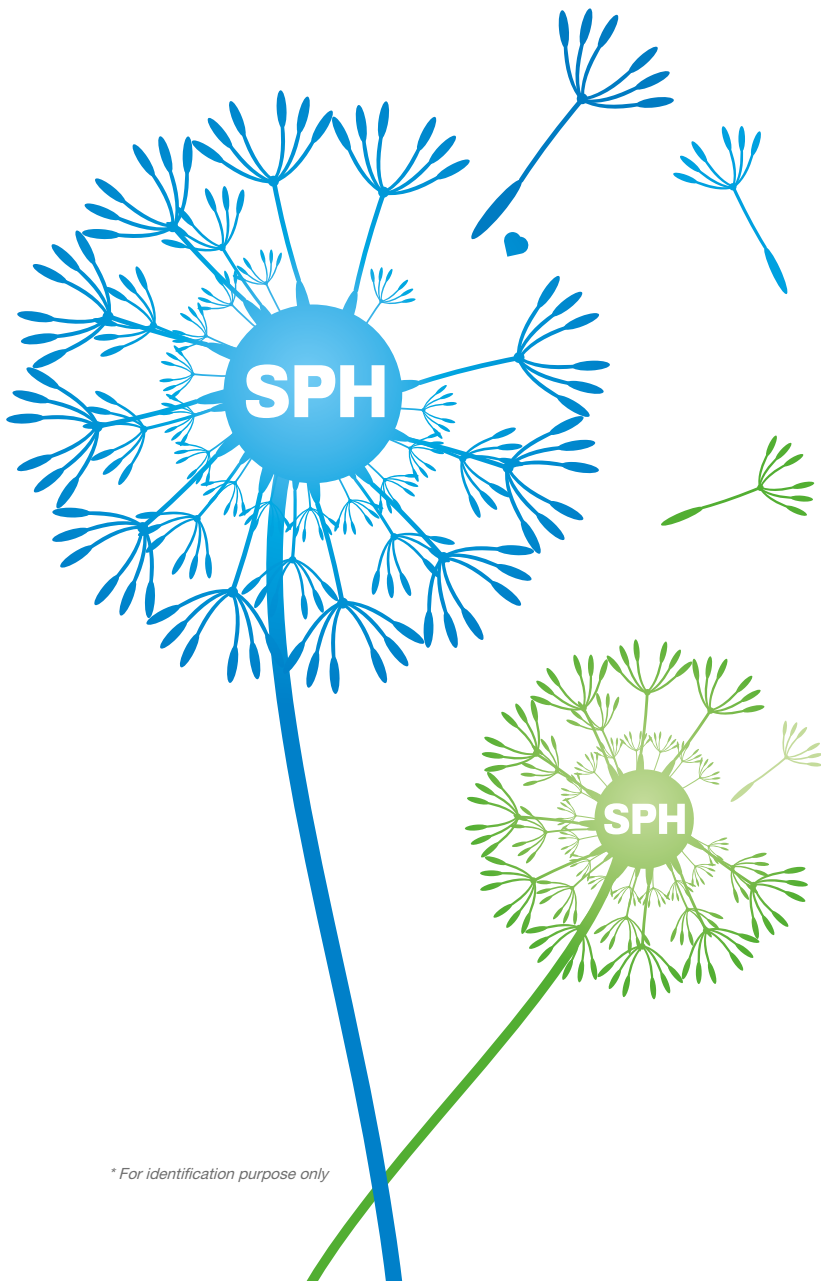




# Shanghai Pharmaceuticals Holding Co., Ltd.\*

(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)



# 2016 Interim Report

\* For identification purpose only

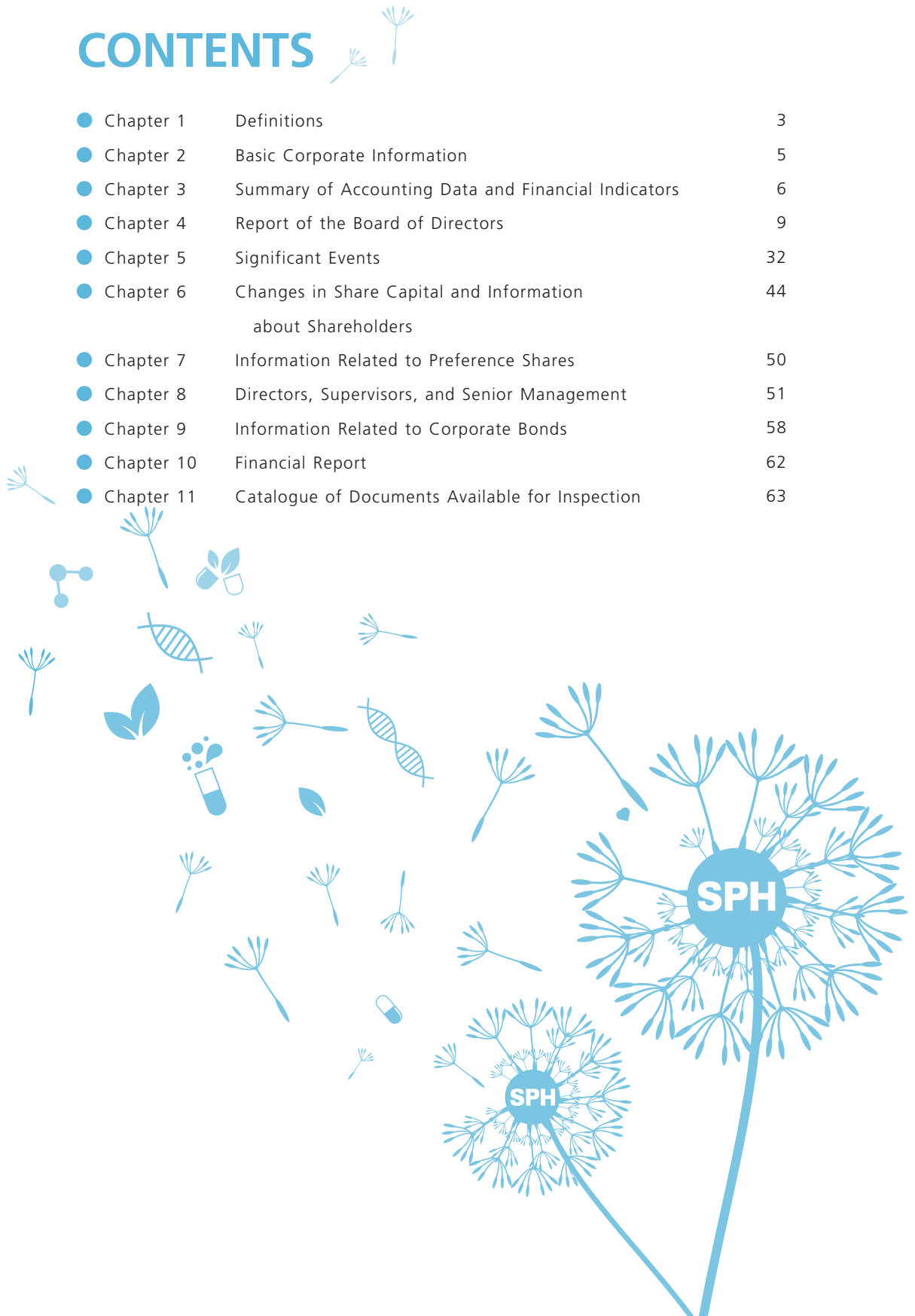


## IMPORTANT NOTICE

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 is true, accurate and complete and contains no false representations, misleading statements or material omissions and assume joint and several liabilities therefor.
2. All directors of the Company attended the second meeting of the sixth session of the board of directors convened on 25 August 2016, at which resolutions including the interim results of the Company for the six months ended 30 June 2016 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. Zhou Jie, 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. The plan for profit distribution or conversion of capital reserve fund into share capital for the Reporting Period considered 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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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, 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 2016 to 30 June 2016
"YOY"	year-on-year
"Shares"	shares of Shanghai Pharmaceuticals with a nominal value of RMB1.00 each, comprising both A Shares and H Shares
"A Shares"	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"H Shares"	overseas shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"HK\$" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"PRC" or "China"	the People's Republic of China; unless the context otherwise requires, references to the PRC or China herein do not include Hong Kong, Macau or Taiwan
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed 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)
"SFO"	the Securities and Futures Ordinance, Chapter 571, Laws of Hong Kong (as amended from time to time)

Definitions of Common Terms	
"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)
"CFDA"	China Food and Drug Administration
"WHO"	World Health Organization
"FDA"	Food and Drug Administration
"MIIT"	Ministry of Industry and Information Technology of the People's Republic of China
"Shanghai SASAC"	Shanghai State-owned Assets Supervision and Administration Commission(上海市國有資產監督管理委員會)
"SIIC"	Shanghai Industrial Investment (Holdings) Co., Ltd. (上海實業(集團)有限公司)
"Shanghai Shangshi"	Shanghai Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司)
"Shanghai Pharmaceutical (Group)"	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)
"Shanghai Guosheng"	Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司)
"Shanghai Shengrui"	Shanghai Shengrui Investment Co., Ltd. (上海盛睿投資有限公司)
"Shenergy Group"	Shenergy (Group) Co., Ltd. (申能(集團)有限公司)
"SPHC"	Shanghai Pharma Health Commerce Co., Ltd. (上海醫藥大健康雲商股份有限公司)
"Z.S.Y"	Guangzhou Z.S.Y Pharmaceutical Co., Ltd
"Japan Tsumura"	TSUMURA & CO. (株式會社津村) of Japan
"MES"	Manufacturing Execution System
"GMP"	Good Manufacturing Practice

## 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.
English abbreviation of the name of the Company	Shanghai Pharma
Legal representative of the Company	Mr. Zhou Jie
Authorised representatives of the Company	Mr. Zhou Jie, Mr. Liu Dawei

## II. CONTACT PERSON AND CONTACT DETAILS

	Secretary of the board of directors, Joint Company Secretary	Securities Affairs Representative
Name	Liu Dawei	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

## 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

Newspapers designated by the Company for disclosure of information	Shanghai Securities News, Securities Times
Designated website for publishing interim reports	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place where the Company's interim report is available for inspection	Office of the board of directors
Search Index for changes during the Reporting Period	Nil

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	Stock code before change
A Shares	Shanghai Stock Exchange	上海醫藥 Shanghai Pharma	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, there was no changes in registration 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	Change compared to the corresponding period of last year (%)
Operating revenue	<b>59,695,358,015.82</b>	50,950,076,415.18	17.16
Net profit attributable to equity holders of the listed company	<b>1,732,457,964.21</b>	1,534,020,623.10	12.94
Net profit after deduction of non-recurring profit or loss attributable to equity holders of listed company	<b>1,601,534,436.02</b>	1,455,548,417.01	10.03
Net cash flows from operating activities	<b>804,859,172.31</b>	482,482,941.88	66.82

	As at the end of the Reporting Period	As at the end of last year	Change compared to the end of last year (%)
Net assets attributable to equity holders of listed company	<b>30,818,795,919.09</b>	29,930,309,583.79	2.97
Total assets	<b>79,035,052,298.82</b>	74,344,210,482.59	6.31

### (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	Change compared to the corresponding period of last year (%)
Basic earnings per share (RMB per share)	<b>0.6443</b>	0.5705	12.94
Diluted earnings per share (RMB per share)	<b>0.6443</b>	0.5705	12.94
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	<b>0.5956</b>	0.5413	10.03
Weighted average return on net assets (%)	<b>5.62</b>	5.38	Increased by 0.24 percentage point
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	<b>5.20</b>	5.11	Increased by 0.09 percentage point

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

Unit: RMB'000

	As at the end of the Reporting Period	As at the end of last year	Change compared to the end of last year (%)
Total assets	<b>79,035,053</b>	74,344,211	6.31
Equity attributable to equity holders of the parent	<b>30,818,801</b>	29,930,314	2.97
Net assets per share attributable to equity holders of the parent (RMB per share)	<b>11.46</b>	11.13	2.97

	Reporting Period (January to June)	Corresponding period of last year	Change compared to the corresponding period of last year (%)
Profit before income tax	<b>2,581,577</b>	2,124,660	21.51
Net profit attributable to equity holders of the parent	<b>1,732,458</b>	1,534,018	12.94
Basic and diluted earnings per share (RMB)	<b>0.64</b>	0.57	12.94
Weighted average return on net assets (%)	<b>5.62</b>	5.38	Increased by 0.24 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) Discrepancies in the net profit and net assets attributed to shareholders of listing corporation disclosed in the financial reports prepared under both the International Financial Reporting Standards and the Chinese Accounting Standards for Business Enterprises:

Applicable       Not applicable

(II) Discrepancies in the net profit and net assets attributed to shareholders of listing corporation disclosed in the financial reports prepared under both the Foreign Financial Reporting Standards and the Chinese Accounting Standards for Business Enterprises:

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.

### 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	<b>213,480,514.43</b>	/
Government grants recognized in profit or loss for the current period excluding those closely related to the Company's normal operations and granted on an ongoing basis under the national policies according to certain fixed quota of amount or volume	<b>44,675,935.83</b>	/
Except for the effective hedging activities related to the Company'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	<b>2,327,870.20</b>	/
Other non-operating income and expenses other than the aforesaid items	<b>10,329,821.16</b>	/
Effect on minority interests	<b>-96,521,441.09</b>	/
Effect on income tax	<b>-43,369,172.34</b>	/
Total	<b>130,923,528.19</b>	/

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

### (I) Management Discussion and Analysis

#### 1. Overview

During the first half of 2016, China's economy maintained an overall stable development, based on which progress and positive results were achieved. Against the backdrop of supply-side reform and the sustained relatively large downward pressure faced by the economy, the GDP growth rate was 6.7%. According to the report of MIIT, from January to April, the added value of above-scale pharmaceutical enterprises grew by 9.6% on a YOY basis, representing a decrease of 1.1 percentage point as compared with the corresponding period of last year, hence, the advantage over GDP growth rate was narrowed. Following the deepening reform of the medical and health system, the quality standards of the Chinese medical products supply chain will be fully enhanced: 1) the examination and approval standards for medicines and medical devices will be fully enhanced, while the approval process for innovative drugs and products with huge market demand is expected to speed up; 2) consistency evaluation of generic drugs will promote the rapid enhancement of the quality of medicines launched in the market; 3) with the gradual implementation of the "two-invoice" system and the new "B2V" policy came into force, the concentration of the pharmaceutical distribution industry will be further increased. In the long term, the continuing ageing of the population, the increase in demand of medicines and technological advancement, etc. will help the pharmaceutical industry maintain its healthy growth momentum. It is expected that the growth rate of the pharmaceutical industry in the second half of the year will maintain at the same level as the first half of the year.

During the Reporting Period, the Company responded to the market changes proactively based on the new three-year strategic objectives and annual budget plans, further deepened lean manufacturing, strengthened service innovation and enhanced the Group's core competitiveness by focusing on key tasks, as such, the operational objectives of the first half of the year were satisfactorily fulfilled, thereby laying a good foundation for fully accomplishing the annual objectives. Meanwhile, the re-election of the new session for the board of directors and the board of supervisors of the Company was also smoothly completed.

During the Reporting Period, the Company's operating income was RMB59.695 billion, up by 17.16% on a YOY basis. Net profit attributable to the shareholders of the listed company was RMB1.732 billion, representing an increase of 12.94% on a YOY basis. The operating profit margin after deducting sales and administration costs was 3.96%, representing a decrease of 0.13 percentage point on a YOY basis. Basic earnings per share amounted to RMB0.6443, up by 12.94% on a YOY basis; and basic earnings per share after deducting non-recurring profits and losses were RMB0.5956, up by 10.03% on a YOY basis. During the Reporting Period, the Company's net cash flows from operating activities amounted to RMB805 million, up by 66.82% on a YOY basis. As at 30 June 2016, the owners' equity of the Company was RMB35.077 billion; its owners' equity after deducting minority interest was RMB30.819 billion and its total assets were RMB79.035 billion.

## 2. Key honours of the Company

During the Reporting Period, the Company was awarded the following key honours:

- ranking 55th in “Top 500 Enterprises in Fortune China in 2016” issued by Fortune (Chinese edition), up by 6 places from the previous year;
- ranking 6th in the “List of Top 100 Enterprises in Pharmaceutical Industry in China in 2015” selected by China National Pharmaceutical Industry Information Center commissioned by MIIT. and being selected as the best industrial enterprise in pharmaceutical R&D production line in China in 2016;
- being selected as “Top 100 Listed Companies with the Best Core Competencies in China in 2016” and the “Enterprise with the Greatest Brand Influence among Listed Companies in China” by China Listed Company Development Center, China Famous Brand Research Center (中國知名品牌研究院) and China Ranking Website (中國排行榜網);
- Listed company with the highest investment value in 2016; top 100 trustworthy listed companies in China, top 10 listed companies in the pharmaceutical industry in China selected by Trustworthiness Summit Forum of Listed Companies in China (中國上市公司誠信高峰論壇);
- ranking 155th in top 500 trustworthy enterprises in China, ranking 80th in top 100 creditworthy manufacturing enterprises in China and ranking 42nd in top 100 creditworthy listed companies in China in 2015 selected by China Cooperative Trade Enterprises Association (中國合作貿易企業協會) and China Enterprise Reform and Development Society (中國企業改革與發展研究會); and
- “Top 100 Listed Companies in Hong Kong” in 2015 selected by Tencent and the Hong Kong financial media Finet Group Limited.

