2 billion; the balance of comprehensive credit line shall not be more than RMB1.8 billion. (Note 2)</p>	<p>The Company's announcements Lin No. 2014-005 and 2014-013</p>

# CHAPTER 5 SIGNIFICANT EVENTS

*Note 1:* The above related party transactions (as defined under the Listing Rules of the Shanghai Stock Exchange) also constitute “continuing connected transactions with connected persons at the level of the Company” as defined under Chapter 14A of the Hong Kong Listing Rules. In these continuing connected transactions, the relevant percentage ratios other than profits ratio corresponding to the actual amount of products sold and purchased and labour costs are expected to be less than 0.1%; while the relevant percentage ratios other than profits ratio corresponding to the actual amount of house leasing and production equipment are expected to be more than 0.1% but less than 5%.

In respect of “continuing connected transactions with connected persons only at the level of the subsidiaries of the Company” as defined under Chapter 14A of the Hong Kong Listing Rules, each of the relevant percentage ratios other than profits ratio corresponding to the amount incurred is expected to be less than 1%.

*Note 2:* The transactions under Financial Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules, and also connected transactions under the Listing Rules of the Shanghai Stock Exchange and the Guidelines for the Implementation of Connected Transactions of Companies Listed on the Shanghai Stock Exchange. In these continuing connected transactions, the relevant percentage ratios other than profit ratio for deposit services on an annual basis exceeds 0.1% but is lower than 5%; while the relevant percentage ratios other than profit ratio for the settlement and other financial services on an annual basis is lower than 0.1%. The loan services are conducted on normal commercial terms and no security over the assets of the Group is granted to the Finance Company with respect to such loan services.

## 2. Events disclosed in interim announcements with subsequent development or changes during implementation

None for the Reporting Period.

## 3. Events not disclosed in provisional announcements

Unit: RMB10,000

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Price of connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction
Shanghai Pharmaceutical (Group) Co., Ltd.	The parent company	Leasing	Properties	Market price	1,346.10	1,346.10	57.81	Cash
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	A wholly-owned subsidiary of the parent company	Leasing	Properties and equipment	Market price	801.38	801.38	34.42	Cash
Shanghai Indu-Land Property Co., Ltd.	A wholly-owned subsidiary of the parent company	Leasing	Properties	Market price	177.89	177.89	7.64	Cash
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	A wholly-owned subsidiary of the parent company	Commodity selling and providing labour and other related services	Providing labour	Market price	21.58	21.58	0.04	Cash
Total				/	/	2,346.95		/

# CHAPTER 5 SIGNIFICANT EVENTS

## (II) Related party transactions relating to acquisition and disposal of assets

1. *Events disclosed in provisional announcements and without subsequent development or changes during implementation*

Overview of Events	Search index
Transfer of industrial packaging consumables business by Shanghai Medical Instruments Co., Ltd.	The Company's announcement Lin No. 2014-019

2. *Events disclosed in provisional announcements with subsequent or changes during implementation*

None for the Reporting Period.

3. *Events not disclosed in provisional announcements*

None for the Reporting Period.

## (III) Material connected transaction relating to joint external investment

During the reporting period, the Company had no material connected transaction related to joint external investment.

## (IV) Credits and liabilities with related parties

During the reporting period, the Company had no material credits and liabilities with related parties.

## VI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

### (I) Trusteeship, contracting and leasing

- ✓ Not applicable

# CHAPTER 5 SIGNIFICANT EVENTS

## (II) Guarantee

Unit: RMB10,000

External guarantees provided by the Company (excluding those provided to its subsidiaries)													
Guarantor	Relationship between guarantor and the listed company	Guaranteed party	Value Guaranteed	Date of Guarantee (date of Agreement)	Commencement date of guarantee	Expiration date of guarantee	Type of Guarantee	Guarantee fully fulfilled?	Guarantee over due?	Over-due amount of guarantee	Any counter guarantee?	Guarantee provided to connected?	Affiliated relations with regard to the Company
Shanghai Pharmaceutical Distribution Co., Limited	A wholly-owned subsidiary	Shanghai Luoda Pharmaceutical Co., Ltd.	900.00		15 April 2013	10 April 2014	Joint and several liability guarantee	Yes	No		No	No	Associated company
Shanghai Pharmaceutical Distribution Co., Limited	A wholly-owned subsidiary	Shanghai Luoda Pharmaceutical Co., Ltd.	900.00		16 April 2014	13 April 2015	Joint and several liability guarantee	No	No		No	No	Associated company
Shanghai Pharmaceutical Distribution Co., Ltd.	A wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	992.00		6 September 2013	5 September 2014	Joint and several liability guarantee	No	No		No	No	Associated company
Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)								900.00					
Total balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)								1,892.00					
Guarantees provided by the Company to its subsidiaries													
Total value guaranteed for its subsidiaries during the Reporting Period								0.00					
Total balance guaranteed for its subsidiaries at the end of the Reporting Period (B)								0.00					
Total value guaranteed by the Company (including those provided to its subsidiaries)													
Total value guaranteed (A+B)								1,892.00					
Percentage of total value guaranteed to the Company's net assets (%)								0.06					
Among which:													
Value guaranteed for shareholders, actual controller and related parties (C)								0.00					
Value directly or indirectly guaranteed for guaranteed parties whose gearing ratio exceed 70% (D)								900.00					
Amount of total value guaranteed exceeding 50% of net assets (E)								0.00					
Total of value guaranteed for the above three items (C+D+E)								900.00					

## (III) Other material contracts or transactions

During the Reporting Period, the Company had no other material contracts or transactions.

## VII. FULFILLMENT STATUS OF COMMITMENTS

For details, please refer to the Announcement of Shanghai Pharmaceuticals in relation to the Fulfillment Status of Commitments by De facto Controller, Shareholders, Related Parties, Acquirers and the Company (Company's announcement No. Lin 2014-001), the Announcement of Shanghai Pharmaceuticals Holding Co., Ltd. in Relation to the Increase in the Shareholding by Controlling Shareholders (Company's announcement No. Lin 2014-012), and the Announcement of Shanghai Pharmaceuticals in relation to the Announcement of Shanghai Pharmaceuticals on the Progress of Commitment Resolution (Company's announcement No. Lin 2014-017).

# CHAPTER 5 SIGNIFICANT EVENTS

## VIII. APPOINTMENT AND DISMISSAL OF THE ACCOUNTING FIRM

During the Reporting Period, there was no change in the accounting firm engaged by the Company.

## IX. PUNISHMENT AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING MORE THAN 5% OF SHARES, ACTUAL CONTROLLERS AND ACQUIRERS

During the Reporting Period, neither the Company nor its Directors, Supervisors, Senior Management, Shareholders holding more than 5% of shares, actual controllers and acquirers had been inspected, imposed of an administrative penalty, criticized in circulars and openly reprimanded by stock exchanges.

## X. CORPORATE GOVERNANCE

The Company has strictly complied with the relevant laws, regulations and rules such as the Companies Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Standards on Corporate Governance of Listed Companies and the Hong Kong Listing Rules as well as the Articles of Association of the Company, establishing and continuously improving the corporate governance structure of the Company. During the Reporting Period, the Company has formulated Diversification Policy for Board Members. Moreover, it has promulgated a series of internal rules and regulations to ensure compliance operation and standardised decision-making of the Company in terms of system building.

During the Reporting Period, the Company held one Shareholders' general meeting, three meetings of the Board of Directors and two meetings of the Board of Supervisors. Relevant resolutions of the meetings are disclosed on the websites of both the Shanghai Stock Exchange and the Hong Kong Stock Exchange and via relevant information disclosure media in accordance with the regulatory requirements. In accordance with the duties conferred by the Articles of Association, general meetings of the Shareholders, the Board of Directors, the Board of Supervisors and Senior Management operated independently with fulfillment of their respective rights and obligations, and no illegal or irregular situation occurred.

There are four special committees under the Board of Directors, namely, the Strategy Committee, the Nomination Committee, the Audit Committee and the Remuneration and Assessment Committee. During the Reporting Period, the Strategy Committee held one meeting and reviewed the implementation of the Company's strategies for 2013; the Nomination Committee held one meeting, discussing the Diversification Policy for Board Members and reviewing the structure, size and composition of the Board; the Audit Committee held two meetings to review the Company's 2013 Annual Report, 2013 Internal Control and the Summary of 2013 Annual Audit Report; the Remuneration and Assessment Committee held two meetings to determine the 2014 annual remuneration standards for senior management and to approve the performance review report on senior management for 2013.

The Company, as a company dual-listed in the A-share and H-share market, shall comply with the laws and regulations of both the PRC and Hong Kong. As an A-share listed company, the Company did not breach any relevant PRC laws and regulations. Pursuant to code provision A.5.6 of the Corporate Governance Code, the Company should formulate Board Diversity Policy. In March 2014, the Company convened corresponding meetings of the nomination committee and of the Board in accordance with relevant procedures, and formulated the Diversification Policy for Board Members. Pursuant to code provision A.1.8 of the Corporate Governance Code, by August 2014, the Company has already arranged insurance cover in respect of the legal action which may be taken against its directors. Save as disclosed above, during the Reporting Period, the Company fully complied with the principles and code provisions stipulated under the Corporate Governance Code.

# CHAPTER 5 SIGNIFICANT EVENTS

## XI. EXPLANATION ON OTHER SIGNIFICANT EVENTS

Overview of Events	Search Index
<p>Xiamen Traditional Chinese Medicine Co., Ltd., a controlled subsidiary of the Company received the Opinions on Issues relating to the Pien Tze Huang Manufactured by Zhangzhou Pientzehuang Pharmaceutical Co., Ltd. (Min Shi Yao Jian Zhu Han (2014) No. 208) from Fujian Food &amp; Drug Administration.</p>	<p>The Company's announcement Lin No. 2014-018</p>
<p>Pursuant to relevant regulations, Xiamen Traditional Chinese Medicine Co., Ltd., a controlled subsidiary of the Company, submitted its objection to the Trademark Office of The State Administration For Industry &amp; Commerce of the People's Republic of China (hereinafter referred as "Trademark Office of The State Administration For Industry &amp; Commerce") with respect to the trademarks of "Babaodan Pien Tze Huang" (application number: 11683990) and "Pien Tze Huang Babaodan" (application number: 11683929), registered by Zhangzhou Pientzehuang Pharmaceutical Co., Ltd on 1 November 2012 under the Class 5 of "Chinese Medicine", requiring the Trademark Office of The State Administration For Industry &amp; Commerce to revoke the registration of the two aforesaid trademarks.</p>	<p>The Company's announcement Lin No. 2014-022</p>

During the Reporting Period, Zhangzhou Pientzehuang Pharmaceutical Co., Ltd. (hereinafter referred as "Pientzehuang") filed to the Intermediate People's Court of Zhangzhou City a lawsuit (hereinafter referred as the "lawsuit"), in relation to an unfair competition dispute, against Xiamen Traditional Chinese Medicine Co., Ltd. (hereinafter referred as "Xiamen Traditional Chinese Medicine"), Xiamen Evening News Media Development Co., Ltd. (廈門晚報傳媒發展有限公司) and Xiamen Daily Press (廈門日報社). On 13 March 2014, Xiamen Traditional Chinese Medicine submitted its objection to the jurisdiction to the Intermediate People's Court of Zhangzhou City. On 23 June 2014, Xiamen Traditional Chinese Medicine received the civil judgement ((2014) Min Min Zhong Zi No. 660), and the Higher People's Court of Fujian Province (福建省高級人民法院) finally judged that the lawsuit shall be transferred to the jurisdiction of Xiamen Intermediate People's Court. On 18 August 2014, the Xiamen Traditional Chinese Medicine received the Notice (2014) Xia Min Chu Zi Di No. 937 issued by the Intermediate Court of Xiamen City, Fujian Province(福建省廈門市中級人民法院), pursuant to which the case in question was designated by the Higher People's Court of Fujian Province (福建省高級人民法院) to be in the jurisdiction of the Intermediate Court of Fuzhou City (福州市中級人民法院).



