



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)

A hand wearing a blue nitrile glove is shown holding a blue and yellow capsule with tweezers. The capsule is highlighted by a dashed white circle. The background is a blurred image of a person in a white lab coat. Various medical icons are scattered throughout the image, including a syringe, a heart with an ECG line, a pill, and a stethoscope. A network of white lines and dots is overlaid on the background.

Interim Report 2019

* For identification purpose only



Important Notice

- I. 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.
- II. All directors of the Company attended the second meeting of the seventh session of the board of directors convened on 29 August 2019, at which resolutions including the interim results of the Company for the six months ended 30 June 2019 were approved.
- III. This interim report is unaudited. The board of directors and the audit committee of the Company have reviewed and confirmed this financial report.
- IV. Zhou Jun, the person in charge of the Company, Cho Man, the principal in charge of accounting, and 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.
- V. 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
- VI. **Risk statements regarding the forward-looking statements**
 Applicable Not applicable
The forward-looking statements, such as future plans and development trends, contained in this report do not constitute any substantive commitment by the Company to the investors. Investors are advised to be aware of the investment risks involved.
- VII. **Is there any appropriation of funds by the controlling shareholders and their connected parties that is unrelated to operation**
No
- VIII. **Is there any instance of providing external guarantee that is in breach of the established decision making procedure**
No
- IX. **Significant Risks**
During the Reporting Period, there are no significant risks that have substantive significant effect on operation and management of the Company. The Company has already explained all the risks and corresponding measures that the Company might face in the operation and management. Please refer to the “Potential Risk Factors” set out in the Report of the Board of Directors, Chapter 4.



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Chapter 1 Definitions

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

Definitions of Common Terms

| | |
|--|---|
| “the Group”, “Group”, “the Company”, “Company” or “Shanghai Pharmaceuticals” | Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (shares of which are listed on the Shanghai Stock Exchange with stock code 601607, and on the Main Board of The Stock Exchange of Hong Kong Limited with stock code 02607) or Shanghai Pharmaceuticals Holding Co., Ltd. and its subsidiaries, where applicable |
| “the Reporting Period”, “Reporting Period” or “Period” | the 6-month period from 1 January 2019 to 30 June 2019 |
| “YOY” | year-on-year |
| “the PRC” | the People’s Republic of China; unless the context otherwise requires, references to the PRC or China in this report do not include Hong Kong, Macau or Taiwan |
| “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 |
| “AUD” | Australian dollars, the lawful currency of Australia |
| “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) |
| “SFO” | the Securities and Futures Ordinance, Chapter 571, Laws of Hong Kong, as amended from time to time |
| “NHSA” | National Healthcare Security Administration (國家醫療保障局) |
| “CSRC” | China Securities Regulatory Commission (中國證券監督管理委員會) |
| “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) |
| “No. 1 Biochemical & Pharmaceutical” | SPH No. 1 Biochemical & Pharmaceutical Co., Ltd. (上海上藥第一生化藥業有限公司) |
| “Sine Jinzhu” | Shanghai Sine Jinzhu Pharmaceutical Co., Ltd. (上海信誼金朱藥業有限公司) |
| “Changzhou Pharmaceutical” | Changzhou Pharmaceutical Factory Co., Ltd. (常州製藥廠有限公司) |
| “Techpool” | Techpool Bio-pharma Co., Ltd. (廣東天普生化醫藥股份有限公司) |
| “SPH Zhongxi” | Shanghai Zhongxi Pharmaceutical Co., Ltd. (上海上藥中西製藥有限公司) |
| “New Asiatic Pharmaceutical Factory” | Shanghai SPH New Asiatic Pharmaceutical Co., Ltd. (New Asiatic Pharmaceutical Factory) (上海上藥新亞藥業有限公司(新亞藥廠)) |
| “New Asiatic Pharmaceutical Minhang” | Shanghai New Asiatic Pharmaceutical Minhang Co., Ltd. (上海新亞藥業閔行有限公司) |
| “Zhongxi Sunve” | Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd. (上海中西三維藥業有限公司) |
| “Zhejiang Huahai” | Zhejiang Huahai Pharmaceutical Co., Ltd. (浙江華海藥業股份有限公司) |
| “Zhejiang Jingxin” | Zhejiang Jingxin Pharmaceutical Co Ltd. (浙江京新藥業股份有限公司) |
| “Chengdu Brilliant” | Chengdu Brilliant Pharmaceutical Co., Ltd. (成都倍特藥業有限公司) |
| “Shenzhen Salubris” | Shenzhen Salubris Pharmaceuticals Co., Ltd. (深圳信立泰藥業股份有限公司) |
| “Pfizer” | Pfizer Inc. (USA) (美國輝瑞製藥有限公司) |
| “Actelion” | Actelion Pharmaceuticals Ltd. (Switzerland) (瑞士愛可泰隆醫藥有限公司) |
| “Merck” | Merck KGaA (German) (德國默克集團) |
| “Junshi Biosciences” | Shanghai Junshi Biosciences Co., Ltd. (上海君實生物醫藥科技股份有限公司) |
| “Henlius” | Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) |
| “Innovent” | Innovent Biologics (Suzhou) Co., Ltd. (信達生物製藥(蘇州)有限公司) |
| “Chipscreen Biosciences” | Shenzhen Chipscreen Biosciences Limited (深圳微芯生物科技股份有限公司) |
| “Zai Lab” | Zai Lab (Shanghai) Co., Ltd. (再鼎醫藥(上海)有限公司) |
| “Asclepis BioScience” | Asclepis BioScience Co., Ltd. (歌禮生物科技(杭州)有限公司) |
| “BE” | bioequivalence |

Chapter 2 Basic Corporate Information and Major Financial Indicators

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 Jun |
| Authorised representatives of the Company | Mr. Cho Man, Ms. Chen Jinzhu (陳津竹) |

II. CONTACT PERSON AND CONTACT DETAILS

| | Secretary of the board of directors, Joint Company Secretary | Securities Affairs Representative |
|-----------------|---|--|
| Name | Chen Jinzhu | Ji Yun |
| 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. INFORMATION DISCLOSURE AND PLACE WHERE INFORMATION IS AVAILABLE FOR INSPECTION

| | |
|--|--|
| Newspapers designated by the Company for disclosure of information | Shanghai Securities News, Securities Times, Securities Daily |
| Designated websites by CSRC for publishing interim reports | http://www.sse.com.cn http://www.hkexnews.hk |
| Place where the Company's interim report is available for inspection | Office of the Board of Directors of the Company, Shanghai Stock Exchange |
| Search Index for changes during the Reporting Period | During the Reporting Period, there was no change in the place where information is disclosed and available for inspection. |

V. STOCK INFORMATION OF THE COMPANY

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

VI. 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 | 92,575,234,415.81 | 75,878,692,993.45 | 22.00 |
| Net profit attributable to equity holders of the listed company | 2,286,361,293.96 | 2,033,306,346.53 | 12.45 |
| Net profit after deduction of non-recurring profit or loss attributable to equity holders of listed company | 2,095,151,313.69 | 1,893,373,486.43 | 10.66 |
| Net cash flows from operating activities | 2,022,707,082.95 | 1,080,517,493.81 | 87.20 |

| | 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 | 40,085,476,040.25 | 39,013,570,426.62 | 2.75 |
| Total assets | 133,914,176,949.58 | 126,879,334,502.88 | 5.54 |

Chapter 2 Basic Corporate Information and Major Financial Indicators

(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) | 0.8045 | 0.7219 | 11.44 |
| Diluted earnings per share (RMB per share) | 0.8045 | 0.7219 | 11.44 |
| Basic earnings per share after deduction of non-recurring profit or loss (RMB per share) | 0.7372 | 0.6722 | 9.67 |
| Weighted average return on net assets (%) | 5.70 | 5.48 | Increased by 0.22 percentage point |
| Weighted average return on net assets after deduction of non-recurring profit or loss (%) | 5.22 | 5.10 | Increased by 0.12 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 | 133,914,176 | 126,879,332 | 5.54 |
| Equity attributable to equity holders of the parent | 40,085,479 | 39,013,575 | 2.75 |
| Net assets per share attributable to equity holders of the parent (RMB per share) | 14.10 | 13.73 | 2.75 |

| | Reporting Period (January to June) | Corresponding period of last year | Change compared to the corresponding period of last year (%) |
|---|---------------------------------------|---|--|
| Profit before income tax | 3,441,992 | 3,104,936 | 10.86 |
| Net profit attributable to the parent | 2,286,361 | 2,033,306 | 12.45 |
| Basic and diluted earnings per share (RMB) | 0.80 | 0.72 | 11.44 |
| Weighted average return on net assets (%) | 5.70 | 5.48 | Increased by 0.22 percentage point |

Note on major accounting data and financial indicators of the Company

Applicable Not Applicable

VII. DISCREPANCIES IN ACCOUNTING DATA UNDER THE DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

Applicable Not Applicable

(I) Discrepancies in the net profit and net assets attributable to equity holders of listing corporation disclosed in the financial reports prepared under both the International Accounting Standards and the Chinese Accounting Standards

Applicable Not Applicable

(II) Discrepancies in the net profit and net assets attributable to equity holders of listing corporation disclosed in the financial reports prepared under both the Foreign Accounting Standards and the Chinese Accounting Standards

Applicable Not Applicable

(III) Note on Discrepancies under the Domestic and International Accounting Standards:

Applicable Not Applicable

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 audited financial report of the Company prepared under the Chinese Accounting Standards for Business Enterprises.

VIII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNT

Applicable Not Applicable

| Non-recurring Profit and Loss Item | <i>Unit: RMB</i> Amount |
|---|-----------------------------------|
| Profit or loss on disposal of non-current assets | 64,433,261.49 |
| Government grants recognised in profit or loss for the current period excluding those closely related to the Company's ordinary operations and granted on an ongoing basis under the national policies according to certain fixed quota of amount or volume | 227,953,768.90 |
| Except for the effective hedging activities related to the Company's ordinary operations, profit or loss arising from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, and derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and other debt investment | 63,018,994.73 |
| Other non-operating income and expenses excluding the aforesaid items | -86,844,728.63 |
| Effect on minority interests | -23,709,396.31 |
| Effect on income tax | -53,641,919.91 |
| Total | 191,209,980.27 |

Chapter 3 An Overview of Company Businesses

I. INTRODUCTION OF THE MAIN BUSINESSES, OPERATION MODEL AND INDUSTRY SITUATION OF THE COMPANY FOR THE REPORTING PERIOD

Shanghai Pharma is a leading integrated industrial group in China's pharmaceutical manufacturing and services industry. As the core enterprise subordinate to the grand health sector of SIIC, the controlling shareholder of Shanghai Pharma, it is mainly engaged in pharmaceutical manufacturing, distribution, and retail, with unique comprehensive advantages in industry chain that enable it to be continuously driven by major links of the value chain of the pharmaceutical industry.

With building a Chinese leading pharmaceutical enterprise with international competitiveness and influence as its strategic goal, the Company pushes forward four transformative development strategies with technological innovation at the core. To achieve this, it puts more efforts into innovation, deepens intensive development, expands international presence, strengthens capital operations, and introduces market-oriented mechanisms, so as to continuously deliver long-term value for shareholders and contribute to the building of a healthy China and the lives and health of the people.

Pharmaceutical Manufacturing: The Company's pharmaceutical manufacturing business covers the development, production and sales of drugs, with main products focusing on anti-tumor, auto-immune, psychoneural, cardiovascular and cerebrovascular, systemic anti-infection, and digestive metabolism areas. Leveraging our efficient and coordinated sales, production, and research systems, we implement the "selling one generation, developing one generation, and exploring one generation" product planning for the focused sector to build a product chain that boasts technological advantages and meets the new clinical needs, and to provide safe, effective, and high-quality products for patients. As a result, the pharmaceutical manufacturing business develops first-rate comprehensive strength in the pharmaceutical industry in China.

Pharmaceutical Distribution: The Company's pharmaceutical distribution business promotes the strategy of national presence and regional dominance. With a business network that directly covers 24 provinces, municipalities, and autonomous regions in China, the pharmaceutical distribution business now has the second largest business scale in China. The Company has established close strategic partnerships with major manufacturers of health product at home and abroad. It continues to provide high-quality supply chain solutions and health services to patients, customers and partners through innovations in information technology and logistics technology, thereby securing the Company's leading position in the pharmaceutical distribution industry.

Pharmaceutical Retail: The retail business sales of the Company ranked the top of the national pharmaceutical retail industry. It has over 2,000 chained pharmacies in various forms in 16 provinces and municipalities in China, including retail chain drug stores, drug stores in the vicinity of hospitals, and specialized drug stores. Among them, Shanghai Huashi Pharmacy is the leading pharmaceutical retail chained enterprise in East China.

Chapter 3 An Overview of Company Businesses

During the Reporting Period, the Company was ranked:

- 941st in Forbes Global 2000 for 2019;
- 61st in Fortune China 500 published by Fortune China;
- 3rd among China's Top 100 Chemical Drug Companies for 2018 published by Medical Economic Report (醫藥經濟報).

II. EXPLANATION OF MATERIAL CHANGES IN ASSET DURING THE REPORTING PERIOD

Applicable Not Applicable

Unit: RMB

| Main Assets | Consolidated on 30 June 2019 | Consolidated on 31 December 2018 | Changes in current amount as compared to last period (%) | Explanation of material changes (over 30%) |
|------------------------------|------------------------------------|--|---|--|
| Long-term equity investments | 4,861,568,659.82 | 4,366,604,777.77 | 11.34 | / |
| Fixed assets | 8,862,122,138.90 | 8,596,168,427.30 | 3.09 | / |
| Construction in progress | 1,757,051,468.57 | 1,598,395,428.10 | 9.93 | / |
| Intangible assets | 4,029,524,975.20 | 4,117,466,261.06 | -2.14 | / |
| Goodwill | 11,483,589,547.98 | 11,345,286,075.81 | 1.22 | / |

Among which, overseas assets amounted to 288,071.12 (Unit: RMB0'000), the proportion to the total assets is 2.15%.

Details of changes in other main assets are set out in "I/(III) Analysis on Assets and Liabilities" of Chapter 4.

III. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

Applicable Not Applicable

The Company had not experienced significant changes in the core competitiveness during the Reporting Period.

Chapter 4 Report of the Board of Directors

I. DISCUSSION AND ANALYSIS OF THE OVERALL OPERATION

Overview

During the Reporting Period, the Company's main businesses continued their rapid growth with operating income of RMB92.575 billion, representing a year-on-year increase of 22.00%. Revenue from pharmaceutical manufacturing was RMB11.942 billion, representing a year-on-year increase of 24.05%, and revenue from pharmaceutical services was RMB80.633 billion, representing a year-on-year increase of 21.71%. The net profit attributable to equity holders of listed company was RMB2.286 billion, representing a year-on-year increase of 12.45%. Pharmaceutical manufacturing contributed RMB1.085 billion, representing a year-on-year increase of 19.82% and pharmaceutical services contributed RMB1.028 billion, representing a year-on-year increase of 12.76%. The profit from equity investments was RMB532 million, representing a year-on-year increase of 50.66%. Net profit after deduction of non-recurring profit or loss attributable to equity holders of the listed company was RMB2.095 billion, representing a year-on-year increase of 10.66%. Net profit after the reversal of R&D expenditure and deduction of non-recurring profit or loss increased by 12.11% year-on-year.

During the Reporting Period, the Company's integrated gross profit margin was 14.05%, decreased by 0.05 percentage point compared with the same period of last year. Pharmaceutical manufacturing grew by 0.10 percentage point and pharmaceutical distribution decreased by 0.19 percentage point. The operating profit margin of the Company was 3.98% after deduction of management, sales and R&D expenses, a decrease of 0.20 percentage point compared with the same period of last year.

The Company's operation was successful overall. During the Reporting Period, the operating cash flow resulted in a net inflow of RMB2.023 billion.

Performance drivers and operation highlights in the first half of the year

Pharmaceutical manufacturing

During the Reporting Period, the Company successfully navigated the new policy environment in the Chinese pharmaceutical industry and actively sought to increase its market share. The sales revenue from the pharmaceutical manufacturing business was RMB11.942 billion, representing a year-on-year increase of 24.05%. The gross profit margin was 57.76%, representing a year-on-year growth of 0.10 percentage point. The combined sales revenue of 60 key products was RMB6.773 billion, representing a year-on-year increase of 31.03%. The average gross profit margin of key products was 71.84%.

During the Reporting Period, the Company continued to optimize its marketing and sales processes, built professional and high-quality marketing teams, and pooled proactive resources to create key products, which led to record-high manufacturing sales. The Company carried out clinical studies for Sodium tanshinone IIA silate injection, to gather the medical evidence required to include this product in the cerebrovascular-related consensus or guidelines. In addition, the product's high safety level, clear formulation and affordable price, allowed the Company to promote it in grass-root markets and alleviate the sales bottleneck. The product's sales revenue in the first half of the year was RMB790 million, representing a year-on-year increase of 119.12%. The Company also differentiated the clinical use for Hydroxychloroquine sulfate tablets (Fenle), in order to increase its competitiveness, by using it to treat autoimmune rheumatic diseases, strengthening its core position. In the first half of the year, sales revenue reached RMB384 million, representing a year-on-year increase of 19.99%, with the market share growing to 76.67%. Techpool's two core products grew steadily. Their sales completion rate at hospital terminals was 102.5% in the first half of the year. Ulinastatin for Injection (Techpool Roan) had sales revenue of RMB390 million, and the injection of Yuriklin (Kellikon) had sales revenue of RMB180 million. With more stringent supervision over injection of traditional Chinese medicine implemented by the NMPA and further

Chapter 4 Report of the Board of Directors

limitation on the reimbursement scope under the new reimbursement drug list, the Company responded proactively by enhancing the second development of Shenmai injection, Trichosanthes Peel injection and other products for sale and accelerating the exploitation of the growth potential of other varieties in the cardiovascular product line.

In addition to leveraging the potential of its existing products, the Company also further invested in R&D. During the Reporting Period, development cost was RMB564 million, representing a year-on-year increase of 17.84%. In the second quarter, both cefalexin capsules and metformin tablets passed consistency evaluation while 8 products and 9 varieties, including Telmisartan tablets (替米沙坦片) and Lansoprazole for injection (注射用蘭索拉唑), completed BE test and were submitted to the NMPA. Captopril tablets, which passed consistency evaluation in 2018, were praised by general practitioners for their excellent quality, lower market price and sublingual administration. By expanding the market share, the Company achieved a sales revenue of RMB67.92 million in the first half of the year, representing a year-on-year increase of 75.88%.

For innovative drugs, the Company's development strategy focused on macromolecule biological drugs. On 5 June, Shanghai Pharmaceuticals formally signed an agreement with BIOCAD, the largest bio-pharmaceutical company in Russia, under which, the Company proposed to contribute USD30.06 million to jointly establish SPH-BIOCAD (HK) Limited with BIOCAD, in exchange for 50.1% of the equity interest in the joint venture. Upon establishment of the joint venture, both shareholders will contribute macromolecule biological innovative drugs and biosimilars, and push forward the commercialization of products in China by leveraging the Company's sales and distribution channels.

Pharmaceutical Services

During the Reporting Period, the Company achieved sales revenue of RMB80.194 billion in pharmaceutical distribution, representing a year-on-year growth of 21.04% and a gross profit margin of 6.49%. The pharmaceutical retail business achieved sales revenue of RMB3.837 billion, representing a year-on-year increase of 22.43% and a gross profit margin of 14.49%.

