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上海醫藥集團股份有限公司
Shanghai Pharmaceuticals Holding Co., Ltd.*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02607)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors (the “**Board**”) of Shanghai Pharmaceuticals Holding Co., Ltd. (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021. These interim results are prepared in accordance with the Chinese Accounting Standards for Business Enterprises and have not been audited. The Board and the Audit Committee have reviewed and confirmed the interim results.

The Company's full interim report for the six months ended 30 June 2021 is attached to this announcement and also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.sphchina.com). The printed copies of the interim report will be dispatched to the shareholders of the Company at an appropriate time.

By order of the Board
Shanghai Pharmaceuticals Holding Co., Ltd.*
ZHOU Jun
Chairman

Shanghai, the PRC, 31 August 2021

As of the date of this announcement, the executive Directors of the Company are Mr. CHO Man, Mr. LI Yongzhong and Mr. SHEN Bo; the non-executive Directors are Mr. ZHOU Jun, Mr. GE Dawei and Ms. LI An; and the independent non-executive Directors are Mr. CAI Jiangnan, Mr. HONG Liang, Mr. GU Zhaoyang and Mr. Manson FOK.

* For identification purpose only

Important Notice

1. The board of directors, the board of supervisors and the directors, supervisors and senior management of the Company hereby warrant that the information contained in this interim report is true, accurate and complete and contains no false representations, misleading statements or material omissions and assume joint and several legal liabilities therefor.
2. All directors of the Company attended the twenty sixth meeting of the seventh session of the board of directors convened on 30 August 2021, at which resolutions including the interim results of the Company for the six months ended 30 June 2021 were approved.
3. This interim report is unaudited. The board of directors and the audit committee of the Company have reviewed and confirmed this financial report.
4. 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 report contained in this interim report.
5. The plan for profit distribution or conversion of capital reserve fund into share capital for the Reporting Period considered by the board of directors

None

6. Risk statements regarding the forward-looking statements

☒ Applicable ☐ Not applicable

The forward-looking statements, such as future plans and development strategies, 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.

7. Is there any appropriation of funds by the controlling shareholders and their connected parties that is unrelated to operation?

No

8. Is there any instance of providing external guarantee that is in breach of the established decision making procedure?

No

9. Does there exist that more than half of the directors being unable to warrant the truthfulness, accuracy and completeness of the content of this interim report.

No

10. 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 that the Company might face in the operation and management and corresponding measures in this report. Please refer to the "Potential Risk Factors" set out in the Management Discussion and Analysis, Chapter 3.

11. Others

☐ Applicable ☒ Not applicable

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Catalogue of Documents The financial statements signed and sealed by the legal representative, the principal in charge of accounting and head of accounting department

Available for Inspection The original documents of the Company and the original draft announcements disclosed in the designated newspapers of CSRC during the Reporting Period

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 2021 to 30 June 2021
"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
"NHS"	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)
"Guosheng Group"	Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司) and its wholly-owned subsidiary Shanghai Shengrui Investment Co., Ltd. (上海盛睿投資有限公司)
"Guosheng Assets"	Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司)
"SPH Changzhou Pharmaceutical"	SPH Changzhou Pharmaceutical Co., Ltd. (上藥集團常州藥業股份有限公司)
"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)
"SPH Zhongxi"	Shanghai SPH Zhongxi Pharmaceutical Co., Ltd. (上海上藥中西製藥有限公司)
"SPH Cloud Health"	Shanghai Pharmaceuticals Grand Health Cloud Commerce Company Limited (上海醫藥大健康雲商股份有限公司)
"MediTrust Health"	Shanghai MediTrust Health Co., Ltd. (上海鎂信健康科技有限公司)
"SPH Medical Instruments"	Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司)
"SHAPHAR"	Shanghai Pharmaceutical Co., Ltd. (上藥控股有限公司)
"Yunnan Baiyao"	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)
"Shanghai Tandong"	Shanghai Tandong Enterprise Consulting Services Co., Ltd. (上海潭東企業諮詢服務有限公司)
"Tianjin Pharmaceutical"	Tianjin Pharmaceutical Holdings Ltd. (天津市醫藥集團有限公司)
"QA"	Quality assurance
"QC"	Quality control



Chapter 1 Definitions

"LIMS"	Laboratory Information Management System
"NMPA"	National Medical Products Administration of the People's Republic of China (中華人民共和國國家藥品監督管理局)
"CDE"	Center For Drug Evaluation of NMPA (中華人民共和國國家藥品監督管理局藥品審評中心)
"WHO"	World Health Organization
"FDA"	Food and Drug Administration of the United States
"COD"	Chemical oxygen demand (wastewater testing indicator)
"BD"	Expanded introduction of drugs
"DTP"	Direct to Patient
"ADC"	Antibody Drug Conjugates
"Lumosa Therapeutics"	Lumosa Therapeutics Co., Ltd. (順天醫藥生技股份有限公司)
"Shanghai SASAC"	Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
"BIOCAD"	BIOCAD, a biopharmaceutical company from Russia
"MES"	Manufacturing Execution System

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

II. CONTACT PERSON AND CONTACT DETAILS

	Secretary of the board of directors	Securities Affairs Representative
Name	Chen Jinzhu	Lu Ye, Sun Shiyi
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	boardoffice@sphchina.com
Hotline of investors:	+8621-63557167	

III. CHANGES IN BASIC CORPORATE INFORMATION

Registered address of the Company	No. 92 Zhangjiang Road, Pilot Free Trade Zone, China (Shanghai)
Historical changes in the registered address of the Company	Nil
Office address of the Company	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai
Postal code for office address of the Company	200020
Website of the Company	http://www.sphchina.com/index/
E-mail	pharm@sphchina.com
Search Index for changes during the Reporting Period	During the Reporting Period, there was no change in the office address of the Company and its postal code, the website of the Company and E-mail

Chapter 2 Basic Corporate Information and Major Financial Indicators

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
Websites 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

Unit: Yuan Currency: RMB

Major accounting data	Reporting Period (January to June)	Corresponding period of last year	Increase/decrease of the Reporting Period compared to the corresponding period of last year (%)
Operating revenue	105,237,468,881.97	87,165,105,135.39	20.73
Net profit attributable to equity holders of the listed company	3,567,759,976.70	2,442,842,195.88	46.05
Net profit after deduction of non-recurring profit or loss attributable to equity holders of listed company	2,551,033,937.65	2,200,380,669.72	15.94
Net cash flows from operating activities	2,171,018,019.80	3,705,636,065.71	-41.41

Chapter 2 Basic Corporate Information and Major Financial Indicators

	As at the end of the Reporting Period	As at the end of last year	Increase/decrease as at the end of the Reporting Period compared to the end of last year (%)
Net assets attributable to equity holders of listed company	47,715,967,653.06	45,354,677,688.57	5.21
Total assets	158,421,533,919.80	149,185,655,478.63	6.19

(II) Major Financial Indicators

Currency: RMB

Major financial indicators	Reporting Period (January to June)	Corresponding period of last year	Increase/ decrease of the Reporting Period compared to the corresponding period of last year (%)
Basic earnings per share (RMB per share)	1.26	0.86	46.05
Diluted earnings per share (RMB per share)	1.26	0.86	46.05
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.90	0.77	15.94
Weighted average return on net assets (%)	7.56	5.70	Increased by 1.86 percentage points
Weighted average return on net assets after deduction of non- recurring profit or loss (%)	5.40	5.13	Increased by 0.27 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

Chapter 2 Basic Corporate Information and Major Financial Indicators

VIII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNT

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Non-recurring Profit or Loss items	Amount
Profit or loss on disposal of non-current assets	1,167,825,487.37
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 on-going basis under the national policies according to certain fixed quota of amount or volume	174,613,804.06
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	-33,858,294.90
Reversal of the provisions for impairment of receivables and contract assets subject to impairment test separately	11,044,827.80
Other non-operating income and expenses other than the aforesaid items	-12,564,150.41
Effect on minority interests	-28,079,041.39
Effect on income tax	-262,256,593.48
Total	1,016,726,039.05

IX. OTHER

☐ Applicable ☒ Not applicable

Chapter 3 Management Discussion and Analysis

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

(I) Main business and operating mode

The Company's main business covers both pharmaceutical manufacturing and pharmaceutical service. During the Reporting Period, the Company continued to accelerate innovation and transformation, deepened intensive development, achieved the steady improvement of business quality, profitability, operation efficiency and industry status, and created value for people's health constantly.

1. **Pharmaceutical industry**

The Company ranks 42nd in the list of TOP 50 Global Pharmaceutical Enterprises in 2021 released by Pharm Exec, and 3rd among Top 100 Chinese Chemical Drug Companies in China's pharmaceutical industry for 2020 published by the Southern Medicine Economic Research Institute. The Company adheres to the orientation of satisfying clinical needs and continuously provides patients with more than 700 varieties of high-quality drugs and health products by constructing an industrial system with advantages in research and development, clinical research, drug pilot, industrialization and marketing. In order to respond to the national "Healthy China 2030" strategy actively and the call for accelerating innovation of the biomedical industry, the Company has continuously optimized its product structure by developing product strategy, increasing investment in innovation, implementing open innovation modes, utilizing combination of industry and finance, and focusing on international development, enriching its innovative drugs with differentiated advantages and improved innovative drug products to promote the sustained and healthy development of the Company's pharmaceutical manufacturing.

2. **Pharmaceutical service**

Pharmaceutical service is the core force to ensure the efficient and stable supply of medical materials and drugs. With business channels and retail networks covering 24 provinces, municipalities and autonomous regions in the PRC, the Company, as the second largest pharmaceutical commercial enterprise and the largest service provider of imported drugs, vaccines and medical devices in China, continuously provides efficient, convenient and reliable services to medical institutions, retail institutions, partners and patients at all levels. The Company has established strategic partnerships with major pharmaceutical manufacturers at home and abroad. With its strong supply chain service network to provide integrated pharmaceutical supply chain solutions, the Company has become the preferred partner for domestic pharmaceutical distribution and innovative product listing. In addition, the Company actively promotes the upgrade of the supply chain of pharmaceutical and health products in the PRC, and continues to explore and innovate models for the supply and payment of medical and health products by means of information technology.



Chapter 3 Management Discussion and Analysis

(II) Industry situation

The Chinese government has taken the biopharmaceutical industry as its national development strategy. In the medium and long term, the scale of the pharmaceutical market will continue to expand under the multiple drivers of comprehensive factors such as national policies, economic development, population aging and biopharmaceutical technology development. During the Reporting Period, China's epidemic was effectively controlled, the economy continued to recover steadily, market demand continued to rebound, and the overall economic development showed a stable to positive trend, and the year-on-year growth rate of the biopharmaceutical industry was higher than the overall economic growth rate.

II. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

1. Full Industry Chain Advantages

Shanghai Pharmaceuticals is a leading integrated industrial group in China's industry and commerce industry. Its business covers pharmaceutical industry and pharmaceutical service, which enables the Company to have unique business model with shared and mutual benefits. Therefore, it enables the Company to be continuously driven by major links of the value chain of the pharmaceutical industry. The Company is able to integrate resources to break through the industry development bottlenecks and continuously provide quality product, service and solution for patients, medical institutions and partners. Due to the industrial advantages of such integrated development, the Company is able to constantly create extra synergetic profits and value for its shareholders and the society and lower the risks and uncertainties of individual fields.

2. Product structure advantages

The Company has profound history. Over the years, it owns rich product resources. It produces nearly 700 varieties of drugs each year regularly. Its products mainly cover 7 major therapeutic fields, namely anti-tumor, heart and cerebral vessels, psychoneural, anti-infection, auto-immunity, digestive tract and metabolism, and respiratory system, which has formed the portfolio echelon of key products and basic and common drug products. The Company has production lines with a full range of dosage forms and insists on comprehensive lean management. By building a production information management MES system and a quality information management LIMS system, the Company is able to achieve lean optimization of all aspects of drug production and manufacturing, focus on improvement of its ability in technological innovation, industrialization and quality control, maintain leading quality and cost advantages, and ensure that it can consistently and steadily produce drugs that meet the intended use and registration requirements. The Company actively explores the international market for its products. Several Active Pharmaceutical Ingredients (APIs) passed the quality certification of WHO, FDA, EU and other developed countries, and several preparations products have been approved by FDA.

3. R&D resources advantages

The Company attaches importance to R&D innovation, continues to increase R&D investment, maintains industry-leading R&D investment intensity, adheres to the two-wheel drive of independent R&D and BD to build a product chain that meets clinical needs and has technological advantages through the organic integration of internal resources and external cooperation. The Company insists on the open R&D model, accelerates product introduction and R&D cooperation, promotes in-depth industry-academia-research cooperation, and builds new R&D cooperation platforms with scientific research institutes and their affiliated colleges, such as Shanghai Institute of Materia Medica of Chinese Academy of Sciences, Fudan University, Shanghai Jiaotong University, Sichuan University, East China University of Science and Technology, Shenyang Pharmaceutical University, Tianjin University of Traditional Chinese Medicine, Shanghai University of Traditional Chinese Medicine, etc., and continues to build forward-looking innovative drug development product groups and improved innovative drug product groups with clinical value and technical characteristics, and has been continuously listed as one of the best Industrial Enterprises in the PRC's Pharmaceutical R&D Product Pipeline released by the China National Pharmaceutical Industry Information Center, ranking in the first echelon of domestic pharmaceutical enterprises in terms of total R&D investment.

4. Business network advantages

The Company has an intensive and informational modern drug circulation system, forming a network with a direct coverage of 24 provinces and cities nationwide, thus, forming an effective, quick, and intelligent modern supply chain service channel. Therefore, the Company has a broad customer network. Meanwhile, our integrated shared and mutually beneficial business model serves to promote our own pharmaceutical products.

5. Service advantages

The Company insists on innovative drug distribution methods, keeps providing services for reform of public medical institutions, meets the needs of the public and medical institutions with leading supply chain management, information technology and logistics technology, and continuously improves service efficiency and experience. The Company is in a nationally leading position in terms of innovative business model, such as supply chain extension service within hospitals, the third-party logistics service, direct-delivery of drug service, one-stop service for imported drugs, vaccine services, information management of drug stocks, and clinical support service. The Company's online and offline integrated pharmaceutical retail business is among the leading in China, covering more than 2,000 branded retail pharmacy chains in 16 provinces and municipalities nationwide, enabling the Company to continue to provide efficient, professional and safe services to its customers.

6. Advantages of financial and industrial integration

The Company has a sound financial structure and good control of its asset to liability ratio. By virtue of A+H shares listing platform, international and domestic investment platform and various M&A funds, the Company has a relatively optimized capital operation ability, thus, it can fully combine industrial capital with financial capital to drive the industrial development.



Chapter 3 Management Discussion and Analysis

7. Brand advantages

Building on a fine culture steeped in history, the Company upholds the fundamental principle of safety, reliability and innovation, and adheres to the main brand-driven development strategy. It owns a group of established brands with long history and rich connotation, which creates effective synergy with the main brand, “Shanghai Pharmaceuticals”.

III. DISCUSSION AND ANALYSIS OF THE OVERALL OPERATION

(I) Details of results

In the first half of 2021, following the continuous and steady recovery of national economy, the continuous rebound market demand and the steady growth in economic development, the Company also maintained healthy operating conditions.

Ascending step by step and maintaining high growth in operating income (up 20.73% YOY)

From January to June 2021, the operating income of the Company amounted to RMB105.237 billion, representing a YOY increase of 20.73%, of which, the revenue from pharmaceutical manufacturing amounted to RMB12.602 billion, representing a YOY increase of 7.94%, and revenue from pharmaceutical service amounted to RMB92.635 billion, representing a YOY increase of 22.71%.

Making breakthroughs and creating another record high in the growth rate of net profits (up 15.94% YOY)

The Company recorded RMB3.568 billion of net profit attributable to equity holders of the listed company, representing a YOY increase of 46.05%, of which the main business of pharmaceutical manufacturing contributed profits of RMB1.231 billion, representing a YOY increase of 4.69%, the main business of pharmaceutical service contributed profits of RMB1.333 billion, representing a YOY increase of 23.86%, and shareholding enterprises contributed profits of RMB0.610 billion, representing a YOY increase of 10.44%. In addition, the Company recorded RMB2.551 billion of net profit after deduction of non-recurring profit or loss attributable to equity holders of listed company, representing a YOY increase of 15.94%. The non-recurring profit or loss mainly comes from the one-off gains by getting it off in the balance sheet after the series B financing of SPH Cloud Health. The net profit attributable to equity holders of the listed company after the reversal of R&D expenditure increased by 42.58% YOY.

During the Reporting Period, the Company's consolidated gross margin maintained at 13.40%, reducing by 1.34 percentage points compared with the same period of last year, with the pharmaceutical manufacturing increasing by 0.10 percentage point, and the pharmaceutical distribution reducing by 0.62 percentage point. The Company's operating profit margin was 3.95% after deduction of management, sales and R&D expenses, reducing by 0.44 percentage point compared with the same period of last year.

The Company continued to maintain good operating quality. During the Reporting Period, the operating net cash inflow was RMB2.171 billion.

During the Reporting Period, the Company continued to empower its businesses by the “digitalization construction of SPH”, and further improve its system capability by virtue of big data, thereby building an effective organization and a core supporting platform. After more than one year’s platform construction, the Big Data Command Center Project (Phase I) of the Company finally succeed in building a visual big data analysis and management platform integrating operation analysis, real-time monitoring, risk warning, post-investment management and control and R&D project management. Internally, an operational analysis cockpit was formed to satisfy the Group’s management and decision analysis requirements, and provide a strong data basis for the management to timely and accurately grasp the status of corporate operation and development, and effectively make decisions; externally, a window was created to publicize corporate value and achieve timely and effective information disclosure. Through the implementation of the aforesaid project, the Company has greatly improved its digital management and service capabilities, thus making it possible for “data-based publicizing, management, decision making and innovation”. This year, the Company will also further expand the docking and application of HR platform, and promote the application of big data informationization in such aspects as product planning, marketing, manufacturing and R&D.

(II) Operating highlights in the first half of the year

Higher ranking in the list of TOP50 Global Pharmaceutical Enterprises

During the Reporting Period, although some products were affected by the national volume-based procurement (VBP) policy, the Company’s overall sales revenue in the first half of the year still achieved a rapid growth. The impact of the epidemic on large industrial varieties was gradually eliminated, and the number of products with sales revenue of over 100 million reached a new high. Meanwhile, Shanghai Pharmaceuticals once again entered the list of TOP 50 Global Pharmaceutical Enterprises, rising 6 places to 42nd.

During the Reporting Period, the Company’s sales revenue from pharmaceutical manufacturing was RMB12.602 billion (a YOY increase of 7.94%). The sales revenue of 60 key products increased by 11.94% YOY, among which Top 5 key products ranking in terms of YOY growth doubled as compared to the same period of the previous year. The Company will pay continuous attention to the impacts of the VBP policy Centering on the “one strategy for one product”, the Company will achieve a high-degree coordination between production, marketing and research, maintain the growth rate of key products in stock, tap the development opportunities of potential products, and strive to achieve the strategic development targets of the “14th Five-Year Plan”.

Accelerated expansion of the innovative drug pipeline

Over the past five years, the Company has continuously increased its R&D investment in accordance with its established innovation and transformation strategy, making the total investment amount more than tripled during five years, which was increased from RMB0.618 billion in 2015 to RMB1.972 billion in 2021. During the Reporting Period, the Company further accelerated innovation and transformation, with the R&D investment totaling RMB1.139 billion in the first half of 2021, up 51.90% YOY, accounting for 9.04% of industrial sales revenue, of which R&D expenses amounted to RMB0.880 billion, up 30.04% YOY, accounting for 6.98% of industrial sales revenue.



Chapter 3 Management Discussion and Analysis

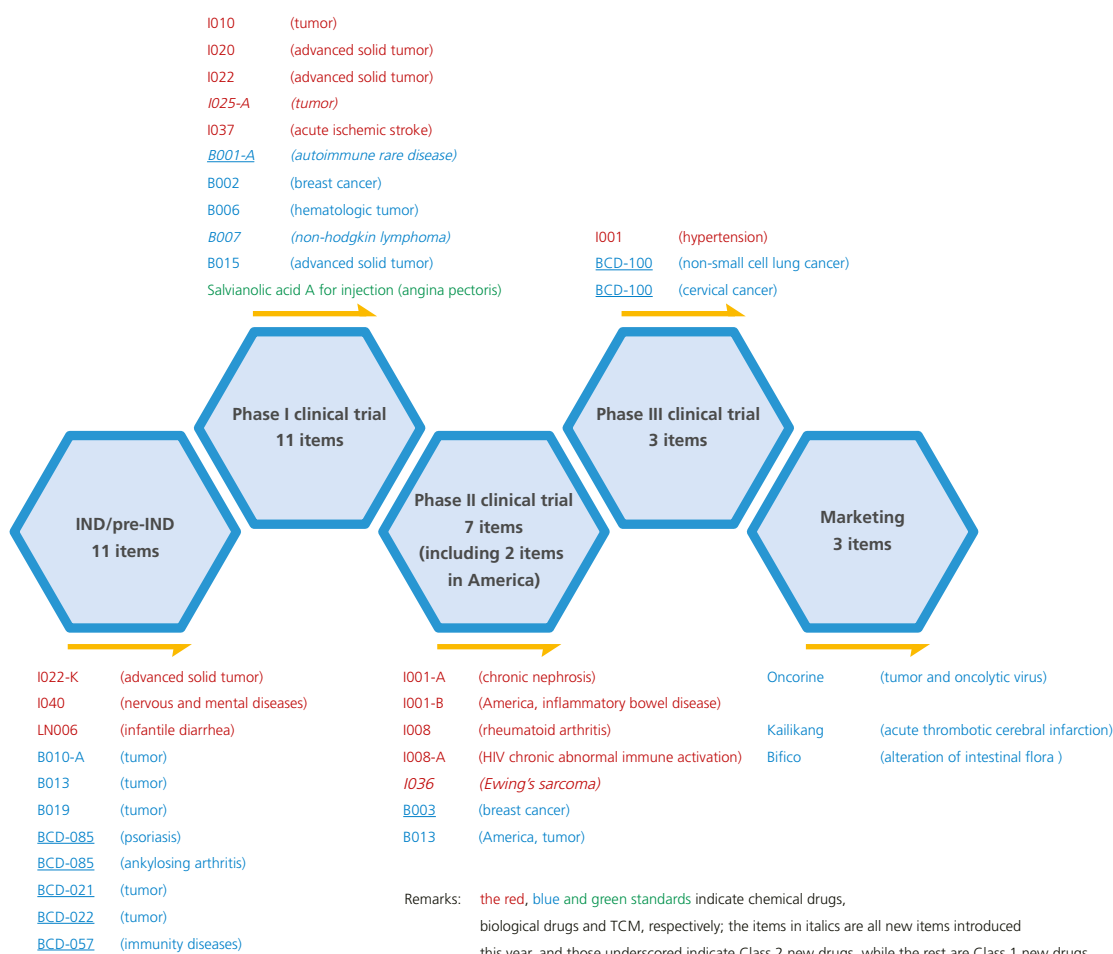
During the Reporting Period, the Company made more progress in its innovative drug pipeline:

- I036 (“SPH8216”) obtained phase II clinical approval in April 2021, and has started the clinical studies of Ewing’s sarcoma;
- I001-B (“SPH3127”) new ulcerative colitis indications have received clinical acquiescence from FDA, entered into the clinical phase II and started a new indication study in America;
- I001-A (“SPH3127”) new diabetic nephropathy indications submitted IND application in the PRC in April 2021, and then successively received the notice of acceptance regarding IND from CDE in May, and the notice of clinical trial at the end of July, with the phase II clinical trial thereof to be started recently in China;
- The Phase I clinical drug trial of I037 (“LT3001 for injection”), new drug for the treatment of acute ischemic stroke (AIS), has been carried out in Beijing Tiantan Hospital affiliated to Capital Medical University. All subjects have been successfully dosed up on 27 April 2021, and the final report has also been completed. In 3 August, Lumosa Therapeutics, a partner of the Company, announced that the drug has reached the primary safety end points in the multi-center, randomized, double-blinded, single-dose and placebo-controlled prospective Phase IIa clinical trial for the treatment of patients with AIS, but symptomatic intracranial hemorrhage (sICH) was not found within 36 hours after drug administration. A total of 24 subjects were included in the Phase IIa clinical trial, showing good safety on the whole and no evidence of increased sICH risk. Secondary end points include assessment of changes in mRS (modified Rankin score) and NIHSS of neurological function outcome. The sample size was limited, but there were more subjects in Group LT3001 reaching the excellent function outcome (mRS 0-1) on the 90th day, whose neurological function was significantly modified on the 30th day (modified NIHSS ≥ 4 points). Among subjects whose baseline NIHSS is greater than or equal to 6 and who have been treated with LT3001, 78% showed significantly modified neurological function (the current sample size is limited, which needs to be enlarged for confirmation in the future). The Company has applied to CDE for Phase II clinical trial, planning to conduct two Phase II clinical trials synchronously in mainland China and globally to evaluate the safety and validity of LT3001 for injection among more AIS patients;
- I025-A (“SPH5030”) was approved for clinical trial in July 2021;
- I022-K (“SPH6516”) submitted IND in May 2021.

Chapter 3 Management Discussion and Analysis

The first batch of 6 biomedical products introduced by SPH-BIOCAD (a joint venture established by Shanghai Pharmaceuticals and BIOCAD from Russia) has also made much progress:

- Each of PD-1 monoclonal antibody (BCD-100) cervical cancer and non-small cell lung cancer indications obtained phase III clinical approval, with the recruitment of patients to be conducted;
- IL17A (BCD-085) psoriasis indications have applied for IND, and ankylosing arthritis indications have applied for pre-IND;
- ANTI-GITR (BCD-166) is discussing the launch of simultaneous preclinical development in China and Russia, with the subsequent development path to be determined in accordance with the results of preclinical efficacy trials;
- Biosimilar drugs BCD-021 and BCD-022 have submitted pre-IND, and BCD-057 is preparing pre-IND materials.





Chapter 3 Management Discussion and Analysis

As of the end of the Reporting Period, the Company had 35 projects in respect of its innovative drug pipeline that had entered pre-clinical and follow-up studies, of which 24 projects had entered the clinic or had been marketed.

Inheritance, innovation and development of the Traditional Chinese Medical (TCM) segment

With rich resources of TCM products, the Company has 7 key TCM enterprises, 9 widely recognized core brands, 5 therapeutic areas (cardiovascular, digestive, respiratory, musculoskeletal and urogenital systems), and a number of confidential formulas and exclusive TCM varieties. The Company's TCM sales revenue is about one-third of the total revenue of its industrial segment, with 12 TCM products generating sales revenue of more than RMB100 million in 2020. In the first half of 2021, the sales revenue of the Company's TCM segment increased by 18% YOY.

In recent years, China has been focusing on the development of the TCM industry and has issued a series of favorable policies. At the beginning of this year, the State Council issued the Notice on Several Policy Measures to Accelerate the Characteristic Development of Traditional Chinese Medicine, which contains 28 measures in seven aspects, clarifying policy guidelines and implementation plans for the inheritance, innovation and characteristic development of Traditional Chinese Medicine. In order to proactively capture the guiding trend of policy, the Company signed a strategic cooperation framework agreement with Yunnan Baiyao and Tianjin Pharmaceutical on 13 May to jointly build the "Yuntianshang • TCM Industry Rejuvenation Alliance". In response to national TCM development strategies and in line with TCM development rules, the three parties give full play to their respective strengths in such aspects as scientific research, technology, market, capital, management and brand, focus on cooperation in the field of TCM, jointly promote the industrialization, modernization and standardized development of TCM, vigorously exploit the advantages in the five TCM resources, namely the health, economy, science & technology, ecology and culture resources, and actively explore new concepts, new technologies, new business forms and new models for the development of the TCM industry, so as to give better play to the unique advantages and effects of TCM, promote the healthy development of the TCM industry, and satisfy people's health needs for TCM.

Centering around "large brands, large varieties" of TCM, the Company defined four conditions (competitiveness, clinical value, enterprise value and access conditions) for large TCM products, sorted out the existing product series of each subsidiary of the Group, conducted necessary demonstration from the aspects such as exclusivity, uniqueness and market potential, selected the first batch of large varieties of 8 TCM to be cultivated, and established the principle of "one strategy for one company, and one strategy for one product". As a result, the revenue growth rate of key TCM products exceeded 20% in the first half of this year.

Accelerated approval of consistency evaluation

In terms of generic drug, in the first half of 2021, the Company saw the 14 new varieties (21 specifications) passing the consistency evaluation of generic drugs, increasing the total number of product varieties passing consistency evaluation to 34 varieties (48 specifications), ranking forefront in the industry.

New products passing consistency evaluation in 2021

No.	Enterprise	Name of products	Specification
1	SPH Sine Pharmaceutical Factory Co., Ltd.	Estazolam Tablets	1mg
2	Shanghai Sine Wanxiang Pharmaceutical Co., Ltd.	Metronidazole Tablets	0.2g
3		Simvastatin Tablets	20mg and 10mg
4		Allopurinol Tablets	0.1g
5	Shanghai Sine Tianping Pharmaceutical Co., Ltd.	Cimetidine Tablets	0.2g
6		Nifedipine Sustained-release Tablet (II)	20mg
7	Shandong Sine Pharmaceutical Co., Ltd.	Estazolam Tablets	1mg
8	Shanghai SPH New Asiatic Pharmaceutical Co., Ltd.	Ceftriaxone sodium for injection	2.0g, 1.0g, 0.5g and 0.25g
9		Lansoprazole for Injection	30mg
10	Shanghai New Asiatic Medicine Industry Minhong Co., Ltd.	Enalapril Maleate Tablets	5mg and 10mg
11		Amoxicillin Capsules	0.25g
12	Shanghai Zhongxi Pharmaceutical Co., Ltd.	Duloxetine Hydrochloride Enteric Tablets	20mg
13		Aripiprazole Capsules and Aripiprazole Tablets	5mg
14	SPH Dong Ying (Jiangsu) Pharmaceutical Co., Ltd.	Perindopril Tert-butylamine Tablets	4mg and 2mg

Chapter 3 Management Discussion and Analysis

Construction of high-end preparation platform is beginning to show results

To further accelerate the layout and technology development of improved new drugs and high-end preparation, the Company has established in-depth cooperative relationships with various well-known domestic universities, R&D institutions and enterprises. During the Reporting Period, the Company actively promoted the construction of various technical innovation platforms for inhalation preparations, sustained-release preparations, orally soluble film preparations, complex injectables and active pharmaceutical ingredients (APIs) and etc., and promoted the exploration and application research of new preparation technologies and raw material synthesis technologies, and the product pipeline has covered respiratory, cardiovascular, psychoneural, analgesic, anti-infection, digestive and metabolism fields. In July this year, Shanghai SPH Innovative Pharmaceutical Technology Co., Ltd., under the Company, formally signed a product introduction agreement with Hangzhou Arissa Bio-Pharmaceutical Technology Co., Ltd. (杭州艾瑞莎生物醫藥科技有限公司) and Jiangyin Usunbio Pharmaceutical Co., Ltd. (江陰貝瑞森制藥有限公司), respectively, and introduced nanotechnology-modified new drug AP2500 and modified new drug UP-611 program for new administration routes and new indications. Recently, SPH Jiuzhou Biopharmaceuticals Company (上藥九洲生物製藥公司), a joint venture established by the Company and Zhejiang Jiuzhou Pharmaceutical Co., Ltd, was also formally inaugurated. At present, it has a total of 13 joint project approval varieties, and it is committed to building a first-class high-end innovative preparation platform in China.