## I. CHANGES IN SHARE CAPITAL

### (I) Table of changes in share capital

During the Reporting Period, there was no change in the total number of shares and the structure of share capital of the Company.

### (II) Changes in trade-restricted Shares

During the Reporting Period, there was no change in the trade-restricted Shares of the Company.

## II. INFORMATION ABOUT SHAREHOLDERS

### (I) Aggregate number of Shareholders as at the end of the Reporting Period and top ten shareholders or Shareholders holding over 5% shares of the Company

Unit: share

Aggregate number of Shareholders as at the end of the Reporting Period	99,579(A Shares); 3,082(H Shares)
Aggregate number of Shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0

#### Shareholding of top ten shareholders

Name of Shareholder	Nature of Shareholder	Shareholding percentage (%)	Total number of Shares held	Increase/decrease during the Reporting Period	Number of trade-restricted Shares held	Number of pledge or frozen Shares
HKSCC NOMINEES LIMITED	Foreign legal person	27.81	747,797,820	-462,000	0	Unknown
Shanghai Pharmaceutical (Group)	State-owned legal person	26.65	716,516,039	0	0	Pledged 13,648,772
SIIC and its wholly-owned subsidiaries and Shanghai Shangshi	State-owned legal person	8.87	238,586,198	500,000	0	Unknown
Shanghai Shengrui	State-owned legal person	5.26	141,521,751	0	0	Unknown
Shenergy Group	State-owned legal person	3.02	81,199,520	0	0	Unknown
China Life Insurance Company Ltd. – Bonus – Individual Bonus – 005L – FH002 SH	Others	0.81	21,733,549	8,499,057	0	Unknown
China Life Insurance Company Ltd. – Traditional – Ordinary Insurance Products – 005L – CT001 SH	Others	0.50	13,549,954	6,800,000	0	Unknown
China Merchants Bank Co., Ltd. – Everbright-Pramerica optimally structured Equity Securities Investment Fund (光大保德信優勢配置股票型證券投資基金)	Others	0.47	12,522,742	2,399,832	0	Unknown
Shanxi Trust Co., Ltd. - Xinhai No. 4 Assembly Funds Trust	Others	0.43	11,630,000	0	0	Unknown
Morgan Stanley Investment Management Limited - Morgan Stanley China A Share Fund (摩根士丹利中國A股基金)	Others	0.37	10,031,192	/	0	Unknown

Shareholdings of top ten Shareholders holding Shares without trade restrictions			
Name of Shareholder	Number of Shares without trade restrictions	Class and number of Shares	
HKSCC NOMINEES LIMITED	747,797,820	H Shares	
Shanghai Pharmaceutical (Group)	716,516,039	A Shares	
SIIC and its wholly-owned subsidiaries and Shanghai Shangshi	238,586,198	A Shares	222,301,798
		H Shares	16,284,400
Shanghai Shengrui	141,521,751	A Shares	
Shenergy Group	81,199,520	A Shares	
China Life Insurance Company Ltd.– Bonus – Individual Bonus – 005L – FH002 SH	21,733,549	A Shares	
China Life Insurance Company Ltd. – Traditional – Ordinary Insurance Products – 005L – CT001 SH	13,549,954	A Shares	
China Merchants Bank Co., Ltd. – Everbright-Pramerica optimally structured Equity Securities Investment Fund (光大保德信優勢配置股票型證券投資基金)	12,522,742	A Shares	
Shanxi Trust Co., Ltd. - Xinhai No. 4 Assembly Funds Trust	11,630,000	A Shares	
Morgan Stanley Investment Management Limited - Morgan Stanley China A Share Fund (摩根士丹利中國A股基金)	10,031,192	A Shares	
Note on connected relations or concerted actions of the above shareholders	SIIC is the De Facto Controller of Shanghai Shangshi, which is a Controlling Shareholder of Shanghai Pharmaceutical (Group). The Company is not aware of any affiliation among other shareholders or whether they are persons acting in concert as stipulated under the Administrative Measures on Disclosure of Changes in Shareholders' Shareholdings in Listed Companies.		

- Notes: 1. Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above excludes the 16,284,400 H Shares held by SIIC and its wholly-owned subsidiaries. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen.
2. The recent information of the 13,648,772 pledged Shares of Shanghai Pharmaceutical (Group): Pursuant to the equity transfer agreement entered into between Shanghai Pharmaceutical (Group) and China Great Wall Asset Management Corporation ("Great Wall") (the vendor) in relation to the acquisition of 39.01% equity interest of Shanghai Asia Pioneer Pharmaceutical Co., Ltd. by Shanghai Pharmaceutical (Group), Great Wall has the option to receive cash or A Shares of Shanghai Pharmaceuticals as consideration within 10 working days from 1 March 2013 upon the expiry of the lock-up period of the Shares of Shanghai Pharmaceuticals held by Shanghai Pharmaceutical (Group). As such, Shanghai Pharmaceutical (Group) pledged 13,648,772 A Shares (floating shares with trade restrictions) of Shanghai Pharmaceuticals held by it to Great Wall on 20 September 2011 to secure the payment of such consideration and the share pledge period started from 20 September 2011 to 15 March 2015 (please refer to the Company's announcement No. Lin 2011-038 for more details). On 18 February 2013, the lockup period of the aforesaid 13,648,772 pledged Shares expired (please refer to the Company's announcement No. Lin 2013-001 for more details). On 15 March 2013, Shanghai Pharmaceutical (Group) and Great Wall entered into a supplementary equity transfer agreement, pursuant to which the parties agreed to extend the period of fulfilling the obligation of consideration payment in relation to the equity transfer by one year. On 27 March 2014, Shanghai Pharmaceutical (Group) and Great Wall entered into the second supplementary equity transfer agreement, pursuant to which, the parties agreed to further extend the period of fulfilling the obligation of consideration payment in relation to the equity transfer by one year, and as such Great Wall has the option to receive cash or A Shares of Shanghai Pharmaceuticals as consideration within 10 working days from 1 March 2015. In accordance with the share pledge agreement entered into between Shanghai Pharmaceutical (Group) and Great Wall, the pledge will be released upon payment of consideration by Shanghai Pharmaceutical (Group).

Unit: share

Number of and the trade restrictions on the Shares held by the top ten Shareholders holding trade-restricted Shares					
No.	Name of shareholder holding trade-restricted Shares	Number of trade-restricted Shares	The listing and trading of trade-restricted Shares		Trade restrictions
			Time of availability for listing and trading	Number of additional Shares available for listing and trading	
1	Hainan Zhong Wang Investment and Management Company Limited	81,600	To be decided	0	The consideration payable to Shanghai Pharmaceutical (Group) in the equity division reform remained outstanding.
Note on connected relations or concerted actions of the above Shareholder		The above Shareholder has no connected relations with the Company, nor is it a person acting in concert as stipulated under the Administrative Measures on Disclosure of Changes in Shareholders' Shareholdings in Listed Companies.			

### III. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

There is no change in the Controlling Shareholders or de facto controller of the Company during the Reporting Period.

### IV. DISCLOSURE OF INTERESTS AS REQUIRED BY THE SFO

#### (I) Interests and short positions of directors, supervisors and chief executive in Shares

As at 30 June 2014, Mr. Lou Dingbo, Chairman and executive director of the Company, held 40,000 A Shares of the Company; Mr. Cho Man, executive director and president of the Company, held 20,009 A Shares of the Company; Mr. Hu Fengxiang, executive director of the Company, held 20,000 A Shares of the Company; and Ms. Chen Xin, supervisor of the Company, held 10,000 A Shares of the Company.

Save as disclosed in this report, as at 30 June 2014, according to the information available to the Company and to the knowledge of the directors, none of the Directors, Supervisors and Chief Executive of the Company has any interests or short positions in the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(II) Interests and short positions of substantial shareholders and other persons in the Shares and underlying shares

As at 30 June 2014, according to the information available to the Company and to the knowledge of the directors, the following Shareholders had interests or short positions in the Shares or underlying shares which were subject to disclosure by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the voting rights of the total number of the issued H Shares or A Shares at the shareholders' general meetings of the Company:

Name of shareholder	Class of Shares	Nature of Interests in Shares	Number of Shares	Percentage of H Shares/A Shares held as at the end of the Reporting Period to the entire outstanding H Shares/A Shares (%)	Percentage in total share capital of the Company as at the end of the Reporting Period (%)
SILC group Note 1(1)	A Shares/H Shares	Interests of controlled corporation	955,102,237 (L)	48.82(A Shares)/ 2.13(H Shares)	35.52
Shanghai Shangshi group Note 1(2)	A Shares	Beneficial owner/ Interests of controlled corporation	938,317,837 (L)	48.79	34.90
Shanghai Pharmaceutical (Group)	A Shares	Beneficial owner	716,516,039 (L)	37.26	26.65
Shanghai Guosheng Note 1(3)	A Shares	Interests of controlled corporation	141,521,751(L)	7.36	5.26
Shanghai Shengrui	A Shares	Beneficial owner	141,521,751(L)	7.36	5.26
Credit Suisse (Hong Kong) Limited	H Shares	Interests commonly held with another person	99,632,100(L) 99,632,100(S)	13.01(L) 13.01(S)	3.71(L) 3.71(S)
Credit Suisse AG	H Shares	Interests of controlled corporation	99,632,100(L) 99,632,100(S)	13.01(L) 13.01(S)	3.71(L) 3.71(S)
JPMorgan Chase & Co.	H Shares	Beneficial owner/Investment Manager/Custodian/Approved lending agent	76,708,234(L) 300,000(S) 75,054,949(P)	10.02(L) 0.04(S) 9.80(P)	2.85(L) 0.01(S) 2.79(P)
Temasek Holdings (Private) Limited	H Shares	Interests of controlled corporation	75,101,000(L)	9.81(L)	2.79(L)
NSSF	H Shares	Beneficial owner	66,633,400(L)	8.70(L)	2.48(L)
AllianceBernstein L.P.	H Shares	Investment Manager/ Interests of controlled corporation	45,994,500(L)	6.01(L)	1.71(L)
Templeton Investment Counsel, LLC	H Shares	Investment Manager	43,932,800(L)	5.74(L)	1.63(L)

(L) represents long position, (S) represents short position, (P) represents shares in lending pool

- Note 1: (1) SIIC is a wholly-owned subsidiary of Shanghai SASAC. SIIC group refers to SIIC and its wholly-owned subsidiaries. According to the Decision on Authorising Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate the State-owned Assets of Shanghai Overseas Companies, its Major Overseas Group Companies and Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] No.6) issued by the Shanghai SASAC in 1998, SIIC was authorised to be the de facto controller of Shanghai Shangshi and is therefore deemed to hold Shares of the Company through Shanghai Shangshi. As at the end of the Reporting Period, SIIC group held 955,102,237 Shares of the Company in total (including A Shares and H Shares), of which 500,000 A Shares and 16,284,400 H Shares were directly held by SIIC group, and 938,317,837 A Shares were indirectly held by SIIC through Shanghai Shangshi group.
- (2) Shanghai Shangshi is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shangshi group refers to Shanghai Shangshi and its wholly-owned subsidiaries. Shanghai Shangshi holds 60% equity interests in Shanghai Pharmaceutical (Group) and is therefore deemed to hold Shares of the Company through Shanghai Pharmaceutical (Group). As at the end of the Reporting Period, out of the 938,317,837 A Shares held by Shanghai Shangshi group in the Company, 221,801,798 A Shares were directly held by Shanghai Shangshi group, while 716,516,039 A Shares were indirectly held by Shanghai Shangshi through Shanghai Pharmaceutical (Group).
- (3) Shanghai Guosheng is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shengrui is a wholly-owned subsidiary of Shanghai Guosheng and Shanghai Guosheng is therefore deemed to hold Shares of the Company through Shanghai Shengrui.