## 3. Pharmaceutical research & development (the “R&D”) and manufacturing

### 1. Pharmaceutical R&D

During the Reporting Period, the Company continued to maintain a high level of R&D investment, its R&D expenses amounted to a total of RMB288 million, accounting for 4.50% of the Company’s manufacturing sales revenue. During the Reporting Period, the Company filed 58 invention patent applications and was granted 26 invention patents. As at the end of the Reporting Period, the Company owned a total of 286 invention patents. During the Reporting Period, sales revenue from the Company’s new products launched through the R&D amounted to RMB856 million, representing 13.35% of the Company’s manufacturing sales revenue. The five major R&D projects of the Company, namely Deuteporfin, SPH3127, SPH1188, TNFa receptor Fc fusion protein and recombinant anti-CD20 humanized monoclonal antibody injection, are conducted smoothly as planned.

During the Reporting Period, the Company obtained 22 drug clinical trial approvals (see table 1 below for details); and applied for 3 drug clinical trial approvals (see table 2 below for details). The Company also entered into a contract in relation to the research and development of drugs for pulmonary fibrosis with Sichuan University, signifying the beginning of comprehensive cooperation with Sichuan University.

Table 1 Details of drug clinical trial approvals granted to the Company

No.	Drugs (products) obtained clinical trial approval	Approval No.	Indications	Classification of registration
1	Prasugrel Hydrochloride API	2015L04893	Reducing thrombosis caused by atherosclerosis after PCI operation	Chemical drugs
2	Prasugrel Hydrochloride Tablet 5mg	2015L05153	Reducing thrombosis caused by atherosclerosis after PCI operation	Class 3.1 of chemical drugs
3	Vortioxetine Hydrobromide API	2016L02930	Treatment of severe depression	Chemical drugs
4	Vortioxetine Hydrobromide Tablet 5mg	2016L02952	Treatment of severe depression	Class 3.1 of chemical drugs
5	Vortioxetine Hydrobromide Tablet 10mg	2016L02953	Treatment of severe depression	Class 3.1 of chemical drugs
6	Tofacitinib Citrate API	2016L02524	Moderate to severe rheumatoid arthritis of adults	Chemical drugs
7	Tofacitinib Citrate Tablet 5mg	2016L02560	Moderate to severe rheumatoid arthritis of adults	Class 3.1 of chemical drugs
8	Cabazitaxel API	2016L02102	Patients with hormone-refractory metastatic prostate cancer	Chemical drugs
9	Cabazitaxel Injection 1.5ml: 60mg	2016L02113	Patients with hormone-refractory metastatic prostate cancer	Class 3.1 of chemical drugs
10	Olanzapine and Fluoxetine Hydrochloride Capsule 12mg/25mg	2016L03140	Bipolar affective disorder depressive episode	Class 3.2 of chemical drugs
11	Olanzapine and Fluoxetine Hydrochloride Capsule 3mg/25mg	2016L03141	Bipolar affective disorder depressive episode	Class 3.2 of chemical drugs
12	Olanzapine and Fluoxetine Hydrochloride Capsule 6mg/25mg	2016L03142	Bipolar affective disorder depressive episode	Class 3.2 of chemical drugs
13	SPH3127 API	2016L04324	Drug for lowering blood pressure	Class 1.1 of original chemical drugs
14	SPH3127 Tablet 50mg	2016L04321	Drug for lowering blood pressure	Class 1.1 of original chemical drugs
15	Lurasidone Hydrochloride API	2016L03975	Schizophrenia of adults	Chemical drugs
16	Lurasidone Hydrochloride Tablet 40mg	2016L03982	Schizophrenia of adults	Class 3.1 of original chemical drugs
17	Lurasidone Hydrochloride Tablet 80mg	2016L03983	Schizophrenia of adults	Class 3.1 of original chemical drugs
18	Active ingredients of Salviaanolic Acid A	2016L05315	Angina pectoris due to coronary heart disease	Class 1 of traditional Chinese Medicine
19	Salviaanolic Acid A Powder for Injection 20mg	2016L05313	Angina pectoris due to coronary heart disease	Class 1 of traditional Chinese Medicine
20	Eslicarbazepine Acetate API	2016L04625	Epilepsy	Chemical drugs
21	Eslicarbazepine Acetate Tablet 400mg	2016L04716	Epilepsy	Class 3.1 of original chemical drugs
22	Eslicarbazepine Acetate Tablet 800mg	2016L04717	Epilepsy	Class 3.1 of original chemical drugs

Table 2 Details of application for drug clinical trial approvals

No.	Drugs (products) submitted to the state drug supervision department for approval	Examination and approval matters	Indications	Classification of registration
1	SPH1188-11 API	Declaration of clinical	Non-small-cell lung cancer (NSCLC)	Class 1.1 of chemical drugs
2	SPH1188-11 Tablet 25mg	Declaration of clinical	Non-small-cell lung cancer (NSCLC)	Class 1.1 of chemical drugs
3	SPH1188-11 Tablet 100mg	Declaration of clinical	Non-small-cell lung cancer (NSCLC)	Class 1.1 of chemical drugs

During the Reporting Period, the Company carried out consistency evaluation for the quality of generic drugs proactively, and identified the first batch of drugs for project establishment after prioritizing key types of drugs according to factors such as market capacity and profit margin, etc. Meanwhile, the Company also launched the pharmaceutical evaluation. Supplementary application regarding types of drugs which passed the consistency evaluation in earlier stage has been made to the CFDA.

The “R&D and Industrialization of Recombinant Human Adenovirus Type 5 Injection (Oncorine), Drug for Treating Malignant Tumour” of Shanghai Sunway Biotech Co., Ltd., a subsidiary of the Company, was granted the second prize of Shanghai Science and Technology Award awarded by Shanghai Municipal People’s Government. The “analysis of ingredients of Yinxing Tongzhi” of Shanghai Xingling SCI.&Tech. Pharmaceutical Co., Ltd., a subsidiary of the Company, was granted the Gold Award of Geneva International Invention Exhibition jointly awarded by Swiss Federal Government, the Government of the Canton of Geneva, the Government of Geneva City and World Intellectual Property Organization (see the Company’s announcement Lin No. 2016-024 for details).

## 2. *Pharmaceutical manufacturing*

During the Reporting Period, the Company’s sales revenue from the pharmaceutical business was RMB6.411 billion, representing an increase of 5.34% on a YOY basis; its gross profit margin was 51.74%, an increase of 2.55 percentage points on a YOY basis. The operating profit margin after deducting sales and administration costs was 13.13%, on par with the same period of last year.

During the Reporting Period, the Company’s sales revenue from chemical and biochemical drugs was RMB2,983 million, up by 5.52% on a YOY basis; sales revenue from Chinese medicines (including Chinese patent medicine and Chinese herbal medicine) was RMB2,233 million, up by 8.36% on a YOY basis; sales revenue from biological drugs was RMB207 million, up by 4.07% on a YOY basis; and sales revenue from other industrial products (including active pharmaceutical ingredients (APIs), healthcare products and medical devices, etc.) was RMB988 million, down by 1.15% on a YOY basis.

During the Reporting Period, the Company continued to implement its strategy of focusing on key products. Sales revenue of 60 key products reached RMB3,480 million, up by 9.26% on a YOY basis, accounting for 54.28% of the revenue from industrial sales, up by approximately 0.7 percentage point on a YOY basis. The gross profit margin of the key products was 69.01%, up by 1.73 percentage point on a YOY basis. Among the key products, 39 products achieved a growth rate higher than or equivalent to that of similar products of IMS Health Inc. 24 products whose expected sales revenue for the year exceeds RMB100 million are all key products, specifically:

No.	Product name	Therapeutic area	Sales revenue from January to June 2016 (RMB'0,000)
1	Shenmai injection	Cardiovascular system disease	38,350
2	Hydroxychloroquine sulfate tablets	Anti-tumor and immunomodulator	23,678
3	Live combined bifidobacterium	Digestive and metabolic disease	19,059
4	Cefotiam	Systemic anti-infective medicine	16,813
5	Tanshinone IIA sulfonic acid sodium injection	Cardiovascular system disease	16,777
6	Wangbi tablets	Musculo-skeletal system	12,743
7	Calcium dibutyladenosine cyclophosphate for injection	Cardiovascular system disease	12,651
8	Ceftriaxone Sodium for Injection	Systemic anti-infective medicine	12,000
9	Rosuvastatin	Cardiovascular system disease	11,845
10	Hongyuanda	Blood and blood-forming organ	9,324
11	Soothing ointment	Others	9,046
12	Chymotrypsin	Respiratory system	8,608
13	Weifuchun tablets	Digestive and metabolic disease	8,292
14	Cisatracurium besylate	Musculo-skeletal system	8,113
15	Yinxing Tongzhi	Cardiovascular system disease	8,036
16	Aripiprazole	Neurological system	7,527
17	Xinhuang tablets	Musculo-skeletal system	7,330
18	Yangxinshi	Cardiovascular system disease	7,234

No.	Product name	Therapeutic area	Sales revenue from January to June 2016 (RMB'0,000)
19	Duloxetine	Neurological system	7,210
20	Rupixiao tablets	Genito-urinary system and sex hormones	7,046
21	Babaodan	Digestive and metabolic disease	6,733
22	Trichosanthes peel injection	Cardiovascular system disease	5,950
23	Salvia tablets	Cardiovascular system disease	5,387
24	Thalidomide	Antineoplastic drug and immunomodulator	5,235
Total			274,987

To date, all 41 industrial subsidiaries of the Company passed GMP (2010 Edition) certification and obtained a total of 98 GMP (2010 Edition) certificates, including 26 certificates involving aseptic production and 72 certificates involving non-aseptic production. By reforming and passing the GMP certification, the Company has comprehensively enhanced its technological equipment, production management and quality management in pharmaceutical manufacturing for ensuring to produce the drugs that meet the national quality standards.

#### 4. *Pharmaceutical services*

##### 1. *Pharmaceutical distribution*

During the Reporting Period, the sales revenue from pharmaceutical distribution business was RMB53.374 billion, representing an increase of 18.97% on a YOY basis, and the growth of inventory business was the main driver. The gross profit margin was 6.02%, increased by 0.08 percentage point on a YOY basis. The costs of sales and administration accounted for 3.23%, representing an increase of 0.12 percentage point on a YOY basis. The operating profit margin after deducting sales and administration costs was 2.79%, decreased by 0.04 percentage point on a YOY basis.

During the Reporting Period, in a bid to maintain the gross profit margin of distribution business, the Company continued to expand and enrich its product lines, optimize its product structure and implement Lean Six Sigma management for strengthening cost control. The Company also further expanded innovative services on hospital supply chain, entrusting a total of 99 hospital pharmacies currently.

During the Reporting Period, among the distribution regions of the Company, the proportions of sales in the areas of East China, North China and South China were 68.01%, 26.25% and 4.89%, respectively. The Company continued to maintain reasonable distribution business structure, in which the proportion of direct hospital sales was 59.28%.

As at the end of the Reporting Period, the Company's distribution business covered 21,079 medical institutions, of which 20,679 were hospitals (including 1,291 class 3 hospitals) and 400 were centres of disease control (CDC).

## 2. *Pharmaceutical retail and e-commerce*

During the Reporting Period, the Company's sales revenue from pharmaceutical retail business was RMB2.490 billion, up by 7.64% on a YOY basis; gross profit margin was 15.64%, down by 0.15 percentage point on a YOY basis; and operating profit margin after deducting sales and administration costs was 1.46%, down by 0.18 percentage point on a YOY basis. As at the end of the Reporting Period, the Company had 1,796 chain retail pharmacies under its brand family, including 1,157 directly-operated pharmacies. There are 39 co-managed pharmacies.

During the Reporting Period, the Company further pushed forward the internet plus and SPHC completed A+ round financing, which introduced Shanghai Yuepu Investment Center (Limited Partnership) ("Shanghai Yuepu") under SBCVC and Shanghai Shengtai Investment and Management Limited ("Shengtai Investment") under Shanghai Charity Foundation as financial investors. Meanwhile, the Company also promoted the implementation and deepening of the strategic layout in respect of retail and e-commerce actively and diversified the services and products under the "Yiyao" brand.

In respect of patients, financial products were launched under "Yiyao Members" project, relieving patients' financial pressure regarding buying costly drugs; in respect of pharmacies, the unified "Yiyao Pharmacies" were launched, which help the Company set its foothold in pharmacies by providing a "one-stop" retail solution regarding prescription drugs. The Company also cooperated with Jingdong to create a wholesale platform, which officially launched in June, for retail pharmacies and small and medium-sized medical institutions. In respect of hospitals, "Yiyaobao" project was launched, which provided a comprehensive "Internet Plus" drug supply chain solution. As of the end of the Reporting Period, SPHC has cooperated with various organizations, such as Yan Chai Hospital, DXY Clinics, WorldPath Clinic International, Yangpu District Central Hospital, etc., providing value-added services such as sale of drugs and home delivery for customers.

## 5. *External investment, operational improvement and internal adjustment*

### 1. *External investment*

The Company vigorously explored new business fields. Through its subsidiary, Shanghai Traditional Chinese Medicine Co., Ltd. (上海市藥材有限公司), it jointly established a joint venture with Japan Tsumura to conduct the R&D, production and manufacturing of products such as Traditional Chinese Medicine (TCM) formula granule and traditional Chinese medicine extract by leveraging on the successful experience of Japan Tsumura in the field of Chinese prescription medicine, which, in particular, enables it to quickly enter the market of TCM formula granule by virtue of its advantages and have advantages in terms of quality and product type. In addition, by means of the cooperation with hospitals, the Company set up a hemodialysis center, such that it establishes an industry chain linking with services, equipment, consumables, drugs, etc., creating a value-added effect.



The Company carried out its mergers and acquisitions of commercial and retail entities in a proactive manner, and its commercial merger and acquisition projects in the first half year are conducted orderly based on the strategic planning of provincial platform layout. The Company completed the acquisition of Jiangxi Shang Rao Pharmaceutical Co., Ltd. and Beijing Hean Changtai Pharmacy (北京鶴安長泰大藥房) in the first half year.

The Company proactively participated in the establishment of investment funds, including Shanghai Lianyi Investment Center (Limited Partnership) (上海聯一投資中心(有限合夥)) (“Lianyi Fund”) and Shanghai Ruijian Capital (Limited Partnership) (上海瑞健資本(有限合夥)), thereby making full use of the capital market to achieve the diversification and specialization of mergers and acquisitions.

2. *Optimizing cash pooling*

During the Reporting Period, the Company optimized its cash pooling. The scale of internal financing of the Company further expanded to RMB3.1 billion, directly reducing financial expenses by RMB56 million during the Reporting Period.

3. *Implementing centralized procurement*

During the Reporting Period, the Company continued to carry out the centralized procurement of bulk medicinal materials. In addition, based on year 2015, the Company continued to carry out the centralized procurement of laboratory instruments with the average price reduced by 15%. The Company completed a new round of annual framework agreement of laboratory reagents, in which the price further reduced by 2% on top of the price of 2015.

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

During the Reporting Period, the Company continued its in-depth implementation of lean management, which basically covered various business segments, such as industrial manufacturing, commercial sale and product R&D, as such, the width and depth of lean management was further enhanced and improvement in different operational indicators to varying degrees was seen. During the Reporting Period, Shanghai Pharmaceuticals announced a new round of lean development plans and set new targets regarding lean engineering.

5. *Deepening marketing system construction*

During the Reporting Period, the Company expanded its market access network based on industrial enterprises from 8 offices in 4 zones to 10 offices in 4 zones by adding two market access offices in Jiangxi Province and Jilin Province with the support of controlled local business enterprises in various provinces, which firmly expanded the coverage of the Group’s market access system, created a good market environment, and improved the bidding success rate of products, thereby effectively driving the growth of industrial sales. Meanwhile, the Company continued to promote platform construction for marketing department I, II and III.

## (II) 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	<b>59,695,358,015.82</b>	50,950,076,415.18	17.16
Operating costs	<b>52,483,687,827.24</b>	44,665,819,410.70	17.50
Sales costs	<b>3,042,233,283.55</b>	2,558,024,799.29	18.93
Management costs	<b>1,657,150,465.13</b>	1,506,891,143.00	9.97
Finance costs	<b>290,961,935.13</b>	291,433,033.25	-0.16
Losses on asset impairment	<b>124,747,521.62</b>	93,321,606.52	33.67
Profits or losses from changes in fair value	<b>-152,968.20</b>	184,476.60	/
Non-operating income	<b>345,927,765.38</b>	137,977,509.22	150.71
Non-business expenditure	<b>71,983,314.29</b>	29,224,724.23	146.31
Income tax expense	<b>481,411,350.53</b>	369,896,848.97	30.15
Net cash flow generated from operating activities	<b>804,859,172.31</b>	482,482,941.88	66.82
Net cash flow generated from investing activities	<b>-310,607,849.54</b>	-1,012,189,057.89	69.31
Net cash flow generated from financing activities	<b>235,273,327.04</b>	-21,513,942.08	/
R&D expenses	<b>288,000,000.00</b>	266,000,000.00	8.27

Reasons for changes in operating income:	increase in sales revenue during the Reporting Period
Reasons for changes in operating costs:	increase in sales volume during the Reporting Period
Reasons for changes in sales costs:	increase in sales volume during the Reporting Period
Reasons for changes in management costs:	increase in management costs resulting from the increase of the sales volume during the Reporting Period
Reasons for changes in finance costs:	decrease in interest expenses during the Reporting Period
Reasons for changes in losses on asset impairment:	increase in provision for bad debts of receivables during the Reporting Period
Reasons for changes in profits or losses from changes in fair value:	decrease in fair value of financial assets held for trading during the Reporting Period
Reasons for changes in non-operating income:	increase in gains from asset disposal during the Reporting Period
Reasons for changes in non-business expenditure:	increase in relocation expenditure during the Reporting Period
Reasons for changes in income tax expense:	increase in income tax expense payable during the Reporting Period
Reasons for changes in net cash flow generated from operating activities:	increase in collection of loans during the Reporting Period
Reasons for changes in net cash flow generated from investing activities:	increase in dividend received and decrease in expense for mergers and acquisitions during the Reporting Period
Reasons for changes in net cash flow generated from financing activities:	deferment of payment time of dividends to shareholders during the Reporting Period
Reasons for changes in R&D expenses:	increase in R&D investment during the Reporting Period

## 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*

For details, please refer to "Overall use of proceeds" below.