During the Reporting Period, the "4+7" centralized drug procurement process by the National Healthcare Security Administration was officially implemented, ushering in a new chapter in the era of fee control and cost reduction for generic drugs. Faced with the new policy environment, the Company strove to increase its market share by entering into strategic cooperation with bid-winning suppliers Zhejiang Huahai and Zhejiang Jingxin while accelerating account opening at hospital terminals and extending distribution channels downward to achieve full coverage of medical institutions in Shanghai, Liaoning, and other regions. In addition, the Company kept abreast of the market. It established cooperation with renowned innovative drug companies in China such as Junshi Biosciences, Henlius, Innovent, Chipscreen Biosciences, Zai Lab, and Asclepis BioScience, and obtained the right to distribute the similar drug for Rituximab monoclonal antibody injection (Han Li Kang), Sintilimab Injection (Tyvyt), and Toripalimab (Tuoyi) in Shanghai region.

Chapter 4 Report of the Board of Directors

To meet pressing clinical needs and to innovate and transform the domestic pharmaceutical industry, China's pharmaceutical administration has issued a series of policies to encourage pharmaceutical innovation and accelerate the introduction of overseas innovative drugs. Leading commercial companies in China have joined the market, intensifying the competition in the agency market for imported new drugs. Amidst the complicated competitive environment, the Company proactively strengthened cooperation with large overseas pharmaceutical companies and endeavored to expand its differentiated competitive advantages to secure its leading market share. In the first half of the year, the Company entered into a distribution agreement with Pfizer to obtain the national agency rights for Ceftazidime-Avibactam for injection (Zavicefta) and Dacotini (Vizimpro). It provided import distribution business for Actelion's star drug for pulmonary arterial hypertension, Selexipag tablets (Upravi). The two PD-1 drugs that entered the market last year, Opdivo and Keytruda, had solid performances. With further academic promotion, they will continue to push up the sales revenue from distribution of the Company's imported drug segment.

Business Plan of the Company for the Second Half of the Year

In the second half of the year, the Company will pursue the annual business goals and key works set forth by the Board to carry out all kinds of operations in an orderly manner:

In pharmaceutical manufacturing, the Company will further improve its marketing to ensure the success of products in key areas. Focusing on both in-house R&D and external cooperation, the Company will increase its investment in R&D, build innovative technology platforms, improve its R&D projects rollouts, as well as external cooperation, clinical studies and registration, reform its innovation incentive process, strongly promote lean management, and strictly control quality and production safety risks. This will greatly increase the Company's competitiveness in pharmaceutical manufacturing.

In pharmaceutical services, the Company will push forward the construction of provincial platforms under "one policy for one province" and improve its management processes. It will also accelerate its business innovation, boost M&A projects, and strengthen coordination and integration in newly entered regions. The Company will maintain regional leadership and commit to service innovation as it expands its new retail business for prescription drugs. Through open cooperation and service innovation, we will continue to enhance our service value for medical institutions, retail terminals, patients and suppliers.

(I) Main Business Analysis

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 | 92,575,234,415.81 | 75,878,692,993.45 | 22.00 |
| Operating costs | 79,286,909,662.12 | 64,930,920,634.53 | 22.11 |
| Sales costs | 6,430,188,385.31 | 5,217,803,090.83 | 23.24 |
| Administration costs | 2,329,229,677.81 | 1,829,231,421.81 | 27.33 |
| Finance costs | 725,329,449.08 | 622,933,775.77 | 16.44 |
| R&D expenses | 564,145,212.56 | 478,748,728.62 | 17.84 |
| Asset impairment losses | 57,693,835.65 | 37,477,531.55 | 53.94 |
| Credit impairment loss | 219,733,124.55 | -503,817.64 | / |
| Gains from changes in fair value | 58,035,860.22 | 2,988,974.47 | 1,841.66 |
| Gains on disposal of assets | 6,416,615.89 | 3,505,044.67 | 83.07 |
| Other income | 226,879,108.70 | 124,743,854.67 | 81.88 |
| Non-operating income | 40,887,859.82 | 58,487,088.40 | -30.09 |
| Non-operating expenses | 101,243,870.88 | 39,469,452.97 | 156.51 |
| Net cash flow generated from operating activities | 2,022,707,082.95 | 1,080,517,493.81 | 87.20 |
| Net cash flow generated from investing activities | -1,708,857,204.39 | -5,216,615,970.75 | 67.24 |
| Net cash flow generated from financing activities | -1,525,660,120.81 | 7,209,929,768.44 | / |

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

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

Reasons for changes in sales costs: Increase of sales income during the Reporting Period

Reasons for changes in administration costs: Increase of administration costs resulting from the increase in the scale of operation during the Reporting Period

Reasons for changes in finance costs: Increase of interest expense during the Reporting Period

Reasons for changes in R&D expenses: Increase in R&D input during the Reporting Period

Reasons for changes in assets impairment losses: Increase in provision for inventory impairment loss during the Reporting Period

Reasons for changes in credit impairment loss: Increase in provision for impairment of financial assets during the Reporting Period

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Reasons for changes in gains from changes in fair value: Increase in fair value of financial assets measured at fair value during the Reporting Period

Reasons for changes in gains on disposal of assets: Increase of gains from disposal of assets during the Reporting Period

Reasons for changes in other income: Increase of government grants received during the Reporting Period

Reasons for changes in non-operating income: Decrease of relocation compensation during the Reporting Period

Reasons for changes in non-operating expenses: Increase of donation expenses 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: Decrease of receipt of cash from subsidiaries during the Reporting Period

Reasons for changes in net cash flow generated from financing activities: Decrease of receipt of bank borrowing during the Reporting Period

2 Others

(1) Detailed Explanations on Significant Changes in the Composition of Profits or the Source of Profits of the Company

Applicable Not Applicable

(2) Analysis of Principal Business by Industry

Applicable Not Applicable

Unit: RMB

| By industry | Operating income | Operating costs | Gross profit margin (%) | Increase/decrease in operating income year-on-year (%) | Increase/decrease in operating cost year-on-year (%) | Increase/decrease in gross profit margin year-on-year (%) |
|---------------|-------------------|-------------------|-------------------------|--|--|---|
| Manufacturing | 11,942,067,912.36 | 4,925,415,427.66 | 58.76 | 24.05 | 24.53 | -0.16 percentage point |
| Distribution | 80,193,796,546.79 | 74,842,226,090.53 | 6.67 | 21.04 | 21.27 | -0.18 percentage point |
| Retail | 3,836,681,760.52 | 3,270,960,743.36 | 14.75 | 22.43 | 24.14 | -1.17 percentage points |
| Others | 74,201,388.67 | 46,767,885.16 | 36.97 | 51.83 | 56.22 | -1.77 percentage points |
| Offsetting | -4,104,128,444.58 | -4,057,559,736.90 | / | / | / | / |

Gross profit margin in above table = (operating income – operating cost)/operating income *100%

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(II) Explanations on Significant Changes in Profit Resulting from Non-principal Business

Applicable Not Applicable

(III) Analysis on Assets and Liabilities

Applicable Not Applicable

1. Assets and Liabilities

Unit: RMB

| Items | Current Ending Amount | Percentage of Ending Amount to Total Assets (%) | Last Ending Amount | Percentage of Last Ending Amount to Total Assets (%) | Change Ratio of Current Ending Amount to Last Ending Amount (%) | Description |
|---|-----------------------|---|--------------------|--|---|---|
| Derivative financial assets | 2,893,187.34 | 0.002 | 5,189,819.94 | 0.004 | -44.25 | Decrease of fair value of financial assets held during the Reporting Period |
| Notes receivable | 198,317,534.14 | 0.15 | 287,058,828.61 | 0.23 | -30.91 | Decrease of commercial acceptance bills during the Reporting Period |
| Assets classified as held for sale | / | / | 6,304,430.07 | 0.005 | / | Decrease of assets classified as held for sale during the Reporting Period |
| Non-current assets due within one year | 103,092,670.68 | 0.08 | 211,804,183.86 | 0.17 | -51.33 | Decrease of long-term receivables due within one year during the Reporting Period |
| Other current assets | 1,332,963,498.11 | 1.00 | 1,022,673,295.51 | 0.81 | 30.34 | Increase in deductible and prepaid taxes during the Reporting Period |
| Long-term receivables | 178,166,458.71 | 0.13 | 315,975,386.01 | 0.25 | -43.61 | Decrease in long-term deposits receivable during the Reporting Period |
| Other non-current financial assets | 319,494,006.67 | 0.24 | 119,649,126.36 | 0.09 | 167.03 | Increase in financial assets investment during the Reporting Period |
| Right-of-use assets | 1,352,167,171.57 | 1.01 | / | / | / | New lease standard adopted during the Reporting Period |
| Other Payables | 10,466,095,515.40 | 7.82 | 8,047,652,220.59 | 6.34 | 30.05 | Increase in accrued expenses during the Reporting Period |
| Non-current liabilities due within one year | 1,218,632,839.44 | 0.91 | 2,794,417,843.45 | 2.13 | -56.39 | Decrease of bonds payable due within one year during the Reporting Period |
| Lease liabilities | 984,053,502.58 | 0.73 | / | / | / | New lease standard adopted during the Reporting Period |

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2. Major assets restriction at the end of the Reporting Period

Applicable Not Applicable

As at 30 June 2019, the Company's housing and buildings and machinery equipment with the book value of RMB233,084,712.56 (original cost: RMB298,737,709.54), and 11,929,901.13 square meters of land use right (original cost of RMB53,520,695.99 and book value of RMB47,258,826.10) were set as collateral for short-term borrowings of RMB362,398,600.00, long-term borrowings of RMB84,512,003.10 and long-term borrowings due within one year of RMB23,542,500.00.

As at 30 June 2019, the Group pledge the accounts receivable with the book value of RMB1,410,482,382.19 and the finished goods of RMB36,000,000.00 to the bank as a guarantee for short-term borrowings of RMB1,092,461,440.96. As at 30 June 2019, the pledged bank acceptance bills receivable of GC to trade receivable financing amounted to RMB15,874,901.60, which served as a guarantee for the notes payable of RMB15,868,991.60. As at 30 June 2019, borrowings of RMB114,274,837.00 for bank collaterals and the long-term borrowings due within one year of RMB74,179,817.29 were obtained by pledging long-term receivable with the book value of RMB198,373,325.64.

As at 30 June 2019, the balance of the Group's restricted monetary funds was RMB3,383,156,691.59, which was mainly the margin deposit for security for applying to the bank for issuing bank acceptance bills and letters of credit.

(IV) Analysis on Investment Conditions

1. Overall Analysis on External Equity Investments

Applicable Not Applicable

| | <i>Unit: RMB0'000</i> |
|---|-----------------------|
| Amount of Investments during the Reporting Period | 86,359.43 |
| Increase or Decrease in Amount of Investment | -471,295.86 |
| Amount of Investment in the Same Period over Prior Year | 557,655.29 |
| Percentage of Increase or Decrease in Amount of Investments (%) | -84.51 |

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- (1) Significant Equity Investments
 Applicable Not Applicable

Unit: RMBO'000

| Acquiree | Time of acquisition | Purchasing cost | Principal business activities | Proportionate interest acquired | Acquisition method | Capital source | Partner | Income of acquiree from acquisition date to the year end | Net profit of acquiree from acquisition date to the year end | Whether involved in litigation |
|---|---------------------|-----------------|-------------------------------|---------------------------------|---|----------------|---------------|--|--|--------------------------------|
| Chongqing SPH Huijuan Pharmacy Co., Ltd. (重慶上藥慧遠藥業有限公司) | 1 January 2019 | 45,403.45 | Production and sales of drugs | 83.50% | Acquisition of equity interest in the targeted company held by original shareholder | Own fund | Third parties | 41,494.01 | 3,068.70 | No |

- (2) Significant Non-equity Investments
 Applicable Not Applicable

- (3) Financial Assets Measured at Fair Value
 Applicable Not Applicable

Unit: RMBO'000

| Code | Name | Initial Investment Cost | Ending Carrying Amount | Profit or Loss during Reporting Period | Change in Owners' Equity during Reporting Period | Change in Fair Value | Source of Capital | Purchase or Disposal during the Reporting Period |
|-----------|---|-------------------------|------------------------|--|--|----------------------|-------------------|--|
| 000931 | ZHONGGUANCUN DEVELOPMENT GROUP | 9.93 | 22.35 | 4.91 | / | 4.91 | Own fund | No |
| 600675 | CHINA ENTERPRISE | 39.00 | 408.51 | -16.52 | / | -30.7 | Own fund | No |
| 601328 | BANK OF COMMUNICATIONS | 472.01 | 350.96 | 18.92 | / | 18.92 | Own fund | No |
| 03692(HK) | Hansoh Pharmaceutical (翰森製藥) | 13,941.66 | 20,010.46 | 6,041.06 | 27.74 | 6,041.06 | Own fund | Purchased |
| 00455(HK) | Tianda Pharma | 8,785.19 | 5,577.03 | 117.17 | 218.82 | 218.82 | Own fund | No |
| 01763(HK) | China Isotope | 14,726.39 | 12,818.04 | / | 1,945.00 | 1,945.00 | Own fund | No |
| / | Derivative financial assets | / | 289.32 | -230.61 | / | -230.61 | / | Purchased |
| / | Other non-current financial assets (unlisted) | 3,095.28 | 11,157.12 | 105.00 | / | / | / | Partly disposed |
| Total | | 41,069.46 | 50,633.79 | 6,039.93 | 2,191.56 | 7,967.40 | / | / |

(V) Disposal of Major Assets and Equities

- Applicable Not Applicable

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(VI) Analysis on Companies under Control or in which the Company has Shares

✓ Applicable □ Not Applicable

Unit: RMB100 million

| Company Name | Business Nature | Shareholding Percentage | Registered Capital | Size of Assets | Owners' Equity | Operating income | Net Profit |
|--|---|-------------------------|--------------------|----------------|----------------|------------------|------------|
| Shanghai Pharma Co., Ltd. | Sales of drugs | 100% | 50.00 | 506.69 | 114.05 | 464.27 | 7.63 |
| SPH Keyuan Xinhai Pharmaceutical Co., Ltd. | Sales of drugs | 100% | 13.00 | 233.91 | 52.37 | 202.28 | 3.32 |
| SPH Sine Pharmaceutical Factory Co., Ltd. | Production and sales of drugs | 100% | 11.92 | 45.05 | 22.12 | 26.61 | 1.89 |
| SPH No. 1 Biochemical & Pharmaceutical Co., Ltd. | Production and sales of drugs | 100% | 2.25 | 27.50 | 14.74 | 14.61 | 0.98 |
| SPH New Asia Pharmaceutical Co., Ltd. Shanghai TCM Co., Ltd. | Production and sales of drugs | 96.90% | 10.52 | 20.51 | 11.67 | 14.57 | 0.77 |
| Shanghai TCM Co., Ltd. | Production and sales of drugs | 100% | 10.08 | 67.07 | 31.29 | 29.66 | 2.74 |
| Chiatai Qingchunbao Pharmaceutical Co., Ltd. | Production and sales of drugs | 75% | 1.29 | 17.33 | 14.93 | 6.11 | 0.38 |
| SPH Changzhou Pharmaceutical Co., Ltd. | Production and sales of drugs | 75.89% | 1.58 | 40.87 | 20.88 | 27.93 | 1.17 |
| SPH Zhongxi Sunve Pharmaceutical Co., Ltd. | Production and sales of drugs | 100% | 5.46 | 32.71 | 26.46 | 5.19 | 4.37 |
| SPH Qingdao Guofeng Pharmaceutical Co., Ltd. | Production and sales of drugs | 67.52% | 0.93 | 11.14 | 6.83 | 6.88 | 0.40 |
| Hangzhou Huqingyutang Pharmaceutical Co., Ltd. | Production and sales of drugs | 51.01% | 1.35 | 6.49 | 4.92 | 2.56 | 0.16 |
| Xiamen TCM Factory Co., Ltd. | Production and sales of drugs | 61.00% | 0.84 | 4.06 | 2.82 | 1.97 | 0.29 |
| Liaoning Herbex Pharmaceutical (Group) Co., Ltd. | Production and sales of drugs | 55.00% | 0.51 | 8.57 | 4.42 | 3.10 | 0.21 |
| Shanghai Zhonghua Pharmaceutical Co., Ltd. | Production and sales of drugs | 100.00% | 0.94 | 5.27 | 3.44 | 2.82 | 0.53 |
| SPH Materials Supply and Sales Co., Ltd. | Wholesale of Chemicals and APIs | 100.00% | 1.01 | 2.81 | 1.20 | 1.15 | 0.01 |
| Shanghai Medical Instruments Co., Ltd. | Production and sales of medical equipments | 100.00% | 1.27 | 6.12 | 3.45 | 1.82 | 0.70 |
| SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd. | Production and sales of drugs | 90.25% | 1.41 | 5.28 | 3.72 | 1.60 | 0.29 |
| Shanghai Pharma Sales Co., Ltd. | Sales of drugs | 100.00% | 0.50 | 6.89 | 1.73 | 5.42 | 0.28 |
| Zeus Investment Limited | Production and sales of healthcare products | 59.61% | AUD3.19 | 21.45 | 8.95 | 4.53 | -0.22 |
| Techpool Bio-Pharma Co., Ltd. (廣東天普生化醫藥股份有限公司) | Production and sales of drugs | 67.14% | 1.00 | 16.07 | 12.27 | 5.86 | 0.56 |

(VII) The Structural Entity Controlled by the Company

Applicable Not Applicable

II. OTHER DISCLOSURES

(I) Warning in respect of the forecast of a probable loss or a significant change as compared with that of the corresponding period of previous year in the accumulated net profit from the beginning of the year to the end of the next reporting period and its reasons

Applicable Not Applicable

(II) Potential Risk Factors

Applicable Not Applicable

1. Risks in relation to industry policies: Industry competition rules may be influenced at different degrees by several policies such as national healthcare reform, medical insurance cost control and list adjustment, and centralized procurement scope expansion, bringing about both opportunity and challenge to the Company's business development.
2. Risks in relation to supply and prices of raw materials: Raw materials including traditional Chinese medicine, APIs, supplemental materials and packing materials may be influenced by production cycle, supply and sales, regulatory requirements and other factors. Thus, a larger supply limitation or a price fluctuation may make certain impact on the production cost of some subsidiaries of the Company.
3. Risks in trade and exchange rate: As the Sino-US trade negotiation is still in progress and global trade faces uncertainty, the Company may be exposed to risks in respect of trade access, price and exchange rate fluctuation for its overseas purchase and export of APIs and preparation products.
4. Risks in Environmental Protection: As China enhances the ecological environmental protection, the Company will improve its environmental facilities and adopt stricter waste emission standard, which may increase the Company's expenses on safety production, compliance and environmental treatment.
5. Impairment test for goodwill is based on the forecast of future cash flow and contains the management's relevant assumptions and professional judgments. Goodwill is exposed to certain risks of impairment.

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Counter-measures: In response to the said risks, the Company's management will keep an eye on the policy changes, strengthen the interpretation and analysis of policies and adjust tactics at proper time. The Company remains committed to technological innovation and to being led by technology. It will ensure compliant manufacture and operation, making more efforts on safety management and greater investment in environmental protection. At the same time, it will also push forward the construction of lean management and risk control system. For possible risks, the Company will actively propose solutions to lower down their overall effect on the business of the Company.