Launching of R&D cooperation platform incubation project

The Company continues to expand the group of innovative drug products with clinical value following the principle of "independent R&D + external cooperation". And it has, relying on its market-based system and mechanism, achieved strategic cooperation with a number of well-known universities, scientific research institutes and medical institutions, to jointly build innovative platforms and achieve the effect of "1+1>2". During the Reporting Period, the Company advanced relevant work as scheduled in combination with the following R&D cooperation platforms.

- Shanghai Jiaotong University School of Medicine and Affiliated Hospital of Shanghai Jiaotong University: Shanghai Xun Yao Biotechnology Co., Ltd., a company established by Shanghai Pharma together with Prof. Liu Junling Team at Shanghai Jiao Tong University School of Medicine, Shanghai Second Medical University Investment and Management Co., Ltd. and Shanghai Biopharmaceutical Industry Equity Investment Fund, has been established in mid-May. At present, it has a total of 6 innovative drug management line varieties, and focuses on the development of novel drug targets and early drugs for rare diseases and antibodies, nucleic acid drugs and cell therapy techniques, of which 2 innovative drug programs are expected to go into clinical stage in 2022.
- West China Hospital of Sichuan University: the first batch of cooperative R&D projects has been launched and is under smooth progress; a new round of collection and selection of incubation projects has been launched;
- Shenyang Pharmaceutical University: the R&D team has conducted research and evaluation as well as several rounds of exchanges on the innovation cooperation project, and is confirming the research feasibility scheme.
- Center for Excellence in Molecular Cell Science, CAS: the cooperation on the four selected projects is under continuous promotion.

Consolidation of the position as the leading service provider for imported drugs and innovative drugs in the PRC

During the period from January to June 2021, the Company's sales revenue from the pharmaceutical distribution business was RMB92.487 billion (up 22.58% YOY), and the gross profit margin was 6.46%. The sales revenue from the pharmaceutical retail business was RMB3.709 billion (down 1.57% YOY), and the gross profit margin thereof was 13.41%. The Company actively optimized the structure of its product varieties, and further consolidated its position as the leading service provider for imported drugs and innovative drugs in the PRC. During the Reporting Period, the Company was successfully appointed as the general agent for multiple blockbuster varieties from such suppliers as Takeda and Novo Nordisk.

The Company strives to build an innovative drug service platform to provide global pharmaceutical enterprises with such fields as one-stop supply chain management services covering pre-market cooperation, import and export services, national distribution, and innovative value addition. During the Reporting Period, SHAPHAR (a subsidiary of the Company), as the only Chinese importer of "Yiwo (逸沃)", an immuno-oncology drug manufactured by Bristol-Myers Squibb (BMS) that is newly approved for marketing, conducted an all-round in-depth cooperation with the manufacturer in the field of immuno-oncology, with a view to building a whole-process multi-field cooperation mode for "Opdivo" and "Yiwo", thus making more patients benefit from high-quality treatment; the company also provided such services as clinical trial support, bond entry, national distribution, supply chain optimization and innovative value addition for Antengene to accelerate the commercialization process of Antengene's new products.

The Company also keeps innovating its supply chain service, so as to improve the efficiency of its international supply chain, and consolidate its advantages in the international trade industry. In early July this year, SHAPHAR was selected as one of the first batch of "National Supply Chain Innovation and Application Demonstration Cities and Demonstration Enterprises" announced by eight ministries including the Ministry of Commerce. As one of the first batch of enterprises settled down in Shanghai Lin'gang New Area, the construction of which is under active promotion, the Company is accelerating the building of Lin'gang Grand Health International Pharmaceutical Supply Chain Industrial Park. By virtue of the industrial advantages of Lin, gang New Area, the Company will further strengthen its industrial innovation capability and consolidate its leading position in the field of pharmaceutical import and export.



Chapter 3 Management Discussion and Analysis

Steady growth in vaccine sales

In terms of vaccine import agency service, the Company achieved sales revenue of RMB2.284 billion (up 4.93% YOY) during the Reporting Period. At present, the sales volume of Class II vaccines is mainly affected by the situation of epidemic prevention and control, but there is still promising space for future development. Relying on its leading position in the field of vaccine distribution, the Company further extends its industrial chain from import distribution to production and R&D, and seizes the opportunity to strategically deploy its vaccine business. This year, the Company entered the field of vaccine production through cooperation and joint venture. In addition, Chengdu Wesker Biopharmaceutical Co., Ltd., an innovative vaccine R&D company with the Company as the lead investor, has launched a global multi-center phase III clinical trial, further promoting the Company's layout in the field of vaccine R&D. In the future, the Company will continue to develop vaccine business in combination with its existing advantages.

Remarkable results delivered by "Internet +"

Established in March 2015, SPH Cloud Health is an "Internet +" pharmaceutical business technology platform incubated by Shanghai Pharmaceuticals. The company takes "DTP specialized pharmacy" and "Internet + service" as its two business cornerstones and, through online-offline integration, comprehensively develops the "Yiyao" (drug benefiting) Ecosystem, provides valuable and accessible sales and service network for the vigorous development of innovative drugs, and creates a "new mode for separating dispensing from prescription in China" for the development of the "Internet +" service regarding chronic generics. After completing series B financing of an aggregate of RMB1.033 billion on 18 January 2021, SPH Cloud Health immediately started such work as the adjustment of internal organizational structure, the promotion of overall performance and equity incentive plan, and the upgrade of digital system and funds management system, while actively carrying out external investment and acquisition, and preparing for a new round of equity financing. As the NHSA and NHC issued the guidance on "double channel" improvement, SPH Cloud Health plans to seize the policy opportunity in the second half of the year to strive for the "double channel" qualification for its "Yiyao Pharmacy" nationwide.

As a pioneer in the digital health ecology whole value chain mode, MediTrust Health is committed to opening up the ecological closed-loop of "Internet + medical + pharmaceutical + insurance" through innovative medical payment mode, so as to promote the deep integration between the insurance field and the medical field, help patients get due medical treatment and medical insurance, and make people feel happy and reassured. During the first half of 2021, MediTrust Health has launched more than 40 new patient welfare projects and 32 new health insurance products, serving cumulatively more than 60 million insurance policies and becoming a major service provider of urban customized commercial medical insurance ("Huiminbao" Insurance). It is worth noting that, after the launch of "Huhuobao" Insurance for which MediTrust Health provides service support in April 2021, the number of applicants thereof exceeded 7.39 million, setting a new record for "Huiminbao" Insurance in terms of the number of applicants in the first year. MediTrust Health can provide comprehensive support in such aspects as project management, drug directory and one-stop claim settlement service, thus helping upgrade the health security for Shanghai citizens, improving their access to medicines in a high-quality and efficient way, and easing their burden of medical expenses.

Layout of the oral instrument business in the internal market

In May this year, the signing ceremony of 100% equity transfer of Fimet Invest Oy by SPH Medical Instruments, a subsidiary of Shanghai Pharmaceuticals, was held simultaneously in Shanghai, the PRC and Helsinki, Finland in video form. Established in 1981, Fimet Invest Oy brand has obtained great reputation and market recognition after years of operation. As one of the first batch of overseas enterprises entering the PRC, Fimet Invest Oy has been in cooperation with SPH Medical Instruments for 27 years. After the completion of the acquisition, SPH Medical Instruments will own all the modules necessary for its development in the oral medical industry, based on which SPH Medical Instruments is likely to, through integrated operation, rapidly expand both domestic and foreign markets in the future, and build a R&D platform, a global BD platform, an overseas M&A platform and an international brand for its oral business.

Support to the Company's innovation and transformation based on the combination between finance and industry

On 12 August 2021, the Company's extraordinary general meeting examined and approved the proposal regarding the non-public issuance of A shares and the introduction of strategic investors, proposing to make a private placement of about 853 million A shares at the price of RMB16.87 per share to Yunnan Baiyao and Shanghai Tandong, to raise about RMB14.384 billion subject to a lock-up period of 36 months. Upon completion of the issuance, Yunnan Baiyao will hold 18.02% of the Company's shares and deeply participate in the Company's governance and operation as a strategic investor, so that they can carry out in-depth cooperation in multiple business fields in combination with their respective advantages, while further deepening the pace of state-owned enterprise reform.

As a pilot enterprise of the "Double Hundred Action" of SOE reform, the Company has, in recent years, made a series of explorations and attempts, including several diversified and multi-level reform measures such as equity incentive plan, market benchmarking assessment, medium and long-term incentives for R&D and mixed ownership reform of subordinate enterprises. The introduction of Yunnan Baiyao as a strategic investor will further optimize the corporate governance structure through the diversification of equity structure and promote the further deepening of institutional and mechanism reform. Meanwhile, the two parties will combine their superior resources in such aspects as product resources, customer resources, brand management, market channels and product development to achieve synergistic development and win-win cooperation in TCM, grand health, pharmaceutical service and new businesses.

In July this year, the Company invested RMB90 million as one of the limited partners to participate in the establishment of Shanghai Shangshi Biomedical Innovation and Transformation Private Investment Fund Partnership (Limited Partnership). This fund is a special fund for the biomedical industry, which is established by SIIC. Based in Shanghai, linked with both the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and oriented at the whole world, the fund provides systematic investment and transformation support for projects with innovative nature and the value of achievement transformation, focuses on the field of biomedicine, and aims to build a leading innovation and transformation platform in the field of biomedicine in China. In the future, the Company will form strategic cooperation with the fund in many aspects including project cooperation, so as to empower it to achieve innovative goals by virtue of a more flexible and market-oriented capital operation mode.



Chapter 3 Management Discussion and Analysis

(III) Operation Plan of the Company for the Second Half of the Year

On 2 August 2021, the “Fortune” Magazine officially released the “Fortune Global 500 List for 2021”, and Shanghai Pharmaceuticals was listed again at No. 437, jumping 36 spots in the ranking. The Company adheres to strategic priorities, driven by scientific and technological innovation, and moves forward steadily.

In the second half of the year, the Company will carry out its operations in an orderly manner in accordance with the annual business objectives and key work arrangements set by the Board of Directors. Specifically, the Company will continue to optimize the industrial systems of R&D, marketing and manufacturing, improve the efficiency of new drug development, promote cost reduction and efficiency improvement to constantly improve system capabilities; on the commercial side, the Company will focus on Internet+ and vigorously promote innovative business development; in terms of the international business, the Company will strengthen the management of overseas companies and effectively promote international business expansion and the efficient implementation of cooperation projects. The Company will leverage the strengths of the traditional Chinese medicine segment, integrate industry resources, strengthen and expand traditional Chinese medicine products and brands, and strengthen safe production and environmental protection to ensure drug quality.

Standing at the intersection of the Two Centenary Goals, and facing profound changes unseen in a century, Shanghai Pharmaceuticals should undertake new missions and responsibilities and, based on past achievements, create a new future for the pharmaceutical industry in China, and thus help transform China from a major pharmaceutical country into a strong one. In the future, Shanghai Pharmaceuticals will struggle forward following the principle of persistence, unity and consistency and, driven by technological innovation, strive to become a leading Chinese pharmaceutical enterprise with international competitiveness.

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

(I) Analysis of principal business

1 Analysis on changes in relevant items of financial statements

Unit: Yuan Currency: RMB

Item	Amount for the Reporting Period	Amount for the same period of last year	Change (%)
Operating income	105,237,468,881.97	87,165,105,135.39	20.73
Cost of sales	90,810,266,341.89	74,055,046,724.02	22.63
Selling expenses	6,739,845,178.82	6,120,364,930.72	10.12
Administration expense	2,322,332,052.70	2,224,791,939.51	4.38
R&D expenditure	880,028,512.19	676,750,443.92	30.04
Finance costs	578,868,705.15	670,508,004.34	-13.67
Asset impairment losses	-15,634,812.60	231,929,820.32	/
Credit impairment loss	201,103,557.94	153,480,670.87	31.03
Other income	192,600,180.75	230,973,226.60	-16.61
Investment income	1,671,188,152.88	529,302,880.15	215.73
Gains arising from changes in fair value	-35,593,655.13	103,418,122.80	/
Gains on assets disposal	5,924,774.69	-1,215,478.38	/
Non-operating income	27,695,351.07	27,520,041.01	0.64
Non-operating expenses	40,259,501.48	57,152,215.71	-29.56
Net cash flow generated from operating activities	2,171,018,019.80	3,705,636,065.71	-41.41
Net cash flow generated from investing activities	-3,192,543,135.86	-662,875,551.02	-381.62
Net cash flow generated from financing activities	1,795,571,128.72	4,180,568,566.81	-57.05

Chapter 3 Management Discussion and Analysis

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

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

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

Reasons for changes in administration expense: Increase in operation and administration expense during the Reporting Period

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

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

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

Reasons for changes in credit impairment loss: Increase in provision for bad debts of receivable during the Reporting Period

Reasons for changes in other income: Decrease in government grants during the Reporting Period

Reasons for changes in investment income: Increase in investment income recognized due to transferring the subsidiary to the associate during the Reporting Period

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

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

Reasons for changes in non-operating income: Increase in relocation compensation received during the Reporting Period

Reasons for changes in non-operating expenses: Decrease in donation expenses during the Reporting Period

Reasons for changes in net cash flow generated from operating activities: Increase in payment for goods during the Reporting Period

Reasons for changes in net cash flow generated from investing activities: Increase in cash outflow from transferring the subsidiary to the associate during the Reporting Period

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

2 Detailed Explanations on Significant Changes in the Business Type, the Composition of Profits or the Source of Profits of the Company

☐Applicable ☒Not applicable

(III) 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: Yuan

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
Cash at bank and on hand	22,908,221,792.21	14.46	22,296,232,678.85	14.95	2.74	/
Accounts receivables	58,474,051,545.66	36.91	52,745,905,873.59	35.36	10.86	/
Inventories	23,456,808,217.66	14.81	24,088,257,693.63	16.15	-2.62	/
Investment properties	239,436,385.51	0.15	235,288,086.77	0.16	1.76	/
Long-term equity investments	9,243,974,435.60	5.84	6,651,064,005.61	4.46	38.98	Increase in investments in associates and joint ventures during the Reporting Period
Fixed assets	10,274,775,744.39	6.49	10,490,715,695.26	7.03	-2.06	/
Construction in progress	2,271,977,863.80	1.43	1,737,203,979.54	1.16	30.78	Increase in investments in fixed assets during the Reporting Period
Right-of-use assets	1,920,597,816.89	1.21	1,992,650,919.19	1.34	-3.62	/
Short-term borrowings	21,772,689,043.36	13.74	20,139,185,856.91	13.50	8.11	/
Contract liabilities	1,449,437,769.90	0.91	1,310,837,272.06	0.88	10.57	/
Long-term borrowings	3,359,294,246.00	2.12	1,184,078,311.36	0.79	183.71	Increase in bank borrowings with over one year during the Reporting Period
Lease liabilities	1,452,311,888.50	0.92	1,501,021,800.19	1.01	-3.25	/
Derivative financial assets	943,132.56	0.001	501,339.00	0.0003	88.12	Increase in fair value of derivative financial assets held during the Reporting Period
Other receivables	2,990,601,824.35	1.89	2,009,456,454.89	1.35	48.83	Increase in compensation receivable from suppliers during the Reporting Period
Non-current assets due within one year	63,082,694.31	0.04	105,325,100.98	0.07	-40.11	Decrease in long-term receivables due within one year during the Reporting Period
Long-term receivables	236,003,530.31	0.15	169,846,933.41	0.11	38.95	Increase in the deposits with over one year during the Reporting Period
Other equity instrument investment	50,651,879.20	0.03	33,051,720.32	0.02	53.25	Increase in fair value of equity instrument held during the Reporting Period
Derivative financial liabilities	2,171,396.38	0.001	9,314,855.96	0.01	-76.69	Decrease in fair value of financial liabilities held during the Reporting Period
Taxes payable	1,019,270,779.09	0.64	1,478,067,469.53	0.99	-31.04	Increase in taxes paid during the Reporting Period
Other non-current liabilities	228,421,760.89	0.14	144,645,012.23	0.10	57.92	Increase in repurchase payment for equity payable during the Reporting Period

Chapter 3 Management Discussion and Analysis

2. Overseas assets

✓Applicable ☐Not applicable

(1) Asset size

Among which, overseas assets amounted to 22.82 (Unit: '00 million Currency: RMB), the proportion to the total assets is 1.44%.

(2) Explanation on overseas assets

☐Applicable ✓Not applicable

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

✓Applicable ☐Not applicable

As at 30 June 2021, the Group pledged the accounts receivable with the book value of RMB818 million, receivables financing of RMB95 million and notes receivable of RMB85 million to the bank as guarantee for short-term borrowings of RMB782 million.

As at 30 June 2021, the Group pledged the accounts receivable with the book value of RMB92 million to the bank as guarantee for short-term borrowings of RMB38 million and the long-term borrowings due within one year of RMB51 million.

As at 30 June 2021, the Company's housing and buildings and machinery equipment with the book value of RMB260 million (original cost: RMB331 million), and 127,615.39 square meters of land use right (original cost of RMB39 million and book value of RMB32 million) were set as collateral for short-term borrowings of RMB296 million, long-term borrowings of RMB26 million and long-term borrowings due within one year of RMB12 million.

As at 30 June 2021, the Group's other monetary funds amounted to RMB2,559 million, which was mainly the margin deposit for security for applying to the bank for issuing bank acceptance bills and letters of credit.

4. Other information

☐Applicable ✓Not applicable

(IV) Analysis on Investment Conditions

1. Overall Analysis on External Equity Investments

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB	
Amount of Investments during the Reporting Period	134,709.39
Increase or Decrease in Amount of Investment	-257,477.99
Amount of Investment in the Same Period over Prior Year	392,187.38
Percentage of Increase/decrease in Amount of Investments (%)	-65.65

Chapter 3 Management Discussion and Analysis

(1) Significant Equity Investments

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

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
Fimet Invest OY	28 June 2021	20,349.66	Medical instruments	100.00%	Acquisition	Own fund	Third parties	/	/	No

(2) Significant Non-equity Investments

☐Applicable ✓Not applicable

(3) Financial Assets Measured at Fair Value

✓Applicable ☐Not applicable

Unit: 0'000 Yuan Currency: RMB

Code	Name	Initial Investment Cost	Closing 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	9.93	17.31	-21.72	/	-21.72	Own fund	Nil
600675	CHINA ENTERPRISE	39.00	295.64	-0.05	/	-0.05	Own fund	Nil
601328	BANK OF COMMUNICATIONS	472.01	281.00	24.09	/	24.09	Own fund	Nil
688578	Allist	4,091.40	5,376.78	615.96	/	615.96	Own fund	Nil
03692(HK)	Hansoh Pharmaceutical (翰森製藥)	13,769.67	30,916.84	-3,330.44	-335.11	-3,330.44	Own fund	Nil
06600(HK)	SciClone Pharmaceuticals	19,353.29	15,334.46	-4,018.83	-	-4,018.83	Own fund	Purchase
00455(HK)	Tianda Pharma	8,785.19	5,065.19	/	1,760.02	1,760.02	Own fund	Nil
/	Other non-current financial assets (unlisted company)	48,014.43	60,323.52	2,527.77	/	2,422.67	/	Partly disposed
Total		94,534.92	117,610.74	-4,203.22	1,424.90	-2,548.30	/	/

Chapter 3 Management Discussion and Analysis

(V) Disposal of Major Assets and Equities

✓ Applicable ☐ Not applicable

Name of subsidiary	Disposal price	Disposal proportion	Disposal method	Time point for loss of control	Judgment basis of time point for loss of control	Difference between the disposal price and the share of the subsidiary's net assets in the consolidated financial statements corresponding to the disposal of the investment	Profit or loss on investment transferred from other comprehensive incomes in connection with equity investment of the original subsidiary
SPH Cloud Health	N/A	24.77%	Passive dilution	5 February 2021	Cease to control the financial and operating policies of the acquiree.	N/A	-

On 5 February 2021, SPH Cloud Health, a holding subsidiary of the Group, completed its Series B financing by introducing seven new investors in the form of a capital increase. The seven new shareholders subscribed for the additional registered capital (approximately RMB689 million in total) of SPH Cloud Health for a consideration of approximately RMB1,033 million in cash. Upon completion of the transaction, the equity in SPH Cloud Health directly/indirectly held by the Group will be diluted from 72.7478% to 47.974%, and SPH Cloud Health will no longer be included in the Group's scope of consolidation, with a gain on disposal of RMB1,028 million, accounting for 19.70% of the total profit for the period.

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

✓Applicable ☐Not applicable

Unit: '00 million Yuan Currency: RMB

Company Name	Business Nature	Shareholding Percentage	Registered Capital	Size of Assets	Owners' Equity	Operating income	Net Profit
Shanghai Pharmaceutical Co., Ltd.	Sales of drugs	100.00%	50.00	638.82	158.08	558.37	18.79
SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Sales of drugs	100.00%	13.00	280.42	70.72	243.14	4.57
SPH Sine Pharmaceutical Factory Co., Ltd.	Production and sales of drugs	100.00%	11.92	59.78	31.02	31.46	3.08
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	2.25	30.20	12.50	13.42	1.06
SPH New Asia Pharmaceutical Co., Ltd.	Production and sales of drugs	96.90%	10.52	18.54	12.22	10.24	0.23
Shanghai TCM Co., Ltd.	Production and sales of drugs	100.00%	14.76	74.07	40.83	32.61	3.01
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Production and sales of drugs	75.00%	1.29	39.85	17.21	6.07	0.43
SPH Changzhou Pharmaceutical Co., Ltd.	Production and sales of drugs	75.89%	1.58	45.29	25.21	29.63	1.55
SPH Zhongxi Sunve Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	5.46	36.65	30.19	6.19	3.88
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Production and sales of drugs	67.52%	0.93	13.77	8.63	8.32	0.60
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Production and sales of drugs	51.01%	1.35	7.95	6.18	3.30	0.47
Xiamen TCM Factory Co., Ltd.	Production and sales of drugs	61.00%	2.00	4.69	3.83	2.64	0.41
Liaoning SPH Herbex Pharmaceutical (Group) Co., Ltd.	Production and sales of drugs	55.00%	1.02	9.81	5.53	4.18	0.50
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	0.94	6.06	3.27	2.36	0.07
SPH Materials Supply and Sales Co., Ltd.	Wholesale of Chemicals and APIs	100.00%	1.01	2.35	1.18	0.82	-0.02
Shanghai Medical Instruments Co., Ltd.	Production and sales of medical equipments	100.00%	1.27	7.61	5.73	1.63	0.38
SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	1.41	5.03	4.05	0.96	0.16
Shanghai Pharma Sales Co., Ltd.	Sales of drugs	100.00%	0.50	8.61	1.18	6.30	0.36
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	18.52	14.97	6.44	1.05



Chapter 3 Management Discussion and Analysis

(VII) The Structural Entity Controlled by the Company

☐Applicable ☒Not applicable

V. OTHER DISCLOSURES

(I) Potential Risk Factors

☒Applicable ☐Not applicable

Considering the wide global spread of the epidemic, the possibility that the epidemic may last for a long period of time and other factors, international trade, international investment, import of bulk raw materials and other businesses are subject to volatility risk in the short term.

The normalization of medical insurance cost control and payment reform will lead to further price reductions for some drugs. The Company will take the initiative to adjust its market strategy according to market changes, actively expand the international market, and accelerate innovation and transformation, thereby striving to put key new products on the market as scheduled.

Innovative drug research and development projects have long lead time and large investment, the related progress and approval process are subject to certain uncertainties, and there is a risk that the progress or clinical trial results of the project are not as expected. The Company will vigorously introduce market-oriented innovative talents, and steadily improve its innovation competitiveness by paying close attention to changes in the industry, continuing to increase investment in R&D, and optimizing the allocation of innovation resources.

The goodwill impairment test is based on future cash flow projections and contains relevant assumptions and professional judgments made by management, and therefore goodwill is exposed to certain risks of impairment. The Company will propose contingency plans for possible contingent risks to reduce the overall impact on the Company's business operations.

(II) Other Disclosures

☐Applicable ☒Not applicable

VI. 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 63.84%, representing an increase of 0.53 percentage point over the beginning of the period. The interest coverage ratio (EBIT/Interest Expenses) was 8.34 times (same period of 2020: 5.72 times). The gearing ratio (net amount of debts/total capital) of the Company was 24.31%.

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 RMB28.238 billion and the balance of bonds payable due within one year was RMB3.079 billion and the balance of extra short-term financing bill was RMB5.021 billion, of which the balance of loans in New Zealand Dollar amounted to RMB316 million, the balance of loans in US Dollar amounted to RMB3.023 billion, the balance of loans and bonds payable at a fixed interest rate amounted to RMB30.210 billion. The net amount of accounts receivable and notes receivable (including receivables financing) was RMB60.945 billion, representing an increase of 9.77% on a YOY basis. The increased accounts receivable was mainly due to the expanded operation scale of the Company and the expanded scope of consolidation. The balance of accounts payable and notes payable of the Company was RMB40.974 billion, representing an increase of 8.42% on a YOY 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.

(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.

(IV) Major Equity Investment

As of 30 June 2021, the Company did not hold any significant investments under paragraph 32(4A) of Appendix 16 to the Hong Kong Listing Rules.



Chapter 3 Management Discussion and Analysis

(V) Employees, Remuneration Policy and Training Scheme

As of 30 June 2021, Shanghai Pharmaceuticals had a total of 46,609 employees (including 1,311 R&D personnels).

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. Based on the characteristics of positions, the Company constructed differentiated remuneration systems for management staff, marketing staff, R&D staff, technical quality management staff and production staff with reasonable docking between the various remuneration systems, so as to effectively motivate the employees and stimulate their creativity, continually improve the Company’s business results and enhance the achievement of the Company’s strategic goals. The Company carried out market research on remuneration, improving the staff revenue growth and underpinning mechanisms related to the Company’s operating performance, so that employees can share the achievements of enterprise development.

The remuneration and compensation package of the employees generally includes salary, allowance and bonus. The Company participates in the employee welfare schemes, such as pension, medical insurance, housing fund, maternity and unemployment insurance, set by the local government in accordance with the relevant local regulations. Moreover, the Company promotes and establishes an annual salary system and improves the corporate welfare system, thereby enhancing the cohesion and competitiveness of the Group. For overseas employees, the Company has also established a welfare system in accordance with the local policies and regulations of the countries where we are located at, so as to ensure that the employees can receive the same level of welfare in the local area.

During the Reporting Period, the Company continued to push forward the implementation of the “dynamic development strategy with six verticals and six horizontals” through the combination of “online + offline” training, forming a talent training system focusing on main programs, rotation training programs, professional programs and special projects, supplemented by a series of forums + university lectures. During the Reporting Period, the Company carried out 26 forums, supplemented by a series of medical general knowledge forums in cooperation with School of Medicine of Shanghai Jiao Tong University to enhance the pharmacy literacy of its employees. The Company’s Large Wild Goose project (Phase VI), Mini-MBA (Phase I and II) and Marketing Boot Camp (Phase II) were successfully completed, and Large Wild Goose project (Phase VII) and Mini MBA (Phase III and IV) were started successively; this year, the Company also included the management trainee program and training for social recruits, further consolidating the talent reserve base of the Company. In addition, the Company adopted a multi-scene practical teaching method and offered practical training courses on business etiquette to improve the Group’s reception response ability and realize the symbiosis and win-win of the employees and the corporate image; in addition, the Company also set up a special training program for its international development (the first phase of which was successfully completed at the beginning of the year, and the second phase is planned to start in the second half of the year), designing courses based on multi-dimensional aspects such as language ability and cross-border negotiation to enhance its ability to cooperate with overseas enterprises.

(VI) Option Incentive Scheme

On 18 December 2019, the Company’s 2019 share option incentive scheme (the “Option Incentive Scheme”) was considered and approved by the shareholders of the Company at the 2019 first extraordinary general meeting, the 2019 second H-share class meeting, and the 2019 second A-share class meeting (the “General Meetings”) and adopted by the Company. On 19 December 2019 (the “Initial Options Grant Date”), pursuant to shareholders’ authorization, the Board approved the grant of 25,680,000 share options to 211 participants. Due to the resignation of employee, the Company considered and approved at the meeting of the board on 10 February 2020 to adjust the number of the initial participants from 211 to 210 and the number of initial granted options was adjusted from 25.68 million to 25.60 million accordingly. On 15 December 2020 (the “Reserved Options Grant Date”, together with “Initial Options Grant Date” collectively referred to as the “Grant Date”), pursuant to shareholders’ authorization, the Board approved the grant of 2,730,000 share options to 28 participants. In conclusion, as at 30 June 2021, 28,330,000 A-share share options were granted by the Company.

Chapter 3 Management Discussion and Analysis

1. Changes in options granted under the Option Incentive Scheme

Details of changes in options granted under the Option Incentive Scheme for the six months ended 30 June 2021 are as follows:

Name	Position(s)	Number of options outstanding at the beginning of the Reporting Period (in 10,000 A Shares)	Number of options granted during the Reporting Period (in 10,000 A Shares)	Number of exercisable options during the Reporting Period (in 10,000 A Shares)	Number of options exercised during the Reporting Period (in 10,000 A Shares)	Number of options cancelled during the Reporting Period (in 10,000 A Shares)	Number of options lapsed during the Reporting Period (in 10,000 A Shares)	Number of options outstanding at the end of the Reporting Period (in 10,000 A Shares)
Cho Man	Executive Director, president	48.00	0	0	0	0	0	48.00
Li Yongzhong	Executive Director, vice president	39.00	0	0	0	0	0	39.00
Shen Bo	Executive Director, vice president, chief financial officer	39.00	0	0	0	0	0	39.00
Zhao Yong	Vice President	33.00	0	0	0	0	0	33.00
Mao Jianyi	Vice President	33.00	0	0	0	0	0	33.00
Gu Haoliang	Vice President	33.00	0	0	0	0	0	33.00
Liu Dawei	Vice President (resigned)	33.00	0	0	0	0	0	33.00
Zhang Yaohua	Vice President	33.00	0	0	0	0	0	33.00
Chen Jinzhu	Vice President, Secretary to the Board, Joint Company Secretary	33.00	0	0	0	0	0	33.00
Middle level management and core employees of the Company (201 persons in total after adjustment) under the initial grant		2,236.00	0	0	0	0	0	2,236.00
Middle level management and core employees (28 persons in total) under the reserved options grant		273.00	0	0	0	0	0	273.00
Total		2,833.00	0	0	0	0	0	2,833.00

Note: Immediately prior to the Initial Options Grant Date (namely 18 December 2019), the closing price of the Company's A Shares was RMB18.07 per A Share; Immediately prior to the Reserved Options Grant Date (namely 14 December 2020), the closing price of the Company's A Shares was RMB19.22 per A Share.

