



2015
Interim Report



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

1. The board of directors, the board of supervisors and the directors, supervisors and senior management of the Company hereby warrant that the information contained in this interim report does not contain any false representations, misleading statements or material omissions and individually and jointly accept full responsibilities for the truthfulness, accuracy and completeness of the information contained herein.
2. All directors of the Company attended the eighteenth meeting of the fifth session of the board of directors on 26 August 2015, at which resolutions including the interim results of the Company for the six months ended 30 June 2015 were approved.
3. This interim report is unaudited. The board of directors and the audit committee of the Company have reviewed and confirmed this financial report.
4. 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 statements contained in this interim report.
5. Profit distribution proposal or proposal for the conversion of capital reserve fund into share capital during the Reporting Period approved by the board of directors.
None
6. Risk statements regarding the forward-looking statements
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.
7. Is there any appropriation of funds by the controlling shareholders and their connected parties that is unrelated to operation?
No
8. Is there any instance of providing external guarantee that is in breach of the established decision making procedure?
No



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CHAPTER 1 DEFINITIONS

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

Definitions of Common Terms	
"the Group", "Group", "the Company", "Company" or "Shanghai Pharmaceuticals"	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (the shares of which are listed on the Shanghai Stock Exchange with stock code 601607.SH, and on the Main Board of the Hong Kong Stock Exchange with stock code 02607) 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 2015 to 30 June 2015
"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 specified, 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 of the PRC
"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 Issuers 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)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Shanghai SASAC"	State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (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)
"Shenergy Group"	Shenergy (Group) Co., Ltd. (申能(集團)有限公司)
"Shanghai Shengrui"	Shanghai Shengrui Investment Co., Ltd. (上海盛睿投資有限公司)

CHAPTER 2 BASIC CORPORATE INFORMATION

I. CORPORATE INFORMATION

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

II. CONTACT PERSON AND CONTACT DETAILS

	Secretary of the board of directors	Securities Affairs Representative
Name	(Note)	Dong Linqiong
Contact address	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai
Telephone	+8621-63730908	+8621-63730908
Facsimile	+8621-63289333	+8621-63289333
E-mail	pharm@sphchina.com	pharm@sphchina.com

Note: Ms. Han Min, the former secretary of the board of directors, ceased to be the secretary of the board of directors of the Company starting from 7 August 2015. The board of directors resolved that during the vacancy of secretary of the board of directors, Mr. Shen Bo, the Chief Financial Official, shall assume the duties of the secretary of the board of directors temporarily.

III. CHANGES IN BASIC CORPORATE INFORMATION

There was no change in basic corporate information during the Reporting Period.

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

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

V. STOCK INFORMATION OF THE COMPANY

Type of stock	Stock exchange on which shares are listed	Stock abbreviation	Stock code	Prior to the change of stock code
A Shares	Shanghai Stock Exchange	上海醫藥	601607	600849
H Shares	Hong Kong Stock Exchange	SH PHARMA	02607	Not applicable

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

During the Reporting Period, the registered address of the Company has been changed from "No. 92 Zhangjiang Road, Pudong New Area, Shanghai" to "No. 92 Zhangjiang Road, China (Shanghai) Pilot Free Trade Zone". There is no change to the physical registered address of the Company.

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

Major accounting data	Reporting Period (January to June)	Corresponding period of last year	Increase (decrease) during the Reporting Period as compared to the corresponding period of last year (%)
Operating revenue	50,950,076,415.18	44,013,016,325.43	15.76
Net profit attributable to equity holders of the Company	1,534,020,623.10	1,318,002,918.94	16.39
Net profit after deduction of non-recurring profit or loss attributable to equity holders of the Company	1,455,548,417.01	1,197,068,289.47	21.59
Net cash flows from operating activities	482,482,941.88	271,115,060.72	77.96

	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	28,490,827,830.76	27,822,129,424.69	2.40
Total assets	69,885,783,743.45	64,340,558,156.78	8.62

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

Unit: RMB

Major financial indicators	Reporting Period (January to June)	Corresponding period of last year	Increase (decrease) during the Reporting Period as compared to the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.5705	0.4902	16.39
Diluted earnings per share (RMB per share)	0.5705	0.4902	16.39
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.5413	0.4452	21.59
Weighted average return on net assets (%)	5.38	4.99	Increased by 0.39 percentage point
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	5.11	4.53	Increased by 0.58 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	69,885,784	64,340,559	8.62
Equity attributable to equity holders of the parent	28,490,828	27,822,133	2.40
Net assets per share attributable to equity holders of the parent (RMB per share)	10.60	10.35	2.40



	Reporting Period (January to June)	Corresponding period of last year	Increase (decrease) during the Reporting Period as compared to the corresponding period of last year (%)
Profit before income tax	2,124,660	1,917,104	10.83
Net profit attributable to equity holders of the parent	1,534,018	1,318,004	16.39
Basic and diluted earnings per share (RMB)	0.57	0.49	16.39
Weighted average return on net assets (%)	5.38	4.99	Increased by 0.39 percentage point

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

Applicable Not applicable

(I) Difference arising from the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the International Accounting Standards and the Generally Accepted Accounting Principles of the PRC (the "PRC GAAP")

Applicable Not applicable

(II) Difference arising from the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the Foreign Accounting Standards and the PRC GAAP

Applicable Not applicable

(III) 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 report are extracted from the financial report of the Company prepared under the Chinese Accounting Standards for Business Enterprises.

CHAPTER 3 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

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

✓ Applicable □ Not applicable

Unit: RMB

Non-recurring Profit and Loss Item	Amount	Notes (if applicable)
Profit or loss on disposal of non-current assets	7,334,457.44	/
Government grants recognised in profit or loss for the current period excluding those closely related to the Group's normal operations and granted on an on-going basis under the national policies according to certain fixed quota of amount or volume	99,220,231.49	/
Except for the effective hedging activities related to the Group's ordinary activities, 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	184,476.60	/
Reversal of provisions on receivables assessed for impairment on an individual basis	3,854,140.00	/
Other non-operating income and expenses other than the aforesaid items	633,523.69	/
Effect on minority interests	-8,140,369.96	/
Effect on income tax	-24,614,253.17	/
Total	78,472,206.09	/



I. BOARD DISCUSSION AND ANALYSIS OF THE OVERALL OPERATION OF THE COMPANY DURING THE REPORTING PERIOD¹

In the first half of 2015, a number of factors, including macro-economic slowdown, further reforms in drug prices and public hospitals, control of medical insurance reimbursements, new round of drug tendering invitations launched by some provinces, promotion of the Good Manufacturing Practice (GMP) and the Good Supplying Practice (GSP) certifications for new pharmaceutical products, led to a slower revenue and profit growth in the pharmaceutical industry. From a long-term perspective, the pharmaceutical industry is going to maintain its sound growth with the support from continuing population aging, drug demands and technology advancement. Industrial policies, including the Guidelines on Improving the Centralised Drug Procurement for Public Hospital (《關於完善公立醫院藥品集中採購工作的指導意見》) issued by the State Council, the Circular on the Implementation of the Guidelines on Improving the Centralised Drug Procurement for Public Hospital (《關於落實完善公立醫院藥品集中採購工作指導意見的通知》) issued by the National Health and Family Planning Commission (the “NHFPC”), the Circular Announcing the Abolishment of Drug Price Files (《關於公佈廢止藥品價格文件的通知》) and the Circular on Issuing the Opinions on Promoting Drug Price Reform (《關於印發推進藥品價格改革意見的通知》), issued by the National Development and Reform Commission (the “NDRC”) have affected the whole pharmaceutical industry to some extent. In the second half, the pharmaceutical industry is expected to grow at the same speed as that of first half.

In the first half of 2015, guided by the principle of “lean manufacturing, cost efficiency, quality first; Internet-oriented thinking, innovative service model; to adapt to the new normal, stay market-oriented and fast response; to brave new challenges, make responsive changes and achieve a revenue of over RMB100 billion” set early this year, the Company, focusing on the 20 key tasks to accelerate its business development, improve management capability and to foster core competitiveness, made smooth progress in various aspects and met various operational objectives, which laid down a foundation for achieving a revenue of over RMB100 billion for the whole year.

During the Reporting Period, the Company’s operating revenue was RMB50.950 billion, up by 15.76% on a year-on-year (“YOY”) basis. Net profit attributable to the shareholders of the listed Company was RMB1.534 billion, representing an increase of 16.39% on a YOY basis. The operating profit margin after deducting sales and administration costs was 4.09%, on par with the same period of last year. Basic earnings per share amounted to RMB0.5705 and basic earnings per share after deducting non-recurring profits and losses were RMB0.5413, up by 21.59% on a YOY basis. During the Reporting move Period, the Company’s net cash flows from operating activities amounted to RMB482 million, up by 77.96% on a YOY basis. As at 30 June 2015, the owners’ equity of the Company was RMB31.967 billion; its owners’ equity after deducting minority interest was RMB28.491 billion and the total assets were RMB69.886 billion.

1 Unless otherwise stated, the discussion and analysis is based on the data of the financial statements prepared by the Company in accordance with the Chinese Accounting Standards for Business Enterprises.

CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

■ Key Honours of the Company

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

- ranking 2nd among the top 100 enterprises in the pharmaceutical industry in China in 2014 guided by SFDA South Medicinal Economic Institution and selected by Medicine Economic Press, 1st among the top 20 most brand competitive pharmaceutical enterprises in China;
- top 15 enterprises with the most internet spirit in the century in “Ebullition 15 Years” selected by Medicine Economic Press and Healthcare Executive;
- ranking 61st in top 500 enterprises in Fortune China in 2015, up by 6 place issued by Fortune (Chinese edition);
- ranking 1058th in top 2000 enterprises in Forbes in 2015 issued by Forbes (Chinese edition), with 2nd among Chinese pharmaceutical enterprises;
- ranking 3rd in main business income among wholesale enterprises in 2014 issued by Ministry of Commerce of PRC;
- ranking 6th in top 100 enterprises in pharmaceutical industry in China in 2014 selected by China National Pharmaceutical Industry Information Center commissioned by Ministry of Industry and Information Technology of PRC, top 20 best industrial enterprises in pharmaceutical R&D production line in China in 2015;
- Five-star enterprises in discharging social responsibility among industrial sector in China selected by China Federation of Industrial Economics and United Nations Industrial Development Organization;
- Top 10 Featured cases in human resources in pharmaceutical industry in China selected by Healthcare Executive (Reform on organizational operation based on internet+);
- Top 10 listed companies in pharmaceutical industry with most investment value and top 10 most popular listed companies in pharmaceutical industry selected by China Pharmaceutical Enterprise Management Association and Healthcare Executive;
- ranking 153rd among top 500 enterprises in China and 65th among the top 500 enterprises in the manufacturing industry in China in 2015 selected by China Enterprise Confederation (中國企業聯合會) and China Entrepreneurs Association (中國企業家協會).

■ Pharmaceutical Research & Development (the “R&D”) and manufacture

1. *Pharmaceutical R&D*

During the Reporting Period, the Company’s R&D expenses amounted to a total of RMB266 million, accounting for 4.37% of the Company’s manufacturing sales revenue. During the Reporting Period, the Company filed 52 invention patent applications and was granted 27 invention patents. As at the end of the Reporting Period, the Company owned a total of 244 invention patents. During the Reporting Period, sales revenue from the Company’s new products launched through the R&D amounted to RMB986 million, representing 16.20% of the Company’s manufacturing sales revenue.



During the Reporting Period, the Company obtained 4 production approvals and 7 clinical approvals for newly approved medicines; 6 clinical approvals and 8 production approvals for new application medicines. The R&D and industrialization base of Shanghai Pharmaceutical Group (Benxi) Northern Pharma Co., Ltd., a member of the Company, commenced foundation work in Liaoning Province.

The new drug SPH3127 in 1.1 Catalogue cooperated with Mitsubishi Tanabe Pharma Corporation (“Mitsubishi Tanabe”) was approved to go through clinical application acceptance, passed on-site verification and was on the process of national review. It was also listed on scientific significant matters in new drug creation and manufacture across the country in 2015, and therefore recommended as priority review type to the China Food and Drug Administration (“CFDA”), entering into fast review channel. The new drug Duteroporphyrin for injection in 1.1 Catalogue jointly researched by the Company together with Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. was in the process of phase II clinical research. “Recombinant Fusion Protein of Human Tumor Necrosis Factor Receptor Mutant–Fc Fragment Injection” cooperated with Fudan Zhangjiang was on phase I clinical trial. The clinical application on “Recombinant Humanized Anti-CD20 Monoclonal Antibody Injection”, a cooperation project introduced by the Company, was accepted in 2014, and is currently under review by the Center For Drug Evaluation (“CDE”).

During the Reporting Period, the Company cooperated with the “Translational Medicine Alliance” of The People’s Liberation Army Second Military Medical University of China invested RMB10 million to commence the collaborative research of 12 innovative drug projects in 2015. The Company entered into a strategic cooperation framework agreement with Shenyang Pharmaceutical University in respect to various aspects including pharmaceutical R&D.

New Synthesis Method and New Methods on Preparation on Duloxetine Hydrochloride, an antidepressive drug by Shanghai Zhongxi Pharmaceuticals Co., Ltd., a subsidiary of the Company was awarded as second prize of 2014 Shanghai Technological Invention Awards, and Innovation on Technology and Quality and Scale Production on Cefotiam Hydrochloride by Shanghai New Asiatic Pharmaceuticals Co., Ltd., a subsidiary of the Company, was honoured the third prize of 2014 Shanghai Science and Technology Progress Award.

2. *Pharmaceutical manufacturing*

During the Reporting Period, the Company’s sales revenue from the pharmaceutical business was RMB6.086 billion, representing a growth of 7.01% as compared with the corresponding period of last year; its gross profit margin was 49.19%, an increase of 1.4 percentage point as compared with the corresponding period of last year. The operating profit margin after deducting sales and administration costs was 13.16%, an increase of 0.43 percentage point as compared with the corresponding period of last year.

During the Reporting Period, the Company’s sales revenue from biological drugs was RMB199 million, up by 39.14% on a YOY basis as a result of resumption of production as compared with temporary suspension of production due to the transformation of workshops of key products during corresponding period last year; sales revenue from chemical and biochemical drugs was RMB2,827 million, up by 10.90% on a YOY basis; sales revenue from Chinese medicines (including Chinese patent medicine and Chinese herbal medicine) was RMB2,060 million, up by 5.82% on a YOY basis; and sales revenue from other industrial products (including active pharmaceutical ingredients (APIs), healthcare products and medical devices, etc.) was RMB1,000 million, down by 3.66% on a YOY basis.

CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Company continued to implement its strategy to focus on key products. Sales revenue of 60 key products reached RMB3,261 million, up by 9.22% on a YOY basis, accounting for 53.58% of the revenue from industrial sales. Among the key products, 34 products achieved a growth rate higher than or equivalent to that of similar products of IMS Health Inc. 23 products whose sales revenue for the year exceeds RMB100 million are all key products. The average growth rate of the top five fastest growing products is 40.69%, while that of the bottom five is -8.85%; specifically:

No.	Product name	Therapeutic area	Sales revenue from January to June 2015 (RMB10,000)
1	Shenmai injection	Cardiovascular system disease	33,332
2	Tanshinone IIA	Cardiovascular system disease	20,156
3	Hydroxychloroquine	Antineoplastic drug and immunomodulator	20,024
4	Live combined bifidobacterium	Digestive and metabolic disease	18,331
5	Calcium dibutyladenosine cyclophosphate	Cardiovascular system disease	15,965
6	Wangbi tablets	Musculo-skeletal system	14,199
7	Ceftriaxone Sodium for Injection	Systemic anti-infective medicine	13,481
8	Cefotiam	Systemic anti-infective medicine	13,094
9	Trichosanthes peel injection	Cardiovascular system disease	9,700
10	Yangxinshi	Cardiovascular system disease	8,359
11	Xinhuang tablets	Musculo-skeletal system	7,881
12	Cisatracurium Besylate	Musculo-skeletal system	7,828
13	Ceftriaxone Sodium for injection	Systemic anti-infective medicine	7,778
14	Chymotrypsin	Respiratory system	7,642
15	Aripiprazole	Neurological system	7,458
16	Rupixiao tablets	Genito-urinary system and sex hormones	7,370
17	Weifuchun tablets	Digestive and metabolic disease	6,904
18	Rosuvastatin	Cardiovascular system disease	6,880
19	Hongyuanda	Blood and blood-forming organ	6,855
20	Soothing ointment	Others	6,544
21	Thalidomide	Antineoplastic drug and immunomodulator	5,165
22	Yinxing Tongzhi Series	Cardiovascular system disease	4,764
23	Babaodan	Digestive and metabolic disease	3,996
Total			253,706



Up to now, 37 of the Company's 41 industrial subsidiaries were granted a total of 78 new version of GMP Certificates. Among them, 12 of those firms engaged in the production of aseptic products have completed the certification of new GMP as planned and were granted a total of 26 certificates. Among the 29 firms engaged in the production of non-aseptic products (including Chinese herbal medicine), 25 were granted new GMP Certificates; 4 firms are going to be honored the certificates by the end of 2015. By reforming and passing the new GMP certification, the Company has comprehensively enhanced its technological equipments, production management and quality management in pharmaceutical manufacturing, thus ensuring the safety and quality of its pharmaceutical products.

■ Pharmaceutical services

1. *Pharmaceutical distribution*

During the Reporting Period, the sales revenue from pharmaceutical distribution business was RMB45.207 billion, up by 17.39% on a YOY basis, with a gross profit margin of 5.98%, almost the same as the corresponding period of last year. The costs of sales and administration accounted for 3.13%, representing a decrease of 0.11 percentage point as compared with the corresponding period of last year. The operating profit margin after deducting the sales and administration expenses was 2.85%, up by 0.07 percentage point as compared with the corresponding period of last year.

During the Reporting Period, in a bid to maintain the gross profit margin of distribution business, the Company continued to optimize its product structure, maintain reasonable direct sale proportion and to implement Lean Six Sigma management, in order to strengthen cost control. The Company also further expanded innovative services on hospital supply chain, entrusting a total of 104 hospital pharmacies currently, with 39 new hospital pharmacies during the Reporting Period and 32 co-managed pharmacies. During the Reporting Period, the Company planed overall logistics layout on distribution service, advancing 7 pharmaceutical logistic project constructions including logistic center construction for Guang Zhou Z.S.Y Pharmaceutical Co., Ltd., a subsidiary of the Company, warehouse reform in Beizhai Road. As at the end of the Reporting Period, new GSP Certificates were granted to all of the wholesale and chain firms controlled by Shanghai Pharmaceuticals.

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 66.02%, 27.33% and 5.63% respectively. The distribution business of the Company maintained reasonable proportions, 48.06% for sales of joint ventures manufactured and imported products and 62.21% for direct hospital sales, representing a YOY decrease of 5.04 percentage points and a YOY increase of 0.81 percentage points respectively.

As at the end of the Reporting Period, the Company's distribution business covered 19,374 medical institutions, of which 19,038 were hospitals and 336 were centres of disease control (CDC). Among the hospitals, 1,020 were graded as class 3, accounting for 51.23% 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 3,326 new products, of which 354 were imported and joint venture manufactured, and 2,972 were domestically manufactured.

CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, new businesses such as high value medicines direct to patients (DTP), vaccines and high value consumables recorded sales revenue of RMB2.810 billion, representing a YOY growth of 1.28%, of which:

- DTP: the Company realized sales revenue of RMB1.248 billion by leveraging SPH Zhongxie Pharmaceutical Co., Ltd. as its integration platform on DTP business, representing a YOY growth of 23.93%. As at the end of the Reporting Period, 28 DTP designated drugstores were under the DTP business, spanning 23 cities in the PRC, increasing by 2 designated drugstores.
- Vaccines: Sales revenue amounted to RMB577 million, representing a YOY decrease of 51.77%, with 7 new products having been introduced, mainly due to expiry of some registration certificates for some suppliers.
- High value consumables: Sales revenue amounted to RMB985 million, representing a YOY growth of 72.16%.

During the Reporting Period, in a bid to catch the trends of the national medical reform and the internet technological development and to explore the new pharmaceutical business model, in March 2015, the Company invested to set up the Shanghai Pharmaceuticals Grand Health Cloud Commerce Company Limited (上海醫藥大健康雲商股份有限公司) (referred as the “SP Health Cloud”), with the Company holding a 70% equity interest in the company. With a focus in the development of the online platform and offline network, the SP Health Cloud is positioned as an e-commerce trader which provides patients with O2O sales of prescription drugs and health management services. In May 2015, the Company entered into Strategic Cooperation Framework Agreement with Beijing Jingdong Century Trading Company Limited (referred as “Jingdong”), pursuant to which, both parties would cooperate to explore market and business opportunities, to achieve resources sharing, to complement each other, therefore to establish comprehensive strategic cooperation relationship in the field of strategies, capitals and businesses.

As at the disclosure date of this report, the Company entered into share subscription and capital increase agreement with Shanghai Pharmaceutical Distribution Co., Ltd. (referred as “SPH Holding”), Jingdong, Beijing Harmony Growth Investment Centre LP (“IDG Capital”) and operation managements in relation to SP Health Cloud. SP Health Cloud placed 1,112,125,000 ordinary shares privately to SPH Holdings, Jingdong and IDG Capital, after which the registered capital of SP Health Cloud increased to RMB1,212,125,000. Among them, SPH Holdings subscribed for 900 million ordinary shares of SP Health Cloud at the consideration of 100% equity interests in SPH Zhongxie valued RMB900 million; Jingdong subscribed for 151.50 million ordinary shares of SP Health Cloud at the consideration of RMB100 million of cash and platform resources valued RMB51.5 million, and IDG Capital subscribed for 60.625 million ordinary shares of SP Health Cloud at the consideration of RMB60.625 million of cash. Therefore, SP Health Cloud introduced strategic partners and financial investors through capital increase, setting up comprehensive strategic cooperation relationships in the fields of prescription drugs e-commerce and non-prescription drugs, including OTC, healthcare products and medical devices. The joint injection of relevant resources into SP Health Cloud will help to set up e-commerce platform and establish leading position in the industry, making preparation for separation between medical and pharmaceutical services and consolidating Shanghai Pharmaceuticals’ leading position in pharmaceutical industry. Meanwhile, the capital increase also provided sufficient capital to SP Health Cloud for its future development.



In addition, the Company entered into a strategic cooperation agreement with Wonders Information Co., Ltd. in July 2015, pursuant to which both parties agreed to conduct comprehensive and deep strategic cooperation in pharmaceutical informationization and internet pharmaceuticals.

2. *Pharmaceutical Retail*

During the Reporting Period, the sales revenue from the Company's pharmaceutical retail was RMB1.760 billion, up by 6.95% YOY; gross profit margin was 18.50%; and operating profit margin after deducting sales and administration costs was 1.08%.

As at the end of the Reporting Period, the Company had 1,696 chain retail pharmacies under its brand family, including 1,154 directly-operated pharmacies.

During the Reporting Period, Huashi Pharmacy, a subsidiary of the Company, progressively to conduct "prescription drugs out-proportioning from designated pharmacy" as a pilot, established a designated pharmacy in Changning and Zhabei, Shanghai respectively. Huashi Pharmacy could accumulate experiences while further improving its capability of serving mass patients, having demonstration effects on exploring separation between medical and pharmaceutical services in PRC.

During the Reporting Period, the Group had 3 certificates on providing pharmaceutical trading service through Internet, which were held by Huashi Pharmacy, Jiading Pharmacy, and Ningbo Siming Pharmacy respectively, and recorded sales revenue of RMB49.5163 million in total. The Company also recorded sales revenue of RMB4.3273 million in other network channels.

■ External mergers, operational improvement and internal integration

1. *External mergers and acquisitions*

During the Reporting Period, in term of business mergers and acquisitions, the Company focused on the even-up in existing advantageous regions and the strategic development in blank regions, with completion of reorganization of Hangzhou Kailun Pharmaceutical Co., Ltd. and holding 73% equity interest, acquisition of 70% equity interest in Jilin Keyuan Xinhai Pharmaceutical Co., Ltd. and 100% equity interest in Yixing Pharmaceutical Co., Ltd., establishment of SPH Yancheng Pharmaceutical Co., Ltd. and holding 51% equity interest, and agreed to restructure Jiangxi Shangrao Medicinal Co., Ltd. (江西上饒醫藥股份有限公司) and acquired its 55% equity interest; SPH Keyuan Xinhai Pharmaceutical Co., Ltd., a subsidiary of the Company, set up two companies in Jiangnan and Enshi, Hubei respectively and one company in Shijiazhuang, Hebei; Shanghai Pharma Northern, a subsidiary of the Company, set up a logistics company in Hubei; Hangzhou Quandetang Pharmacy, a subsidiary of the Company, set up Quandetang Clinic Limited (全德堂診所有限公司). The expected annual sales revenue from the above-mentioned projects amounted to approximately RMB5.0 billion. In term of industry mergers and acquisitions, the Company focused on obtaining advantages and sustainable product resources to tap into vacant field, with completion of restructuring of Dali Zhonggu Hongdoushan Biological Co., Ltd. and holding its 67.5% equity interest, establishment of Liaoning SPH YiLai-kang Medical Device Co., Limited (遼寧上藥益萊康器械有限公司) and holding its 100% equity interest. In addition, the Company has completed the contributions of HKD109,401,900 to subscribe for 280,517,724 H shares in private placement from Tianda Pharmaceuticals Limited on 10 August 2015.

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2. *Optimizing cash pooling to reduce financial fees*

During the Reporting Period, the Company continued to effectively play the role as a cash pool. Internal financing of the Company further expanded to RMB2.6 billion, directly reducing financial expenses by RMB62.77 million during the Reporting Period. To optimize the Company's financial management, improve capital usage efficiency and reduce financing costs and risks, the Company renewed the Financial Services Framework Agreement with Shanghai Shangshi Group Finance Co., Ltd. for the finance company's provision of deposit, loan, settlement and other finance services to the Group, strictly implementing in accordance with authorization from the General Meeting. Through China International Pharmaceutical (Holding) Corporation Limited, a platform in Hong Kong acting as an overseas pharmaceutical trading payment platform, the Company also carried out import business settlement for SPH Holding and SPH Keyuan Xinhai Pharmaceutical Co., Ltd., both subsidiaries of the Company, for reducing financial expenses. During the Reporting Period, the contracts of imported volume by purchasing through China International Pharmaceutical (Holding) Corporation Limited were amounted to RMB271 million. In the meanwhile, additional banking facilities of RMB1 billion in the free trade zone has been granted to the Company during the Reporting Period driven by the expansion of the free trade zone.

3. *Implementing centralized procurement*

During the Reporting Period, the Company implemented centralized procurement of laboratory appliances in 2015, further reducing the purchase price by 2% from 2014. The Company currently carries out centralized procurement of large-scale laboratory testing equipment and aluminium plastic cap and initiated industrial procurement information system project. The implementation of this project will lay the foundation for further standardizing the procurement behavior, reducing purchase cost and carrying out transparent procurement.

During the Reporting Period, the Company continued to carry out and optimize the centralized procurement of flight tickets, accommodation and office supplies for the Group's headquarters and 32 subsidiaries. The average discounts offered to the Group in respect with flight tickets decreased by 13 percentage points as compared with that before the centralized procurement was launched, and still remained lower discount. The cost for centralized booking of hotel accommodation decreased by approximately 22% as compared to that by front-desk prices; and the cost for centralized procurement of office supplies decreased by approximately 16.7% as compared to that by the prices offered online from the suppliers averagely.

4. *Building the market access platform and promoting the synergy between manufacturing and distribution segments*

During the Reporting Period, the Company has set up seven market access offices in Beijing, Henan, Shandong, Hubei, Hunan, Fujian and Guangdong with the support of controlled local business enterprises. Coupled with another office in Shaan Xi established and four market access zones formed by industrial enterprises, the market access system pattern of "four zones and eight offices" has been formed in order to assist the Group in achieving a higher success rate in bidding for tenders. During the Reporting Period, the Company launched quickly the linkage between manufacturing and business in ten provinces and cities.



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

During the Reporting Period, the Lean Six Sigma management had an overall coverage over each segments of Shanghai Pharmaceuticals. Subsidiaries at all levels set up taskforces for promoting Lean Six Sigma management, and on the basis of overall coverage on both industrial and commercial segments, these subsidiaries launched lean management in research segment and initiated the lean projects unveiled by the management in the headquarters. So far, management and employees at all levels have had a profound understanding about the concept and culture of Lean Six Sigma management.

Industrial optimisation by Lean Six Sigma has been applied from the production phase to the entire value train of production and operation. All of the 15 industrial enterprises under Shanghai Pharmaceuticals have launched three phases of Lean Six Sigma projects and Lean 5S/TPM onsite management campaign. These enterprises have a total of 60 projects launched in the three phases; three pilot enterprises accomplished the pilot project of Lean 5S/LTPM onsite management and made achievements as expected. The enterprises also consolidated the improvement made in the first and second phases of Lean Six Sigma projects and kept optimising the indicators.

Commercial optimisation by Lean Six Sigma aims to advance from commercial warehousing and logistics to a prompt, highly effective and smart supply chain management mechanism. A new round of Lean management will be carried out in four dimensions, namely capital improvement, process optimisation, management improvement and basis management, totaling 50 projects. The commercial optimisation by Lean Six Sigma intends to address the challenge facing the supply chain management, which covers inventory optimisation, establishment of O2O delivery for pharmaceutical e-commerce based on the internet+, crux in the core business process, and it targets to develop from vertical integration (project expansion) to horizontal integration (project replication). During the Reporting Period, a total of 20 projects have been completed, with over 300 attendees participating in the training, 27 Green Belts accredited, and about RMB5 million of financial revenue obtained.

Lean Six Sigma management has been launched in the research segment. By reviewing the existing process, the Central Research Institute of Shanghai Pharmaceuticals gave its approval to two Lean projects in the first half, with an aim of reducing the errors in the course of research and improving the research efficiency.

6. *Pushing forward marketing business integration*

During the Reporting Period, the marketing centres of the Company stuck to the principles of “planning, service, instruction and supervision” and continue to promote the optimisation of marketing system. The Company further focused on therapeutic areas and key product varieties, facilitated the implementation of the “one product for one strategy” idea, improved the market access function by starting with low-price drugs, and promoted the linkage between manufacturing and distribution, so as to foster the core marketing capability and realise growth in industrial sales.

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Marketing Department I, operated by using Shanghai Pharmaceutical Group Pharma Sales Co., Ltd. as the platform, set up a sales platform for the four core domains of rheumatology, psychoneural, anesthesiology and cardiovascular, and conducted synergic optimisation in such aspects as hospital development, academic promotion and market access. Marketing Department I offered pivotal help to Shanghai Pharmaceuticals Group Qingdao Growful Medicine Co., Ltd., so as to optimise the marketing mix, adjust incentive and appraisal policies, improve marketing operation efficiency, and lower account receivables.