III. DISCLOSURES REQUIRED BY THE HONG KONG LISTING RULES

(I) Capital structure

As at the end of the Reporting period, the asset-liability ratio (total liabilities/total assets) of Shanghai Pharmaceuticals was 64.28%, representing an increase of 0.88 percentage point over the beginning of the period. The interest coverage ratio (EBIT/Interest Expenses) was 5.20 times (same period of 2018: 5.98 times^{Note}). The gearing ratio of the Company (net amount of debts/total capital) was 39.09%.

During the Reporting Period, Shanghai Pharmaceuticals has a good liquidity and financial resources. As at the end of the Reporting Period, the balance of bank loans was RMB27.491 billion (excluding interest accrued thereon, same below) and the balance of bonds payable was RMB2,998 million, of which the balance of loans in New Zealand Dollar amounted to RMB308 million, the balance of loans in US Dollar amounted to RMB5.638 billion, the balance of loans and bonds payable at a fixed interest rate amounted to RMB22.217 billion. The net amount of accounts receivable and notes receivable was RMB49.791 billion, representing an increase of 13.23% on a year-on-year basis. The increased receivable is mainly due to business expansion and the expanded scope of consolidation. The balance of accounts payable and notes payable was RMB38.771 billion, representing an increase of 10.31% on a year-on-year basis.

The Group's objective on capital management is to safeguard the Group's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders, and also to maintain an optimal capital structure to lower capital cost. In order to maintain or adjust capital structure, the Group may adjust dividends amount payable to shareholders, return capital to shareholders, issue new shares or dispose assets to reduce debts.

Note: The Company recalculated times for the same period of 2018 according to the New Financial Instruments Standard.

(II) Exchange Rate Fluctuation Risk and Any Hedging

Shanghai Pharmaceuticals conducts its operations mainly in China and makes settlements in RMB for its principal businesses. However, foreign exchange risks still exist in recognized assets and liabilities denominated in foreign currencies and future foreign currency transactions (the main currencies denominating are US dollar, Hong Kong dollar, Australian dollar and New Zealand dollar). The Company is not involved in any related hedging.

(III) Contingent Liabilities

During the Reporting Period, the Company has no major action or arbitration pending to be disclosed. The contingent liabilities and their financial impacts resulting from securities provided by the Company to other entities and its related parties are as follows:

| Guarantor | Secured Party | Amount Secured (RMB'000) | Starting Date | Expiry date |
|-----------|---|-----------------------------|------------------|----------------|
| The Group | Chongqing Medicines Shanghai Pharma Sales Co., Ltd. | 22.52 | 22 February 2019 | 22 August 2019 |

Note: The guarantee above has no significant financial impact on the Company.

(IV) Employees, Remuneration Policy and Training Scheme

As of 30 June 2019, Shanghai Pharmaceuticals had a total of 47,016 employees.

The Company adhered to the payment concept of "Position, Ability, Performance and Market" which improved annual and term performance evaluation system of senior management of the Company and management of the subsidiaries, with upgraded performance-based incentive and restraint mechanism. Meanwhile, it also actively expanded its incentive pattern, trying to set up medium- and long-term equity incentive plans such as share options incentive scheme, with a view to enhancing the loyalty of the Company's core employees. The Company participates in various employee welfare schemes organized by the provincial and municipal governments in accordance with the relevant regulations of China. Moreover, the Company establishes the corporate pension system and improves the corporate welfare system, which will enhance the cohesion and competitiveness of the Group.

Focusing on the Company's strategy and the annual priorities, combined with the staff's own positions and career development needs, the Company provided professional, efficient and personalized training courses and solutions for the staff. According to the requirements of the national regulatory authorities, the Company organized employees to receive GMP, GSP, operation skills, occupational safety, environmental protection and other systematic training every year. In accordance with the requirements for the compliance of listed companies, the Company organized management at all levels to receive legal, internal control, risk management and other special training. The Company established a corporate university – Shanghai Medicine University as a way to promote the implementation of strategies, uphold reform and transformation and establish corporate culture, making us able to face a varying future. During the Reporting Period, Shanghai Medicine University initially built a systematic course system combining with expert forum, lectures on special topics, purpose-driven visiting, internal sharing and other teaching modes to enhance abilities of leadership and professional management.

Chapter 5 Significant Events

I. GENERAL MEETING

| Meeting Session | Date of convening | Query index on designated website for publishing resolutions | Date of disclosure on publishing resolutions |
|--|-------------------|---|--|
| 2018 Annual General Meeting, 2019 First A Share and H Share Class Meetings | 27 June 2019 | Announcement Lin No. 2019-057 disclosed on the Shanghai Stock Exchange (http://www.sse.com.cn/). | 28 June 2019 |

Explanation of the General Meeting

Applicable Not Applicable

Although the Company's three proposals regarding the share option incentive scheme were approved at the Company's 2018 Annual General Meeting and the 2019 First A Share Class Meeting, they were not approved at the 2019 First H Share Class Meeting, and therefore the matters involved were unable to be implemented.

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

(I) Profit Distribution Proposal, 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) | N/A |
| Dividend for every 10 Shares (Yuan) (tax inclusive) | N/A |
| Conversion into share capital for every 10 Shares (shares) | N/A |
| Explanation on profit distribution proposal or proposal for the conversion of capital reserve fund into share capital | |
| N/A | |

III. FULFILMENT STATUS OF COMMITMENTS

(I) Commitments by De facto Controller, Shareholders, Related Parties, Acquirers and the Company to Relevant Parties during or Lasting to the Reporting Period

Applicable Not Applicable

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Appointment and dismissal of accounting firms

Applicable Not Applicable

Statement of the change in accounting firms during the auditing period

Applicable Not Applicable

Statement of the Company on the "non-standard audit report" prepared by the accounting firms

Applicable Not Applicable

Statement of the Company's financial report in the annual report of the previous year which was issued "non-standard audit report" by the certified public accountant

Applicable Not Applicable

V. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Applicable Not Applicable

VI. MATERIAL LITIGATIONS AND ARBITRATIONS

Material litigations and arbitrations occurred during the Reporting Period No material litigations and arbitrations occurred during the Reporting Period

VII. PUNISHMENT AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRERS

Applicable Not Applicable

VIII. STATEMENTS ON THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Applicable Not Applicable

Chapter 5 Significant Events

IX. EQUITY INCENTIVE PLANS, EMPLOYEE SHARE SCHEMES AND OTHER INCENTIVE SCHEMES OF THE COMPANY AND THEIR IMPACT

(I) Relevant incentives disclosed in the interim announcements without subsequent development or changes during implementation

Applicable Not Applicable

(II) Incentives not disclosed in the interim announcements or with subsequent development

Equity incentives

Applicable Not Applicable

Other information

Applicable Not Applicable

Employee share schemes

Applicable Not Applicable

Other incentive measures

Applicable Not Applicable

X. SIGNIFICANT RELATED TRANSACTIONS

(I) Related transactions relating to daily operations

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

Applicable Not Applicable

| Overview of Events | Search Index |
|--|----------------------------------|
| The Announcement regarding Daily Related Transactions in 2019 | Announcement Lin No. 2019-020 |
| The Announcement regarding the Renewal of the Financial Services Agreement with Shanghai Shangshi Group Finance Co., Ltd. and Related/Connected Transactions | Announcement Lin No. 2019-021 |
| The Announcement regarding the Renewal of the Commercial Factoring Services Framework Agreement with Shangshi Commercial Factoring Co., Ltd. and Daily Related/Continuing Connected Transactions | Announcement Lin No. 2018-015 |
| The Announcement regarding the Entering into the Property Leasing Framework Agreement and Daily Related Transactions | Announcement Lin No. 2017-037 |

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

Applicable Not Applicable

Unit: RMB0'000

| Related party | Related relationship | Type of the related transaction | Particulars of the related transaction | Pricing principle of the related transaction | Amount of the related transaction | Proportion in the amount of the same type (%) | Settlement method of the related transaction | Market price | Reason for the difference between trading price and market price |
|---|--|--|--|--|-----------------------------------|---|--|--------------|--|
| Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (上海新先鋒藥業有限公司) | Wholly-owned subsidiary of the parent company | Selling products and offering labor services to the related party | Selling products and offering labor services to the related party | Negotiated based on the market price | 51.06 | 100 | Cash | 51.06 | N/A |
| SIC and its affiliates | Parent company and its wholly-owned subsidiary | Leasing housing and equipment and receiving property services from related party | Housing and machinery leasing service, receiving property services | Negotiated based on the market price | 2,432.10 | 100 | Cash | 2,432.10 | N/A |
| Shanghai Pharmaceutical (Group) | Parent company | Leasing housing to related party | Leasing housing to relate party | Negotiated based on the market price | 305.82 | 100 | Cash | 305.82 | N/A |
| Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司) | Subsidiary of Controlling Shareholder | Loans in related finance companies | Loan and settlement and other financial services | Negotiated based on the market price | 196,105.37 | 100 | Cash | 196,105.37 | N/A |
| | | Deposits in related finance companies | Deposits services (daily maximum) | Negotiated based on the market price | 189,029.34 | 100 | Cash | 189,029.34 | N/A |
| Shangshi Commercial Factoring Co., Ltd. (上海商業保理有限公司) | Subsidiary of Controlling Shareholder | Provision of factoring services by related insurance companies | Total credits amount received for the accounts receivable financing business | Negotiated based on the market price | 17,003.08 | 100 | Cash | 17,003.08 | N/A |

3. Events not disclosed in interim announcements

Applicable Not Applicable

Chapter 5 Significant Events

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

1. *Events disclosed in the interim announcements without subsequent development or changes during implementation*
 Applicable Not Applicable
2. *Events disclosed in interim announcements with subsequent development or changes during implementation*
 Applicable Not Applicable
3. *Events not disclosed in interim announcements*
 Applicable Not Applicable
4. *Performance with agreed target shall be disclosed during the Reporting Period*
 Applicable Not Applicable

(III) Material related transaction relating to joint external investment

1. *Events disclosed in the interim announcements without subsequent development or changes during implementation*
 Applicable Not Applicable
2. *Events disclosed in interim announcements with subsequent development or changes during implementation*
 Applicable Not Applicable
3. *Events not disclosed in interim announcements*
 Applicable Not Applicable

(IV) Credits and liabilities with related parties

1. *Events disclosed in the interim announcements without subsequent development or changes during implementation*
 Applicable Not Applicable
2. *Events disclosed in interim announcements with subsequent development or changes during implementation*
 Applicable Not Applicable
3. *Events not disclosed in interim announcements*
 Applicable Not Applicable

(V) Other significant related transactions

- Applicable Not Applicable

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1 Trusteeship, contracting and leasing

Applicable Not Applicable

2 Guarantees

Applicable Not Applicable

Unit: RMB

| External guarantees provided by the Company (excluding those provided to its subsidiaries) | | | | | | | | | | | | | |
|--|---|---|--------------------|---------------------------------------|--------------------------------|--------------------------|-------------------|---------------------------|-------------------|----------------|-----------------------|---------------------------------------|------------------------|
| Guarantor | Relationship between the guarantor and the listed company | Guaranteed party | 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 | Any counter Guarantee | Guarantee provided to related parties | Connected relationship |
| | | | | | | | | | | | | | |
| Shanghai Pharma Co., Ltd. | Wholly-owned subsidiary | Chongqing Medicines Shanghai Pharma Sales Co., Ltd. | 725,379.20 | / | 2018/12/21 | 2019/3/21 | Joint guarantee | Yes | No | / | No | No | Associate |
| Shanghai Pharma Co., Ltd. | Wholly-owned subsidiary | Chongqing Medicines Shanghai Pharma Sales Co., Ltd. | 2,648,381.96 | / | 2018/12/21 | 2019/6/21 | Joint guarantee | Yes | No | / | No | No | Associate |
| Shanghai Pharma Co., Ltd. | Wholly-owned subsidiary | Chongqing Medicines Shanghai Pharma Sales Co., Ltd. | 601,265.00 | / | 2019/2/22 | 2019/3/11 | Joint guarantee | Yes | No | / | No | No | Associate |
| Shanghai Pharma Co., Ltd. | Wholly-owned subsidiary | Chongqing Medicines Shanghai Pharma Sales Co., Ltd. | 22,524.60 | / | 2019/2/22 | 2019/8/22 | Joint guarantee | No | No | / | No | No | Associate |
| Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries) | | | | | | | | | | | | | 623,789.60 |
| Total remaining balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries) | | | | | | | | | | | | | 22,524.60 |
| Guarantees provided by the Company to its subsidiaries | | | | | | | | | | | | | |
| Total value guaranteed for its subsidiaries during the Reporting Period | | | | | | | | | | | | | 2,916,321,652.32 |
| Total remaining balance guaranteed for its subsidiaries at the end of the Reporting Period (B) | | | | | | | | | | | | | 9,145,059,155.85 |
| Total value guaranteed by the Company (including those provided to its subsidiaries) | | | | | | | | | | | | | |
| Total value guaranteed (A+B) | | | | | | | | | | | | | 9,145,081,680.45 |
| Percentage of total value guaranteed in the Company's net assets | | | | | | | | | | | | | 22.81% |
| 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) | | | | | | | | | | | | | 7,734,015,643.77 |
| Amount of total value guaranteed exceeding 50% of net assets (E) | | | | | | | | | | | | | / |
| Total of value guaranteed for the above three items (C+D+E) | | | | | | | | | | | | | 7,734,015,643.77 |
| Details of possible joint and several settlement liabilities for undue guarantee | | | | | | | | | | | | | / |
| Details of guarantee | | | | | | | | | | | | | / |

3 Other material contracts

Applicable Not Applicable

Chapter 5 Significant Events

XII. POVERTY ALLEVIATION MEASURES OF THE LISTED COMPANY

Applicable Not Applicable

XIII. CONVERTIBLE CORPORATE BONDS

Applicable Not Applicable

XIV. INFORMATION ON ENVIRONMENT

(I) Description of the environmental protection work performed by the Company and its significant subsidiaries which are key pollutant discharging unit published by the national environmental protection authorities

Applicable Not Applicable

1. Information on discharge of pollutants

Applicable Not Applicable

| No. | Name of key pollutant discharging units | Name of key pollutants | Discharge mode | Number and distribution of outlets | Discharge concentration waste water (mg/L), exhaust gas (mg/m ³) | Total discharge amount (tonne) | Implemented standards for discharge of pollutants | Approved total amount of discharge (tonne) |
|------------------|---|-------------------------|--------------------|------------------------------------|--|--|--|--|
| 1 | No. 1 Biochemical & Pharmaceutical (Jianchuan Road) | COD | Interval | Main waste water outlet | 28.15 | 1.26 | Discharge Standards of Pollution of Biopharmacy Industry (DB31/373-2010) | 0.75 |
| | | Ammonia nitrogen | | | 5.98 | 0.30 | | 0.06 |
| | | Total nitrogen | | | 12.49 | 0.59 | | 0.09 |
| | | SO ₂ | Continuous | Exhaust gas outlet | 0 | 0 | Emission Standard of Air Pollutants for Boilers (DB31/387-2014) | 0.6 |
| | | Particulate matter | | | 2.05 | 0.18 | | 0.57 |
| | | NO _x | | | 60.58 | 4.93 | | 11.48 |
| | | Non-methane hydrocarbon | Interval | | 3.86 | 0.12 | Discharge Standards of Pollution of Biopharmacy Industry (DB31/373-2010) | 1.25 |
| Ammonia nitrogen | 0.23 | 0.007 | | | Emission Standards for Odor Pollutants (DB31/1025-2016) | 0.007 | | |
| 1 | No. 1 Biochemical & Pharmaceutical (Bijiang Road) | COD | Interval | Main waste water outlet | 35.84 | 0.21 | Discharge Standards of Pollution of Biopharmacy Industry (DB31/373-2010) | 20.26 |
| | | Ammonia nitrogen | | | 0.43 | 0.002 | | 1.82 |
| | | Total nitrogen | | | 1.89 | 0.01 | | 2.84 |
| | | Particulate matter | | | 1.2 | 0.003 | | 0.09 |
| | | NO _x | | | 43.33 | 0.15 | | 1.59 |
| | | Non-methane hydrocarbon | Exhaust gas outlet | 17.43 | 1.13 | Discharge Standards of Pollution of Biopharmacy Industry (DB31/373-2010) | 10.3 | |
| | | Ammonia nitrogen | | 0.42 | 0.02 | | Emission Standards for Odor Pollutants (DB31/1025-2016) | No |

Chapter 5 Significant Events

| No. | Name of key pollutant discharging units | Name of key pollutants | Discharge mode | Number and distribution of outlets | Discharge concentration waste water (mg/L), exhaust gas (mg/m ³) | Total discharge amount (tonne) | Implemented standards for discharge of pollutants | Approved total amount of discharge (tonne) | | |
|-----|---|----------------------------------|----------------|------------------------------------|--|--------------------------------|--|--|--|---|
| 2 | SPH Zhongxi | COD | Continuous | Main waste water outlet | 47.83 | 2.10 | Water Quality Standard of Discharge of Sewage into Cities and Towns Sewer (GB/T31962-2015) | 8.04 | | |
| | | Ammonia nitrogen | | | 0.55 | 0.02 | | 0.41 | | |
| | | SO ₂ | Interval | Exhaust gas outlet | 1.48 | 0.02 | | Emission Standard of Air Pollutants for Boilers (DB31/387-2018) | 0.63 | |
| | | NO _x | | | 34.56 | 0.68 | | | 2.96 | |
| | | Particulate matter | | | 2.74 | 0.39 | | | Emission Standard of Air Pollutants for Boilers (DB31/387-2018), Comprehensive Emission Standard of Air Pollutants (DB31/933-2015) | 0.88 |
| | | Non-methane hydrocarbon | | | 2.49 | 0.10 | | | | Comprehensive Emission Standard of Air Pollutants (DB31/933-2015) |
| 3 | Sine Jinzhu | COD | Continuous | Main waste water outlet | 32.62 | 3.08 | Water Quality Standard of Discharge of Sewage into Cities and Towns Sewer (GB/T31962-2015) | No | | |
| | | Ammonia nitrogen | | | 0.33 | 0.03 | | No | | |
| 4 | Zhongxi Sunve | COD | Continuous | Main waste water outlet | 23.58 | 0.80 | Comprehensive Discharge Standard of Sewage (DB31/199-2018), Water Quality Standard on Discharge of Sewage into Cities and Towns Sewer (GB/T31962-2015) | 9.44 | | |
| | | Ammonia nitrogen | | | 13.83 | 0.47 | | 0.97 | | |
| 5 | New Asiatic Pharmaceutical Factory | COD | Interval | Main waste water outlet | 92.1 | 1.58 | Comprehensive Discharge Standards of Sewage (DB31/199-2018) | 12.6 | | |
| | Ammonia nitrogen | 2.6 | | | 0.04 | 0.16 | | | | |
| 6 | New Asiatic Pharmaceutical Minhang | COD | Continuous | Main waste water outlet | 92.1 | 1.58 | Comprehensive Discharge Standards of Sewage (DB31/199-2018) | 1.26 | | |
| | | Ammonia nitrogen | | | 2.6 | 0.04 | | 0.16 | | |
| 7 | Changzhou Pharmaceutical | COD | Interval | Main waste water outlet | 281 | 32.66 | As per the takeover contract between the Company and Changzhou Southeast Industrial Wastewater Treatment Plant Co., Ltd. | 58.15 | | |
| | | Ammonia nitrogen | | | 0.76 | 0.04 | | 2.33 | | |
| | | Volatile organic compound (VOCs) | Interval | Exhaust gas outlet | 2.03 | 0.3 | | Emission Standard of Volatile Organic Compounds for Chemical Industry (DB32/3151-2016) | 77.18 | |
| | | Particulate matter | | | 19.18 | 0.28 | | | Air Pollutant Emission Standards (GB16297-1996) | 13.44 |
| | | Hydrogen chloride | | | 12.63 | 0.75 | | | | 1.148 |
| | | | | | | | | | | |
| 8 | Techpool | COD | Interval | Main waste water outlet | 22 | 0.50 | Discharge Limits of Water Pollutants (DB44/26-2001) and Water Quality Standard of Discharge of Sewage into Cities and Towns Sewer (CJ343-2010) | 33.45 | | |
| | | Ammonia nitrogen | | | 2.71 | 0.06 | | 3.01 | | |
| | | SO ₂ | Continuous | Exhaust gas outlet of boilers | Pollution discharging coefficient: 0.22kg/10,000 m ³ | 0.005 | | Emission Standard of Air Pollutants for Boilers (GB13271-2014) | 0.049 | |
| | | NO _x | | | | 85.75 | | | 0.27 | 2.297 |
| | | Particulate matter | | | | 2.3 | | | 0.007 | 0.302 |
| | | Non-methane hydrocarbon | | | | 1.57 | | | 0.007 | Discharge Limits of Water Pollutants (DB44/27-2001) |

None of the above companies has exceeded the discharge standard.