According to the Option Incentive Scheme, please refer to the paragraphs below for the Grant Date, validity period, vesting period, exercise period, and exercise price of the above share options.

On 10 February 2020, due to the resignation of 1 employee, the Board approved that the above-mentioned employee is disqualified for options and the number of initial granted option of the Company was deducted by 80,000. For details, please refer to the Company's overseas regulatory announcement dated 11 February 2020 and the supplement announcement to the 2019 Share Option Incentive Scheme of the Company dated 22 August 2020 (A share announcement Lin No. 2020-003, 048).

On 15 December 2020, the Board approved the grant of 2,730,000 reserved options to 28 participants.

As of 30 June 2021, no initial granted options and granted reserved options were exercised and cancelled.

Mr. Liu Dawei resigned as the vice president of the Company on 26 January 2021 (for details, please refer to the Company's overseas regulatory announcement dated 27 January 2021 (A share announcement Lin No. 2021-005)) and his share options granted remained unchanged.

Ms. Chen Jinzhu was appointed as the vice president of the Company on 4 March 2021 (for details, please refer to the Company's overseas regulatory announcement dated 5 March 2021 (A share announcement Lin No. 2021-014)) and her share options granted remained unchanged.

2. *Value of share options and accounting policies in relation thereto*

(1) Value of share options

According to the relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments and Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments issued by the Ministry of Finance, the Company elected the Black-Scholes model (B-S model) for the calculation of the fair value of shares options. As the valuation of options are subject to a number of assumptions and with regard to the limitation of the B-S model, the Company would like to remind all the shareholders and potential investors of the Company that the estimation of such value is subjective and uncertain.

Initial Grant

The Company estimated the fair value of shares options initially granted using B-S model on 19 December 2019 (Initial Options Grant Date). Particulars are as follows:

The initial options granted by Shanghai Pharmaceuticals on 19 December 2019 were vested in three batches. The fair values per share of the first, second and third batch of vested options are RMB3.21 per A Share, RMB3.53 per A Share, and RMB5.04 per A Share, respectively.

Chapter 3 Management Discussion and Analysis

Based on various data on 19 December 2019, the values and descriptions of the parameters of the valuation model are as follows:

- (i) Market price of underlying shares: RMB18.08 per A Share (the closing price of the Company's Shares on the Initial Options Grant Date is RMB18.08 per A Share)
- (ii) Exercise price: RMB18.41 per A Share
- (iii) Validity period: 2.5 years, 3.5 years, and 4.5 years (depending on the weighted average exercise period of options vested in each period)
- (iv) Volatility rate: 29.14%, 26.86%, and 34.76% (using the Company's volatility rate in the past 2.5 years, 3.5 years, and 4.5 years)
- (v) Risk-free interest rates: 2.76%, 2.86%, and 2.96% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rate of government bonds)
- (vi) Expected dividend yield: 1.72% (using the Company's average dividend yield in the past three years)

According to the Rules 17.07 and 17.08 of the Hong Kong Listing Rules, there were 210 participants under the initial grant, among which, three of them were directors of the Company (the "Category One Grantees") and the rest 207 participants were employees working under employment contracts with the Company that are regarded as "continuous contracts" for the purposes of the Employment Ordinance (Chapter 57 of Hong Kong laws) (the "Category Two Grantees").

The fair values of the first, second and third batches of the options granted to the Category One Grantees and the Category Two Grantees under the initial grant during the half year ended 30 June 2021 are set out below (Below value of options are calculated based on the current expected number of exercisable options, subject to subsequent adjustment according to actual conditions):

Category	Number of first batch share options	Value of first batch share options (RMB)	Number of second batch share options	Value of second batch share options (RMB)	Number of third batch share options	Value of third batch share options (RMB)
Category One Grantees	415,800	1,334,718.00	415,800	1,467,774.00	428,400	2,159,136.00
Category Two Grantees	8,032,200	25,783,362.00	8,032,200	28,353,666.00	8,275,600	41,709,024.00
Total	8,448,000	27,118,080.00	8,448,000	29,821,440.00	8,704,000	43,868,160.00

Reserved Options Grant

The Company estimated the fair value of reserved options granted using B-S model on 15 December 2020 (Reserved Options Grant Date). Particulars are as follows:

The options granted by Shanghai Pharmaceuticals on 15 December 2020 were vested in three batches. The fair values per share of the first, second and third batch of vested options are RMB3.37 per A Share, RMB3.83 per A Share, and RMB4.06 per A Share, respectively.

Based on various data on 15 December 2020, the values and descriptions of the parameters of the valuation model are as follows:

- (i) Market price of underlying shares: RMB19.00 per A Share (the closing price of the Company's Shares on the Reserved Options Grant Date is RMB19.00 per A Share)
- (ii) Exercise price: RMB20.16 per A Share
- (iii) Validity period: 2.5 years, 3.5 years, and 4.5 years (depending on the weighted average exercise period of options vested in each period)
- (iv) Volatility rate: 32.20%, 30.71% and 28.66% (using the Company's volatility rate in the past 2.5 years, 3.5 years, and 4.5 years)
- (v) Risk-free interest rates: 2.94%, 3.02%, and 3.09% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rate of government bonds)
- (vi) Expected dividend yield: 2.03% (using the Company's average dividend yield in the past three years)

All the participants of reserved options granted by the Company on the Reserved Options Grant Date are the Category Two Grantees.

Chapter 3 Management Discussion and Analysis

The fair values of the first, second and third batches of the options granted to the Category Two Grantees under the reserved options grant during the half year ended 30 June 2021 are set out (Below value of options are calculated based on the current expected number of exercisable options, subject to subsequent adjustment according to actual conditions):

Category	Number of first batch reserved options	Value of first batch reserved options (RMB)	Number of second batch reserved options	Value of second batch reserved options (RMB)	Number of third batch reserved options	Value of third batch reserved options (RMB)
Category Two Grantees	910,000	3,066,700	910,000	3,485,300	910,000	3,694,600
Total	910,000	3,066,700	910,000	3,485,300	910,000	3,694,600

(2) Accounting policies in relation to share options

According to the Accounting Standards for Business Enterprises No. 11 – Share-based Payments, the Company will measure and account for the cost of the Company's Option Incentive Scheme as per the following accounting methods:

(i) Grant Date

As share options are not exercisable on the Grant Date, accounting treatment is not required. The Company shall determine the fair value of the share options on the Grant Date.

(ii) Vesting period

On each balance sheet date during the vesting period, the services obtained in the current period shall, based on the best estimate of the number of the share options, be included in cost of the relevant assets or expenses and the other capital reserves in capital reserves at the fair value of the share options on the Grant Date.

(iii) Exercise period

No adjustment shall be made to the relevant costs or expense, and the total amount of the owner's equities, which have been recognized.

(iv) Exercise date

Share capital and share premium shall be recognized with reference to the actual exercise of the share options, and upon which, the amount recognized as "Capital Reserves – Other capital reserves" during the vesting period shall be transferred to "Capital Reserves – Capital premium".

Chapter 4 Corporate Governance

I. GENERAL MEETING

Meeting session	Date of convening	Query index on the designated website for publishing resolutions	Date of disclosure	Resolution of the meeting
2020 Annual General Meeting	29 June 2021	Announcement Lin No. 2021-061 disclosed on the website of the Shanghai Stock Exchange (http://www.sse.com.cn/)	30 June 2021	Yes, for details, please refer to the announcement.

Request for convening of extraordinary general meeting by shareholders of preference Shares with voting rights restored

☐ Applicable ☒ Not applicable

Explanation of the General Meeting

☒ Applicable ☐ Not applicable

In order to make overall internal work arrangement, upon careful consideration, Shanghai Pharmaceuticals cancelled the first extraordinary general meeting of 2021, the first A Share class meeting of 2021 and the first H Share class meeting of 2021 of the Company originally scheduled to be held on 29 June 2021. The cancellation of general meetings complied with relevant requirements of the Company Law and the Articles of Association. For details, please refer to the announcement Lin No.2021-059 of the Company.

The second extraordinary general meeting of 2021, the second A Share class meeting of 2021 and the second H Share class meeting of 2021 of the Company were successfully convened on 12 August 2021. For details, please refer to the announcement Lin No.2021-073 of the Company.

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

☒ Applicable ☐ Not applicable

Name	Position	Change situation
Liu Dawei	Vice president	Resignation
Chen Jinzhu	Vice president	Engagement

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

☒ Applicable ☐ Not applicable

Chapter 4 Corporate Governance

Mr. Liu Dawei ceased to be the vice president of the Company since 22 January 2021 (for details, please refer to the Company's announcement Lin No.2021-005); and Ms. Chen Jinzhu has served as the vice president of the Company since 4 March 2021 (for details, please refer to the Company's announcement Lin No.2021-014).

Ms. Chen Jinzhu remained as the secretary to the Board of the Company (for details, please refer to the Company's announcement Lin No. 2019-061).

III. PROPOSAL FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE FUND INTO SHARE CAPITAL

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 proposal for profit distribution or conversion of capital reserve fund into share capital	
N/A	

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

(I) Relevant equity incentive matters disclosed in the interim announcement without subsequent development or changes during implementation

☐ Applicable ☒ Not applicable

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

Equity incentives

☐ Applicable ☒ Not applicable

Other explanation

☐ Applicable ☒ Not applicable

Employee share schemes

☐ Applicable ☒ Not applicable

Other incentive measures

☐ Applicable ☒ Not applicable

V. DISCLOSURES REQUIRED BY THE HONG KONG LISTING RULES

(I) 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 to the Hong Kong Listing Rules.

(II) 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.

(III) Audit Committee's Review on the Interim Report

The Audit Committee under the board of directors of the Company has reviewed the Company's 2021 interim report and agreed with the accounting treatment adopted by the Company.



Chapter 5 Environmental and Social Responsibility

Shanghai Pharmaceuticals has always aimed to become a resource-saving and environment-friendly group company, promoted its subsidiaries to gradually improve their environment and energy management systems, and implemented prevention-oriented, continuous improvement, effective management from the source and through whole process control. The measures taken to reduce its carbon emissions during the Reporting Period and their effects are as follows:

On 4 January 2021, the Group revised and issued the Basic Requirements for Enterprise Environmental Protection of Shanghai Pharmaceutical (Group) and Shanghai Pharmaceuticals in 2021, increasing the number of articles from 112 to 123. Eight energy management requirements have been added, from the designation of energy management departments and personnel in enterprises, the establishment of an internal energy audit system, the establishment of an energy measurement and management system, the establishment of an energy consumption statistics system, the establishment of major energy-consuming equipment files and lists, the organization of energy-saving projects and energy-saving technical renovation projects, the implementation of energy-saving publicity and education, the establishment of ISO50001 and other energy management systems, with a view to improving the overall energy management level of enterprises.

On 19 February 2021, the Group issued a notice requiring energy-using enterprises to conduct energy management work such as Summary of Energy Management Work in 2020 and Work Plan for 2021, and subordinate enterprises to set energy-saving targets and implement energy-saving measures and plans in their work plans for 2021. On 27 May 2021, the Group issued a notice requiring subordinate enterprises to confirm the energy-saving projects to be implemented in 2021. 57 enterprises (including 23 key pollutant discharging units) plan to implement 70 energy-saving projects with an estimated total investment of RMB12,730,500, saving 4,129,800 kWh of electricity, 2,883.7 tons of steam, 107,800 cubic meters of natural gas, 117,123.5 tons of water, saving capital of RMB6,163,800.

In 2021, the Group will implement cost reduction and efficiency improvement measures. More than ten enterprises under Shanghai Pharmaceuticals intend to adopt energy saving and consumption reduction measures in their cost reduction and efficiency improvement measures, not only to reduce production costs but also to reduce energy consumption and carbon emissions. Up to now, PV projects have been implemented in some enterprises of the Group to reduce carbon emissions through the use of clean energy.

Chapter 6 Significant Events

I. FULFILMENT STATUS OF COMMITMENTS

(1) 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

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time and term of commitments	Whether there is a term for commitments	Whether the commitment is fulfilled in a timely and strict manner	Specific reasons for the failure to timely fulfill the commitment	Further plans in the event of failing to timely fulfill the commitment
The commitment in relation to major assets restructuring	Solving horizontal competition	Shanghai Pharmaceutical (Group) and SINC	<p>1 in the event it acquires, procures or otherwise comes to possess businesses or assets that compete or could potentially compete with the businesses of the Company, it shall, pursuant to its non-competition deed, irrevocably grant the Company the pre-emptive right to acquire all of such businesses or assets at any time;</p> <p>2 it and its subsidiaries shall avoid any business or operations that may compete with the Company;</p> <p>3 it shall avoid investing in any other companies or enterprises that compete with the business and operations of the Company; and</p> <p>4 it shall bear all losses and expenses directly and indirectly incurred by the Company as a result of a breach by it of its undertakings set forth in its non-competition deed.</p>	22 December 2009 to long term	No	Yes	/	/

Chapter 6 Significant Events

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time and term of commitments	Whether there is a term for commitments	Whether the commitment is fulfilled in a timely and strict manner	Specific reasons for the failure to timely fulfill the commitment	Further plans in the event of failing to timely fulfill the commitment
The commitment in relation to initial public offering	Solving horizontal competition	Shanghai Pharmaceutical (Group) and SIIC	Please refer to "The commitment in relation to major assets restructuring" described above for details.	22 December 2009 to long term	No	Yes	/	/
	Solving horizontal competition	The Company	<p>Pursuant to the prospectus on initial public offering of shares and listing on the Science and Technology Innovation Board disclosed by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. ("Fudan-Zhangjiang") on 19 June 2020, the Company issued the Commitment Letter on Avoiding Horizontal Competition, the Commitment Letter on Share Lock-up and the Commitment Letter on Intention to Reduce Shareholding, confirming that the Company made the following commitments during the period of holding of Fudan-Zhangjiang's shares:</p> <ol style="list-style-type: none"> 1 The Company will not use its capacity as a substantial shareholder to interfere with the independent operation of Fudan-Zhangjiang, nor will it seek to obtain benefits from or transfer benefits to Fudan-Zhangjiang; 2 The Company and the enterprises directly or indirectly controlled by it will not voluntarily increase their shareholdings in Fudan-Zhangjiang, nor will it obtain actual control over Fudan-Zhangjiang in any form; 3 The Company will continue to strictly comply with the relevant provisions of laws and regulations with respect to the connected transactions between the Company and Fudan-Zhangjiang in respect of their business activities; 4 The Company will strictly comply with the corresponding provisions of relevant laws and rules and timely fulfill its disclosure obligations when it exchanges shares of Fudan-Zhangjiang held by it in the future. 	19 June 2020 to long term	No	Yes	/	/
The commitment in relation to the option incentive	Other	The Company	Not to provide loans and financial support in other forms, including providing guarantee for loans to the participants for acquiring the relevant entitlement under the Scheme.	30 September 2019 to long term	No	Yes	/	/

II. APPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND THEIR RELATED PARTIES FOR NON-OPERATIONAL PURPOSE DURING THE REPORTING PERIOD

☐ Applicable ☒ Not applicable

III. IRREGULAR GURANTEES

☐ Applicable ☒ Not applicable

IV. AUDIT OF THE INTERIM REPORT

☐ Applicable ☒ Not applicable

V. CHANGES AND SETTLEMENTS OF MATTERS INVOLVED IN THE NON-STANDARD AUDIT OPINION SET OUT IN THE ANNUAL REPORT OF LAST YEAR

☐ Applicable ☒ Not applicable

VI. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

☐ Applicable ☒ Not applicable

Chapter 6 Significant Events

VII. MATERIAL LITIGATIONS AND ARBITRATIONS

- ☒ Material litigations and arbitrations occurred during the Reporting Period ☐ No material litigations and arbitrations occurred during the Reporting Period

(1) Litigations and arbitrations disclosed in the interim announcements without subsequent development

- ☒ Applicable ☐ Not applicable

Overview and type of Events	Search Index
Case of TECHPOOL Bio-Pharma Co., Ltd. against Guangzhou Baotian Biotechnology Co., Ltd. for dispute over private lending	Please refer to the Announcement of Shanghai Pharmaceuticals Holding Co., Ltd. in relation to material litigations and arbitrations disclosed by the Company on the website of Shanghai Stock Exchange for details
Case of TECHPOOL Bio-Pharma Co., Ltd. against two persons including Guangzhou Tianhe Hi-tech Industrial Zone Industrial Development Corporation for dispute over recovery of unpaid capital contribution	

(2) Litigations and arbitrations not disclosed in the interim announcements or with subsequent development

- ☐ Applicable ☒ Not applicable

(3) Other information

- ☐ Applicable ☒ Not applicable

VIII. ALLEGED VIOLATION OF LAWS AND REGULATIONS, PUNISHMENT AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

- ☐ Applicable ☒ Not applicable

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

- ☐ Applicable ☒ Not applicable

X. SIGNIFICANT RELATED TRANSACTIONS

(1) Related transactions relating to daily operations

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

Unit: 0'000 Yuan Currency: RMB

Related party	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 transactions of the same type (%)	Settlement method of the related transaction	Market price	Reason for the difference between trading price and market reference price
SIIC and its subsidiaries	Purchase of goods and receipt of services from the related party	Purchase of goods and receipt of services from the related party	Negotiated based on the market price	3,961.03	100.00	Cash	3,961.03	N/A
Shanghai Pharmaceutical (Group) Co., Ltd. and its subsidiaries	Selling products and offering labor services to the related party	Selling products and offering labor services to the related party		34.85	100.00	Cash	34.85	
	Leasing housing and equipment and receiving property services from related party	Leasing housing and equipment and receiving property services		2,710.81	100.00	Cash	2,710.81	
	Leasing housing to related party	Leasing housing to related party		240.35	100.00	Cash	240.35	
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Loans in related finance companies	Loan and settlement and other financial services		122,600.00	100.00	Cash	122,600.00	
	Deposits in related finance companies	Deposits services (daily maximum)		293,835.88	100.00	Cash	293,835.88	
Shangshi Commercial Factoring Co., Ltd. (上實商業保理有限公司)	Provision of factoring services by related companies	The accounts receivable financing services		-	/	Cash	-	
		Other commercial factoring services		-	/	Cash	-	
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Provision of services under the entrustment of the related party	Provision of pharmaceutical sales services under the entrustment of the related party		4,012.71	100.00	Cash	4,012.71	

Chapter 6 Significant Events

3. *Events not disclosed in interim announcements*

☐ Applicable ☒ Not applicable

(III) 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

Overview of Events	Search Index
Shanghai Pharmaceuticals intended to acquire 100% equity of Shanghai SPH Biological Medicine Co., Ltd., a wholly-owned subsidiary of Shanghai Pharmaceutical (Group), a controlling shareholder at a price of approximately RMB750 million.	Please refer to the announcement Lin No. 2021-048 of the Company for details
SPH Cloud Health, a holding subsidiary of Shanghai Pharmaceuticals carried out series B financing in the first quarter of 2021 by introducing seven new investors in the form of a capital increase. Shanghai Pharmaceuticals waived the preemptive right of this series of financing. Upon completion of this series of financing, the registered capital of SPH Cloud Health increased from RMB1,333,375,000 to RMB2,021,937,500. The equity in SPH Cloud Health directly/indirectly held by the Company will be diluted from 72.748% to 47.974%. The Company will no longer be consolidated to SPH Cloud Health.	Please refer to the announcements Lin No. 2021-008, 011 of the Company for details

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 transactions 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) Financial business between the Company and related financial companies, holding financial companies and related parties

☒ Applicable ☐ Not applicable

1. *Deposit business*
☒ Applicable ☐ Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Related relationship	Daily maximum deposit limit	Deposit interest rate range	The balance at the beginning of the period	The amount for the period	The balance at the end of the period
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	300,000.00	0.35%~2.025%	292,766.11	-31,932.56	260,833.55
Total	/	/	/	292,766.11	-31,932.56	260,833.55

Chapter 6 Significant Events

2. Loan business

☒ Applicable ☐ Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Related relationship	Loan limit	Loan interest rate range	The balance at the beginning of the period	The amount for the period	The balance at the end of the period
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	400,000.00	2.90%~4.30%	154,750.43	60,448.54	215,198.97
Total	/	/	/	154,750.43	60,448.54	215,198.97

3. Credit business or other financial business

☒ Applicable ☐ Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Related relationship	Business type	Total limit	Actual amount
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	Liquidity loans, project loans, discount of bank acceptance notes, discount of trade acceptance notes, factoring of trade receivables, bill acceptance and entrust loans	1,054,000.00	154,822.86

4. Other information

☐ Applicable ☒ Not applicable

(VI) Other significant related transaction

☐ Applicable ☒ Not applicable

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1 Trusteeship, contracting and leasing

☐ Applicable ☒ Not applicable

2 Material guarantees fulfilled and to be fulfilled during the Reporting Period

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding those provided to its subsidiaries)															
	Relationship between the guarantor and the listed company			Date of guarantee (date of agreement)	Commencement date of guarantee	Expiry date of guarantee		Principal debt	Collateral (if any)	Guarantee Fully fulfilled	Guarantee overdue	Overdue amount	Any counter to related Guarantee parties	Guarantee Provided	Connected relationship
Guarantor		Guaranteed party	Value of guarantee				Type of guarantee								
Shanghai Pharmaceutical Co., Ltd.	Shanghai Pharmaceutical Co., Ltd.	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	372,547.00		22 October 2020	22 January 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	464,056.43		22 October 2020	22 April 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	98,562.52		20 November 2020	20 February 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	555,235.24		20 November 2020	20 May 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	573,392.82		26 November 2020	26 May 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	160,410.67		23 December 2020	23 March 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	10,080.00		23 December 2020	23 June 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	568,877.76		26 August 2020	26 February 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	244,944.00		10 September 2020	10 March 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	431,613.28		21 September 2020	21 March 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	6,449,961.29		27 September 2020	27 March 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	333,539.86		25 March 2021	25 June 2021	Joint guarantee			Yes	No		Nil	No	associate
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	723,130.66		25 March 2021	25 July 2021	Joint guarantee			No	No		Nil	No	associate
Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)															1,056,670.52
Total remaining balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)															723,130.66
Guarantees provided by the Company to its subsidiaries															
Total value guaranteed for its subsidiaries during the Reporting Period															5,196,740,473.95
Total remaining balance guaranteed for its subsidiaries at the end of the Reporting Period (B)															8,731,926,326.72
Total value guaranteed by the Company (including guarantees to subsidiaries)															
Total value guaranteed (A+B)															8,732,649,457.38
Proportion of total value guaranteed in the Company's net assets (%)															18.30%
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)															6,101,619,100.20
Amount of total value guaranteed exceeding 50% of net assets (E)															/
Total of value guaranteed for the above three items (C+D+E)															6,101,619,100.20
Details of possible joint settlement liabilities for undue guarantee															/
Details of guarantee															/

3 Other material contracts

☐ Applicable ☒ Not applicable

XII. INFORMATION ABOUT OTHER SIGNIFICANT EVENTS

☐ Applicable ☒ Not applicable

Chapter 7 Changes in Ordinary Shares and Information about Shareholders

I. CHANGES IN SHARE CAPITAL

(1) 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

II. INFORMATION ABOUT SHAREHOLDERS

(I) Number of shareholders:

The total number of ordinary shareholders as at the end of the Reporting Period	97,408
The total number of shareholders of preference Shares with voting rights restored as at the end of the Reporting Period	0

Note: Among the 97,408 shareholders as at the end of the Reporting Period, 95,555 were A share holders and 1,853 were H share holders.

Chapter 7 Changes in Ordinary Shares and Information about Shareholders

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

Unit: 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, labelled or frozen		Nature of shareholders
					Status	Number	
HKSCC NOMINEES LIMITED ¹	-1,049,500	793,440,224	27.917	0	Unknown		Foreign legal person
Shanghai Pharmaceutical (Group)	0	716,516,039	25.211	0	Nil		State-owned legal person
SIIC and its wholly-owned subsidiaries and Shanghai Shangshi	1,070,000	323,483,498	11.382	0	Unknown		State-owned legal person and foreign legal person
China Securities Finance Corporation Limited	0	85,333,703	3.002	0	Nil		Unknown
Hong Kong Securities Clearing Company Limited ²	16,688,076	66,767,712	2.349	0	Unknown		Foreign legal person
Guosheng Group and Guosheng Asset	0	44,632,100	1.570	0	Unknown		State-owned legal person
Central Huijin Investment Ltd.	0	24,891,300	0.876	0	Nil		Unknown
NSSF 604 Combination	-6,251,106	18,000,000	0.633	0	Nil		Unknown
Abu Dhabi Investment Authority	/	12,211,620	0.430	0	Unknown		Unknown
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	0	11,964,367	0.421	0	Nil		Unknown

Chapter 7 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	Number
HKSCC NOMINEES LIMITED	793,440,224	Overseas listed foreign shares	793,440,224
Shanghai Pharmaceutical (Group)	716,516,039	RMB ordinary shares	716,516,039
SIIC and its wholly-owned subsidiaries and Shanghai Shangshi	323,483,498	RMB ordinary shares	222,301,798
		Overseas listed foreign shares	101,181,700
China Securities Finance Corporation Limited	85,333,703	RMB ordinary shares	85,333,703
Hong Kong Securities Clearing Company Limited	66,767,712	RMB ordinary shares	66,767,712
Guosheng Group and Guosheng Asset	44,632,100	RMB ordinary shares	21,117,000
		Overseas listed foreign shares	23,515,100
Central Huijin Investment Ltd.	24,891,300	RMB ordinary shares	24,891,300
NSSF 604 Combination	18,000,000	RMB ordinary shares	18,000,000
Abu Dhabi Investment Authority	12,211,620	RMB ordinary shares	12,211,620
Yinhua Fund-Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	11,964,367	RMB ordinary shares	11,964,367
Description of special account for repurchase among the top ten Shareholders	/		
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above Shareholders	/		
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 Guosheng (Group) Co. Ltd. is a wholly-owned subsidiary of Shanghai SASAC. Shanghai Shengrui Investment Co., Ltd. and Guosheng Assets are wholly-owned subsidiaries of Shanghai Guosheng (Group) Co. Ltd.. 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	/		

Chapter 7 Changes in Ordinary Shares and Information about Shareholders

Notes:

- 1 Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above excludes the 101,181,700 H Shares held and controlled by SIIC and its wholly-owned subsidiaries and 23,515,100 H Shares held and controlled by Guosheng Group and Guosheng Assets 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 and control are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen;
- 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. INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in shareholdings of existing and resigned directors, supervisors and senior management during the Reporting Period

☐ Applicable ☒ Not applicable

Explanation on other situations

☐ Applicable ☒ Not applicable

(II) Equity incentives granted to directors, supervisors and senior management during the Reporting Period

☐ Applicable ☒ Not applicable

(III) Other information

☐ Applicable ☒ Not applicable

IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

☐ Applicable ☒ Not applicable

V. 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 2021, according to the information available to the Company and to the knowledge of the directors, the following shareholders had interests or short positions in the Shares or underlying Shares which were subject to disclosure by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the voting rights of the total number of the issued H Shares or A Shares at the shareholders' general meetings of the Company.

Name of shareholder	Class of Shares	Nature of Interests in Shares	Number of Shares	Percentage of H Shares/A Shares held as at the end of the Reporting Period to the entire 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	1,039,999,537(L)	48.82 (A Shares)/ 11.01 (H Shares)	36.59
Shanghai Shangshi group ^{note 1(2)}	A Shares	Beneficial owner/ Interests of controlled corporation	938,317,837(L)	48.79	33.02
Shanghai Pharmaceutical (Group)	A Shares	Beneficial owner	716,516,039(L)	37.26	25.21
BlackRock, Inc.	H Shares	Interests of controlled corporation	63,093,667(L)	6.86	2.22
			129,700(S)	0.01	0.01
Citigroup Inc.	H Shares	Interests of controlled corporation/approved lending agent	48,823,863(L)	5.31	1.72
			2,543,500(S)	0.27	0.09
			46,164,295(P)	5.02	1.62
LSV ASSET MANAGEMENT	H Shares	Investment manager/ Other	46,026,070(L)	5.01	1.62

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

Chapter 7 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 authorized 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 and controlled 1,039,999,537 Shares of the Company in total (including A Shares and H Shares), of which 500,000 A Shares and 101,181,700 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 and controlled by Shanghai Shangshi group in the Company, 221,801,798 A shares were directly held by Shanghai Shangshi group, while 716,516,039 A shares were indirectly held by Shanghai Shangshi through Shanghai Pharmaceutical (Group).
- Note 2:
- (1) Figures disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
 - (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.

As at the end of the Reporting Period, Mr. Cho Man, executive director and president, held 20,009 A Shares of the Company and has an interest in 480,000 underlying A Shares of the Company in respect of the share options granted under the share option scheme of the Company; Mr. Shen Bo, executive director, vice president and chief financial officer, held 71,700 A Shares of the Company and has an interest in 390,000 underlying A Shares of the Company in respect of the share options granted under the share option scheme of the Company; Mr. Li Yongzhong, executive director and vice president, has an interest in 390,000 underlying A Shares of the Company in respect of the share options granted under the share option scheme of the Company; Mr. Huan Jianchun, employee supervisor, held 3,000 H Shares of the Company.



Chapter 7 Changes in Ordinary Shares and Information about Shareholders

Save as disclosed in this report, as at 30 June 2021, according to the information available to the Company and to the knowledge of the directors, none of the directors, supervisors and chief executive of the Company has interests or short positions in the Company or its associated corporation (within the meaning of Part XV of the SFO) which will be required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company, or will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(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.

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

There was no changes during the Reporting Period.