(3) *Progress on the implementation of operational plan*

The Company will continue to adhere to its general policy of operation: "Lean Production, Cost Reduction and Quality First; Internet-based Thinking and Proud of Innovative Services; Adaptive to New Normal and Fast Response to Market; Strive for Three Years and Reach a New High." In the second half of the year, with regard to the industrial aspect, the Company will carry out consistency evaluation for the quality of generic drugs with full efforts, accelerate the implementation of the planning related to the whole industry chain of Chinese medicine, continue to optimize the industrial marketing system and R&D system, deeply promote the policy of "specific strategy for each key product", continue to optimize the production segment and implement Lean Six Sigma management in all industrial subsidiaries. With regard to the commercial aspect, the Company will accelerate the resources consolidation regarding retail and e-commerce and the implementation of strategic model, promote and expand supply chain extension service and expand network layout, so as to increase market share. The Company will also actively push forward its new business strategy regarding grand health, explore the layout of medical services, facilitate international development of the Company, improve the portfolio of healthcare products with the support of quality production lines of overseas companies, create fair resource complementarity and synergetic advantage in a bid to ensure the first-year targets stated in the new three-year plan can be fulfilled.

## (III) 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	6,411,175,477.58	3,020,393,928.72	52.89	5.34	-0.33	+2.68 percentage points
Distribution	53,374,489,680.13	50,094,209,764.37	6.15	18.97	18.88	+0.07 percentage point
Retail	2,490,226,662.23	2,092,685,441.82	15.96	7.64	7.87	-0.18 percentage point
Others	26,768,499.15	7,129,589.53	73.37	-27.59	-69.02	+35.61 percentage points
Offsetting	-2,839,928,828.17	-2,829,017,111.80				

Explanation on principal business by industry and product:

For the above table, Gross profit margin = (Operating income – Operating cost)/Operating income x 100%

## 2. Principal business by region

Unit: RMB

Region	Income from principal business	Change in operating income YOY (%)
Domestic	59,096,176,573.17	17.31
Overseas	366,554,917.75	2.12

## (IV) Analysis on Assets, Liabilities and Capital

Unit: RMB

Name of item	Amount at the end of the Reporting Period	Amount at the end of previous period	Percentage change of amount at the end of the Reporting Period compared to that of previous period (%)	Explanation
Interests receivable	1,597,660.15	7,460,418.56	-78.58	Decrease in accrued interests during the Reporting Period
Dividends receivable	78,174,250.00	12,536,032.48	523.60	Increase in dividends receivable from associates during the Reporting Period
Other current assets	749,207,894.71	559,288,629.65	33.96	Increase in prepaid taxes during the Reporting Period
Construction in progress	1,075,697,047.16	741,611,620.55	45.05	Increase in construction of long-term assets during the Reporting Period
Interests payable	62,626,638.67	40,719,369.61	53.80	Increase in bond interests payable during the Reporting Period
Dividends payable	958,827,169.00	75,571,479.32	1168.77	Deferment of payment time of dividends to shareholders during the Reporting Period
Non-current liability due within one year	10,938,516.38	290,071,796.07	-96.23	Decrease in relocation compensation due within one year during the Reporting Period
Long-term borrowings	46,878,219.82	93,409,191.67	-49.81	Decrease in long-term secured borrowings during the Reporting Period
Bonds payable	1,998,266,526.43	0	/	Issue of corporate bonds during the Reporting Period

## 1. Capital structure

As at 30 June 2016, the Company's debt to asset ratio (total liabilities divided by total assets) was 55.62% (31 December 2015: 54.52%), representing an increase of 1.1 percentage point as compared with the beginning of the year. Interest coverage ratio (EBIT divided by interest expenses) was 8.83 times (from January to June 2015: 7.41 times). The gearing ratio (net debt divided by total equity) of the Company was 24.20%.

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

During the Reporting Period, the Company had sound liquidity and financial resources. As at 30 June 2016, the balance of the Company's borrowings was RMB9,199 million, of which the balance of USD denominated borrowings was equivalent to RMB0 million, the balance of HKD denominated borrowings was equivalent to RMB0 million and the balance of the borrowings at a fixed ratio was about RMB5,564 million. As at 30 June 2016, the Company had net accounts receivable and notes receivable of RMB29.442 billion (31 December 2015: RMB25.348 billion), representing an increase of 16.15% as compared with the beginning of the year. The increase was mainly attributable to the expansion of scale of the principal business. As at 30 June 2016, the balance of the Company's accounts payable and notes payable was RMB26.088 billion (31 December 2015: RMB24.437 billion), representing an increase of 6.76% as compared with the beginning of the year. The increase was mainly attributable to the expansion of scale of the principal businesses.

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

As at 30 June 2016, the Company's land use rights with site area of 12,020,334.54 m<sup>2</sup> (original price of RMB61,172,178.10 and book value of RMB45,840,270.49) and houses, buildings, machineries and equipment at book value of RMB229,459,053.17 (original price: RMB337,532,606.75) were pledged to secure short-term borrowings of RMB330,850,000.00, long-term borrowings of RMB30,672,726.00 and long-term borrowings due within one year of RMB5,000,000.00.

As at 30 June 2016, accounts receivable at book value of RMB482,683,333.33 were pledged to secure bank loans of RMB407,250,000.00.

## 4. *Contingent liabilities*

- (1) Please refer to "Chapter 5 Significant Events" for the Company's material pending litigations and arbitrations during the Reporting Period.
- (2) During the Reporting Period, the contingent liabilities arising from debt guarantees provided for third parties and guarantees provided for connected parties by the Company 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.	490.00	20 January 2016	18 July 2016
Shanghai Pharmaceutical Distribution Co., Ltd.	Shanghai Luoda Pharmaceutical Co., Ltd.	8,500.00	31 August 2015	26 August 2016
Shanghai Pharmaceutical Distribution Co., Ltd.	Shanghai Luoda Pharmaceutical Co., Ltd.	6,500.00	22 December 2015	21 December 2016
Shanghai Pharma Jiangsu Hongkang Pharmaceutical Co., Ltd. (上藥江蘇宏康醫藥有限公司)	Danyang City Yunyang People's Hospital (丹陽市雲陽人民醫院)	30,000.00	14 August 2015	14 August 2018
Shanghai Pharma Jiangsu Hongkang Pharmaceutical Co., Ltd. (上藥江蘇宏康醫藥有限公司)	Zhenjiang City Dantu District Center for Disease Control (鎮江市丹徒區疾病預防控制中心)	8,000.00	18 December 2015	18 December 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).

## (V) Core Competitiveness Analysis

### 1. Industrial chain advantage

The Company maintains a leading position in both the industrial and commercial sectors with its businesses covering the R&D, manufacturing, distribution and retail of medicine. It enjoys an advantage in aggregating the core resources of the industry chain, which is favourable for promoting the development of innovative businesses, industry synergy and operation integration, such unique comprehensive strength in industrial chain can provide convenient packaged solutions for medical institutions, patients, suppliers, etc.

#### (1) Research and development advantage

Shanghai Pharmaceuticals is committed to innovation and provision of safe and effective drugs for critical and chronic diseases. It has put in place a R&D system with a central research institute at its core, coupled by 1 national-level enterprise technology center and 10 provincial/city level enterprise technology centers. By adopting an open R&D model, it has formed close collaborative relationships with Chinese Academy of Sciences, China Pharmaceutical University, Shenyang Pharmaceutical University, the Second Military Medical University, Sichuan University, Mitsubishi Tanabe Pharma Corporation and Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. Many innovative products are in the registration or clinical trial stages.



(2) *Manufacturing advantage*

The Company has production lines for all dosage forms and insists on implementing lean management in a comprehensive manner. It maintains its advantage in quality and cost by creating the MES system for information-oriented production management, optimizing each process in medicine production and focusing on technological innovation and the enhancement of industrialization capability. Many of its active pharmaceutical ingredients have attained quality certification issued by WHO, FDA, EU and other developed countries.

(3) *Channel advantage*

The Company has a nationwide commercial network and an efficient, agile, smart and modern supply chain service channel. It leads the country in such innovative business models as distribution retail service, third party logistics service, supply chain extension service, drug warehouse IT management and clinical support services, etc.

2. *Brand advantage*

Built on rich heritage and fine culture, the Company places emphasis on safety, reliability and innovation, and adheres to the main brand-driven development strategy. It owns a group of established brands with long history and rich connotation, which creates effective synergy with the main “Shanghai Pharmaceuticals” brand.

3. *Digital technology advantage*

With an aim of digitalization and following the government’s call on integration of informatization and industrialization, the Company has actively involved in smart system development and launched a system of ten major shared platforms represented by master data with regard to the integration of informatization and industrialization.

4. *Financial advantage*

The Company has a sound financial structure, good control of debt to asset ratio and sufficient operating capital to support its sustainable development.

5. *Team advantage*

The core values of the Company are innovation, integrity, cooperation, tolerance and accountability. The management team of the Company and operation teams of its subsidiaries have displayed entrepreneurship, open-mindedness, strong capability to learn, professionalism, willingness to innovate and team spirit. The Company advocates a learning goose-type team culture. It has set up a multi-level talent development system featuring Little Wild Goose, Large Wild Goose, Elite Wild Goose and Leading Wild Goose, contributing to a team with the right structure, good match of skill-set and position, high quality, strong devotion and a perfect fit for the Company’s development strategy.

## (VI) Employees, Remuneration Policy and Training Scheme

As at 30 June 2016, Shanghai Pharmaceuticals had a total of 39,844 employees, including 818 R&D personnel.

The Company puts much emphasis on the recruitment, incentive, and training of talents, improves its career development system for various types of employees and improves the capabilities of its staff through various plans. In addition to the leadership program for managers at intermediary or senior levels as well as for backup management officers and top managers, the Company also offers professional technical courses and occupational skill trainings to technical, sales and production staff to cater for the Company's business development, as part of its commitment to continuously improving employees' capabilities and performance.

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.

The Company concerns about the internal fairness and external competitiveness of the remuneration and incentive. It implements a market-oriented remuneration policy based on performance appraisal, and the salary of its staff comprises basic salary, subsidy and bonus. It established a staff income growth mechanism through a collective wage negotiation system. 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 also established an employee housing fund in accordance with the applicable regulations of the PRC.

## (VII) Analysis of Investments

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

Unit: RMB'0,000

The amount of investment in the Reporting Period	69,598.00
Change in the amount of investment	-56,088.00
Investment in the same period of last year	125,686.00
Percentage change of the amount of investment (%)	-44.63

## Particulars of major invested companies

Name of invested company	Principal operations	Percentage of the equity interest in the invested company (%)
Shanghai Pharma SUNNICO Financial Leasing (Shanghai) Co., Ltd. (上藥桑尼克融資租賃(上海)有限公司)	Financial leasing business	100
Shanghai Pharmaceuticals (Liaoning) Ginseng Resources and Development Co., Ltd. (上藥(遼寧)參業資源開發有限公司)	Planting and sale of Chinese herbal medicine	90
Shanghai Pharma Jiangsu Hongkang Pharmaceutical Co., Ltd. (上藥江蘇宏康醫藥有限公司)	Sale of pharmaceuticals	51
Jiangxi Shang Rao Pharmaceutical Co., Ltd. (江西上饒醫藥股份有限公司)	Sale of pharmaceuticals	55

(1) *Securities Investment*✓ Applicable  Not applicable

Number	Type of securities	Security code	Securities short name	Initial investment amount (RMB)	Number of shares held (share)	Book value at the end of the period (RMB)	Percentage in total securities investment at the end of the period (%)	Profit or loss during the Reporting Period (RMB)
1	Share	600618	Chlor-Alkali Chemical	186,500.00	50,820	667,266.60	100	-152,968.20
	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	/	667,266.60	100	-152,968.20

(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 period (%)	Shareholding ratio at the end of the period (%)	Book value at the end of the period	Profit or loss during the Reporting Period	Value of change in fair value	Accounting item	Source of shares
600377	Jiangsu Expressway	1,000,000.00	<1	<1	8,340,000.00	/	-410,000.00	Available-for-sale financial assets	Purchase
600329	Zhongxin Pharmaceutical	91,473.00	<1	<1	1,579,721.44	/	-357,655.52	Available-for-sale financial assets	Debt set-off
000931	Centek	99,300.00	<1	<1	201,096.00	/	-118,944.00	Available-for-sale financial assets	Purchase
600675	China Enterprise	390,000.00	<1	<1	3,974,885.30	/	-2,156,670.44	Available-for-sale financial assets	Purchase
601328	Bank of Communications	4,720,101.05	<1	<1	3,228,613.61	/	-464,507.43	Available-for-sale financial assets	Purchase
000048	Kondarl	134,547.00	<1	<1	5,409,915.03	/	-101,445.37	Available-for-sale financial assets	Transferred in from merger
000166	Shenwan Hongyuan	1,250,000.00	<1	<1	14,801,600.00	/	-4,048,000.00	Available-for-sale financial assets	Subscription of legal person shares
06881 (HK)	China Galaxy	50,000,000.00	<1	<1	59,230,710.00	/	-251,670.00	Available-for-sale financial assets	Corporate restructuring
00455 (HK)	Tianda Pharma	87,851,852.85	13.04	13.04	112,682,539.10	/	-4,823,530.31	Available-for-sale financial assets	Purchase
01349 (HK)	Fudan-Zhangjiang	31,955,101.23	22.77	22.77	172,229,472.59	10,459,700.06		Long-term equity investment	Purchase
	Total	177,492,375.13	/	/	381,678,553.07	10,459,700.06	-12,732,423.07	/	/

(3) *Equity interests held in financial companies*✓ Applicable  Not applicable

Name of entity	Initial investment amount (RMB)	Shareholding ratio at the beginning of the period (%)	Shareholding ratio at the end of the period (%)	Book value at the end of the period (RMB)	Profit or loss during the Reporting Period (RMB)	Change in equity holders' interest during the Reporting Period (RMB)	Accounting item	Source of shares
Shanghai Shangshi Group Finance Co., Ltd.	300,000,000.00	30	30	316,966,267.43	5,402,439.48		Long-term equity investment	Purchase
Total	300,000,000.00	/	/	316,966,267.43	5,402,439.48		/	/

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

Other asset management mandates and investment in derivatives

During the Reporting Period, the Company gained total profits of RMB2,480,838.40 by transaction of state bonds buy-back.

### 3. Use of proceeds

#### (1) Overall use of proceeds

Applicable  Not applicable

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. As at the end of 2015, the proceeds from the issuance of H shares were fully utilized. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) issued the Report and the Assurance Report of Shanghai Pharmaceuticals Holding Co., Ltd. on the Use of Proceeds from Previous Fundraising Activities as at 31 December 2015 (PricewaterhouseCoopers Zhong Tian Te Shen Zi (2016) No.0980) for the use of proceeds from the issuance of H Shares of the Company.

#### (2) Information on commitment of proceeds

Applicable  Not applicable

#### (3) Information on changes in proceeds

Applicable  Not applicable

## 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	3,485,286.22	813,360.72	3,687,278.41	65,089.02
SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Sale of pharmaceuticals	100%	130,000.00	1,537,602.76	371,977.80	1,339,833.78	19,848.06
Shanghai Sine Pharmaceutical Laboratories Co., Ltd.	Production and sale of pharmaceuticals	100%	119,161.13	284,095.87	184,392.33	162,748.20	8,966.14
Shanghai No.1 Biochemical and Pharmaceuticals Co., Ltd.	Production and sale of pharmaceuticals	100%	22,500.00	170,799.95	134,188.35	44,297.65	13,907.06
Shanghai New Asiatic Pharmaceuticals Co., Ltd.	Production and sale of pharmaceuticals	96.90%	105,242.91	180,888.45	111,300.18	107,141.40	4,108.89
Shanghai Traditional Chinese Medicine Co., Ltd.	Production and sale of pharmaceuticals	100%	64,847.00	429,476.82	149,609.34	238,715.44	16,298.95
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	75%	12,850.00	132,706.49	109,684.59	63,891.02	6,119.97
SPH Changzhou Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	75.89%	7,879.03	352,923.32	156,473.50	273,404.31	5,887.46
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	100%	54,580.00	231,723.28	181,542.90	40,642.37	10,329.26
Shanghai Pharmaceuticals Qingdao Growful Medicine Co., Ltd.	Production and sale of pharmaceuticals	67.52%	9,300.00	93,378.99	58,499.78	46,488.43	1,498.47
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	51.01%	5,316.00	59,410.42	45,812.36	21,074.25	18,591.39
Xiamen Traditional Chinese Medicine Co., Ltd.	Production and sale of pharmaceuticals	61.00%	8,403.00	37,734.28	28,310.47	16,334.32	2,152.24
Liaoning Herbapex Pharmaceutical (Group) Co., Ltd.	Production and sale of pharmaceuticals	55.00%	5,100.00	65,218.17	31,974.41	25,441.20	2,316.37
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Production and sale of pharmaceuticals	100.00%	9,364.18	49,464.41	19,726.15	18,921.28	3,305.29
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd.	Wholesale of chemical APIs	100.00%	7,139.00	16,201.70	10,789.22	11,769.25	438.19
Shanghai Medical Instruments Co., Ltd.	Production and sales of medical devices	100.00%	12,700.00	60,112.51	37,811.02	15,427.17	-323.44
SPH Dongying (Jiangsu) Pharmaceuticals Co., Limited	Production and sale of pharmaceuticals	90.25%	14,132.19	37,469.00	31,768.09	8,652.02	2,733.45
Shanghai Pharmaceutical Pharma Sales Co., Ltd.	Sale of pharmaceuticals	100.00%	5,000.00	43,029.59	12,877.24	44,748.41	2,558.81

## 5. Projects financed by non-raised capital

 Applicable     Not applicable

## 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 2015 annual general meeting of the Company held on 28 June 2016, the profit distribution plan of the Company for the year 2015 was as follows: on the basis of an aggregate of 2,688,910,538 Shares in issue as at 31 December 2015, a cash dividend of RMB3.30 (tax inclusive) per ten Shares should be distributed to all Shareholders, totaling RMB887,340,477.54, accounting for 30.84% 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 RMB11,073,642,000.08. There was no transfer of capital reserve fund into share capital during the year 2015. The implementation of such profit distribution plan was completed on 19 July 2016 (A Share) and 26 August 2016 (H Share) respectively.