Marketing Department II continued to put forward the construction of marketing platform of Shanghai Sine Pharmaceutical Laboratories Co., Ltd., a physically established company. Measures included the implementation of lean investment invitation, improvement in agent distribution and resource consolidation. Marketing Department II offered pivotal help to Shanghai New Asiatic Pharmaceuticals Co., Ltd. for the integration of marketing system, for the purpose of founding Shanghai New Asiatic Pharmaceuticals Co., Ltd., adjusting product mix, re-building price system and renewing incentive and appraisal policies, so as to realise a rapid year-on-year growth and make significant improvement in operation efficiency.

Marketing Department III completed the preparation and establishment of Shanghai Pharmaceutical Dragon & Tiger Medicine Sales Co., Ltd. (上海上藥龍虎醫藥銷售有限公司) as a physical sales company, and the Company commenced its operation. Marketing reform was launched, and resource consolidation was made, which conduced to the improvement in the operation efficiency of Shanghai Zhonghua Pharmaceutical Co., Ltd.

During the Reporting Period, the three platform companies acting as marketing centres delivered improvement in sales performance, internal management and team building, while sales of their key products were higher than the average growth of key products of the Company. In the meantime, as measures were in place to support these enterprises, significant sales improvement was achieved.



(I) ANALYSIS OF PRINCIPAL BUSINESS

1. Analysis on changes in relevant items of financial statements

Unit: RMB

Item	Amount for the Reporting Period	Amount for the same period of last year	Change (%)
Operating income	50,950,076,415.18	44,013,016,325.43	15.76
Operating costs	44,665,819,410.70	38,434,323,587.26	16.21
Sales costs	2,558,024,799.29	2,316,294,278.69	10.44
Management costs	1,506,891,143.00	1,338,666,263.26	12.57
Finance costs	291,433,033.25	197,392,620.19	47.64
Net cash flow generated from operating activities	482,482,941.88	271,115,060.72	77.96
Net cash flow generated from investing activities	-1,012,189,057.89	-923,286,276.06	-9.63
Net cash flow generated from financing activities	-21,513,942.08	-709,765,027.28	96.97
Research and Development ("R&D") expenses	266,000,000.00	208,900,000.00	27.33

Reasons for changes in operating income: the increase of sales income during the Reporting Period

Reasons for changes in operating costs: the increase of sales volume during the Reporting Period

Reasons for changes in sales costs: the increase of sales volume during the Reporting Period

Reasons for changes in management costs: the increase of management costs resulting from the increase in the sales volume during the Reporting Period

Reasons for changes in finance costs: the increase of interest expense and decrease of interest income during the Reporting Period

Reasons for changes in net cash flow generated from operating activities: the increase in collection of receivables during the Reporting Period

Reasons for changes in net cash flow generated from investing activities: the increase of mergers and acquisitions and capital expenditure during the Reporting Period

Reasons for changes in net cash flow generated from financing activities: the increase of borrowings during the Reporting Period

Reasons for changes in R&D expenses: the increase of the R&D investment during the Reporting Period

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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*

The Company will adhere to Internet+Health Business as its main line of business, focusing on advancing intelligent manufacturing and smart services, solidifying its advantages alleviating its disadvantages and adjusting its structure, in order to boost rapid development of its new businesses. During the second half of this year, the Company will continue to optimize its industrial marketing system in the field of manufacturing, to ensure the implementation of strategic products and key products with respective strategies, management of Lean Six Sigma and work efficiency with lower costs. The Company will advance strategic cooperation with e-commerce and business connection with them in the commercial field. In addition, the Company will continue to carry out extended supply chain service in various provinces and cities so as to increase its market share and manage to deliver hundreds of billions in sales volume for the Group.

(II) ANALYSIS OF OPERATION BY INDUSTRY, PRODUCT OR REGION

1. Principal business by industry and product

Unit: RMB

By industry	Principal business by industry					
	Operating income	Operating cost	Gross profit margin (%)	Change in operating income YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY
Manufacturing	6,086,002,147.30	3,030,348,302.78	50.21	7.01	4.08	+1.41 percentage point
Distribution	45,206,699,619.26	42,439,706,812.27	6.12	17.39	17.42	-0.02 percentage point
Retail	1,759,637,367.22	1,426,497,354.87	18.93	6.95	7.48	-0.4 percentage point
Others	36,970,069.42	23,011,337.85	37.76	159.64	295.63	-21.4 percentage point
Offsetting	-2,352,869,727.38	-2,344,423,624.38				

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	50,278,935,186.73	16.17
Overseas	457,504,289.09	-16.98

(III) ANALYSIS ON ASSETS, LIABILITIES AND CAPITAL

Unit: RMB

Name of item	Amount at the end of Reporting Period	Amount at the end of previous period	Percentage change of amount at the end of Reporting Period compared to that of previous period (%)	Explanation
Financial assets at fair value with changes recognised in current profit or loss	690,135.60	505,659.00	36.48	Increase in fair value during the Reporting Period
Interests receivable	3,535,040.56	9,341,136.00	-62.16	Decrease in accrued interests during the Reporting Period
Dividends receivable	75,649,451.25	274,730,002.86	-72.46	Decrease in dividends receivable from associates during the Reporting Period
Construction in progress	911,627,530.89	632,603,481.79	44.11	Increase in construction of long-term assets during the Reporting Period
Productive living assets	393,658,155.98	584,595.29	67,238.58	Increase in acquisition of subsidiaries during the Reporting Period
Dividends payable	335,943,041.80	85,749,225.52	291.77	Increase in dividends payable to shareholders during the Reporting Period
Non-current liability due within one year	27,435,856.18	20,730,000.00	32.35	Increase in acquisition of subsidiaries during the Reporting Period

1. Capital structure

As at 30 June 2015, the Company's debt asset ratio (total liabilities divided by total assets) was 54.26% (31 December 2014: 51.66%), representing an increase of 2.60 percentage points as compared with the beginning of the year. Interest coverage ratio (EBIT divided by interest expenses) was 7.41 times (from January to June 2014: 8.24 times). The gearing ratio (net debt divided by total equity) of the Company was 22.65%.

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2. Liquidity and financial resources of the Company

During the Reporting Period, the Company had sound liquidity and financial resources. As at 30 June 2015, the balance of the Company's borrowings was RMB9,363 million, of which the balances of USD denominated borrowings were equivalent to RMB124 million, the balance of HKD denominated borrowings was equivalent to RMB21 million and the balance of the borrowings at a fixed ratio was about RMB7,542 million. As at 30 June 2015, the Company had net accounts receivable and notes receivable of RMB25.534 billion (31 December 2014: RMB21.408 billion), representing an increase of 19.27% as compared with the beginning of the year. The increase was mainly attributable to the increases in the scale of both the principal business and the merger and acquisition of new enterprises. As at 30 June 2015, the balance of the Company's accounts payable and notes payable was RMB23.097 billion (31 December 2014: RMB20.436 billion), representing an increase of 13.02% as compared with the beginning of the year. The increase was mainly attributable to the increases in the scale of both the principal business and the merger and acquisition new enterprises.

3. The Company's pledge of assets

As at 30 June 2015, the Company's land use rights with site area of 553,136.44 m² (original price: RMB114,565,280.94 and book value of RMB94,663,712.97) and houses, buildings, machineries and equipment of book value of RMB186,239,562.57 (original price: RMB278,371,358.75) were pledged to secure short-term borrowings of RMB325,700,000.00, long-term borrowings of RMB67,371,879.85 and long-term borrowings due within one year of RMB23,000,000.00.

As at 30 June 2015, accounts receivable at book value of RMB337,464,559.34 and notes receivable at book value of RMB321,828,237.42 were pledged to secure bank loans of RMB586,357,652.09.

4. Contingent liabilities

- ① During the Reporting Period, the Group's material pending litigation or arbitration please refer to "Chapter 5 Significant Events".
- 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.	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	5,235.40	26 March 2015	23 November 2015
Shanghai Pharmaceutical Distribution Co., Ltd.	Shanghai Luoda Pharmaceutical Co., Ltd.	9,000.00	14 April 2015	14 April 2016

The above guarantees do not have any material impact on the Company.

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

The principal businesses of the Company are conducted in the PRC, and the settlement of the principal businesses 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. *Industrial chain advantage*

With its business covering pharmaceutical manufacturing, pharmaceutical distributions and services, pharmaceutical retail and electric business, Shanghai Pharmaceuticals proactively develop innovative businesses by continuously integrating core resources of the industrial chain. The scale of industry and commerce maintain its leading position, ranking 61th on the China Fortune 500 companies.

2. *Brand advantage*

Aiming at becoming a reliable and time-honored supplier of safe pharmaceuticals and ready to embrace innovation challenges ahead, the Company adheres to the main brand-driven development strategy, and enjoys high recognition in the market through the synergy produced by the combination of those established brands with long history and rich connotation and the “Shanghai Pharmaceuticals” brand. The Company ranks 1st among “the top 20 Competitive Brand of Pharmaceutical Enterprises in the PRC” (中國最具品牌競爭力藥企20強), which was sponsored by Medicine Economic Press (醫藥經濟報).

3. *Research and development advantage*

Shanghai Pharmaceuticals has a R&D system with the Central Research Institute at its core. In addition, Shanghai Pharmaceuticals has established close relationship with Mitsubishi Tanabe, Shenyang Pharmaceutical University, the People’s Liberation Army Second Military Medical University of China, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical. As a result, Shanghai Pharmaceuticals has developed a series of product offerings under the R&D which adhere to combine generic and innovative drugs in the field of chemical drugs, antibody drugs and traditional Chinese medicine, and owns a number of innovative drugs under application for clinical approval or in the process of clinical study. The Company was awarded “the top 20 of 2015 Best Industrial Enterprise in the R&D of the Pharmaceutical Product Line in the PRC” (2015年中國醫藥研發產品線最佳工業企業20強) by the PRC’s Pharmaceutical Industrial Information Centre.

4. *Manufacturing advantage*

By strictly implementing the new GMP requirements, the production lines of Shanghai Pharmaceuticals have a presence in a wide range of categories and streamlined all aspects of the pharmaceutical production process by fully employing lean management, keeping its quality and cost advantages. A number of its active pharmaceutical ingredients or preparations have attained quality certification issued by WHO, FDA, EU and other developed countries.

5. *Network advantage*

The distribution network of Shanghai Pharmaceuticals have directly covered 18 provinces, municipalities and autonomous regions across China, continuing to develop the process of national commercialization, and aggressively expanding into Central and Western China and Eastern and North China. Relying on its advanced logistics and warehousing system and leading supply chain extension solutions, Shanghai Pharmaceuticals offers premium services to its customers.

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6. *Information technology advantage*

To enhance digitalization and in response to the State's requirements for further integration of IT application with industrialization, Shanghai Pharmaceuticals has proactively implemented upgrade in intelligent manufacturing, and launched the Group's ten major shared platforms represented by master data as well as the construction of MES pilot smart factory, thus providing strong support to the accomplishment of the Group's strategic goals and management objectives.

7. *Financial advantage*

Shanghai Pharmaceuticals has a sound financial structure, prominent advantages in management efficiency as well as smooth and diversified financing channels.

8. *Team advantage*

Shanghai Pharmaceuticals adheres to the core values of "innovation, integrity, cooperation, inclusiveness and responsibility". The Company's management and the operation teams of its subsidiaries are full of entrepreneurial spirit, highly open thinking, strong learning ability, excellent professionalism, well-motivated innovation enthusiasm and good team work spirits.

(V) EMPLOYEES, REMUNERATION POLICY AND TRAINING SCHEME

As at 30 June 2015, Shanghai Pharmaceuticals had a total of 38,942 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. The Company implements 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.



(VI) ANALYSIS OF INVESTMENTS

1. Overall analysis of external investment in equity interests

Unit: RMB10,000

The amount of investment in the Reporting Period	125,686
Change in the increase/decrease in the amount of investment	-70,995
Investment in the same period of last year	196,681
Percentage increase/decrease in the amount of investment (%)	-36.10

Particulars of major invested companies

Invested company name	Principal operations	Percentage of the equity interest in the invested company (%)
Star Fountain Global Limited	Investment	51
Hangzhou KaiLun Pharmaceutical Co., Ltd.	Sale of pharmaceuticals	54.9
Shanghai Pharmaceutical Group (Dali) Red Yew Co., Ltd.	Production and sale of red yew	67.5
SPH Keyuan Xinhai Pharmaceutical (Jilin) Co., Ltd.	Sale of pharmaceuticals	70

(1) Securities Investment

Applicable Not Applicable

Unit: RMB

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	Profit or loss during the Reporting Period (RMB)
							total securities investment at the end of the period (%)	
1	Share	600618	Chlor-Alkali Chemical	186,500.00	50,820	690,135.60	100	184,476.60
	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	/	690,135.60	100	184,476.60

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(2) Equity interests held in other listed companies

Applicable Not Applicable

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	1,000,000.00	<1	<1	9,680,000.00		2,380,000.00	Available-for-sale financial assets	Purchase
600329	Zhongxin Pharmaceutical	91,473.00	<1	<1	2,304,179.68		908,316.96	Available-for-sale financial assets	Debt set-off
000931	Centek	99,300.00	<1	<1	354,312.00		144,396.00	Available-for-sale financial assets	Purchase
600675	China Enterprise	390,000.00	<1	<1	8,902,168.86		3,502,621.70	Available-for-sale financial assets	Purchase
601328	Bank of Communications	4,720,101.05	<1	<1	4,725,359.84	154,835.82	825,791.04	Available-for-sale financial assets	Purchase
000048	Kondarl	134,547.00	<1	<1	3,830,698.30		2,230,284.03	Available-for-sale financial assets	Transferred in from merger
000166	Shenwan Hongyuan	1,250,000.00	<1	<1	28,600,000.00		20,046,400.00	Available-for-sale financial assets	Subscription of legal person shares
06881(HK)	China Galaxy	50,000,000.00	<1	<1	78,071,400.00		1,311,430.00	Available-for-sale financial assets	Corporate restructuring
08231(HK)	Fudan-Zhangjiang	31,955,101.23	22.77	22.77	148,022,159.56	9,030,695.62		Long-term equity investment	Purchase
Total		89,640,522.28	/	/	284,490,278.24	9,185,531.44	31,349,239.73	/	/

(3) Equity interests held in financial companies

Applicable Not Applicable



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

(1) *Asset management mandates*

Applicable Not Applicable

(2) *Entrusted loans*

Applicable Not Applicable

(3) *Other asset management mandates and investment in derivatives*

Applicable Not Applicable

During the Reporting Period, the Company gained total profits of RMB8,726,970.43 by transaction of state bonds buy-back.

3. *Use of proceeds*

(1) *Overall 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.

(2) H Shares

In 2011, the Company issued H Shares to foreign investors for the first time and the H Shares were listed 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 Shareholders' General Meeting held in 2013, the Executive Committee under the Board of Directors of the Company was authorized by the Shareholders' 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 the condition that the original purposes for the use of the proceeds shall remain unchanged. The term of the mandate shall commence from the date of approval by the 2013 annual general meeting to the date of having used up the proceeds.