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2. Construction and operation of pollution prevention & treatment facilities

✓ Applicable □ Not Applicable

| No. | Name of key pollutant discharging units | Construction and operation of pollution prevention & treatment facilities |
|-----|---|--|
| 1 | No. 1 Biochemical & Pharmaceutical (Jianchuan Road) | <p>Has a sewage treatment station with the daily capacity of 300 tonnes of sewage and multiple sets of exhausted gas treatment facilities, all of which function properly.</p> <p>In the first half of 2019, installation of exhausted gas treatment facilities was completed for the QC rooftop and the pin crushing room, and installation of MVR equipment had begun.</p> |
| | No. 1 Biochemical & Pharmaceutical (Bichuan Road) | Has a sewage treatment station with the daily capacity of 210 tonnes of sewage and multiple sets of exhausted gas treatment facilities, all of which function properly. |
| 2 | SPH Zhongxi | Has a sewage treatment station with the daily capacity of 600 tonnes of sewage and multiple sets of exhausted gas treatment facilities, all of which function properly. |
| 3 | Sine Jinzhu | <p>Installation of the exhausted gas treatment devices was completed for the QC lab in June 2019, and the commissioning phase and the third round of test and acceptance began in July.</p> <p>A series of systems and operating files were planned to be established by September.</p> |
| 4 | Zhongxi Sunve | Has two sewage treatment stations with the daily capacity of 150 tonnes and 300 tonnes of sewage, both of which function properly. |
| 5 | New Asiatic Pharmaceutical Factory | Has a sewage treatment station with the daily capacity of 1,500 tonnes of sewage and multiple sets of VOC treatment equipment, all of which function properly. |
| 6 | New Asiatic Pharmaceutical Minhang | Has a sewage treatment station with the daily capacity of 200 tonnes of sewage and multiple sets of exhausted gas treatment equipment, all of which function properly. |
| 7 | Changzhou Pharmaceutical | Has a sewage treatment station with the daily capacity of 1,500 tonnes of sewage, which functions properly. |
| 8 | Techpool | Has a sewage treatment station with the daily capacity of 252.6 m ³ and 4 sets of exhaust gas treatment equipment, all of which function properly. |

3. *Environmental impact assessment on construction project and other administrative licensing situations for environmental protection of the construction project*

Applicable Not Applicable

The key pollutant-discharging enterprises have all obtained or applied for the Pollutant Discharge Permit. Zhongxi Sunve completed the change of Pollutant Discharge Permit in April 2019. SPH Zhongxi's Environmental Impact Report on the Construction Project of the Special Workshop for Solid Preparations (Including Comprehensive Elevated Multi-Layer Warehouse) and Auxiliary Quality Control Lab was submitted to the District Ecological Environment Bureau for approval in July 2019. Sine Jinzhu's Environmental Impact Report on the Construction Project of the Industrialization Research and Development Platform for the Blow-Fill-Seal Integrated Technology of the Shanghai Sine Jinzhu Pharmaceutical Co., Ltd. was approved in December 2018 and the project commenced construction in May 2019. Changzhou Pharmaceutical's Renovation and Expansion of the Original Site (Phase I) (Building Section) of Changzhou Pharmaceutical Factory Co., Ltd. completed environmental assessment registration form in March 2019, the Project of Renovation and Expansion of Solid Preparations (Phase I) with Annual Capacity of 5 Billion Tablets completed contract signing in May 2019, and the environmental assessment report for the project is under preparation.

4. *Contingency plan for emergency environmental incident*

Applicable Not Applicable

In accordance with the requirements of the environmental protection authorities, the above key pollutant-discharging enterprises have completed the preparation and filing of the Contingency Plan of Enterprises for Emergency Environmental Incidents. The enterprises conducted contingency drills on emergency environmental incidents as per the requirements of the contingency plans.

5. *Environmental self-detection scheme*

Applicable Not Applicable

The above key pollutant-discharging enterprises have monitored their pollutant discharge through automatic monitoring equipment and entrusting third-party environmental monitoring companies to monitor the discharge of pollutants by the Company, and connected to the networks of local environmental protection authorities. As at the end of the Reporting Period, the emission indicators of all enterprises met relevant standards.

6. *Other environmental information which shall be disclosed*

Applicable Not Applicable

Chapter 5 Significant Events

(II) Environmental information of companies other than those falling under key pollutant discharging units

Applicable Not Applicable

At the beginning of the year, the Company arranged for the signing of the Responsibility Statement for the Environmental Protection Work Objectives for 2019 by 20 directly affiliated enterprises. The managers of the 20 directly affiliated enterprises signed the Responsibility Statement for Environmental Protection and undertook to achieve the annual environmental responsibility targets and implement the environmental protection work requirements of the enterprise. During the Reporting Period, the Company's environmental protection work was as follows:

1. Preparing the Basic Requirements for Enterprise on Environmental Protection Work and requiring relevant enterprises to conduct self-assessment and rectification according to these requirements;
2. According to the relevant regulations of the Ministry of Environmental Protection, 14 companies of the Company involved in the production of crude drugs have obtained state-level Pollutant Discharge Permit as scheduled;
3. Fully carrying out the preparation and filing of the Contingency Plan of Enterprises for Emergency Environmental Incidents;
4. Incorporating the ISO14001 Environmental Management System into the evaluation system of subordinate enterprises;
5. Conducting on-site exchanges on work in subordinate enterprises to encourage them to improve their management level and prevent and control environmental risks.

(III) Explanation of reasons for non-disclosure of environmental information of companies other than those falling under key pollutant discharging units

Applicable Not Applicable

(IV) Description of the subsequent progress or changes in the disclosure of environmental information during the Reporting Period

Applicable Not Applicable

XV INFORMATION ABOUT OTHER SIGNIFICANT EVENTS

(I) Situations, causes and effects of the changes in accounting policies, estimates and methods, as compared with the previous accounting period

Applicable Not Applicable

The Ministry of Finance issued the amended "Accounting Standards for Business Enterprises No. 21 – Leases" (hereinafter referred to as the "New Lease Standard") in 2018, and issued the "Notice on Revision of the Format for Issuing the General Enterprise Financial Statements for the Year 2019" (Cai Kuai [2019] No. 6) in 2019. The Group has adopted the above standard and notice in the preparation of the financial statements for the six month ended 30 June 2019.

(II) Situations, corrected amount, causes and the effects of significant accounting errors incurred during the Reporting Period whose corrections needed retrospective restatement

Applicable Not Applicable

(III) Others

Applicable Not Applicable

Progress on the litigation matters of Pien Tze Huang

- (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 Notice from Xiamen Municipal Intermediate People's Court, Fujian Province (2014) Xia Min Chu Zi No. 937. 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

Chapter 5 Significant Events

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. On 20 March 2017, Xiamen Traditional Chinese Medicine received the Judgment (2014) Rong Min Chu Zi No. 1431 from Fuzhou Intermediate Court, which supported part of litigation request of Pien Tze Huang. On 1 April 2017, Xiamen Traditional Chinese Medicine filed an appeal to the Fujian Higher Court during the appeal period. On 31 July 2017, the case has been formally accepted by Fujian Higher Court. Fujian Higher Court conducted the second trial against this case on 30 October 2017, 19 December 2017, 8 January 2018 and 5 February 2018 respectively.

- (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" ("八寶丹片仔癯") (Application No: 11683990) and "Pien Tze Huang Pill of Eight Treasures" ("片仔癯八寶丹") (Application No: 11683929) on items under the fifth category of "traditional Chinese medicine" on 1 November 2012 in respect of 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. On 3 March 2017, the Trademark Appraisal Committee of the Trademark Bureau of State Administration for Industry and Commerce made the review decision that trademarks were not allowed to register, including trademark of "Pill of Eight Treasures Pien Tze Huang" No. 11683990 [(2017) Shang Ping Zi No. 0000018006] and trademark of "Pien Tze Huang Pill of Eight Treasures" No. 11683929 [(2017) Shang Ping Zi No. 0000018011], and the registration of the two trademarks of Pien Tze Huang was rejected. On 18 April 2017, Pien Tze Huang filed an administrative lawsuit to Beijing Intellectual Property Court, asking for the cancellation of the review decision of non-registration, and Xiamen Traditional Chinese Medicine took part in the litigation as the third party of the case. On 25 October 2017, Beijing Intellectual Property Court conducted the first trial against this case, and Xiamen Traditional Chinese Medicine attended in the trial as the third party. On 28 February 2018, Beijing Intellectual Property Court rejected the claim made by plaintiff, namely Pien Tze Huang, at first instance. On 11 April 2018, Xiamen Traditional Chinese Medicine received motion of appeal submitted by Pien Tze Huang in respect of aforesaid judgment of the first instance, which was sent by Beijing Higher People's Court. On 30 July 2018, Beijing Higher People's Court rejected the claim by Pien Tze Huang at second instance and sustained the original judgment. On 15 March 2019, Xiamen Traditional Chinese Medicine received the "Notice of Appearance" sent by the Supreme People's Court and "Administrative Petition for Retrial" (行政再審申請書) for both trademark administrative cases of Pien Tze Huang above. On 29 March

2019, Xiamen Traditional Chinese Medicine submitted relevant materials including the answer brief to the Supreme People's Court. On 25 April 2019, the Supreme People's Court ruled on the above two trademark administrative cases and denied the application of Pien Tze Huang for retrial.

- (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 to as "Huichun Medicine Railway Station Pharmacy"), Fuzhou Huichun Medicine Chain Co., Ltd. (referred to as "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 arising from its false propaganda; to issue an order to Huichun Medicine Railway Station Pharmacy and Huichun Medicine to jointly compensate Xiamen Traditional Chinese Medicine an economic loss of RMB3,000; and to issue an order to the three defendants to jointly assume all the legal costs to the case. Fuzhou Intermediate Court accepted the case with case (2015) Rong Min Chu Zi No.1518 on that day. 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 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 Higher Court. On 7 December 2015, Fujian Higher Court issued Civil Judgment (2015) Min Min Zhong Zi No. 2095 to revoke Fuzhou Intermediate Court's 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. The details are as follows:

- 1) The part heard 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; on 14 October 2016, Fuzhou Intermediate Court issued Civil Judgment (2015) Rong Min Chu Zi No. 1518 and rejected the claim of Xiamen Traditional Chinese Medicine. Xiamen Traditional Chinese Medicine filed an appeal afterwards during the appeal period. On 1 March 2017, Fujian Higher Court issued Civil Judgment (2017) Min Min Zhong Zi No. 37 to revoke Fuzhou Intermediate Court's Civil Judgment (2015) Rong Min Chu Zi No. 1518 and instructed that the litigation involving Huichun Medicine and Huichun Medicine Railway Station Pharmacy be under trial by Fuzhou Intermediate Court. On 15 November 2017, Xiamen Traditional Chinese Medicine submitted an application for withdrawing the claim to Fuzhou Intermediate Court, and approved by Fuzhou Intermediate Court on 17 January 2018.
- 2) The part heard by Zhangzhou Intermediate Court
The evidence exchange was held by Zhangzhou Intermediate Court on 18 September 2016 and heard on 13 October 2016. Zhangzhou Intermediate Court issued a civil judgment on the preservation of evidence related to the case on the same day. On 23 May 2017, Zhangzhou Intermediate Court rejected the claim made by Xiamen Traditional Chinese Medicine at first instance. After receiving the judgement, on 20 June 2017, Xiamen Traditional Chinese Medicine filed an appeal to Fujian Higher Court during the appeal period. On 20 September 2017, the case has been formally accepted by Fujian Higher Court. On 30 October 2017, Fujian Higher Court conducted the first trial of the second instance of this case.

Chapter 6 Changes in Ordinary Shares and Information about Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in Shares

1. *Table of changes in Shares*

During the Reporting Period, there was no change in the Company's total number of Shares and equity structure.

2. *Explanation of changes in Shares*

Applicable Not Applicable

3. *Impacts (if any) of changes in Shares occurred during the period from the end of the Reporting Period to disclosure date of the interim report on financial indicators such as earnings per share and net asset per share*

Applicable Not Applicable

4. *Other information that the Company deems necessary or the securities regulators require disclosing*

Applicable Not Applicable

(II) Changes in trade-restricted shares

Applicable Not Applicable

Chapter 6 Changes in Ordinary Shares and Information about Shareholders

II. INFORMATION ABOUT SHAREHOLDERS

(I) Number of shareholders:

The total number of ordinary shareholders as at the end of the Reporting Period 89,073

Note: Among the 89,073 shareholders as at the end of the Reporting Period, 87,070 were A share holders and 2,003 were H share holders.

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

Unit: Share

| 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 Status | Number | Nature of shareholders |
| HKSCC NOMINEES LIMITED ^{Note 1} | 14,200 | 883,266,824 | 31.078 | 0 | Unknown | Unknown | Foreign shareholder |
| Shanghai Pharmaceutical (Group) | 0 | 716,516,039 | 25.211 | 0 | Nil | Nil | State-owned legal person |
| SIIC and its wholly- owned subsidiaries and Shanghai Shangshi | 0 | 238,586,198 | 8.395 | 0 | Unknown | Unknown | State-owned legal person and foreign shareholders |
| China Securities Finance Corporation Limited | 0 | 85,333,703 | 3.002 | 0 | Nil | Nil | Unknown |
| Shanghai Guosheng and Shanghai Shengrui | 0 | 43,100,900 | 1.517 | 0 | Unknown | Unknown | State-owned legal person |
| NSSF 604 Combination | 174,000 | 27,056,906 | 0.952 | 0 | Nil | Nil | Unknown |
| NSSF 103 Combination | 7,999,923 | 24,999,694 | 0.880 | 0 | Nil | Nil | Unknown |
| Central Huijin Investment Ltd. | 0 | 24,891,300 | 0.876 | 0 | Nil | Nil | Unknown |
| Shenergy (Group) Co., Ltd. | 0 | 23,199,520 | 0.816 | 0 | Nil | Nil | State-owned legal person |
| Hong Kong Securities Clearing Company Limited ^{Note 2} | -15,439,888 | 20,008,249 | 0.704 | 0 | Unknown | Unknown | Foreign shareholder |

Chapter 6 Changes in Ordinary Shares and Information about Shareholders

| Shareholdings of top ten shareholders without trade restrictions | | | |
|---|---|--------------------------------|-------------|
| Name of shareholder | Number of Shares without trade restrictions | Class and number of Shares | |
| | | Class | Number |
| HKSCC NOMINEES LIMITED | 883,266,824 | Overseas listed foreign shares | 883,266,824 |
| 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 |
| China Securities Finance Corporation Limited | 85,333,703 | RMB ordinary shares | 85,333,703 |
| Shanghai Guosheng and Shanghai Shengrui | 43,100,900 | RMB ordinary shares | 24,585,800 |
| | | Overseas listed foreign shares | 18,515,100 |
| NSSF 604 Combination | 27,056,906 | RMB ordinary shares | 27,056,906 |
| NSSF 103 Combination | 24,999,694 | RMB ordinary shares | 24,999,694 |
| Central Huijin Investment Ltd. | 24,891,300 | RMB ordinary shares | 24,891,300 |
| Shenergy (Group) Co., Ltd. | 23,199,520 | RMB ordinary shares | 23,199,520 |
| Hong Kong Securities Clearing Company Limited | 20,008,249 | RMB ordinary shares | 20,008,249 |
| 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 | / | | |

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 and Shanghai Shangshi and 18,515,100 H Shares held by Shanghai Guosheng and Shanghai Shengrui through Southbound Trading. 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;

Chapter 6 Changes in Ordinary Shares and Information about Shareholders

Note 2: Hong Kong Securities Clearing Company Limited is the nominee holder of the RMB ordinary shares under Shanghai-Hong Kong Stock Connect.