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

Profit distribution or conversion of capital reserve fund into share capital	No
Bonus share for every 10 Shares (shares)	0
Dividend for every 10 Shares (Yuan) (tax inclusive)	0
Conversion into share capital for every 10 Shares (shares)	0
Explanation on profit distribution proposal or proposal for the conversion of capital reserve fund into share capital	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



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

Applicable       Not applicable

## 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
The announcement of Shanghai Pharmaceuticals Holding Co., Ltd. regarding the A+ round financing and connected transaction of Shanghai Pharma Health Commerce Co., Ltd., its controlling subsidiary	Company's announcement Lin No.2016-020

### (II) Events disclosed in interim announcements with subsequent development or changes during implementation

Applicable       Not applicable

### (III) Events not disclosed in interim announcements

Applicable       Not applicable

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

Applicable       Not applicable

## V. SIGNIFICANT CONNECTED TRANSACTIONS

✓ Applicable       Not applicable

### (I) Connected transactions relating to daily operations

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

Overview of Events	Search Index
<p>The Proposal of Shanghai Pharmaceuticals Holding Co., Ltd. regarding Daily Connected Transactions/Continuing Connected Transactions in 2016 was approved at the 21st meeting of the fifth session of the Board of Directors held on 18 March 2016. Pursuant to the Proposal, from January to December 2016, the estimated amount of daily connected transactions/continuing connected transactions between the Group (<i>Note 1</i>) and SIIC and its subsidiaries, Shanghai Shangshi and its subsidiaries (including Shanghai Pharmaceutical (Group) and its subsidiaries) shall not exceed RMB140 million, in which the amount receivable from the sales of products and the provision of services to SIIC and its subsidiaries, Shanghai Shangshi and its subsidiaries (including Shanghai Pharmaceutical (Group) and its subsidiaries) shall not exceed RMB10 million; the amount payable for the procurement of products and the acceptance of services from SIIC and its subsidiaries, Shanghai Shangshi and its subsidiaries (including Shanghai Pharmaceutical (Group) and its subsidiaries) shall not exceed RMB30 million; the amount payable by the Group for leasing premises and production equipment from Shanghai Pharmaceutical (Group) and its subsidiaries shall not exceed RMB100 million. (<i>Note 2</i>)</p>	<p>Company's announcement Lin No.2016-013, Company's announcement Lin No.2016-015</p>
<p>The Proposal of Shanghai Pharmaceuticals Holding Co., Ltd. regarding Renewal of Financial Services Agreement and Daily Connected Transactions/Continuing Connected Transactions with Shanghai Shangshi Group Finance Co., Ltd. was approved at the 20th meeting of the fifth session of the Board of Directors held on 3 February 2016 and at the 2015 annual general meeting held on 28 June 2016. For the period from the effective date of the Agreement to the date of 2018 annual general meeting of the Company, the maximum daily balance of deposits by the Group with Shanghai Shangshi Group Finance Co., Ltd. (the "Finance Company") shall not exceed RMB2 billion; and the maximum outstanding balance of comprehensive credit facilities provided by the Finance Company to the Group shall not exceed RMB3 billion. (<i>Note 3</i>)</p>	<p>Company's announcement Lin No.2016-009, Company's announcement Lin No.2016-010, Company's announcement Lin No.2016-043</p>
<p>The Proposal of Shanghai Pharmaceuticals Holding Co., Ltd. regarding Renewal of the Continuing Connected Transactions Framework Agreement and Daily Connected Transactions/Continuing Connected Transactions with Jiangxi Nanhua Medicines Co., Ltd. was approved at the 21st meeting of the fifth session of the Board of Directors held on 18 March 2016 and at the 2015 annual general meeting held on 28 June 2016. During the period from 1 January 2016 to 31 December 2016, the amount receivable by the Group from the sale of products and the provision of services to Jiangxi Nanhua Medicines Co., Ltd. ("Jiangxi Nanhua Medicines") shall not exceed RMB1.8 billion; during the period from 1 January 2017 to 31 December 2017, the amount receivable by the Group from the sale of products and the provision of services to Jiangxi Nanhua Medicines shall not exceed RMB2.14 billion; and during the period from 1 January 2018 to 31 December 2018, the amount receivable by the Group from the sale of products and the provision of services to Jiangxi Nanhua Medicines shall not exceed RMB2.55 billion. (<i>Note 4</i>)</p>	<p>Company's announcement Lin No.2016-013, Company's announcement Lin No.2016-016, Company's announcement Lin No.2016-043</p>

- Note 1:* The Group referred in “(I) Connected transactions relating to daily operations” represents the Company and its subsidiaries.
- Note 2:* These connected transactions (as defined under the Listing Rules of the Shanghai Stock Exchange) entered into with Shanghai Pharmaceutical (Group) and its subsidiaries also constitute the “continuing connected transactions with connected persons at the level of the Company” defined under Chapter 14A of the Hong Kong Listing Rules. During the period from January to June 2016, among these daily connected transactions: (1) except for the continuing connected transactions with Jiangxi Nanhua Medicines, 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 raw materials and products and the provision of distribution agency services were less than 0.1%, and therefore exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under the Hong Kong Listing Rules; (2) the relevant percentage ratios other than profits ratio corresponding to the actual amount of the transactions in relation to the procurement of raw materials and products and the commissioned processing services were less than 0.1%, and therefore exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under the Hong Kong Listing Rules; (3) the relevant percentage ratios other than profits ratio corresponding to the actual amount from leasing premises and production equipment were more than 0.1% but less than 5%.
- Note 3:* These connected transactions under the Financial Services Framework Agreement (as defined under the Listing Rules of the Shanghai Stock Exchange) also constitute the “continuing connected transactions with connected persons at the level of the Company” defined under Chapter 14A of the Hong Kong Listing Rules. During the period from January to June 2016, among these connected transactions: (1) where the relevant percentage ratios other than profits ratio for actual deposit services, calculated on an annual basis, were higher than 5%, those connected transactions shall be subject to the shareholders’ approval, annual review and all disclosure requirements; (2) where 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, those connected transactions are fully exempted from disclosure requirements; (3) where 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%, those connected transactions are fully exempted from disclosure requirements.
- Note 4:* These connected transactions (as defined under the Listing Rules of the Shanghai Stock Exchange) entered into with Jiangxi Nanhua Medicines also constitute the “continuing connected transactions with connected persons at the level of the Company’s subsidiaries” defined under Chapter 14A of the Hong Kong Listing Rules. During the period from January to June 2016, among these daily connected transactions: (1) the transactions in relation to the sale of raw materials and products and the provision of distribution agency services were conducted on normal business terms; (2) as Jiangxi Nanhua Medicines is a connected person at the level of the Company’s subsidiaries, and the directors of the Company (including independent non-executive directors) are of the opinion that the transactions under the Agreement were conducted in the usual and ordinary course of business of the Group on normal business terms, and were fair and reasonable, and in the interest of the Company and the shareholders as a whole. Pursuant to the Hong Kong Listing Rules, those connected transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders’ approval requirements.

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

None

3. *Events not disclosed in interim announcements*

Applicable       Not applicable

Unit: RMB'0,000

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.	Parent company	Other outflow	Property leasing	Market price	1,245.26	1,245.26	54.46	Cash	1,245.26	No
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	Wholly-owned subsidiary of parent company	Other outflow	Leasing of property and equipment	Market price	768.38	768.38	33.61	Cash	768.38	No
Shanghai Indu-Land Real Estate Management Co., Ltd.	Wholly-owned subsidiary of parent company	Other outflow	Property leasing and property service, etc.	Market price	272.86	272.86	11.93	Cash	272.86	No
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	Wholly-owned subsidiary of parent company	Other inflow	Offering labor resources, etc.	Market price	14.73	14.73	0.01	Cash	14.73	No
Total				/	/	2,301.23	/	/	/	/
Details of substantial sales return					None					
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 on connected transaction					/					

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

### 1. Events disclosed in interim announcements without subsequent development or changes during implementation

Overview of Events	Search Index
Each of Shanghai Yuepu and Shengtai Investment contributed RMB67.50 million in cash to increase the capital of SPHC, a subsidiary of Shanghai Pharmaceuticals and an e-commerce platform company, each owned as to 4.5467% equity interest of SPHC. After such capital increase, the registered capital of SPHC had been increased from RMB1,212,125,000 to RMB1,333,375,000. (Note 1)	Company's announcement Lin No.2016-020

*Note 1:* Mr. Zhou Jun, the legal representative of Shengtai Investment, a cooperative party to the project, serves as executive director and vice president of Shanghai Industrial Investment (Holdings) Co., Ltd., a controlling shareholder of the Company, and according to the Implementation Guidelines of the Shanghai Stock Exchange on Related Transactions of Listed Companies, Shengtai Investment is a connected corporate legal person of the Company. The amount involved in such transaction accounted for less than 5% of the absolute value of the latest audited net assets of the Company, therefore, such connected transaction shall be submitted to the board of directors for consideration and approval, but is not required to be submitted at the general meeting for approval. According to Chapter 14A of the Hong Kong Listing Rules, as of the date of the Company's announcement (search index: Company's announcement Lin No.2016-020), as natural person Zhou Jun does not hold any positions in the Company or any of its subsidiaries, and does not hold any shares of Shengtai Investment, he will not be identified as a connected person under Chapter 14A of the Hong Kong Listing Rules, therefore, such transaction does not constitute a connected transaction as defined in Chapter 14A of the Hong Kong Listing Rules.

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

None

### 3. Events not disclosed in interim announcements

Applicable       Not applicable

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

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

Overview of Events	Search Index
Shanghai Pharmaceuticals subscribed and invested RMB200 million by way of cash to jointly establish “Lianyi Fund” with Shanghai Lianyi Investment Management Co., Ltd. (上海聯一投資管理有限公司) (“Shanghai Lianyi”), Shanghai Alliance Investment Ltd. (“Shanghai Alliance”) and Shanghai Information Investment Inc. (“Shanghai Information Investment”). Shanghai Pharmaceuticals is a limited partner of Lianyi Fund. (Note 1)	Company’s announcement Lin No.2016-019

*Note 1:* According to the requirements of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Implementation Guidelines on Related Transactions of Listed Companies, Shanghai Alliance holds 18.6% equity interest of Mergen Biotech Limited, a holding subsidiary of the Company, as such, Shanghai Alliance is a connected person of Shanghai Pharmaceuticals. As the amount involved in such transaction accounted for more than 0.5% but less than 5% of the absolute value of the latest audited net assets of the Company, such transaction shall be submitted to the board of directors of the Company for approval, but is not required to be submitted at the Company’s general meeting for approval. According to Chapter 14A of the Hong Kong Listing Rules, Shanghai Alliance and Shanghai Information Investment are connected persons at the level of the subsidiaries of Shanghai Pharmaceuticals, and as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the transaction is/are less than 1%, therefore, the transaction is exempted from the reporting, announcement and independent shareholders’ approval requirements under the Hong Kong Listing Rules.

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

None

3. *Events not disclosed in interim announcements*

Applicable       Not applicable

**(IV) Credits and liabilities with related parties**

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

None

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

None

3. *Events not disclosed in interim announcements*

Applicable       Not applicable

Related parties have the following guarantees for the Company:

Guarantor	Value of guarantee (RMB'000)	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
Shanghai Shangshi Group Finance Co., Ltd.	13,000.00	10 November 2015	9 January 2017	No
Shanghai Shangshi Group Finance Co., Ltd.	12,000.00	9 December 2015	8 February 2017	No
Shanghai Shangshi Group Finance Co., Ltd.	12,000.00	13 January 2016	12 March 2017	No
Shanghai Shangshi Group Finance Co., Ltd.	7,000.00	9 May 2016	8 July 2017	No
Shanghai Shangshi Group Finance Co., Ltd.	6,000.00	16 December 2015	15 February 2017	No
Shanghai Shangshi Group Finance Co., Ltd.	6,000.00	15 February 2016	14 April 2017	No
Shanghai Shangshi Group Finance Co., Ltd.	6,000.00	8 March 2016	7 May 2017	No
Shanghai Shangshi Group Finance Co., Ltd.	6,000.00	11 April 2016	10 June 2017	No
Shanghai Shangshi Group Finance Co., Ltd.	6,000.00	12 June 2016	11 August 2017	No
Shanghai Shangshi Group Finance Co., Ltd.	4,000.00	15 December 2015	8 February 2017	No
Shanghai Pharmaceutical (Group)	2,160.00	20 September 2003	19 September 2018	No
Total	80,160.00			

**(V) Others**

None

## VI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

## 1 Trusteeship, contracting and leasing

Applicable       Not applicable

## 2 Guarantees

Applicable       Not applicable

Unit: RMB'0,000

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	850.00		2015/8/31	2016/8/26	Joint guarantee	No	No		No	No	Associated Company
Shanghai Pharmaceutical Distributor Co., Ltd.	Wholly-owned subsidiary	Shanghai Luoda Pharmaceutical Co., Ltd	650.00		2015/12/22	2016/12/21	Joint guarantee	No	No		No	No	Associated Company
Shanghai Pharmaceutical Distributor Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co.,Ltd	110.70		2015/7/17	2016/2/17	Joint guarantee	Yes	No		No	No	Associated Company
Shanghai Pharmaceutical Distribution Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co.,Ltd	49.00		2016/1/20	2016/7/18	Joint guarantee	No	No		No	No	Associated Company
Hangzhou Kailun Pharmaceutical Co., Ltd.	Holding subsidiary	Hangzhou Yuhang Oil Co., Ltd. (杭州余杭石油有限公司)	1,000.00		2014/5/26	2016/5/8	Joint guarantee	Yes	No		No	No	Others
Hangzhou Kailun Pharmaceutical Co., Ltd.	Holding subsidiary	Hangzhou Yuhang Oil Co., Ltd. (杭州余杭石油有限公司)	1,000.00		2014/11/25	2016/6/27	Joint guarantee	Yes	No		No	No	Others
Shanghai Pharma Jiangsu Hongkang Pharmaceutical Co., Ltd. (上海江苏宏康医药有限公司)	Holding subsidiary	Danyang City Yuyang People's Hospital (丹阳市云阳人民医院)	3,000.00		2015/8/14	2018/8/14	Joint guarantee	No	No		No	No	Others
Shanghai Pharma Jiangsu Hongkang Pharmaceutical Co., Ltd. (上海江苏宏康医药有限公司)	Holding subsidiary	Zhenjiang City Dantu District Center for Disease Control (镇江市丹徒区疾病预防控制中心)	800.00		2015/12/18	2016/12/18	Joint guarantee	No	No		No	No	Others
Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)													49.00
Total balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)													3,487.00
Guarantees provided by the Company to its subsidiaries													
Total value guaranteed for its subsidiaries during the Reporting Period													6,132.49
Total balance guaranteed for its subsidiaries at the end of the Reporting Period (B)													83.15
Total value guaranteed by the Company (including those provided to its subsidiaries)													
Total value guaranteed (A+B)													3,570.15
Percentage of total value guaranteed in the Company's net assets (%)													0.12
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)													1,583.15
Amount of total value guaranteed exceeding 50% of net assets (E)													
Total of value guaranteed for the above three items (C+D+E)													1,583.15
Details of possible joint and several settlement liabilities for undue guarantee													
Details of guarantee													



Note : Shanghai Pharma Jiangsu Hongkang Pharmaceutical Co., Ltd is the Company's newly acquired enterprise during the Reporting Period, and its external guarantee was occurred prior to the merger and acquisition.

### 3 Other material contracts or transactions

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

## VII. FULFILMENT STATUS OF COMMITMENTS

Applicable       Not applicable

For details, please refer to the Announcement of Shanghai Pharmaceuticals in relation to the Fulfillment Status of Commitments by De facto Controller, Shareholders, Related Parties, Acquirers and the Company (Company's announcement Lin No. 2014-001), the Announcement of Shanghai Pharmaceuticals in relation to the Amendments to the Commitment of Shanghai Pharmaceuticals (Group) regarding Land and Premises (Company's announcement Lin No. 2014-006), the Announcement of Shanghai Pharmaceuticals in relation to the Amendments to the Commitment of Shanghai Pharmaceuticals (Group) regarding the Shares held by Employees and the Employee Share Ownership Committee (Company's announcement Lin No. 2014-007), and the Announcement of Shanghai Pharmaceuticals on the Progress of Commitment Resolution (Company's announcement Lin No. 2014-008, Lin No. 2014-010, Lin No. 2014-017).