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As of 30 June 2015, the overall use of H Share proceeds which has been used up is as follows:

Unit: HKD10,000

Year of fund raising	Method of fund raising	Total net amount of proceeds	Total proceeds		Total Use and whereabouts of unused proceeds
			used during the Reporting Period	Accumulative total amount of proceeds used	
2011	Initial Public Offering	1,549,230	154,858	1,549,230	0

Unit: HKD10,000

Use of proceeds	Final use of overall H Share proceeds	
	Proportion	Amount
Expansion and enhancement of the distribution network and integration of the existing distribution network	49.88%	772,772
Strategic acquisition of pharmaceutical business both within the PRC and internationally and internal integration of existing pharmaceutical business	27.07%	419,384
Investment in the information technology system and platform	0.24%	3,663
Investment in product R&D platform to further strengthen product portfolio and products under development	2.21%	34,204
Working capital requirements and for general corporate purposes	20.60%	319,207
Total	100%	1,549,230



4. Analysis on major subsidiaries and invested companies

Unit: RMB10,000

Name of company	Nature of business	Company shareholding percentage	Registered capital	Scale of assets	Owners' equity	Operating income	Net profit
Shanghai Pharmaceutical Distribution Co., Ltd.	Sale of pharmaceuticals	100%	339,312.78	2,945,720.29	696,067.99	3,079,062.42	54,007.35
SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceuticals	100%	130,000.00	1,433,872.04	352,877.93	1,165,666.91	17,599.08
Shanghai Sine Pharmaceutical Laboratories Co., Ltd.	Production and sale of pharmaceuticals	100%	119,161.13	247,134.87	174,125.22	147,637.76	11,947.15
Shanghai No.1 Biochemical and Pharmaceuticals Co., Ltd.	Production and sale of pharmaceuticals	100%	22,500.00	150,677.64	116,973.46	53,827.25	17,530.49
Shanghai New Asiatic Pharmaceuticals Co., Ltd.	Production and sale of pharmaceuticals	96.90%	105,242.91	181,150.27	107,378.00	108,950.46	3,083.50
Shanghai Traditional Chinese Medicine Co., Ltd.	Production and sale of pharmaceuticals	100%	58,947.00	396,176.31	123,387.35	219,082.12	11,594.41
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	75%	12,850.00	130,282.00	105,365.65	60,765.89	5,587.70
SPH Changzhou Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	75.89%	7,879.03	334,992.98	146,742.28	257,394.61	7,041.41
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	100%	54,580.00	241,069.06	189,897.89	46,352.94	17,750.89
Shanghai Pharmaceuticals Qingdao Growful Medicine Co., Ltd.	Production and sale of pharmaceuticals	67.52%	9,300.00	84,296.19	50,699.71	39,474.76	970.27
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	51.01%	5,316.00	63,136.18	27,897.01	19,961.61	1,240.53
Xiamen Traditional Chinese Medicine Co., Ltd.	Production and sale of pharmaceuticals	61.00%	8,403.00	35,129.24	26,396.37	14,349.30	2,298.65
Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Production and sale of pharmaceuticals	55.00%	5,100.00	47,882.55	26,678.91	26,303.49	2,778.31
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	100.00%	9,364.18	41,800.37	18,195.93	16,516.55	1,424.96
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd.	Wholesale of chemical APIs	100.00%	7,139.00	12,363.43	10,135.06	11,994.67	412.21
Shanghai Medical Instruments Co., Ltd.	Production and sales of medical devices	100.00%	12,700.00	48,743.23	39,113.60	15,610.58	364.05
SPH Dongying (Jiangsu) Pharmaceuticals Co., Limited	Production and sale of pharmaceuticals	90.25%	14,132.19	34,134.04	29,411.50	8,206.09	2,725.72
Shanghai Pharmaceutical Pharma Sales Co., Ltd.	Sale of pharmaceuticals	100.00%	5,000.00	47,441.16	11,508.43	37,146.19	2,824.67

CHAPTER 4 REPORT OF THE BOARD OF DIRECTORS

5. *Projects financed by non-raised capital*

Applicable Not Applicable

The Company had 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 2014 annual general meeting of the Company held on 29 May 2015, the profit distribution plan of the Company for the year 2014 was as follows: on the basis of an aggregate of 2,688,910,538 Shares in issue as at 31 December 2014, a cash dividend of RMB2.90 (tax inclusive) per ten Shares should be distributed to all Shareholders, totaling RMB779,784,056.02, accounting for 30.09% 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 RMB9,229,539,138.48. There was no transfer of capital reserve fund into share capital during the year 2014. The implementation of such profit distribution plan was completed on 19 June 2015 (A Share) and 28 July 2015 (H Share) respectively.

(II) Profit distribution proposal and proposal for the conversion of capital reserve fund into share capital for the half year

Nil

III. OTHER DISCLOSURE MATTERS

(I) Warnings and statement on potential fluctuation from the cumulative net profit to the loss for the period from the beginning of the year to the end of next reporting period or significant changes as compared with the same period of the preceding year

Applicable Not Applicable

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

Applicable Not Applicable

(III) Other disclosure matters

Nil



CHAPTER 5 SIGNIFICANT EVENTS

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

Applicable Not Applicable

(I) Litigations, arbitrations or events that give rise to media's general allegations disclosed in provisional announcements and without subsequent development

Overview and Type of Event	Search Index
The litigation of Investments 2234 Overseas Fund VII B.V. against Shanghai Pharmaceutical (Group) and Shanghai Pharmaceuticals	Company announcement Lin No. 2015-005. Unless otherwise specified hereinafter, such announcement has been published on the Shanghai Securities News, Securities Times and the website of the Shanghai Stock Exchange at www.sse.com.cn . Relevant information has also been published on the website of the Hong Kong Stock Exchange at http://www.hkexnews.hk and the Company's website.

On 4 June 2015, Shanghai Ousen Law Firm, as entrusted agent of Shanghai Pharmaceutical (Group) and Shanghai Pharmaceuticals issued legal opinions, confirming that the first instance ruling on the litigation had been effective.

II. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Applicable Not Applicable

III. ASSET TRANSACTIONS AND BUSINESS COMBINATIONS

Applicable Not Applicable

(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
Shanghai Huayu Pharmaceuticals Co., Ltd. and Shanghai Jinhe Bio-technology Co., Ltd. assigned part of the equity interest in Dali Zhonggu Hongdoushan Biological Co., Ltd. (大理中谷紅豆杉生物有限公司) and underwent restructuring.	Company announcements Lin No. 2015-002 and No. 2015-003
SIIC Medical Science and Technology (Group) Limited (上海實業醫藥科技(集團)有限公司) participated in the issue of additional shares by Tianda Pharmaceuticals Limited.	Company announcement Lin No. 2015-024

CHAPTER 5

SIGNIFICANT EVENTS

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

Applicable Not Applicable

1. *Acquisition of assets*

Despite the above disclosed information (I), 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.

IV. SHARE INCENTIVES OF THE COMPANY AND ITS INFLUENCE

Applicable Not Applicable



CHAPTER 5 SIGNIFICANT EVENTS

V. SIGNIFICANT CONNECTED TRANSACTIONS

✓ Applicable □ Not Applicable

(I) Connected 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 the Connected Transaction Framework Agreement in 2015 was approved at the 14th meeting of the fifth session of the Board of Directors on 26 March 2015. From January to December 2015, the estimated amount of continuing connected transactions between the Company and its subsidiaries and Shanghai Pharmaceutical (Group) and its subsidiaries shall not exceed RMB150 million, in which the amount receivable from the sales of products and the provision of services to Shanghai Pharmaceutical (Group) and its subsidiaries shall not exceed RMB10 million; the amount payable for the procurement of products and production equipments and the acceptance of services from Shanghai Pharmaceutical (Group) and its subsidiaries shall not exceed RMB40 million; the amount payable by the Group for leasing premises and production equipments from Shanghai Pharmaceutical (Group) and its subsidiaries shall not exceed RMB100 million (<i>Note 1</i>).</p>	Company announcement Lin No. 2015-006 and No. 2015-009
<p>The Proposal of Shanghai Pharmaceuticals Holding Co., Ltd. regarding Renewal of Financial Services Agreement and Connected Transactions with Shanghai Shangshi Group Finance Co., Ltd. was approved at the 14th meeting of the fifth session of the Board of Directors held on 26 March 2015 and at the 2014 annual general meeting held on 29 May 2015. For the period from the effective date of the Agreement to the date of 2015 annual general meeting of Shanghai Pharmaceuticals, the maximum daily balance of deposits by the Group with Shanghai Shangshi Group Finance Co., Ltd. (the "Finance Company") shall not exceed RMB1.2 billion; the maximum outstanding balance of comprehensive credit facilities provided by the Finance Company to the Group shall not exceed RMB1.8 billion. (<i>Note 2</i>) As at 30 June 2015, neither the maximum daily balance of deposits by the Group with the Finance Company nor the comprehensive credit facilities actually provided by the Finance Company to the Group have exceeded the aforesaid amounts approved at the annual general meeting.</p>	Company announcement Lin No. 2015-006, No. 2015-010 and No. 2015-019
<p>The Proposal of Shanghai Pharmaceuticals Holding Co., Ltd. regarding the Adjustment of the Connected Transaction Framework Agreement in 2015 was approved at the 18th meeting of the fifth session of the Board of Directors on 26 August 2015. From January to December 2015, the Company's estimated amount payable for the acceptance of services from SIIC and its subsidiaries and Shanghai Shangshi and its subsidiaries (excluding Shanghai Pharmaceutical (Group) and its subsidiaries) shall not exceed RMB0.5 million. (<i>Note 3</i>)</p>	Company announcement Lin No. 2015-031
<p>The Proposal of Shanghai Pharmaceuticals Holding Co., Ltd. regarding Entry into the Continuing Connected Transactions Framework Agreement and Continuing Connected Transactions with Jiangxi Nanhua Medicines Co., Ltd. was approved at the 18th meeting of the fifth session of the Board of Directors on 26 August 2015. During the period from 26 August 2015 to 31 December 2015, the amount receivable by the Group from the sale of products and the provision of render services to Jiangxi Nanhua Medicines shall not exceed RMB520 million. (<i>Note 4</i>)</p>	Company announcement Lin No. 2015-030

CHAPTER 5 SIGNIFICANT EVENTS

Note 1: These connected transactions (as defined under the Listing Rules of the Shanghai Stock Exchange) with Shanghai Pharmaceutical (Group) and its subsidiaries also constitute the “connected transactions with connected persons at the level of the Company” defined under Chapter 14A of the Hong Kong Listing Rules. Among these continuing connected transactions: (1) the relevant percentage ratios (as defined under Chapter 14 of the Hong Kong Listing Rules, the same below) other than profits ratio corresponding to the actual amount of the transactions in relation to the sale of products and the provision of services were less than 0.1%; (2) the relevant percentage ratios other than profits ratio corresponding to the actual amount of the transactions in relation to the procurement of products and production equipments and the acceptance of services were less than 0.1%; (3) the relevant percentage ratios other than profits ratio corresponding to the actual amount from leasing premises and production equipments were more than 0.1% but less than 5%.

In respect of continuing connected transactions (other than the continuing connected transactions with Jiangxi Nanhua Medicine Co., Ltd.) which just involved with connected persons 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 involved is expected to be less than 1%.

Note 2: These connected transactions (as defined under the Listing Rules of the Shanghai Stock Exchange) under the Financial Services Framework Agreement also constitute connected transactions with connected persons at the level of the Company defined under Chapter 14A of the Hong Kong Listing Rules. Among these connected transactions: (1) the relevant percentage ratios other than profits ratio for actual deposit services, calculated on an annual basis, were higher than 0.1% but lower than 5%; (2) actual loan services were conducted on normal business terms, and the Group did not grant any of its assets to the Finance Company as securities for these loan services; (3) the relevant percentage ratios other than profits ratio for actual settlement and other financial services, calculated on an annual basis, were less than 0.1%.

Note 3: These connected transactions (as defined under the Listing Rules of the Shanghai Stock Exchange) with SIIC and its subsidiaries and Shanghai Shangshi and its subsidiaries (excluding Shanghai Pharmaceutical (Group) and its subsidiaries) also constitute the “connected transactions with connected persons at the level of the Company” defined under Chapter 14A of the Hong Kong Listing Rules. Among these continuing connected transactions: the relevant percentage ratios other than profits ratio corresponding to the actual amount of the transactions in relation to the acceptance of services were less than 0.1%.

Note 4: These connected transactions (as defined under the Listing Rules of the Shanghai Stock Exchange) under such Continuing Connected Transactions Framework Agreement also constitute continuing connected transactions with connected persons at the level of subsidiaries of the Company defined under Chapter 14A of the Hong Kong Listing Rules. Applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of transactions of products and services under the Agreement, calculated on an annual basis, are expected to be more than 1% but less than 5%.



CHAPTER 5 SIGNIFICANT EVENTS

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

Applicable Not Applicable

3. Events not disclosed in provisional announcements

Applicable Not Applicable

Unit: RMB10,000

Connected party	Connected relationship	Type of the connected transaction	Particulars of the connected transaction	Pricing principle of the connected transaction	Trading price of the connected transaction	Amount of the connected transaction	Proportion in the amount of transactions of the same type (%)	Settlement method of the connected transaction	Market price	Reason for the difference between trading price and market price
Shanghai Pharmaceutical (Group) Co., Ltd.	The parent company	Other outflows	Property leasing	Market price	1,263.95	1,263.95	54.00	Cash	1,263.95	Nil
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	A wholly-owned subsidiary of the parent company	Other outflows	Property and equipment leasing	Market price	817.37	817.37	34.92	Cash	817.37	Nil
Shanghai Indu-Land Property Co., Ltd.	A wholly-owned subsidiary of the parent company	Other outflows	Property leasing and property service	Market price	259.36	259.36	11.08	Cash	259.36	Nil
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	A wholly-owned subsidiary of the parent company	Provide service	Provide service	Market price	28.96	28.96	0.06	Cash	28.96	Nil
Total				/	/	2,369.64	/	/	/	/
Details of substantial sales return					Nil					
Necessity and continuity of connected transactions and reasons for choosing to conduct transactions with the connected party (rather than other parties in the market)				It is the daily operating needs for the Company to sell products and offer labor resources to Shanghai Pharmaceutical (Group), purchase products and receive labor resources and lease property and production equipment from Shanghai Pharmaceutical (Group).						
Effect of the connected transaction on the independence of the listed company				The aforesaid daily connected transactions are within the operating scope of the Company and are necessary and continuous, and will not have any impact on the independence of the Company.						
The Company's dependence on the connected party and relevant solutions (if any)				/						
Explanation of connected transaction				/						

CHAPTER 5 SIGNIFICANT EVENTS

(II) Connected transactions relating to acquisition and disposal of assets

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

None for the Reporting Period.

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

None for the Reporting Period.

3. *Events not disclosed in provisional announcements*

Applicable Not Applicable

(III) Material connected transaction relating to joint external investment

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

Overview of Events	Search Index
Shanghai Pharmaceuticals Holding Co., Ltd. established the Healthcare and Medical Industry Investment Fund and Investment Fund Management Company	Company announcement Lin No. 2015-032

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

None

3. *Events not disclosed in provisional announcements*

Applicable Not Applicable

(IV) Credits and liabilities with related parties

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

During the Reporting Period, the Company had no material credits and liabilities with related parties.

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

During the Reporting Period, the Company had no material credits and liabilities with related parties.