- Note 2: (1) Figures disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).
- (2) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain conditions are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Hong Kong Stock Exchange unless certain conditions have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
- (3) Save as disclosed above, as at 30 June 2014, the Company was not aware of any other person (other than the Directors, Supervisors and Chief Executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

## V. PRE-EMPTIVE RIGHTS

The Articles of Association contain no mandatory provisions on pre-emptive rights. According to the Articles of Association, the Company may increase its registered capital by way of offering new shares to unspecified investors, placing new shares to existing shareholders or issuing new shares to existing shareholders or by other means permitted by laws and administrative regulations.

## VI. PURCHASE, SALES AND REDEMPTION OF SHARES

During the period from January to June 2014, neither the Company nor the subsidiaries of the Company purchased, sold or redeemed any listed Shares of Shanghai Pharmaceuticals.

During the period from January to June 2014, SIIC, the Controlling Shareholder of the Company, and its wholly owned subsidiary had acquired in aggregate 500,000 H shares in Shanghai Pharmaceuticals.

SIIC Investment Co., Ltd (上海實業投資有限公司), a subsidiary of SIIC, plans to further increase its shareholding in Shanghai Pharmaceuticals in its own name within 12 months (commencing from 2 May 2014) and the aggregate of such increase (including the 250,000 H Shares acquired on 2 May 2014) shall not exceed 2% of the total issued Shares of Shanghai Pharmaceuticals. The Company will follow the filling procedures in accordance with the requirements of PRC and Hong Kong regulatory authorities. (Please refer to the Company's announcement No. Lin 2014-012 for more details)

# CHAPTER 7 PREFERENCE SHARES

During the Reporting Period, the Company issued no preference shares.

# CHAPTER 8 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## I. CHANGES IN SHAREHOLDINGS

### (I) Changes in shareholdings of Directors, Supervisors and Senior Management, existing and resigned during the Reporting Period

The board of directors of the Company has confirmed that the Company has adopted the Model Code for securities transactions by Directors. After sufficient enquiry, all the directors and supervisors have confirmed that during the Reporting Period, they complied with the Model Code in all aspects.

*Unit: share*

Name	Position	Number of Shares held at the beginning of the Reporting Period	Number of Shares held at the end of the Reporting Period	Increase/decrease of Shares during the Reporting Period	Reasons for changes
Lou Dingbo	Chairman, Executive Director	40,000 A Shares	40,000 A Shares	0	/
Cho Man	Executive Director, President	20,009 A Shares	20,009 A Shares	0	/
Hu Fengxiang	Executive Director	10,000 A Shares	20,000 A Shares	10,000 A Shares	purchased voluntarily
Zhou Jie	Non-executive Director	0	0	0	/
Jiang Ming	Non-executive Director	0	0	0	/
Chen Naiwei	Independent Non-executive Director	0	0	0	/
Wan Kam To	Independent Non-executive Director	0	0	0	/
Tse Cho Che	Independent Non-executive Director	0	0	0	/
Li Zhenfu	Independent Non-executive Director	0	0	0	/
Zhang Zhenbei	Chairman of the Supervisory Board	0	0	0	/
Xin Keng	Supervisor	0	0	0	/
Chen Xin	Employee Supervisor	10,000 A Shares	10,000 A Shares	0	/
Liu Yanjun	Vice President	10,000 A Shares	60,000 A Shares	50,000 A Shares	purchased voluntarily
Ren Jian	Vice President	81,518 A Shares	81,518 A Shares	0	/
Shu Chang	Vice President	4,600 A Shares	4,600 A Shares	0	/
Guo Junyu	Ceasing to be Vice President of the Company (Note 4)	3,500 A Shares	3,500 A Shares	0	/
Mao Jianyi	Vice President	0	0	0	/
Shen Bo	Chief Financial Officer	71,700 A Shares	71,700 A Shares	0	/
Han Min	The secretary of the board of directors and the joint company secretary	58,000 A Shares	58,000 A Shares	0	/
Total	/	309,327 A Shares	369,327 A Shares	60,000 A Shares	/



Notes:

1. The Company had no share incentive plan during the Reporting Period.
2. Save as disclosed above, as at 30 June 2014, according to the information available to the Company and to the knowledge of the Directors, none of the Directors, supervisors and chief executives of the Company had any interest or short position in the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.
3. During the Reporting Period, none of the Directors and supervisors of the Company had any material interest, either directly or indirectly, in any contracts of significance in relation to the Company's business entered into by the Company or any of its subsidiaries.
4. Mr. Guo Junyu ceased to be Vice President of the Company since 28 April 2014.

## II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Changes	Reasons for changes
Guo Junyu	Vice President	Resignation	Resignation

## III. OTHER EXPLANATIONS

Mr. Wan Kam To has ceased to be the independent Director of RDA Microelectronics, Inc. (NASDAQ: RDA), since July 2014.

Mr. Tse Cho Che, Edward has been the chairman of Gao Feng Advisory (“高風諮詢公司”) since April 2014.

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FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH THE  
HONG KONG FINANCIAL REPORTING STANDARDS, UNAUDITED)  
INTERIM CONSOLIDATED BALANCE SHEET

		As at 30 June 2014	As at 31 December 2013
	Note	RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights	7	967,332	944,990
Investment properties	7	270,912	277,004
Property, plant and equipment	7	5,239,265	5,016,525
Intangible assets	7	5,269,323	4,260,141
Investments in jointly controlled entities	8	353,785	340,679
Investments in associates	9	2,511,426	2,355,821
Deferred income tax assets	14	210,153	199,806
Available-for-sale financial assets		135,208	149,748
Other non-current prepayments		185,754	133,154
Other long-term receivables		154,448	118,680
		<b>15,297,606</b>	<b>13,796,548</b>
<b>Current assets</b>			
Inventories		11,887,019	10,996,520
Trade and other receivables and other current asset	10	24,232,498	18,539,629
Financial assets at fair value through profit or loss		378	340
Restricted cash		449,454	333,118
Cash and cash equivalents		11,285,740	12,645,367
		<b>47,855,089</b>	<b>42,514,974</b>
<b>Total assets</b>		<b>63,152,695</b>	<b>56,311,522</b>
<b>Equity attributable to owners of the Company</b>			
Share capital	11	2,688,910	2,688,910
Share premium		14,125,589	14,121,235
Other reserves		875,396	891,022
Retained earnings			
– Proposed final dividends		–	699,117
– Others		8,871,534	7,553,529
		<b>26,561,429</b>	<b>25,953,813</b>
<b>Non-controlling interests</b>		<b>3,228,973</b>	<b>3,047,167</b>
<b>Total equity</b>		<b>29,790,402</b>	<b>29,000,980</b>

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FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH THE  
HONG KONG FINANCIAL REPORTING STANDARDS, UNAUDITED)  
INTERIM CONSOLIDATED BALANCE SHEET

		As at 30 June 2014	As at 31 December 2013
	Note	RMB'000	RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	13	108,907	125,195
Deferred income tax liabilities	14	377,839	288,812
Termination benefit obligations		32,951	39,077
Other non-current liabilities		1,138,512	1,158,563
		<b>1,658,209</b>	1,611,647
<b>Current liabilities</b>			
Trade and other payables and other current liabilities	12	24,249,083	19,571,893
Current income tax liabilities		256,599	202,632
Borrowings	13	7,198,402	5,924,370
		<b>31,704,084</b>	25,698,895
<b>Total liabilities</b>		<b>33,362,293</b>	27,310,542
<b>Total equity and liabilities</b>		<b>63,152,695</b>	56,311,522
<b>Net current assets</b>		<b>16,151,005</b>	16,816,079
<b>Total assets less current liabilities</b>		<b>31,448,611</b>	30,612,627

The notes on pages 56 to 96 are an integral part of this interim consolidated financial information.

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FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH THE  
HONG KONG FINANCIAL REPORTING STANDARDS, UNAUDITED)  
INTERIM CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Revenue	6	44,013,016	38,717,901
Cost of sales		(38,549,727)	(33,688,223)
<b>Gross profit</b>		<b>5,463,289</b>	<b>5,029,678</b>
Distribution and selling expenses		(2,316,294)	(2,214,763)
General and administrative expenses		(1,405,025)	(1,339,073)
<b>Operating profit</b>	15	<b>1,741,970</b>	<b>1,475,842</b>
Other income		75,864	65,682
Other losses – net	16	(19,087)	(3,015)
Gains on disposal of subsidiaries and associates	17	132,250	12,776
Finance income		96,717	118,646
Finance costs		(272,024)	(200,414)
Share of profit of jointly controlled entities		73,820	58,243
Share of profit of associates		87,594	181,423
<b>Profit before income tax</b>		<b>1,917,104</b>	<b>1,709,183</b>
Income tax expense	18	(402,462)	(312,046)
<b>Profit for the period</b>		<b>1,514,642</b>	<b>1,397,137</b>
<b>Profit attributable to:</b>			
Owners of the Company		1,318,004	1,189,609
Non-controlling interests		196,638	207,528
		<b>1,514,642</b>	<b>1,397,137</b>
<b>Earnings per share attributable to owners of the Company during the period</b> (expressed in RMB per share)			
– Basic and diluted	19	<b>0.49</b>	0.44

The notes on pages 56 to 96 are an integral part of this interim consolidated financial information.

		Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Dividends	20	–	–

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FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH THE  
HONG KONG FINANCIAL REPORTING STANDARDS, UNAUDITED)  
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Profit for the period</b>		<b>1,514,642</b>	1,397,137
<b>Other comprehensive income:</b>			
Available-for-sale financial assets			
– Gross		(14,120)	(13,542)
– Tax	14	973	3,386
Currency translation differences, net		(4,329)	1,368
<b>Other comprehensive income for the period, net of tax</b>		<b>(17,476)</b>	(8,788)
<b>Total comprehensive income for the period</b>		<b>1,497,166</b>	1,388,349
<b>Attributable to:</b>			
– Owners of the Company		1,302,378	1,180,266
– Non-controlling interests		194,788	208,083
<b>Total comprehensive income for the period</b>		<b>1,497,166</b>	1,388,349

The notes on pages 56 to 96 are an integral part of this interim consolidated financial information.