Chapter 8 Information Related to Preference Shares

☐ Applicable ☒ Not applicable

Chapter 9 Relevant Information of the Corporate Bonds

I. ENTERPRISE BONDS, CORPORATE BONDS AND NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

☒ Applicable ☐ Not applicable

(I) Enterprise bonds

☐ Applicable ☒ Not applicable

(II) Corporate bonds

☒ Applicable ☐ Not applicable

1. BASIC INFORMATION OF CORPORATE BONDS

Unit: '00 million Yuan Currency: RMB

Name of Bond	Abbreviation	Code	Date of issue	Value date	Due date	Balances of the bonds	Interest rate (%)	Repayment of principal and interest	Trading place	Appropriate arrangements of the Investor (if any)	Trading mechanism	Is there any risk of termination of listing and trading
Shanghai Pharmaceuticals Holding Co., Ltd. Public Issuance of 2018 Corporate Bonds (first tranche)	18 SPH 01	155006	7 November 2018	7 November 2018	7 November 2021	30.00	4.10	Interest paid annually, with the last installment of interest paid together with the principal	Shanghai Stock Exchange	Trading with qualified investors	Trading by means of bidding, quotation, enquiry and agreement	No

The Company's response measures to the risks of termination of listing and trading

☐ Applicable ☒ Not applicable

Overdue bonds

☐ Applicable ☒ Not applicable

Notes on overdue debts

☐ Applicable ☒ Not applicable

Chapter 9 Relevant Information of the Corporate Bonds

2. *Trigger and execution of issuer or investor option terms and investor protection terms*
☐ Applicable ☒ Not applicable
3. *Adjustment of credit rating results*
☐ Applicable ☒ Not applicable
4. *Execution, changes of guarantees, debt repayment plans and other debt repayment guarantee measures during the Reporting Period and their impact*
☐ Applicable ☒ Not applicable
5. *Description of other situations of the Company's bonds*
☒ Applicable ☐ Not applicable

"18 SPH 01" is issued to qualified investors. The value date of the Company's bonds for the current period is 7 November 2018 and the next interest payment date is 7 November 2021. The funds raised by the Company's bonds for the current period are mainly used to supplement working capital and repay bank borrowings and other interest-bearing liabilities.

(III) Inter bank bond market debt-financing instruments of non-financial businesses

☒ Applicable ☐ Not applicable

1. Basic situation of debt-financing instruments of non-financial businesses

Unit: '00 million Yuan Currency: RMB

Name of bonds	Abbreviation	Code	Issue date	Value Date	Maturity Date	Bond balance	Interest rate (%)	Method for repayment of principal and interest	Trading place	Appropriate arrangements of the investor (if any)	Trading mechanism	Is there any risk of termination of listing and trading
2021 extra short-term financing bill (third tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	21 SPH SCP003	012101437	12 April 2021	13 April 2021	15 July 2021	25.00	2.50	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors	The extra short-term financing bill can be traded and transferred in the national inter-bank bond market on the next working day following the registration date, which will be carried out in accordance with relevant requirements promulgated by the National Interbank Funding Center.	No
2021 extra short-term financing bill (fourth tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	21 SPH SCP004	012101874	17 May 2021	18 May 2021	19 August 2021	25.00	2.45	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors		No

Chapter 9 Relevant Information of the Corporate Bonds

Name of bonds	Abbreviation	Code	Issue date	Value Date	Maturity Date	Bond balance	Interest rate (%)	Method for repayment of principal and interest	Trading place	Appropriate arrangements of the investor (if any)	Trading mechanism	Is there any risk of termination of listing and trading
2021 extra short-term financing bill (fifth tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	21 SPH	012102515	12 July 2021	13 July 2021	13 January 2022	30.00	2.60	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors		No
2021 extra short-term financing bill (sixth tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	21 SPH	012103012	16 August 2021	17 August 2021	24 February 2022	30.00	2.44	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors		No

The Company's response measures to the risks of termination of listing and trading

☐ Applicable ☒ Not applicable

Notes on overdue debts

☐ Applicable ☒ Not applicable

Overdue bonds

☐ Applicable ☒ Not applicable

2. *Trigger and execution of issuer or investor option terms and investor protection terms*

☐ Applicable ☒ Not applicable

3. *Adjustment of credit rating results*

☐ Applicable ☒ Not applicable

4. *Execution, changes of guarantees, debt repayment plans and other debt repayment guarantee measures during the Reporting Period and their impact*

☐ Applicable ☒ Not applicable

5. *Description on other situation of debt-financing instruments of non-financial businesses*

☐ Applicable ☒ Not applicable

(IV) Loss in consolidated statement exceeds 10% of net assets at the end of last year during the Reporting Period of the Company

☐ Applicable ☒ Not applicable

Chapter 9 Relevant Information of the Corporate Bonds

(V) Key accounting data and financial indicators

✓ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Primary indicators	At the end of the Reporting Period	At the end of the previous year	Increase or decrease at the end of the Reporting Period compared to the end of the previous year (%)	Reasons for change
Current ratio	1.23	1.22	1.10 /	
Quick ratio	0.97	0.93	3.77 /	
Assets-liabilities ratio (%)	63.84%	63.31%	0.53 percentage point up	

	The Reporting Period (January to June)	Same period of the previous year	Increase or decrease at the end of the Reporting Period compared to the same period of the previous year (%)	Reasons for change
Net profit after deducting non-recurring profit or loss	2,551,033,937.65	2,200,380,669.72	15.94	
EBITDA-Debt ratio	0.07	0.06	21.28	
Interest coverage ratio	8.34	5.72	45.77	Increase in EBIT resulting from transferring subsidiaries to associates during the Reporting Period
Cash interest coverage ratio	6.67	7.65	-12.75	
EBITDA interest coverage ratio	9.99	7.16	39.64	Increase in EBIT resulting from transferring subsidiaries to associates during the Reporting Period
Loan repayment ratio (%)	100%	100%	/ /	
Interest repayment ratio (%)	100%	100%	/ /	

II. CONVERTIBLE CORPORATE BONDS

☐ Applicable ✓ Not applicables

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD

**FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

Shanghai Pharmaceuticals Holding Co., Ltd.

Financial Statements
For the Six Months Ended 30 June 2021

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SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2021 Consolidated	31 December 2020 Consolidated	30 June 2021 Company	31 December 2020 Company
Current assets					
Cash at bank and on hand	4(1)	22,908,221,792.21	22,296,232,678.85	5,362,992,644.16	4,579,604,820.98
Derivative financial assets	4(2)	943,132.56	501,339.00	-	-
Notes receivables	4(3)	282,326,832.35	290,539,262.58	-	-
Accounts receivables	4(4), 17(1)	58,474,051,545.66	52,745,905,873.59	-	-
Receivables financing	4(5)	2,188,348,332.77	2,485,373,691.07	-	-
Advances to suppliers	4(7)	2,590,167,032.97	2,389,930,684.70	4,971,779.83	790,551.35
Other receivables	4(6), 17(2)	2,990,601,824.35	2,009,456,454.89	18,230,076,719.62	18,765,161,811.48
Inventories	4(8)	23,456,808,217.66	24,088,257,693.63	-	-
Current portion of non-current assets	4(12)	63,082,694.31	105,325,100.98	-	-
Other current assets	4(9)	970,690,956.01	1,151,403,402.29	-	-
Total current assets		113,925,242,360.85	107,562,926,181.58	23,598,041,143.61	23,345,557,183.81
Non-current assets					
Long-term receivables	4(12)	236,003,530.31	169,846,933.41	-	-
Long-term equity investments	4(13), 17(3)	9,243,974,435.60	6,651,064,005.61	25,918,368,114.87	23,540,785,117.11
Other equity instrument investments	4(10)	50,651,879.20	33,051,720.32	-	-
Other non-current financial assets	4(11)	1,125,455,474.20	978,557,029.53	525,136,809.06	498,583,871.27
Investment properties	4(14)	239,436,385.51	235,288,086.77	-	-
Fixed assets	4(15)	10,274,775,744.39	10,490,715,695.26	78,088,238.47	65,896,189.09
Construction in progress	4(16)	2,271,977,863.80	1,737,203,979.54	48,919,854.10	42,409,498.05
Bearer biological assets	4(17)	405,907,931.18	405,818,258.87	-	-
Right-of-use assets	4(18)	1,920,597,816.89	1,992,650,919.19	79,709,566.16	92,534,928.16
Intangible assets	4(19)	4,999,306,643.61	5,195,253,776.03	123,285,827.27	126,712,343.54
Development costs	4(19)	194,896,706.05	223,825,636.29	-	-
Goodwill	4(20)	11,282,338,950.41	11,342,268,158.55	-	-
Long-term prepaid expenses	4(21)	363,310,479.60	415,320,475.59	2,580,692.88	1,049,175.12
Deferred tax assets	4(22)	1,420,358,309.68	1,359,363,370.67	-	-
Other non-current assets	4(24)	467,299,408.52	392,501,251.42	1,253,400.00	1,971,000.00
Total non-current assets		44,496,291,558.95	41,622,729,297.05	26,777,342,502.81	24,369,942,122.34
TOTAL ASSETS		158,421,533,919.80	149,185,655,478.63	50,375,383,646.42	47,715,499,306.15

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 30 June 2021 (CONTINUED)

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	30 June 2021 Consolidated	31 December 2020 Consolidated	30 June 2021 Company	31 December 2020 Company
Current liabilities					
Short-term borrowings	4(25)	21,772,689,043.36	20,139,185,856.91	900,766,250.00	1,201,180,284.72
Derivative financial liabilities	4(2)	2,171,396.38	9,314,855.96	-	-
Notes payables	4(26)	4,629,135,972.84	4,930,726,339.18	-	-
Accounts payables	4(27)	36,345,014,466.53	32,861,440,182.89	43,665,081.04	72,712,344.69
Contract liabilities	4(28)	1,449,437,769.90	1,310,837,272.06	4,207,189.17	4,207,189.17
Employee benefits payable	4(29)	960,763,565.23	1,273,965,868.83	14,877,186.33	40,364,926.49
Taxes payable	4(30)	1,019,270,779.09	1,478,067,469.53	6,170,089.75	5,011,664.49
Other payables	4(31)	14,313,811,262.60	12,142,797,539.60	14,153,493,320.64	11,406,637,449.64
Current portion of non-current liabilities	4(33)	6,818,850,365.70	8,968,037,785.73	3,108,152,030.62	3,045,389,022.24
Other current liabilities	4(34)	5,020,910,958.90	5,018,616,438.36	5,020,910,958.90	5,018,616,438.36
Total current liabilities		92,332,055,580.53	88,132,989,609.05	23,252,242,106.45	20,794,119,319.80
Non-current liabilities					
Long-term borrowings	4(35)	3,359,294,246.00	1,184,078,311.36	780,604,444.44	580,499,888.89
Lease liabilities	4(36)	1,452,311,888.50	1,501,021,800.19	55,291,210.99	68,304,958.71
Long-term payables	4(37)	327,692,597.07	353,574,673.96	-	-
Provisions	4(32)	25,760,655.02	25,760,655.02	-	-
Deferred income	4(38)	2,329,616,880.95	2,224,069,068.73	37,447,256.24	35,356,169.85
Long-term employee benefits payable	4(39)	39,902,827.39	46,411,122.61	-	-
Deferred tax liabilities	4(22)	1,036,231,932.38	832,375,455.83	5,859,736.77	5,859,736.77
Other non-current liabilities	4(40)	228,421,760.89	144,645,012.23	-	-
Total non-current liabilities		8,799,232,788.20	6,311,936,099.93	879,202,648.44	690,020,754.22
Total liabilities		101,131,288,368.73	94,444,925,708.98	24,131,444,754.89	21,484,140,074.02
Owners' equity					
Share capital	4(41)	2,842,089,322.00	2,842,089,322.00	2,842,089,322.00	2,842,089,322.00
Capital surplus	4(42),17(4)	16,004,559,003.69	15,897,587,875.18	19,078,497,214.70	18,969,516,229.49
Other comprehensive income	4(43),17(5)	(214,649,025.74)	(265,410,759.58)	820,767.96	292,608.91
Surplus reserve	4(44)	1,826,058,272.88	1,826,058,272.88	1,450,267,470.70	1,454,949,047.78
Undistributed profits	4(45),17(6)	27,257,910,080.23	25,054,352,978.09	2,872,264,116.17	2,964,512,023.95
Total equity attributable to equity owners of the Company		47,715,967,653.06	45,354,677,688.57	26,243,938,891.53	26,231,359,232.13
Minority interests		9,574,277,898.01	9,386,052,081.08	-	-
Total owners' equity		57,290,245,551.07	54,740,729,769.65	26,243,938,891.53	26,231,359,232.13
TOTAL LIABILITIES AND OWNERS' EQUITY		158,421,533,919.80	149,185,655,478.63	50,375,383,646.42	47,715,499,306.15

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhou Jun

Principal in charge of accounting: Cho Man

Head of accounting department: Shen Bo

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS FOR THE SIX MONTHS ENDED 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2021 Consolidated	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2021 Company	Six months ended 30 June 2020 Company
Revenue	4(46), 17(7)	105,237,468,881.97	87,165,105,135.39	1,625,696.91	4,742,200.00
Less: Cost of sales	4(46), 4(52), 17(7)	(90,810,266,341.89)	(74,055,046,724.02)	(821,737.35)	(1,082,889.64)
Taxes and surcharges	4(47)	(324,651,460.14)	(261,202,472.43)	(121,662.88)	(508,294.23)
Selling expenses	4(48), 4(52)	(6,739,845,178.82)	(6,120,364,930.72)	-	-
General and administrative expenses	4(49), 4(52)	(2,322,332,052.70)	(2,224,791,939.51)	(91,516,447.31)	(94,349,304.73)
Research and development expenses	4(50), 4(52)	(880,028,512.19)	(676,750,443.92)	(192,358,181.97)	(152,128,717.95)
Financial expenses - net	4(51)	(578,868,705.15)	(670,508,004.34)	(162,061,129.73)	(83,281,809.37)
Including: Interest expenses		(711,077,934.95)	(763,600,318.80)	(172,984,594.89)	(145,994,175.29)
Interest income		158,099,236.75	141,180,535.23	21,518,312.55	11,747,211.34
Add: Other income	4(55)	192,600,180.75	230,973,226.60	4,788,198.17	9,711,075.69
Investment income	4(56), 17(8)	1,671,188,152.88	529,302,880.15	1,726,765,512.32	1,579,961,959.04
Including: Share of profit of associates and joint ventures		609,988,167.57	552,311,515.37	149,917,883.82	91,586,952.56
Derecognition of financial assets at amortised cost		(24,080,881.60)	(19,533,123.59)	-	-
(Losses)/profit arising from changes in fair value	4(57)	(35,593,655.13)	103,418,122.80	26,552,937.79	-
Credit impairment (losses)/reversals	4(54)	(201,103,557.94)	(153,480,670.87)	1,340,877.12	(5,731,318.51)
Asset impairment reversals/(losses)	4(53)	15,634,812.60	(231,929,820.32)	-	-
Gains/(losses) on disposals of assets	4(58)	5,924,774.69	(1,215,478.38)	17,457.89	(11,135.95)
Operating profit		5,230,127,338.93	3,633,508,880.43	1,314,211,520.96	1,257,321,764.35
Add: Non-operating income	4(59)	27,695,351.07	27,520,041.01	186,789.10	3,375.85
Less: Non-operating expenses	4(60)	(40,259,501.48)	(57,152,215.71)	(309,149.60)	(900,585.81)
Total profit		5,217,563,188.52	3,603,876,705.73	1,314,089,160.46	1,256,424,554.39
Less: Income tax expenses	4(61)	(1,052,772,576.66)	(722,713,747.64)	-	-
Net profit		4,164,790,611.86	2,881,162,958.09	1,314,089,160.46	1,256,424,554.39
Including: Net profit of the acquiree in a business combination under common control before the combination date		Not applicable	Not applicable	Not applicable	Not applicable
Classified by continuity of operations					
Net profit from continuing operations		4,164,790,611.86	2,881,162,958.09	1,314,089,160.46	1,256,424,554.39
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to equity owners of the Company		3,567,759,976.70	2,442,842,195.88	Not applicable	Not applicable
Minority interests		597,030,635.16	438,320,762.21	Not applicable	Not applicable
Other comprehensive income, net of tax	4(43)	30,130,891.40	(90,356,715.57)	528,159.05	45,136.77
Attributable to equity owners of the Company		50,761,733.84	(79,739,930.04)	528,159.05	45,136.77
Other comprehensive income that will not be reclassified to profit or loss		17,600,158.88	4,498,669.94	-	-
Changes arising from remeasurement of net liability or net asset of defined benefit plan		-	-	-	-
Shares of other comprehensive income of the investee accounted for using equity method that will not be subsequently reclassified to profit or loss		-	-	-	-
Changes in fair value of other equity instrument investments		17,600,158.88	4,498,669.94	-	-
Other comprehensive income that will be reclassified to profit or loss		33,161,574.96	(84,238,599.98)	528,159.05	45,136.77
Shares of other comprehensive income of the investee accounted for using equity method that will be reclassified to profit or loss		795,396.47	67,975.03	528,159.05	45,136.77
Allowance of debt investments at FVOCI		(846,003.02)	(389,590.13)	-	-
Translation differences on translation of foreign currency financial statements		33,212,181.51	(83,916,984.88)	-	-
Attributable to minority interests		(20,630,842.44)	(10,616,785.53)	-	-
Total comprehensive income		4,194,921,503.26	2,790,806,242.52	1,314,617,319.51	1,256,469,691.16
Attributable to equity owners of the Company		3,618,521,710.54	2,363,102,265.84	Not applicable	Not applicable
Attributable to minority interests		576,399,792.72	427,703,976.68	Not applicable	Not applicable
Earnings per share	4(62)				
Basic earnings per share (RMB)		1.26	0.86	—	—
Diluted earnings per share (RMB)		1.26	0.86	—	—

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhou Jun

Principal in charge of accounting: Cho Man

Head of accounting department: Shen Bo

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2021 Consolidated	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2021 Company	Six months ended 30 June 2020 Company
Cash flows from/(used in) operating activities					
Cash received from sales of goods or rendering of services		110,544,179,457.36	95,232,265,021.58	16,270,344.40	15,305,518.56
Refund of taxes and surcharges		49,276,930.48	40,899,683.52	-	-
Cash received relating to other operating activities	4(63)(a)	709,288,338.78	835,611,152.13	340,846,608.91	499,175,344.37
Sub-total of cash inflows		111,302,744,726.62	96,108,775,857.23	357,116,953.31	514,480,862.93
Cash paid for goods and services		(95,042,564,417.24)	(80,042,761,232.11)	-	-
Cash paid to and on behalf of employees		(4,418,162,832.96)	(3,652,054,250.82)	(107,415,961.90)	(84,954,636.44)
Payments of taxes and surcharges		(4,243,198,117.11)	(3,308,985,475.82)	(943,006.94)	(3,576,258.70)
Cash paid relating to other operating activities	4(63)(b)	(5,427,801,339.51)	(5,399,338,832.77)	(264,559,838.69)	(442,986,664.15)
Sub-total of cash outflows		(109,131,726,706.82)	(92,403,139,791.52)	(372,918,807.53)	(531,517,559.29)
Net cash flows from/(used in) operating activities	4(64)(a)	2,171,018,019.80	3,705,636,065.71	(15,801,854.22)	(17,036,696.36)
Cash flows (used in)/from investing activities					
Cash received from disposal of investments		901,844,289.91	2,425,259,528.41	901,844,289.91	2,307,633,419.49
Cash received from returns on investments		302,364,597.31	221,608,148.73	1,476,904,579.02	1,045,483,986.45
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		53,139,737.99	26,897,440.84	-	94,399.22
Net cash received from disposal of subsidiaries and other business units	4(64)(b)	-	103,728,983.10	-	-
Cash received relating to other investing activities	4(63)(c)	415,180,958.93	2,995,683,453.95	1,047,618,942.13	3,361,670,275.40
Sub-total of cash inflows		1,672,529,584.14	5,773,177,555.03	3,426,367,811.06	6,714,882,080.56
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,150,299,794.81)	(1,713,637,630.88)	(76,021,389.71)	(20,327,489.37)
Cash paid to acquire investments		(1,095,483,542.97)	(2,300,000,000.00)	(900,000,000.00)	(2,300,000,000.00)
Net cash paid to acquire subsidiaries and other business units	4(64)(b)	(852,928,270.78)	(1,890,254,852.32)	(77,150,000.00)	(20,000,000.00)
Cash paid relating to other investing activities	4(63)(d)	(1,766,361,111.44)	(532,160,622.85)	(1,738,770,152.93)	(6,172,745,265.37)
Sub-total of cash outflows		(4,865,072,720.00)	(6,436,053,106.05)	(2,791,941,542.64)	(8,513,072,754.74)
Net cash flows (used in)/from investing activities		(3,192,543,135.86)	(662,875,551.02)	634,426,268.42	(1,798,190,674.18)
Cash flows from financing activities					
Cash received from capital contributions		55,550,000.00	6,147,600.00	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		55,550,000.00	6,147,600.00	-	-
Cash received from borrowings		10,545,906,796.56	24,352,208,112.75	1,100,000,000.00	2,700,000,000.00
Cash received from issuance of debentures		9,997,251,936.37	4,997,500,000.00	9,997,251,936.37	4,997,500,000.00
Cash received relating to other financing activities	4(63)(e)	1,282,526,216.62	1,734,566,882.60	846,545,867.91	761,731,249.40
Sub-total of cash inflows		21,881,234,949.55	31,090,422,595.35	11,943,797,804.28	8,459,231,249.40
Cash repayments of borrowings		(18,641,296,054.37)	(24,956,070,086.21)	(11,200,000,000.00)	(3,700,000,000.00)
Cash payments for distribution of dividends, profits or interest expenses		(856,269,172.93)	(1,513,523,399.61)	(52,065,741.09)	(55,375,398.31)
Including: Cash payments for distribution of dividends or profits to minority shareholders of subsidiaries		(290,661,713.59)	(791,586,075.41)	-	-
Cash payments relating to other financing activities	4(63)(f)	(588,098,593.53)	(440,260,542.72)	(476,925,347.60)	(11,641,174.28)
Sub-total of cash outflows		(20,085,663,820.83)	(26,909,854,028.54)	(11,728,991,088.69)	(3,767,016,572.59)
Net cash flows from financing activities		1,795,571,128.72	4,180,568,566.81	214,806,715.59	4,692,214,676.81
Effect of foreign exchange rate changes on cash and cash equivalents		(1,101,980.96)	21,452,572.00	(109.10)	83,215.70
Net increase in cash and cash equivalents	4(64)(a)	772,944,031.70	7,244,781,653.50	833,431,020.69	2,877,070,521.97
Add: Cash and cash equivalents at beginning of period		19,576,444,789.85	15,716,257,907.41	3,989,558,641.83	3,398,271,917.33
Cash and cash equivalents at end of period	4(64)(c)	20,349,388,821.55	22,961,039,560.91	4,822,989,662.52	6,275,342,439.30

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhou Jun

Principal in charge of accounting: Cho Man

Head of accounting department: Shen Bo

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE SIX MONTHS ENDED 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Attributable to equity owners of the Company						Minority interests	Total owners' equity
		Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserves	Undistributed profits		
Balance at 1 January 2020		2,842,089,322.00	15,720,601,835.88	-	(542,229,067.12)	1,667,684,535.82	21,970,908,120.34	7,726,873,546.48	49,385,928,293.40
Movements for the six months ended 30 June 2020		-	148,176,661.49	-	(82,226,152.36)	-	1,194,809,116.52	1,124,268,208.14	2,385,027,833.79
Total comprehensive income									
Net profit	4(45)	-	-	-	-	-	2,442,842,195.88	438,320,762.21	2,881,162,958.09
Other comprehensive income	4(43)	-	-	-	(79,739,930.04)	-	-	(10,616,785.53)	(90,356,715.57)
Total comprehensive income		-	-	-	(79,739,930.04)	-	2,442,842,195.88	427,703,976.68	2,790,806,242.52
Capital contribution and withdrawal by owners									
Capital contribution by owners		-	-	-	-	-	-	6,147,600.00	6,147,600.00
Amount recorded in owners' equity arising from share-based payment arrangements	4(42)	-	17,287,134.00	-	-	-	-	-	17,287,134.00
Others	4(42)	-	130,889,527.49	-	-	-	-	1,098,234,359.75	1,229,123,887.24
Profit distribution									
Appropriation to surplus reserves	4(44)	-	-	-	-	-	-	-	-
Profit distribution to equity owners	4(45)	-	-	-	-	-	(1,250,519,301.68)	(407,817,728.29)	(1,658,337,029.97)
Transfer within owners' equity									
Transfer from other comprehensive income to retained earnings		-	-	-	(2,486,222.32)	-	2,486,222.32	-	-
Balance at 30 June 2020		2,842,089,322.00	15,868,778,497.37	-	(624,455,219.48)	1,667,684,535.82	23,165,717,236.86	8,851,141,754.62	51,770,956,127.19
Balance at 1 January 2021		2,842,089,322.00	15,897,587,875.18	-	(265,410,759.58)	1,826,058,272.88	25,054,352,978.09	9,386,052,081.08	54,740,729,769.65
Movements for the six months ended 30 June 2021		-	106,971,128.51	-	50,761,733.84	-	2,203,557,102.14	188,225,816.93	2,549,515,781.42
Total comprehensive income									
Net profit	4(45)	-	-	-	-	-	3,567,759,976.70	597,030,635.16	4,164,790,611.86
Other comprehensive income	4(43)	-	-	-	50,761,733.84	-	-	(20,630,842.44)	30,130,891.40
Total comprehensive income		-	-	-	50,761,733.84	-	3,567,759,976.70	576,399,792.72	4,194,921,503.26
Capital contribution and withdrawal by owners									
Capital contribution by owners		-	-	-	-	-	-	55,550,000.00	55,550,000.00
Amount recorded in owners' equity arising from share-based payment arrangements	4(42)	-	18,850,061.34	-	-	-	-	-	18,850,061.34
Others	4(42)	-	88,121,067.17	-	-	-	-	(149,864,396.47)	(61,743,329.30)
Profit distribution									
Appropriation to surplus reserves	4(44)	-	-	-	-	-	-	-	-
Profit distribution to equity owners	4(45)	-	-	-	-	-	(1,364,202,874.56)	(293,859,579.32)	(1,658,062,453.88)
Balance at 30 June 2021		2,842,089,322.00	16,004,559,003.69	-	(214,649,025.74)	1,826,058,272.88	27,257,910,080.23	9,574,277,898.01	57,290,245,551.07

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhou Jun

Principal in charge of accounting: Cho Man

Head of accounting department: Shen Bo

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE SIX MONTHS ENDED 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserves	Undistributed profits	Total owners' equity
Balance at 1 January 2020		2,842,089,322.00	18,847,858,307.71	-	(1,509,389.95)	1,296,575,310.72	2,789,667,692.06	25,774,681,242.54
Movements for the six months ended 30 June 2020		-	105,293,413.29	-	45,136.77	-	5,905,252.71	111,243,802.77
Total comprehensive income								
Net profit	17(6)	-	-	-	-	-	1,256,424,554.39	1,256,424,554.39
Other comprehensive income	17(5)	-	-	-	45,136.77	-	-	45,136.77
Total comprehensive income		-	-	-	45,136.77	-	1,256,424,554.39	1,256,469,691.16
Capital contribution and withdrawal by owners								
Capital contribution by owners		-	-	-	-	-	-	-
Amount recorded in owners' equity arising from share-based payment arrangements	17(4)	-	17,287,134.00	-	-	-	-	17,287,134.00
Others	17(4)	-	88,006,279.29	-	-	-	-	88,006,279.29
Profit distribution								
Appropriation to surplus reserves	17(6)	-	-	-	-	-	-	-
Profit distribution to equity owners	17(6)	-	-	-	-	-	(1,250,519,301.68)	(1,250,519,301.68)
Balance at 30 June 2020		2,842,089,322.00	18,953,151,721.00	-	(1,464,253.18)	1,296,575,310.72	2,795,572,944.77	25,885,925,045.31
Balance at 1 January 2021		2,842,089,322.00	18,969,516,229.49	-	292,608.91	1,454,949,047.78	2,964,512,023.95	26,231,359,232.13
Movements for the six months ended 30 June 2021		-	108,980,985.21	-	528,159.05	(4,681,577.08)	(92,247,907.78)	12,579,659.40
Total comprehensive income								
Net profit	17(6)	-	-	-	-	-	1,314,089,160.46	1,314,089,160.46
Other comprehensive income	17(5)	-	-	-	528,159.05	-	-	528,159.05
Total comprehensive income		-	-	-	528,159.05	-	1,314,089,160.46	1,314,617,319.51
Capital contribution and withdrawal by owners								
Capital contribution by owners		-	-	-	-	-	-	-
Amount recorded in owners' equity arising from share-based payment arrangements	17(4)	-	18,850,061.34	-	-	-	-	18,850,061.34
Others	17(4)	-	90,130,923.87	-	-	-	-	90,130,923.87
Profit distribution								
Appropriation to surplus reserves	17(6)	-	-	-	-	-	-	-
Profit distribution to equity owners	17(6)	-	-	-	-	-	(1,364,202,874.56)	(1,364,202,874.56)
Others		-	-	-	-	(4,681,577.08)	(42,134,193.68)	(46,815,770.76)
Balance at 30 June 2021		2,842,089,322.00	19,078,497,214.70	-	820,767.96	1,450,267,470.70	2,872,264,116.17	26,243,938,891.53

The accompanying notes form an integral part of these financial statements.

Legal representative: Zhou Jun

Principal in charge of accounting: Cao Man

Head of accounting department: Shen Bo

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

1 General Information

Shanghai Pharmaceuticals Holding Co., Ltd. ("the Company") was formerly known as Shanghai No. 4 Pharmaceutical Co., Ltd. ("No. 4 Pharmaceutical"). In October 1993, Shanghai Pharmaceutical (Group) Corporation, now known as Shanghai Pharmaceutical (Group) Co., Ltd. ("Shanghai Pharmaceutical Group") initiated solely and issued 15,000,000 ordinary shares (A shares) to public with par value of RMB1 per share upon the approval of the Hu Zheng Ban (1993) No. 119, a document issued by Shanghai Securities Management Office. After that, No. 4 Pharmaceutical was established through fundraising on 18 January 1994. On 24 March 1994, shares of No. 4 Pharmaceutical were listed on the Shanghai Stock Exchange, the stock code of which was 600849. In 1998, No. 4 Pharmaceutical was renamed as Shanghai Pharmaceutical Co., Ltd.

Under Regulatory Permission [2010] No. 132 the *Approval on Shanghai Pharmaceutical Co., Ltd. Issuing Shares to Purchase Assets from Shanghai Pharmaceutical (Group) Co., Ltd. and Merging with Shanghai Industrial Pharmaceutical Investment Co. Ltd. and Shanghai Zhongxi Pharmaceutical Co. Ltd.* approved by China Securities Regulatory Commission ("CSRC"), the Company merged with Shanghai Industrial Pharmaceutical Investment Co. Ltd. ("Shangshi Pharmaceutical") and Shanghai Zhongxi Pharmaceutical Co. Ltd. ("Zhongxi Pharmaceutical"), and issued shares to purchase pharmaceutical assets from Shanghai Pharmaceutical Group, and issued shares to raise funds from Shanghai Shangshi (Group) Co., Ltd. ("Shanghai Shangshi") and used the funds to purchase the pharmaceutical assets from Shanghai Industrial Holdings Limited ("Shangshi Holdings"). After the completion of above significant asset restructuring, the total share capital of the Company was increased to 1,992,643,338 shares. Shanghai Pharmaceutical Co., Ltd. was renamed as Shanghai Pharmaceuticals Holding Co., Ltd.. The Company's stock code was changed from 600849 to 601607. The Company's shares were referred to "Shanghai Pharmaceuticals".