3. *Events not disclosed in provisional announcements*

Applicable Not Applicable



CHAPTER 5 SIGNIFICANT EVENTS

VI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1 Trusteeship, contracting and leasing

Applicable Not Applicable

2 Guarantees

Applicable Not Applicable

Unit: RMB10,000

External guarantees provided by the Company (excluding those provided to its subsidiaries)													
Guarantor	Relationship between the guarantor and the listed-company	Guarantee	Value of guarantee	Date of guarantee (date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Guarantee overdue	Overdue amount of guarantee	Any counter guarantee	Guarantee Provided to related parties	Connected relationship
Shanghai Pharmaceutical Distributor Co., Ltd.	Wholly-owned subsidiary	Shanghai Luoda Pharmaceutical Co., Ltd.	900.00		2014/4/16	2015/4/13	Joint and several liability guarantee	Yes	No		No	No	Associated Company
Shanghai Pharmaceutical Distributor Co., Ltd.	Wholly-owned subsidiary	Shanghai Luoda Pharmaceutical Co., Ltd.	900.00		2015/4/14	2016/4/14	Joint and several liability guarantee	No	No		No	No	Associated Company
Shanghai Pharmaceutical Distributor Co., Ltd.	Wholly-owned subsidiary	Chongqing Pharmaceutical Shanghai Distribution Co., Ltd.	1,283.50		2014/9/5	2015/6/23	Joint and several liability guarantee	Yes	No		No	No	Associated Company
Shanghai Pharmaceutical Distributor Co., Ltd.	Wholly-owned subsidiary	Chongqing Pharmaceutical Shanghai Distribution Co., Ltd.	523.54		2015/3/26	2015/11/23	Joint and several liability guarantee	No	No		No	No	Associated Company
Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)													1,423.54
Total balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)													1,423.54
Guarantees provided by the Company to its subsidiaries													
Total value guaranteed for its subsidiaries during the Reporting Period													17,695.49
Total balance guaranteed for its subsidiaries at the end of the Reporting Period (B)													17,695.49
Total value guaranteed by the Company (including those provided to its subsidiaries)													
Total value guaranteed (A+B)													19,119.03
Percentage of total value guaranteed in the Company's net assets (%)													0.60
Among which:													
Value guaranteed for shareholders, de facto controller and related parties (C)													
Value directly or indirectly guaranteed for guaranteed parties whose gearing ratio exceeds 70% (D)													18,595.49
Amount of total value guaranteed exceeding 50% of net assets (E)													
Total of value guaranteed for the above three items (C+D+E)													18,595.49
Details of possible joint and several settlement liabilities for undue guarantee													
Details of guarantee													

3 Other material contracts or transactions

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

CHAPTER 5 SIGNIFICANT EVENTS

VII. FULFILMENT STATUS OF COMMITMENTS

Applicable Not Applicable

For details, please refer to the Announcement of the Company in relation to the Fulfilment Status of Commitments by De facto Controller, Shareholders, Related Parties, Acquirers and the Company (Company's announcement Lin No. 2014-001), the Announcement in Relation to the Increase in the Shareholding of the Company by Controlling Shareholders (Company's announcement Lin No. 2014-012), the Announcement on the Progress of Commitment Resolution (Company's announcement Lin No. 2014-017), the Announcement in relation to the Expiration of the Implementation Period of Increase in the Shareholding of the Company by Controlling Shareholders (Company's announcement Lin No. 2015-016) and the Announcement on stabilizing the Company's Share Price (Company's announcement Lin No. 2015-023).

VIII. APPOINTMENT AND DISMISSAL OF THE ACCOUNTING FIRM

Applicable Not Applicable

IX. PUNISHMENT AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING 5% OR MORE OF SHARES, DE FACTO CONTROLLERS AND ACQUIRERS

Applicable Not Applicable

X. CONVERTIBLE CORPORATE BONDS

Applicable Not Applicable



XI. 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, establishing and continuously improving the corporate governance structure of the Company. During the Reporting Period, the Company has promulgated and amended a series of internal rules and regulations such as Notes Management System, Monetary Resources Management System, Management Measures on One Product for One Strategy and Secondary Development Project, and Quality Audit Management System, etc. 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 Nomination Committee held one meeting to review the structure, size, composition and diversity of the Board; the Audit Committee held two meetings to review the Company's 2014 Annual Report, 2014 Internal Control and the Summary of 2014 Annual Audit Report; the Remuneration and Assessment Committee held two meetings to determine the 2015 annual remuneration standards for senior management and to approve the performance review report on senior management for 2014.

The Company, as a company dual-listed in the A-share and H-share markets, 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. During the Reporting Period, the Company has fully complied with the principles and code provisions stipulated under the Corporate Governance Code.

XII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Analysis of the Board on the reason and effect of changes in accounting policies, accounting estimates or accounting methods

Applicable Not Applicable

(II) Analysis of the Board on reasons and effects of modification to significant previous errors

Applicable Not Applicable

(III) Others

1. Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (referred to as "Pien Tze Huang" sued Xiamen Traditional Chinese Medicine Co., Ltd. (referred to as "Xiamen Traditional Chinese Medicine"), Xiamen Evening News Media Development Co., Ltd. and Xiamen Daily at Zhangzhou Municipal Intermediate People's Court (referred to as "Zhangzhou Intermediate Court") for unfair competition, but Xiamen Traditional Chinese Medicine filed an application for objection to jurisdiction to Zhangzhou Intermediate Court on 13 March 2014. On 4 April 2014, Xiamen Traditional Chinese Medicine received (2014) Zhangzhou Civil Judgment No.35-3, in which Zhangzhou Intermediate Court rejected the objection to the case's jurisdiction by Xiamen Traditional Chinese Medicine. On 13 April 2014, Xiamen Traditional Chinese Medicine appealed to Fujian Provincial Higher People's Court (referred to as "Fujian Higher Court) for objection to jurisdiction. On 23 June 2014, Fujian Higher Court issued (2014) Fujian Final Civil Judgment No.660 to revoke Zhangzhou Civil Judgment No.35-3 and transferred the case to the jurisdiction of Xiamen Municipal Intermediate People's Court (referred to as "Xiamen Intermediate Court"). On 18 August 2014, Xiamen Traditional Chinese Medicine received (2014) No.937 Notice from Xiamen Municipal Intermediate People's Court, Fujian Province. It was noted that Fujian Higher Court further transferred the case to the jurisdiction of Fuzhou Municipal Intermediate People's Court (referred to as "Fuzhou Intermediate Court"). On 22 October 2014, Xiamen Traditional Chinese Medicine received notice from Fuzhou Intermediate Court that the time period for producing evidence on the case was extended to 7 November 2014. On 5 December 2014, Xiamen Traditional Chinese Medicine received Notice on Members of Collegial Panel from Fuzhou Intermediate Court and the statement of claim submitted by Pien Tze Huang. Some amendments were made to the original statement of claim. On 19 December 2014, Xiamen Traditional Chinese Medicine filed an objection to the jurisdiction of Fuzhou Intermediate Court for the reason that the amended claims were beyond its scope of jurisdiction. On 9 January 2015, Xiamen Traditional Chinese Medicine received (2014) Fuzhou Civil Judgment No. 1431-1, in which Fuzhou Intermediate Court rejected the objection to its jurisdiction. On 19 January 2015, Xiamen Traditional Chinese Medicine put forward again the objection to jurisdiction to Fujian Higher Court. On 4 March 2015, Fujian Higher Court issued (2015) Fujian Final Civil Judgment No.446 and rejected the appeal with a final ruling, and the case is therefore ruled to be under the jurisdiction of Fuzhou Intermediate Court. On 8 May 2015, Fuzhou Intermediate Court convened pretrial conference against the case. On 3 August 2015, Fuzhou Intermediate Court convened pretrial conference against the case again.



CHAPTER 5 SIGNIFICANT EVENTS

2. On 18 June 2014, Xiamen Traditional Chinese Medicine applied to Trademark Bureau of State Administration for Industry and Commerce of the People's Republic of China (referred to as "Trademark Bureau of State Administration for Industry and Commerce") for registering trademarks of "Pill of Eight Treasures Pien Tze Huang" (「八寶丹片仔癀」) (Application No.11683990) and "Pien Tze Huang Pill of Eight Treasures" (「片仔癀八寶丹」) (Application No.11683929) on items under the fifth category of "traditional Chinese medicine" on 1 November 2012 by Pien Tze Huang, asking for the rejection of registering these two contentious trademarks according to relevant regulations. Up to now, it is still under the procedure of examinations.

3. On 17 August 2015, Xiamen Traditional Chinese Medicine filed with Fuzhou Intermediate Court to claim against Pien Tze Huang, Railway Station Pharmacy of Fuzhou Huichun Medicine Chain Co., Ltd.(referred as to "Huichun Medicine Railway Station Pharmacy"), Fuzhou Huichun Medicine Chain Co., Ltd. (referred as to "Huichun Medicine") for unfair competition, demanding to issue an order to Pien Tze Huang to stop infringing false propaganda on Babaodan series products of Xiamen Traditional Chinese Medicine; compensate economic loss and reasonable rights fee totaling RMB2.997 million to Xiamen Traditional Chinese Medicine; to issue a public statement on provincial press and its official website for consecutive six months clarifying the facts and eliminating adverse effects to Xiamen Traditional Chinese Medicine; to issue an order to Huichun Medicine Railway Station Pharmacy and Huichun Medicine to jointly and severally compensate Xiamen Traditional Chinese Medicine economic loss of RMB3,000; and to issue an order to the three defendants to jointly assume to legal costs to case. Fuzhou Intermediate Court accepted the case with case number(2015) rong min chu zi di no.1518.

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

Applicable Not applicable

II. INFORMATION ABOUT SHAREHOLDERS

(I) Aggregate number of shareholders:

Aggregate number of Shareholders as at the end of the Reporting Period	111,640
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Note: Among the 111,640 shareholders as at the end of the Reporting Period, 109,202 were A Share holders and 2,438 were H Share holders.

(II) Top 10 shareholders and top 10 shareholders for shares in circulation (or without trade restrictions) and their shareholdings at the end of the Reporting Period

Unit: Shares

Shareholdings of top ten shareholders							
Name of shareholder (in full)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Shareholding percentage (%)	Number of trade- restricted Shares held	Pledged or frozen		Nature
					Status	Number	
HKSCC NOMINEES LIMITED	302,500	748,130,620	27.82	0	Unknown		Foreign shareholder
Shanghai Pharmaceutical (Group)	0	716,516,039	26.65	0	pledged	13,648,772	State-owned legal person
SIIC and its wholly-owned subsidiaries and Shanghai Shangshi	0	238,586,198	8.87	0	Unknown		State-owned legal person and foreign shareholder
Shenergy Group	0	81,199,520	3.02	0	Unknown		State-owned legal person
Shanghai Shengrui	-68,516,222	65,659,190	2.44	0	Unknown		State-owned legal person
Agricultural Bank of China Ltd. – Fullgoal CSI State-owned Enterprises Reform Index Classified Securities Investment Fund	25,581,208	31,113,467	1.16	0	Unknown		Unknown
Hong Kong Securities Clearing Company Limited	6,578,013	18,439,739	0.69	0	Unknown		Unknown
National Social Security Fund – Portfolio 107	/	10,594,264	0.39	0	Unknown		Unknown



CHAPTER 6

CHANGES IN SHARE CAPITAL AND INFORMATION ABOUT SHAREHOLDERS

Unit: Shares

Shareholdings of top ten shareholders							
Name of shareholder (in full)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Shareholding percentage (%)	Number of trade- restricted Shares held	Pledged or frozen		Nature
					Status	Number	
PICC Life Insurance Co., Ltd. – bonus – individual bonus	-15,092,679	10,493,400	0.39	0	Unknown		Unknown
China construction bank Co., Ltd. – Huaxia medical and health mixed type of securities investment funds (中國建設銀行股份有限公司 – 華夏醫療健康混合型發起式證券投資基金)	/	10,403,661	0.39	0	Unknown		Unknown

Unit: Shares

Shareholdings of top 10 shareholders without trade restrictions			
Name of shareholder	Number of Shares in circulation without trade restrictions	Class and number of Shares	
		Class	Number
HKSCC NOMINEES LIMITED	748,130,620	Overseas listed foreign shares	748,130,620
Shanghai Pharmaceutical (Group)	716,516,039	RMB ordinary shares	716,516,039
SIIC and its wholly-owned subsidiaries and Shanghai Shangshi	238,586,198	RMB ordinary shares	222,301,798
		Overseas listed foreign shares	16,284,400
Shenergy Group	81,199,520	RMB ordinary shares	81,199,520
Shanghai Shengrui	65,659,190	RMB ordinary shares	65,659,190
Agricultural Bank of China Ltd. – Fullgoal CSI State-owned Enterprises Reform Index Classified Securities Investment Fund	31,113,467	RMB ordinary shares	31,113,467
Hong Kong Securities Clearing Company Limited	18,439,739	RMB ordinary shares	18,439,739
National Social Security Fund – Portfolio 107	10,594,264	RMB ordinary shares	10,594,264
PICC Life Insurance Co., Ltd. – bonus – individual bonus	10,493,400	RMB ordinary shares	10,493,400
China construction bank co., LTD.- Huaxia medical and health mixed type of securities investment funds (中國建設銀行股份有限公司 – 華夏醫療健康混合型發起式證券投資基金)	10,403,661	RMB ordinary shares	10,403,661
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”.		
Note on shareholders of preference Shares with voting rights restored and number of shares held	/		

Unit: Share

Number of and the trade restrictions on the Shares held by the top 10 Shareholders holding trade-restricted Shares					
No.	Name of shareholders holding trade-restricted Shares	Number of trade-restricted Shares	The listing and trading of trade-restricted Shares		Trade restrictions
			Time available 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		/			

Note 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.

Note 2: The latest 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 (hereinafter "Great Wall") (the vendor) in relation to the acquisition of 39.01% equity interest of Shanghai Asia Pioneer Pharmaceutical Co., Ltd. by Shanghai Pharmaceuticals (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 Lin No. 2011-038 for more details). On 18 February 2013, the lock-up period of the aforesaid 13,648,772 pledged Shares expired (please refer to the Company's announcement Lin No. 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, 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). As of the date of this report, the parties are still in the progress of negotiation in respect to the extension of the agreement and no agreement has been entered into.



(III) Strategic investors or general corporate becoming top 10 shareholders because of new share placing

Applicable Not applicable

III. CHANGES IN CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

Applicable Not applicable

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 2015, 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; Mr. He Chuan, Chief Supervisor of the Company, held 12,500 A Shares of the Company, and Ms. Chen Xin, supervisor of the Company, held 10,000 A Shares of the Company.

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.

Save as disclosed in this report, as at 30 June 2015, 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 2015, 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 (%)
SIIC 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
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	75,083,204(L) 0(S) 71,787,023(P)	9.80(L) 0.00(S) 9.37(P)	2.79(L) 0.00(S) 2.67(L)
National Council for Social Security Fund	H Shares	Beneficial owner	66,633,400(L)	8.70(L)	2.48(L)
BlackRock, Inc.	H Shares	Interests of controlled corporation	55,178,718(L)	7.20(L)	2.05(L)
AllianceBernstein L.P.	H Shares	Investment Manager/Interests of controlled corporation	45,941,200(L)	6.00(L)	1.71(L)
The Capital Group Companies, Inc.	H Shares	Interests of controlled corporation	38,520,800(L)	5.03(L)	1.43(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).

- Note 2:* (1) Information disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange (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 2015, 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 2015, 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 2015, none of SIIC and Shanghai Shangshi, the Controlling Shareholders of the Company, or their respective subsidiaries had increased their shareholdings in Shanghai Pharmaceuticals.

CHAPTER 7 INFORMATION RELATED TO PREFERENCE SHARES

Applicable Not applicable



I. CHANGES IN SHAREHOLDINGS

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

Applicable Not Applicable

(II) Equity incentives issued to Directors, Supervisors and Senior Management during the Reporting Period

Applicable Not Applicable

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

Applicable Not Applicable

Name	Position	Changes	Reasons for changes
Han Min	Board secretary, joint company secretary	Resignation	Tendering resignation

III. OTHERS

(I) The Company had no share incentive plan during the Reporting Period.

(II) During the Reporting Period, none of the Company's directors and supervisors 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.