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FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH THE  
HONG KONG FINANCIAL REPORTING STANDARDS, UNAUDITED)  
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Note	Share	Share	Other	Retained	Total	Non-	Total
		capital	premium	reserves	earnings		controlling	equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2013</b>		2,688,910	14,396,727	835,395	6,718,267	24,639,299	3,061,575	27,700,874
<b>Comprehensive income</b>								
Profit for the period		-	-	-	1,189,609	1,189,609	207,528	1,397,137
<b>Other comprehensive income</b>								
Available-for-sale financial assets								
– Gross		-	-	(13,634)	-	(13,634)	92	(13,542)
– Tax		-	-	3,409	-	3,409	(23)	3,386
Currency translation differences, net		-	-	882	-	882	486	1,368
Others		-	-	-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	(9,343)	-	(9,343)	555	(8,788)
<b>Total comprehensive income</b>		-	-	(9,343)	1,189,609	1,180,266	208,083	1,388,349
<b>Transactions with owners</b>								
Capital injections from non-controlling interests		-	-	-	-	-	25,278	25,278
Acquisitions of subsidiaries	23	-	-	-	-	-	81,392	81,392
Disposal of subsidiaries		-	-	-	-	-	(7,872)	(7,872)
Transaction with non-controlling interests		-	(274,897)	-	-	(274,897)	(193,422)	(468,319)
Dividends		-	-	-	(645,339)	(645,339)	(148,729)	(794,068)
Appropriation to staff welfare		-	-	-	(5,775)	(5,775)	(4,725)	(10,500)
Others		-	23,300	-	-	23,300	(3,232)	20,068
<b>Total transaction with owners</b>		-	(251,597)	-	(651,114)	(902,711)	(251,310)	(1,154,021)
<b>Balance at 30 June 2013</b>		2,688,910	14,145,130	826,052	7,256,762	24,916,854	3,018,348	27,935,202

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FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH THE  
HONG KONG FINANCIAL REPORTING STANDARDS, UNAUDITED)  
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Note	Share	Share	Other	Retained	Non-		Total
		capital	premium	reserves	earnings	Total	controlling	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2014</b>		2,688,910	14,121,235	891,022	8,252,646	25,953,813	3,047,167	29,000,980
<b>Comprehensive income</b>								
Profit for the period		-	-	-	1,318,004	1,318,004	196,638	1,514,642
<b>Other comprehensive income</b>								
Available-for-sale financial assets								
– Gross		-	-	(14,174)	-	(14,174)	54	(14,120)
– Tax		-	-	986	-	986	(13)	973
Currency translation differences, net		-	-	(2,438)	-	(2,438)	(1,891)	(4,329)
<b>Total other comprehensive income</b>		-	-	(15,626)	-	(15,626)	(1,850)	(17,476)
<b>Total comprehensive income</b>		-	-	(15,626)	1,318,004	1,302,378	194,788	1,497,166
<b>Transactions with owners</b>								
Capital injections from non-controlling interests		-	-	-	-	-	6,339	6,339
Contribution from the immediate holding company of the Company		-	120,000	-	-	120,000	-	120,000
Acquisitions of subsidiaries	23	-	-	-	-	-	133,327	133,327
Disposal of subsidiaries		-	-	-	-	-	6,580	6,580
Transaction with non-controlling interests		-	(88,705)	-	-	(88,705)	(29,523)	(118,228)
Dividends		-	-	-	(699,116)	(699,116)	(129,705)	(828,821)
Others		-	(26,941)	-	-	(26,941)	-	(26,941)
<b>Total transaction with owners</b>		-	4,354	-	(699,116)	(694,762)	(12,982)	(707,744)
<b>Balance at 30 June 2014</b>		2,688,910	14,125,589	875,396	8,871,534	26,561,429	3,228,973	29,790,402

The notes on pages 56 to 96 are an integral part of this interim consolidated financial information.

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FINANCIAL REPORT (PREPARED IN ACCORDANCE WITH THE  
HONG KONG FINANCIAL REPORTING STANDARDS, UNAUDITED)  
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	515,906	545,180
Interest paid	(251,095)	(189,037)
Income tax paid	(339,689)	(327,795)
Net cash generated from operating activities	(74,878)	28,348
<b>Cash flows from investing activities</b>		
Cash paid in respect of acquisition of subsidiaries and an associate	(753,563)	(533,953)
Purchases of available-for-sale financial assets	(300,175)	–
Purchases of property, plant and equipment (“PP&E”) and investment properties	(394,563)	(413,146)
Proceeds from disposal of PP&E and investment properties	91,549	5,747
Purchases of land use rights and intangible assets	(6,903)	(846)
Interest received	94,898	–
Dividends received	68,282	2,387
Proceeds from disposal of financial assets at fair value through profit or loss	–	3,263
Proceeds from disposal of available-for-sale financial assets	301,969	–
Proceeds from disposal of subsidiaries, associates and jointly controlled entities	36,459	72,924
(Payment of)/Proceeds from Government grant of plant relocation, net	(23,302)	161,304
Other cash flows generated from investing activities	56,961	63,537
Net cash used in investing activities	(828,388)	(638,783)
<b>Cash flows from financing activities</b>		
Cash injection from non-controlling interests	6,340	25,278
Proceeds from borrowings	6,332,360	5,884,550
Repayments of borrowings	(5,786,523)	(5,700,634)
Dividends paid by the Group	(812,623)	(110,199)
Acquisitions of non-controlling interests	(117,916)	(469,115)
Others cash flows generated from financing activities	(80,308)	(4,268)
Net cash generated from financing activities	(458,670)	(374,388)
<b>Net increase in cash and cash equivalents</b>	<b>(1,361,936)</b>	<b>(984,823)</b>
Cash and cash equivalents at beginning of the period	12,645,367	13,300,901
Exchange gains/(losses) on cash and cash equivalents	2,309	(8,688)
<b>Cash and cash equivalents at end of the period</b>	<b>11,285,740</b>	<b>12,307,390</b>

The notes on pages 56 to 96 are an integral part of this interim consolidated financial information.



## 1 GENERAL INFORMATION

Shanghai Pharmaceuticals Holding Co., Ltd. (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in following activities:

- Research and development, manufacturing and sale of pharmaceutical and healthcare products;
- Pharmaceutical distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies; and
- Operation of a network of retail pharmacy stores.

The Company was incorporated in the People’s Republic of China (the “PRC”). The address of the Company’s registered office is No. 92 Zhangjiang Road, Pudong New District, Shanghai, PRC.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited since May 2011.

This condensed consolidated interim financial information is presented in RMB, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 27 August 2014.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six month ended 30 June 2014 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

- (a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (b) New standards, amendments and interpretations to existing standards adopted by the Group

The following new standards, amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning on 1 January 2014 and have an immaterial impact on the Group:

- Amendment to HKAS 32 “Financial instruments: Presentation” on asset and liability offsetting, clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

### 3. ACCOUNTING POLICIES (continued)

#### (b) New standards, amendments and interpretations to existing standards adopted by the Group (continued)

- Amendments to HKFRS 10 and HKFRS12 and HKAS 27 “Consolidation for investment entities”, mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an ‘investment entity’ definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.
- Amendment to HKAS 36 ‘Impairment of assets’ “Recoverable amount disclosure for non-financial assets”, addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to HKAS 39 “Financial Instruments: Recognition and Measurement – Novation of derivatives”, provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- HK(IFRIC) 21, ‘Levies’, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised.

The adoption of the above mentioned amendments and interpretations to the existing standards did not result in any significant changes to the Group’s significant accounting policies and presentation of this condensed consolidated interim financial information.

- (c) New and amended standards and interpretations to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted.

		<b>Effective for annual periods beginning on or after</b>
Annual improvements 2012	These amendments include changes from the 2010-2012 cycle of the annual improvements project that mainly affect the standards of HKFRS2, HKFRS 3, HKFRS 8, HKAS 16, HKAS 24 and HKAS 38.	1 July 2014

### 3. ACCOUNTING POLICIES (continued)

- (c) New and amended standards and interpretations to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted. (continued)

		<b>Effective for annual periods beginning on or after</b>
Amendment to IAS/ HKAS19 regarding defined benefit plans	This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	1 July 2014
Annual improvements 2013	The amendments include changes from the 2011-2013 cycle of the annual improvements project that mainly affect the standards of HKFRS 3, HKFRS 13, and HKAS 40.	1 July 2014
Amendment to IFRS/ HKFRS 11 on accounting for acquisitions of interests in joint operation	The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' as defined in IFRS/HKFRS 3, Business combinations.	1 January 2016
HKFRS 14 "Regulatory Deferral Accounts"	HKFRS 14 describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the prices that an entity can charge to customers for rate-regulated goods or services.	1 January 2016

### 3. ACCOUNTING POLICIES (continued)

- (c) New and amended standards and interpretations to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted. (continued)

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS/HKAS 16 and IAS/HKAS 38 on clarification of acceptable methods of depreciation and amortisation	The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS/HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS/HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate.	1 January 2016
HKFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied.	1 January 2017
HKFRS 9 "Financial Instruments"	HKFRS 9 is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply.	1 January 2018

The Group is currently assessing the impact of the adoption of the above mentioned new standards, amendments to standards and interpretations and the annual improvements, and does not expect there will be a significant impact to the Group.

## 4. ESTIMATES

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

## 5. FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year ended 31 December 2013 or in any risk management policies since the year end.

### 5.2 Liquidity risk

Compared to the previous year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

As at 30 June 2014 the contractual maturities of financial liabilities were as follows:

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
At 30 June 2014				
Bank borrowings	7,198,402	2,020	91,222	15,665
Interest payables	137,349	5,389	10,746	13
Trade and other payables	23,527,103	–	–	–
At 31 December 2013				
Bank borrowings	5,924,370	21,320	88,211	15,664
Interest payables	113,952	5,977	13,705	29
Trade and other payables	18,638,334	–	–	–

## 5. FINANCIAL RISK MANAGEMENT (continued)

## 5.3 Fair value estimation

(a) The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014.

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <b>Level 1</b> <b>RMB'000</b>	Audited 31 December 2013 Level 1 RMB'000
Financial assets at fair value through profit or loss	378	340
Available-for-sale financial assets	59,469	73,590
	<b>59,847</b>	<b>73,930</b>

(b) Fair value of financial assets and liabilities measured at amortised cost

The fair value of other long-term receivables and non-current borrowings as at 30 June 2014 and 31 December 2013 approximated to their carrying amount. The fair value is within level 3 of the fair value hierarchy.

The fair value of other long-term receivables and non-current borrowings is estimated by discounting the future cash flows at the current market rate available to the Group for similar financial instruments.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables (excluding prepayments and prepaid current income tax or value-added tax recoverable);
- Restricted cash;

## 5. FINANCIAL RISK MANAGEMENT (continued)

### 5.3 Fair value estimation (continued)

(b) *Fair value of financial assets and liabilities measured at amortised cost (continued)*

- Cash and cash equivalents;
- Current borrowings;
- Trade and other payables (excluding advance from customers, accrued taxes other than income tax, staff salaries and welfare payables).

## 6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The board of directors consider the business from a business type perspective.