Number of and the trade restrictions on the Shares held by the top 10 Shareholders holding trade-restricted Shares

Applicable Not Applicable

Unit: Share

| The listing and trading of trade-restricted Shares | | | | | |
|---|--|--|---|--|--|
| No. | Name of shareholders holding trade-restricted Shares | Number of trade-restricted Shares | Time available for listing and trading | Number of additional Shares available for listing and trading | Trade restrictions |
| 1 | Hainan Zhong Wang Investment and Management Company Limited | 81,600 | To be confirmed | 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 shareholders | / | | | |

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

Applicable Not Applicable

III. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

Applicable Not Applicable

Chapter 6 Changes in Ordinary Shares and Information about Shareholders

IV. DISCLOSED PURSUANT TO THE REQUIREMENTS OF THE SFO AND THE HONG KONG LISTING RULES

(I) Interests and short positions of Directors, Supervisors, Chief Executive, substantial shareholders and other persons in the shares and underlying shares

As at 30 June 2019, 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. Interests and short positions of Directors and Chief Executive are set out "Chapter 8 Directors, Supervisors and Senior Management" below.

| 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 issued H Shares/A Shares (%) | Percentage in total share capital of the Company as at the end of the Reporting Period (%) |
|---|-----------------------|--|------------------|---|--|
| SIIC group ^{Note 1 (1)} | A Shares/ H Shares | Interests of controlled corporation | 955,102,237(L) | 48.820 (A shares)/ 1.772 (H shares) | 33.606 |
| Shanghai Shangshi group ^{Note 1 (2)} | A Shares | Beneficial owner/ Interests of controlled corporation | 938,317,837(L) | 48.794 | 33.015 |
| Shanghai Pharmaceutical (Group) | A Shares | Beneficial owner | 716,516,039(L) | 37.260 | 25.211 |
| National Council for Social Security Fund | H Shares | Beneficial owner | 66,911,420(L) | 7.280 | 2.354 |
| BlackRock, Inc. | H Shares | Interests of controlled corporation | 63,591,198(L) | 6.919 | 2.237 |
| Citigroup Inc. | H Shares | Person having a security interest in shares/Interests of controlled corporation/ approved lending agent | 54,284,127(L) | 5.906 | 1.910 |
| | | | 4,638,796(S) | 0.505 | 0.163 |
| | | | 47,891,712(P) | 5.211 | 1.685 |
| Morgan Stanley | H Shares | Interests of controlled corporation | 47,099,020(L) | 5.125 | 1.657 |
| | | | 18,827,739(S) | 2.049 | 0.662 |
| | | | 0(P) | 0.00 | 0.00 |
| LSV ASSET MANAGEMENT | H Shares | Investment manager/ Other | 46,026,070(L) | 5.008 | 1.619 |

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

Chapter 6 Changes in Ordinary Shares and Information about Shareholders

- Note 1:
- (1) SIIC is a wholly-owned subsidiary of Shanghai SASAC. SIIC group refers to SIIC and its wholly-owned subsidiaries. According to the Decision on Authorising Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate the State-owned Assets of Shanghai Overseas Companies, its Major Overseas Group Companies and Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] No.6) issued by the Shanghai SASAC in 1998, SIIC was authorised to be the de facto controller of Shanghai Shangshi and is therefore deemed to hold Shares of the Company through Shanghai Shangshi. As at the end of the Reporting Period, SIIC group held 955,102,237 Shares of the Company in total (including A Shares and H Shares), of which 500,000 A Shares and 16,284,400 H Shares were directly held by SIIC group, and 938,317,837 A Shares were indirectly held by SIIC through Shanghai Shangshi group.
 - (2) Shanghai Shangshi is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shangshi Group refers to Shanghai Shangshi and its wholly-owned subsidiaries. Shanghai Shangshi holds 60% equity interests in Shanghai Pharmaceutical (Group) and is therefore deemed to hold shares of the Company through Shanghai Pharmaceutical (Group). As at the end of the Reporting Period, out of the 938,317,837 A shares held by Shanghai Shangshi Group in the Company, 221,801,798 A shares were directly held by Shanghai Shangshi Group, while 716,516,039 A shares were indirectly held by Shanghai Shangshi through Shanghai Pharmaceutical (Group).
 - (3) As of the date of this announcement, SIIC has increased its holding of the Company by 1 million H shares through its wholly-owned subsidiary SIIC International Investment Company, and plans to increase its holding within 12 months from 15 August 2019 by not more than 2% of the total issued share capital of the Company at the time (see the Company's announcements Lin No. 2019-059 and Lin No. 2019-060).
- Note 2:
- (1) Figures disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
 - (2) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain conditions are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Hong Kong Stock Exchange unless certain conditions have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
 - (3) Save as disclosed above, as at the end of the Reporting Period, 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.

(II) PURCHASE, SALES AND REDEMPTION OF SHARES

During the Reporting Period, none of the Company or its subsidiaries purchased, sold or redeemed any listed Shares of Shanghai Pharmaceuticals.

Chapter 7 Information Related to Preference Shares

Applicable Not Applicable

Chapter 8 Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDINGS

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

Applicable Not Applicable

(II) Equity incentives granted 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

The term of office of the sixth session of directors, supervisors and senior management of the Company has expired. The election of the seventh session of directors, supervisors and senior management is as follows:

| Name | Position held | Change |
|---------------------|--|-------------|
| Zhou Jun | Chairman, non-executive director | Election |
| Ge Dawei | Vice chairman, non-executive director | Election |
| Cho Man | Executive director | Election |
| Li Yongzhong | Executive director | Election |
| Shen Bo | Executive director | Election |
| Li An | Non-executive director | Election |
| Cai Jiangnan | Independent non-executive director | Election |
| Hong Liang | Independent non-executive director | Election |
| Gu Zhaoyang | Independent non-executive director | Election |
| Manson Fok | Independent non-executive director | Election |
| Xu Youli | Chief supervisor, supervisor | Election |
| Huan Jianchun | Employee supervisor | Election |
| Xin Keng | Supervisor | Election |
| Cho Man | President | Engagement |
| Zhao Yong | Vice president | Engagement |
| Li Yongzhong | Vice president | Engagement |
| Shen Bo | Vice president, chief financial officer | Engagement |
| Mao Jianyi | Vice president | Engagement |
| Gu Haoliang | Vice president | Engagement |
| Liu Dawei | Vice president | Engagement |
| Zhang Yaohua | Vice president | Engagement |
| Chen Jinzhu | Secretary of the board of directors, joint company secretary | Engagement |
| Wan Kam To | Independent non-executive director | Resignation |
| Tse Cho Che, Edward | Independent non-executive director | Resignation |
| Chen Xin | Employee supervisor | Resignation |
| Liu Yanjun | Vice president | Resignation |

Chapter 8 Directors, Supervisors and Senior Management

Information on changes in Directors, Supervisors and Senior Management of the Company

Applicable Not Applicable

- Biographies of newly appointed Directors, Supervisors and senior management are as follows:

Ge Dawei, vice chairman, non-executive Director

Born in January 1963, is a member of the Communist Party of China, and holds a doctor's degree in Economics. He currently serves as the vice chairman of Shanghai Industrial Investment (Holdings) Co. Ltd. He previously served as the secretary-general of the Party Committee of the Shanghai State-owned Assets Supervision and Administration Commission, the deputy director of the Shanghai Municipal Financial Regulatory Bureau, the deputy secretary to the Party Committee of Shanghai Municipal Finance Bureau, deputy secretary of the Party Committee and deputy director of the Shanghai Municipal Human Resources and Social Security Bureau, the deputy director of the Shanghai Municipal Development and Reform Commission, etc.

Gu Zhaoyang, independent non-executive Director

Born in February 1966, holds a B.A. degree in English from Tsinghua University, a M.A. degree in Management from Renmin University of China, and a M.A. degree in Economics and Ph.D. degree in Accounting from Tulane University, U.S.A. He is a CPA (non-practicing) in the U.S.A. He is currently a Professor of Accountancy, an Outstanding Fellow of the Faculty of Business Administration, and the Dean of School of Accountancy at the Chinese University of Hong Kong (CUHK). Previously he was an Assistant and Associate Professor at Carnegie Mellon University, and an Associate Professor and Honeywell Professor in Accounting at the Carlson School of Management, University of Minnesota, where he was also the person in charge of the Accounting Ph.D. program. Dr. GU Zhaoyang has taught financial accounting, managerial accounting, financial statement analysis and capital market accounting research at the undergraduate, MBA, EMBA and Ph.D. levels, and has published several research papers and served as a referee at a number of top academic journals.

Manson Fok, independent non-executive Director

Born in 1968, is a Bachelor of Medicine and Bachelor of Surgery, a Fellow of the Royal College of Surgeons of Edinburgh, United Kingdom, a Fellow of the Hong Kong College of Surgeons, and a Fellow of the Hong Kong Academy of Medicine (Surgery). Mr. Manson Fok has been committed to the study of esophagus and upper gastrointestinal diseases and vascular diseases for many years, actively promoting the development of minimally invasive surgery, and has published many articles on international medicine and written chapters of over 10 professional books. Currently, he serves as the Dean of Faculty of Medicine of the Macau University of Science and Technology (MUST), the Dean and the chairman of the board of directors of the MUST Hospital. He also holds key positions in various foundations, professional committees and medical associations, and is a visiting professor at many well-known institutions in China. He previously served as the vice chairman of the Endoscopy Skills Evaluation Committee of the Ministry of Health of China, the executive deputy director and the head of the Surgical Department of the Kiang Wu Hospital of Macau, a doctor of the Hong Kong Tung Wah Hospital and a senior lecturer of the Queen Mary Hospital of Hong Kong, etc.

Chapter 8 Directors, Supervisors and Senior Management

Huan Jianchun, employee supervisor

Born in February 1962, is a member of the Communist Party of China, and holds a university degree. He currently serves as a member of the Party Committee and secretary of the Disciplinary Committee of Shanghai Pharmaceutical (Group) Co., Ltd., member of the Party Committee and secretary of the Disciplinary Committee of Shanghai Pharmaceuticals Holding Co., Ltd. He previously served as the deputy secretary of the Youth League Committee of Shanghai Changning District, deputy director of the Overseas Chinese Affairs Office and the Religious and Ethnic Affairs Office of Shanghai Changning District, assistant general manager of the Administrative Office, deputy general manager of Human Resources Department, and deputy director of the Supervision Office of Shanghai Industrial Investment (Holdings) Co., Ltd., etc.

Zhao Yong, vice president

Born in June 1972, holds a Master of Laws degree from the International Politics Department of Fudan University, and is a graduate of Advanced Business Administration from Cheung Kong Graduate School of Business. He currently serves as the deputy secretary of the Party Committee of Shanghai Pharmaceuticals Holding Co., Ltd. and the president of Shanghai Medicine University. He previously served as the vice president of Shanghai Labway Clinical Laboratory Co., Ltd, vice president of Shanghai Labway Investment Co.,Ltd., deputy director of Shanghai Municipal Health and Family Planning Commission, deputy director and secretary of the Disciplinary Committee of Shanghai Municipal Population and Family Planning Commission, director of Informationization Committee of Shanghai Changning District, deputy secretary of the Party Work Committee and director of the Office of Xianxia Xincun Street of Shanghai Changning District.

Chen Jinzhu, secretary of the board of directors, joint company secretary

Born in March 1985, holds a bachelor's degree in economics and management from the University of Oxford and a Ph.D. degree in economics from Harvard University. She is an economist and Chartered Financial Analyst (CFA), and holds a number of professional qualifications in the fields of finance and investment. She previously served as an assistant investment consultant at the Beijing Branch of the Private Banking Division, assistant general manager and then deputy general manager of the Gongyi Sub-Branch, and the general manager of the Business Center Sub-Branch of Henan Branch, of Industrial and Commercial Bank of China Limited; director of international business of China Minsheng Investment Co., Ltd.; deputy general manager of the International Business Center and regional head of the Hong Kong Office of Anbang Insurance Group Co., Ltd., etc.

Chapter 8 Directors, Supervisors and Senior Management

III. DISCLOSURES REQUIRED BY THE HONG KONG LISTING RULES

Applicable Not Applicable

(I) Interests and short positions of directors and supervisors in Shares

As at the end of the Reporting Period, Mr. Cho Man, executive director and president, held 20,009 A Shares of the Company; Mr. Shen Bo, executive director, vice president and chief financial officer, held 71,700 A Shares of the Company. Mr. Huan Jianchun, employee supervisor, held 3,000 H Shares of the Company.

(II) Changes in the directors' and supervisors' biographies

Hong Liang, independent non-executive director: Since May 2019, he has been serving as the director of Shanghai Zhihe Law Firm (上海至合律師事務所). Since July 2017, he has been serving as an independent director of Shanghai Weaver Software Co., Ltd. (上海泛微網絡科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code 603039). Since June 2019, he has been serving as an independent director of Shanghai Meilin Aquarius Co., Ltd. (上海梅林正廣和股份有限公司), a company listed on the Shanghai Stock Exchange (stock code 600073).

(III) Audit Committee

The Audit Committee under the board of directors of the Company has reviewed the Company's 2019 interim report and agreed with the accounting treatment adopted by the Company.

(IV) Compliance with the Corporate Governance Code

During the Reporting Period, the Company strictly complied with the provisions of the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules.

(V) Compliance with the Model Code

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

Chapter 9 Relevant Information of the Corporate Bonds

Applicable Not Applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB'000

| Name of Bond | Abbreviation | Code | Date of issue | Due date | Balances of the bonds | Interest rate (%) | Repayment of principal and interest | Trading place |
|--|--------------|-----------|-----------------|-----------------|-----------------------|-------------------|--|-------------------------|
| Shanghai Pharmaceuticals Holding Co., Ltd. Public Issuance of 2018 Corporate Bonds (first tranche) | 18 SPH 01 | 155006.SH | 7 November 2018 | 7 November 2021 | 300,000.00 | 4.10 | Interest paid annually, with the last installment of interest paid together with the principal | Shanghai Stock Exchange |

Information of payment of interest of Corporate Bonds

Applicable Not Applicable

"18 SPH 01" are issued to eligible investors. The value date of the corporate bonds of this tranche is 7 November 2018, and the next date of the payment of interest is 7 November 2019.

Other information of Corporate Bonds

Applicable Not Applicable

II. CONTACT PERSON OF CUSTODIAN OF THE CORPORATE BONDS AND ITS CONTACT METHODS AND THE CONTACT METHODS 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 | Zhao Liujun (趙留軍), Wang Zhuting (王竹婷), Zhang Qiao (張喬) |
| | Contact Number | 010-6653 8666 |
| Credit Rating Agency | Name | Zhong Cheng Xin Credit Rating Co., Ltd. (中誠信證券評估有限公司) |
| | Office Address | 24/F, Anji Building, No. 760 Tibet South Road, Huangpu District, Shanghai |

Chapter 9 Relevant Information of the Corporate Bonds

III. USE OF PROCEEDS FROM THE CORPORATE BONDS

Applicable Not Applicable

The amount of the bonds of “18 SPH 01” of public offering was RMB3 billion. After deducting issuing expenses of RMB3 million, the net proceeds was RMB2.997 billion, which has been utilized in accordance with the use of proceeds as set out in the prospectus.

IV. INFORMATION OF THE CREDIT RATING OF THE CORPORATE BONDS

Applicable Not Applicable

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 (subject to the date specified in the rating report), ZCX Rating will continue to pay attention to factors such as changes of external operating environment, changes of operational 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 29 May 2019, 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 any major events occur 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 refuses to provide relevant information, ZCX Rating will conduct analysis based on the relevant conditions, whereupon confirm or adjust the subject, credit level of the bond, 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

Applicable Not Applicable

During the Reporting Period, the corporate bonds has no credit increasing mechanism.

There is no material change on the repayment plan and other relevant information of “18 SPH 01”.

VI. MEETINGS OF HOLDERS OF CORPORATE BONDS

Applicable Not Applicable

During the Reporting Period, no meeting of holders of corporate bonds was convened.

VII. PERFORMANCE OF THE CUSTODIAN OF THE CORPORATE BONDS

Applicable Not Applicable

The custodian of the bonds of "18 SPH 01" is Credit Suisse Founder Securities Limited. During the Reporting Period, Credit Suisse Founder Securities Limited strictly follows the 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 21 June 2019, it issued the "Custody Report of Shanghai Pharmaceuticals Holding Co., Ltd. of 2018 Corporate Bonds", and disclosed on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn/>) on 25 June 2019.

VIII. ACCOUNTING DATA AND FINANCIAL INDICATOR AS OF THE END OF REPORTING PERIOD AND THE END OF PREVIOUS YEAR (OR THE REPORTING PERIOD AND SAME PERIOD OF PREVIOUS YEAR)

Applicable Not Applicable

| Major indicator | As at the end of the Reporting Period | As at the end of last year | Increase or decrease in the Reporting Period over the end of last year (%) |
|---------------------------|---------------------------------------|----------------------------|--|
| Current ratio | 1.32 | 1.36 | -2.50 |
| Quick ratio | 0.98 | 0.98 | / |
| Asset-liability ratio (%) | 64.28 | 63.40 | +0.88 percentage point |
| Loan repayment ratio (%) | 100 | 100 | / |

| | Reporting Period (January to June) | Corresponding period of last year | Increase or decrease in the Reporting Period over the same period of last year (%) |
|--------------------------------|------------------------------------|-----------------------------------|--|
| EBITDA interest coverage ratio | 6.36 | 6.92 | -8.03 |
| Interest repayment ratio (%) | 100 | 100 | / |

Chapter 9 Relevant Information of the Corporate Bonds

IX. EXPLANATION ON OVERDUE DEBTS

Applicable Not Applicable

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

Applicable Not Applicable

XI. INFORMATION OF BANKING FACILITIES, USE AND REPAYMENT OF BANK LOANS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not Applicable

The Company keeps good credit records with major banks 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 at 30 June 2019, the total amount of the Group's credit line from bank, on a consolidated basis, was RMB88.804 billion, of which RMB33.737 billion was used. The Company may carry out financing activities within the Group's facilities limit to support the business development. The Company repaid the principal of its bank loans on time.

XII. PERFORMANCE OF OBLIGATIONS OR COMMITMENT OF BOND PROSPECTUS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not Applicable

During the Reporting Period, the Company strictly implemented the obligations and commitment of bond prospectus of the Company, utilized the proceeds in compliance with regulations, paid the interest of corporate bonds on time and did not harm the interests of bond investors.