As at 17 June 2011, the Company has completed the issuance of 696,267,200 shares (including 32,053,200 of over allotment) listed overseas (H shares) at RMB1 per share to investors overseas. The shares were listed on the Stock Exchange of Hong Kong Limited on 20 May 2011, the stock of which was 02607, and the shares were referred to "Shanghai Pharmaceuticals".

On 26 January 2018, the Company issued 153,178,784 H shares to overseas investors, and was listed on the Stock Exchange of Hong Kong.

On 30 June 2021, the Company's share capital was RMB2,842,089,322.00 with a total share capital of 2,842,089,322 shares, in which, 1,923,016,618 (A shares) RMB-denominated ordinary shares listed in China, and 919,072,704 (H shares) overseas listed foreign shares.

The unified social credit code of the Company is 9131000013358488X7; the legal representative is Zhou Jun; the place of registration is No. 92 Zhangjiang Road, China (Shanghai) Pilot Free Trade Zone; industry of the Company is pharmaceuticals.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

1 General information (Cont'd)

Business operations of the Company and its subsidiaries (hereinafter jointly referred to as “the Group”) are mainly as follows:

- research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products;
- 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 and franchising of a network of retail pharmacy stores.

The controlling shareholder of the Company is Shanghai Pharmaceutical Group. On 30 June 2008, upon the formal approval of Assets Supervision and Administration Commission of Shanghai Municipal Government (“SASAC”), 60% of the equity in total was directly transferred to Shanghai Shangshi, in which Shanghai Industrial Investment (Group) Co., Ltd. and Shanghai Huayi (Group) Company, the original shareholder of Shanghai Pharmaceutical Group, held 30% of equity of Shanghai Pharmaceutical Group respectively. Shanghai Shangshi became the controlling shareholder of Shanghai Pharmaceutical Group. Shanghai Shangshi is a state-owned enterprise, and its actual controller is SASAC. Shanghai Industrial (Holdings) Co., Ltd. (“Shangshi Holdings”) is registered in Hong Kong, and its actual controller is SASAC. Shangshi Holdings is authorised to manage Shanghai Shangshi by SASAC. Therefore, the ultimate holding company is Shangshi Holdings.

Subsidiaries comprised in the consolidated financial statements are set out in Note 6. Subsidiaries which are included in the scope of consolidation in this period are disclosed in Note 5(1).

These financial statements are authorised for issue by the Board of Directors of the Company on 30 August 2021.

2 Significant accounting policies and accounting estimates

The Group applies the accounting policies and accounting estimates based on its business operating characteristics, including provision of expected credit loss (“ECL”) of receivables (Note 2(9)), valuation of inventories (Note 2(10)), valuation of investment properties (Note 2(12)), depreciation of fixed assets and amortisation of intangible assets (Note 2(13)), Note 2(17), Note 2(26)), recognition and measurement of revenue (Note 2(23)), etc.

Significant judgements, accounting estimates and key assumptions to determine the critical accounting policies are disclosed in Note 2(30).

(1) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 — General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance has come into force since 3 March 2014. Certain disclosures in the financial statements have been included to reflect the requirements under the new Hong Kong Companies Ordinance.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(2) Statement of compliance with the Accounting Standard for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2021 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company's financial position as at 30 June 2021 and their financial performance, cash flows and other information for the six months ended 30 June 2021.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The Company's recording currency is Renminbi (RMB). The recording currency of the Company's subsidiaries is determined based on the primary economic environment in which they operate. The financial statements are presented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. If the merged party was acquired by the final control party from a third party in the previous year, then the consideration was measured based on carrying amount of assets and liabilities of the merged party (including the goodwill arising from acquisition by the final control party) in the final control party's consolidated financial statements. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(5) Business combinations (Cont'd)

(b) Business combinations involving enterprises not under common control (Cont'd)

When the Group becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, the equity interest held in the acquiree before the acquisition date shall be remeasured at fair value on the acquisition date, with any difference between fair value and carrying amount recognised as investment income in the current period. Where the equity interest held in the acquiree before the acquisition date relates to other comprehensive income measured under the equity method and other changes in owners' equity except net profit or loss, other comprehensive income and profit distribution (hereinafter "other changes in owners' equity"), corresponding other comprehensive income and other changes in owners' equity (excluding other comprehensive income from changes arising from remeasurement on net liabilities or net assets of defined benefit plans of the acquiree) shall be transferred to income for the period in which the acquisition date falls.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realized before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive incomes attributed to minority interests, and presented separately in the consolidated financial statements under owners' equity, net profits and total comprehensive income respectively. If the loss of current period shared by the minority shareholders of a subsidiary exceeds the minority shareholders' share of the beginning balance of owners' equity of the subsidiary, the balance shall be offset against the minority shareholders' equity. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(6) Preparation of consolidated financial statements (Cont'd)

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

The difference between additional long-term equity investment for purchase of minority interests in subsidiaries and shares of net assets calculated at the proportion of increased part of shares which the Group is entitled to as of the date of purchase or consolidation is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Under the circumstance that the Group partially disposed its long-term equity investments in subsidiaries without losing control, the difference between disposal proceeds and shares of net assets which the Group is entitled to from disposal of long-term equity investment is treated as an adjustment to capital surplus (share premium) in the consolidated financial statements. If the capital surplus (share premium) is not sufficient to cover the difference, retained earnings are adjusted.

If an enterprise loses control over an investee due to the disposal of a portion of equity investment or other reasons, the remaining equity investment shall be remeasured at fair value in the consolidated financial statements at the date when control is lost. The sum of consideration received from the disposal of equity investment and the fair value of the remaining equity investment, net of the sum of the share of net assets of the former subsidiary based on continuous calculation since the acquisition date at previous proportion of shareholding and goodwill, is recognised as investment income for the current period when the control is lost. The other comprehensive income related to the original subsidiary is included in investment income for the current period or retained earnings at the date of losing control.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(8) Foreign currency translation (Cont'd)

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

A financial instrument refers to any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another. The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of financial instrument.

(a) Financial assets

(i) Classification and measurement

Based on the entity's business model for managing the financial assets and the contractual terms of the cash flows, the Group classifies its financial assets in the following measurement categories: 1) financial assets at amortised cost; 2) financial assets at fair value through OCI; and 3) financial assets at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss (FVPL), are expensed in profit or loss. In the case of a financial asset not at FVPL, transaction costs are directly attributable to the acquisition of the financial asset. The Group measures accounts receivables and notes receivables arising from sales of goods or provision of services at their transaction price, if the notes receivables and accounts receivables do not contain a significant financing component.

Debt instruments

Debt instruments held by the Group are instruments that meet the definition of financial liabilities from the perspective of the issuers, and are measured by the following three ways:

Amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met: it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest revenue of such financial asset is calculated by using the effective interest method. Such financial assets mainly include cash at bank and on hand, notes receivables, accounts receivables, other receivables, debt investments and long-term receivables, etc. Debt investments and long-term receivables due within 1 year (inclusive) at the balance sheet date are presented as the current portion of non-current assets; at acquiring date, debt investments with maturities within one year (inclusive) are presented as other current assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(i) Classification and measurement (Cont'd)

Fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if both of the following conditions are met: it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If a financial asset is measured at FVOCI, all movements in the fair value should be taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue in line with the effective interest method, and foreign exchange gains and losses, which are recognised in profit or loss. Such financial assets are presented as other debt investments. The debt investments with maturity within one year (inclusive) since the balance sheet date are presented in current portion of non-current assets; at acquiring date, debts investments with maturity within one year (inclusive) are presented in other current assets and receivables financing.

Fair value through profit or loss (FVPL)

If the financial asset does not meet the criteria for amortised cost or FVOCI, it is measured at FVPL. At initial recognition, the Group designates part of financial assets as measured at FVPL in order to eliminate or significantly reduce an accounting mismatch. The financial assets with maturity more than one year and expected to be held for more than one year are presented in other non-current financial assets, and others are presented as financial assets held for trading.

Equity instruments

The Group measures its equity instruments that have no control, joint control or significant influence at FVPL and recognises such equity instruments as financial assets held for trading. The financial assets expected to be held for more than one year since the balance sheet date are presented in other non-current financial assets.

Besides, the Group designates part of financial assets which are not held for trading at FVOCI and presents them in other equity instruments investments. The dividend income is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(ii) Impairment

The Group recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost, FVOCI, a contract asset and a financial guarantee contract.

The measurement of expected credit loss reflects the probability -weighted estimate of the present value of the difference between contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive. The estimate is based on historical experience and other factors, including current situation and expectations of future events that are believed to be reasonable under the circumstances.

The Group assesses the expected credit losses at different stages respectively at each balance sheet date. At the first stage: in the case that the credit risk on financial instruments have not increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to 12-month expected credit losses; At the second stage: in the case that the credit risk on that financial instruments have increased significantly since initial recognition, but a credit impairment has not occurred, the Group measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses; At the third stage: in the case that the impairment loss has incurred since initial recognition, the Group measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses.

For financial instruments with low credit risk as at balance sheet date, the Group assumes the credit risk has not increased significantly since initial recognition, and measures the loss allowance for the financial instrument at an amount equal to 12-month expected credit losses.

For the financial instruments at the first stage and the second stage, and those with low credit risk, interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For the financial instruments at the third stage, interest revenue is calculated applying the effective interest rate to amortised cost (gross carrying amounts less the impairment provision).

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for notes receivables, accounts receivables, receivables financing and contract assets resulting from transactions of daily operations such as sales of goods and provision of services, regardless of whether they contain a significant financing component or not. The Group also measures the loss allowance at an amount equal to lifetime expected credit losses for lease receivables.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(ii) Impairment (Cont'd)

For receivables without objective evidence of impairment, they are grouped based on shared credit risk characteristics, and collective provision is determined based on the credit risk. The Group groups the financial assets as follows:

Group 1	Trade receivables
Group 2	Dividends receivables from related parties
	Interest receivables and receivables financing
Group 3	Guarantee deposits
Group 4	Compensation receivable from suppliers
Group 5	Receivables from intra-group companies
Group 6	

For accounts receivables on grouping basis, the Group estimates the expected credit losses by considering the historical credit loss experience, current situation and forecasts of economic conditions, and based on the comparison table between accounts receivables' aging and lifetime expected credit loss ratio. The expected credit loss ratio is based on the historical loss rates and is adjusted to reflect current and forward-looking information that might affect the ability of customers to settle the receivables. The Group reassesses the historical loss rates at each reporting date and considers the circumstances that lead to the modification of forward-looking information.

For lease receivables, notes receivables and receivables financing resulting from transactions of daily operations such as sales of goods and provision of services on grouping basis, the Group estimates the expected credit losses by considering the historical credit loss experience, current situation and forecasts of economic conditions, and based on the exposure at default and lifetime expected credit loss ratio.

For notes receivables, receivables financing not resulting from transactions of daily operation, other receivables and long-term receivables on grouping basis, the Group estimates the expected credit losses by considering the historical credit loss experience, current situation and forecasts of economic conditions, and based on the exposure at default and 12-month expected credit loss ratio or lifetime expected credit loss ratio.

Impairment losses (and reversal of impairment losses) is recognised in the statement of profit or loss. For debt investments measured at FVOCI, the Group recognises losses (and reversal of impairment losses) in the statement of profit or loss and adjusts OCI in the meanwhile.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(9) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(iii) De - recognition

A financial asset is derecognised when any of the following condition is met: (1) the contractual rights to receive the cash flows from the financial asset expire; or (2) the financial asset has been transferred and all the risks and rewards of ownership of the financial asset have substantially been transferred to the transferee; or (3) The financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On de-recognition of other equity instruments investments, the difference between the carrying amount and the sum of the consideration received and the accumulated changes in fair value recognised directly in OCI, shall be transferred to retained earnings. On de-recognition of other financial assets, the difference between the carrying amount and the sum of the consideration received and the accumulated changes recognised in OCI, shall be recognised in profit or loss.

(b) Financial liability

Financial liabilities are classified into financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

The financial liabilities of the Group are mainly measured at amortised cost, including notes payables, accounts payables, other payables, borrowings, debentures payable and long-term payables, etc. The financial liability is measured at its fair value minus transaction costs at initial recognition and subsequently measured at effective interest rate method. Financial liability with maturity within one year (inclusive) is presented in current liability. Financial liability with maturity more than one year but is due within 1 year (inclusive) at the balance sheet date is presented in current portion of non-current liability. Other financial liabilities are presented in non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is based on quoted market prices at the balance sheet date. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique when it is applicable under current conditions and there are enough available data and other information to support. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and should maximize the use of relevant observable inputs. When related observable inputs cannot be acquired or are not feasible to be acquired, then unobservable inputs are used.

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2 Significant accounting policies and accounting estimates (Cont'd)

(10) Inventories

(a) Classification

Inventories include raw materials, goods in transit, turnover materials, finished goods, work in progress, consignments and consumable biological assets are stated at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the first-in-first-out method or weighted average method. The Company uses the individual valuation method to determine the cost of shipping inventory for the inventory that cannot be used as a substitute and that is purchased or manufactured specifically for a specific project. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realizable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortisation method of turnover materials

Turnover materials include low value consumables and packaging materials. Low value consumables and packaging materials are written off once used.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances; An associate is the investee over which the Group has significant influence on its financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

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2 Significant accounting policies and accounting estimates (Cont'd)

(11) Long-term equity investments (Cont'd)

(a) Determination of investment cost

For long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost is the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date. For long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the cost of combination.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of related profit and loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost, and cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is initially measured at that cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards in the contingencies are satisfied, the Group continues recognising the expected losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income, and profit distribution, the Group records its proportionate share directly into capital surplus. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profit or loss arising from the intra-group transactions amongst the Group and its investees is eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment income is recognised. For the loss on the intra-group transactions amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

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2 Significant accounting policies and accounting estimates (Cont'd)

(11) Long-term equity investments (Cont'd)

- (c) Basis for determining existence of control, joint control and significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

- (d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

- (e) Disposal of the long-term equity investments

When the Group ceases the use of the equity method, the Group shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any movements of equity are transferred to investment income in the period with the exception of net profit or loss, other comprehensive income and retained earnings shared by investees when the equity method is terminated. For a portion of long-term equity investment accounted for using the equity method by investee, the relevant other comprehensive income under equity method previously is determined as if the relevant assets or liabilities are derecognised directly by the investee if the equity method is applied to the residual part of the equity investments on a pro-rata basis according to the proportion of disposal; other owner's equity with the exception of net profit or loss, other comprehensive income and retained earnings shared by investees is transferred to investment income in the current period on a pro-rata basis.

- (f) Partial disposal of a subsidiary or other reason resulting in loss of control of a subsidiary

On disposal of a long-term equity investment in the Group's separate financial statements, the difference between the proceeds actually received and its carrying amount is recognised in profit or loss for the current period; meanwhile, for the remaining equity investment, it shall be recognised as a long-term equity investment at its carrying amount or other relevant financial assets at its fair value. If the remaining equity after disposal can exercise joint control or have a significant influence over the original subsidiary, it shall be accounted for in accordance with the relevant provisions of the transfer of the cost method to the equity method.

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(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(12) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for long-term rental yields or for capital appreciation or both, are initially recognised at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The Group applies the cost model for subsequent measurement of investment properties. Depreciation or amortisation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives. As for investment properties measured by cost model, depreciation policy on similar fixed assets is applicable to buildings for lease purpose, and amortisation policy on similar intangible assets is applicable to land use rights for lease purpose.

When an investment property is transferred to owner-occupied property, it is reclassified to fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to investment properties at the date of the transfer. The carrying amount before and after transfer is the same at the date of the transfer.

The residual values and useful lives of investment properties and the depreciation methods applied to the investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties shall be reduced to the recoverable amount if the recoverable amount is lower than the carrying amount. (Note2(19))

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, electronic equipment and other equipment

Fixed assets are recognised when the economic benefits associated with them are likely to flow into the Group and their costs can be measured reliably. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. Fix assets injected by the state-owned shareholder during the restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

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2 Significant accounting policies and accounting estimates (Cont'd)

(13) Fixed assets (Cont'd)

(b) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	5-50 years	2%-10%	1.80%-19.60%
Machinery and equipment	4-20 years	2%-10%	4.50%-24.50%
Motor vehicles	4-14 years	2%-10%	6.43%-24.50%
Electronic equipment	3-14 years	2%-10%	6.43%-32.67%
Other equipment	2-20 years	2%-10%	4.50%-49.00%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of the fix assets shall be reduced to the recoverable amount if the recoverable amount is lower than the carrying amount (Note 2 (19)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. When the recoverable amount of a project under construction is lower than its carrying amount, the carrying amount is reduced to the recoverable amount (Note 2 (19)).

(15) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. Other borrowing costs are expensed in the period in which they are incurred.

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2 Significant accounting policies and accounting estimates (Cont'd)

(15) Borrowing costs (Cont'd)

The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

If the borrowing is specific to the qualifying asset, the borrowing costs eligible for capitalisation are the actual cost during the period of construction less any investment income or interest income on the temporary investment of the borrowings.

The amount of borrowing costs eligible for capitalisation, in cases where the funds are borrowed generally, should be determined based on the weighted average of the expenditures incurred in obtaining a qualifying asset. The costs incurred should first be allocated to the specific borrowings. The capitalisation rate relating to general borrowings should be the weighted average effective interest rate applicable to the entity's borrowings. The effective interest rate is the interest rate used when the future cash flows of the borrowings over the estimated remaining deposit period or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

(16) Biological assets

Biological assets comprise bearer biological assets and consumable biological assets. A biological asset is initially measured at cost.

Expenditures incurred are included in the cost of the bearer biological assets before achieving the expected operation purpose. Subsequent expenditures such as maintenance or administration cost after achieving the expected operation purpose are recognised in profit or loss for the period in which they are incurred.

The actual expense of the consumable biological assets before closure constitutes the cost of the consumable biological assets, and the subsequent expenses such as management and protection after closure shall be recognised in profit or loss for the period.

Bearer biological assets are depreciated using the straight-line method over their estimated useful lives after achieving the expected operation purpose. The estimated useful life and the estimated net residual value of a bearer biological asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate if the useful life and the estimated net residual value differ from the previous estimates, or there are significant changes in the pattern in which the asset's economic benefits are expected to be realised, the Group will adjust the useful life, estimated net residual value, or the depreciation method as changes in accounting estimate.

At the end of each reporting period, bearer biological assets and consumable biological assets are reviewed and the carrying amount shall be reduced to the recoverable amount or net realisable value if the recoverable amount of bearer biological assets or the net realisable value of the consumable biological assets is lower than the carrying amount. The reduction is an impairment loss which is recognised in profit or loss. Once the provision for bearer biological assets impairment is made, it will not be reversed; when the factor of depreciation of consumable biological asset disappears, it shall be reversed within the amount of provision for depreciation originally withdrawn, and the reversal amount shall be recognised in profit or loss for the period.

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2 Significant accounting policies and accounting estimates (Cont'd)

(17) Intangible assets

Intangible assets include land use rights, business network, brands and trademarks, permissions, know-how, patent rights and software, etc., and are measured at cost method. Intangible assets injected by the state-owned shareholder during the restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

(a) Land use rights

Land use rights are amortised on the straight-line basis over the useful lives of 30-70 years. The land use right is amortized evenly If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Business network

Business network is amortised using the straight-line method over its estimated useful lives of 5-20 years.

(c) Brands and trademarks

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands have indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows. Brands with indefinite useful lives are not amortized are assessed for impairment on an annual basis. Trademarks are amortized using the straight-line method over their estimated useful lives of 10-20 years.

(d) In-licenses

In-licenses acquired separately are measured on initial recognition at cost.

In-licenses are for license of intellectual properties in development, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalised as intangible assets when incurred, unless the payment is for outsourced research and development work which would follow the capitalisation policy in Note 2(17)(i). Royalty payment would be accrued for in line with the underlying sales and recognised as cost of sales.

In-licenses with indefinite useful lives or not available for use will not be amortized but tested for impairment annually. Certain in-licenses have indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows

In-licenses with finite useful life are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

(e) Know-how

Know-how is amortised using the straight-line method over its estimated useful lives of 2-20 years.

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2 Significant accounting policies and accounting estimates (Cont'd)

(17) Intangible assets (Cont'd)

(f) Patent rights

Patent rights are amortized using the straight-line method over its protection period of 10-20 years as stipulated by law.

(g) Software

Software is amortized using the straight-line method over its estimated useful lives of 2-10 years.

(h) Periodical review of useful life and amortization method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

The useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

(i) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(j) Impairment of intangible assets

When the recoverable amount of an intangible asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount (Note 2 (19)).

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2 Significant accounting policies and accounting estimates (Cont'd)

(18) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(19) Impairment of long-term assets

Fixed assets, construction in progress, right of use assets, intangible assets with finite useful lives, bearer biological assets, investment properties carries at cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows. For intangible assets with uncertain useful life, the useful life of intangible assets shall be reviewed at least annually. If there is any indication that the useful life of the intangible asset is finite, the intangible asset shall be amortised over its estimated useful lives in the future periods.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(20) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits and termination benefits, etc.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs and short-term paid absence, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

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2 Significant accounting policies and accounting estimates (Cont'd)

(20) Employee benefits (Cont'd)

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include the premiums or contributions on basic pensions and unemployment insurance, both of which belong to defined contribution plans.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be settled within one year since the balance sheet date are classified as current liabilities.

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2 Significant accounting policies and accounting estimates (Cont'd)

(21) Profit distribution

Proposed cash profit distribution is recognised as a liability in the period in which it is approved by the shareholders' meeting.

(22) Provisions

Provisions for product warranties, onerous contracts and etc., are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the best estimate for the current period.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(23) Revenue recognition

Sales are recognised when control of goods or provision of services has been transferred. The amount of revenue is determined in accordance with the fair value of the consideration received or receivable.

(a) Sales of goods

Sales are recognised when the products have been shipped to the specific location in accordance with the sales contract and the customers have inspected and accepted the products. There is no significant financing component as the sales are made with a credit term varied by customers' credit risk characteristics, which is consistent with market practices. Advance received from customers due from the obligation of transfer goods is presented as contract liabilities in the balance sheet.

Any consideration payable to customers that no distinct good or service received from those customers, the consideration is recognised as a reduction of the revenue.

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2 Significant accounting policies and accounting estimates (Cont'd)

(23) Revenue recognition (Cont'd)

(b) Rendering services

Revenue from providing services to external parties is recognised over a period of time based on the stage of completion of such service, which is determined by the proportion of costs incurred to the estimated total costs. As at the balance sheet date, the Group reassesses the stage of completion so as to better reflect the changes in obligation performance.

Revenue is recognised by the stage of completion of the services. Trade receivables are recognised when the Group has an unconditional right to collection. For the remaining part of the services, a contract asset is recognised. The Group recognises the loss provision using the expected credit loss model (Note2(9)) for its trade receivables and contract assets. If the payments received or receivable exceed the services rendered, a contract liability is recognised for the excess. Contract assets and contract liabilities under the same contract are presented on a net basis.

(24) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc., excluding capital invested in the Group by the government as a business owner.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interests by loan principals and the favourable interest rates. The fiscal interest discounts directly received by the Group offset the relevant borrowing expenses.

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(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(26) Lease

A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use asset and measure the lease liability at the present value of the lease payments during the lease term that are not paid at that date. Lease payments include fixed payments, 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 lessee exercises an option to terminate the lease. Rents that are variable based on the revenue are not included in the lease payments and are recognised in the profit or loss of the period when the revenue is earned. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(26) Lease (Cont'd)

The Group as the lessee (Cont'd)

Right-of-use assets of the Group include buildings, machinery and equipment and etc.. Right-of-use assets are measured initially at cost which consists of the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is lower than the carrying amount.

For short-term leases with a term of twelve months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, recognise on a straight-line basis over the period of the lease, and either capitalise as part of the cost of related assets, or charge as an expense for the current period.

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use of one or more underlying assets; (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other leases which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For the rental waivers as a result of COVID-19 and for the period ended 30 June 2022 only, the Group applies the practical expedient and records the undiscounted waivers in profit or loss when the agreement is reached to dismiss the original payment obligation with corresponding adjustment of lease liabilities.

The Group as the lessor

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

When a lease is changed, the Group regards it as a new lease from the effective date of the change, and treats the advance or receivable lease payments related to the lease before the charge as the receipts for the new lease.

(a) Operating leases

Rental income from an operating lease is recognised on a straight-line basis over the period of the lease. Rental income that are variable based on the revenue of the lessee is recognised when the revenue is earned.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(26) Lease (Cont'd)

(b) Finance lease

At the commencement date, lease payments receivable is recognised as long-term receivables and the relevant asset is derecognised. Finance lease receivables due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

(27) Share-based payment

Share-based payment are categorised into equity-settled share-based payment transaction and cash-settled share-based payment transaction. The share-based payment transaction implemented by the Group is accounted for as equity-settled.

The equity-settled share-based payments in exchange for employee services shall be measured at the fair value of the equity instruments granted to the employees. Where the equity-settled share-based payments are exercisable immediately after the grant is completed, the payments shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date, with capital surplus increased accordingly; where the equity-settled share-based payments are exercisable after the service in the waiting period is completed or specified performance conditions are met, the service obtained in the current period shall be recognised in profit or loss for the current period at the fair value of the equity instruments at the grant date based on the best estimate on the quantity of exercisable equity instruments made by the Group in accordance with the latest changes in the number of exercisable employees, satisfaction of specified performance conditions and other subsequent information at each balance sheet date within the waiting period.

Where the equity-settled share-based payments cannot be exercised in the end, its costs or expenses shall not be recognised by the Group unless that the payments are exercisable under the market conditions or non-exercisable conditions. In this regard, whether the market conditions or non-exercisable conditions are satisfied or not, the payments are deemed to be exercisable only when the non-market conditions among all of the exercisable conditions are satisfied.

When the Group modifies the terms of the share-based payment plan, if the modification increases the fair value of the granted equity instruments, the Group shall recognise the increase in services received based on the difference between the fair value of the equity instruments before and after the modification on the modification date. If the Group revises the exercisable conditions in a manner favourable to employees, the Group shall account for the payment according to the revised exercisable conditions; if the Group revises the exercisable conditions in a manner unfavourable to employees, the Group shall not consider that in the accounting, unless the Group cancels part or all of the granted equity instruments. If the Group cancels the granted equity instruments, the payments shall be accelerated for exercise on the cancellation date, and the amount that should have been recognised during the remaining waiting period shall be immediately included in profit or loss for the current period, and capital surplus shall be also recognised.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(28) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other party and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment losses.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable and satisfies one of the following conditions: (1) it represents a separate major line of business or geographical area of operations; (2) it is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) it is a subsidiary acquired exclusively with a view to resale.

The net profit from discontinued operations in the income statement includes operating profit or loss and disposal gains or losses of discontinued operations.

(29) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

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(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(30) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting judgements and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Useful life of fixed assets

The management of the Group reviews the estimated useful lives, residual values and depreciation method of fixed assets at each financial year-end. The estimated useful lives are determined by reference to the Group's business model, asset management policy and expected lifespan of the assets. The estimated useful lives could change significantly as a result of certain factors. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write down technically obsolete or non-strategic assets that have been abandoned or sold. The estimated residual values are determined based on all relevant factors (including but not limited to by reference to the industry practice and estimated residual values).

The depreciation expense will change where the useful lives or residual values of the assets are different from the previous estimates.

(ii) Useful lives of business network

The Group determines the estimated useful lives and consequently the related amortisation charges for its business network. These estimates are based on the historical experience of the actual useful lives of business network of similar nature and functions. Management will increase the amortisation charges where useful lives are less than previously estimated lives, which may also result in impairment of intangible assets. Actual economic lives may differ from estimated useful lives.

Periodic review could result in a change in amortisable lives and therefore amortisation expenses in future periods.

(iii) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(20)).

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the growth rate that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised growth rate is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

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(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(30) Critical accounting estimates and judgements (Cont'd)

(a) Critical accounting estimates and key assumptions (Cont'd)

(iii) Accounting estimates on impairment of goodwill (Cont'd)

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual gross margin is higher or the pre-tax discount rate is lower than management's estimates, the impairment loss of goodwill previously recognised is not allowed to be reversed by the Group.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion, selling expense and related tax. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(v) Measurement of expected credit loss

The loss allowances for trade receivables are based on assumptions about risk of default and expected credit loss rates. The Group determines the expected credit loss rates based on the probability of default and default loss rate. The Group makes judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period. When considering forward-looking information, the Group takes into account different macroeconomic scenarios. The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of expected credit losses, including the risk of economic downturn, external market environment, technological environment, changes in customer profile, Gross Domestic Product ("GDP") and Consumer Price Index ("CPI"), etc. The key macroeconomic parameters are set differently in favourable, benchmark and unfavourable economic scenario. For the mostly used parameter GDP, are 8.60%, 6.86% and 4.80% respectively. The Group monitors and reviews assumptions related to the calculation of expected credit losses on a regular basis.

(vi) Current and deferred income tax

The Group is subject to income taxes in the PRC and Hong Kong. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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(All amounts in RMB Yuan unless otherwise stated)

2 Significant accounting policies and accounting estimates (Cont'd)

(30) Critical accounting estimates and judgements (Cont'd)

(a) Critical accounting estimates and key assumptions (Cont'd)

(vi) Current and deferred income tax (Cont'd)

As stated in Note 3(2), some subsidiaries of the Group are high-tech enterprises. The "High-Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to relevant government authorities. Based on the past experience of reassessment for high-tech enterprises upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprises upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

Deferred tax assets are recognised for the deductible losses that can be carried forward to subsequent years to the extent that it is probable that the taxable profit will be available in the future period against which the deductible losses can be utilised. Taxable profit that will be available in the future period includes the taxable income that will be realised through normal production and operation and the taxable income that will be increased in the future period upon the reversal of taxable temporary differences incurred in the previous period. Estimates and judgements are required to determine the time and amount of taxable profit in the future period. Any difference between the actual amounts and the estimate may result in adjustment to the carrying amount of deferred tax assets.

(b) Critical judgments in applying the accounting policies

(i) Classification of financial assets

Critical judgements involved in the classification of financial assets include the business model within which they are held and their contractual cash flow characteristics.