The reportable operating segments derive their revenue primarily from the following four business types in the PRC:

- (a) Pharmaceutical manufacturing business (Production segment) – research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products;
- (b) Distribution and supply chain solutions (Distribution segment) – distribution, warehousing, logistics, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies;
- (c) Pharmaceutical retail (Retail segment) – operation of a network of retail pharmacy stores; and
- (d) Other businesses (Others) – assets management, investment holding and etc.

Inter-segment revenue are conducted at prices and terms mutually agreed amongst those business segments.

The board of directors assess the performance of the operating segments based on a measure of revenue and operating profit.

Unallocated assets consist of current income tax recoverable and deferred income tax assets. Unallocated liabilities consist of current and deferred income tax liabilities.

Capital expenditure comprises mainly additions to land use rights, investment properties, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations under common control.

## 6. SEGMENT INFORMATION (continued)

The segment information provided to the board of directors for the reportable segments for the period is as follows:

For the six months ended 30 June 2014

	Production segment RMB'000	Distribution segment RMB'000	Retail segment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
External revenue	4,913,439	37,278,248	1,624,664	196,665	–	44,013,016
Inter-segment revenue	773,762	1,230,443	20,599	8,400	(2,033,204)	–
<b>Segment revenue</b>	<b>5,687,201</b>	<b>38,508,691</b>	<b>1,645,263</b>	<b>205,065</b>	<b>(2,033,204)</b>	<b>44,013,016</b>
Segment operating profit	710,614	1,029,684	13,264	(9,989)	(1,603)	1,741,970
Other income						75,864
Other losses – net						(19,087)
Gains on disposal of subsidiaries and associates						132,250
Finance costs – net						(175,307)
Share of profit of jointly controlled entities	64,599	9,221	–	–	–	73,820
Share of profit of associates	73,486	14,108	–	–	–	87,594
Profit before income tax						1,917,104
Income tax expense						(402,462)
<b>Profit for the period</b>						<b>1,514,642</b>



## 6. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2013

	Production Segment RMB'000	Distribution segment RMB'000	Retail segment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
External revenue	4,771,617	32,270,873	1,461,292	214,119	–	38,717,901
Inter-segment revenue	735,524	1,164,677	19,708	9,092	(1,929,001)	–
<b>Segment revenue</b>	<b>5,507,141</b>	<b>33,435,550</b>	<b>1,481,000</b>	<b>223,211</b>	<b>(1,929,001)</b>	<b>38,717,901</b>
Segment operating profit	624,901	793,378	16,788	52,333	(11,558)	1,475,842
Other income						65,682
Other losses – net						(3,015)
Gains on disposal of subsidiaries and associates						12,776
Finance costs – net						(81,768)
Share of profit of jointly controlled entities	49,912	8,331	–	–	–	58,243
Share of profit of associates	164,182	17,241	–	–	–	181,423
Profit before income tax						1,709,183
Income tax expense						(312,046)
<b>Profit for the period</b>						<b>1,397,137</b>

Other segment items included in the condensed consolidated interim financial information for the six months ended 30 June 2014 are as follows:

	Production segment RMB'000	Distribution segment RMB'000	Retail segment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Depreciation of property, plant and equipment and investment properties	165,457	68,237	15,107	20,070	–	268,871
Amortisation of intangible assets and land use rights	24,805	34,803	385	2,138	–	62,131
Capital expenditure	240,689	86,062	12,064	78,128	–	416,943

## 6. SEGMENT INFORMATION (continued)

Other segment items included in the condensed consolidated interim financial information for the six months ended 30 June 2013 are as follows:

	Production segment RMB'000	Distribution segment RMB'000	Retail segment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Depreciation of property, plant and equipment and investment properties	156,943	48,529	10,466	20,144	–	236,082
Amortisation of intangible assets and land use rights	14,742	27,265	370	4,118	–	46,495
Capital expenditure	294,276	94,014	10,804	34,526	–	433,620

The segment assets and liabilities as at 30 June 2014 are as follows:

	Production segment RMB'000	Distribution segment RMB'000	Retail segment RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Investment in jointly controlled entities	211,905	141,880	–	–	–	353,785
Investment in associates	2,058,558	152,868	–	300,000	–	2,511,426
Other assets	15,819,325	40,459,968	1,179,248	24,418,628	210,153	82,087,322
Elimination						(21,799,838)
<b>Total assets</b>						<b>63,152,695</b>
Segment liabilities	5,034,751	30,886,218	752,421	3,135,831	634,438	40,443,659
Elimination						(7,081,366)
<b>Total liabilities</b>						<b>33,362,293</b>

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities after elimination	62,942,542	32,727,855
Unallocated:		
Current income tax liabilities	–	256,599
Deferred tax assets/liabilities – net	210,153	377,839
<b>Total</b>	<b>63,152,695</b>	<b>33,362,293</b>

## 6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2013 are as follows:

	Production segment <i>RMB'000</i>	Distribution segment <i>RMB'000</i>	Retail segment <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Investment in jointly controlled entities	207,307	133,372	–	–	–	340,679
Investment in associates	2,035,659	320,162	–	–	–	2,355,821
Other assets	15,544,487	34,925,655	982,697	21,943,883	199,806	73,596,528
Elimination						(19,981,506)
<b>Total assets</b>						<b>56,311,522</b>
Segment liabilities	5,826,595	23,677,865	610,139	2,880,670	491,444	33,486,713
Elimination						(6,176,171)
<b>Total liabilities</b>						<b>27,310,542</b>

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Segment assets/liabilities after elimination	56,111,716	26,819,098
Unallocated:		
Current income tax liabilities	–	202,632
Deferred tax assets/liabilities – net	199,806	288,812
<b>Total</b>	<b>56,311,522</b>	<b>27,310,542</b>

7 LAND USE RIGHTS, INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT ("PP&E") AND INTANGIBLE ASSETS

	Land use rights RMB'000	Investment properties RMB'000	PP&E RMB'000	Intangible assets RMB'000
<b>Six months ended 30 June 2014</b>				
<b>Opening net book amount</b>				
<b>1 January 2014</b>	944,990	277,004	5,016,525	4,260,141
Additions	39,428	1,980	564,233	1,054,467
Depreciation and amortisation charge (Note 15)	(17,086)	(8,072)	(260,799)	(45,045)
Disposals	–	–	(80,694)	(240)
<b>Closing net book amount</b>				
<b>30 June 2014</b>	967,332	270,912	5,239,265	5,269,323
<b>Six months ended 30 June 2013</b>				
<b>Opening net book amount</b>				
<b>1 January 2013</b>	905,359	312,740	4,423,573	3,674,866
Additions	17,979	–	524,513	628,180
Depreciation and amortisation charge (Note 15)	(13,505)	(3,359)	(232,723)	(32,990)
Internal transfer	–	–	(110)	110
Disposals	–	(932)	(35,862)	(291)
<b>Closing net book amount</b>				
<b>30 June 2013</b>	909,833	308,449	4,679,391	4,269,875

Note:

- (a) The additions of intangible assets included the goodwill of approximately RMB283,838,000, RMB263,698,000 and RMB219,200,000 which were arising from the acquisition of Shandong SPH Pharmaceutical Co., Ltd., Beijing Xinhai Fengyuan Biopharma Technology Development Co., Ltd. and Shaanxi Huaxin Pharmaceutical Co., Ltd. respectively.

## 8 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	<i>RMB'000</i>
<b>Six months ended 30 June 2014</b>	
<b>Opening net book amount 1 January 2014</b>	340,679
Share of profit for the period	73,820
Declaration of Dividends	(60,714)
<b>Closing net book amount 30 June 2014</b>	<b>353,785</b>
<b>Six months ended 30 June 2013</b>	
<b>Opening net book amount 1 January 2013</b>	309,020
Additions	70,500
Share of profit for the period	58,243
Declaration of Dividends	(124,210)
<b>Closing net book amount 30 June 2013</b>	<b>313,553</b>

## 9 INVESTMENTS IN ASSOCIATES

	<i>RMB'000</i>
<b>Six months ended 30 June 2014</b>	
<b>Opening net book amount 1 January 2014</b>	2,355,821
Additions	300,000
Share of profit for the period	87,594
Declaration of dividends	(130,703)
Deductions	(101,286)
<b>Closing net book amount 30 June 2014</b>	<b>2,511,426</b>
<b>Six months ended 30 June 2013</b>	
<b>Opening net book amount 1 January 2013</b>	2,236,288
Additions	12,851
Share of profit for the period	181,424
Declaration of dividends	(167,461)
Deductions	(61,953)
<b>Closing net book amount 30 June 2013</b>	<b>2,201,149</b>

## 9 INVESTMENTS IN ASSOCIATES (continued)

The Group's share of the results in the Group's significant associates and their aggregated assets and liabilities are shown below:

## (a) Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司)

	Six months ended 30 June 2014 RMB'000
Assets	3,012,563
Liabilities	2,326,812
Revenues	1,300,577
Share of profit	48,117
Percentage held	30%

## (b) TECHPOOL Bio-Pharma Co., Ltd. (廣東天普生化醫藥股份有限公司)

	Six months ended 30 June 2014 RMB'000
Assets	980,079
Liabilities	92,849
Revenues	253,191
Share of profit	23,797
Percentage held	40.8%

10 TRADE AND OTHER RECEIVABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
<b>Trade receivables from third parties</b>		
Accounts receivable	21,233,882	15,779,816
Less: Provision for impairment	(780,086)	(751,437)
Accounts receivable – net	20,453,796	15,028,379
Notes receivable	1,160,705	1,383,035
Trade receivables – net	21,614,501	16,411,414
<b>Other receivables from third parties</b>	1,612,146	1,516,367
Less: Provision for impairment	(710,845)	(702,211)
Other receivables – net	901,301	814,156
<b>Amount due from related parties (Note 25(d))</b>	484,242	231,375
Less: Provision for impairment	(14,185)	(11,408)
Amount due from related parties – net	470,057	219,967
<b>Prepayments</b>	967,650	715,810
<b>Value-added tax recoverable</b>	268,448	369,560
<b>Interest receivables</b>	10,541	8,722
Trade and other receivables	24,232,498	18,539,629

- (a) Retail sales at the Group's medicine and pharmaceutical chain stores are usually made in cash or by debit or credit cards. For medicine and pharmaceutical distribution and manufacturing businesses, a credit period up to certain months is granted to the customers. Aging analysis of gross trade receivables from third parties (accounts receivable and notes receivable) at 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Less than 3 months	16,590,672	12,733,837
3 months to 6 months	4,097,769	3,040,424
6 months to 12 months	858,891	621,263
1 year to 2 years	157,288	97,289
Over 2 years	689,967	670,038
	22,394,587	17,162,851

## 11 SHARE CAPITAL

	Number of A Shares (thousands)	Number of H Shares (thousands)	A Shares of RMB1 each RMB'000	H Shares of RMB1 each RMB'000	Total shares of RMB1 each RMB'000
Issued and fully paid:					
At 1 January 2014	1,923,016	765,894	1,923,016	765,894	2,688,910
Issue of Shares	-	-	-	-	-
At 30 June 2014	1,923,016	765,894	1,923,016	765,894	2,688,910
At 1 January 2013	1,923,016	765,894	1,923,016	765,894	2,688,910
Issue of Shares	-	-	-	-	-
At 30 June 2013	1,923,016	765,894	1,923,016	765,894	2,688,910