To promote stability and healthy development of the Company, and safeguard the interests of all shareholders, the controlling shareholders, persons acting in concert, directors, supervisors and senior management of the Company promised no disposal of the Company's shares (including A Shares and H Shares) (see the Company's interim announcement 2015-023 for details) within six months from 11 July 2015. Up to now, such commitment has been fulfilled, and within the time limit, the controlling shareholders, persons acting in concert, directors, supervisors and senior management of the Company did not acquire or dispose A Shares and H Shares of the Company.

## 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 established and continuously improved the corporate governance structure of the Company in strict compliance 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. During the Reporting Period, the Company has promulgated and amended a series of internal rules and regulations such as the Implementation Rules of Cumulative Voting System of Shanghai Pharmaceuticals, the Articles of Association, the Measures for Evaluation and Administration of State-owned Assets of Shanghai Pharmaceuticals, Measures for Administration of Consistency Evaluation for Generic Drugs of Shanghai Pharmaceuticals, etc. to ensure compliance operation and standardized decision-making of the Company in terms of system building.

During the Reporting Period, the Company held one shareholders' general meeting, five meetings of the Board of Directors and four 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, the shareholders' general meetings, 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 of the Board of Directors held two meetings to review the structure, size, composition and diversity of the Board, and approve the proposal regarding the election of executive directors and non-executive directors of the sixth session of the Board and the proposal regarding the election of independent non-executive directors of the sixth session of the Board; the Strategic Committee of the Board of Directors held one meeting to review the development planning of "Three Three Three Plus One" and 2016 financial budget; the Audit Committee of the Board of Directors held three meetings to review the Company's proposal regarding the renewal of the Financial Services Agreement and related/connected transactions of Shanghai Shangshi Group Finance Co., Ltd., and review the Company's 2015 annual report and summary, 2015 internal control and the summary of 2015 annual audit report, and review the Company's 2016 first quarterly report; the Remuneration and Assessment Committee of the Board of Directors held two meetings, at which the performance review report on senior management for 2015, the report on operating results and incentive of the senior management during the tenure from 2013 to 2015, and the plan for appraisal of operating results and remuneration standards of the senior management for 2016 were approved.

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 in 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 reason and effect of modification to significant previous errors

- Applicable       Not applicable

## (III) Others

1. Zhangzhou Pien Tze Huang Pharmaceutical Co., Ltd. (hereinafter referred to as "Pien Tze Huang") sued Xiamen Traditional Chinese Medicine Co., Ltd. (hereinafter referred to as "Xiamen Traditional Chinese Medicine"), Xiamen Evening News Media Development Co., Ltd. and Xiamen Daily at Zhangzhou Municipal Intermediate People's Court (hereinafter referred to as "Zhangzhou Intermediate Court") for unfair competition. 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 Civil Judgment (2014) Zhang Min Chu Zi No. 35-3, in which Zhangzhou Intermediate Court rejected the objection to the case's jurisdiction by Xiamen Traditional Chinese Medicine at first instance. On 13 April 2014, Xiamen Traditional Chinese Medicine appealed to Fujian Provincial Higher People's Court (hereinafter referred to as "Fujian Higher Court") for objection to jurisdiction. On 23 June 2014, Fujian Higher Court issued Civil Judgment (2014) Min Min Zhong Zi No. 660 to revoke Civil Judgment (2014) Zhang Min Chu Zi No. 35-3 issued by Zhangzhou Intermediate Court at final instance and transferred the case to the jurisdiction of Xiamen Municipal Intermediate People's Court (hereinafter referred to as "Xiamen Intermediate Court"). On 18 August 2014, Xiamen Traditional Chinese Medicine received (2014) Xia Min Chu Zi 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 (hereinafter 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. Pien Tze Huang made some amendments 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 of the plaintiff were beyond its scope of jurisdiction. According to the Civil Judgment (2014) Rong Min Chu Zi No. 1431-1 received by Xiamen Traditional Chinese Medicine on 9 January 2015, its objection to the jurisdiction was rejected by the Fuzhou Intermediate Court at the first instance. On 19 January 2015, Xiamen Traditional Chinese Medicine further submitted its appeal for objection to the jurisdiction to the Fujian Higher Court. On 4 March 2015, the Civil Judgment (2015) Min Min Zhong Zi No. 446 was issued by the Fujian Higher Court as a final verdict, which repealed the aforesaid appeal and affirmed that the lawsuit shall be governed by the 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. On 31 August 2015, Fuzhou Intermediate Court convened the third pretrial conference against the case. The case was separately judged by Fuzhou Intermediate Court on 22 December 2015 and 5 January 2016.

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. On 30 October 2015, Trademark Bureau of State Administration for Industry and Commerce made decisions that trademarks were not allowed to register, including trademark of "Pill of Eight Treasures Pien Tze Huang" No.11683990 [(2015) Shang Biao Yi Zi No.0000052574] and trademark of "Pien Tze Huang Pill of Eight Treasures" No.11683929 [(2015) Shang Biao Yi Zi No.0000052569], and the registration of the two trademarks of Pien Tze Huang was rejected. On 21 March 2016, Xiamen Traditional Chinese Medicine received the review application for the above decision of non-registration submitted by Pien Tze Huang, which was sent by the Trademark Appraisal Committee of the State Administration for Industry and Commerce. On 18 April 2016, Xiamen Traditional Chinese Medicine submitted the defense materials in relation to review of decision of non-registration against Pien Tze Huang to the Trademark Appraisal Committee of the State Administration for Industry and Commerce.
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 the legal costs to case. Fuzhou Intermediate Court accepted the case with case (2015) Rong Min Chu Zi No.1518. Pien Tze Huang submitted its objection to the jurisdiction to the Fuzhou Intermediate Court, claiming Fuzhou Intermediate Court was beyond its scope of jurisdiction and asking for transfer the case to Zhangzhou Municipal Intermediate People's Court (hereinafter referred to as "Zhangzhou Intermediate Court"). On 22 September 2015, Fuzhou Intermediate Court issued Civil Judgment (2015) Rong Min Chu Zi No.1518 and rejected the objection to the jurisdiction of Pien Tze Huang. Pien Tze Huang was not satisfied with the Judgment, and appealed to Fujian Provincial Higher People's Court (referred to as "Fujian Higher Court"). On 7 December 2015, Fujian Higher Court issued Civil Judgment (2015) Min Min Zhong Zi No. 2095 to revoke Fuzhou Intermediate Court Civil Judgment and transferred the litigation involving Pien Tze Huang in the case to the jurisdiction of Zhangzhou Intermediate Court, and the litigations involving Huichun Medicine and Huichun Medicine Railway Station Pharmacy were still under trial by Fuzhou Intermediate Court. On 14 June 2016, the litigation involving Huichun Medicine and Huichun Medicine Railway Station Pharmacy was heard by Fuzhou Intermediate Court; and the evidence exchange of the litigation involving Pien Tze Huang was scheduled to be held by Zhangzhou Intermediate Court on 30 August 2016 and the litigation be heard by Zhangzhou Intermediate Court on 31 August.

## 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	76,212
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Note: Among the 76,212 shareholders as at the end of the Reporting Period, 73,827 were A Share Shareholders and 2,385 were H Share Shareholders.

### (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	-11,000	748,128,720	27.82%	0	Unknown		Foreign shareholder
Shanghai Pharmaceutical (Group)	0	716,516,039	26.65%	0	Unknown		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
Shanghai Guosheng and Shanghai Shengrui	13,523,657	81,539,847	3.03%	0	Unknown		State-owned legal person
Shenergy Group	0	81,199,520	3.02%	0	Unknown		State-owned legal person
China Securities Finance Corporation Limited	5,281,883	72,508,407	2.70%	0	Unknown		Unknown
NSSF 604 Combination	5,929,417	28,981,891	1.08%	0	Unknown		Unknown
China Life Insurance Company Limited – traditional – ordinary insurance products – 005L – CT001 Shanghai	12,111,748	27,121,646	1.01%	0	Unknown		Unknown
Central Huijin Investment Ltd.	0	24,891,300	0.93%	0	Unknown		Unknown
Tianan Property Insurance Co., Ltd. – Bao Ying No.1	/	19,935,259	0.74%	0	Unknown		Unknown

# CHANGES IN SHARE CAPITAL AND INFORMATION ABOUT SHAREHOLDERS

## CHAPTER 6

Shareholdings of top 10 shareholders without trade restrictions			
Name of shareholder	Number of Shares without trade restrictions	Class and number of Shares	
		Class	Number
HKSCC NOMINEES LIMITED	748,128,720	Overseas listed foreign shares	748,128,720
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
Shanghai Guosheng and Shanghai Shengrui	81,539,847	RMB ordinary shares	81,539,847
Shenergy Group	81,199,520	RMB ordinary shares	81,199,520
China Securities Finance Corporation Limited	72,508,407	RMB ordinary shares	72,508,407
NSSF 604 Combination	28,981,891	RMB ordinary shares	28,981,891
China Life Insurance Company Limited – traditional –ordinary insurance products –005L – CT001 Shanghai	27,121,646	RMB ordinary shares	27,121,646
Central Huijin Investment Ltd.	24,891,300	RMB ordinary shares	24,891,300
Tianan Property Insurance Co., Ltd. – Bao Ying No.1	19,935,259	RMB ordinary shares	19,935,259
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). Shanghai Shengrui is a wholly-owned subsidiary of Shanghai Guosheng, which is a wholly-owned subsidiary of Shanghai SASAC. 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: Shares

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 procedures for releasing pledge registration in relation to 13,648,772 A Shares (floating shares with trade restrictions), which were pledged to China Great Wall Asset Management Corporation by Shanghai Pharmaceutical (Group) on 20 September 2011, were made at China Securities Depository and Clearing Corporation Limited conducted, and the date of releasing pledge registration is 10 May 2016 (see the Company's announcement Lin No.2016-036 for details).

### (III) Strategic investors or general legal persons becoming the top ten shareholders by placing of new shares

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 2016, Mr. Cho Man, executive director and president of the Company, held 20,009 A Shares of the Company; Mr. Shen Bo, executive director and chief financial officer of the Company, held 71,700 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. Having made specific enquiries, 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 2016, 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 2016, 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 <sup>Note 1(1)</sup>	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 <sup>Note 1(2)</sup>	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
CreditSuisse (HongKong) Limited	H Shares	Interests commonly held with another person	99,632,100(L)	13.01(L)	3.71(L)
			99,632,100(S)	13.01(S)	3.71(S)
Credit Suisse AG	H Shares	Interests of controlled corporation	99,632,100(L)	13.01(L)	3.71(L)
			99,632,100(S)	13.01(S)	3.71(S)
JPMorgan Chase & Co.	H Shares	Beneficial owner/Investment Manager/Custodian/Approved lending agent	84,630,986(L)	11.05(L)	3.15(L)
			384,700(S)	0.05(S)	0.01(S)
			72,824,778(P)	9.51(P)	2.71(P)
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	46,929,552(L)	6.13(L)	1.75(L)
The Capital Group Companies, Inc.	H Shares	Interests of controlled corporation	45,991,800(L)	6.00(L)	1.71(L)
AllianceBernstein L.P.	H Shares	Investment Manager/Interests of controlled corporation	38,572,010(L)	5.04(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) Figures disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).
- (2) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain conditions are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Hong Kong Stock Exchange unless certain conditions have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
- (3) Save as disclosed above, as at 30 June 2016, 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.

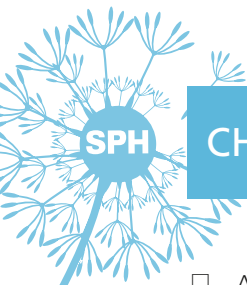
### V. PRE-EMPTIVE RIGHTS

The Articles of Association contains 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 2016, neither the Company nor the subsidiaries of the Company purchased, sold or redeemed any listed Shares of Shanghai Pharmaceuticals.

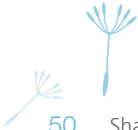
During the period from January to June 2016, none of SIIC and Shanghai Shangshi, the Controlling Shareholders of the Company, or their respective subsidiaries had increased their shareholdings in Shanghai Pharmaceuticals.



# 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
Zhou Jie	Chairman, Executive Director	Election	Re-election upon the end of term of the board of directors
Li Yongzhong	Executive Director	Election	Re-election upon the end of term of the board of directors
Shen Bo	Executive Director, Chief Financial Officer	Election	Re-election upon the end of term of the board of directors
Li An	Non-Executive Director	Election	Re-election upon the end of term of the board of directors
Cai Jiangnan	Independent Non-Executive Director	Election	Re-election upon the end of term of the board of directors
Hong Liang	Independent Non-Executive Director	Election	Re-election upon the end of term of the board of directors
Xu Youli	Chief Supervisor	Election	Re-election upon the end of term of the board of supervisors
Lou Dingbo	Chairman, Executive Director	Resignation	Resignation
Hu Fengxiang	Executive Director	Resignation	Re-election upon the end of term of the board of directors
Jiang Ming	Non-Executive Director	Resignation	Re-election upon the end of term of the board of directors
Chen Naiwei	Independent Non-Executive Director	Resignation	Re-election upon the end of term of the board of directors
Li Zhenfu	Independent Non-Executive Director	Resignation	Re-election upon the end of term of the board of directors
He Chuan	Chief Supervisor	Resignation	Re-election upon the end of term of the board of supervisors
Liu Dawei	Secretary of the board of directors, joint company secretary	Appointment	Change of position

## (I) Biography of Directors

**Mr. Zhou Jie**, born in December 1967, master in engineering from Shanghai Jiao Tong University. He is currently the chairman and an executive director of the Company, and does not hold any directorship in any subsidiaries of the Company. Mr. Zhou has been a non-executive director of Semiconductor Manufacturing International Corporation (a company listed on The Stock Exchange of Hong Kong Limited with stock code 00981 and the New York Stock Exchange under the ticker symbol "SMI") since January 2009; the president and executive director of Shanghai Industrial Investment (Holdings) Co., Ltd. since April 2012 and May 2008, respectively; the vice chairman, CEO and an executive director of Shanghai Industrial Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 00363) since April 2012 and November 2007, respectively. His previous positions included the chairman of the board of directors of Shanghai Pharmaceutical (Group) Co., Ltd., the chairman of the Board, executive director and chairman of Supervisory board of the Company, the vice executive president of Shanghai Industrial Investment (Holdings) Co., Ltd., the vice executive CEO of Shanghai Industrial Holdings Limited, and the chairman and general manager of Shanghai SIIC Asset Management Co., Ltd.

**Mr. Cho Man**, born in May 1961, has a bachelor's degree in pharmacy from Sichuan University (formerly West China University of Medical Science) and a master's degree in management from the School of Management of Fudan University. He is a senior economist. Mr. Cho is currently an executive director and the president of the Company and holds directorship in certain subsidiaries of the Company. He served as vice chairman and chief executive officer of The Wing Fat Printing Co., Ltd., vice president of China Resources Pharmaceutical Group Limited, deputy general manager of Sanjiu Enterprise Group, general manager and chairman of Sanjiu Economic Trading Co., Ltd., general manager and chairman of Nine Stars Printing and Packaging Co., Ltd., head of sales department and vice director of Shenzhen South Pharmaceutical Factory, and pharmacist, head of transfusion medicine department and head of the drug injection department of Nanfang Hospital, First Military Medical University, Guangzhou.

**Mr. Li Yongzhong**, born in February 1970, an executive master of business administration from the China Europe International Business School, pharmacist. He is currently an executive director of the Company and the general manager and director of Shanghai Pharmaceuticals Distribution Co., Ltd., and holds directorship in other subsidiaries of the Company. His previous positions included deputy manager of the New Drug Branch of, deputy general manager and general manager of pharmaceutical distribution business department of, and general manager assistant and deputy general manager of Shanghai Pharmaceutical Co., Ltd. and vice president of Shanghai Pharmaceuticals Holding Co., Ltd..

**Mr. Shen Bo**, born in March 1973, obtained a bachelor's degree majoring in accounting from Shanghai Institute of Construction Materials Industry and master of professional accountancy from Chinese University of Hong Kong. He has passed the PRC Certified Public Accountants examination. He is currently an executive director and the chief financial officer of the Company, and holds directorship in certain subsidiaries of the Company. He has been a non-executive director of Tianda Pharmaceuticals Co., Ltd. (a company listed on The Stock Exchange of Hong Kong Limited with stock code 00455) since August 2015. He has been a non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company listed on The Stock Exchange of Hong Kong Limited with stock code 01349) since June 2012. His previous positions included the deputy manager of the finance department of Shanghai Jinling Co., Ltd., the chief financial officer of Shanghai Industrial Pharmaceutical Investment Co., Ltd., and the general manager of the finance department of Shanghai Pharmaceutical (Group) Co., Ltd, etc.

**Ms. Li An**, born in July 1961, obtained a Bachelor's Degree in Engineering from Shanghai University of Science and Technology and is an engineer. She is a non-executive director of the Company and does not hold any directorship in any subsidiaries of the Company. She has been the vice president of Shanghai Guosheng (Group) Co. Ltd, a director of Shanghai Lengguang Industrial Co., Ltd (changed its name to East China Construction Group Co., Ltd (華東建築集團股份有限公司) in October 2015 and a company listed on the Shanghai Stock Exchange with stock code 600629) and a director of Shanghai Tunnel Engineering Co., Ltd (a company listed on the Shanghai Stock Exchange with stock code 600820) since September 2014, July 2015 and September 2015, respectively. She previously served as the deputy director of the Institute of Information Technology in Hongkou District, the deputy section chief of the Industry Division of Economic Planning Commission of Hongkou District (虹口區計劃經濟委員會產業科), the section chief of the Grass-roots Work Division of the Economic Committee in Hongkou District (虹口區經濟委員會基層工作科), a principal staff member of Shanghai Municipal State-owned Assets Supervision and Administration Office, a deputy director of the Property Rights Division of the Municipal State-owned Assets Supervision and Administration Office, a deputy director and the director of the Property Rights Division of the Municipal State-owned Assets Supervision and Administration Commission and the director of the Center of Property Rights.