The Group use judgement when it assesses its business model for managing financial assets on financial assets grouping basis. The assessment is determined by relevant evidence such as how the performance the financial assets are evaluated and reported to the Group's key management personnel; the risks that affect the performance of the business model and the financial assets held within that business model and the way in which those risks are managed; and how managers of the business are compensated etc.

When the Group assesses contractual cash flows are consistent with a basic lending arrangement, critical judgements used are as below: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance, whether the interest only reflects consideration for the time value of money, for the credit risk associated with the instrument during the term of the instrument and for other basic lending risks and costs, as well as a profit margin. For example, prepayments represent unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for the early termination of the contract.

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2 Significant accounting policies and accounting estimates (Cont'd)

(30) Critical accounting estimates and judgements (Cont'd)

- (b) Critical judgments in applying the accounting policies (Cont'd)
- (ii) Factors in determining a significant increase in credit risk

The Group considers the 30 days past due as main indicator in determining a significant increase in credit risk. Also, the Group considers a significant increase in credit risk if there is significant change in one or several indicators as below, such as significant change in the operating results of the borrower, business conditions of the borrower and internal or external credit rating for the borrower; and significant decrease in the value of collateral or the credit rating of the guarantor.

The Group considers the 90 days past due as main indicator that a financial asset is credit-impaired (i.e. the default of the financial asset occurs). Also, the Group considers that a financial asset is credit-impaired if one or several indicators as below is met, significant financial difficulty of the borrower; it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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3 Taxation

(1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Taxation basis	Tax rate
Income tax (a)	Taxable income	16.5%, 25%
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	3%, 5%, 6%, 9%, 10%, 13%
City maintenance and construction tax	The payment amount of VAT and consumption tax	1%, 5%, 7%

(2) Preferential tax rate policy and approval documents

(a) Enterprise income tax

The actual income tax rate applicable to the Company was 25% for the six months ended 30 June 2021 and 30 June 2020.

Some subsidiaries of the Group enjoy preferential enterprise income tax policies, and the main preferential policies are as follows:

Shanghai Jinhe Bio-tech Co., Shanghai Zhongxi Pharmaceutical Co., Ltd., Shanghai Zhongxi Pharmaceutical Co., Ltd., Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., Zhonghua Nantong Pharmaceutical Co., Ltd., Shanghai Zhonghua Pharmaceutical Co., Ltd., SPH Yihe (Benxi) Medical Technology Co., Ltd., Shanghai Huayu Pharmaceutical Co., Ltd., SPH Shenxiang Health Pharmaceutical Co., Ltd., Shanghai SPH Xingling Technology Pharmaceutical Co., Ltd., Zhejiang Jiuxu Pharmaceutical Co., Ltd., Shanghai Leiyunshang Pharmaceutical Co., Ltd., Gansu Sine Tiansen Pharmaceutical Co., Ltd., Shandong Sine Pharmaceutical Co., Ltd., Shanghai Harvest Pharmaceutical Co., Ltd., Shanghai Sine Pharmaceutical Laboratories Co., Ltd., Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., Shanghai Sine Tianping Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., Shanghai Sine Yan'an Pharmaceutical Co., Ltd., Tianjin Jinjin Pharmaceutical Co., Ltd., Shanghai SPH New Asiatic Pharmaceutical Co., Ltd., Shanghai New Asiatic Medicine Industry Minhong Co., Ltd., Liaoning Medya Pharmaceutical Co., Ltd., Shanghai Haichang Medical Plastic Plant, Beijing Health Link Information Technology Ltd., Hangzhou HuQingYuTang Pharmaceutical Co., Ltd., Liaoning SPH Herbapex Pharmaceutical (group) Co., Ltd., Xiamen Traditional Chinese Medicine Co., Ltd., SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd., Chiatai Qingchunbao Pharmaceuticals Co., Ltd., Qingdao Shanghai Pharmaceutical Growful Pharmaceutical Co., Ltd., SPH Kony (Changzhou) Co., Ltd., Techpool Bio-Pharma Co., Ltd., Shanghai No.1 Biochemical Pharmaceutical Co., Ltd., Shanghai Ziyuan Pharmaceutical Co., Ltd., SPH Changzhou Pharmaceutical Factory Co., Ltd., Nantong Changyou Pharmaceutical Technology Co., Ltd. were approved by relevant local tax authorities as the High-technological Enterprise. Under the relevant regulations of Article 28 of the Corporate Income Tax Law of the People's Republic of China, the income tax rate applicable to companies for the six months ended 30 June 2021 was 15%.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

3 Taxation (Cont'd)

(2) Preferential tax rate policy and approval documents (Cont'd)

(a) Enterprise income tax (Cont'd)

Chongqing SPH Huiyuan Pharmaceutical Co., Ltd., Chongqing Tianbao Pharmaceutical Co., Ltd., SPH Anshun Pharmaceutical Co., Ltd., SPH Bijie Pharmaceutical Co., Ltd., SPH Guizhou Pharmaceutical Co., Ltd., SPH Liupanshui Pharmaceutical Co., Ltd., SPH Qian dongnan Pharmaceutical Co., Ltd., SPH Qiannan Pharmaceutical Co., Ltd., Shanghai Pharmaceutical Sichuan Biological Products Co., Ltd., SPH Zunyi Pharmaceutical Co., Ltd., SPH Ke Yuan Xinhai Pharmaceutical Tongliao Co., Ltd., SPH Keyuan Xinhai Pharmaceutical Enshi Co., Ltd., SPH Cardinal Health (Sichuan) Pharmaceutical Co., Ltd., SPH Cardinal Health (Chongqing) Pharmaceutical Co., Ltd., SPH Cardinal Health (Chengdu) Pharmacy Co., Ltd., SPH Chongqing Yiyao Pharmacy Co., Ltd., Chifeng Mysun Pharmaceutical Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd. were recognised by relevant local tax authorities as Encouraging Enterprises in the western region. For handling preferential policies of enterprise income tax (Guo Jia Shui Wu Zong Ju [2018] 23) issued by the State Administration of Taxation, the companies above enjoyed a preferential CIT rate of 15% for the the six months ended 30 June 2021.

The subsidiaries, SPH (Dali) Chinese Yew Biology Co., Ltd. and Sichuan SPH Shendu Traditional Medicine Co., Ltd. are engaged in breeding and planting of forest, and collection of forest products. In accordance with the Paragraph 1, Article 86 of the *Regulation on the Implementation of the Enterprise Income Tax Law*, the income tax rate applicable to the above company was 0% for the the six months ended 30 June 2021 with the exemption from enterprise income tax.

The subsidiaries, Shanghai Qiyi Dental Equipment Co., Ltd., Shanghai Shangyi Kangge Medical Equipment Co., Ltd. Shanghai Dental Materials Factory Changshu Branch, Shanghai Lei's Hanguang Traditional Chinese Chinede Medicine Clinic Co., Ltd., Shanghai Leiyunshang Nanxiang Medicine Co., Ltd., SPH Huayu (Linyi) Traditional Chinese Medicine Resource Co., Ltd., Shandong SPH Traditional Chinese Medicine Tablets Co., Ltd., Shanghai Xinde Traditional Chinese Medicine Company, Luoyang Kangxin Pharmacy Limited, Shaanxi SPH Medical Instruments Co., Ltd., SPH Keyuan Xinhai Shengyunyian Pharmaceutical Co., Ltd., SPH Keyuan (Heilongjiang) Pharmacy Limited Beijing Xinhai Keyuan Pharmacies Co., Ltd., Beijing Heanchangtai Drug Store Co., Ltd., Jilin SPH Keyuan Pharmacy Limited, SPH Keyuan (Jilin) Pharmacy Limited, SPH Keyuan Xinhai (Jilin) Medical Equipment Co., Ltd., SPH Keyuan Xinhai (Beijing) Biological Products Co., Ltd., Beijing Xinhai Chengkang Pharmacy Limited, Wuhan Kehaiyuan Pharmacy Chain Co., Ltd., and SPH Jinzhou Pharmaceutical Co., Ltd. are identified as micro and small enterprises. In accordance with the related regulations of the *Notice of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (Cai Shui [2019] No. 13) released by the Ministry of Finance and the State Administration, the above companies, the sales of which per month is below RMB0.1 million (inclusive), are exempted from value-added tax (VAT); the annual taxable income that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to consolidated financial statement items

(1) Cash at bank and on hand

	30 June 2021	31 December 2020
Cash on hand	6,275,034.99	8,093,286.77
Cash at bank	20,343,113,786.56	19,568,351,503.08
Others	2,558,832,970.66	2,719,787,889.00
	<u>22,908,221,792.21</u>	<u>22,296,232,678.85</u>
Including: cash at bank and on hand overseas	<u>393,338,688.01</u>	<u>511,342,819.86</u>

As at 30 June 2021, there was no restricted cash at bank and on hand in the cash at bank of the Group (31 December 2020: Nil); other cash balances of RMB 1,198,217,255.65 were pledged as collateral by the Group for the purpose of bank acceptance notes (31 December 2020: RMB 1,227,360,620.42); other cash balances of RMB 12,325,125.72 were pledged as collateral by the Group for the purpose of letters of credit (31 December 2020: RMB 13,700,800.22); other cash balances of RMB 1,310,000,000.00 were time deposits due over three months (31 December 2020: RMB 1,410,000,000.00); other restricted cash balances were RMB 38,290,589.29 (31 December 2020: RMB 68,726,468.36).

(2) Derivative financial assets and derivative financial liabilities

	30 June 2021	31 December 2020
Derivative financial assets		
—forward foreign exchange contract(i)	<u>943,132.56</u>	<u>501,339.00</u>
Derivative financial liabilities		
—forward foreign exchange contract (i)	<u>2,171,396.38</u>	<u>9,314,855.96</u>

- (i) As at 30 June 2021 and 31 December 2020, the derivatives financial assets and derivative financial liabilities were mainly forward foreign exchange contracts held by the Group.

(3) Notes receivables

	30 June 2021	31 December 2020
Trade acceptance notes	287,306,372.60	294,978,651.31
Less: Provision for bad debts	<u>(4,979,540.25)</u>	<u>(4,439,388.73)</u>
	<u>282,326,832.35</u>	<u>290,539,262.58</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(3) Notes receivables (Cont'd)

- (a) As at 30 June 2021, notes receivable pledged as collateral for the Group's short-term borrowings(Note 4(25)(b)) were listed as follows:

Trade acceptance notes	84,977,975.24
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- (b) As at 30 June 2021, the Group had no notes receivable which had been endorsed but were not yet due.

The Group had endorsed or discounted few trade acceptance notes for the six months ended 30 June 2021, and thus still classified them as financial assets at amortised cost. Besides, certain bank acceptance notes of the Group were discounted and endorsed for the purpose of daily treasury management. Therefore, bank acceptance notes of the Company were classified to financial assets at fair value through other comprehensive income, included in receivables financing (Note 4(5)).

- (c) Provision for bad debts

For the notes receivables, regardless of whether there is a significant financing component, the Group calculates loss provisions in accordance with the expected credit losses throughout the lifetime.

- (i) As at 30 June 2021, the Group had no notes receivable for which the related provision for bad debts was provided on the individual basis.

- (ii) As at 30 June 2021, notes receivable for which the related provision for bad debts were provided on the grouping basis were analysed as follows:

Group - trade acceptance notes:

As at 30 June 2021, the Group measured the provision for bad debts of trade acceptance notes based on the lifetime expected credit losses, and the related amount was RMB 4,979,540.25 (31 December 2020: RMB 4,439,388.73).

- (iii) As at 30 June 2021, the Group had no notes receivable written off.

(4) Accounts receivables

	30 June 2021	31 December 2020
Accounts receivables	60,632,093,129.14	54,711,545,483.35
Less: Provision for bad debts	<u>(2,158,041,583.48)</u>	<u>(1,965,639,609.76)</u>
	<u>58,474,051,545.66</u>	<u>52,745,905,873.59</u>

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 business segments, credit periods usually within 360 days are granted to customers depending on customers' credit quality.

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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivables (Cont'd)

(a) The aging analysis of accounts receivables is as follows:

	30 June 2021	31 December 2020
Within 1 year	58,452,022,099.76	52,680,636,068.07
1-2 years	1,040,622,268.34	999,396,493.42
Above 2 years	1,139,448,761.04	1,031,512,921.86
	<u>60,632,093,129.14</u>	<u>54,711,545,483.35</u>

(b) As at 30 June 2021, the top five accounts receivables based on the balance of the debtors are summarized and analyzed as follows:

	Account Balance	Amount of bad debt provision	% of total balance
Total top five accounts receivables	<u>3,617,522,419.94</u>	<u>(42,215,569.84)</u>	<u>5.97%</u>

(c) Accounts receivables derecognised due to the transfer of financial assets were analysed as follows:

For the six months ended 30 June 2021, the Group carried out factoring without recourse to a few accounts receivables. As at 30 June 2021, the balance of accounts receivables that was derecognised due to factoring without resource was RMB 3,027,120,360.08(31 December 2020: RMB 924,538,934.35). The provision for bad debts was RMB 56,392,636.82(31 December 2020: RMB 10,582,512.90), and related expenses were RMB 12,835,208.46(31 December 2020: RMB 7,461,115.73).

As at 30 June 2021, accounts receivables with carrying amount of RMB 818,463,230.19, receivables financing of RMB 94,816,585.56(Note 4(5)) and notes receivables of RMB 84,977,975.24(Note 4(3)(a)) were pledged as collateral for the Group's short-term borrowings of RMB 781,636,624.03(Note 4(25)(b)).

As at 31 December 2020, accounts receivables with carrying amount of RMB 859,070,788.12, receivables financing of RMB 51,555,157.77 (Note 4(5)) and notes receivables of RMB 29,954,716.41 (Note 4(3)(a)) were pledged as collateral for the Group's short-term borrowings of RMB 788,672,761.86 (Note 4(25)(b)).

As at 30 June 2021, accounts receivables with carrying amount of RMB 92,055,677.00 was pledged as collateral for the Group's long-term borrowings of RMB 37,999,824.00 (Note 4(35)(b)) and current portion of long-term borrowings RMB 51,489,400.45 (Note 4(33)).

As at 31 December 2020, accounts receivables with carrying amount of RMB 92,055,677.00 was pledged as collateral for the Group's long-term borrowings of RMB 87,131,177.00 (Note 4(35)(b)) and current portion of long-term borrowings RMB 4,669,217.36 (Note 4(33)).

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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivables (Cont'd)

(d) Provision for bad debts

For the accounts receivables, regardless of whether there is a significant financing component, the Group calculates loss provisions in accordance with the expected credit losses throughout the lifetime.

(i) As at 30 June 2021, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Accounts balance	Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Accounts receivable 1	138,388,888.93	100.00%	(138,388,888.93)	Through assessment, provision on an individual basis
Accounts receivable 2	121,103,445.32	100.00%	(121,103,445.32)	Through assessment, provision on an individual basis
Accounts receivable 3	37,501,313.97	100.00%	(37,501,313.97)	Through assessment, provision on an individual basis
Accounts receivable 4	31,916,220.45	100.00%	(31,916,220.45)	Through assessment, provision on an individual basis
Others	<u>235,607,612.71</u>	100.00%	<u>(235,607,612.71)</u>	Through assessment, provision on an individual basis
	<u>564,517,481.38</u>		<u>(564,517,481.38)</u>	

(ii) The aging analysis of accounts receivables on grouping basis is as follows:

30 June 2021			
	Accounts balance	Provision for bad debts	
	Amount	Expected credit loss rate throughout the lifetime	Amount
Within 6 months	50,150,489,726.31	0.94%	(472,580,208.93)
6 – 12 months	8,288,996,016.08	3.38%	(280,160,793.78)
1 – 2 years	958,740,679.43	17.88%	(171,433,873.45)
Above 2 years	<u>669,349,225.94</u>	100.00%	<u>(669,349,225.94)</u>
	<u>60,067,575,647.76</u>		<u>(1,593,524,102.10)</u>

31 December 2020			
	Accounts balance	Provision for bad debts	
	Amount	Expected credit loss rate throughout the lifetime	Amount
Within 6 months	47,279,499,120.70	0.90%	(424,148,613.63)
6 – 12 months	5,378,437,278.22	2.98%	(160,434,543.53)
1 – 2 years	811,429,003.66	17.12%	(138,876,371.83)
Above 2 years	<u>681,055,403.80</u>	100.00%	<u>(681,055,403.80)</u>
	<u>54,150,420,806.38</u>		<u>(1,404,514,932.79)</u>

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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivables (Cont'd)

(d) Provision for bad debts (Cont'd)

- (iii) For the six months ended 30 June 2021, the provision for bad debts on an individual basis amounted to RMB13,084,710.96 (for the six months ended 30 June 2020: RMB9,074,906.64). RMB9,214,869.12 (for the six months ended 30 June 2020: RMB16,075,882.72) was collected or reversed, and the relevant balance was RMB 9,214,869.12 (for the six months ended 30 June 2020: RMB16,075,882.72). The amounts collected or reversed were as follows:

	Reasons for reversal/collection	Basis and appropriateness for determining the original provision for bad debts	Amount of reversal/collection	Collection method
Accounts receivable 1	Collection in the current period	Through assessment, provision on an individual basis	3,610,000.00	Cash
Accounts receivable 2	Collection in the current period	Through assessment, provision on an individual basis	2,000,347.20	Cash
Others	Collection in the current period	Through assessment, provision on an individual basis	3,604,521.92	Cash
			<u>9,214,869.12</u>	

- (e) For the six months ended 30 June 2021, RMB 1,377,632.02 accounts receivables was written off by the Group, and the relevant provision for bad debts amounted to RMB 1,377,632.02, among which important accounts receivables analysis was as follows:

	Nature	Amount of written-off	Reasons for written-off	Process for written-off	Arise from related transaction
Accounts receivable 1	Payment for goods	900,594.59	Unable to collect	Management approval and special audit	No
Accounts receivable 2	Payment for goods	477,037.43	Unable to collect	Management approval and special audit	No
		<u>1,377,632.02</u>			

(5) Receivables financing

	30 June 2021	31 December 2020
Receivables financing	<u>2,188,348,332.77</u>	<u>2,485,373,691.07</u>

Certain bank acceptance notes of the Group are discounted and endorsed for the purpose of daily treasury management, and are qualified for derecognition. Therefore, such bank acceptance notes are classified to financial assets at fair value through other comprehensive income.

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4 Notes to the consolidated financial statements (Cont'd)

(5) Receivables financing (Cont'd)

The Group had no bank acceptance notes with provision for impairment made on an individual basis. As at 30 June 2021, the Group measured the provision for bad debts based on the lifetime expected credit losses, and the related amount was RMB 4,994,240.86 (31 December 2020: RMB 6,099,046.32). The Group believes that its bank acceptance notes are not exposed to significant credit risk and will not cause significant losses from non-performance by these banks.

As at 30 June 2021, notes receivable endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes	<u>1,845,477,127.84</u>	<u>94,816,585.56</u>

As at 30 June 2021, accounts receivables with carrying amount of RMB 818,463,230.19 (Note 4(4)), receivables financing of RMB 94,816,585.56 and notes receivables of RMB 84,977,975.24 (Note 4(3)) were pledged as collateral for the Group's short-term borrowings of RMB 781,636,624.03 (Note 4(25)(b)).

As at 31 December 2020, , accounts receivables with carrying amount of RMB 859,070,788.12 (Note 4(4)), receivables financing of RMB 51,555,157.77 and notes receivables of RMB 29,954,716.41 (Note 4(3)) were pledged as collateral for the Group's short-term borrowings of RMB 788,672,761.86 (Note 4(25)(b)).

(6) Other receivables

	30 June 2021	31 December 2020
Compensation receivable from suppliers	1,408,366,420.13	898,984,431.58
Guarantees (including deposits)	657,897,709.56	608,212,971.13
Receivables from enterprises	352,083,622.13	246,570,143.33
Equity transfer receivable	112,931,586.92	923,525.04
Reserves	111,580,285.61	58,241,521.59
Dividends receivable	86,957,128.00	44,005,948.00
Others	<u>992,865,262.50</u>	<u>894,282,321.55</u>
	<u>3,722,682,014.85</u>	<u>2,751,220,862.22</u>
Less: Provision for bad debts	<u>(732,080,190.50)</u>	<u>(741,764,407.33)</u>
	<u>2,990,601,824.35</u>	<u>2,009,456,454.89</u>

(a) The aging analysis of other receivables is as follows:

	30 June 2021	31 December 2020
Within 1 year	2,614,380,055.85	1,745,563,072.69
1-2 years	298,730,952.08	248,577,727.58
Above 2 years	<u>809,571,006.92</u>	<u>757,080,061.95</u>
	<u>3,722,682,014.85</u>	<u>2,751,220,862.22</u>

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4 Notes to the consolidated financial statements (Cont'd)

(6) Other receivables (Cont'd)

- (b) As at 30 June 2021, the analysis of provision for bad debts for individual other receivables is as follows:

	Accounts balance	The third stage Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Other receivable 1	120,000,000.00	100.00%	(120,000,000.00)	Unable to collect
Other receivable 2	46,195,001.60	100.00%	(46,195,001.60)	Unable to collect
Other receivable 3	34,033,754.45	100.00%	(34,033,754.45)	Unable to collect
Other receivable 4	33,375,018.03	100.00%	(33,375,018.03)	Unable to collect
Others	250,111,288.58	100.00%	(250,111,288.58)	Unable to collect
	<u>483,715,062.66</u>		<u>(483,715,062.66)</u>	

- (c) As at 30 June 2021 and 31 December 2020, the analysis of bad debt provisions of other receivables on grouping basis is as follows:

30 June 2021			31 December 2020		
Accounts balance	Provision for bad debts		Accounts balance	Provision for bad debts	
		% of total balance			% of total balance
Amount	Amount		Amount	Amount	

The first stage - Expected credit loss rate within the next 12 months on grouping basis

Compensation receivable from suppliers	1,267,094,832.67	(10,351,374.34)	0.82%	816,146,887.31	(7,008,376.77)	0.86%
Guarantees (including deposits)	655,991,621.43	(3,282,960.84)	0.50%	606,399,374.31	(3,055,720.85)	0.50%
Receivables from enterprises	196,884,961.52	(1,890,531.55)	0.96%	92,129,121.04	(1,939,117.55)	2.10%
Reserves	110,241,110.36	(1,443,297.74)	1.31%	57,368,999.35	(489,395.69)	0.85%
Equity transfer receivable	112,008,061.88	(560,040.31)	0.50%	-	-	-
Dividends receivable	86,957,128.00	(217,392.82)	0.25%	44,005,948.00	(110,014.87)	0.25%
Others	<u>463,199,975.12</u>	<u>(6,505,125.57)</u>	1.40%	<u>342,728,623.25</u>	<u>(2,559,725.27)</u>	0.75%
	<u>2,892,377,690.98</u>	<u>(24,250,723.17)</u>		<u>1,958,778,953.26</u>	<u>(15,162,351.00)</u>	

The third stage - Expected credit loss rate throughout the lifetime on grouping basis

Compensation receivable from suppliers	132,635,874.56	(42,602,942.39)	32.12%	71,193,130.86	(34,143,561.39)	47.96%
Receivables from enterprises	45,472,939.37	(30,832,963.59)	67.81%	49,449,836.62	(38,910,655.07)	78.69%
Reserves	1,339,175.25	(983,516.42)	73.44%	872,522.24	(703,872.67)	80.67%
Equity transfer receivable	923,525.04	(281,030.86)	30.43%	923,525.04	(219,818.61)	23.80%
Others	<u>166,217,746.99</u>	<u>(149,413,951.41)</u>	89.89%	<u>179,883,096.41</u>	<u>(162,504,350.80)</u>	90.34%
	<u>346,589,261.21</u>	<u>(224,114,404.67)</u>		<u>302,322,111.17</u>	<u>(236,482,258.54)</u>	

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4 Notes to the consolidated financial statements (Cont'd)

(6) Other receivables (Cont'd)

- (c) As at 30 June 2021 and 31 December 2020, the analysis of bad debt provisions of other receivables on grouping basis is as follows (Cont'd):

As at 30 June 2021 and 31 December 2020, the Group has no other receivables in the second stage.

- (d) For the six months ended 30 June 2021, RMB 11,115,125.55 were made in the provision for bad debts of other receivables in the first stage and RMB 12,972,276.85 were reversed from the provision for bad debts of other receivables in the third stage, which were mainly about loss provision of other receivables newly included in the current period and the affects that other receivables transferring from the first stage to the third stage made to the ECL due to the changes of loss rate in the current period.

For the six months ended 30 June 2021, the Group had no important reversal of provision for bad debts in the first stage, and had important reversal of provision for bad debts on an individual basis of RMB 1,829,958.68, and the relevant balance was RMB 1,829,958.68.

	Reasons for reversal/collection	Basis and appropriateness for determining the original provision for bad debts	Amount of reversal/collection	Collection method
Other receivable 1	Collection in the current period	Through assessment, provision on an individual basis	1,600,000.00	Cash
Others	Collection in the current period	Through assessment, provision on an individual basis	229,958.68	Cash
			<u>1,829,958.68</u>	

- (e) For the six months ended 30 June 2021, RMB 5,800,312.15 other receivables was written off by the Group, and the relevant provision for bad debts amounted to RMB 5,800,312.15, among which important accounts receivables analysis was as follows:

	Nature	Amount of written-off	Reasons for written-off	Process for written-off	Arise from related transaction
Other receivable 1	Current accounts	<u>5,800,312.15</u>	Unable to collect	Management approval and special audit	No

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4 Notes to the consolidated financial statements (Cont'd)

(6) Other receivables (Cont'd)

- (f) As at 30 June 2021, the top five receivables based on the balance of the debtors are summarized and analyzed as follows:

	Nature	Balance	Aging	% of total balance	Provision for bad debts
Other receivable 1	Current accounts	125,923,232.75	0-4 years	3.38%	(5,292,259.10)
Other receivable 2	Current accounts	120,546,673.41	0-3 years	3.24%	(6,029,201.44)
Other receivable 3	Current accounts	120,000,000.00	Above 5 years	3.22%	(120,000,000.00)
Other receivable 4	Current accounts	109,200,000.00	Within 1 year	2.93%	(546,000.00)
Other receivable 5	Current accounts	105,760,772.23	Within 1 year	2.84%	(553,093.05)
		<u>581,430,678.39</u>		<u>15.61%</u>	<u>(132,420,553.59)</u>

(7) Advances to suppliers

- (a) The aging analysis of advances to suppliers is analysed as follows:

	30 June 2021		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	2,535,793,298.51	97.90%	2,354,950,696.73	98.54%
Above 1 year	54,373,734.46	2.10%	34,979,987.97	1.46%
	<u>2,590,167,032.97</u>	<u>100.00%</u>	<u>2,389,930,684.70</u>	<u>100.00%</u>

As at 30 June 2021, advances to suppliers aged over 1 year were RMB 54,373,734.46 (31 December 2020: RMB 34,979,987.97), which were mainly advances of raw materials.

- (b) As at 30 June 2021, the top five advances to suppliers based on the balance of the debtors are summarized and analyzed as follows:

	Amount	% of total balance
Total top five advances to suppliers	<u>231,445,802.69</u>	<u>8.94%</u>

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4 Notes to the consolidated financial statements (Cont'd)

(8) Inventories

(a) The inventory is classified as follows:

	30 June 2021			31 December 2020		
	Accounts balance	Provision for decline in the value of inventories	Carrying amount	Accounts balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	1,585,990,240.54	(66,159,553.38)	1,519,830,687.16	1,897,476,386.53	(75,006,390.75)	1,822,469,995.78
Goods in transit	38,396,721.01	-	38,396,721.01	12,092,761.39	-	12,092,761.39
Turnover materials	50,947,960.86	-	50,947,960.86	36,669,411.73	-	36,669,411.73
Consigned processing materials	6,803,785.55	-	6,803,785.55	17,446,245.29	-	17,446,245.29
Work in progress	815,710,059.12	(22,912,324.86)	792,797,734.26	762,286,703.09	(22,923,200.49)	739,363,502.60
Finished goods	22,078,214,947.72	(1,031,433,704.05)	21,046,781,243.67	22,524,111,330.41	(1,064,857,357.85)	21,459,253,972.56
Consumable biological assets	1,250,085.15	-	1,250,085.15	961,804.28	-	961,804.28
	<u>24,577,313,799.95</u>	<u>(1,120,505,582.29)</u>	<u>23,456,808,217.66</u>	<u>25,251,044,642.72</u>	<u>(1,162,786,949.09)</u>	<u>24,088,257,693.63</u>

(b) The analysis of the provision for decline in the value of inventories is as follows:

	31 December 2020	Provision/(reversal) in the current period	Decrease in the current period	30 June 2021
Raw materials	75,006,390.75	(8,412,560.92)	(434,276.45)	66,159,553.38
Work in progress	22,923,200.49	275,714.07	(286,589.70)	22,912,324.86
Finished goods	1,064,857,357.85	(9,298,933.16)	(24,124,720.64)	1,031,433,704.05
	<u>1,162,786,949.09</u>	<u>(17,435,780.01)</u>	<u>(24,845,586.79)</u>	<u>1,120,505,582.29</u>

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4 Notes to the consolidated financial statements (Cont'd)

(9) Other current assets

	30 June 2021	31 December 2020
Taxes prepaid and to be deducted	796,136,255.92	963,933,001.12
Input VAT to be certified	174,554,700.09	187,470,401.17
	<u>970,690,956.01</u>	<u>1,151,403,402.29</u>

(10) Other equity instrument investments

	30 June 2021	31 December 2020
Equity instrument investments(i)	<u>50,651,879.20</u>	<u>33,051,720.32</u>

	30 June 2021	31 December 2020
Equity instrument investments		
Listed shares		
—Tianda Pharmaceuticals Limited ("Tianda Pharma")	<u>50,651,879.20</u>	<u>33,051,720.32</u>

	30 June 2021	31 December 2020
Tianda Pharma		
—Cost	87,851,852.85	87,851,852.85
—Accumulated changes in fair value	<u>(37,199,973.65)</u>	<u>(54,800,132.53)</u>
	<u>50,651,879.20</u>	<u>33,051,720.32</u>

- (i) The Group, out of strategic investment concern, designated such equity investments as financial assets at fair value through other comprehensive income under other equity instrument investments.