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

Applicable Not Applicable

Chapter 10 Financial Report

I. AUDIT REPORT

Applicable Not Applicable

II. FINANCIAL STATEMENTS

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

Chapter 11 Catalogue of Documents Available for Inspection

| | |
|---|---|
| Catalogue of Documents Available for Inspection | The financial statements signed and sealed by the legal representative, the principal in charge of accounting and head of accounting department |
| | The original documents of the Company and the original draft announcements disclosed in the designated newspapers of CSRC during the Reporting Period |

Chairman: Zhou Jun

Submission date approved by the Board of Directors: 29 August 2019

Interim Condensed Consolidated Balance Sheet

| | Note | Unaudited 30 June 2019 RMB'000 | Audited 31 December 2018 RMB'000 |
|---|------|--------------------------------------|--|
| Assets | | | |
| Non-current assets | | | |
| Land use rights | 7 | — | 1,494,579 |
| Investment properties | 7 | 234,745 | 240,598 |
| Property, plant and equipment | 7 | 11,433,608 | 11,007,626 |
| Intangible assets | 7 | 14,269,926 | 14,199,103 |
| Right-of-use assets | 3 | 2,839,633 | — |
| Investments in jointly controlled entities | 8 | 806,308 | 725,361 |
| Investments in associates | 9 | 4,055,261 | 3,641,244 |
| Deferred income tax assets | 14 | 1,174,657 | 1,037,925 |
| Financial assets at fair value through other comprehensive income | | 183,951 | 162,312 |
| Financial asset at fair value through profit or loss | | 319,494 | 119,649 |
| Other non-current prepayments | | 491,673 | 657,079 |
| Other long-term receivables | | 178,166 | 315,975 |
| | | 35,987,422 | 33,601,451 |
| Current assets | | | |
| Inventories | | 23,877,795 | 25,024,010 |
| Trade and other receivables and other current asset | 10 | 53,450,558 | 48,014,842 |
| Derivative financial instruments | | 2,893 | 5,190 |
| Financial assets at fair value through other comprehensive income | | 1,820,788 | 1,532,866 |
| Restricted cash | | 3,383,157 | 2,089,114 |
| Cash and cash equivalents | | 15,391,563 | 16,605,555 |
| | | 97,926,754 | 93,271,577 |
| Assets classified as held for sale | | — | 6,304 |
| | | 97,926,754 | 93,277,881 |
| Total assets | | 133,914,176 | 126,879,332 |

Interim Condensed Consolidated Balance Sheet

| | Note | Unaudited 30 June 2019 RMB'000 | Audited 31 December 2018 RMB'000 |
|--|------|--------------------------------------|--|
| Equity attributable to owners of the company | | | |
| Share capital | 11 | 2,842,089 | 2,842,089 |
| Share premium | | 16,404,566 | 16,405,945 |
| Other reserves | | 448,076 | 434,897 |
| Retained earnings | | 20,390,748 | 19,330,644 |
| | | 40,085,479 | 39,013,575 |
| Non-controlling interests | | | |
| | | 7,752,513 | 7,419,696 |
| Total equity | | | |
| | | 47,837,992 | 46,433,271 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 13 | 9,134,825 | 9,620,298 |
| Lease liabilities | | 1,009,329 | — |
| Provisions | | 93,361 | 93,361 |
| Deferred income tax liabilities | 14 | 834,388 | 866,912 |
| Termination benefit obligations | | 49,353 | 51,947 |
| Other non-current liabilities | | 546,899 | 632,105 |
| Other long-term payables | | 425,864 | 471,674 |
| | | 12,094,019 | 11,736,297 |
| Current liabilities | | | |
| Trade and other payables and other current liabilities | 12 | 50,262,624 | 44,587,915 |
| Contract Liabilities | | 1,162,745 | 1,357,137 |
| Lease liabilities | | 465,353 | — |
| Derivative financial instruments | | 487 | 458 |
| Current income tax liabilities | | 529,377 | 732,893 |
| Borrowings | 13 | 21,561,579 | 22,031,361 |
| | | 73,982,165 | 68,709,764 |
| Total liabilities | | | |
| | | 86,076,184 | 80,446,061 |
| Total equity and liabilities | | | |
| | | 133,914,176 | 126,879,332 |

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Income Statement

| | Note | Unaudited | |
|---|------|--------------------------|--------------|
| | | Six months ended 30 June | |
| | | 2019 | 2018 |
| | | RMB'000 | RMB'000 |
| Revenue | 6 | 92,575,234 | 75,878,693 |
| Cost of sales | | (79,626,189) | (65,217,944) |
| Gross profit | | 12,949,045 | 10,660,749 |
| Distribution and selling expenses | | (6,430,188) | (5,217,803) |
| General and administrative expenses | | (2,922,215) | (2,348,531) |
| Net impairment (losses)/gains on financial assets | | (219,733) | 504 |
| Other income | | 229,243 | 135,209 |
| Other losses – net | 16 | (10,131) | (27,844) |
| (Losses)/Gains on disposal of subsidiaries and an associate | 17 | (2,236) | 86,321 |
| Operating profit | 15 | 3,593,785 | 3,288,605 |
| Finance income | | 122,052 | 96,109 |
| Finance expenses | | (805,554) | (632,704) |
| Share of profit of jointly controlled entities | 8 | 155,999 | 142,697 |
| Share of profit of associates | 9 | 375,710 | 210,229 |
| Profit before income tax | | 3,441,992 | 3,104,936 |
| Income tax expense | 18 | (691,368) | (649,784) |
| Profit for the period | | 2,750,624 | 2,455,152 |
| Profit attributable to: | | | |
| Owners of the Company | | 2,286,361 | 2,033,306 |
| Non-controlling interests | | 464,263 | 421,846 |
| | | 2,750,624 | 2,455,152 |
| Earnings per share attributable to owners of the Company during the period (expressed in RMB per share) | | | |
| – Basic and diluted | 19 | 0.80 | 0.72 |

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Comprehensive Income

| | Note | Unaudited | |
|--|------|--------------------------|-----------|
| | | Six months ended 30 June | |
| | | 2019 | 2018 |
| | | RMB'000 | RMB'000 |
| Profit for the period | | 2,750,624 | 2,455,152 |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Loss allowance of debt investments at FVOCI | | | |
| – Gross | | 720 | 1,655 |
| – Tax | 14 | (180) | (414) |
| Share of other comprehensive income of investments in associates | | 1 | 43 |
| Currency translation differences, net | | (26,294) | (239,852) |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | | | |
| – Gross | | 21,638 | (7,673) |
| – Tax | | – | – |
| Other comprehensive loss for the period, net of tax | | (4,115) | (246,241) |
| Total comprehensive income for the period | | 2,746,509 | 2,208,911 |
| Attributable to: | | | |
| – Owners of the Company | | 2,299,591 | 1,822,118 |
| – Non-controlling interests | | 446,918 | 386,793 |
| Total comprehensive income for the period | | 2,746,509 | 2,208,911 |

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Interim Condensed Consolidated Statement of Changes in Equity

| | Unaudited Attributable to owners of the Company | | | | | | Non- controlling interests RMB'000 | Total equity RMB'000 |
|---|--|-----------------------------|-----------------------------|------------------------------|---------------------------------|------------------|---|----------------------------|
| | Note | Share capital RMB'000 | Share premium RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | | |
| Balance at 31 December 2017 as originally presented | | 2,688,910 | 14,068,206 | 695,440 | 16,578,287 | 34,030,843 | 5,645,005 | 39,675,848 |
| Change in accounting policy | | - | - | 96 | 126,776 | 126,872 | 5,059 | 131,931 |
| Balance at 1 January 2018 | | 2,688,910 | 14,068,206 | 695,536 | 16,705,063 | 34,157,715 | 5,650,064 | 39,807,779 |
| Comprehensive income | | | | | | | | |
| Profit for the period | | - | - | - | 2,033,306 | 2,033,306 | 421,846 | 2,455,152 |
| Other comprehensive loss | | | | | | | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | | - | - | (7,673) | - | (7,673) | - | (7,673) |
| Currency translation differences, net | | - | - | (204,799) | - | (204,799) | (35,053) | (239,852) |
| Share of other comprehensive income of associates | | - | - | 43 | - | 43 | - | 43 |
| Loss allowance of debt investments at FVOCI | | - | - | 1,241 | - | 1,241 | - | 1,241 |
| Total other comprehensive loss | | - | - | (211,188) | - | (211,188) | (35,053) | (246,241) |
| Total comprehensive income | | - | - | (211,188) | 2,033,306 | 1,822,118 | 386,793 | 2,208,911 |
| Transactions with owners | | | | | | | | |
| Issuance of new H shares | | 153,179 | 2,376,125 | - | - | 2,529,304 | - | 2,529,304 |
| Capital injections from non- controlling interests | | - | 540 | - | - | 540 | 4,080 | 4,620 |
| Acquisitions of subsidiaries | | - | - | - | - | - | 807,203 | 807,203 |
| Transaction with non- controlling interests | | - | (16,619) | - | - | (16,619) | 2,113 | (14,506) |
| Dividends | | - | - | - | (1,079,994) | (1,079,994) | (157,808) | (1,237,802) |
| Others | | - | - | - | (722) | (722) | (1,089) | (1,811) |
| Total transaction with owners | | 153,179 | 2,360,046 | - | (1,080,716) | 1,432,509 | 654,499 | 2,087,008 |
| Balance at 30 June 2018 | | 2,842,089 | 16,428,252 | 484,348 | 17,657,653 | 37,412,342 | 6,691,356 | 44,103,698 |

Interim Condensed Consolidated Statement of Changes in Equity

| Note | Unaudited Attributable to owners of the Company | | | | | Non- controlling interests RMB'000 | Total equity RMB'000 |
|--|--|-----------------------------|------------------------------|---------------------------------|------------------|---|----------------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | | |
| Balance at 31 December 2018 as originally presented | 2,842,089 | 16,405,945 | 434,897 | 19,330,644 | 39,013,575 | 7,419,696 | 46,433,271 |
| Change in accounting policy | - | - | (51) | (61,000) | (61,051) | (12,716) | (73,767) |
| Balance at 1 January 2019 | 2,842,089 | 16,405,945 | 434,846 | 19,269,644 | 38,952,524 | 7,406,980 | 46,359,504 |
| Comprehensive income | | | | | | | |
| Profit for the period | - | - | - | 2,286,361 | 2,286,361 | 464,263 | 2,750,624 |
| Other comprehensive income | | | | | | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income | - | - | 21,638 | - | 21,638 | - | 21,638 |
| Currency translation differences, net | - | - | (8,949) | - | (8,949) | (17,345) | (26,294) |
| Share of other comprehensive income of associates | - | - | 1 | - | 1 | - | 1 |
| Loss allowance of debt investments at FVOCI | - | - | 540 | - | 540 | - | 540 |
| Total other comprehensive loss | - | - | 13,230 | - | 13,230 | (17,345) | (4,115) |
| Total comprehensive income | - | - | 13,230 | 2,286,361 | 2,299,591 | 446,918 | 2,746,509 |
| Transactions with owners | | | | | | | |
| Capital injections from non-controlling interests | - | - | - | - | - | 20,797 | 20,797 |
| Acquisitions of subsidiaries | - | - | - | - | - | 82,043 | 82,043 |
| Transaction with non-controlling interests | - | (1,379) | - | - | (1,379) | (37,894) | (39,273) |
| Dividends | - | - | - | (1,165,257) | (1,165,257) | (170,568) | (1,335,825) |
| Others | - | - | - | - | - | 4,237 | 4,237 |
| Total transaction with owners | - | (1,379) | - | (1,165,257) | (1,166,636) | (101,385) | (1,268,021) |
| Balance at 30 June 2019 | 2,842,089 | 16,404,566 | 448,076 | 20,390,748 | 40,085,479 | 7,752,513 | 47,837,992 |

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|-------------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| Cash flows from operating activities | | |
| Cash generated from operations | 2,912,863 | 1,937,816 |
| Interest paid | (732,844) | (677,532) |
| Income tax paid | (1,012,043) | (955,078) |
| Net cash generated from operating activities | 1,167,976 | 305,206 |
| Cash flows from investing activities | | |
| Cash paid in respect of acquisition of subsidiaries, an jointly controlled entity and an associate | (635,514) | (4,243,794) |
| Purchases of treasury bills | (900,500) | (702,109) |
| Proceeds from redemption of treasury bills | 905,385 | 703,386 |
| Purchases of property, plant and equipment ("PP&E") | (829,045) | (849,535) |
| Purchases of financial assets at fair value through profit and loss | (139,417) | – |
| Payment as restricted cash | (160,000) | – |
| Proceeds from disposal of PP&E and investment properties | 12,086 | 6,750 |
| Proceeds from disposal of land use rights and intangible assets | 32,039 | 1,575 |
| Purchases of land use rights and intangible assets | (50,672) | (63,230) |
| Interest received | 124,447 | 97,779 |
| Dividends received | 104,928 | 210,975 |
| Proceeds from disposal of financial asset at fair value through profit or loss | – | 362 |
| Proceeds from disposal of an associate | 3,159 | 72,026 |
| Other cash flows used in investing activities | (53,867) | (353,021) |
| Net cash used in investing activities | (1,586,971) | (5,118,836) |
| Cash flows from financing activities | | |
| Cash injection from non-controlling interests | 8,150 | 4,620 |
| Issuance of H share | – | 2,529,304 |
| Acquisition of non-controlling interests | (40,316) | (67,251) |
| Principal elements of lease payments (2018: Principal elements of finance lease payments) | (264,915) | (1,989) |
| Proceeds from borrowings | 21,916,087 | 26,677,411 |
| Repayments of borrowings | (22,340,669) | (21,102,494) |
| Dividends paid by the Group | (182,093) | (119,480) |
| Others cash flows generated from/(used in) financing activities | 110,940 | (32,660) |
| Net cash (used in)/generated from financing activities | (792,816) | 7,887,461 |
| Net (decrease)/increase in cash and cash equivalents | (1,211,811) | 3,073,831 |
| Cash and cash equivalents at beginning of the period | 16,605,555 | 13,569,414 |
| Exchange losses on cash and cash equivalents | (2,181) | (15,265) |
| Cash and cash equivalents at end of the period | 15,391,563 | 16,627,980 |

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 29 August 2019.

2. BASIS OF PREPARATION

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with HKAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Group during the interim reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make modified retrospective as a result of adopting HKFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 3.2 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3.2 Impact of changes in accounting policies

(a) *Impact on the financial statements*

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 3.2 (b) below.

The Group has adopted HKFRS 16 using modified retrospective approach from 1 January 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(b) *Adjustments recognised on adoption of HKFRS 16*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.97%.

Notes to the Interim Condensed Consolidated Financial Information

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Impact of changes in accounting policies (continued)

(b) *Adjustments recognised on adoption of HKFRS 16 (continued)*

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The total impact on Group's lease liabilities as at 1 January 2019 is as follows:

| | <i>RMB'000</i> |
|---|------------------|
| Operating lease commitments disclosed as at 31 December 2018 | 1,861,370 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | 1,578,399 |
| Add: finance lease liabilities recognised as at 31 December 2018 | 24,629 |
| long-term payables for land use rights | 27,102 |
| (Less): operating lease commitments which have not started | (93,019) |
| short-term leases recognised on a straight-line basis as expense | (90,390) |
| low-value leases recognised on a straight-line basis as expense | (160) |
| Lease liability recognised as at 1 January 2019 | 1,446,561 |
| Of which are: | |
| Current lease liabilities | 503,083 |
| Non-current lease liabilities | 943,478 |
| | 1,446,561 |

The associated right-of-use assets for leases were measured on a modified retrospective basis as if the new rules had always been applied. The recognised right-of-use assets relate to the following types of assets:

| | 30 June 2019 <i>RMB'000</i> | 1 January 2019 <i>RMB'0000</i> |
|----------------------------------|---------------------------------------|-----------------------------------|
| Properties | 1,336,500 | 1,307,862 |
| Land Use Right | 1,487,466 | 1,494,579 |
| Equipment | 8,697 | 11,642 |
| Others | 6,970 | 10,021 |
| Total right-of-use assets | 2,839,633 | 2,824,104 |

Notes to the Interim Condensed Consolidated Financial Information

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Impact of changes in accounting policies (continued)

(b) *Adjustments recognised on adoption of HKFRS 16 (continued)*

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

| | 2019 <i>RMB'000</i> |
|--|-------------------------------|
| Decrease in property, plant and equipment | (32,958) |
| Decrease in land use rights | (1,494,579) |
| Increase in right-of-use assets | 2,824,104 |
| Increase in deferred tax assets | 24,497 |
| Decrease in other long term payables | 45,530 |
| Decrease in trade and other payables and other current liabilities | 6,201 |
| Increase in lease liabilities | (1,446,561) |
| Decrease in other reserves | 51 |
| Decrease in non-controlling interests | 12,716 |
| Adjustment to retained earnings from adoption of HKFRS 16 on 1 January 2019 | 60,999 |

(i) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

| | Segment assets <i>RMB'000</i> | Segment liabilities <i>RMB'000</i> |
|----------------------|---|--|
| Production segment | 1,049,645 | 295,919 |
| Distribution segment | 1,122,045 | 930,936 |
| Retail segment | 219,022 | 206,253 |
| Other segment | 448,921 | 41,574 |
| | 2,839,633 | 1,474,682 |

Earnings per share decreased by RMB0.0023 per share for the six months to 30 June 2019 as a result of the adoption of HKFRS 16.

Notes to the Interim Condensed Consolidated Financial Information

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Impact of changes in accounting policies (continued)

(b) *Adjustments recognised on adoption of HKFRS 16 (continued)*

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(c) *The Group's leasing activities and how these are accounted for*

The Group leases various offices, warehouses, retail stores, land use rights, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 5 years and most of them don't contain extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- Variable lease payment that are based on an index or a rate,
- Amounts expected to be payable by the lessee under residual value guarantees,

Notes to the Interim Condensed Consolidated Financial Information

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Impact of changes in accounting policies (continued)

(c) *The group's leasing activities and how these are accounted for (continued)*

- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability,
- Any lease payments made at or before the commencement date less any lease incentives received,
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(i) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). As at 30 June 2019, management has assessed and concluded that few lease payments made are optional and the financial impact will not be significant.

Notes to the Interim Condensed Consolidated Financial Information

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 2018.

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 2018.

There have been no changes in the risk management department since year ended 31 December 2018 or in any risk management policies since previous year end.

Notes to the Interim Condensed Consolidated Financial Information

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Liquidity risk

Compared to previous year end, lease liabilities are considered in the contractual undiscounted cash out flows for financial liabilities due to adoption of HKFRS 16 as at 1 January 2019.

As at 30 June 2019 and 31 December 2018, the contractual maturities of financial liabilities were as follows:

| | Less than 1 year <i>RMB'000</i> | Between 1 and 2 years <i>RMB'000</i> | Between 2 and 5 years <i>RMB'000</i> | More than 5 years <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---------------------------------------|--|--|--|-------------------------|
| At 30 June 2019 | | | | | |
| Borrowings | 21,561,579 | 406,876 | 8,715,529 | 14,655 | 30,698,639 |
| Interest payables | 718,738 | 335,631 | 101,237 | – | 1,155,606 |
| Other long-term payables | – | – | 1,692,934 | – | 1,692,934 |
| Lease liabilities | 495,617 | 395,060 | 547,634 | 504,629 | 1,942,940 |
| Financial liabilities as included in trade and other payables | 49,237,990 | – | – | – | 49,237,990 |
| | 72,013,924 | 1,137,567 | 11,057,334 | 519,284 | 84,728,109 |
| At 31 December 2018 | | | | | |
| Borrowings | 22,031,419 | 885,865 | 8,722,352 | 14,775 | 31,654,411 |
| Interest payables | 721,025 | 339,198 | 261,407 | – | 1,321,630 |
| Other Long-term payables | – | 7,451 | 18,500 | 1,889,557 | 1,915,508 |
| Financial liabilities as included in trade and other payables | 43,378,551 | – | – | – | 43,378,551 |
| | 66,130,995 | 1,232,514 | 9,002,259 | 1,904,332 | 78,270,100 |

Notes to the Interim Condensed Consolidated Financial Information

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation

(a) *Fair value measurements by level of the following fair value measurement hierarchy*

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 2019.

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| Assets | | | | |
| As at 30 June 2019 | | | | |
| Derivative financial instruments | – | 2,893 | – | 2,893 |
| Financial assets at fair value through profit or loss | 207,923 | – | 111,571 | 319,494 |
| Debt instruments at fair value through other comprehensive income | – | – | 1,820,788 | 1,820,788 |
| Equity investments at fair value through other comprehensive income | 183,951 | – | – | 183,951 |
| | 391,874 | 2,893 | 1,932,359 | 2,327,126 |
| Liabilities | | | | |
| As at 30 June 2019 | | | | |
| Derivative financial instruments | – | 487 | – | 487 |

Notes to the Interim Condensed Consolidated Financial Information

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

(a) Fair value measurements by level of the following fair value measurement hierarchy (continued)

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2018.

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| Assets | | | | |
| As at 31 December 2018 | | | | |
| Derivative financial instruments | – | 5,190 | – | 5,190 |
| Financial assets at fair value through profit or loss | 7,887 | – | 111,762 | 119,649 |
| Debt instruments at fair value through other comprehensive income | – | – | 1,532,866 | 1,532,866 |
| Equity investments at fair value through other comprehensive income | 162,312 | – | – | 162,312 |
| | 170,199 | 5,190 | 1,644,628 | 1,820,017 |
| Liabilities | | | | |
| Derivative financial instruments | – | 458 | – | 458 |

(1) 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. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Notes to the Interim Condensed Consolidated Financial Information

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

(a) *Fair value measurements by level of the following fair value measurement hierarchy (continued)*

(2) 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.

(3) Financial instruments in level 3

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:

- the use of quoted market prices or dealer quotes for similar instruments.
- for foreign currency forwards – present value of future cash flows based on the forward exchange rates at the balance sheet date
- for other financial instruments – discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities and a contingent consideration receivable explained in (c) below.