**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 currently 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 06161) 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), 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.

**Mr. Cai Jiangnan**, born in June 1957, obtained a Bachelor's Degree in Economics from East China Normal University, the MSc in Economics from Fudan University and the Ph.D. in Economics from Brandeis University in the United States of America. Mr. Cai is an independent non-executive director of the Company and does not hold any directorship in any subsidiaries of the Company. Mr. Cai has been engaged in teaching, study and consulting in respect of health economics and health policy in universities, consulting companies and government departments for more than 20 years, and published a large number of influential research results. Mr. Cai has been awarded 1990 Sun Yefang Economic Science Paper Award, the NHRI Most Outstanding Abstract Award 2002, the Outstanding Paper Award at the Annual Meeting of Shanghai Academy of Social Sciences 2009 (上海市社會科學界年會優秀論文獎), as well as a nominee of 2013 Top Ten Big News on Health Care Reform organized by "Chinese Health" magazine (《中國衛生》雜誌十大醫改新聞人物提名). Mr. Cai was also one of the main founders of School of Business, East China University of Science and Technology. He has been the director of Health Management and Policy Center and an adjunct professor of economics in CEIBS since May 2012. He also has been an independent director of Zhejiang Dian Diagnostics Co., Ltd (a company listed on the Shenzhen Stock Exchange with stock code 300244) and Harmonicare Medical Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 01509) since 2014 and 2015. He previously served as the first head of the Department of Public Economics in School of Economics, Fudan University and the director of the Institute of Economic Development, East China University of Science and Technology.

**Mr. Hong Liang**, born in December 1975, obtained a Bachelor's Degree in Economic Law from East China University of Political Science and Law and a Master's Degree in International Comparative Law from Chicago-Kent College of Law in the United States of America. Mr. Hong is an independent non-executive director of the Company and does not hold any directorship in any subsidiaries of the Company. Mr. Hong has extensive experience in the corporation law, finance law, state assets and state-owned enterprises and other related law fields. He has been a managing partner of Shanghai Everbright Law Firm, an independent non-executive director of Shanghai Winner Information Technology Co., Inc. (under the process of listing application) and an external director of Shanghai Hongfang (Group) Co. Ltd (上海虹房(集團)有限公司) and Shanghai Changyuan Culture (Group) Co. Ltd (上海長遠文化(集團)有限公司) since July 1999, November 2014 and January 2015, respectively. Meanwhile, he also served as a member of China Youth Federation, a standing committee member of Shanghai Youth Federation, a member of Shanghai Lawyers Association, the director of State Assets and State-owned Enterprises Business Research Commission (國資國企業務研究委員會), an adjunct professor of East China University of Political Science and Law and Shanghai Institute of Political Science and Law, and an arbitrator of Shanghai International Economic and Trade Arbitration Commission and Lianyungang Arbitration Commission. He previously worked at Shanghai Municipal People's Government and the Stock Exchange of Hong Kong limited.

## (II) Biography of Supervisors

**Mr. Xu Youli**, born in April 1974, obtained a bachelor degree in Economics from the University of Finance and Economics in Shanghai and Master of Business Administration degree from Fudan University. Mr. Xu is a chief supervisor of the Company and does not hold any directorship in any subsidiaries of the Company. He is a senior accountant, certified public accountant and an international certified internal auditor. Mr. Xu serves as the vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. since April 2016; director of Shanghai Industrial Development Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code 600748) since November 2012; and general manager of the audit department of Shanghai Industrial Investment (Holdings) Co., Ltd. since September 2011. He was the director of the Shanghai Shidongkou Second Plant, deputy general manager and manager of the supervision and audit department of East China Branch of China Huaneng Group, deputy general manager of the audit department of and president assistant of Shanghai Industrial Investment (Holdings) Co., Ltd., etc.

**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. Since April 2016, she has been the deputy secretary of the Party Committee of Shanghai Pharmaceutical (Group) Co., Ltd. and the deputy secretary of the Party Committee of Shanghai Pharmaceuticals Holding Co., Ltd. She has been the chairman of Shanghai Industrial Holdings Limited Union since March 2015. Ms. Chen has been the chairman of Shanghai Pharmaceutical Trade Union, a member of the standing committee of Shanghai Federation of Trade Unions, and a member of the standing committee of China Energy Chemistry Trade Union since August 2001. Her previous positions included director of the department of organisation of Shanghai Pharmaceutical (Group) Co., Ltd. and vice chairman of Shanghai Pharmaceutical Trade Union, etc..



**Mr. Xin Keng**, born in December 1967, has a bachelor's degree in engineering and a master's degree in engineering from Shanghai Jiao Tong University. He is an engineer. He is currently the supervisor of the Company and does not hold any directorship in any subsidiaries of the Company. He has served as principal of the finance management department of Shenergy (Group) Co., Ltd. since August 2009. His previous positions included principal of securities department of Shenergy Company Limited, investment principal of state-owned assets department of Wenhui Xinmin United Press Group, deputy general manager of Wenxin Investment Co., Ltd. (文新投資有限公司), and deputy manager of financing division of investment banking department of Haitong Securities Co., Ltd. (海通證券股份有限公司).

### (III) Biography of Senior Management

**Mr. Cho Man**, is the president of the Company. Please refer to "Biography of Current Directors" for his biography.

**Mr. Liu Yanjun**, born in February 1965, holds a bachelor's degree in Naval Medicine, a master degree in surgery and a PhD in surgery from Second Military Medical University. He is currently a vice president of the Company and chairman of Shanghai Jiaolian Medicine Research and Development Co., Ltd., a subsidiary of the Company. He holds a concurrent office of director in the Company's subsidiaries. Mr. Liu was previously deputy general manager of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company listed on The Stock Exchange of Hong Kong Limited with stock code 01349), research director and research associate in cancer research office of molecular biology institute of Second Military Medical University, visiting scholar at San Diego Sidney Kimmel Cancer Center in California, United States, and attending physician and lecturer in Eastern Hepatobiliary Surgery Hospital subordinated to Second Military Medical University.

**Mr. Ren Jian**, born in March 1965, obtained a bachelor's degree in Inorganic Materials from East China Institute of Chemical Technology, and an EMBA of China Europe International Business School and is an engineer. He is currently a vice president of the Company and holds a concurrent office of director in the Company's subsidiaries. Mr. Ren was the head of the human resources department, the head of the organization cadre department, the head of the leader management department and vice president of Shanghai Pharmaceutical (Group) Co., Ltd..

**Mr. Shu Chang**, born in September 1958, obtained a bachelor's degree in arts majoring in French from Beijing International Studies University and master of economics from the Graduate School of New York University, United States. He is a vice president of the Company and holds no concurrent office of director in any of the Company's subsidiaries. He was the assistant to the chairman of CibaGeigy Corp., a Swiss pharmaceuticals company; investment banking manager of Morgan Stanley, United States; vice president of Asia-Pacific region, Landsat, an international satellite company, United States; chairman of Shenzhen Zhengguo (Jun'an) Investment Company, Ltd. (深圳正國(君安)投資有限公司); vice president of China Minsheng Credit Guarantee Investment Company (中國民生投資信用擔保有限公司); managing director of Huachen Wuzhou Electronic Commerce Co., Ltd (華晨五洲電子商務有限公司); director, executive of the strategy committee under the board of directors, chief financial officer and chief asset management officer of SAIC Motor Corporation, Ltd.; director, chief investment and development officer and deputy general manager of the finance division of JinJiang International Holdings Co., Ltd., vice president of Beijing Automobile Investment Co., Ltd.; assistant executive president of Shanghai Industrial Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 00363), and vice president of Shanghai Industrial Urban Development Group Limited (a company listed on The Stock Exchange of Hong Kong Limited with stock code 00563).

**Mr. Mao Jianyi**, born in May 1968, was a college graduate at medical faculty of Shanghai Second Medical University, and obtained a MBA degree from Shanghai PCEC East Asia College and a Ph.D. in economics from Shanghai University of Finance and Economics (International Open University of Washington in the United States (美國華盛頓國際公開大學)). Mr. Mao is a physician. He is currently vice president of the Company and holds a concurrent office of director in subsidiaries of the Company. He served as vice president of the prescription drug division of Shanghai Pharmaceutical (Group) Co., Ltd., general manager of Shanghai No.1 Biochemical and Pharmaceutical Co., Ltd. of the prescription drug division of Shanghai Pharmaceutical (Group) Co., Ltd., general manager of Shanghai Zhong Xi Pharmaceutical Co., Ltd. and Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., and director of Shenzhen Kondarl (Group) Co. Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000048), etc.

**Mr. Shen Bo**, is the chief financial officer of the Company. Please refer to “Biography of Current Directors” for his biography.

**Mr. Liu Dawei**, born in August 1980, obtained a Bachelor degree in Economics with a major in Taxation from the Shanghai University of Finance and Economics and a Master of Business Administration degree (majoring in Finance and Financial Management) from the W. P. Carey School of Business at Arizona State University in the United States. He is an accountant. He currently serves as Secretary of the board of directors, joint company secretary and the general manager of the Strategic Operations Department of the Company, and holds a concurrent office of director in subsidiaries of the Company. He previously served as the deputy general manager of the Investment Development Department of the Company, the chief financial officer and the general manager of the Financial Department of Shanghai Pharmaceutical Distribution Co., Ltd., and the general manager, assistant to the department head and financial management officer of the Financial Department of Shanghai Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code 600849 and the predecessor of the Company).

### III. OTHER DESCRIPTIONS

1. The Company had no share incentive scheme during the Reporting Period.
2. 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.

✓ Applicable       Not applicable

## I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB0,000

Name of Bond	Abbreviation	Code	Date of Issue	Due Date	Balances	Interest Rate	Repayment of principal and interest	Trading Place
Shanghai Pharmaceuticals Holding Co., Ltd. Public Issuance of 2016 Corporate Bonds (first tranche)	16 SPH 01	136198	26 January 2016	26 January 2019	200,000	2.98%	Interest paid annually, with the last installment of interest paid together with the principal	Shanghai Stock Exchange

### Other information of Corporate Bonds

The corporate bonds were issued to qualified investors and no interest was paid during the Reporting Period.

## II. CONTACT PERSON OF CUSTODIAN OF THE CORPORATE BONDS AND ITS CONTACT METHODS AND THE CONTACT METHOD OF THE CREDIT RATING AGENCY

Bond Custodian	Name	Credit Suisse Founder Securities Limited
	Office Address	15/F, South Tower, Financial Street Centre, No. 9A, Financial Street, Xicheng District, Beijing
	Contact Person	Zhang Haibin
	Contact Number	010-66538729
Credit Rating Agency	Name	Zhong Cheng Xin Credit Rating Co., Ltd. (中誠信證券評估有限公司)
	Office Address	21/F, Anji Building, No. 760 South Tibet Road, Huangpu District, Shanghai

### III. USE OF RAISED FUNDS FROM THE CORPORATE BONDS

The amount of bonds for this tranche of public offering was RMB2 billion. After deducting issuing expenses of RMB2 million, the net proceeds was RMB1.998 billion, which has been utilized in accordance with the use of proceeds as set out in the prospectus.

### IV. INFORMATION OF THE CREDIT RATING AGENCY OF THE CORPORATE BONDS

In accordance with the relevant requirements of the CSRC, rating industry practice and relevant requirements of rating system of Zhong Cheng Xin Credit Rating Co., Ltd. (hereinafter referred to as "ZCX Rating"), from the date of the issuing of first rating report (should be the date specified on the rating report), ZCX Rating will continue to pay attention to factors such as changes of external operating environment, changes of operation and financial conditions and security for repayment of debt for bonds during period of validity of credit rating of bonds or the duration of bonds, so as to consistently keep track of credit risks of bonds. Track rating contains regular and irregular track rating.

During the period of track rating, ZCX Rating completed the regular track rating of the year on 16 May 2016, in which the credit rating of the subject is AAA with stable rating outlook. The credit rating of this tranche of bonds is maintained at AAA. Furthermore, from the date of issuing the rating report, ZCX Rating will pay close attention to information in relation to the Company and bonds. Where there occurs any major events which may exert influence on the bonds' credit rating, ZCX Rating will launch irregular track rating promptly as it considers necessary, based on the relevant information provided by the Company, and make investigation, analysis in this regard and issue the rating results of the irregular track rating.

If the Company fails or refuse to provide relevant information, ZCX Rating will conduct analysis based on the relevant conditions, whereupon confirm or adjust the subject, bond credit level, or announce the credit rating to be temporarily void. Relevant information including the results of regular and irregular track rating conducted by ZCX Rating will be published on website specified by regulatory institutions.

### V. CREDIT INCREASING MECHANISM, DEBT REPAYING PLAN AND OTHER RELEVANT INFORMATION OF THE CORPORATE BONDS DURING THE REPORTING PERIOD

This tranche of bonds is unsecured.

The Company will formulate annual and monthly plans for the use of funds in accordance with the payment arrangement of the principal and interest of this tranche of corporate bonds upon due in the future, and reasonably appropriate and allocate funds so as to ensure the payment of interest and principal upon due. The funds resources for repaying the debts of this tranche of corporate bonds mainly derived from cash flow from operating activities, bank borrowings, etc.

## VI. MEETINGS OF HOLDERS OF CORPORATE BONDS

No meeting of holders of the corporate bonds was held during the Reporting Period.

## VII. PERFORMANCE OF THE CUSTODIAN OF THE CORPORATE BONDS

The custodian of the bonds of "16 SPH 01" is Credit Suisse Founder Securities Limited. During the Reporting Period, Credit Suisse Founder Securities Limited strictly follows requirements of laws and regulations such as "Administration Measures for the Issuance and Dealing of Corporate Bonds" and "Practice Code for the Custodian of the Corporate Bonds" and obligations of the "Bonds Custody Agreement" to perform its responsibilities as the custodian of bonds. On 30 June 2016, it issued the custody report of Shanghai Pharmaceuticals Public Issuance of 2016 Corporate Bonds (first tranche).

## VIII. ACCOUNTING DATA AND FINANCIAL INDICATOR AS OF THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR THE REPORTING PERIOD AND CORRESPONDING PERIOD OF LAST YEAR) AS FOLLOWS

Unit: RMB

Major indicator	As at the end of the Reporting Period	As at the end of last year	Change compared to the end of last year (%)	Reason for changes (over 30%)
Current Ratio	1.46	1.41	3.82	/
Quick Ratio	1.09	1.01	7.52	/
Gearing Ratio	55.62%	54.52%	Increase 1.1 percentage points	/
Loan Repayment Ratio	100%	100%	/	/
	Reporting Period (January to June)	Corresponding period of last year	Change compared to the corresponding period of last year (%)	Reason for changes (over 30%)
EBITDA Interest Coverage Ratio	10.09	8.54	18.16	/
Interest Coverage Ratio	100%	100%	/	/

## IX. INFORMATION OF THE ASSETS OF THE COMPANY AT THE END OF REPORTING PERIOD

For details, please see “Chapter 4 – I (III) Analysis of Assets and Liabilities” in this report.

## X. INFORMATION OF PAYMENT OF INTEREST OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Not Applicable

## XI. INFORMATION OF BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

The Company keeps good credit records with each major bank and other financial institutions, and maintains long-term cooperative partnership with domestic major commercial banks, which make it enjoys strong ability in indirect debt financing. As of 30 June 2016, the total banking facilities granted by the banks to the Group was RMB42.8 billion, of which RMB13.4 billion has been utilized. The Company may carry out financing activities up to the Group’s total amount of facilities above to support the business development.

## XII. PERFORMANCE OF OBLIGATIONS AND COMMITMENT OF PROSPECTUS DURING THE REPORTING PERIOD OF THE COMPANY

Not Applicable

## XIII. SIGNIFICANT MATTERS AND ITS EFFECT ON THE OPERATION AND REPAYMENT OF DEBTS OF THE COMPANY

Not Applicable

## I. AUDIT REPORT

Applicable       Not applicable

## II. FINANCIAL STATEMENTS

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

Catalogue of Documents Available for Inspection

The financial statements signed and sealed by the legal representative, chief financial officer and accounting manager

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

Chairman: Zhou Jie

Submission date approved by the Board of Directors: 25 August 2016





# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights	7	1,266,353	1,186,988
Investment properties	7	255,637	262,065
Property, plant and equipment	7	6,523,050	6,317,493
Intangible assets	7	5,710,049	5,684,769
Investments in jointly controlled entities	8	504,500	476,488
Investments in associates	9	3,260,003	3,160,418
Deferred income tax assets	14	341,743	316,258
Available-for-sale financial assets		266,085	278,484
Other non-current prepayments		787,076	743,080
Other long-term receivables		392,151	332,929
		<b>19,306,647</b>	<b>18,758,972</b>
<b>Current assets</b>			
Inventories		14,600,398	15,090,624
Trade and other receivables and other current asset	10	32,387,128	28,398,588
Financial assets at fair value through profit or loss		667	820
Restricted cash		729,200	761,146
Cash and cash equivalents		12,011,013	11,277,855
		<b>59,728,406</b>	<b>55,529,033</b>
Assets classified as held for sale		–	56,206
		<b>59,728,406</b>	<b>55,585,239</b>
<b>Total assets</b>		<b>79,035,053</b>	<b>74,344,211</b>
<b>Equity attributable to owners of the company</b>			
Share capital	11	2,688,910	2,688,910
Share premium		14,132,708	14,075,517
Other reserves		1,194,947	1,204,902
Retained earnings		12,802,236	11,960,985
		<b>30,818,801</b>	<b>29,930,314</b>
<b>Non-controlling interests</b>		<b>4,258,097</b>	<b>3,877,725</b>
<b>Total equity</b>		<b>35,076,898</b>	<b>33,808,039</b>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	13	2,045,145	93,409
Deferred income tax liabilities	14	409,851	392,133
Termination benefit obligations		64,161	64,159
Other non-current liabilities		573,148	497,922
Other long-term payables		59,560	61,995
		<b>3,151,865</b>	<b>1,109,618</b>
<b>Current liabilities</b>			
Trade and other payables and other current liabilities	12	31,296,605	28,629,549
Current income tax liabilities		357,770	398,018
Borrowings	13	9,151,915	10,398,987
		<b>40,806,290</b>	<b>39,426,554</b>
<b>Total liabilities</b>		<b>43,958,155</b>	<b>40,536,172</b>
<b>Total equity and liabilities</b>		<b>79,035,053</b>	<b>74,344,211</b>

The notes on pages 71 to 104 are an integral part of this interim condensed consolidated financial information.



# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	6	59,695,358	50,950,076
Cost of sales		(52,634,178)	(44,800,284)
<b>Gross profit</b>		<b>7,061,180</b>	<b>6,149,792</b>
Distribution and selling expenses		(3,042,233)	(2,558,026)
General and administrative expenses		(1,797,518)	(1,615,482)
<b>Operating profit</b>	15	<b>2,221,429</b>	<b>1,976,284</b>
Other income		56,258	119,512
Other losses – net	16	220,697	(9,540)
Gains on disposal of subsidiaries and associates	17	–	4
Finance income		76,117	76,249
Finance costs		(345,386)	(343,560)
Share of profit of jointly controlled entities	8	113,012	88,548
Share of profit of associates	9	239,450	217,163
<b>Profit before income tax</b>		<b>2,581,577</b>	<b>2,124,660</b>
Income tax expense	18	(481,412)	(369,897)
<b>Profit for the period</b>		<b>2,100,165</b>	<b>1,754,763</b>
<b>Profit attributable to:</b>			
Owners of the Company		1,732,458	1,534,018
Non-controlling interests		367,707	220,745
		<b>2,100,165</b>	<b>1,754,763</b>
<b>Earnings per share attributable to owners of the Company during the period</b> (expressed in RMB per share)			
– Basic and diluted	19	0.64	0.57

The notes on pages 71 to 104 are an integral part of this interim condensed consolidated financial information.

		Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Dividends	20	–	–

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
<b>Profit for the period</b>		2,100,165	1,754,763
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Available-for-sale financial assets			
– Gross		(12,733)	31,349
– Tax	14	1,978	(7,838)
Share of other comprehensive income of investments in an associate		322	–
Currency translation differences, net		(885)	(3,193)
<b>Other comprehensive income for the period, net of tax</b>		<b>(11,318)</b>	20,318
<b>Total comprehensive income for the period</b>		<b>2,088,847</b>	1,775,081
<b>Attributable to:</b>			
– Owners of the Company		1,722,503	1,555,927
– Non-controlling interests		366,344	219,154
<b>Total comprehensive income for the period</b>		<b>2,088,847</b>	1,775,081

The notes on pages 71 to 104 are an integral part of this interim condensed consolidated financial information.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Unaudited Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2015</b>	2,688,910	14,081,665	1,042,233	10,009,325	27,822,133	3,277,019	31,099,152
<b>Comprehensive income</b>							
Profit for the period	-	-	-	1,534,018	1,534,018	220,745	1,754,763
<b>Other comprehensive income</b>							
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)
<b>Total other comprehensive income</b>	-	-	21,909	-	21,909	(1,591)	20,318
<b>Total comprehensive income</b>	-	-	21,909	1,534,018	1,555,927	219,154	1,775,081
<b>Transactions with owners</b>							
Capital injections from non-controlling interests	-	-	-	-	-	44,400	44,400
Acquisitions of subsidiaries	-	-	-	-	-	167,091	167,091
Transaction with non-controlling interests	-	(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)
<b>Total transaction with owners</b>	-	(106,028)	-	(781,204)	(887,232)	(19,863)	(907,095)
<b>Balance at 30 June 2015</b>	2,688,910	13,975,637	1,064,142	10,762,139	28,490,828	3,476,310	31,967,138

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited Attributable to owners of the Company						Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
<b>Balance at 1 January 2016</b>		2,688,910	14,075,517	1,204,902	11,960,985	29,930,314	3,877,725	33,808,039
<b>Comprehensive income</b>								
Profit for the period		-	-	-	1,732,458	1,732,458	367,707	2,100,165
<b>Other comprehensive income</b>								
Available-for-sale financial assets								
– Gross		-	-	(12,362)	-	(12,362)	(371)	(12,733)
– Tax		-	-	1,885	-	1,885	93	1,978
Currency translation differences, net		-	-	200	-	200	(1,085)	(885)
Share of other comprehensive income of associates		-	-	322	-	322	-	322
<b>Total other comprehensive income</b>		-	-	(9,955)	-	(9,955)	(1,363)	(11,318)
<b>Total comprehensive income</b>		-	-	(9,955)	1,732,458	1,722,503	366,344	2,088,847
<b>Transactions with owners</b>								
Capital injections from non-controlling interests		-	-	-	-	-	16,720	16,720
Acquisitions of subsidiaries		-	-	-	-	-	44,051	44,051
Transaction with non-controlling interests	23	-	57,191	-	-	57,191	91,697	148,888
Appropriation to staff welfare		-	-	-	(3,867)	(3,867)	(3,007)	(6,874)
Dividends		-	-	-	(887,340)	(887,340)	(135,433)	(1,022,773)
<b>Total transaction with owners</b>		-	57,191	-	(891,207)	(834,016)	14,028	(819,988)
<b>Balance at 30 June 2016</b>		2,688,910	14,132,708	1,194,947	12,802,236	30,818,801	4,258,097	35,076,898

The notes on pages 71 to 104 are an integral part of this interim condensed consolidated financial information.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	1,266,412	773,388
Interest paid	(278,746)	(298,804)
Income tax paid	(526,705)	(363,948)
<b>Net cash generated from operating activities</b>	<b>460,961</b>	<b>110,636</b>
<b>Cash flows from investing activities</b>		
Cash paid in respect of acquisition of subsidiaries and associates	(95,435)	(530,790)
Purchases of treasury bills	(1,200,000)	(1,000,000)
Receipts of treasury bills	1,202,481	1,008,857
Purchases of available-for-sale financial assets	(133)	–
Purchases of property, plant and equipment (“PP&E”) and investment properties	(693,319)	(669,805)
Proceeds from disposal of PP&E and investment properties	212,915	147,174
Purchases of land use rights and intangible assets	(62,426)	(20,389)
Interest received	65,152	73,043
Dividends received	219,139	29,975
Proceeds from disposal of available-for-sale financial assets	–	7,900
Proceeds from disposal of subsidiaries, associates and jointly controlled entities	12,396	19,376
Payment due to plant relocation	(51,950)	(4,060)
Change of restricted cash of a fixed deposit	150,000	–
Payment of corporate acquisition deposit	(11,389)	–
Other cash flows generated from/(used in) investing activities	7,113	(427)
<b>Net cash used in investing activities</b>	<b>(245,456)</b>	<b>(939,146)</b>
<b>Cash flows from financing activities</b>		
Cash injection from non-controlling interests	152,110	44,400
Acquisition with non-controlling interests	(489)	(159,203)
Proceeds from issuance of bonds	1,998,000	–
Proceeds from borrowings	8,724,880	8,494,452
Repayments of borrowings	(10,162,203)	(7,439,007)
Dividends paid by the Group	(137,026)	(695,174)
Others cash flows (used in)/generated from financing activities	(61,252)	31,822
<b>Net cash generated from financing activities</b>	<b>514,020</b>	<b>277,290</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>729,525</b>	<b>(551,220)</b>
Cash and cash equivalents at beginning of the period	11,277,855	11,190,420
Exchange gains/(losses) on cash and cash equivalents	3,633	(979)
<b>Cash and cash equivalents at end of the period</b>	<b>12,011,013</b>	<b>10,638,221</b>

The notes on pages 71 to 104 are an integral part of this interim condensed consolidated financial information.



# NOTES TO THE 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.

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

This condensed consolidated interim financial information is presented in RMB, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on August 25, 2016.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 financial statements for the year ended 31 December 2015, which have been prepared in accordance with HKFRSs.

## 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016.

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





# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3. ACCOUNTING POLICIES (continued)

### (b) 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 2016 and have an immaterial impact on the Group:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards: <ul style="list-style-type: none"><li>• HKFRS 5, 'Non-current assets held for sale and discontinued operations'</li><li>• HKFRS 7, 'Financial instruments: Disclosures'</li><li>• HKAS 19, 'Employee benefits'</li><li>• HKAS 34, 'Interim financial reporting'</li></ul>	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3. ACCOUNTING POLICIES (continued)

(c) New and amended standards that have been issued and are effective for periods commencing after 1 January 2016.

		Effective for annual periods beginning on or after
Amendments to IAS 12	Income taxes	1 January 2017
Amendments to IAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	a date to be determined

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 2015.

## 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 2015.

There have been no changes in the risk management department since year ended 31 December 2015 or in any risk management policies since the year end.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 5. FINANCIAL RISK MANAGEMENT (continued)

### 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 2016 the contractual maturities of financial liabilities were as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
At 30 June 2016					
Bank borrowings	9,151,915	18,233	17,223	11,422	9,198,793
Bonds	–	–	2,000,000	–	2,000,000
Interest payables	218,303	61,098	35,735	–	315,136
Trade and other payables	30,030,802	5,709	21,335	263,534	30,321,380
	<b>39,401,020</b>	<b>85,040</b>	<b>2,074,293</b>	<b>274,956</b>	<b>41,835,309</b>
At 31 December 2015					
Bank borrowings	10,398,987	18,233	63,754	11,422	10,492,396
Interest payables	200,495	3,549	2,102	–	206,146
Trade and other payables	26,990,792	5,468	20,470	267,374	27,284,104
	<b>37,590,274</b>	<b>27,250</b>	<b>86,326</b>	<b>278,796</b>	<b>37,982,646</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 30 June 2016</b>				
Financial assets at fair value through profit or loss	667	–	–	667
Available-for-sale financial assets	150,218	59,231	–	209,449
	<b>150,885</b>	<b>59,231</b>	<b>–</b>	<b>210,116</b>

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 December 2015</b>				
Financial assets at fair value through profit or loss	820	–	–	820
Available-for-sale financial assets	162,700	59,482	–	222,182
	<b>163,520</b>	<b>59,482</b>	<b>–</b>	<b>223,002</b>

There were no transfers between Levels 1 and Level 2 during the period.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 2016 and 31 December 2015 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 consider the business from a business type perspective.

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

- (a) Pharmaceutical manufacturing business (Production segment) – research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products, 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.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6. SEGMENT INFORMATION (continued)

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.

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 2016

	Production segment <i>RMB'000</i>	Distribution segment <i>RMB'000</i>	Retail segment <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	5,437,138	51,545,366	2,468,291	244,563	–	59,695,358
Inter-segment revenue	974,038	1,829,124	21,935	23,851	(2,848,948)	–
<b>Segment revenue</b>	<b>6,411,176</b>	<b>53,374,490</b>	<b>2,490,226</b>	<b>268,414</b>	<b>(2,848,948)</b>	<b>59,695,358</b>
Segment operating profit	818,583	1,375,008	30,926	(482)	(2,606)	2,221,429
Other income						56,258
Other losses – net						220,697
Finance costs – net						(269,269)
Share of profit of jointly controlled entities	101,657	11,355	–	–	–	113,012
Share of profit of associates	209,400	24,778	–	5,272	–	239,450
Profit before income tax						2,581,577
Income tax expense						(481,412)
<b>Profit for the period</b>						<b>2,100,165</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6. SEGMENT INFORMATION (continued)

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	5,249,571	43,170,506	2,293,696	236,303	-	50,950,076
Inter-segment revenue	836,430	1,693,879	19,739	14,303	(2,564,351)	-
<b>Segment revenue</b>	<b>6,086,001</b>	<b>44,864,385</b>	<b>2,313,435</b>	<b>250,606</b>	<b>(2,564,351)</b>	<b>50,950,076</b>
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)
<b>Profit for the period</b>						<b>1,754,763</b>

Other segment items included in the condensed consolidated interim financial information for the six months ended 30 June 2016 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	205,962	80,832	11,741	15,966	-	314,501
Amortisation of intangible assets and land use rights	25,820	65,087	399	9,108	-	100,414
Capital expenditure	366,592	169,591	7,636	65,210	-	609,029





# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6. SEGMENT INFORMATION (continued)

Other segment items included in the condensed consolidated interim financial information for the six months ended 30 June 2015 are as follows:

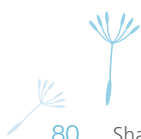
	Production segment RMB'000	Distribution segment RMB'000	Retail segment RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Depreciation of property, plant and equipment and investment properties	195,491	75,588	13,069	16,596	–	300,744
Amortisation of intangible assets and land use rights	18,999	48,208	266	8,308	–	75,781
Capital expenditure	392,618	152,203	4,479	26,122	–	575,422

The segment assets and liabilities as at 30 June 2016 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	316,459	188,041	–	–	–	504,500
Investment in associates	2,472,314	393,334	–	394,355	–	3,260,003
Other assets	17,987,930	56,072,652	1,226,912	25,561,411	341,743	101,190,648
Elimination						(25,920,098)
<b>Total assets</b>						<b>79,035,053</b>
Segment liabilities	5,178,090	40,222,628	748,905	9,068,974	767,621	55,986,218
Elimination						(12,028,063)
<b>Total liabilities</b>						<b>43,958,155</b>

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

	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities after elimination	78,693,310	43,190,534
Unallocated:		
Current income tax liabilities	–	357,770
Deferred tax assets/liabilities – net	341,743	409,851
<b>Total</b>	<b>79,035,053</b>	<b>43,958,155</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2015 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	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)
<b>Total assets</b>						<b>69,885,784</b>
Segment liabilities	4,881,547	34,830,195	627,338	3,126,942	752,529	44,218,551
Elimination						(6,299,905)
<b>Total liabilities</b>						<b>37,918,646</b>

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

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



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

	Land use rights RMB'000	Investment properties RMB'000	PP&E RMB'000	Intangible assets RMB'000
<b>Six months ended 30 June 2016</b>				
<b>Opening net book amount</b>				
<b>1 January 2016</b>	1,186,988	262,065	6,317,493	5,684,769
Additions	93,003	70	565,176	105,368
Depreciation and amortisation charge (Note 15)	(15,584)	(6,034)	(308,467)	(84,830)
Internal transfer	1,946	(464)	(6,224)	4,742
Disposals	–	–	(44,928)	–
<b>Closing net book amount</b>				
<b>30 June 2016</b>	1,266,353	255,637	6,523,050	5,710,049
<b>Six months ended 30 June 2015</b>				
<b>Opening net book amount</b>				
<b>1 January 2015</b>	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)
<b>Closing net book amount</b>				
<b>30 June 2015</b>	1,119,603	267,979	5,905,016	5,724,620

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 8. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	<i>RMB'000</i>
<b>Six months ended 30 June 2016</b>	
<b>Opening net book amount 1 January 2016</b>	<b>476,488</b>
Share of profit for the period	113,012
Declaration of Dividends	(85,000)
<b>Closing net book amount 30 June 2016</b>	<b>504,500</b>
<b>Six months ended 30 June 2015</b>	
<b>Opening net book amount 1 January 2015</b>	374,742
Share of profit for the period	88,548
Declaration of Dividends	(20,000)
<b>Closing net book amount 30 June 2015</b>	<b>443,290</b>

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)

	<b>Six months ended 30 June 2016 <i>RMB'000</i></b>
Assets	774,855
Liabilities	453,400
Revenues	419,494
Share of profit	101,657
Percentage held	50%



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 9. INVESTMENTS IN ASSOCIATES

	<i>RMB'000</i>
<b>Six months ended 30 June 2016</b>	
<b>Opening net book amount 1 January 2016</b>	<b>3,160,418</b>
Additions	55,000
Share of profit for the period	239,450
Declaration of dividends	(195,187)
Deductions	322
<b>Closing net book amount 30 June 2016</b>	<b>3,260,003</b>
<b>Six months ended 30 June 2015</b>	
<b>Opening net book amount 1 January 2015</b>	<b>2,370,871</b>
Additions	354,926
Share of profit for the period	217,163
Declaration of dividends	(74,919)
<b>Closing net book amount 30 June 2015</b>	<b>2,868,041</b>

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)

	<b>Six months ended 30 June 2016 <i>RMB'000</i></b>
Assets	3,085,068
Liabilities	2,258,313
Revenues	1,387,667
Share of profit	25,359
Percentage held	30.00%

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 2016 RMB'000
Assets	1,011,051
Liabilities	183,841
Revenues	276,580
Share of profit	41,028
Share of oci	322
Percentage held	40.80%

### (c) Sino-American Shanghai Squibb Pharmaceuticals Ltd. (中美上海施貴寶製藥有限公司)

	Six months ended 30 June 2016 RMB'000
Assets	749,432
Liabilities	485,037
Revenues	673,958
Share of profit	119,602
Percentage held	30.00%