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4 Notes to the consolidated financial statements (Cont'd)

(11) Other non-current financial assets

	30 June 2021	31 December 2020
Equity instrument investments		
—Listed common shares(a)	522,220,265.83	399,348,474.70
—Unlisted common shares(b)	603,235,208.37	579,208,554.83
	<u>1,125,455,474.20</u>	<u>978,557,029.53</u>

The details of other non-current financial assets are as below:

	30 June 2021	31 December 2020
(a) Listed common shares		
—Cost	377,352,977.16	183,820,089.22
—Accumulated changes in fair value	169,212,133.54	236,522,097.00
—Accumulated differences on translation of foreign currency financial statements	(24,344,844.87)	(20,993,711.52)
	<u>522,220,265.83</u>	<u>399,348,474.70</u>
(b) Unlisted common shares		
—Cost	480,144,261.62	480,344,261.62
—Accumulated changes in fair value	123,090,946.75	98,864,293.21
	<u>603,235,208.37</u>	<u>579,208,554.83</u>

(12) Long-term receivables

	30 June 2021	31 December 2020
Cost –		
Deposits receivable (Note) -total amount	372,078,460.93	347,134,140.71
Less: Provision for bad debts	(2,043,404.47)	(1,405,582.14)
Unrealised finance income		
– Deposits receivable	(70,948,831.84)	(70,556,524.18)
Current portion of long-term receivables	(63,082,694.31)	(105,325,100.98)
	<u>236,003,530.31</u>	<u>169,846,933.41</u>

Note: the amounts are deposits with over one year of collection period that the Group pays. As at 30 June 2021 and 31 December 2020, long-term receivables of the Group were all in the first stage.

(13) Long-term equity investments

	30 June 2021	31 December 2020
Joint ventures(a)	2,074,504,760.55	2,141,911,219.40
Associates(b)	<u>7,246,844,778.13</u>	<u>4,590,203,146.89</u>
Less: Provision for impairment of long-term equity investments	(77,375,103.08)	(81,050,360.68)
	<u>9,243,974,435.60</u>	<u>6,651,064,005.61</u>

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4 Notes to the consolidated financial statements (Cont'd)

(13) Long-term equity investments (Cont'd)

(a) Joint ventures

	31 December 2020	Changes during the current period								30 June 2021	Impairment balance
		Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI adjust- ment	Other equity changes	Cash dividends declared	Provision for impairment	Others		
SPH-BIOMED(HK) Limited	1,302,842,051.92	-	-	(8,970,514.76)	-	-	-	-	(12,916,328.54)	1,280,955,208.62	-
Shanghai Hutchison Pharmaceutical Co., Ltd.	494,538,478.62	-	-	182,762,450.65	-	-	(275,000,000.00)	-	-	402,300,929.27	-
Jiangxi Nanhua Medicines Co., Ltd	298,297,210.46	-	-	18,409,385.16	-	-	-	-	-	316,706,595.62	-
Zhejiang Shangyao Jiuzhou biopharmaceutical Co., Ltd	-	45,000,000.00	-	(428,339.16)	-	-	-	-	-	44,571,660.84	-
Shanghai Fimet Medical Instrument Co., Ltd	17,637,761.05	-	-	2,537,388.24	-	-	-	-	(20,175,149.29)	-	-
Others	28,595,717.35	672,626.24	-	702,022.61	-	-	-	-	-	29,970,366.20	(1,747,365.36)
	<u>2,141,911,219.40</u>	<u>45,672,626.24</u>	<u>-</u>	<u>195,012,392.74</u>	<u>-</u>	<u>-</u>	<u>(275,000,000.00)</u>	<u>-</u>	<u>(33,091,477.83)</u>	<u>2,074,504,760.55</u>	<u>(1,747,365.36)</u>

Related information of equity in joint ventures is set forth in Note 6(2).

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4 Notes to the consolidated financial statements (Cont'd)

(13) Long-term equity investments (Cont'd)

(b) Associates

	31 December 2020	Changes during the current period								Others	30 June 2021	Impairment balance
		Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI adjust- ment	Other equity changes(ii)	Cash dividends declared	Provision for impairment				
Shanghai Roche Pharmaceuticals Ltd.	1,316,037,366.35	-	-	184,871,292.67	-	-	-	-	-	1,500,908,659.02	-	
Shanghai Pharma Health Commerce Co., Ltd	-	1,456,803,150.28	-	(4,815,889.76)	-	-	-	-	-	1,451,987,260.52	-	
Shanghai Shangyao kangxinuo biopharmaceutical Co., Ltd	-	589,890,000.00	-	(10,623,791.20)	-	(778,635.48)	-	-	-	578,487,573.32	-	
Shanghai Fudan- Zhangjiang Bio- Pharmaceutical Co., Ltd. (iii)	405,202,546.53	-	-	13,195,317.77	795,396.47	-	(10,507,128.00)	-	-	408,686,132.77	-	
Shanghai Industrial Group Finance Co., Ltd.	392,328,721.77	-	-	8,125,365.18	-	-	-	-	-	400,454,086.95	-	
Shanghai Lianyi Investment Center (limited Partnership)	271,803,660.01	-	-	83,857,023.23	-	-	(15,324,981.79)	-	-	340,335,701.45	-	
SINO-AMERICAN Shanghai Squibb Pharmaceutical Ltd.	249,757,112.97	-	-	56,926,462.28	-	-	-	-	-	306,683,575.25	-	
Shanghai Bracco Sine Pharmaceutical Co., Ltd.	184,107,268.17	-	-	24,857,482.62	-	-	-	-	-	208,964,750.79	-	
Shanghai Tsumura Pharmaceuticals Co., Ltd.	207,793,140.48	-	-	3,213,981.98	-	-	(3,406,800.00)	-	-	207,600,322.46	-	
Shanghai Good Health Capital LLP	222,982,081.05	-	(28,742,000.00)	(9,894,414.08)	-	-	-	-	(2,773,800.00)	181,571,866.97	-	
Chengdu Wesker Biomedical Co., Ltd(ii).	84,720,742.74	-	-	(4,632,124.09)	-	90,130,923.87	-	-	-	170,219,542.52	-	
Shangshi Commercial Factoring Co., Ltd.	157,872,906.71	-	-	2,954,882.84	-	-	-	-	-	160,827,789.55	-	

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4 Notes to the consolidated financial statements (Cont'd)

(13) Long-term equity investments (Cont'd)

(b) Associates (Cont'd)

	31 December 2020	Increase in investment	Decrease in investment	Changes during the current period						30 June 2021	Impairment balance
				Share of net profit or loss using the equity method	OCI Adjust- ment	Other equity changes(ii)	Cash dividends declared	Provision for impairment	Others		
A.M.Pappas Life Science Venture V,LP	108,310,111.05	14,338,040.00	-	36,818,970.31	-	-	-	-	-	159,467,121.36	-
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	144,936,679.77	-	-	9,846,466.45	-	-	-	-	-	154,783,146.22	-
Shanghai Huiyong Medicine Research Co., Ltd.	-	146,300,000.00	-	(6,578,418.71)	-	-	-	-	-	139,721,581.29	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	102,788,089.71	-	-	10,274,510.82	-	-	-	-	-	113,062,600.53	-
Oncternal Therapeutics, Inc(iii)	85,519,373.79	-	-	(5,401,955.69)	-	-	-	-	(1,339,077.28)	78,778,340.82	-
Shanghai Leiyunshang Northern Area Medicine General Co., Ltd.	60,501,677.06	-	-	1,068,453.07	-	-	-	-	-	61,570,130.13	-
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	52,578,476.09	-	-	2,482,257.50	-	-	-	-	-	55,060,733.59	-
Shanghai xunyao Biotechnology Co., Ltd	-	47,913,000.00	-	-	-	-	-	-	-	47,913,000.00	-
Shanghai Chest Medical Instruments Co., Ltd	40,392,352.03	-	-	(202,923.91)	-	-	-	-	-	40,189,428.12	-
Sichuan Greentech Bio-technology Co., Ltd	39,113,076.76	-	-	(369,874.58)	-	-	-	-	-	38,743,202.18	-

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4 Notes to the consolidated financial statements (Cont'd)

(13) Long-term equity investments (Cont'd)

(b) Associates (Cont'd)

	31 December 2020	Changes during the current period								30 June 2021	Impairment balance
		Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI Adjust- ment	Other equity changes(ii)	Cash dividends declared	Provision for impairment	Others		
Shanghai Sine Promod Pharmaceutical Co., Ltd.	27,813,818.53	-	-	(6,015,330.73)	-	-	-	-	-	21,798,487.80	-
Tianjin Modern Innovative Tcm Technology Co., Ltd.	17,801,398.81	-	-	(1,556,856.45)	-	-	-	-	-	16,244,542.36	-
Other investments	<u>417,842,546.51</u>	<u>763,909.02</u>	<u>(31,896,140.68)</u>	<u>26,574,887.31</u>	<u>-</u>	<u>-</u>	<u>(10,500,000.00)</u>	<u>-</u>	<u>-</u>	<u>402,785,202.16</u>	<u>(75,627,737.72)</u>
	<u>4,590,203,146.89</u>	<u>2,256,008,099.30</u>	<u>(60,638,140.68)</u>	<u>414,975,774.83</u>	<u>795,396.47</u>	<u>89,352,288.39</u>	<u>(39,738,909.79)</u>	<u>-</u>	<u>(4,112,877.28)</u>	<u>7,246,844,778.13</u>	<u>(75,627,737.72)</u>

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4 Notes to the consolidated financial statements (Cont'd)

(13) Long-term equity investments (Cont'd)

(b) Associates (Cont'd)

- (i) Related information of equity in the associates is set forth in Note 6(2).
- (ii) Other equity changes mainly resulted from the passive dilution of Chengdu Wesker Biomedical Co., Ltd. during the current year, which led to change in capital surplus.
- (iii) Shanghai Fudan-Zhangjiang Bio-pharmaceuticals Co., Ltd is a domestic and Hong Kong listed company. ONCTERNAL THERAPEUTICS, INC. is listed on NASDAQ. As at 30 June 2021, the fair value of the above mentioned equity investments exceeds the carrying amount.

(14) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2020	440,027,102.85	23,143,293.08	463,170,395.93
Transfer from fixed assets	11,173,137.76	-	11,173,137.76
Transfer to fixed assets	(386,734.12)	-	(386,734.12)
Translation difference	(39,603.36)	-	(39,603.36)
30 June 2021	<u>450,773,903.13</u>	<u>23,143,293.08</u>	<u>473,917,196.21</u>
Accumulated depreciation			
31 December 2020	(222,317,528.62)	(5,564,780.54)	(227,882,309.16)
Depreciation	(5,667,664.75)	(184,265.28)	(5,851,930.03)
Transfer from fixed assets	(880,656.59)	-	(880,656.59)
Transfer to fixed assets	115,455.11	-	115,455.11
Translation difference	18,629.97	-	18,629.97
30 June 2021	<u>(228,731,764.88)</u>	<u>(5,749,045.82)</u>	<u>(234,480,810.70)</u>
Closing net book amount			
30 June 2021	<u>222,042,138.25</u>	<u>17,394,247.26</u>	<u>239,436,385.51</u>
31 December 2020	<u>217,709,574.23</u>	<u>17,578,512.54</u>	<u>235,288,086.77</u>

For the six months ended 30 June 2021, the depreciation and amortisation of investment properties amounted to RMB 5,851,930.03 (for the six months ended 30 June 2020: RMB5,660,204.64).

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4 Notes to the consolidated financial statements (Cont'd)

(15) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
Cost						
31 December 2020	9,437,044,652.88	5,578,997,385.59	418,760,556.83	1,040,883,760.23	758,740,225.48	17,234,426,581.01
Increase in the current period						
Addition	15,164,055.54	81,016,671.28	14,585,993.88	29,291,190.62	31,114,110.98	171,172,022.30
Transfers from construction in progress	117,066,857.14	57,282,459.85	177,349.40	21,606,705.23	4,856,789.92	200,990,161.54
Business combinations involving enterprises not under common control	3,122,826.35	804,770.43	-	-	-	3,927,596.78
Transfers from investment properties	386,734.12	-	-	-	-	386,734.12
Translation difference	(9,287,390.14)	(8,545,562.74)	(876,755.18)	(432,798.98)	(1,074,391.22)	(20,216,898.26)
Decrease in the current period						
Disposal	(50,319,951.36)	(64,689,936.18)	(20,403,935.87)	(35,031,052.74)	(12,850,321.14)	(183,295,197.29)
Transfer to investment properties	(11,173,137.76)	-	-	-	-	(11,173,137.76)
30 June 2021	9,502,004,646.77	5,644,865,788.23	412,243,209.06	1,056,317,804.36	780,786,414.02	17,396,217,862.44
Accumulated depreciation						
31 December 2020	(2,621,215,886.46)	(2,595,564,187.97)	(292,593,749.24)	(614,598,590.66)	(478,696,734.67)	(6,602,669,149.00)
Increase in the current period						
Depreciation charge	(162,577,227.59)	(224,032,436.93)	(19,443,309.77)	(72,888,415.72)	(32,951,330.14)	(511,892,720.15)
Transfers from investment properties	(115,455.11)	-	-	-	-	(115,455.11)
Translation difference	433,908.18	865,812.87	361,036.59	37,147.60	2,250.39	1,700,155.63
Decrease in the current period						
Disposals	29,592,260.58	39,167,524.86	12,286,128.25	32,217,983.52	7,296,569.91	120,560,467.12
Transfer to investment properties	880,656.59	-	-	-	-	880,656.59
30 June 2021	(2,753,001,743.81)	(2,779,563,287.17)	(299,389,894.17)	(655,231,875.26)	(504,349,244.51)	(6,991,536,044.92)

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4 Notes to the consolidated financial statements (Cont'd)

(15) Fixed assets (Cont'd)

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
Accumulated impairment						
31 December 2020	(86,219,731.99)	(48,500,051.31)	(691,072.87)	(2,966,370.77)	(2,664,509.81)	(141,041,736.75)
Increase in the current period						
Impairment charge	-	(1,800,967.41)	-	-	-	(1,800,967.41)
Decrease in the current period						
Disposal	7,893,394.62	3,194,439.51	151,582.83	1,447,997.19	249,216.88	12,936,631.03
30 June 2021	(78,326,337.37)	(47,106,579.21)	(539,490.04)	(1,518,373.58)	(2,415,292.93)	(129,906,073.13)
Carrying amount						
30 June 2021	6,670,676,565.59	2,818,195,921.85	112,313,824.85	399,567,555.52	274,021,876.58	10,274,775,744.39
31 December 2020	6,729,609,034.43	2,934,933,146.31	125,475,734.72	423,318,798.80	277,378,981.00	10,490,715,695.26

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4 Notes to the consolidated financial statements (Cont'd)

(15) Fixed assets (Cont'd)

As at 30 June 2021, buildings, machinery and equipment with a carrying amount of RMB260,266,610.78 (a cost of RMB330,715,657.80) and 127,615.39 square metres of land use rights (a cost of RMB38,925,441.23, a carrying amount of RMB32,277,200.31) (Note 4(19)) were pledged as collateral for short-term borrowings of RMB295,502,248.96 (Note 4(25)(a)), long-term borrowings of RMB26,373,785.00 (Note 4(35)(a)) and current portion of long-term borrowings of RMB12,374,433.00 (Note 4(33)).

As at 31 December 2020, buildings, machinery and equipment with a carrying amount of RMB203,620,909.75 (a cost of RMB397,171,870.97) and 88,663.39 square metres of land use rights (a cost of RMB23,877,141.23, a carrying amount of RMB19,036,227.92) (Note 4(19)) were pledged as collateral for short-term borrowings of RMB413,452,248.96 (Note 4(25)(a)), long-term borrowings of RMB49,122,651.00 (Note 4(35)(a)) and current portion of long-term borrowings of RMB2,000,000.00 (Note 4(33)).

For the six months ended 30 June 2021, depreciation charged to fixed assets amounted to RMB511,892,720.15 (for the six months ended 30 June 2020: RMB489,926,224.05), of which RMB213,787,965.75, RMB99,781,082.43, RMB155,510,446.86 and RMB42,813,225.11 (for the six months ended 30 June 2020: RMB205,324,721.50, RMB95,624,677.26, RMB158,941,579.66 and RMB30,035,245.63) were charged to cost of sales, selling expenses, general and administrative expenses and research and development expenses respectively.

For the six months ended 30 June 2021, the costs of fixed assets transferred from construction in progress amounted to RMB200,990,161.54 (for the six months ended 30 June 2020: RMB846,469,170.12).

(a) Temporarily idle fixed assets

As at 30 June 2021, the Group had no material temporarily idle fixed assets (31 December 2020: Nil).

(b) Fixed assets with pending certificates of ownership:

	Carrying amount	Reasons for not obtaining certificates of ownership yet
Buildings	<u>108,510,285.86</u>	Still in the process

(16) Construction in progress

	30 June 2021			31 December 2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Construction in progress	<u>2,275,207,606.83</u>	<u>(3,229,743.03)</u>	<u>2,271,977,863.80</u>	<u>1,740,439,064.45</u>	<u>(3,235,084.91)</u>	<u>1,737,203,979.54</u>

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4 Notes to the consolidated financial statements (Cont'd)

(16) Construction in progress(Cont'd)

(a) Changes in major construction projects

Names	Budget' 0000	31 December 2020	Increase in the current period	Transfer to fixed assets	Others	30 June 2021	% of Budget	Project progress	Accumul ative amount of capitalis ed borrowin g costs	Capitalised borrowing costs in the current period	Capitali sation rate in the current period	Sources of funds
Qingchunbao-Deqing subsidiary	145,627.00	422,736,218.21	204,097,077.16	(65,753,096.51)	-	561,080,198.86	91%	91%	-	-	-	Self- owned funds
Industrial Innovation and Upgrade of GBE50 and Artificial Musk	57,972.00	310,888,988.30	18,178,315.15	-	-	329,067,303.45	57%	57%	-	-	-	Self- owned funds
Building Installation of Northern Pharmaceuticals	92,656.00	60,014,061.62	169,784,178.65	-	(235,849.06)	229,562,391.21	68%	68%	-	-	-	Self- owned funds
Huaxi Medicine Industrial Park	15,900.00	127,823,804.73	7,675,384.11	-	-	135,499,188.84	76%	76%	-	-	-	Self- owned funds
SPH Changzhou Pharmaceutical Business Center	68,000.00	10,986,563.45	44,543,317.23	-	-	55,529,880.68	8%	8%	-	-	-	Self- owned funds
Chinese herbal medicine deep processing project	19,985.00	20,718,226.21	29,363,621.77	-	-	50,081,847.98	42%	42%	-	-	-	Self- owned funds
Technical Project of TCM Granule	8,500.00	33,870,089.97	9,129,996.64	-	-	43,000,086.61	51%	51%	-	-	-	Self- owned funds
Jinqiao Decoration Project	4,848.98	30,521,735.79	11,429,853.89	-	-	41,951,589.68	89%	89%	-	-	-	Self- owned funds
Xinyi-Laboratory Renovation	4,428.60	29,792,112.33	7,798,432.33	-	-	37,590,544.66	85%	85%	-	-	-	Self- owned funds
Shanghai Pharmaceutical Jinshan Green Pharmaceutical Quality Base	59,814.00	31,563,479.26	2,571,092.24	-	-	34,134,571.50	6%	6%	-	-	-	Self- owned funds
Solid preparation special line workshop renovation project	19,039.00	4,257,404.24	20,828,204.18	-	-	25,085,608.42	13%	13%	-	-	-	Self- owned funds
Others		<u>657,266,380.34</u>	<u>283,533,785.48</u>	<u>(135,237,065.03)</u>	<u>(72,938,705.85)</u>	<u>732,624,394.94</u>			<u>-</u>	<u>-</u>		
		<u>1,740,439,064.45</u>	<u>808,933,258.83</u>	<u>(200,990,161.54)</u>	<u>(73,174,554.91)</u>	<u>2,275,207,606.83</u>			<u>-</u>	<u>-</u>		

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4 Notes to the consolidated financial statements (Cont'd)

(16) Construction in progress (Cont'd)

(b) Provision for impairment of construction in progress

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Others	(3,235,084.91)	-	5,341.88	(3,229,743.03)

(c) As at 30 June 2021, the progress of the construction in progress in the Group was estimated by the proportion of expenditures incurred to budgeted amount.

(17) Bearer biological assets

	Mature biological assets	Immature biological assets	Total
Cost			
31 December 2020	311,818,373.03	121,580,549.93	433,398,922.96
Increase in the current period	-	4,233,903.77	4,233,903.77
30 June 2021	311,818,373.03	125,814,453.70	437,632,826.73
Accumulated depreciation			
31 December 2020	(27,580,664.09)	-	(27,580,664.09)
Depreciation charge	(4,144,231.46)	-	(4,144,231.46)
30 June 2021	(31,724,895.55)	-	(31,724,895.55)
Carrying amount			
30 June 2021	280,093,477.48	125,814,453.70	405,907,931.18
31 December 2020	284,237,708.94	121,580,549.93	405,818,258.87

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4 Notes to the consolidated financial statements (Cont'd)

(18) Right-of-use assets

	Buildings	Machinery and equipment	Other equipment	Total
Cost				
31 December 2020	3,997,313,433.06	39,991,610.38	778,298.85	4,038,083,342.29
Increase in the current period				
New lease contracts	334,685,373.29	-	-	334,685,373.29
Decrease in the current period				
Changes in leases	(86,724,812.11)	-	(778,298.85)	(87,503,110.96)
Translation difference	(8,885,273.09)	-	-	(8,885,273.09)
30 June 2021	4,236,388,721.15	39,991,610.38	-	4,276,380,331.53
Accumulated amortisation				
31 December 2020	(2,009,622,530.44)	(23,793,317.63)	(695,278.66)	(2,034,111,126.73)
Increase in the current period				
Amortisation charge	(356,302,202.78)	(3,671,011.60)	(83,020.19)	(360,056,234.57)
Decrease in the current period				
Changes in leases	48,181,839.09	-	778,298.85	48,960,137.94
Translation difference	746,005.09	-	-	746,005.09
30 June 2021	(2,316,996,889.04)	(27,464,329.23)	-	(2,344,461,218.27)
Accumulated impairment				
31 December 2020	(11,321,296.37)	-	-	(11,321,296.37)
Impairment charge	-	-	-	-
30 June 2021	(11,321,296.37)	-	-	(11,321,296.37)
Carrying amount				
30 June 2021	1,908,070,535.74	12,527,281.15	-	1,920,597,816.89
31 December 2020	1,976,369,606.25	16,198,292.75	83,020.19	1,992,650,919.19

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4 Notes to the consolidated financial statements (Cont'd)

(19) Intangible assets

	Land use rights	Business network	Trademarks and brands	Proprietary technology and patents	License	Software	Others	Total
Cost								
31 December 2020	2,960,028,526.89	2,412,388,097.17	698,978,767.55	827,323,683.66	55,847,188.55	597,972,128.40	46,215,221.12	7,598,753,613.34
Increase in the current period								
Purchase	3,757,609.15	-	-	163,362.84	1,886,792.40	16,722,709.75	2,717,887.48	25,248,361.62
Transfer from R&D expenditures	-	-	-	43,311,340.37	-	-	-	43,311,340.37
Business combinations involving enterprises not under common control	-	-	-	24,361,483.15	-	-	-	24,361,483.15
Transfer from construction in progress	220,553.85	-	-	-	-	46,284,881.32	-	46,505,435.17
Translation difference	-	(780,464.00)	(18,230,050.17)	(649,262.50)	-	(81,519.54)	-	(19,741,296.21)
Decrease in the current period								
Disposals	-	(82,254,913.53)	(31,002,421.65)	(32,579,401.47)	-	(65,469,079.18)	(1,595,726.63)	(212,901,542.46)
30 June 2021	2,964,006,689.89	2,329,352,719.64	649,746,295.73	861,931,206.05	57,733,980.95	595,429,120.75	47,337,381.97	7,505,537,394.98
Accumulated amortisation								
31 December 2020	(414,764,492.33)	(1,089,357,833.15)	(40,261,843.81)	(323,258,318.48)	-	(366,082,925.14)	(44,229,325.76)	(2,277,954,738.67)
Increase in the current period								
Amortization charge	(39,500,428.42)	(87,341,863.31)	(2,378,086.03)	(30,683,818.50)	-	(56,936,075.57)	(476,499.24)	(217,316,771.07)
Decrease in the current period								
Disposals	-	35,326,098.22	10,334,116.75	6,878,290.50	-	59,435,269.41	1,588,572.13	113,562,347.01
30 June 2021	(454,264,920.75)	(1,141,373,598.24)	(32,305,813.09)	(347,063,846.48)	-	(363,583,731.30)	(43,117,252.87)	(2,381,709,162.73)
Accumulated impairment								
31 December 2020	(7,684,303.04)	(2,854,166.67)	(31,402,038.00)	(81,867,731.04)	-	(244,469.53)	(1,492,390.36)	(125,545,098.64)
Translation difference	-	-	1,023,510.00	-	-	-	-	1,023,510.00
30 June 2021	(7,684,303.04)	(2,854,166.67)	(30,378,528.00)	(81,867,731.04)	-	(244,469.53)	(1,492,390.36)	(124,521,588.64)
Carrying amount								
30 June 2021	2,502,057,466.10	1,185,124,954.73	587,061,954.64	432,999,628.53	57,733,980.95	231,600,919.92	2,727,738.74	4,999,306,643.61
31 December 2020	2,537,579,731.52	1,320,176,097.35	627,314,885.74	422,197,634.14	55,847,188.55	231,644,733.73	493,505.00	5,195,253,776.03

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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(19) Intangible assets (Cont'd)

For the six months ended 30 June 2021, the amortization of intangible assets amounted to RMB 217,316,771.07 (for the six months ended 30 June 2020: RMB228,764,530.96).

As at 30 June 2021, certificates of ownership for land use rights with a carrying amount of RMB 933,952,766.75 (a cost of RMB 965,497,016.92) (31 December 2020: a carrying amount of RMB 949,849,119.61 (a cost of RMB 969,366,004.08)) were still in progress.

As at 30 June 2021, 127,615.39 square meters of land use rights (a cost of RMB 38,925,441.23, a carrying amount of RMB 32,277,200.31) and buildings, machinery and equipment with a carrying amount of RMB 260,266,610.78 (a cost of RMB 330,715,657.80) (Note 4(15)) were pledged as collateral for short-term borrowings of RMB 295,502,248.96 (Note 4(25)(a)), long-term borrowings of RMB 26,373,785.00 (Note 4(35)(a)) and current portion of long-term borrowings of RMB 12,374,433.00 (Note 4(33)).

As at 31 December 2020, 88,663.39 square meters of land use rights (a cost of RMB 23,877,141.23, a carrying amount of RMB19,036,227.92) and buildings, machinery and equipment with a carrying amount of RMB 203,620,909.75 (a cost of RMB 397,171,870.97) (Note 4(15)) were pledged as collateral for short-term borrowings of RMB413,452,248.96 (Note 4(25)(a)), long-term borrowings of RMB 49,122,651.00 (Note 4(35)(a)) and current portion of long-term borrowings of RMB 2,000,000.00 (Note 4(33)).

The R&D expenditures of the Group are listed as follows:

	31 December 2020	Increase in the current period	Decrease in the current period		30 June 2021
			Amount recognised in profit or loss	Amount recognised as intangible assets	
R&D project	<u>223,825,636.29</u>	<u>894,410,922.32</u>	<u>(880,028,512.19)</u>	<u>(43,311,340.37)</u>	<u>194,896,706.05</u>

For the six months ended 30 June 2021, the R&D expenditures of the Group were RMB 894,410,922.32 (for the six months ended 30 June 2020: RMB696,305,063.90) in total, of which, RMB 880,028,512.19 (for the six months ended 30 June 2020: RMB676,750,443.92) was recognised in profit or loss, RMB3,492,083.16 (for the six months ended 30 June 2020: RMB: None) was recognised as intangible assets, and RMB10,890,326.97 (for the six months ended 30 June 2020: RMB19,554,619.98) was included in the ending balance of the development costs.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 June 2021

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(20) Goodwill

	31 December 2020	Increase in the current period	Decrease in the current period	Others	30 June 2021
Goodwill -					
Shanghai Pharmaceutical Co., Ltd.'s subsidiaries	3,754,638,537.91	9,667,235.93	(67,182,845.78)	-	3,697,122,928.06
China Health System Ltd. and its subsidiaries	2,869,625,915.41	-	(29,791.35)	-	2,869,596,124.06
Shanghai Pharmaceuticals (HK) Investment Limited's subsidiaries	2,676,288,350.76	-	(132,392,411.23)	-	2,543,895,939.53
TECHPOOL Bio-Pharma Co., Ltd and its subsidiaries	1,399,888,707.64	-	-	-	1,399,888,707.64
Zeus Investment Limited and its subsidiaries	1,045,483,983.21	-	-	(38,498,458.84)	1,006,985,524.37
Big Global Limited and its subsidiaries	445,109,447.21	-	-	-	445,109,447.21
Shanghai Traditional Chinese Medicine Co., Ltd.'s subsidiaries	322,265,997.71	-	-	-	322,265,997.71
Liaoning International Pharmaceutical Trading Co., Ltd. and its subsidiaries	230,431,952.94	-	-	-	230,431,952.94
Star Fountain Global Ltd. and its subsidiaries	188,057,733.96	-	-	-	188,057,733.96
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.'s subsidiaries	159,340,834.18	-	-	-	159,340,834.18
Shanghai Medical Instruments Co., Ltd. and its subsidiaries	-	137,427,616.67	-	-	137,427,616.67
SPH Kony (Changzhou) Co., Ltd.	107,285,726.91	-	-	-	107,285,726.91
Others	158,425,128.21	-	-	-	158,425,128.21
	<u>13,356,842,316.05</u>	<u>147,094,852.60</u>	<u>(199,605,048.36)</u>	<u>(38,498,458.84)</u>	<u>13,265,833,661.45</u>
Less: Provision for impairment (a) -					
Zeus Investment Limited and its subsidiaries	(953,540,201.73)	-	-	31,079,446.46	(922,460,755.27)
Big Global Limited and its subsidiary	(445,109,447.21)	-	-	-	(445,109,447.21)
Star Fountain Global Ltd. and its subsidiaries	(188,057,733.96)	-	-	-	(188,057,733.96)
Shanghai Pharmaceutical Co., Ltd.'s subsidiaries	(142,240,678.55)	-	-	-	(142,240,678.55)
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.'s subsidiaries	(115,631,808.72)	-	-	-	(115,631,808.72)
Shanghai Traditional Chinese Medicine Co., Ltd.'s subsidiaries	(60,074,523.57)	-	-	-	(60,074,523.57)
China Health System Ltd. and its subsidiaries	(1,038,013.89)	-	-	-	(1,038,013.89)
Others	(108,881,749.87)	-	-	-	(108,881,749.87)
	<u>(2,014,574,157.50)</u>	<u>-</u>	<u>-</u>	<u>31,079,446.46</u>	<u>(1,983,494,711.04)</u>
	<u>11,342,268,158.55</u>	<u>147,094,852.60</u>	<u>(199,605,048.36)</u>	<u>(7,419,012.38)</u>	<u>11,282,338,950.41</u>

Goodwill recognised in the current period arose from the purchase of Fimet Invest OY (Note 5(1)).