(b) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2019:

| | Unlisted equity investments <i>RMB'000</i> |
|---------------------------------------|--|
| Opening balance as at 1 January 2019 | 1,644,628 |
| Additions | 11,336,574 |
| Disposals | (11,019,462) |
| Losses recognised in finance expenses | (29,381) |
| Closing balance as at 30 June 2019 | 1,932,359 |

Notes to the Interim Condensed Consolidated Financial Information

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

(b) *Fair value measurements using significant unobservable inputs (level 3) (continued)*

(1) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

| Description | Fair value at 30 June 2019 <i>RMB'000</i> | Unobservable inputs | Range of inputs | Relationship of unobservable inputs to fair value |
|---|---|-----------------------------|--------------------|--|
| Debt instruments at fair value through other comprehensive income | 1,820,788 | Risk-adjusted discount rate | 3.85%-5.60% | Negative correlation |
| Financial assets at fair value through profit or loss | 111,571 | Market Method | 0.35-22.08 | Positive correlation |

(c) *Fair value of other financial instruments (unrecognised)*

The Group also has a member of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since these financial instruments are either close to current market rates or are short-term in mature.

Notes to the Interim Condensed Consolidated Financial Information

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.

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.

Notes to the Interim Condensed Consolidated Financial Information

6. SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2019

| | Production segment RMB'000 | Distribution segment RMB'000 | Retail segment RMB'000 | Others RMB'000 | Elimination RMB'000 | Total RMB'000 |
|---|----------------------------------|------------------------------------|------------------------------|-------------------|------------------------|-------------------|
| External revenue | 10,092,717 | 78,004,793 | 3,808,119 | 669,605 | – | 92,575,234 |
| Inter-segment revenue | 1,849,350 | 2,189,003 | 28,563 | 152,974 | (4,219,890) | – |
| Segment revenue | 11,942,067 | 80,193,796 | 3,836,682 | 822,579 | (4,219,890) | 92,575,234 |
| Revenue less operating cost and expenses | 1,105,023 | 2,322,301 | 25,571 | 144,867 | (1,120) | 3,596,642 |
| Net impairment losses on financial assets | | | | | | (219,733) |
| Other income | | | | | | 229,243 |
| Losses on disposal of subsidiaries and an associate | | | | | | (2,236) |
| Other losses – net | | | | | | (10,131) |
| Finance costs – net | | | | | | (683,502) |
| Share of profit of jointly controlled entities | 141,851 | 14,148 | – | – | – | 155,999 |
| Share of profit of associates | 350,103 | 21,142 | – | 4,465 | – | 375,710 |
| Profit before income tax | | | | | | 3,441,992 |
| Income tax expense | | | | | | (691,368) |
| Profit for the period | | | | | | 2,750,624 |

Notes to the Interim Condensed Consolidated Financial Information

6. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2018

| | Production segment RMB'000 | Distribution segment RMB'000 | Retail segment RMB'000 | Others RMB'000 | Elimination RMB'000 | Total RMB'000 |
|--|----------------------------------|------------------------------------|------------------------------|-------------------|------------------------|-------------------|
| External revenue | 7,985,708 | 64,282,843 | 3,102,744 | 507,398 | – | 75,878,693 |
| Inter-segment revenue | 1,641,164 | 1,969,465 | 31,076 | 92,250 | (3,733,955) | – |
| Segment revenue | 9,626,872 | 66,252,308 | 3,133,820 | 599,648 | (3,733,955) | 75,878,693 |
| Revenue less operating cost and expenses | 1,132,013 | 1,811,650 | 16,660 | 168,162 | (34,070) | 3,094,415 |
| Net impairment losses on financial assets | | | | | | 504 |
| Other income | | | | | | 135,209 |
| Gains on disposal of subsidiaries and associates | | | | | | 86,321 |
| Other losses – net | | | | | | (27,844) |
| Finance costs – net | | | | | | (536,595) |
| Share of profit of jointly controlled entities | 128,778 | 13,919 | – | – | – | 142,697 |
| Share of profit of associates | 171,016 | 23,462 | – | 15,751 | – | 210,229 |
| Profit before income tax | | | | | | 3,104,936 |
| Income tax expense | | | | | | (649,784) |
| Profit for the period | | | | | | 2,455,152 |

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 2019 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> | Elimination <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|-------------------------------------|--------------------------|-------------------------------|-------------------------|
| Depreciation of right – of-use assets, property, plant and equipment and investment properties | 328,977 | 307,908 | 74,159 | 56,707 | – | 767,751 |
| Amortisation of intangible assets | 43,679 | 115,250 | 625 | 20,711 | – | 180,265 |
| Capital expenditure | 431,704 | 253,970 | 25,156 | 335,078 | – | 1,045,908 |

Other segment items included in the condensed consolidated interim financial information for the six months ended 30 June 2018 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> | Elimination <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|-------------------------------------|--------------------------|-------------------------------|-------------------------|
| Depreciation of property, plant and equipment and investment properties | 247,146 | 146,983 | 15,092 | 15,700 | – | 424,921 |
| Amortisation of intangible assets and land use rights | 35,890 | 112,383 | 428 | 14,030 | – | 162,731 |
| Capital expenditure | 555,137 | 366,716 | 11,852 | 76,798 | – | 1,010,503 |

Notes to the Interim Condensed Consolidated Financial Information

6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2019 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 | 546,268 | 260,040 | – | – | – | 806,308 |
| Investment in associates | 2,389,698 | 530,316 | – | 1,135,247 | – | 4,055,261 |
| Other assets | 30,600,322 | 94,726,784 | 2,636,597 | 34,969,930 | 1,174,657 | 164,108,290 |
| Elimination | | | | | | (35,055,683) |
| Total assets | | | | | | 133,914,176 |
| Segment liabilities | 10,108,420 | 71,300,369 | 1,910,872 | 18,212,410 | 1,363,765 | 102,895,836 |
| Elimination | | | | | | (16,819,652) |
| Total liabilities | | | | | | 86,076,184 |

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

| | Assets RMB'000 | Liabilities RMB'000 |
|--|--------------------|------------------------|
| Segment assets/liabilities after elimination | 132,739,519 | 84,712,419 |
| Unallocated: | | |
| Current income tax liabilities | – | 529,377 |
| Deferred tax assets/liabilities – net | 1,174,657 | 834,388 |
| Total | 133,914,176 | 86,076,184 |

Notes to the Interim Condensed Consolidated Financial Information

6. SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 31 December 2018 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 | 478,234 | 247,127 | – | – | – | 725,361 |
| Investment in associates | 2,040,361 | 530,586 | – | 1,070,297 | – | 3,641,244 |
| Other assets | 27,902,399 | 91,071,041 | 2,199,123 | 33,679,583 | 1,037,925 | 155,890,071 |
| Elimination | | | | | | (33,377,344) |
| Total assets | | | | | | 126,879,332 |
| Segment liabilities | 8,312,417 | 67,992,351 | 1,593,014 | 16,508,799 | 1,599,805 | 96,006,386 |
| Elimination | | | | | | (15,560,325) |
| Total liabilities | | | | | | 80,446,061 |

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 | 125,841,407 | 78,846,256 |
| Unallocated: | | |
| Current income tax liabilities | – | 732,893 |
| Deferred tax assets/liabilities – net | 1,037,925 | 866,912 |
| Total | 126,879,332 | 80,446,061 |

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 |
|--|-------------------------------|-------------------------------------|-------------------|---------------------------------|
| Six months ended 30 June 2019 | | | | |
| Net book amount at 31 December 2018 | 1,494,579 | 240,598 | 11,007,626 | 14,199,103 |
| Adjustment for change in accounting policy | (1,494,579) | – | (32,958) | – |
| Net book amount at 1 January 2019 | – | 240,598 | 10,974,668 | 14,199,103 |
| Additions | – | – | 1,035,369 | 273,131 |
| Depreciation and amortisation charge (Note 15) | – | (5,860) | (508,956) | (180,265) |
| Internal transfer | – | – | (26,516) | 26,516 |
| Disposals | – | – | (23,097) | (114) |
| Others | – | 7 | (17,860) | (48,445) |
| Closing net book amount at 30 June 2019 | – | 234,745 | 11,433,608 | 14,269,926 |
| Six months ended 30 June 2018 | | | | |
| Net book amount at 1 January 2018 | 1,284,041 | 254,924 | 9,386,260 | 8,092,080 |
| Additions | 215,505 | – | 1,244,372 | 5,112,976 |
| Depreciation and amortisation charge (Note 15) | (21,127) | (5,951) | (418,970) | (141,604) |
| Internal transfer | (10,770) | (9,067) | 5,252 | 14,585 |
| Disposals | (756) | – | (16,920) | (4) |
| Others | (48,305) | 13 | (26,280) | (64,662) |
| Closing net book amount at 30 June 2018 | 1,418,588 | 239,919 | 10,173,714 | 13,013,371 |

Notes to the Interim Condensed Consolidated Financial Information

8. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

| | <i>RMB'000</i> |
|--|----------------|
| Six months ended 30 June 2019 | |
| Opening net book amount at 1 January 2019 | 725,361 |
| Additions | 1,183 |
| Share of profit for the period | 155,999 |
| Declaration of Dividends | (76,235) |
| Closing net book amount at 30 June 2019 | 806,308 |
| Six months ended 30 June 2018 | |
| Opening net book amount at 1 January 2018 | 662,551 |
| Additions | 4,863 |
| Share of profit for the period | 142,697 |
| Declaration of Dividends | (101,838) |
| Closing net book amount at 30 June 2018 | 708,273 |

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. (上海和黄药业有限公司)

| | Six months ended 30 June 2019 <i>RMB'000</i> |
|-----------------|---|
| Assets | 1,618,620 |
| Liabilities | 583,289 |
| Revenues | 1,103,405 |
| Share of profit | 141,865 |
| Percentage held | 50% |

Notes to the Interim Condensed Consolidated Financial Information

9. INVESTMENTS IN ASSOCIATES

| | <i>RMB'000</i> |
|---|------------------|
| Six months ended 30 June 2019 | |
| Opening net book amount 1 January 2019 | 3,641,244 |
| Additions | 79,302 |
| Share of profit for the period | 375,710 |
| Share of other comprehensive income | 1 |
| Declaration of dividends | (34,990) |
| Disposals | (5,395) |
| Others | (611) |
| Closing net book amount 30 June 2019 | 4,055,261 |
| Six months ended 30 June 2018 | |
| Opening net book amount 1 January 2018 | 4,031,617 |
| Additions | 311,471 |
| Share of profit for the period | 210,229 |
| Share of other comprehensive income | 43 |
| Declaration of dividends | (31,554) |
| Transfer to subsidiaries (<i>Note 17</i>) | (335,400) |
| Closing net book amount 30 June 2018 | 4,186,406 |

Notes to the Interim Condensed Consolidated Financial Information

9. INVESTMENTS IN ASSOCIATES (continued)

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

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

| | Six months ended 30 June 2019 <i>RMB'000</i> |
|-----------------|--|
| Assets | 11,112,239 |
| Liabilities | 6,767,745 |
| Revenues | 7,841,378 |
| Share of profit | 251,932 |
| Percentage held | 30% |

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

| | Six months ended 30 June 2019 <i>RMB'000</i> |
|-----------------|--|
| Assets | 2,475,033 |
| Liabilities | 1,693,058 |
| Revenues | 2,429,086 |
| Share of profit | 39,862 |
| Percentage held | 30% |

Notes to the Interim Condensed Consolidated Financial Information

10. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

| | 30 June 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|-------------------------|-----------------------------|
| Trade receivables | | |
| Accounts receivable | 49,265,857 | 43,496,519 |
| Less: allowance for impairment | (2,108,005) | (1,901,898) |
| Accounts receivable – net | 47,157,852 | 41,594,621 |
| Notes receivable | 199,635 | 288,965 |
| Less: allowance for impairment | (1,318) | (1,907) |
| Notes receivable – net | 198,317 | 287,058 |
| Trade receivables – net | 47,356,169 | 41,881,679 |
| Other receivables | 2,344,477 | 2,867,884 |
| Less: allowance for impairment | (652,108) | (659,285) |
| Other receivables – net | 1,692,369 | 2,208,599 |
| Amounts due from related parties (Note 24 (c)) | 813,680 | 679,872 |
| Less: Provision | (20,456) | (14,602) |
| Amounts due from related parties – net | 793,224 | 665,270 |
| Prepayments | 2,169,353 | 2,022,025 |
| Tax recoverable | 1,332,963 | 1,022,673 |
| Interest receivables | 3,395 | 2,799 |
| Less: Provision | (8) | (7) |
| Interest receivables – net | 3,387 | 2,792 |
| Other long-term receivables current portions | 103,599 | 212,868 |
| Less: Provision | (506) | (1,064) |
| Other long-term receivables current portion – net | 103,093 | 211,804 |
| | 53,450,558 | 48,014,842 |

Notes to the Interim Condensed Consolidated Financial Information

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

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 commercial notes receivable) at 30 June 2019 and 31 December 2018 are as follows:

| | 30 June 2019 | 31 December 2018 |
|-----------------------|---------------------|------------------|
| | RMB'000 | RMB'000 |
| Less than 3 months | 31,028,091 | 28,725,896 |
| 3 months to 6 months | 10,304,592 | 8,977,254 |
| 6 months to 12 months | 6,471,039 | 4,665,765 |
| 1 year to 2 years | 734,221 | 626,016 |
| Over 2 years | 927,549 | 790,553 |
| | 49,465,492 | 43,785,484 |

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 2019 and at 30 June 2019 | 1,923,016 | 919,073 | 1,923,016 | 919,073 | 2,842,089 |
| At 1 January 2018 | 1,923,016 | 765,894 | 1,923,016 | 765,894 | 2,688,910 |
| Issue of Shares | – | 153,179 | – | 153,179 | 153,179 |
| At 30 June 2018 | 1,923,016 | 919,073 | 1,923,016 | 919,073 | 2,842,089 |

Notes to the Interim Condensed Consolidated Financial Information

12. TRADE AND OTHER PAYABLES AND OTHER CURRENT LIABILITIES

| | 30 June 2019 <i>RMB'000</i> | 31 December 2018 <i>RMB'000</i> |
|---|--------------------------------|------------------------------------|
| Accounts payable | 34,756,106 | 30,662,733 |
| Notes payable | 3,636,309 | 4,173,257 |
| Payables for purchase of PP&E and land use rights | 304,852 | 336,206 |
| Staff welfare and salary payables | 637,260 | 900,338 |
| Tax liabilities other than income tax | 387,862 | 309,297 |
| Amounts due to related parties (Note 24 (c)) | 1,208,592 | 562,986 |
| Accrued expenses | 3,807,736 | 3,289,313 |
| Deposits | 2,144,742 | 1,989,351 |
| Payables arising from acquisition of subsidiaries | 722,240 | 974,195 |
| Dividends payable | 886,856 | 139,873 |
| Others | 1,770,069 | 1,250,366 |
| | 50,262,624 | 44,587,915 |

As at 30 June 2019 and 31 December 2018, aging analysis of the accounts payables and notes payables is as follows:

| | 30 June 2019 <i>RMB'000</i> | 31 December 2018 <i>RMB'000</i> |
|-----------------------|--------------------------------|------------------------------------|
| Less than 3 months | 27,689,794 | 25,450,302 |
| 3 months to 6 months | 4,574,460 | 4,299,834 |
| 6 months to 12 months | 4,282,423 | 3,226,129 |
| 1 year to 2 years | 958,602 | 1,261,949 |
| Over 2 years | 887,136 | 597,776 |
| | 38,392,415 | 34,835,990 |

Notes to the Interim Condensed Consolidated Financial Information

13. BORROWINGS

| | 30 June 2019 <i>RMB'000</i> | 31 December 2018 <i>RMB'000</i> |
|-------------------------|--------------------------------|------------------------------------|
| Non-current (a) | 9,134,825 | 9,620,298 |
| Current | 21,561,579 | 22,031,361 |
| Total borrowings | 30,696,404 | 31,651,659 |

Movement in borrowings is analysed as follows:

| | <i>RMB'000</i> |
|---|---------------------|
| Six months ended 30 June 2019 | |
| Opening net book amount 1 January 2019 | 31,651,659 |
| Additions | 22,123,826 |
| Acquisition of subsidiaries | 19,600 |
| Deduction | (23,098,681) |
| Closing net book amount 30 June 2019 | 30,696,404 |

| | <i>RMB'000</i> |
|---|----------------|
| Six months ended 30 June 2018 | |
| Opening net book amount 1 January 2018 | 16,750,476 |
| Additions | 15,492,163 |
| Acquisition of subsidiaries | 5,218,178 |
| Deduction | (9,149,874) |
| Closing net book amount 30 June 2018 | 28,310,943 |

- (a) On 7 November 2018, the Company issued 3-year-maturity-debentures, with an aggregate amount of RMB3,000,000,000 at a rate of 4.10% per annum. Net proceeds received was RMB2,997,000,000. As at 30 June 2019, the fair value of the bonds approximated their carrying amount. The bonds are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at each balance sheet dates.

Notes to the Interim Condensed Consolidated Financial Information

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 2019 RMB'000 | 31 December 2018 RMB'000 |
|----------------------------------|-------------------------|-----------------------------|
| Deferred income tax assets | 1,174,657 | 1,037,925 |
| Deferred income tax liabilities | (834,388) | (866,912) |
| Deferred income tax assets – net | 340,269 | 171,013 |

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

| | As at 30 June 2019 RMB'000 | 2018 RMB'000 |
|--|----------------------------------|-----------------|
| At 1 January | 195,510 | (47,960) |
| Recognised in the consolidated income statements (Note 18) | 147,889 | 1,496 |
| Acquisition of subsidiaries | (2,682) | 11,452 |
| Recognised in equity | (1,218) | (5,465) |
| Others | 770 | – |
| Deferred income tax assets/(liabilities) – net | 340,269 | (40,477) |

15. OPERATING PROFIT

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

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| Depreciation of PP&E | 508,956 | 418,970 |
| Depreciation of investment properties | 5,860 | 5,951 |
| Depreciation of right-of-use assets | 252,935 | — |
| Amortisation of | | |
| – land use rights | — | 21,127 |
| – intangible assets | 180,265 | 141,604 |
| Employee benefit expenses | 3,697,212 | 3,042,718 |
| Net impairment losses/(gains) on financial assets | 219,733 | (504) |
| Write-down of inventories to net realisable value | 55,054 | 35,913 |

Notes to the Interim Condensed Consolidated Financial Information

16. OTHER LOSSES – NET

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| Gains/(losses) of financial assets at fair value through profit or loss, net | 60,342 | (1,320) |
| (Losses)/gains of derivative financial instruments, net | (2,306) | 4,309 |
| (Losses)/gains on disposals of PP&E | (2,072) | 3,090 |
| Gains on disposals of intangible assets | 8,488 | – |
| Foreign exchange losses | (12,988) | (45,790) |
| Losses of disposal of trade receivables | (8,869) | (15,081) |
| Others – net | (52,726) | 26,948 |
| | (10,131) | (27,844) |

17 (LOSSES)/GAINS ON DISPOSAL OF SUBSIDIARIES AND AN ASSOCIATE

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| Disposal of subsidiaries and an associate | (2,236) | 49,133 |
| Gain on deemed disposal of investments in an associate | – | 37,188 |
| | (2,236) | 86,321 |

18. INCOME TAX EXPENSE

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

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| Current income tax, enterprise income tax | 839,257 | 651,280 |
| Deferred income tax | (147,889) | (1,496) |
| | 691,368 | 649,784 |

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

Notes to the Interim Condensed Consolidated Financial Information

19. EARNINGS PER SHARE

For the six months ended 30 June 2019 and 2018, 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 | |
|--|--------------------------|-----------|
| | 2019 | 2018 |
| Profit attributable to equity holders of the Company (RMB'000) | 2,286,361 | 2,033,306 |
| Weighted average number of ordinary shares (thousands) | 2,842,089 | 2,816,560 |
| Basic earnings per share (RMB) | 0.80 | 0.72 |

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 2019 and 2018.