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 10. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	30 June 2016 RMB'000	31 December 2015 RMB'000
<b>Trade receivables from third parties</b>		
Accounts receivable	28,467,257	24,880,827
Less: Provision for impairment	(917,439)	(832,281)
Accounts receivable – net	27,549,818	24,048,546
Notes receivable	1,325,982	1,132,570
Trade receivables – net	28,875,800	25,181,116
<b>Other receivables from third parties</b>		
Less: Provision for impairment	(595,933)	(579,259)
Other receivables – net	1,004,981	1,004,990
<b>Amount due from related parties</b> (Note 24(c))	663,185	203,026
Less: Provision for impairment	(13,210)	(11,208)
Amount due from related parties – net	649,975	191,818
<b>Prepayments</b>	1,105,566	1,453,915
<b>Value-added tax recoverable</b>	749,208	559,289
<b>Interest receivables</b>	1,598	7,460
Trade and other receivables	32,387,128	28,398,588

- (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 (accounts receivable and notes receivable) at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Less than 3 months	21,785,793	19,806,852
3 months to 6 months	5,874,894	4,270,076
6 months to 12 months	1,840,391	1,305,593
1 year to 2 years	309,630	251,565
Over 2 years	555,657	550,984
	30,366,365	26,185,070

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 2016	1,923,016	765,894	1,923,016	765,894	2,688,910
Issue of Shares	-	-	-	-	-
At 30 June 2016	1,923,016	765,894	1,923,016	765,894	2,688,910
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

## 12. TRADE AND OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Accounts payable to third parties	22,164,636	20,188,432
Notes payable	3,349,785	3,762,545
Advances received from customers	545,342	617,626
Payables for purchase of PP&E and land use rights	162,569	212,184
Staff welfare and salary payables	496,816	531,442
Tax liabilities other than income tax	223,837	213,966
Amounts due to related parties (Note 24(c))	906,038	510,971
Accrued expenses	1,019,989	850,720
Deposits	407,135	385,036
Payables arising from acquisition of subsidiaries	256,390	289,270
Deferred income in respect of plant and office relocation	1,384	275,573
Dividends payable	641,103	67,492
Others	1,121,581	724,292
	<b>31,296,605</b>	<b>28,629,549</b>





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 12. TRADE AND OTHER PAYABLES AND OTHER CURRENT LIABILITIES (continued)

As at 30 June 2016 and 31 December 2015, aging analysis of the accounts payables and notes payables is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Less than 3 months	18,463,701	20,549,911
3 months to 6 months	4,600,726	2,095,799
6 months to 12 months	2,275,607	1,273,384
1 year to 2 years	527,361	330,120
Over 2 years	220,910	187,651
	<b>26,088,305</b>	<b>24,436,865</b>

### 13. BORROWINGS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Non-current (a)	2,045,145	93,409
Current	9,151,915	10,398,987
	<b>11,197,060</b>	<b>10,492,396</b>

Movement in borrowings is analysed as follows:

	RMB'000
<b>Six months ended 30 June 2016</b>	
Opening net book amount 1 January 2016	10,492,396
Additions	10,624,382
Acquisition of subsidiaries	143,500
Deduction	(10,063,218)
<b>Closing net book amount 30 June 2016</b>	<b>11,197,060</b>
<b>Six months ended 30 June 2015</b>	
Opening net book amount 1 January 2015	8,058,532
Additions	8,452,442
Acquisition of subsidiaries	244,100
Deduction	(7,391,690)
<b>Closing net book amount 30 June 2015</b>	<b>9,363,384</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 13. BORROWINGS (continued)

- (a) The Group issued twenty million 2.98% bonds of a total nominal value of RMB2,000,000,000 on 26 January 2016. The bonds mature three years from the issue date at their nominal value. The fair value of the bonds included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The bonds are subsequently stated at amortised cost until extinguished on maturity of the bonds.

## 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 2016 RMB'000	31 December 2015 RMB'000
Deferred income tax assets	341,743	316,258
Deferred income tax liabilities	(409,851)	(392,133)
<b>Deferred income tax liabilities – net</b>	<b>(68,108)</b>	<b>(75,875)</b>

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

	As at 30 June 2016 RMB'000	2015 RMB'000
At 1 January	(75,875)	(115,572)
Recognised in the consolidated income statements (Note 18)	8,179	423
Acquisition of subsidiaries	(2,390)	(35,624)
Recognised in equity	1,978	(7,838)
<b>Deferred income tax liabilities – net</b>	<b>(68,108)</b>	<b>(158,611)</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 15. OPERATING PROFIT

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Depreciation of PP&E	308,467	294,997
Depreciation of investment properties	6,034	5,747
Amortisation of		
– land use rights	15,584	14,118
– intangible assets	84,830	61,663
Employee benefit expenses	2,267,057	2,021,179
Provision for impairment of trade and other receivables	108,811	39,760
Write-down of inventories to net realisable value	15,936	53,561

### 16. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
(Losses)/Gains of financial assets at fair value through profit or loss, net	(153)	184
Gains on disposals of PP&E	213,481	411
Foreign exchange losses	(6,073)	(8,853)
Others – net	13,442	(1,282)
	220,697	(9,540)

### 17. GAINS ON DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Others	–	4

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 18. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax, PRC enterprise income tax	489,591	370,320
Deferred income tax	(8,179)	(423)
	481,412	369,897

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 2016 and 2015, 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	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	1,732,458	1,534,018
Number of ordinary shares (thousands)	2,688,910	2,688,910
Basic earnings per share (RMB)	0.64	0.57

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 2016 and 2015.

## 20. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	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 2016 and 2015.

A dividend of approximately RMB887,340,000 that relates to year 2015 was proposed in June, 2016 (2015: RMB779,784,000).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 21. CONTINGENCIES AND GUARANTEES

### Outstanding loan guarantees

	30 June 2016 RMB'000	31 December 2015 RMB'000
Outstanding loan guarantees provided to third parties	38,000	20,000
Outstanding loan guarantees provided to related parties	15,490	16,107
	<b>53,490</b>	<b>36,107</b>

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 2016 and 31 December 2015 but not yet incurred is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
PP&E	362,914	493,652

### (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 2016 RMB'000	31 December 2015 RMB'000
No later than 1 year	228,334	247,897
Later than 1 year and no later than 2 years	185,463	164,416
Later than 2 years and no later than 5 years	184,256	258,579
Later than 5 years	68,652	75,413
	<b>666,705</b>	<b>746,305</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 22. COMMITMENTS (continued)

### (b) Operating lease commitments (continued)

(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 2016 RMB'000	31 December 2015 RMB'000
No later than 1 year	32,352	31,404
Later than 1 year and no later than 2 years	26,077	28,579
Later than 2 years and no later than 5 years	51,580	56,361
Later than 5 years	65,371	72,515
	<b>175,380</b>	<b>188,859</b>

## 23. SIGNIFICANT TRANSACTIONS WITH NON-CONTROLLING INTERESTS

### Significant acquisition of additional interests in the subsidiaries

*Capital injection in Shanghai Pharma Health Commerce Co., Ltd. (上海醫藥大健康雲商有限公司, "Health Commerce")*

During this period, a third party contributed additional share capital of RMB135,000,000 into Health Commerce. Upon the completion of this capital injection, equity interests of Health Commerce held by the Group decreased from 80.02% to 72.75%. The effect of changes in ownership interests of Health Commerce on the capital injection during the six months ended 30 June 2016 is summarised as follows:

	As at 30 June 2016 RMB'000
Consideration received from non-controlling interests	135,000
Carrying amount of non-controlling interests increased	(79,466)
Effect of changes recognised in equity	<b>55,534</b>



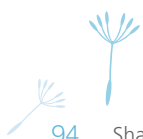
# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24. 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 Industrial Investment (Holdings) Co., Ltd. (上海上實(集團)有限公司)	Ultimate holding company
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
Shanghai Jianer Pharmacy Co., Ltd. (上海健爾藥房有限公司)	Jointly controlled entity
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 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 Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司)	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
Sino-American Shanghai Squibb Pharmaceuticals Ltd. (中美上海施貴寶製藥有限公司)	Associate
TECHPOOL Bio-Pharma Co., Ltd. (廣東天普生化醫藥股份有限公司)	Associate
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd. (杭州胡慶餘堂國藥號有限公司)	Associate



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

Name of related party	Nature of relationship
Chongqing Medicines Shanghai Pharma Sales Co., Ltd. (重慶醫藥上海藥品銷售有限公司)	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 Industrial Group Finance Co., Ltd. (上海上實集團財務有限公司)	Associate
Hangzhou Huqingyutang Medicinal Planting Co., Ltd. (杭州胡慶余堂藥材種植有限公司)	Associate
Jilin Yatai Fahrenheit Pharmaceutical Co., Ltd. (吉林亞泰華氏醫藥有限公司)	Associate
Liaoning International Pharmaceutical Trading Co., Ltd. (遼寧省醫藥對外貿易有限公司)	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.

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

For the six months ended 30 June 2016 and 2015, 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	
	2016 RMB'000	2015 RMB'000
Sales of goods and render of service		
Jiangxi Nanhua Medicines Co., Ltd.	957,233	297,979
Shanghai Luoda Pharmaceutical Co., Ltd.	47,335	40,491
Liaoning International Pharmaceutical Trading Co., Ltd.	46,907	–
Shanghai Hutchison Pharmaceutical Co., Ltd.	43,869	36,053
Shanghai Deyi Pharmaceutical Co., Ltd.	32,913	25,554
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	26,171	26,000
Shanghai Ivyuan Pharmacy Co., Ltd.	17,571	16,360
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	5,897	4,211
Shanghai Huaren Pharmaceutical Co., Ltd.	2,720	3,949
Shanghai Jianer Pharmacy Co., Ltd.	2,158	307
Sino-American Shanghai Squibb Pharmaceuticals Ltd	2,030	1,160
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	2,009	5,275
Jilin Yatai Fahrenheit Pharmaceutical Co., Ltd.	627	1,082
Others	167	1,711
	<b>1,187,607</b>	<b>460,132</b>





# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Purchase of goods and services		
Shanghai Roche Pharmaceutical Co., Ltd.	1,429,458	1,110,162
Sino-American Shanghai Squibb Pharmaceuticals Ltd	430,018	386,119
Shanghai Hutchison Pharmaceutical Co., Ltd.	79,687	63,406
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	56,525	11,366
TECHPOOL Bio-Pharma Co., Ltd.	41,312	41,980
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	19,508	10,062
Shanghai Luoda Pharmaceutical Co., Ltd.	18,340	7,719
Shanghai Huaren Pharmaceutical Co., Ltd.	16,141	14,501
Shanghai Deyi Pharmaceutical Co., Ltd.	13,228	2,963
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	6,742	4,080
Others	2,536	3,700
	<b>2,113,495</b>	<b>1,656,058</b>

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Rental income		
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	4,554	5,057
Shanghai Hutchison Pharmaceutical Co., Ltd.	1,017	1,437
	<b>5,571</b>	<b>6,494</b>

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Rental expense		
Shanghai Pharmaceutical (Group) Co., Ltd.	12,453	12,639
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	7,683	8,173
Shanghai indu-land property Co., Ltd.	2,729	2,594
	<b>22,865</b>	<b>23,406</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income		
Shanghai Industrial Group Finance Co., Ltd.	597	216
Interest expense		
Shanghai Industrial Group Finance Co., Ltd.	27,627	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 2016, the Group has cumulatively paid approximately 137,748,000 RMB to Fudan Zhangjiang with respect to the Agreements.

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Deposit in related parties, net		
Shanghai Industrial Group Finance Co., Ltd.	574,107	123,876
Loan received from related parties, net		
Shanghai Industrial Group Finance Co., Ltd.	643,300	200,000
Loan repayment to related parties		
Shanghai Industrial Group Finance Co., Ltd.	(640,000)	–
Discount of bank acceptance notes		
Shanghai Industrial Group Finance Co., Ltd.	160,180	–
Accounts receivable factoring		
Shanghai Industrial Group Finance Co., Ltd.	40,000	–



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

#### (b) Key management compensation

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Salaries and fee	1,950	2,138
Bonuses	4,935	4,870
Retirement plans contributions	250	280
	<b>7,135</b>	<b>7,288</b>

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

Amount due from related parties:

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Trade receivables	573,126	171,673
Other receivables	10,626	16,876
Prepayments	1,258	1,941
Dividends receivables	78,175	12,536
	<b>663,185</b>	<b>203,026</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade receivables due from		
Jiangxi Nanhua Medicines Co., Ltd.	484,414	89,526
Liaoning International Pharmaceutical Trading Co., Ltd.	22,560	15,293
Shanghai Luoda Pharmaceutical Co., Ltd.	19,697	19,313
Shanghai Deyi Pharmaceutical Co., Ltd.	14,157	12,875
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	9,568	9,932
Shanghai Hutchison Pharmaceutical Co., Ltd.	9,511	8,373
Shanghai Ivyuan Pharmacy Co., Ltd.	5,343	4,777
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	3,050	2,639
Shanghai Huaren Pharmaceutical Co., Ltd.	1,136	1,918
Others	3,690	7,027
	<b>573,126</b>	171,673
Less: Provision for impairment	<b>(6,888)</b>	(5,248)
	<b>566,238</b>	166,425
Other receivables due from		
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd.	1,988	1,988
Shanghai Huaren Pharmaceutical Co., Ltd.	1,500	1,500
Shanghai Roche Pharmaceutical Co., Ltd.	300	6,509
Others	6,838	6,879
	<b>10,626</b>	16,876
Less: Provision for impairment	<b>(6,322)</b>	(5,960)
	<b>4,304</b>	10,916

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Less than 3 months	566,010	153,510
3 months to 6 months	4,762	20,750
6 months to 12 months	1,149	2,150
1 year to 2 years	1,652	–
Over 2 years	10,179	12,139
	<b>583,752</b>	<b>188,549</b>

	30 June 2016 RMB'000	31 December 2015 RMB'000
Prepayments due from		
Shanghai Hutchison Pharmaceutical Co., Ltd.	1,110	–
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	148	–
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	–	1,651
Others	–	290
	<b>1,258</b>	<b>1,941</b>

	30 June 2016 RMB'000	31 December 2015 RMB'000
Dividends receivable		
TECHPOOL Bio-Pharma Co., Ltd.	50,127	–
Hangzhou Huqingyutang Guohao Pharmaceutical Co., Ltd.	16,733	5,309
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	6,305	–
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	3,689	3,689
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	–	2,262
Others	1,321	1,276
	<b>78,175</b>	<b>12,536</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

Amount due to related parties:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade Payables	573,884	485,888
Other Payables	13,269	15,237
Advances	63	406
Dividends Payable	317,724	8,079
Interest Payables	1,098	1,361
	<b>906,038</b>	<b>510,971</b>

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade payables due to		
Shanghai Roche Pharmaceutical Co., Ltd.	404,615	343,390
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	83,549	55,625
TECHPOOL Bio-Pharma Co., Ltd.	23,805	43,864
Shanghai Hutchison Pharmaceutical Co., Ltd.	21,428	9,022
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	11,124	1,821
Shanghai Luoda Pharmaceutical Co., Ltd.	7,269	7,302
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	6,934	6,669
Shanghai Deyi Pharmaceutical Co., Ltd.	4,888	5,123
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	3,662	–
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	2,553	3,455
Shanghai Huaren Pharmaceutical Co.,Ltd	509	6,424
Others	3,548	3,193
	<b>573,884</b>	<b>485,888</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Other payables due to		
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	9,066	9,066
Shanghai Pharmaceutical (Group) Co., Ltd.	3,893	2,043
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	287	287
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd.	–	2,135
Hangzhou Huqingyutang Medicinal Planting Co., Ltd.	–	1,683
Others	23	23
	<b>13,269</b>	<b>15,237</b>

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

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Less than 3 months	543,073	466,275
3 months to 6 months	14,090	20,529
6 months to 12 months	19,151	1,293
1 year to 2 years	1,071	2,773
Over 2 years	9,768	10,255
	<b>587,153</b>	<b>501,125</b>

	30 June 2016 RMB'000	31 December 2015 RMB'000
Advances due to		
Jilin Yatai Huashi Pharmaceutical Co. Ltd.	50	287
Others	13	119
	<b>63</b>	<b>406</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Dividends payable		
Shanghai Pharmaceutical (Group) Co., Ltd.	244,450	8,000
Shanghai Industrial Investment (Holdings) Co., Ltd.	73,195	–
Others	79	79
	<b>317,724</b>	<b>8,079</b>

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Outstanding loan guarantees provided by the Group to		
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	490	1,107
Shanghai Luoda Pharmaceutical Co., Ltd.	15,000	15,000
	<b>15,490</b>	<b>16,107</b>

	30 June 2016 RMB'000	31 December 2015 RMB'000
Outstanding loan guarantees given to the Group by		
Shanghai Industrial Group Finance Co., Ltd.	78,000	65,800
Shanghai Pharmaceutical (Group) Co., Ltd.	2,160	2,160
	<b>80,160</b>	<b>67,960</b>





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Borrowings due to related parties		
Shanghai Industrial Group Finance Co., Ltd.	<b>1,220,500</b>	1,217,200
Cash at bank due from related parties		
Shanghai Industrial Group Finance Co., Ltd.	<b>1,549,727</b>	975,619
Deposit		
Shanghai Industrial Group Finance Co., Ltd.	<b>1,161</b>	-

#### (f) Interest Payable

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	<b>1,098</b>	1,361

### 25. SUBSEQUENT EVENTS

The Group signed Scheme Implementation Deed ("the Deed") on Vitaco Privatization in Sydney, Australia on 3 August, 2016. According to the Deed, the Group and PV Zeus Limited, a wholly-owned subsidiary of Primavera Capital Fund II L.P, plan to privatize the Australian listed company Vitaco Holdings Limited (ASX: VIT) together. The Group intended to acquire 60% equity interest of Vitaco Holdings Limited with a consideration amounted RMB938 million.



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Shanghai Pharmaceuticals Holding Co., Ltd.\*