## 12 TRADE AND OTHER PAYABLES

	30 June 2014 RMB'000	31 December 2013 RMB'000
Accounts payable to third parties	17,298,108	13,769,690
Notes payable	2,781,962	2,722,624
Accrued expenses	647,982	562,159
Considerations payable in respect of acquisition of subsidiaries	549,452	25,675
Payables due to former shareholders of subsidiaries acquired	523,088	-
Staff welfare and salary payables	418,198	433,505
Deposits	392,243	322,483
Amounts due to related parties (Note 25(d))	389,139	415,634
Dividends payable	197,790	83,252
Tax liabilities other than income tax	158,134	190,989
Advances received from customers	143,576	306,569
Payables for purchase of PP&E	135,746	229,502
Others	613,665	509,811
	<b>24,249,083</b>	<b>19,571,893</b>



## 12 TRADE AND OTHER PAYABLES (continued)

As at 30 June 2014 and 31 December 2013, aging analysis of the accounts payables to third parties and notes payables is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Less than 3 months	15,010,706	11,257,395
3 months to 6 months	3,857,690	4,465,571
6 months to 12 months	941,285	441,342
1 year to 2 years	127,218	161,167
Over 2 years	143,171	166,839
	<b>20,080,070</b>	<b>16,492,314</b>

## 13 BORROWINGS

	30 June 2014 RMB'000	31 December 2013 RMB'000
Non-current	108,907	125,195
Current	7,198,402	5,924,370
	<b>7,307,309</b>	<b>6,049,565</b>

Movement in borrowings is analysed as follows:

	RMB'000
<b>Six months ended 30 June 2014</b>	
Opening net book amount 1 January 2014	6,049,565
Additions	5,275,623
Acquisition of subsidiaries	766,500
Deduction	(4,784,379)
	<b>7,307,309</b>
<b>Six months ended 30 June 2013</b>	
Opening net book amount 1 January 2013	4,941,546
Additions	5,757,635
Acquisition of subsidiaries	13,000
Deduction	(5,589,667)
Disposal of subsidiaries	(9,000)
	<b>5,113,514</b>

## 14 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Deferred income tax assets	210,153	199,806
Deferred income tax liabilities	377,839	288,812
Deferred income tax liabilities – net	<b>(167,686)</b>	(89,006)

The gross movement on the deferred income tax account is as follows:

	As at 30 June	
	2014 RMB'000	2013 RMB'000
At 1 January	(89,006)	(90,605)
Recognised in the consolidated income statements ( <i>Note 18</i> )	(13,542)	13,267
Acquisition of subsidiaries	(66,111)	(37,473)
Recognised in equity	973	3,386
Deferred income tax assets – net	<b>(167,686)</b>	(111,425)

## 15 OPERATING PROFIT

The following items have been charged to the operating profit during the period:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Depreciation of PP&E	260,799	232,723
Depreciation of investment properties	8,072	3,359
Amortisation of		
– land use rights	17,086	13,505
– intangible assets	45,045	32,990
Employee benefit expenses	1,747,031	1,513,181
Provision for impairment of trade and other receivables	40,982	36,708
Write-down of inventories to net realisable value	12,810	35,447

## 16 OTHER LOSSES – NET

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Gains/(losses) of financial assets at fair value through profit or loss, net	38	(111)
Gain on disposals of available-for-sale financial assets	1,369	–
Gain on disposals of financial assets at fair value through profit or loss	–	756
Losses on disposals of PP&E	(1,199)	(1,476)
Foreign exchange (losses)/gains	(9,519)	7,653
Others – net	(9,776)	(9,837)
	<b>(19,087)</b>	<b>(3,015)</b>

## 17 GAINS ON DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Gain on deemed disposal of investments in an associate (Note)	105,695	–
Others	26,555	12,776
	<b>132,250</b>	<b>12,776</b>

*Note:*

On 30 June 2014, the Group acquired the additional 50% equity interest in Beijing Xinhai Fengyuan Biopharma Technology Development Co., Ltd. at a consideration of RMB256,830,000 (Xinhai Fengyuan) (the "Acquisition"). Before the Acquisition, Xinhai Fengyuan was an associate of the Group and accounted for using the equity method accounting. Because of the obtaining control over Xinhai Fengyuan, the Group began to consolidate it from the date of the Acquisition. Consequently, in recording such transaction, the Group (a) deemed disposal of the 50% equity interest held in Xinhai Fengyuan at their fair value of RMB206,981,000 at the acquisition date; (b) deemed acquisition of 100% equity interest in Xinhai Fengyuan at a consideration of RMB463,811,000; and (c) recognised a deemed disposal gain of RMB105,695,000 in the income statement. Impact of the transaction are analysed as below:

	Six month ended 30 June 2014 RMB'000
Fair value of the 50% equity investment in Xinhai Fengyuan	206,981
Less: Carrying amount of net assets of Xinhai Fengyuan as an associate at the acquisition date	(101,286)
Gain on disposal of Xinhai Fengyuan	105,695

## 18 INCOME TAX EXPENSE

The amounts of income tax expenses charged to the consolidated income statements represent:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Current income tax, PRC enterprise income tax	388,920	325,313
Deferred income tax	13,542	(13,267)
	402,462	312,046

Income tax expenses is recognised based on the management's estimate of the annual income tax rate expected for the full financial year.

## 19 EARNINGS PER SHARE

For the six months ended 30 June 2014 and 2013, basic earnings per share are based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	1,318,004	1,189,609
Number of ordinary shares (thousands)	2,688,910	2,688,910
Basic earnings per share (RMB)	0.49	0.44

The diluted earnings per share is same as the basic earnings per share as there was no dilutive potential shares existed during for the six months ended 30 June 2014 and 2013.

## 20 DIVIDENDS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Dividends declared by the Company	—	—

No interim dividend was proposed by the directors of the Company for the six months ended 30 June 2014 and 2013.

## 21 CONTINGENCIES AND GUARANTEES

- (a) For the six months ended 30 June 2014, Xiamen traditional Chinese Medicine Co., Ltd., a subsidiary of the Group, received a write of summons from Zhangzhou Intermediate People's court about the illicit dispute litigation commenced by Zhangzhou pientzhuang pharmaceutical Co.,Ltd. against Xiamen traditional Chinese Medicine Co., Ltd., Xiamen Evening News Media Development Co. Ltd. and Xiamen Daily news. It is not anticipated that any material liabilities will arise from the contingent liabilities.

## (b) Outstanding loan guarantees

	30 June 2014 RMB'000	31 December 2013 RMB'000
Outstanding loan guarantees provided to related parties	18,920	42,290

The management has assessed that it is not probable for the Group to repay the guaranty and thus has not made any provision for the outstanding balance of the guaranty.

## 22 COMMITMENTS

## (a) Capital commitments

## (i) Constructions

Capital expenditure contracted for at the end of 30 June 2014 and 31 December 2013 but not yet incurred is as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
PP&E	101,197	106,869
Land use rights	–	28,939
	101,197	135,808

## (ii) Other commitments

On 23 February 2011, the Company has entered into certain agreements (the "Agreements") with Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (Fudan Zhangjiang), pursuant to which the Company would pay approximately RMB180,000,000 to Fudan Zhangjiang to conduct research and development on certain medicine project. Up to 30 June 2014, the Company has already paid Fudan Zhangjiang research and development cost of approximately RMB90,243,000.

Pursuant to the agreement entered into among the Group and Sichuan Green Angel Private Equity Center LLP, Sichuan Kelun Pharmaceutical Co.,Ltd., Beijing Ruijian Tianxing Biotechnology Co.,Ltd. and Meishan Western Medical Valley Investment Development Co.,Ltd. in June 2014, the Group will set up a new company named Sichuan Green Tech Biotechnology Co.,Ltd. (the name will be subject to final registration, hereinafter referred to as Green Tech) with a registered capital of RMB118,000,000, out of which RMB27,000,000 will be contributed by the Group and representing 22.88% of the equity interest. As at 30 June 2014, the above-mentioned transaction was not completed.

## 22 COMMITMENTS (continued)

## (b) Operating lease commitments

(i) *The Group is the lessee:*

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	174,560	171,332
Later than 1 year and no later than 2 years	146,432	139,603
Later than 2 years and no later than 5 years	170,711	137,479
Later than 5 years	107,560	121,070
	<b>599,263</b>	<b>569,484</b>

(ii) *The Group is the lessor:*

The Group leases out certain office premises, plant and equipment under non-cancellable operating lease agreements. The further aggregate minimum rental receivable under these leases is as follows:

	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	26,060	23,559
Later than 1 year and no later than 2 years	22,141	19,442
Later than 2 years and no later than 5 years	39,011	44,866
Later than 5 years	55,864	61,316
	<b>143,076</b>	<b>149,183</b>

## 23 SIGNIFICANT TRANSACTIONS WITH NON-CONTROLLING INTERESTS

## Significant acquisition of additional interests in the subsidiaries

## (i) Transaction with non-controlling interests of Big Global Limited (Hong Kong) ("Big Global")

On 5 April 2014, the Group acquired additional 10% equity interests of Big Global for a purchase consideration of approximately RMB77,800,000. The carrying amount of the non-controlling interests in Big Global on the date of acquisition was approximately RMB15,860,000. The Group recognised a decrease in non-controlling interests of approximately RMB15,860,000 and a decrease in equity attributable to owners of the Company of approximately RMB61,940,000. The effect of changes in the ownership interests of Big Global on the equity attributable to owners of the Company during the year is summarised as follows:

	<b>2014</b> <b>RMB'000</b>
Carrying amount of non-controlling interests acquired	15,860
Consideration paid to non-controlling interests	(77,800)
	<hr/>
Excess of consideration paid recognised within equity	(61,940)

## (ii) Transaction with non-controlling interests of Shandong SPH Shanglian Pharmaceuticals Co., Ltd. ("Shandong Shanglian")

On 31 May 2014, the Group acquired additional 35% equity interests of Shandong Shanglian for a purchase consideration of approximately RMB37,428,000. The carrying amount of the non-controlling interests in Shandong Shanglian on the date of acquisition was approximately RMB11,971,000. The Group recognised a decrease in non-controlling interests of approximately RMB11,971,000 and a decrease in equity attributable to owners of the Company of approximately RMB25,457,000. The effect of changes in the ownership interests of Shandong Shanglian on the equity attributable to owners of the Company during the year is summarised as follows:

	<b>2014</b> <b>RMB'000</b>
Carrying amount of non-controlling interests acquired	11,971
Consideration paid to non-controlling interests	(37,428)
	<hr/>
Excess of consideration paid recognised within equity	(25,457)

## 24 BUSINESS COMBINATION

## Significant business combinations not under common control

- (i) In May 2014, the Group acquired 75% equity interests in Shandong SPH Pharmaceutical Co., Ltd. from an independent third party, on which the Group effectively obtained the right to control its pharmaceutical business and consolidated it into the consolidated financial statements.

The goodwill of RMB283,839,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater production efficiencies through knowledge transfer; obtaining economies of scale by cost reductions from purchasing efficiencies, price reductions and greater volume rebates from suppliers; and unrecognised assets such as the workforce.