(II) Changes in biographical details in Directors and Supervisors

Mr. Chen Naiwei, born in August 1957, obtained a bachelor degree in economic law from East China University of Political Science and Law and a doctorate degree in civil and commerce law from Macau University of Science and Technology. He is a professor of law and a PRC practicing lawyer. He joined the Company in March 2010 as an independent non-executive director and does not hold any directorship in any subsidiaries of the Company. Mr. Chen has been the vice president of China Law Association on Science and Technology since October 2010; independent non-executive director of Shanghai Taisheng Wind Power Equipment Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 300129) since August 2010; independent non-executive director of Shanghai Kinlita Chemical Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 300225) since July 2013; an independent non-executive director of Shanghai Jiaoyun Group Co., Ltd. (a company listed on Shanghai Stock Exchange with stock code 600676) since November 2014; arbitrator of the China International Economic and Trade Arbitration Commission since October 2005; the vice president of the Technology Law and Intellectual Property Law Research Center of Shanghai Law Society since March 2005; professor of law at Fudan University since August 2004; arbitrator of the Court of Arbitration for Sport of the International Olympics Committee since December 2002; arbitrator of Shanghai Arbitration Commission since October 1999; and senior partner of Allbright Law Offices since September 1999. His previous positions included the head of the Faculty of Law and the director of the Center for the Study of Intellectual Property at Shanghai Jiao Tong University.

Mr. Wan Kam To, born in January 1953, graduated from the Accounting Department of Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a higher diploma. He is a certified accountant in Hong Kong, and a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Directors. He is an independent non-executive director of the Company and does not hold any directorship in any subsidiaries of the Company. Mr. Wan Kam To has extensive experience in auditing, finance, advisory and management for over 30 years. He has been an independent non-executive director of Target Insurance (Holdings) Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 6161) since November 2014; an independent non-executive director of Harbin Bank Co., Ltd. (a company listed on The Stock Exchange of Hong Kong Limited with stock code 06138) since October 2013, an independent non-executive director of Kerry Logistics Network Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 00636) since November 2013, an independent non-executive director of S. Culture International Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 01255) since May 2013, an independent non-executive director of KFM Kingdom Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 03816) since September 2012, an independent non-executive director of Dalian Port (PDA) Company Limited (a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange with stock code 02880 and 601880 respectively) since June 2011, an independent non-executive director of Huaneng Renewables Corporation Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 00958) since August 2010, an independent non-executive director of Fairwood Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 00052) since September 2009, an independent non-executive director of China Resources Land Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 01109) since March 2009. He once served as an independent director of Mindray Medical International Limited (a company listed on the New York Stock Exchange under the ticker symbol MR), an independent



director of RDA Microelectronics, Inc. (a company listed on NASDAQ under the ticker symbol RDA), an independent non-executive director of GreaterChina Professional Services Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 08193) and a partner of PricewaterhouseCoopers in Hong Kong (from May 1992 to June 2008), etc.

Mr. Tse Cho Che, Edward, born in June 1956, holds a bachelor's degree and a master's degree in civil engineering from the Massachusetts Institute of Technology, the United States, and a master of business administration as well as a Ph.D. in civil engineering from the University of California, Berkeley, the United States. Mr. Tse is an independent non-executive director of the Company and does not hold any directorship in any subsidiaries of the Company. He has been engaged in management consultancy and corporate senior management for nearly 30 years, with extensive experience and expertise in definition and implementation of corporate transformation, establishment of organizations, business strategy and overseas expansion. He holds the position of Chairman in Gao Feng Advisory Company from April 2014 up until now. He was the chairman of the board in Greater China region of Booz & Company, an independent director of Baoshan Iron & Steel Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code 600019), an outsider director of Shanghai Automotive Industry Corporation (Group), executive vice president of corporate planning and development division and business president of Greater China region of HKT Limited, a part-time member of the Central Policy Unit of the Hong Kong Special Administrative Region, and president of Greater China region of Boston Consulting Group.

Ms. Chen Xin, born in May 1963, holds an undergraduate degree in economic management from the Open College of Party School of the Central Committee of the Communist Party of China (CCCPC) and a graduate degree (part-time) in politics from the Party School of the CCCPC, and is a senior political engineer. She joined the Company as an employee supervisor of the Company in March 2010 and does not hold any directorship in any subsidiaries of the Company. Ms. Chen has been the chairman of trade union of Shanghai Shangshi (Group) Co., Ltd. since March 2015, and the chairman of Shanghai Pharmaceutical Trade Union, a member of the standing committee of Shanghai Federation of Trade Unions and China Energy Chemistry Trade Union since August 2001. Her previous positions included a director of the department of organisation of Shanghai Pharmaceutical (Group) Co., Ltd. and a vice chairman of Shanghai Pharmaceutical Trade Union, etc.

CHAPTER 9 FINANCIAL REPORT

1. AUDIT REPORT

Applicable Not applicable

2. THE FINANCIAL STATEMENTS

1. The financial statements and notes (unaudited) Prepared under the Hong Kong Financial Reporting Standards, attached.



		Unaudited 30 June 2015	Audited 31 December 2014
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Land use rights	7	1,119,603	1,095,630
Investment properties	7	267,979	275,115
Property, plant and equipment	7	5,905,016	5,197,819
Intangible assets	7	5,724,620	5,260,312
Investments in jointly controlled entities	8	443,290	374,742
Investments in associates	9	2,868,041	2,370,871
Deferred income tax assets	14	251,272	264,591
Available-for-sale financial assets		214,731	187,433
Other non-current prepayments		500,197	402,813
Other long-term receivables		301,574	252,912
		17,596,323	15,682,238
Current assets			
Inventories		13,010,057	13,088,153
Trade and other receivables and other current asset	10	28,219,808	23,950,884
Financial assets at fair value through profit or loss		690	506
Restricted cash		420,685	417,634
Cash and cash equivalents		10,638,221	11,190,420
		52,289,461	48,647,597
Assets classified as held for sale		–	10,724
		52,289,461	48,658,321
Total assets		69,885,784	64,340,559
Equity attributable to owners of the Company			
Share capital	11	2,688,910	2,688,910
Share premium		13,975,637	14,081,665
Other reserves		1,064,142	1,042,233
Retained earnings			
– Proposed final dividends		–	779,784
– Others		10,762,139	9,229,541
		28,490,828	27,822,133
Non-controlling interests		3,476,310	3,277,019
Total equity		31,967,138	31,099,152

	Note	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	13	93,408	105,408
Deferred income tax liabilities	14	409,883	380,163
Termination benefit obligations		67,666	70,472
Long-term payables		34,165	–
Other non-current liabilities		735,057	682,818
		1,340,179	1,238,861
Current liabilities			
Trade and other payables and other current liabilities	12	26,962,139	23,701,260
Current income tax liabilities		342,646	348,162
Borrowings	13	9,269,976	7,953,124
Current portion of long-term payables		3,706	–
		36,578,467	32,002,546
Total liabilities		37,918,646	33,241,407
Total equity and liabilities		69,885,784	64,340,559
Net current assets		15,710,994	16,655,775
Total assets less current liabilities		33,307,317	32,338,013

The notes on pages 61 to 107 are an integral part of this interim condensed consolidated financial information.



	Note	Unaudited Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	6	50,950,076	44,013,016
Cost of sales		(44,800,284)	(38,549,727)
Gross profit		6,149,792	5,463,289
Distribution and selling expenses		(2,558,026)	(2,316,294)
General and administrative expenses		(1,615,482)	(1,405,025)
Operating profit	15	1,976,284	1,741,970
Other income		119,512	75,864
Other losses – net	16	(9,540)	(19,087)
Gains on disposal of subsidiaries and associates	17	4	132,250
Finance income		76,249	96,717
Finance costs		(343,560)	(272,024)
Share of profit of jointly controlled entities	8	88,548	73,820
Share of profit of associates	9	217,163	87,594
Profit before income tax		2,124,660	1,917,104
Income tax expense	18	(369,897)	(402,462)
Profit for the period		1,754,763	1,514,642
Profit attributable to:			
Owners of the Company		1,534,018	1,318,004
Non-controlling interests		220,745	196,638
		1,754,763	1,514,642
Earnings per share attributable to owners of the Company during the period (expressed in RMB per share)			
– Basic and diluted	19	0.57	0.49

The notes on pages 61 to 107 are an integral part of this interim condensed consolidated financial information.

		Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Dividends	20	–	–

	Note	Unaudited	
		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Profit for the period		1,754,763	1,514,642
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Available-for-sale financial assets			
– Gross		31,349	(14,120)
– Tax	14	(7,838)	973
Currency translation differences, net		(3,193)	(4,329)
Other comprehensive income for the period, net of tax		20,318	(17,476)
Total comprehensive income for the period		1,775,081	1,497,166
Attributable to:			
– Owners of the Company		1,555,927	1,302,378
– Non-controlling interests		219,154	194,788
Total comprehensive income for the period		1,775,081	1,497,166

The notes on pages 61 to 107 are an integral part of this interim condensed consolidated financial information.



CHAPTER
9

FINANCIAL REPORT
INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

	Unaudited							
	Attributable to owners of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		2,688,910	14,122,285	917,561	8,225,057	25,953,813	3,047,167	29,000,980
Comprehensive income								
Profit for the period		-	-	-	1,318,004	1,318,004	196,638	1,514,642
Other comprehensive income								
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)
Total other comprehensive income		-	-	(15,626)	-	(15,626)	(1,850)	(17,476)
Total comprehensive income		-	-	(15,626)	1,318,004	1,302,378	194,788	1,497,166
Transactions with owners								
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		-	-	-	-	-	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)
Total transaction with owners		-	4,354	-	(699,116)	(694,762)	(12,982)	(707,744)
Balance at 30 June 2014		2,688,910	14,126,639	901,935	8,843,945	26,561,429	3,228,973	29,790,402

CHAPTER
9

FINANCIAL REPORT
INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

	Note	Unaudited						Total equity RMB'000
		Attributable to owners of the Company					Non-controlling interests RMB'000	
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2015		2,688,910	14,081,665	1,042,233	10,009,325	27,822,133	3,277,019	31,099,152
Comprehensive income								
Profit for the period		-	-	-	1,534,018	1,534,018	220,745	1,754,763
Other comprehensive income								
Available-for-sale financial assets								
– Gross		-	-	30,226	-	30,226	1,123	31,349
– Tax		-	-	(7,557)	-	(7,557)	(281)	(7,838)
Currency translation differences, net		-	-	(760)	-	(760)	(2,433)	(3,193)
Total other comprehensive income		-	-	21,909	-	21,909	(1,591)	20,318
Total comprehensive income		-	-	21,909	1,534,018	1,555,927	219,154	1,775,081
Transactions with owners								
Capital injections from non-controlling interests		-	-	-	-	-	44,400	44,400
Acquisitions of subsidiaries	24	-	-	-	-	-	167,091	167,091
Transaction with non-controlling interests	23	-	(105,309)	-	-	(105,309)	(89,894)	(195,203)
Dividends		-	-	-	(779,784)	(779,784)	(141,437)	(921,221)
Others		-	(719)	-	(1,420)	(2,139)	(23)	(2,162)
Total transaction with owners		-	(106,028)	-	(781,204)	(887,232)	(19,863)	(907,095)
Balance at 30 June 2015		2,688,910	13,975,637	1,064,142	10,762,139	28,490,828	3,476,310	31,967,138

The notes on pages 61 to 107 are an integral part of this interim condensed consolidated financial information.



	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	773,388	515,906
Interest paid	(298,804)	(251,095)
Income tax paid	(363,948)	(339,689)
Net cash generated from operating activities	110,636	(74,878)
Cash flows from investing activities		
Cash paid in respect of acquisition of subsidiaries and associates	(530,790)	(753,563)
Purchases of treasury bills	(1,000,000)	(300,000)
Receipts of treasury bills	1,008,857	300,000
Purchases of available-for-sale financial assets	–	(175)
Purchases of property, plant and equipment (“PP&E”) and investment properties	(669,805)	(394,563)
Proceeds from disposal of PP&E and investment properties	17,284	91,549
Purchases of land use rights and intangible assets	(20,389)	(6,903)
Interest received	73,043	94,898
Dividends received	29,975	68,282
Proceeds from disposal of available-for-sale financial assets	7,900	1,969
Proceeds from disposal of subsidiaries, associates and jointly controlled entities	19,376	36,459
Proceeds from/(Payment of) Government grant of plant relocation, net	125,830	(23,302)
Other cash flows generated from investing activities	(427)	56,961
Net cash used in investing activities	(939,146)	(828,388)
Cash flows from financing activities		
Cash injection from non-controlling interests	44,400	6,340
Transaction with minority interests	(159,203)	(117,916)
Proceeds from borrowings	8,494,452	6,332,360
Repayments of borrowings	(7,439,007)	(5,786,523)
Dividends paid by the Group	(695,174)	(812,623)
Others cash flows generated from financing activities	31,822	(80,308)
Net cash generated from financing activities	277,290	(458,670)
Net increase in cash and cash equivalents	(551,220)	(1,361,936)
Cash and cash equivalents at beginning of the period	11,190,420	12,645,367
Exchange (losses)/gains on cash and cash equivalents	(979)	2,309
Cash and cash equivalents at end of the period	10,638,221	11,285,740

The notes on pages 61 to 107 are an integral part of this interim condensed 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, and rendering of professional service in respect of medical equipment;
- 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, China (Shanghai) Pilot Free Trade Zone, Shanghai, PRC.

The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited since 20 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 26 August 2015.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, 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 2014, 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.



3. ACCOUNTING POLICIES (continued)

(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 2015 and have an immaterial impact on the Group:

- Amendment to HKAS 19 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.
- Annual improvements 2012: These amendments include changes from the 2010-2012 cycle of the annual improvements project that mainly affect the standards of HKFRS 2, HKFRS 3, HKFRS 8, HKAS 16, HKAS 24 and HKAS 38.
- HKFRS 2, 'Share-based payment': The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.
- HKFRS 3, 'Business combinations' and consequential amendments to HKFRS 9, 'Financial instruments', HKAS 37, 'Provisions, contingent liabilities and contingent assets', and HKAS 39, 'Financial instruments – Recognition and measurement': The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32, 'Financial instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.
- HKFRS 8, 'Operating segments': The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.
- HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets': Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- HKAS 24, 'Related Party Disclosures': The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.
- 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.

3. ACCOUNTING POLICIES (continued)

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

- HKFRS 3, 'Business combinations': It clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.
- HKFRS 13, 'Fair value measurement': It clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.
- HKAS 40, 'Investment property': Preparers also need to refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

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 Hong Kong Companies Ordinance (Cap. 622): The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation for Hong Kong incorporated company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance.