20. DIVIDENDS

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| Dividends declared by the Company | 1,165,257 | 1,079,994 |

No interim dividend was proposed by the directors of the Company for the six months ended 30 June 2019 and 2018.

A dividend of approximately RMB1,165,257,000 relates to year 2018 was proposed in June 2019 (2018: RMB1,079,994,000).

21. CONTINGENCIES AND GUARANTEES

(a) Outstanding loan guarantees

| | 30 June 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|-------------------------|-----------------------------|
| Outstanding loan guarantees provided to related parties | 23 | 3,374 |

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.

Notes to the Interim Condensed Consolidated Financial Information

22. COMMITMENTS

(a) Capital commitments

(i) Constructions

Capital expenditure contracted for at the end of 30 June 2019 and 31 December 2018 but not yet incurred is as follows:

| | 30 June 2019 RMB'000 | 31 December 2018 RMB'000 |
|------|-------------------------|-----------------------------|
| PP&E | 778,752 | 392,755 |

(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 2019 RMB'000 | 31 December 2018 RMB'000 |
|--|-------------------------|-----------------------------|
| No later than 1 year | 499,312 | 525,919 |
| Later than 1 year and no later than 2 years | 404,608 | 375,014 |
| Later than 2 years and no later than 5 years | 534,993 | 586,163 |
| Later than 5 years | 292,699 | 374,274 |
| | 1,731,612 | 1,861,370 |

(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 2019 RMB'000 | 31 December 2018 RMB'000 |
|--|-------------------------|-----------------------------|
| No later than 1 year | 55,073 | 54,583 |
| Later than 1 year and no later than 2 years | 31,743 | 36,564 |
| Later than 2 years and no later than 5 years | 62,408 | 65,174 |
| Later than 5 years | 43,327 | 53,701 |
| | 192,551 | 210,022 |

Notes to the Interim Condensed Consolidated Financial Information

23. BUSINESS COMBINATION

(a) Significant business combinations not under common control

- (i) On 1 January 2019, the Group acquired 83.5% equity interests in Chongqing Huiyuan Pharmaceutical Co., Ltd. (“Chongqing Huiyuan”) from third parties, on which the Group effectively obtained the right to control its pharmaceutical business and consolidated it into the consolidated financial statements.

As a result of the acquisition, the Group is expected to increase its presence in these markets. The goodwill of RMB164,433,000 arising from the acquisition is attributable to the acquired non-contractual customer relationship and trademark expected from combining the operations of the Group and Chongqing Huiyuan. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for the acquisition of approximately RMB454,034,000, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

| Consideration | Chongqing Huiyuan RMB'000 |
|---|------------------------------|
| Cash | 454,034 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Property, plant and equipment | 29,175 |
| Intangible assets | 37,902 |
| Right-of-use assets | 27,400 |
| Investments in an associate | 10,775 |
| Deferred income tax assets | 4,947 |
| Other non-current prepayments | 1,378 |
| Inventories | 111,582 |
| Trade and other receivables and other current assets | 181,125 |
| Financial assets at fair value through other comprehensive income | 20,636 |
| Cash and cash equivalents | 30,246 |
| Borrowings | (4,600) |
| Deferred income tax liabilities | (7,523) |
| Trade and other payables and other current liabilities | (89,607) |
| Contract Liabilities | (565) |
| Total identifiable net assets | 352,871 |
| Non-controlling interests | (63,270) |
| Goodwill | 164,433 |
| | 454,034 |

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 (Holding) Co., Ltd. (上海實業(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 Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司) | Intermediate 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 Overseas United Investment Co., Ltd. (上海海外聯合投資股份有限公司) | Controlled by Shanghai Industrial Group |
| Shanghai Yingdalai Property Co., Ltd. (上海英達萊置業有限公司) | 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 |
| Wenshan Miaoxiang Panax notoginseng Co., Ltd. (文山苗鄉三七股份有限公司) | Jointly controlled entity |

Notes to the Interim Condensed Consolidated Financial Information

24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)

| Name of related party | Nature of relationship |
|--|------------------------|
| Shanghai Bracco Sine Pharmaceutical Corp., Ltd. (上海博萊科信誼藥業有限責任公司) | 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 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 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 |
| Chongqing Medicines Shanghai Pharma Sales Co., Ltd. (重慶醫藥上海藥品銷售有限責任公司) | 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 |
| Guangzhou Ruixun Medicine Co., Ltd. (廣州銳訊醫藥有限公司) | Associate |
| Shanghai Huayu Saffron Planting Professional Cooperative (上海華宇西紅花種植專業合作社) | Associate |
| Shanghai Commercial Factoring Co., Ltd. (上實商業保理有限公司) | Associate |
| Sph KDL Health (Shanghai Luoda) Pharmaceutical Co., Ltd. (上藥康德樂羅達(上海)醫藥有限公司) | Former associate |
| TECHPOOL Bio-Pharma Co., Ltd. (廣東天普生化醫藥股份有限公司) | Former associate |
| Liaoning International Pharmaceutical Trading Co., Ltd. (遼寧省醫藥對外貿易有限公司) | Former associate |

Notes to the Interim Condensed Consolidated Financial Information

24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

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 2019 and 2018, the Group had the following significant transactions entered into in the ordinary course of business between the Group and its related parties.

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| Sales of goods and render of service | | |
| Jiangxi Nanhua Medicines Co., Ltd. | 1,158,673 | 1,054,755 |
| Shanghai Hutchison Pharmaceutical Co., Ltd. | 29,267 | 50,429 |
| Shanghai Ivyuan Pharmacy Co., Ltd. | 16,883 | 17,179 |
| Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. | 11,755 | 32,183 |
| Chongqing Medicines Shanghai Pharma Sales Co., Ltd. | 5,491 | 6,169 |
| Shanghai Roche Pharmaceutical Co., Ltd. | 5,344 | 5,273 |
| Shanghai Jianer Pharmacy Co., Ltd. | 2,218 | 3,374 |
| Sino-American Shanghai Squibb Pharmaceuticals Ltd. | 1,196 | 1,353 |
| Liaoning International Pharmaceutical Trading Co., Ltd. | — | 51,402 |
| Sph KDL Health (Shanghai Luoda) Pharmaceutical Co., Ltd. | — | 1,005 |
| Others | 6,864 | 5,535 |
| | 1,237,691 | 1,228,657 |

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 | |
|--|--------------------------|------------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Purchase of goods and services | | |
| Shanghai Roche Pharmaceutical Co., Ltd. | 945,122 | 542,257 |
| Sino-American Shanghai Squibb Pharmaceuticals Ltd. | 176,229 | 239,027 |
| Guangzhou Ruixun Medicine Co., Ltd. | 86,636 | 167,377 |
| Shanghai Bracco Sine Pharmaceutical Corp., Ltd. | 71,195 | 69,637 |
| Shanghai Hutchison Pharmaceutical Co., Ltd. | 28,163 | 33,646 |
| Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. | 24,121 | 14,680 |
| Shanghai Sine Promod Pharmaceutical Corp., Ltd. | 15,967 | 21,279 |
| Wenshan Miaoxiang Panax notoginseng Co., Ltd. | 10,993 | – |
| Shanghai Huayu Saffron Planting Professional Cooperative | 9,355 | – |
| Hangzhou Huqingyutang Medicinal Planting Co.,Ltd. | 4,742 | 9,982 |
| Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. | 2,003 | 7,337 |
| TECHPOOL Bio-Pharma Co., Ltd. | — | 86,698 |
| Others | 1,738 | 1,309 |
| | 1,376,264 | 1,193,229 |

| | Six months ended 30 June | |
|---|--------------------------|--------------|
| | 2019 | 2018 |
| | RMB'000 | RMB'000 |
| Rental income | | |
| Shanghai Bracco Sine Pharmaceutical Corp., Ltd. | 5,379 | 4,793 |
| Shanghai Yingdalai Property Co., Ltd. | 2,180 | 2,076 |
| Shanghai Hutchison Pharmaceutical Co., Ltd. | 1,293 | 1,017 |
| Shanghai Pharmaceutical (Group) Co., Ltd. | 878 | 1,054 |
| | 9,730 | 8,940 |

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 | |
|--|--------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Rental Expense | | |
| Shanghai Pharmaceutical (Group) Co., Ltd. | 13,259 | 11,351 |
| Shanghai Asia Pioneer Pharmaceutical Co., Ltd. | 5,862 | 6,761 |
| Shanghai indu-land property Co., Ltd. | 5,200 | 2,120 |
| | 24,321 | 20,232 |

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest income | | |
| Shanghai Industrial Group Finance Co., Ltd. | 1,333 | 1,512 |
| Interest expense | | |
| Shanghai Industrial Group Finance Co., Ltd | 36,226 | 39,741 |
| Shanghai Industrial Investment (Holding) Co., Ltd | – | 8,922 |
| | 36,226 | 48,663 |

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 2019 <i>RMB'000</i> |
|--|---|
| R&D expense | |
| Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. | 6,372 |

On 14 March 2019, the Company has renewed a certain agreement (the "Agreements") with Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (Fudan Zhangjiang), pursuant to which the Company would pay approximately RMB35,660,000 to Fudan Zhangjiang to conduct research and development on certain medicine project. Up to 30 June 2019, the Group has cumulatively paid approximately RMB6,372,000 to Fudan Zhangjiang with respect to the Agreements.

| | Six months ended 30 June | |
|---|--------------------------|------------------------|
| | 2019 <i>RMB'000</i> | 2018 <i>RMB'000</i> |
| Deposit change in a related party, net | | |
| Shanghai Industrial Group Finance Co., Ltd. | (862,064) | (542,444) |
| Borrowing from related parties, net | | |
| Shanghai Industrial Group Finance Co., Ltd. | 1,960,000 | 1,205,000 |

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 | |
|---|--------------------------|-----------------|
| | 2019 RMB'000 | 2018 RMB'000 |
| Repayment to a related party | | |
| Shanghai Industrial Group Finance Co., Ltd. | (1,467,100) | (1,231,300) |
| Loan to a related party | | |
| Shanghai Huaren Pharmaceutical Co., Ltd. | – | 1,500 |
| Repayment from a related party | | |
| Shanghai Huaren Pharmaceutical Co., Ltd. | 150 | – |
| Discount of bank acceptance notes | | |
| Shanghai Industrial Group Finance Co., Ltd. | 370,410 | 483,948 |
| Accounts receivable factoring | | |
| Shanghai Commercial Factoring Co., Ltd. | 170,031 | – |
| Shanghai Industrial Group Finance Co., Ltd. | – | 1,800,000 |
| | 170,031 | 1,800,000 |

Notes to the Interim Condensed Consolidated Financial Information

24. SIGNIFICANT RELATED PARTIES TRANSACTIONS (continued)

(b) Key management compensation

| | Six months ended 30 June | |
|--------------------------------|--------------------------|----------------|
| | 2019 | 2018 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Salaries and fee | 3,429 | 3,575 |
| Bonuses | 27,915 | 16,325 |
| Retirement plans contributions | 437 | 420 |
| | 31,781 | 20,320 |

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 2019 | 31 December 2018 |
|----------------------|----------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables | 622,063 | 564,493 |
| Other receivables | 44,747 | 46,312 |
| Prepayments | 96,830 | 27,427 |
| Dividends receivable | 50,040 | 41,640 |
| | 813,680 | 679,872 |

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 2019 RMB'000 | 31 December 2018 RMB'000 |
|--|-------------------------|-----------------------------|
| Trade receivables due from | | |
| Jiangxi Nanhua Medicines Co., Ltd. | 592,693 | 525,626 |
| Shanghai Hutchison Pharmaceutical Co., Ltd. | 8,616 | 22,056 |
| Chongqing Medicines Shanghai Pharma Sales Co., Ltd. | 4,467 | 4,240 |
| Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. | 4,454 | 2,705 |
| Shanghai Ivyuan Pharmacy Co., Ltd. | 4,081 | 3,625 |
| Others | 7,752 | 6,241 |
| | 622,063 | 564,493 |
| Less: Provision for impairment | (7,652) | (7,002) |
| | 614,411 | 557,491 |
| Other receivables due from | | |
| Shanghai Overseas United Investment Co., Ltd. | 13,298 | 13,298 |
| Shanghai Huaren Pharmaceutical Co., Ltd. | 7,710 | 7,687 |
| Shanghai Huayu Saffron Planting Professional Cooperative | 7,588 | 11,472 |
| Shanghai Roche Pharmaceutical Co., Ltd. | 5,401 | 4,870 |
| Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd. | 1,461 | 1,461 |
| Others | 9,289 | 7,524 |
| | 44,747 | 46,312 |
| Less: Provision for impairment | (12,673) | (7,496) |
| | 32,074 | 38,816 |

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 2019 RMB'000 | 31 December 2018 RMB'000 |
|-----------------------|-------------------------|-----------------------------|
| Less than 3 months | 631,196 | 570,677 |
| 3 months to 6 months | 2,241 | 8,965 |
| 6 months to 12 months | 2,004 | 7,295 |
| 1 year to 2 years | 17,812 | 13,311 |
| Over 2 years | 13,557 | 10,557 |
| | 666,810 | 610,805 |

| | 30 June 2019 RMB'000 | 31 December 2018 RMB'000 |
|--|-------------------------|-----------------------------|
| Prepayments due from | | |
| Shanghai Roche Pharmaceutical Co., Ltd. | 74,215 | 16,077 |
| Sino-American Shanghai Squibb Pharmaceuticals Ltd | 9,105 | – |
| Shanghai Sine Promod Pharmaceutical Corp., Ltd. | 7,170 | 81 |
| Shanghai Huayu Saffron Planting Professional Cooperative | 3,944 | 9,880 |
| Others | 2,396 | 1,389 |
| | 96,830 | 27,427 |

| | 30 June 2019 RMB'000 | 31 December 2018 RMB'000 |
|--|-------------------------|-----------------------------|
| Dividends receivable | | |
| Sino-American Shanghai Squibb Pharmaceuticals Ltd | 40,190 | 40,190 |
| Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. | 1,450 | 1,450 |
| Others | 8,400 | – |
| | 50,040 | 41,640 |
| Less: Provision for impairment | (131) | (104) |
| | 49,909 | 41,536 |

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 2019 RMB'000 | 31 December 2018 RMB'000 |
|----------------------|-------------------------|-----------------------------|
| Trade payables | 378,992 | 311,977 |
| Other payables | 429,995 | 242,930 |
| Dividends payable | 399,605 | 8,079 |
| Contract Liabilities | 395 | 1,500 |
| | 1,208,987 | 564,486 |

| | 30 June 2019 RMB'000 | 31 December 2018 RMB'000 |
|--|-------------------------|-----------------------------|
| Trade payables due to | | |
| Shanghai Roche Pharmaceutical Co., Ltd. | 271,765 | 222,002 |
| Sino-American Shanghai Squibb Pharmaceuticals Ltd. | 41,399 | 37,663 |
| Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. | 14,774 | 4,227 |
| Shanghai Bracco Sine Pharmaceutical Corp., Ltd. | 12,286 | 15,976 |
| Wenshan Miaoxiang Panax notoginseng Co., Ltd. | 11,029 | 36 |
| Shanghai Sine Promod Pharmaceutical Corp., Ltd. | 10,298 | 10,556 |
| Guangzhou Ruixun Medicine Co., Ltd. | 7,680 | 4,826 |
| Shanghai Hutchison Pharmaceutical Co., Ltd. | 6,433 | 258 |
| Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. | 708 | 5,392 |
| Hangzhou Huqingyutang Medicinal Planting Co.,Ltd. | - | 7,817 |
| Others | 2,620 | 3,224 |
| | 378,992 | 311,977 |

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 2019 RMB'000 | 31 December 2018 RMB'000 |
|---|-------------------------|-----------------------------|
| Other payables due to | | |
| Shanghai Shangshi (Group) Co., Ltd | 415,000 | 225,000 |
| Shanghai Sine Promod Pharmaceutical Corp., Ltd. | 9,066 | 9,066 |
| Shanghai Pharmaceutical (Group) Co., Ltd. | 4,097 | 4,685 |
| Shanghai Bracco Sine Pharmaceutical Corp., Ltd. | 1,514 | 388 |
| Others | 318 | 3,791 |
| | 429,995 | 242,930 |

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 2019 RMB'000 | 31 December 2018 RMB'000 |
|-----------------------|-------------------------|-----------------------------|
| Less than 3 months | 365,793 | 486,358 |
| 3 months to 6 months | 201,213 | 9,694 |
| 6 months to 12 months | 198,064 | 2,853 |
| 1 year to 2 years | 39,285 | 39,293 |
| Over 2 years | 4,632 | 16,709 |
| | 808,987 | 554,907 |

| | 30 June 2019 RMB'000 | 31 December 2018 RMB'000 |
|--|-------------------------|-----------------------------|
| Contract liabilities | | |
| Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. | 187 | 374 |
| Shanghai Sine Promod Pharmaceutical Corp., Ltd. | 47 | – |
| Jiangxi Nanhua Medicines Co., Ltd. | – | 785 |
| Others | 161 | 341 |
| | 395 | 1,500 |

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 2019 <i>RMB'000</i> | 31 December 2018 <i>RMB'000</i> |
|--|--------------------------------|------------------------------------|
| Dividends payable | | |
| Shanghai Pharmaceutical (Group) Co., Ltd. | 301,761 | 8,000 |
| Shanghai Shangshi (Group) Co., Ltd | 97,765 | – |
| Shanghai Leiyunshang Pharmaceutical North District Co., Ltd. | 79 | 79 |
| | 399,605 | 8,079 |

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

| | 30 June 2019 <i>RMB'000</i> | 31 December 2018 <i>RMB'000</i> |
|--|--------------------------------|------------------------------------|
| Outstanding loan guarantees provided by the Group to | | |
| Chongqing Medicines Shanghai Pharma Sales Co., Ltd. | 23 | 3,374 |

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

| | 30 June 2019 <i>RMB'000</i> | 31 December 2018 <i>RMB'000</i> |
|---|--------------------------------|------------------------------------|
| Borrowings due to a related party | | |
| Shanghai Industrial Group Finance Co., Ltd. | 1,423,357 | 929,500 |
| Deposit due from a related party | | |
| Shanghai Industrial Group Finance Co., Ltd. | 10,381 | 11,404 |
| Cash at bank due from a related party | | |
| Shanghai Industrial Group Finance Co., Ltd. | 1,016,826 | 1,878,890 |

(f) Other transactions with related party

| | As at 30 June 2019 <i>RMB'000</i> | 2018 <i>RMB'000</i> |
|---|---|------------------------|
| Subsidiary bought by the Group from | | |
| Shanghai Pharmaceutical (Group) Co., Ltd. | – | 275,943 |

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