The following table summarises the consideration paid for the acquisition of approximately RMB407,290,000, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

<b>Consideration</b>	<b>Shandong SPH Pharmaceutical Co., Ltd. RMB'000</b>
At 31 May 2014	
Acquisition consideration	407,290
<b>Total consideration</b>	<b>407,290</b>
 <b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	20,137
PP&E	24,715
Land use rights	36,540
Intangible assets	57,269
Inventories	183,268
Trade and other receivables	931,628
Deferred income tax assets	1,900
Deferred income tax liabilities	(12,851)
Trade and other payables	(1,078,004)
<b>Total identifiable net assets</b>	<b>164,602</b>
Non-controlling interests	(41,151)
Goodwill	283,839
	<b>407,290</b>



## 24 BUSINESS COMBINATION (continued)

Significant business combinations not under common control  
(continued)

(i) (continued)

	<b>31 May 2014</b> <b>RMB'000</b>
Outflow of cash to acquire Shandong SPH Pharmaceutical Co., Ltd., net of cash acquired	
– cash consideration	207,900
– cash and banks in subsidiary acquired	(20,137)
	<hr/>
Cash outflow on acquisition	187,763

(a) Revenue and profit contribution

Shandong SPH Pharmaceutical Co., Ltd. contributed revenues of RMB289,360,000 and net profit of RMB2,580,000 to the Group for the period from 31 May 2014 to 30 June 2014. If the acquisition had occurred on 1 January 2014, consolidated revenue and consolidated profit for the half year ended 30 June 2014 would have increased by RMB208,793,000 and RMB1,071,000 respectively.

(ii) In June 2014, the Group acquired 85% equity interests in Shaanxi Huaxin Pharmaceutical Co., Ltd. (陝西華信醫藥有限公司, "Shaanxi Huaxin") from an independent third party, on which the Group effectively obtained the right to control its pharmaceutical business and consolidated it into the consolidated financial statements.

The goodwill of RMB219,199,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater production efficiencies through knowledge transfer; obtaining economies of scale by cost reductions from purchasing efficiencies, price reductions and greater volume rebates from suppliers; and unrecognised assets such as the workforce.

The following table summarises the consideration paid for the acquisition of approximately RMB286,660,000, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

## 24 BUSINESS COMBINATION (continued)

### Significant business combinations not under common control (continued)

(ii) (continued)

<b>Consideration</b>	<b>Shaanxi Huaxin</b> <i>RMB'000</i>
At 30 June 2014	
Acquisition consideration	286,660
<b>Total consideration</b>	<b>286,660</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	77,337
Restricted cash	20,000
PP&E	5,905
Intangible assets	65,780
Deferred income tax assets	1,200
Inventories	94,579
Trade and other receivables	511,764
Borrowings	(398,000)
Deferred income tax liabilities	(16,852)
Trade and other payables	(279,152)
Current income tax liabilities	(3,195)
<b>Total identifiable net assets</b>	<b>79,366</b>
Non-controlling interests	(11,905)
Goodwill	219,199
	<b>286,660</b>
<b>30 June 2014</b> <i>RMB'000</i>	
Outflow of cash to acquire Shaanxi Huaxin, net of cash acquired	
– cash consideration	138,271
– cash and banks in subsidiary acquired	(77,337)
<b>Cash outflow on acquisition</b>	<b>60,934</b>

## 24 BUSINESS COMBINATION (continued)

Significant business combinations not under common control  
(continued)

(ii) (continued)

(a) Revenue and profit contribution

The revenue and net profit of Shanxi Huaxin contributed to the Group for the period from the date of acquisition to 30 June 2014 were immaterial. If the acquisition had occurred on 1 January 2014, consolidated revenue and consolidated profit for the half year ended 30 June 2014 would have increased by RMB800,340,000 and RMB9,706,000 respectively.

(iii) As at 31 December 2013, the Group held 50.00% equity interest in Beijing Xinhai Fengyuan Biopharma Technology Development Co., Ltd. (北京信海豐園生物醫藥科技有限公司, "Xinhai Fengyuan"). The Group did not have the power to govern the financial and operating policies of Xinhai Fengyuan. Thus, the investment was accounted for using the equity method of accounting. In June 2014, the Group obtained the substantial control over Xinhai Fengyuan through acquiring its remaining 50% equity interests. Hence, Xinhai Fengyuan was consolidated by the Group when the Group prepared its consolidated financial statements for the period ended 30 June 2014.

The goodwill of RMB265,538,000 arises from a number of factors including expected synergies through combining a highly skilled workforce and obtaining greater production efficiencies through knowledge transfer; obtaining economies of scale by cost reductions from purchasing efficiencies, price reductions and greater volume rebates from suppliers; and unrecognised assets such as the workforce.

The following table summarises the consideration paid for the acquisition of approximately RMB463,811,000, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

## 24 BUSINESS COMBINATION (continued)

Significant business combinations not under common control  
(continued)

(iii) (continued)

Consideration	Xinhai Fengyuan RMB'000
At 30 June 2014	
Fair value of the existing 50.00% equity investment in Xinhai Fengyuan	206,981
Acquisition consideration for the purchase of remaining 50% equity investment in Xinhai Fengyuan	256,830
<b>Total consideration</b>	<b>463,811</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	3,994
Restricted cash	20,000
PP&E	131,024
Land use rights	2,888
Intangible assets	74,175
Deferred income tax assets	2,229
Inventories	281,360
Trade and other receivables	781,114
Borrowings	(349,400)
Deferred income tax liabilities	(42,210)
Trade and other payables	(665,421)
Current income tax liabilities	(4,571)
<b>Total identifiable net assets</b>	<b>235,182</b>
Non-controlling interests	(36,909)
Goodwill	265,538
	<b>463,811</b>

## 24 BUSINESS COMBINATION (continued)

Significant business combinations not under common control  
(continued)

(iii) (continued)

	<b>30 June 2014</b> <b>RMB'000</b>
Outflow of cash to acquire Xinhai Fengyuan, net of cash acquired	
– cash consideration	128,415
– cash and banks in subsidiary acquired	(3,994)
	<hr/>
Cash outflow on acquisition	124,421

## (a) Revenue and profit contribution

The revenue and net profit of Xinhai Fengyuan contributed to the Group for the period from the date of acquisition to 30 June 2014 were immaterial. If the acquisition had occurred on 1 January 2014, consolidated revenue and consolidated profit for the half year ended 30 June 2014 would have increased by RMB1,223,371,000 and RMB476,000 respectively.

## 25 SIGNIFICANT RELATED PARTIES TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Company is controlled by Shanghai Pharmaceutical (Group) Co., Ltd. (“Shanghai Pharma Group”) and Shanghai Industrial Investment (Holdings) Co., Ltd., (“Shanghai Industrial Group”) the parent company and ultimate holding company, both of which are government-related enterprise established in the PRC. The PRC government indirectly controls Shanghai Industrial Group. In accordance with HKAS 24 (Revised), “Related Party Disclosures”, issued by the HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include Shanghai Industrial Group and its subsidiaries (other than the Group), other government related entities and their subsidiaries, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group’s significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include sales or purchases of assets, goods and services, bank deposits and bank borrowings and related trade and other receivables, trade and other payables, borrowings, pledged bank deposits, cash and cash equivalents. The directors of the Company believe that the meaningful information of related party transactions has been adequately disclosed in the consolidated financial statements.

Name of related party	Nature of relationship
Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)	Immediate holding company
Shanghai Shengli Pharmaceutical Machinery Co., Ltd (上海勝利醫療器械有限公司)	Controlled by Shanghai Industrial Group
Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (上海新先鋒藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai indu-land property Co., Ltd (上海英達萊物業有限公司)	Controlled by Shanghai Pharma Group
Shanghai HuaJiu Material Supply and Marketing Co., Ltd. (上海華久物資供銷有限公司)	Controlled by Shanghai Pharma Group
Shanghai Hutchison Pharmaceutical Co., Ltd. (上海和黃藥業有限公司)	Jointly controlled entity

25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

Name of related party	Nature of relationship
Jiangxi Nanhua Medicines Co., Ltd. (江西南華醫藥有限公司)	Jointly controlled entity
Shanghai Jianer Pharmacy Co., Ltd. (上海健爾藥房有限公司)	Jointly controlled entity
Shanghai Baohua Industrial Co., Ltd. (上海保華實業公司)	Associate
Sino-American Shanghai Squibb Pharmaceuticals Ltd (中美上海施貴寶製藥有限公司)	Associate
Shanghai Bracco Sine Pharmaceutical Corp. Ltd. (上海信誼博萊科藥業有限公司)	Associate
Shanghai Sine Promod Pharmaceutical Corp., Ltd. (上海信誼百路達藥業有限公司)	Associate
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd. (上海千山遠東製藥機械有限公司)	Associate
Shanghai Huaren Pharmaceutical Co.,Ltd (上海華仁醫藥有限公司)	Associate
Shanghai Ajinomoto Amino Acid Co., Ltd. (上海味之素氨基酸有限公司)	Associate
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司)	Associate
Shanghai Deyi Pharmaceutical Co., Ltd. (上海得一醫藥有限公司)	Associate
Shanghai Ivyuan Pharmacy Co., Ltd. (上海綠苑藥房有限公司)	Associate
Shanghai Luoda Pharmaceutical Co., Ltd. (上海羅達醫藥有限公司)	Associate
Shanghai Beisiou Pharmaceutical Co., Ltd. (上海貝斯歐藥業有限公司)	Associate
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. (上海雷允上北區藥業股份有限公司)	Associate
Beijing Xin Hai Feng Yuan Biomedical Development Co.,Ltd. (北京信海豐園生物醫藥科技發展有限公司)	Associate
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd. (杭州胡慶餘堂國藥號有限公司)	Associate
Hangzhou Huqingyutang Medicine Planting Co,Ltd (杭州胡慶餘堂藥業種植有限公司)	Associate
Chongqing Medicines Shanghai Pharma Sales Co., Ltd. (重慶醫藥上海藥品銷售有限公司)	Associate
Beijing Xin Hai Kang Pharmaceutical Co., Ltd. (北京信海康醫藥有限公司)	Subsidiary of associate
Henan Kangxin Pharmaceutical Co., Ltd. (河南省康信醫藥有限公司)	Subsidiary of associate

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other government-related enterprises, during the periods and balances arising from related party transactions.

## 25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

## (a) Significant transactions with related parties except for other government-related enterprises

For the six months ended 30 June 2014 and 2013, the Group had the following significant transactions entered into in the ordinary course of business between the Group and its related parties.