3. ACCOUNTING POLICIES (continued)

(d) New and amended standards that have been issued and are effective for periods commencing after 1 January 2015

		Effective for annual periods beginning on or after
HKFRS 14 "Regulatory deferral accounts"	HKFRS 14 Regulatory Deferral Accounts, 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 HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.	1 January 2016
Amendment to HKFRS 11 "Accounting for acquisitions of interests in joint operation"	<p>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 HKFRS 3, Business combinations).</p> <p>All other principles of business combination accounting apply unless they conflict with HKFRS 11.</p>	1 January 2016
Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation"	<p>The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.</p> <p>The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:</p> <ul style="list-style-type: none"> • where the intangible asset is expressed as a measure of revenue; or • where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. 	1 January 2016
Amendments to HKAS 16 and HKAS 41 "Agriculture: bearer plants"	<p>The amendments change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of HKAS 16 rather than HKAS 41.</p> <p>The produce on bearer plants will remain in the scope of HKAS 41.</p>	1 January 2016

3. ACCOUNTING POLICIES (continued)

(d) New and amended standards that have been issued and are effective for periods commencing after 1 January 2015 (continued)

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	<p>The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.</p> <p>A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.</p>	1 January 2016
Amendment to HKAS 27 "Equity method in separate financial statements"	The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception"	<p>The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.</p> <p>The amendments to HKFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exception listed in HKFRS 10.</p> <p>The amendments to HKAS 28 allow an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a relief to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture for their subsidiaries when applying the equity method.</p>	1 January 2016
Amendments to HKAS 1 "Disclosure initiative"	The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.	1 January 2016
Annual improvements 2014	<p>The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:</p> <ul style="list-style-type: none"> • HKFRS 5, 'Non-current assets held for sale and discontinued operations' • HKFRS 7, 'Financial instruments: Disclosures' • HKAS 19, 'Employee benefits' • HKAS 34, 'Interim financial reporting' 	1 January 2016



3. ACCOUNTING POLICIES (continued)

(d) New and amended standards that have been issued and are effective for periods commencing after 1 January 2015 (continued)

		Effective for annual periods beginning on or after
HKFRS 15 "Revenue from Contracts with Customers"	<p>HKFRS 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. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control.</p> <p>HKFRS 15 replaces the previous revenue standards: IAS/HKAS 18 Revenue and IAS/HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition:</p> <p>HK(IFRIC) 13 Customer Loyalty Programmes, HK(IFRIC) 15 Agreements for the Construction of Real Estate, HK(IFRIC) 18 Transfers of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services.</p>	1 January 2017

3. ACCOUNTING POLICIES (continued)

(d) New and amended standards that have been issued and are effective for periods commencing after 1 January 2015 (continued)

		Effective for annual periods beginning on or after
HKFRS 9 "Financial Instruments"	HKFRS 9 (2014), "Financial instruments" replaces the whole of IAS/ HKAS 39.	1 January 2018
	<p>HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.</p>	

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 condensed consolidated financial information 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 2014.



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 2014.

There have been no changes in the risk management department since year ended 31 December 2014 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 2015 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 2015				
Bank borrowings	9,269,976	18,221	59,691	15,496
Interest payables	199,232	4,534	3,437	11
Trade and other payables	25,871,408	–	–	–
Current portion of long-term payables	3,706	–	–	–
Long-term payables	–	3,887	12,836	17,442
At 31 December 2014				
Bank borrowings	7,953,124	9,221	80,691	15,496
Interest payables	146,934	5,657	8,100	25
Trade and other payables	22,505,870	–	–	–

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 that are measured at fair value as at 30 June 2015:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2015				
Financial assets at fair value through profit or loss	690	–	–	690
Available-for-sale financial assets	58,397	78,071	–	136,468
	59,087	78,071	–	137,158

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2014:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2014				
Financial assets at fair value through profit or loss	506	–	–	506
Available-for-sale financial assets	19,805	85,314	–	105,119
	20,311	85,314	–	105,625

There were no transfers between Level 1 and Level 3 during the period.



5. FINANCIAL RISK MANAGEMENT(continued)

5.3 Fair value estimation (continued)

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

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments traded in Shanghai Stock Exchange and Shenzhen Stock Exchange classified as trading securities or available-for-sale.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's financial assets included in level 2 are all equity investments of which the fair value can be measured by related quoted market prices.

5. FINANCIAL RISK MANAGEMENT(continued)

5.3 Fair value estimation (continued)

(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 2015 and 31 December 2014 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;
- 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 considers 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, and rendering of professional service in respect of medical equipment;
- (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, excluding 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 2015

	Production segment RMB'000	Distribution segment RMB'000	Retail segment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
External revenue	5,249,572	43,724,302	1,739,899	236,303	–	50,950,076
Inter-segment revenue	836,430	1,482,398	19,739	14,303	(2,352,870)	–
Segment revenue	6,086,002	45,206,700	1,759,638	250,606	(2,352,870)	50,950,076
Segment operating profit	778,342	1,196,837	14,827	(6,852)	(6,870)	1,976,284
Other income						119,512
Other losses – net						(9,540)
Gains on disposal of subsidiaries and associates						4
Finance costs – net						(267,311)
Share of profit of jointly controlled entities	76,860	11,688	–	–	–	88,548
Share of profit of associates	196,858	14,893	–	5,412	–	217,163
Profit before income tax						2,124,660
Income tax expense						(369,897)
Profit for the period						1,754,763



6. SEGMENT INFORMATION (continued)

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)	–
Segment revenue	5,687,201	38,508,691	1,645,263	205,065	(2,033,204)	44,013,016
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)
Profit for the period						1,514,642

Other segment items included in the condensed consolidated interim financial information for the six months ended 30 June 2015 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	195,491	75,588	13,069	16,596	–	300,744
Amortisation of intangible assets and land use rights	18,999	48,208	266	8,308	–	75,781
Capital expenditure	392,618	152,203	4,479	26,122	–	575,422

6. SEGMENT INFORMATION (continued)

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

The segment assets and liabilities as at 30 June 2015 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	279,232	164,058	–	–	–	443,290
Investment in associates	2,307,918	225,489	–	334,634	–	2,868,041
Other assets	15,840,966	47,111,196	986,726	22,375,811	251,272	86,565,971
Elimination						(19,991,518)
Total assets						69,885,784
Segment liabilities	4,881,547	34,830,195	627,338	3,126,942	752,529	44,218,551
Elimination						(6,299,905)
Total liabilities						37,918,646

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

	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities after elimination	69,634,512	37,166,117
Unallocated:		
Current income tax liabilities	–	342,646
Deferred tax assets/liabilities – net	251,272	409,883
Total	69,885,784	37,918,646



6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2014 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	222,372	152,370	–	–	–	374,742
Investment in associates	1,888,749	152,900	–	329,222	–	2,370,871
Other assets	15,278,944	42,144,675	978,025	24,351,005	264,591	83,017,240
Elimination						(21,422,294)
Total assets						64,340,559
Segment liabilities	4,672,254	31,115,542	646,418	3,804,656	728,325	40,967,195
Elimination						(7,725,788)
Total liabilities						33,241,407

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	64,075,968	32,513,082
Unallocated:		
Current income tax liabilities	–	348,162
Deferred tax assets/liabilities – net	264,591	380,163
Total	64,340,559	33,241,407

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
Six months ended 30 June 2015				
Opening net book amount				
1 January 2015	1,095,630	275,115	5,197,819	5,260,312
Additions	38,091	–	1,059,127	523,288
Depreciation and amortisation charge (Note 15)	(14,118)	(5,747)	(294,997)	(61,663)
Internal transfer	–	(1,389)	(1,320)	2,709
Disposals	–	–	(55,613)	(26)
Closing net book amount 30 June 2015	1,119,603	267,979	5,905,016	5,724,620
Six months ended 30 June 2014				
Opening net book amount				
1 January 2014	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)
Closing net book amount 30 June 2014	967,332	270,912	5,239,265	5,269,323

Note:

- (a) The additions of intangible assets included the goodwill of approximately RMB360,124,000, which was primarily arising from the acquisition of Star Fountain Global Limited, Hangzhou Kailun Pharmaceutical Co., Ltd. and SPH Xinhai Keyuan Jilin Pharmaceutical Co., Ltd..



8. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	<i>RMB'000</i>
Six months ended 30 June 2015	
Opening net book amount 1 January 2015	374,742
Share of profit for the period	88,548
Declaration of Dividends	(20,000)
Closing net book amount 30 June 2015	443,290
Six months ended 30 June 2014	
Opening net book amount 1 January 2014	340,679
Share of profit for the period	73,820
Declaration of Dividends	(60,714)
Closing net book amount 30 June 2014	353,785

The Group's share of results in the Group's significant jointly controlled entity and its aggregated assets and liabilities are shown below:

Shanghai Hutchison Pharmacy Co., Ltd. (上海和黃藥業有限公司)

	Six months ended 30 June 2015 <i>RMB'000</i>
Assets	573,499
Liabilities	290,020
Revenues	332,095
Share of profit	76,860
Percentage held	50%

9. INVESTMENTS IN ASSOCIATES

	<i>RMB'000</i>
Six months ended 30 June 2015	
Opening net book amount 1 January 2015	2,370,871
Additions	354,926
Share of profit for the period	217,163
Declaration of dividends	(74,919)
Closing net book amount 30 June 2015	2,868,041
Six months ended 30 June 2014	
Opening net book amount 1 January 2014	2,355,821
Additions	300,000
Share of profit for the period	87,594
Declaration of dividends	(130,703)
Deductions	(101,286)
Closing net book amount 30 June 2014	2,511,426

The Group's share of 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 2015 <i>RMB'000</i>
Assets	3,367,612
Liabilities	2,595,866
Revenues	1,326,510
Share of profit	45,219
Percentage held	30%



9. INVESTMENTS IN ASSOCIATES (continued)

(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 2015 RMB'000
Assets	954,976
Liabilities	166,400
Revenues	274,326
Share of profit	38,557
Percentage held	40.8%

10. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables from third parties		
Accounts receivable	24,786,294	20,711,859
Less: Provision for impairment	(888,343)	(911,466)
Accounts receivable – net	23,897,951	19,800,393
Notes receivable	1,452,612	1,466,423
Trade receivables – net	25,350,563	21,266,816
Other receivables from third parties		
Less: Provision for impairment	(764,827)	(780,192)
Other receivables – net	947,688	822,961
Amount due from related parties (Note 25(d))		
Less: Provision for impairment	(11,779)	(12,119)
Amount due from related parties – net	264,847	423,378
Prepayments	1,280,509	1,072,447
Value-added tax recoverable	372,666	355,941
Interest receivables	3,535	9,341
Trade and other receivables	28,219,808	23,950,884

10. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS
(continued)

- (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 2015 and 31 December 2014 are as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Less than 3 months	19,101,715	16,642,077
3 months to 6 months	4,701,509	3,634,030
6 months to 12 months	1,598,699	1,075,717
1 year to 2 years	217,502	155,209
Over 2 years	619,481	671,249
	26,238,906	22,178,282

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 2015	1,923,016	765,894	1,923,016	765,894	2,688,910
Issue of Shares	-	-	-	-	-
At 30 June 2015	1,923,016	765,894	1,923,016	765,894	2,688,910
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



12. TRADE AND OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Accounts payable to third parties	19,362,634	16,689,558
Notes payable	3,217,595	3,285,914
Accrued expenses	1,010,903	724,017
Amounts due to related parties (Note 25(d))	550,442	492,680
Advances received from customers	444,364	515,457
Staff welfare and salary payables	416,186	481,274
Dividends payable	327,864	77,670
Deposits	243,861	287,187
Tax liabilities other than income tax	230,132	198,341
Payables for purchase of PP&E	83,582	161,937
Considerations payable in respect of acquisition of subsidiaries	351,626	220,543
Others	722,950	566,682
	26,962,139	23,701,260

As at 30 June 2015 and 31 December 2014, aging analysis of the accounts payables to third parties and notes payables is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Less than 3 months	17,654,003	14,920,352
3 months to 6 months	3,483,651	3,742,074
6 months to 12 months	1,017,810	889,191
1 year to 2 years	227,503	241,246
Over 2 years	197,263	182,609
	22,580,230	19,975,472

13. BORROWINGS

	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Non-current	93,408	105,408
Current	9,269,976	7,953,124
Total borrowings	9,363,384	8,058,532

Movement in borrowings is analysed as follows:

	<i>RMB'000</i>
Six months ended 30 June 2015	
Opening net book amount 1 January 2015	8,058,532
Additions	8,452,442
Acquisition of subsidiaries	244,100
Deduction	(7,391,690)
Closing net book amount 30 June 2015	9,363,384
Six months ended 30 June 2014	
Opening net book amount 1 January 2014	6,049,565
Additions	5,275,623
Acquisition of subsidiaries	766,500
Deduction	(4,784,379)
Closing net book amount 30 June 2014	7,307,309



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 2015 RMB'000	31 December 2014 RMB'000
Deferred income tax assets	251,272	264,591
Deferred income tax liabilities	(409,883)	(380,163)
Deferred income tax liabilities – net	(158,611)	(115,572)

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

	As at 30 June 2015 RMB'000	2014 RMB'000
At 1 January	(115,572)	(89,006)
Recognised in the consolidated income statements (Note 18)	423	(13,542)
Acquisition of subsidiaries	(35,624)	(66,111)
Recognised in equity	(7,838)	973
Deferred income tax liabilities – net	(158,611)	(167,686)

15. OPERATING PROFIT

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Depreciation of PP&E	294,997	260,799
Depreciation of investment properties	5,747	8,072
Amortisation of		
– land use rights	14,118	17,086
– intangible assets	61,663	45,045
Employee benefit expenses	2,021,179	1,887,388
Provision for impairment of trade and other receivables	39,760	40,982
Write-down of inventories to net realisable value	53,561	12,810

16. OTHER LOSSES – NET

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Gains of financial assets at fair value through profit or loss, net	184	38
Gain on disposals of available-for-sale financial assets	–	1,369
Losses on disposals of PP&E	411	(1,199)
Foreign exchange losses	(8,853)	(9,519)
Others – net	(1,282)	(9,776)
	(9,540)	(19,087)

17. GAINS ON DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Gain on deemed disposal of investments in an associate	–	105,695
Others	4	26,555
	4	132,250



18. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current income tax, PRC enterprise income tax	370,320	388,920
Deferred income tax	(423)	13,542
	369,897	402,462

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 2015 and 2014, 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	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	1,534,018	1,318,004
Number of ordinary shares (thousands)	2,688,910	2,688,910
Basic earnings per share (RMB)	0.57	0.49

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 2015 and 2014.

20. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	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 2015 and 2014.

A dividend of approximately RMB779,784,000 that relates to year 2014 was proposed in May 2015 (2014: RMB699,117,000).

21. CONTINGENCIES AND GUARANTEES

(a) As of 30 June 2015, the appeal brought by Zhangzhou Pientzehuang Pharmaceutical Co., Ltd. regarding disputes between it and one of the Group's subsidiaries, Xiamen Traditional Chinese Medicine Co., Ltd. and certain third parties was still under trail. The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

(b) Outstanding loan guarantees

	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Outstanding loan guarantees provided to related parties	14,235	21,835

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 2015 and 31 December 2014 but not yet incurred is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
PP&E	413,869	433,803

(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 2015 RMB'000	31 December 2014 RMB'000
No later than 1 year	218,674	218,680
Later than 1 year and no later than 2 years	152,180	151,828
Later than 2 years and no later than 5 years	173,054	168,235
Later than 5 years	111,268	133,790
	655,176	672,533

(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 2015 RMB'000	31 December 2014 RMB'000
No later than 1 year	31,851	37,399
Later than 1 year and no later than 2 years	28,344	30,959
Later than 2 years and no later than 5 years	47,344	56,704
Later than 5 years	48,336	51,695
	155,875	176,757

23. SIGNIFICANT TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Significant acquisition of additional interests in the subsidiaries

- (i) *Transaction with non-controlling interests of SPH Zhongxie Pharmaceutical Co., Ltd. (上海醫藥眾協藥業有限公司, "SPH Zhongxie")*

In May 2015, the Group acquired additional 21.56% equity interests in SPH Zhongxie for a purchase consideration of approximately RMB120,000,000. Upon completion of this transaction, the Group held 100% equity interests in SPH Zhongxie. The effect of changes in the ownership interests of SPH Zhongxie on the equity attributable to owners of the Company during the six months ended 30 June 2015 is summarised as follows:

	As at 30 June 2015
	<i>RMB'000</i>
Carrying amount of non-controlling interests acquired	49,495
Consideration paid to non-controlling interests	(84,000)
Consideration payable in respect of acquisition of additional interests in the subsidiary	(36,000)
	<hr/>
Excess of consideration paid recognised within equity	(70,505)

- (ii) *Transaction with non-controlling interests of Changzhou Kony Pharmaceuticals Co., Ltd. (常州康麗製藥有限公司, "Changzhou Kony")*

In April 2015, the Group acquired additional 20% equity interests in Changzhou Kony for a purchase consideration of approximately RMB75,203,000. Upon completion of this transaction, the Group held 100% equity interests in Changzhou Kony. The effect of changes in the ownership interests of Changzhou Kony on the equity attributable to owners of the Company during the six months ended 30 June 2015 is summarised as follows:

	As at 30 June 2015
	<i>RMB'000</i>
Carrying amount of non-controlling interests acquired	40,399
Consideration paid to non-controlling interests	(75,203)
	<hr/>
Excess of consideration paid recognised within equity	(34,804)



24. BUSINESS COMBINATION

Significant business combinations not under common control

- (i) In January 2015, the Group acquired 51% equity interests in Star Fountain Global Limited 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.