	Six month ended 30 June	
	2014 RMB'000	2013 RMB'000
Sales of goods and render of service		
Jiangxi Nanhua Medicines Co., Ltd.	264,603	268,601
Henan Kangxin Pharmaceutical Co., Ltd.	59,273	84,183
Shanghai Hutchison Pharmaceutical Co., Ltd.	38,203	40,713
Shanghai Deyi Pharmaceutical Co., Ltd.	32,988	35,349
Shanghai Luoda Pharmaceutical Co., Ltd.	32,051	32,396
Beijing Xin Hai Feng Yuan Biomedical Development Co.,Ltd.	27,729	126
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	26,189	29,551
Shanghai Ivyuan Pharmacy Co., Ltd.	17,520	15,998
Beijing Xin Hai Kang Pharmaceutical Co., Ltd.	5,809	4,576
Shanghai Huaren Pharmaceutical Co.,Ltd	4,827	6,820
Sino-American Shanghai Squibb Pharmaceuticals Ltd	2,448	1,119
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd.	2,043	1,461
Shanghai Roche Pharmaceutical Co., Ltd.	1,217	1,728
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	536	1,453
Shanghai Asia Pioneer Pharmaceutical Co., Ltd	216	1,500
Shanghai Jianer Pharmacy Co., Ltd.	95	2,481
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd	–	1,183
Others	2,026	1,647
	<b>517,773</b>	<b>530,885</b>



25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

(a) Significant transactions with related parties except for other government-related enterprises (continued)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Purchase of goods and services		
Shanghai Roche Pharmaceutical Co., Ltd.	1,058,749	1,128,199
Sino-American Shanghai Squibb Pharmaceuticals Ltd	280,936	328,013
Shanghai Hutchison Pharmaceutical Co., Ltd.	80,550	88,720
TECHPOOL Bio-Pharma Co.,Ltd.	52,623	54,467
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	25,383	22,117
Beijing Xin Hai Feng Yuan Biomedical Development Co.,Ltd.	24,217	21,000
Shanghai Deyi Pharmaceutical Co., Ltd.	20,385	7,059
Shanghai Bracco Sine Pharmaceutical Corp. Ltd.	19,079	16,634
Shanghai Luoda Pharmaceutical Co., Ltd.	17,607	12,008
Hangzhou Huqingyutang Medicine Planting Co,Ltd	4,606	5,093
Beijing Xin Hai Kang Pharmaceutical Co., Ltd.	4,271	–
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	–	2,555
Others	12,634	12,976
	<b>1,601,040</b>	<b>1,698,841</b>

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Rental income		
Shanghai Bracco Sine Pharmaceutical Corp. Ltd.	5,057	5,057
Shanghai Hutchison Pharmaceutical Co., Ltd.	791	–
	<b>5,848</b>	<b>5,057</b>

25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

(a) Significant transactions with related parties except for other government-related enterprises (continued)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Rental expense		
Shanghai Pharmaceutical (Group) Co., Ltd.	13,461	13,462
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	8,014	12,798
shanghai indu-land property Co., Ltd.	1,779	483
Beijing Xin Hai Feng Yuan Biomedical Development Co.,Ltd.	30	2,181
	<b>23,284</b>	<b>28,924</b>

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
R&D expenditure		
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	–	–

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest income		
Beijing Xin Hai Feng Yuan Biomedical Development Co.,Ltd.	2,009	967

(b) Key management compensation

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Salaries and fee	2,400	2,430
Bonuses	–	–
Retirement plans contributions	288	299
	<b>2,688</b>	<b>2,729</b>

## 25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

## (b) Key management compensation (continued)

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the Company's directors and the Group's management, these transactions are in the ordinary course of business of the Group.

## (c) Other related parties transactions

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Compensation and others (Note)	120,000	23,300

Note: The above related party transactions were mainly related to the Group's acquisition of 96.9% equity interests of Shanghai New Asiatic Pharmaceuticals Co., Ltd. and 100% equity interests of Shanghai Asia Pioneer Huakang Pharmaceutical Co., Ltd. (collectively, the "Anti-biotic Businesses") in 2011. Pursuant to the agreement the Group entered into with Shanghai Pharma Group had made commitments in respect of the "Anti-biotic Businesses". If the profit attributable to owners of the Anti-biotic Businesses for the year from 2011 to 2013 cannot achieve pre-determined target, Shanghai Pharma Group will pay the Group the shortage in cash with a ceiling of approximately RMB120,000,000. According to the results of the Anti-biotic Businesses from 2011 to 2013, Shanghai Pharma Group has paid off the Group RMB120,000,000 for this period in respect of the commitments.

In this period, the Group acquired 100% equity interests in China International Pharmaceutical (Holding) Corporation Limited ("China International") from Shanghai Pharma Group at a cash consideration of approximately RMB45,372,000 (the "Acquisition") Upon the completion of the Acquisition, the Group holds 100% equity interest in China International.

In this period, the Group acquired 100% equity interest in Shanghai Jiaolian Medicine Research and Development Co., Ltd. (上海交聯藥物研發有限公司) from Mr Liu Yanjun, the Vice-President of the Company, and his spouse at a fixed consideration of RMB10,000,000 with a floating consideration no more than RMB5,000,000, (the "Acquisition") Upon the completion of the Acquisition, the Group holds 100% equity interest in Shanghai Jiaolian Medicine Research and Development Co., Ltd..

In this period, the Group transferred 75% equity interest in Shanghai Dental Instrument Factory Co., Ltd. ("Victor Medical") to The Wing Fat Printing Co. Ltd., a company controlled by Shanghai Industrial Group, at a cash consideration of approximately RMB8,506,000 (the "Transaction") Upon the completion of the Transaction, the Group has not hold equity interest in Victor Medical any more.

In this period, the Group contributed RMB300,000,000 to establish SIIC Finance Co., Ltd. (上海實業集團財務有限公司) which is 30% owned by the Group (the "Transaction") jointly with Shanghai Shangshi, Shanghai Industrial Capital Co., Ltd. ("SI Capital") and SIIC Dongtan Investment & Development (Holdings) Co.,Ltd. ("SIIC Dongtan").

25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

(d) Significant balances with related parties except for other government-related enterprises

Amount due from related parties:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade receivables	339,833	160,749
Other receivables	75,186	49,740
Prepayments	6,021	11,341
Dividends receivables	63,202	9,545
	<b>484,242</b>	<b>231,375</b>

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade receivables due from		
Jiangxi Nanhua Medicines Co., Ltd.	256,713	59,956
Shanghai Hutchison Pharmaceutical Co., Ltd.	29,840	20,435
Shanghai Luoda Pharmaceutical Co., Ltd.	14,953	13,095
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	10,125	11,865
Shanghai Deyi Pharmaceutical Co., Ltd.	12,074	9,708
Shanghai Ivyuan Pharmacy Co., Ltd.	5,685	4,894
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	2,912	4,007
Sino-American Shanghai Squibb Pharmaceuticals Ltd	1,923	1,499
Shanghai Huaren Pharmaceutical Co., Ltd.	1,790	2,791
Shanghai Roche Pharmaceutical Co., Ltd.	741	902
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	417	417
Henan Kangxin Pharmaceutical Co., Ltd.	–	21,907
Beijing Xin Hai Kang Pharmaceutical Co., Ltd.	–	5,762
Others	2,660	3,511
	<b>339,833</b>	<b>160,749</b>
Less: Provision for impairment	(7,723)	(5,591)
	<b>332,110</b>	<b>155,158</b>

25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

(d) Significant balances with related parties except for other government-related enterprises (continued)

	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables due from		
Shanghai ShengLi Medical Devices Co., Ltd..	61,112	–
Shanghai Beisiou Pharmaceutical Co., Ltd.	5,800	5,800
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd.	4,949	4,949
Shanghai Huaren Pharmaceutical Co., Ltd.	1,500	1,500
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	1,138	1,113
Beijing Xin Hai Feng Yuan Biomedical Development Co., Ltd.	–	35,740
Others	687	638
	<b>75,186</b>	<b>49,740</b>
Less: Provision for impairment	<b>(6,462)</b>	<b>(5,817)</b>
	<b>68,724</b>	<b>43,923</b>

Other receivables are all non-trade receivables and will be settled upon demand of the Group.

Aging analysis of the trade and other receivables due from related parties are as follows:

	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 3 months	296,313	142,610
3 months to 6 months	100,725	9,454
6 months to 12 months	17	2,215
1 year to 2 years	2,031	33,419
Over 2 years	15,933	22,791
	<b>415,019</b>	<b>210,489</b>

25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

(d) Significant balances with related parties except for other government-related enterprises (continued)

	30 June 2014 RMB'000	31 December 2013 RMB'000
Prepayments due from		
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	3,390	10,010
Shanghai Hutchison Pharmaceutical Co., Ltd.	2,631	1,227
Others	–	104
	<b>6,021</b>	<b>11,341</b>

	30 June 2014 RMB'000	31 December 2013 RMB'000
Dividends receivable		
TECHPOOL Bio-Pharma Co.,Ltd.	45,014	–
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd.	11,732	5,684
Shanghai Ajinomoto Amino Acid Co., Ltd.	2,845	–
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	2,120	2,370
Shanghai Luoda Pharmaceutical Co., Ltd.	1,256	1,256
Others	235	235
	<b>63,202</b>	<b>9,545</b>

**Amount due to related parties:**

	30 June 2014 RMB'000	31 December 2013 RMB'000
Trade Payables	352,177	383,533
Other Payables	26,806	21,526
Advances	2,077	2,496
Dividends Payable	8,079	8,079
	<b>389,139</b>	<b>415,634</b>

## 25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

## (d) Significant balances with related parties except for other government-related enterprises (continued)

	30 June 2014	31 December 2013
	RMB'000	RMB'000
Trade payables due to		
Shanghai Roche Pharmaceutical Co., Ltd.	234,297	263,648
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	39,577	72,729
TECHPOOL Bio-Pharma Co.,Ltd.	28,487	13,402
Shanghai Hutchison Pharmaceutical Co., Ltd.	19,215	5,424
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	11,608	10,291
Shanghai Deyi Pharmaceutical Co., Ltd.	3,937	3,496
Shanghai Huajiu Material supply and marketing Co., Ltd	2,490	3,242
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	1,931	1,714
Others	10,635	9,587
	<b>352,177</b>	<b>383,533</b>

	30 June 2014	31 December 2013
	RMB'000	RMB'000
Other payables due to		
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	18,169	9,066
Shanghai Baohua Industrial Co., Ltd.	5,500	–
Shanghai Pharmaceutical (Group) Co., Ltd.	2,730	8,829
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd.	95	2,289
Others	312	1,342
	<b>26,806</b>	<b>21,526</b>

Other payables are all non-trade payables and will be settled upon demand of these related parties.

## 25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

### (d) Significant balances with related parties except for other government-related enterprises (continued)

Aging analysis of the trade and other payables due to related parties are as follows:

	30 June 2014 RMB'000	31 December 2013 RMB'000
Less than 3 months	374,542	380,236
3 months to 6 months	2,187	2,008
6 months to 12 months	214	9,498
1 year to 2 years	470	2,989
Over 2 years	1,570	10,328
	<b>378,983</b>	<b>405,059</b>

	30 June 2014 RMB'000	31 December 2013 RMB'000
Advances due to		
Shanghai Baohua Industrial Co., Ltd.	2,064	2,064
Others	13	432
	<b>2,077</b>	<b>2,496</b>

	30 June 2014 RMB'000	31 December 2013 RMB'000
Dividends payable		
Shanghai Pharmaceutical (Group) Co., Ltd.	8,000	8,000
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	79	79
	<b>8,079</b>	<b>8,079</b>



## 25 SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

## (e) Significant guarantees with related parties except for other government-related enterprises

	30 June 2014 RMB'000	31 December 2013 RMB'000
Outstanding loan guarantees provided by the Group to		
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	9,920	13,290
Shanghai Luoda Pharmaceutical Co., Ltd.	9,000	9,000
Beijing XinHai Feng Yuan Biomedical Development Co., Ltd.	–	20,000
	<b>18,920</b>	<b>42,290</b>

	30 June 2014 RMB'000	31 December 2013 RMB'000
Outstanding loan guarantees given to the Group by		
Shanghai Pharmaceutical (Group) Co., Ltd.	3,620	3,620

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