As a result of the acquisition, the Group is expected to increase its presence in these markets. The goodwill of RMB188,544,000 arising from the acquisition is attributable to the acquired non-contractual customer relationships and economies of scale expected from combining the operations of the Group and Star Fountain Global Limited. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the acquisition of approximately RMB229,500,000, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

Consideration	Star Fountain Global Limited <i>RMB'000</i>
At 1 January 2015	
Total cash consideration	229,500
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,314
PP&E	61,730
Intangible assets	73,533
Inventories	15,523
Trade and other receivables and other current assets	22,520
Deferred income tax liabilities	(21,453)
Trade and other payables and other current liabilities	(33,127)
Current income tax liabilities	(55)
Other long-term payables	(39,679)
Total identifiable net assets	80,306
Non-controlling interests	(39,350)
Goodwill	188,544
	229,500

24. BUSINESS COMBINATION (continued)

Significant business combinations not under common control (continued)

(i) (continued)

	RMB'000
Outflow of cash to acquire Star Fountain Global Limited net of cash acquired	
– cash consideration	229,500
– cash and banks in subsidiary acquired	(1,314)
– consideration payable in respect of acquisition of the subsidiary	(50,000)
Cash outflow on acquisition	178,186

(a) Revenue and profit contribution

Star Fountain Global Limited contributed revenue of approximately RMB54,309,000 and net profit of approximately RMB8,059,000 to the Group for the period from 1 January 2015 to 30 June 2015.

(ii) In March 2015, the Group acquired 54.90% equity interests in Hangzhou Kailun Pharmaceutical Co., Ltd. (“Hangzhou Kailun”) from several independent third parties, on which the Group effectively obtained the right to control its pharmaceutical business and consolidated it into the consolidated financial statements.

As a result of the acquisition, the Group is expected to increase its presence in these markets. The goodwill of RMB77,501,000 arising from the acquisition is attributable to the acquired non-contractual customer relationships and economies of scale expected from combining the operations of the Group and Hangzhou Kailun. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the acquisition of approximately RMB148,725,000, 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)

Consideration	Hangzhou Kailun RMB'000
At 31 March 2015	
Total cash consideration	148,725
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	83,057
Restricted cash	21,112
PP&E	50,007
Land use rights	16,531
Intangible assets	11,328
Inventories	71,776
Trade and other receivables and other current assets	513,011
Available-for-sale financial assets	3,849
Deferred income tax liabilities	(1,829)
Trade and other payables and other current liabilities	(414,265)
Borrowings	(224,100)
Other non-current liabilities	(742)
Total identifiable net assets	129,735
Non-controlling interests	(58,511)
Goodwill	77,501
	148,725
	RMB'000
Outflow of cash to acquire Hangzhou Kailun net of cash acquired	
– cash consideration	148,725
– cash and banks in subsidiary acquired	(83,057)
– consideration payable in respect of acquisition of the subsidiary	(25,203)
Cash outflow on acquisition	40,465

24. BUSINESS COMBINATION (continued)

Significant business combinations not under common control (continued)

(ii) (continued)

(b) *Revenue and profit contribution*

Hangzhou Kailun contributed revenue of approximately RMB336,072,000 and net loss of approximately RMB1,099,000 to the Group for the period from 31 March 2015 to 30 June 2015. If the acquisition had occurred on 1 January 2015, consolidated revenue and consolidated profit for the period ended 30 June 2015 would have increased by approximately RMB350,027,000 and approximately RMB2,319,000 respectively.

(iii) In March 2015, the Group acquired 70% equity interests in SPH Keyuan Xinhai Jilin Co., Ltd. (Keyuan Jilin) from several independent third party, on which the Group effectively obtained the right to control its pharmaceutical business and consolidated it into the consolidated financial statements.

As a result of the acquisition, the Group is expected to increase its presence in these markets. The goodwill of RMB60,369,000 arising from the acquisition is attributable to the acquired non-contractual customer relationships and economies of scale expected from combining the operations of the Group and Keyuan Jilin. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the acquisition of approximately RMB119,000,000, 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	Keyuan Jilin RMB'000
At 31 March 2015	
Total cash consideration	119,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,464
PP&E	134
Intangible assets	40,011
Inventories	58,586
Trade and other receivables and other current assets	175,281
Deferred income tax liabilities	(9,995)
Trade and other payables and other current liabilities	(183,722)
Total identifiable net assets	83,759
Non-controlling interests	(25,128)
Goodwill	60,369
	119,000
	RMB'000
Outflow of cash to acquire Keyuan Jilin net of cash acquired	
– cash consideration	119,000
– cash and banks in subsidiary acquired	(3,464)
– consideration payable in respect of acquisition of the subsidiary	(54,800)
Cash outflow on acquisition	60,736

(c) Revenue and profit contribution

Keyuan Jilin contributed revenue of approximately RMB181,684,000 and net profit of approximately RMB2,621,000 to the Group for the period from 31 March 2015 to 30 June 2015. If the acquisition had occurred on 1 January 2015, consolidated revenue and consolidated profit for the period ended 30 June 2015 would have increased by approximately RMB117,090,000 and approximately RMB3,762,000 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 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 Hutchison Pharmaceutical Co., Ltd. (上海和黃藥業有限公司)	Jointly controlled entity
Jiangxi Nanhua Medicines Co., Ltd. (江西南華醫藥有限公司)	Jointly controlled entity
Sino-American Shanghai Squibb Pharmaceuticals Ltd (中美上海施貴寶製藥有限公司)	Associate



25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

Name of related party	Nature of relationship
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 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)	Former Associate
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd. (杭州胡慶餘堂國藥號有限公司)	Associate
Chongqing Medicines Shanghai Pharma Sales Co., Ltd. (重慶醫藥上海藥品銷售有限公司)	Associate
Shanghai Industrial Group Finance Co., Ltd. (上海上實集團財務有限公司)	Associate
Jilin Yatai Fahrenheit Pharmaceutical Co., Ltd. (吉林亞泰華氏醫藥有限公司)	Associate
Henan Kangxin Pharmaceutical Co., Ltd. (河南省康信醫藥有限公司)	Subsidiary of former 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 2015 and 2014, 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	
	2015 RMB'000	2014 RMB'000
Sales of goods and render of services		
Jiangxi Nanhua Medicines Co., Ltd.	297,979	264,603
Shanghai Luoda Pharmaceutical Co., Ltd.	40,491	32,051
Shanghai Hutchison Pharmaceutical Co., Ltd.	36,053	38,203
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	26,000	26,189
Shanghai Deyi Pharmaceutical Co., Ltd.	25,554	32,988
Shanghai Ivyuan Pharmacy Co., Ltd.	16,360	17,520
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	5,275	1,583
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	4,211	536
Shanghai Huaren Pharmaceutical Co., Ltd.	3,949	4,827
Sino-American Shanghai Squibb Pharmaceuticals Ltd	1,160	2,448
Jilin Yatai Fahrenheit Pharmaceutical Co., Ltd.	1,082	331
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd.	1,061	2,043
Henan Kangxin Pharmaceutical Co., Ltd.	–	59,273
Beijing Xin Hai Feng Yuan Biomedical Development Co., Ltd.	–	27,729
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	290	216
Others	667	7,233
	460,132	517,773



25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Purchase of goods and services		
Shanghai Roche Pharmaceutical Co., Ltd.	1,110,162	1,058,749
Sino-American Shanghai Squibb Pharmaceuticals Ltd	386,119	280,936
Shanghai Hutchison Pharmaceutical Co., Ltd.	63,406	80,550
TECHPOOL Bio-Pharma Co., Ltd.	41,980	52,623
Shanghai Huaren Pharmaceutical Co., Ltd.	14,501	2,131
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	11,366	19,079
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	10,062	25,383
Shanghai Luoda Pharmaceutical Co., Ltd.	7,719	17,607
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	4,080	6,068
Shanghai Deyi Pharmaceutical Co., Ltd.	2,963	20,385
Beijing Xin Hai Feng Yuan Biomedical Development Co., Ltd.	–	24,217
Others	3,700	13,312
	1,656,058	1,601,040

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Rental income		
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	5,057	5,057
Shanghai Hutchison Pharmaceutical Co., Ltd.	1,437	791
	6,494	5,848

25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Rental expense		
Shanghai Pharmaceutical (Group) Co., Ltd.	12,639	13,461
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	8,173	8,014
Shanghai indu-land property Co., Ltd.	2,594	1,779
Beijing Xin Hai Feng Yuan Biomedical Development Co., Ltd.	–	30
	23,406	23,284

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest income		
Shanghai Industrial Group Finance Co., Ltd.	216	–
Beijing Xin Hai Feng Yuan Biomedical Development Co., Ltd.	–	2,009
	216	2,009
Interest expense		
Shanghai Industrial Group Finance Co., Ltd.	11,013	–

R&D expense

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 2015, the Group has cumulatively paid approximately RMB120,135,500.00 to Fudan Zhangjiang with respect to the Agreements.



25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Deposit in related parties, net		
Shanghai Industrial Group Finance Co., Ltd.	123,876	-
Loan received from related parties, net		
Shanghai Industrial Group Finance Co., Ltd.	200,000	-

(b) Key management compensation

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Salaries and fee	2,138	2,400
Bonuses	4,870	4,494
Retirement plans contributions	280	288
	7,288	7,182

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	
	2015 RMB'000	2014 RMB'000
Compensation and others (Note)	-	120,000

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 in respect of the commitments in 2014.

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 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Trade receivables	189,090	146,860
Other receivables	10,351	10,291
Prepayments	1,535	3,616
Dividends receivables	75,650	274,730
	276,626	435,497
	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Trade receivables due from		
Jiangxi Nanhua Medicines Co., Ltd.	112,048	76,056
Shanghai Luoda Pharmaceutical Co., Ltd.	20,608	16,784
Shanghai Deyi Pharmaceutical Co., Ltd.	14,325	10,762
Shanghai Hutchison Pharmaceutical Co., Ltd.	12,884	15,150
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	12,053	11,396
Shanghai Ivyuan Pharmacy Co., Ltd.	6,063	4,374
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	4,101	5,823
Others	7,008	6,515
	189,090	146,860
Less: Provision for impairment	(5,664)	(5,997)
	183,426	140,863



25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Other receivables due from		
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd.	1,638	1,638
Shanghai Huaren Pharmaceutical Co., Ltd.	1,500	1,500
Others	7,213	7,153
	10,351	10,291
Less: Provision for impairment	(6,115)	(6,122)
	4,236	4,169

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 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Less than 3 months	138,762	134,041
3 months to 6 months	45,871	4,642
6 months to 12 months	1,530	5,327
1 year to 2 years	137	1,132
Over 2 years	13,141	12,009
	199,441	157,151

25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Prepayments due from		
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	1,528	3,302
Others	7	314
	1,535	3,616

	30 June 2015 RMB'000	31 December 2014 RMB'000
Dividends receivable		
TECHPOOL Bio-Pharma Co., Ltd.	38,004	–
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd.	22,109	–
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	10,507	–
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	3,689	3,689
Shanghai Luoda Pharmaceutical Co., Ltd.	1,256	1,256
Shanghai Roche Pharmaceutical Co., Ltd.	–	269,700
Others	85	85
	75,650	274,730



25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

Amount due to related parties:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade Payables	516,684	460,413
Other Payables	24,726	23,255
Advances	48	317
Dividends Payable	8,079	8,079
Interest Payables	905	616
	550,442	492,680

	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables due to		
Shanghai Roche Pharmaceutical Co., Ltd.	355,151	295,143
Sino-American Shanghai Squibb Pharmaceuticals Ltd	86,462	62,822
TECHPOOL Bio-Pharma Co., Ltd.	35,296	56,350
Shanghai Hutchison Pharmaceutical Co., Ltd.	10,625	13,431
Shanghai Huaren Pharmaceutical Co., Ltd.	7,434	334
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	7,075	6,854
Shanghai Luoda Pharmaceutical Co., Ltd.	5,536	1,831
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	4,559	12,535
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	2,269	2,929
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	1,266	480
Others	1,011	7,704
	516,684	460,413

25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Other payables due to		
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	10,000	–
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	9,066	9,096
Shanghai Pharmaceutical (Group) Co., Ltd.	5,350	3,623
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd.	–	10,225
Others	310	311
	24,726	23,255

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

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Less than 3 months	515,863	471,056
3 months to 6 months	13,557	715
6 months to 12 months	2,463	1,049
1 year to 2 years	314	56
Over 2 years	9,213	10,792
	541,410	483,668



25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Advances due to		
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd.	–	259
Others	48	58
	48	317

	30 June 2015 RMB'000	31 December 2014 RMB'000
Dividends payable		
Shanghai Pharmaceutical (Group) Co., Ltd.	8,000	8,000
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	79	79
	8,079	8,079

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Outstanding loan guarantees provided by the Group to		
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	5,235	12,835
Shanghai Luoda Pharmaceutical Co., Ltd.	9,000	9,000
	14,235	21,835

	30 June 2015 RMB'000	31 December 2014 RMB'000
Outstanding loan guarantees given to the Group by		
Shanghai Pharmaceutical (Group) Co., Ltd.	2,890	2,890

25. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

(f) Cash at bank and borrowings due from/to related parties

	30 June 2015 RMB'000	31 December 2014 RMB'000
Borrowings due to related parties		
Shanghai Industrial Group Finance Co., Ltd.	600,000	400,000
Cash at bank due from related parties		
Shanghai Industrial Group Finance Co., Ltd.	343,901	220,024

(g) Interest Payable

	30 June 2015 RMB'000	31 December 2014 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	905	616

26. SUBSEQUENT EVENTS

Pursuant to board resolution of the Company on 20 July 2015, SIIC Medical Science and Technology (Group) Limited, which is wholly owned by the Group, will purchase the whole additional 280,517,724 shares issued by Tianda Pharmaceuticals Limited at the price of approximately HK\$109,402,000. Upon the completion of the transaction, SIIC Medical Science and Technology (Group) Limited will hold 13.04% equity interest in Tianda Pharmaceuticals Limited.



CHAPTER
10

CATALOGUE OF DOCUMENTS AVAILABLE FOR
INSPECTION

Catalogue of Documents Available for Inspection	The financial statements signed and sealed by the legal representative, chief financial officer and accounting manager
Catalogue of Documents Available for Inspection	The original documents of the Company and the original copy of the announcements disclosed in the designated newspapers of China Securities Regulatory Commission during the Reporting Period

Lou Dingbo
Chairman

Shanghai Pharmaceuticals Holding Co., Ltd.
26 August 2015

www.sphchina.com



Shanghai Pharmaceuticals Holding Co., Ltd.*