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FOR THE SIX MONTHS ENDED 30 June 2021**

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(20) Goodwill (Cont'd)

(a) Impairment

The Group's goodwill was allocated to the asset groups and groups of asset groups at acquisition date and the allocation of goodwill has not changed for the six months ended 30 June 2021. The goodwill allocated to the asset groups and groups of asset groups are summarised by operating segments (Note 7) as follows:

	30 June 2021	31 December 2020
Production-		
TECHPOOL Bio-Pharma Co., Ltd and its subsidiaries	1,399,888,707.64	1,399,888,707.64
Zeus Investment Limited and its subsidiaries	1,006,985,524.37	1,045,483,983.21
Big Global Limited and its subsidiary	445,109,447.21	445,109,447.21
Star Fountain Global Ltd. and its subsidiaries	188,057,733.96	188,057,733.96
Chongqing SPH Huiyuan Pharmaceutical Co., Ltd. and its subsidiaries	164,543,389.88	164,543,389.88
Shanghai Medical Instruments Co., Ltd. and its subsidiaries	137,427,616.67	-
Others	482,313,293.23	482,313,293.23
Distribution-		
Distribution business of Shanghai Pharmaceutical Co., Ltd and Cardinal Health (L) Co., Ltd.	5,893,203,969.48	5,998,616,053.62
Distribution business of China Health System Ltd. and Liaoning International Pharmaceutical Trading Co., Ltd.	3,100,028,077.00	3,100,057,868.35
Taizhou Shangyao Medicine Co., Ltd.	136,595,896.08	136,595,896.08
Others	75,432,707.05	75,432,707.05
Retail and others	236,247,298.88	320,743,235.82
	<u>13,265,833,661.45</u>	<u>13,356,842,316.05</u>

When conducting a goodwill impairment test, the Group compares the book value of the relevant assets or groups of asset groups (including goodwill) with its recoverable amount. If the recoverable amount is lower than the book value, the relevant difference is recognised in the current profit and loss.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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4 Notes to the consolidated financial statements (Cont'd)

(20) Goodwill (Cont'd)

(a) Impairment (Cont'd)

The Group determines the growth rate and gross margin rates based on historical experience and forecasts of market development. The growth rates during the budget period are based on the five-year budget approved by the management, together with the constant growth rates thereafter. The constant growth rates are in accordance with the estimated data in industry report and does not exceed long-term average growth of each product. The Group uses interest rates before tax that reflects the specific risks of the relevant asset groups and groups of asset groups.

For the six months ended 30 June 2021, the main assumptions applied in calculating discounted future cash flows are as follows:

	Production	Distribution
Growth rates within budget period	-21%~19%	5%~8%
Growth rates beyond budget period	0%~2%	2%
Gross margin rates	8%~81%	6%~9%
Discount rates before tax	11%~20%	13%~14%

The Group determines the growth rates and gross margin rates based on historical experience and forecasts on market development and uses interest rates before tax that reflects the specific risks of the relevant asset groups and groups of asset groups. The constant growth rates are the weighted average growth rates based on the estimated cashflow of five-year budget, and is in accordance with the estimated data in industry reports and does not exceed long-term average growth of each product.

(21) Long-term prepaid expenses

	31 December 2020	Increase in the current period	Amortisation in the current period	Others	30 June 2021
Improvement and maintenance expenditures of right-of-use assets	356,656,223.57	20,004,989.22	(31,496,692.24)	(11,224,377.50)	333,940,143.05
Others	58,664,252.02	39,184,828.48	(57,943,194.13)	(10,535,549.82)	29,370,336.55
	<u>415,320,475.59</u>	<u>59,189,817.70</u>	<u>(89,439,886.37)</u>	<u>(21,759,927.32)</u>	<u>363,310,479.60</u>

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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(22) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offset

	30 June 2021		31 December 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment	2,986,321,843.79	703,668,902.56	2,746,572,309.99	675,603,294.23
Accrued expenses	1,392,513,620.27	306,366,978.54	1,363,227,688.89	303,906,227.12
Elimination of intra-group unrealised profit	965,585,944.06	175,004,042.88	1,054,089,451.57	190,908,341.71
Deferred income	154,276,512.47	28,304,528.86	156,886,490.91	28,708,625.34
Lease Liabilities	1,487,998,726.62	370,450,526.47	1,411,871,344.67	352,075,355.05
Changes in the fair value of other non-current liabilities	84,163,444.98	21,040,861.25	-	-
Changes in fair value of financial liabilities held for trading	40,188,323.88	10,047,080.97	-	-
Others	686,814,528.28	154,225,709.30	626,283,559.44	139,511,983.51
	<u>7,797,862,944.35</u>	<u>1,769,108,630.83</u>	<u>7,358,930,845.47</u>	<u>1,690,713,826.96</u>
Including:				
Expected to be recovered within one year (inclusive)		1,298,442,799.28		1,207,464,229.17
Expected to be recovered after one year		<u>470,665,831.55</u>		<u>483,249,597.79</u>
		<u>1,769,108,630.83</u>		<u>1,690,713,826.96</u>

(b) Deferred tax liabilities before offset

	30 June 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of other non-current financial assets	79,561,740.11	19,890,435.03	76,458,829.60	19,114,707.40
Differences between the fair value of the identifiable net assets and the carrying amount of the acquiree entity arising from business combinations not under common control	2,914,064,613.69	728,516,153.42	3,119,044,304.88	779,761,076.22
Investment Income from disposal of subsidiaries	1,014,545,195.28	253,636,298.82	-	-
Right-of-use assets	1,431,720,168.46	357,930,042.11	1,335,507,793.04	332,842,808.24
Others	100,037,296.55	25,009,324.15	128,029,281.04	32,007,320.26
	<u>5,539,929,014.09</u>	<u>1,384,982,253.53</u>	<u>4,659,040,208.56</u>	<u>1,163,725,912.12</u>
Including:				
Expected to be recovered within one year (inclusive)		223,618,845.96		174,045,349.30
Expected to be recovered after one year		<u>1,161,363,407.57</u>		<u>989,680,562.82</u>
		<u>1,384,982,253.53</u>		<u>1,163,725,912.12</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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4 Notes to the consolidated financial statements (Cont'd)

(22) Deferred tax assets and deferred tax liabilities (Cont'd)

(c) Deductible losses that were not recognised as deferred tax assets are analysed as follows:

	30 June 2021	31 December 2020
Deductible losses	<u>4,106,559,487.75</u>	<u>3,839,112,363.63</u>

(d) Deductible losses that were not recognised as deferred tax assets will be expired in following years:

	30 June 2021	31 December 2019
2021	186,762,427.97	247,030,714.77
2022	619,666,870.15	702,162,260.57
2023	695,003,181.16	765,728,664.40
2024	843,531,229.57	925,159,128.24
2025	1,122,920,055.90	1,199,031,595.65
2026	<u>638,675,723.00</u>	<u>Not applicable</u>
	<u>4,106,559,487.75</u>	<u>3,839,112,363.63</u>

(e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	30 June 2021		31 December 2020	
	Offsetting amount	Amount after offset	Offsetting amount	Amount after offset
Deferred tax assets	(348,750,321.15)	1,420,358,309.68	(331,350,456.29)	1,359,363,370.67
Deferred tax liabilities	348,750,321.15	1,036,231,932.38	331,350,456.29	832,375,455.83

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4 Notes to the consolidated financial statements (Cont'd)

(23) Asset impairment

	31 December 2020	Increase in the current period	Reverse in the current period	Others	30 June 2021
Provision for bad debts of notes receivables	4,439,388.73	540,151.52	-	-	4,979,540.25
Including: Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on grouping basis	4,439,388.73	540,151.52	-	-	4,979,540.25
Provision for bad debts of accounts receivables	1,965,639,609.76	212,102,409.98	(9,214,869.12)	(10,485,567.14)	2,158,041,583.48
Including: Provision for bad debts on individual basis	561,124,676.97	13,084,710.96	(9,214,869.12)	(477,037.43)	564,517,481.38
Provision for bad debts on grouping basis	1,404,514,932.79	199,017,699.02	-	(10,008,529.71)	1,593,524,102.10
Provisions for bad debts of receivables financing	6,099,046.32	-	(1,104,805.47)	-	4,994,240.85
Including: Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on grouping basis	6,099,046.32	-	(1,104,805.47)	-	4,994,240.85
Provision for bad debts of other receivables	741,764,407.33	-	(1,857,151.30)	(7,827,065.53)	732,080,190.50
Provision for impairment of long-term receivables	1,405,582.14	637,822.33	-	-	2,043,404.47
Subtotal	2,719,348,034.28	213,280,383.83	(12,176,825.89)	(18,312,632.67)	2,902,138,959.55
Provision for decline in the value of inventories	1,162,786,949.09	-	(17,435,780.01)	(24,845,586.79)	1,120,505,582.29
Provision for impairment of long-term equity investment	81,050,360.68	-	-	(3,675,257.60)	77,375,103.08
Provision for impairment of fixed assets	141,041,736.75	1,800,967.41	-	(12,936,631.03)	129,906,073.13
Provision for impairment of construction in progress	3,235,084.91	-	-	(5,341.88)	3,229,743.03
Provision for impairment of intangible assets	125,545,098.64	-	-	(1,023,510.00)	124,521,588.64
Provision for impairment of goodwill	2,014,574,157.50	-	-	(31,079,446.46)	1,983,494,711.04
Provision for impairment of right-of-use assets	11,321,296.37	-	-	-	11,321,296.37
Subtotal	3,539,554,683.94	1,800,967.41	(17,435,780.01)	(73,565,773.76)	3,450,354,097.58
	6,258,902,718.22	215,081,351.24	(29,612,605.90)	(91,878,406.43)	6,352,493,057.13

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4 Notes to the consolidated financial statements (Cont'd)

(24) Other non-current assets

	30 June 2021	31 December 2020
Prepayment for construction costs	295,826,481.98	229,243,839.71
Others	171,472,926.54	163,257,411.71
	<u>467,299,408.52</u>	<u>392,501,251.42</u>

(25) Short-term borrowings

	30 June 2021	31 December 2020
Mortgaged (a)	295,502,248.96	413,452,248.96
Pledged (b)	781,636,624.03	788,672,761.86
Guaranteed (c)	618,619,334.56	515,374,649.00
Credit	19,991,475,118.38	18,347,191,403.34
Interest accrued	85,455,717.43	74,494,793.75
	<u>21,772,689,043.36</u>	<u>20,139,185,856.91</u>

- (a) As at 30 June 2021, short-term borrowings of RMB295,502,248.96 and long-term borrowings of RMB26,373,785.00 (Note 4(35)(a)) and current portion of long-term borrowings of RMB12,374,433.00 (Note 4(33)) were secured by buildings, and machinery and equipment (Note 4(15)) with a carrying amount of RMB260,266,610.78 (a cost of RMB 330,715,657.80), and 127,615.39 square metres of land use rights (a cost of RMB38,925,441.23, a carrying amount of RMB32,277,200.31) (Note 4(19));

As at 31 December 2020, short-term borrowings of RMB413,452,248.96 and long-term borrowings of RMB49,122,651.00 (Note 4(35)(a)) and current portion of long-term borrowings of RMB2,000,000.00 (Note 4(33)) were secured by buildings, and machinery and equipment (Note 4(15)) with a carrying amount of RMB203,620,909.75 (a cost of RMB 397,171,870.97), and 88,663.39 square metres of land use rights (a cost of RMB 23,877,141.23, a carrying amount of RMB 19,036,227.92) (Note 4(19));

- (b) As at 30 June 2021, pledged bank borrowings of RMB781,636,624.03 were secured by accounts receivables with a carrying amount of RMB818,463,230.19 (Note 4(4)(c)) and receivables financing with a carrying amount of RMB94,816,585.56 (Note 4(5)) and notes receivables with a carrying amount of RMB84,977,975.24 (Note 4(3)(a));

As at 31 December 2020, pledged bank borrowings of RMB788,672,761.86 were secured by accounts receivables with a carrying amount of RMB859,070,788.12 (Note 4(4)(c)) and receivables financing with a carrying amount of RMB51,555,157.77 (Note 4(5)) and notes receivables with a carrying amount of RMB29,954,716.41 (Note 4(3)(a));

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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(25) Short-term borrowings (Cont'd)

- (c) As at 30 June 2021, guaranteed borrowings of RMB347,746,620.31 (31 December 2020: RMB263,424,649.00) were mainly secured by the minority shareholders of subsidiaries of the Group.

As at 30 June 2021, guaranteed borrowings of RMB270,872,714.25 (31 December 2020: RMB251,950,000.00) were secured by the Group together with the minority shareholders of subsidiaries of the Group.

- (d) As at 30 June 2021, the range of interest rate of short-term borrowings was 1.39% to 5.44 % (31 December 2020: 1.39% to 5.44%).

(26) Notes payables

	30 June 2021	31 December 2020
Trade acceptance	1,164,967,841.15	1,350,669,048.51
Bank acceptance	3,464,168,131.69	3,580,057,290.67
	<u>4,629,135,972.84</u>	<u>4,930,726,339.18</u>

(27) Accounts payables

	30 June 2021	31 December 2020
Purchase payable	<u>36,345,014,466.53</u>	<u>32,861,440,182.89</u>

- (i) As at 30 June 2021, accounts payables aged over one year were RMB2,577,291,066.80 (31 December 2020: RMB 3,047,578,404.20).

- (ii) The aging analysis of accounts payables is as follows:

	30 June 2021	31 December 2020
Within 1 year	33,767,723,399.73	29,813,861,778.69
1-2 years	1,609,806,091.41	1,979,227,176.14
Above 2 years	967,484,975.39	1,068,351,228.06
	<u>36,345,014,466.53</u>	<u>32,861,440,182.89</u>

(28) Contract liabilities

	30 June 2021	31 December 2020
Advance received from customers	1,449,437,769.90	1,310,837,272.06

For the six months ended 30 June 2021, contract liabilities included in the period beginning with carrying amount of RMB 1,203,692,844.90 (for the six months ended 30 June 2020: RMB1,398,369,471.16) were transferred to revenue, all of which were income from sales of goods.

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4 Notes to the consolidated financial statements (Cont'd)

(29) Employee benefits payable

	30 June 2021	31 December 2020
Short-term employee benefits payable(a)	928,571,917.50	1,251,034,314.90
Defined contribution plans payable(b)	25,663,572.97	18,277,864.13
Termination benefits payable(c)	6,528,074.76	4,653,689.80
	<u>960,763,565.23</u>	<u>1,273,965,868.83</u>

(a) Short-term employee benefits payable

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Wages and salaries, bonus, allowances and subsidies	1,058,659,632.98	3,199,310,019.52	(3,502,274,649.43)	755,695,003.07
Staff welfare	-	146,218,165.75	(146,218,165.75)	-
Social security contributions	14,043,003.91	174,685,300.54	(174,497,891.17)	14,230,413.28
Including: Medical insurance	12,868,837.56	161,660,528.86	(161,671,539.72)	12,857,826.70
Work injury insurance	333,250.12	7,565,749.12	(7,420,402.61)	478,596.63
Maternity insurance	840,916.23	5,459,022.56	(5,405,948.84)	893,989.95
Housing funds	4,435,879.05	177,856,800.97	(176,871,915.00)	5,420,765.02
Labor union funds and employee education funds	43,132,507.89	62,636,586.95	(55,279,479.42)	50,489,615.42
Others	130,763,291.07	10,046,499.16	(38,073,669.52)	102,736,120.71
	<u>1,251,034,314.90</u>	<u>3,770,753,372.89</u>	<u>(4,093,215,770.29)</u>	<u>928,571,917.50</u>

(b) Defined contribution plans payable

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Basic pensions	17,236,932.48	316,133,256.21	(308,977,660.77)	24,392,527.92
Unemployment insurance	1,040,931.65	9,488,009.18	(9,257,895.78)	1,271,045.05
	<u>18,277,864.13</u>	<u>325,621,265.39</u>	<u>(318,235,556.55)</u>	<u>25,663,572.97</u>

(c) Termination benefits payable

	30 June 2021	31 December 2020
Termination benefits payable (current portion)	<u>6,528,074.76</u>	<u>4,653,689.80</u>

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4 Notes to the consolidated financial statements (Cont'd)

(30) Taxes payable

	30 June 2021	31 December 2020
Enterprise income tax payable	538,180,334.13	682,453,006.19
Unpaid VAT	362,908,253.02	631,845,484.87
Withholding of personal income tax for employees	27,812,421.45	35,311,481.39
City maintenance and construction tax payable	25,271,061.27	43,180,466.80
Educational surcharge payable	19,379,286.31	31,642,637.91
Property tax payable	13,511,075.12	15,257,843.09
Land appreciation tax payable	672,477.18	672,477.18
Others	31,535,870.61	37,704,072.10
	<u>1,019,270,779.09</u>	<u>1,478,067,469.53</u>

(31) Other payables

	30 June 2021	31 December 2020
Accrued expenses	5,534,942,311.50	4,781,905,479.29
Deposits and guarantees payable	2,769,567,134.41	2,664,660,271.79
Accounts received from other companies	2,589,216,118.79	2,421,207,763.18
Ordinary stock dividend payable	1,364,202,874.56	-
Payables for equity acquisition	494,689,728.20	571,919,011.10
Engineering equipment expenses payable	242,613,930.56	315,703,915.67
Dividends payable to minority shareholders	205,192,539.78	186,122,799.07
Others	1,113,386,624.80	1,201,278,299.50
	<u>14,313,811,262.60</u>	<u>12,142,797,539.60</u>

(a) As at 30 June 2021, other payables aged over one year were RMB2,453,370,294.11 (31 December 2020: RMB2,423,073,182.52).

(32) Provisions

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Pending litigations	20,017,457.93	-	-	20,017,457.93
Others	5,743,197.09	-	-	5,743,197.09
	<u>25,760,655.02</u>	<u>-</u>	<u>-</u>	<u>25,760,655.02</u>

(33) Current portion of non-current liabilities

	30 June 2021	31 December 2020
Current portion of long-term borrowings (Note 4(35))	3,105,531,607.14	5,293,115,880.39
Current portion of debentures payable (a)	3,079,191,804.05	3,017,668,077.27
Current portion of lease liabilities (Note 4(36))	551,441,160.67	574,568,034.23
Current portion of long-term payables (Note 4(37))	82,685,793.84	82,685,793.84
	<u>6,818,850,365.70</u>	<u>8,968,037,785.73</u>

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4 Notes to the consolidated financial statements (Cont'd)

(33) Current portion of non-current liabilities (Cont'd)

(a) Details of the debentures are as follows:

	31 December 2020	Interest accrued	Amortisation of discount	Repayment for the period	30 June 2021
Corporate debentures in 2018 (Stage 1)	3,017,668,077.27	61,045,160.56	478,566.22	-	3,079,191,804.05

	Face value	Issuing date	Debenture maturity	Issuing amount
Corporate debentures in 2018 (Stage 1)	3,000,000,000.00	7 November 2018	3 years	2,997,000,000.00

Upon the approval of the document Zheng Jian Xu Ke [2018] No. 1341 issued by the China Securities Regulatory Commission Licensing, the Company issued corporate debentures on 7 November 2018. The interest is annually calculated and paid at simple interest rate, at an annual interest rate of 4.10%, which is payable every year.

(34) Other current liabilities

	30 June 2021	31 December 2020
Super & Short-term Commercial Paper ("SCP")	5,020,910,958.90	5,018,616,438.36

(a) Details of the SCP are as follows:

	31 December 2020	Issue for the period	Interest accrued	Amortisation of discount	Repayment for the period	30 June 2021
2020 SCP stage 4	2,512,000,000.00	-	2,794,520.55	-	(2,514,794,520.55)	-
2020 SCP stage 5	2,506,616,438.36	-	3,308,219.17	-	(2,509,924,657.53)	-
2021 SCP stage 1	-	2,499,368,056.00	15,582,191.78	631,944.00	(2,515,582,191.78)	-
2021 SCP stage 2	-	2,499,166,666.67	21,369,863.01	833,333.33	(2,521,369,863.01)	-
2021 SCP stage 3	-	2,499,354,200.00	13,527,397.26	645,800.00	-	2,513,527,397.26
2021 SCP stage 4	-	2,499,363,013.70	7,383,561.64	636,986.30	-	2,507,383,561.64
	5,018,616,438.36	9,997,251,936.37	63,965,753.41	2,748,063.63	(10,061,671,232.87)	5,020,910,958.90

	Face value	Issuing date	Debenture maturity	Issuing amount	Coupon rate
2021 SCP stage 1	2,500,000,000.00	13 January 2021	91 days	2,499,368,056.00	2.50%
2021 SCP stage 2	2,500,000,000.00	19 January 2021	120 days	2,499,166,666.67	2.60%
2021 SCP stage 3	2,500,000,000.00	12 April 2021	93 days	2,499,354,200.00	2.50%
2021 SCP stage 4	2,500,000,000.00	17 May 2021	93 days	2,499,363,013.70	2.45%

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4 Notes to the consolidated financial statements (Cont'd)

(35) Long-term borrowings

	30 June 2021	31 December 2020
Mortgaged (a)	38,748,218.00	51,122,651.00
Credit	6,334,379,284.98	6,330,070,917.27
Pledged (b)	89,489,224.45	91,800,394.36
Interest accrued	2,209,125.71	4,200,229.12
	<u>6,464,825,853.14</u>	<u>6,477,194,191.75</u>
Less: Current portion of long-term borrowings		
Mortgaged (a)	(12,374,433.00)	(2,000,000.00)
Credit	(3,039,458,647.98)	(5,282,246,433.91)
Pledged (b)	(51,489,400.45)	(4,669,217.36)
Interest accrued	(2,209,125.71)	(4,200,229.12)
	<u>(3,105,531,607.14)</u>	<u>(5,293,115,880.39)</u>
	<u>3,359,294,246.00</u>	<u>1,184,078,311.36</u>

- (a) As at 30 June 2021, short-term borrowings of RMB295,502,248.96 (Note 4(25)(a)) and long-term borrowings of RMB26,373,785.00 and current portion of long-term borrowings of RMB12,374,433.00 (Note 4(33)) were secured by buildings, and machinery and equipment with a carrying amount of RMB260,266,610.78 (a cost of RMB330,715,657.80) (Note 4(15)), and 127,615.39 square meters of land use rights (a cost of RMB38,925,441.23, a carrying amount of RMB32,277,200.31) (Note 4(19)).

As at 31 December 2020, short-term borrowings of RMB413,452,248.96 (Note 4(25)(a)) and long-term borrowings of RMB49,122,651.00 and current portion of long-term borrowings of RMB2,000,000.00 (Note 4(33)) were secured by buildings, and machinery and equipment with a carrying amount of RMB203,620,909.75 (a cost of RMB397,171,870.97) (Note 4(15)), and 88,663.39 square meters of land use rights (a cost of RMB23,877,141.23, a carrying amount of RMB19,036,227.92) (Note 4(19)).

- (b) As at 30 June 2021, pledged bank borrowings of RMB37,999,824.00 and current portion of long-term borrowings RMB51,489,400.45 (Note 4(33)) were secured by account receivables with a carrying amount of RMB92,055,677.00 (Note 4(4)).

As at 31 December 2020, pledged bank borrowings of RMB87,131,177.00 and current portion of long-term borrowings RMB4,669,217.36 (Note 4(33)) were secured by account receivables with a carrying amount of RMB92,055,677.00 (Note 4(4)).

- (c) As at 30 June 2021, the range of interest rate of long-term borrowings was 1.40% to 5.70% (31 December 2020: 1.40% to 5.70%).

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4 Notes to the consolidated financial statements (Cont'd)

(36) Lease liabilities

	30 June 2021	31 December 2020
Lease liabilities	2,003,753,049.17	2,075,589,834.42
Less: Current portion of non-current liabilities (Note4(33))	<u>(551,441,160.67)</u>	<u>(574,568,034.23)</u>
	<u>1,452,311,888.50</u>	<u>1,501,021,800.19</u>

- (a) As at 30 June 2021, future cash outflows to which the Group was potentially exposed that were not included in the lease liabilities comprise the following:

As at 30 June 2021, payments for leases not yet commenced to which the Group was committed amounted to RMB12,914,848.75 (As at 31 December 2020: RMB16,830,377.16 (Note 14(3))).

(37) Long-term payables

	30 June 2021	31 December 2020
Long-term payables for acquisition of subsidiaries	370,907,187.85	396,789,264.74
Payables for forest use rights	39,471,203.06	39,471,203.06
	<u>410,378,390.91</u>	<u>436,260,467.80</u>
Less: Current portion of long-term payables (Note4(33))	<u>(82,685,793.84)</u>	<u>(82,685,793.84)</u>
	<u>327,692,597.07</u>	<u>353,574,673.96</u>

(38) Deferred income

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021	Reasons
Compensation for demolition and construction	1,828,044,586.07	100,455,483.00	(4,178,313.13)	1,924,321,755.94	Relocation and demolition
Scientific research funds and specific funds (a)	<u>396,024,482.66</u>	<u>41,856,109.56</u>	<u>(32,585,467.21)</u>	<u>405,295,125.01</u>	Others
Total	<u>2,224,069,068.73</u>	<u>142,311,592.56</u>	<u>(36,763,780.34)</u>	<u>2,329,616,880.95</u>	

- (a) Government grants

	31 December 2020	Increase in the current period	Amount included in other income	Others	30 June 2021	Asset related/ Income related
Scientific research funds and specific funds	<u>396,024,482.66</u>	<u>41,856,109.56</u>	<u>(28,807,274.16)</u>	<u>(3,778,193.05)</u>	<u>405,295,125.01</u>	Asset related/ Income related

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4 Notes to the consolidated financial statements (Cont'd)

(38) Deferred income (Cont'd)

The government grants recognised in profit or loss or deducted against related expenses by the Group in the current period are set out as follows:

	Amount recognised in profit or loss for the period	Items reported in profit or loss for the period
Government grants		
Scientific research funds and specific funds	28,807,274.16	Other income
Scientific research funds and specific funds	3,778,193.05	Others
	<u>32,585,467.21</u>	

(39) Long-term employee benefits payable

	30 June 2021	31 December 2020
Termination benefits payable	46,430,902.15	51,064,812.41
Less: To be paid within one year (Note 4(29)(c))	<u>(6,528,074.76)</u>	<u>(4,653,689.80)</u>
	<u>39,902,827.39</u>	<u>46,411,122.61</u>

Termination benefits payable to be paid within one year is disclosed in employee benefits payable.

(40) Other non-current liabilities

	30 June 2021	31 December 2020
Medical reserve funds	101,590,418.02	100,317,717.82
Share repurchase payable(i)	84,163,444.98	-
Others	<u>42,667,897.89</u>	<u>44,327,294.41</u>
	<u>228,421,760.89</u>	<u>144,645,012.23</u>

- (i) On 5 February 2021, the Group's subsidiary, Shanghai Pharma Health Commerce Co., Ltd. (hereinafter referred to as "SPH Health Commerce") completed the B round financing and introduced seven new investors in the form of capital increase. The Group granted part of the Round B investors with put option. The Group deemed the put option as an other non-current liability. As at 30 June 2021, the fair value of the put option is RMB 84,163,444.98 (31 December 2020: nil). The Group adapts recent financing price method to determine the present value of equity at base date and adapts the Black-Scholes option pricing model and equity distribution value model to determine the fair value of put option.

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4 Notes to the consolidated financial statements (Cont'd)

(41) Share capital

	31 December 2020	Change in the current period				30 June 2021
		Issue new shares	Unlock non-tradable shares	Others	Subtotal	
Shares subject to trading restriction - Ordinary shares denominated in RMB	81,600.00	-	-	-	-	81,600.00
Shares not subject to trading restriction - Ordinary shares denominated in RMB	1,922,935,018.00	-	-	-	-	1,922,935,018.00
Foreign shares listed overseas	919,072,704.00	-	-	-	-	919,072,704.00
	2,842,007,722.00	-	-	-	-	2,842,007,722.00
	2,842,089,322.00	-	-	-	-	2,842,089,322.00

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4 Notes to the consolidated financial statements (Cont'd)

(41) Share capital (Cont'd)

	31 December 2019	Change in the current period				30 June 2020
		Issue new shares	Unlock non-tradable shares	Others	Subtotal	
Shares subject to trading restriction - Ordinary shares denominated in RMB	81,600.00	-	-	-	-	81,600.00
Shares not subject to trading restriction - Ordinary shares denominated in RMB	1,922,935,018.00	-	-	-	-	1,922,935,018.00
Foreign shares listed overseas	919,072,704.00	-	-	-	-	919,072,704.00
	2,842,007,722.00	-	-	-	-	2,842,007,722.00
	2,842,089,322.00	-	-	-	-	2,842,089,322.00

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4 Notes to the consolidated financial statements (Cont'd)

(42) Capital surplus

	31 December 2020	Increase in the current period (a)	Decrease in the current period (b)	30 June 2021
Share premium	16,306,155,633.82	-	(1,231,221.22)	16,304,924,412.60
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	185,882,441.61	89,352,288.39	-	275,234,730.00
Share-based payment(c)	35,973,830.70	18,850,061.34	-	54,823,892.04
Others	(630,424,030.95)	-	-	(630,424,030.95)
	<u>15,897,587,875.18</u>	<u>108,202,349.73</u>	<u>(1,231,221.22)</u>	<u>16,004,559,003.69</u>
	31 December 2019	Increase in the current period(a)	Decrease in the current period(b)	30 June 2020
Share premium	16,314,977,783.96	-	(1,633,134.22)	16,313,344,649.74
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	34,816,670.59	132,522,661.71	-	167,339,332.30
Share-based payment(c)	1,231,412.28	17,287,134.00	-	18,518,546.28
Others	(630,424,030.95)	-	-	(630,424,030.95)
	<u>15,720,601,835.88</u>	<u>149,809,795.71</u>	<u>(1,633,134.22)</u>	<u>15,868,778,497.37</u>

- (a) For the six months ended 30 June 2021 and 2020, the increase of the capital surplus was mainly the share of changes in equity other than comprehensive income and profit distribution of investees under the equity method and amount recorded in owners' equity arising from equity-settled share-based payment arrangements.
- (b) For the six months ended 30 June 2021 and 2020, the decrease of the capital surplus was mainly the difference between the consideration paid in transaction of the Group and its minority shareholders and identifiable net assets of the subsidiaries based on continuous calculation from the acquisition date at proportion of shareholding after transaction.
- (c) Share-based payment
- (i) Summary

According to the 2019 Stock Option Incentive Plan of Shanghai Pharmaceuticals Holding Co., Ltd. ("Incentive Plan") approved by the resolution of the 2019 first extraordinary shareholders' meeting held on 18 December 2019, the Company would grant stock options to its directors, senior management, middle management and core technical and business backbones ("incentive recipients"), and it was estimated that approximately 28.42 million stock options would be granted. On 19 December 2019, 25,680,000.00 stock options were granted for the first time ("Grants in 2019").

Pursuant to the Proposal of Granting Reserved Stock Options to Incentive Recipients approved by resolutions of the 15th meeting of the 7th Board of Directors and the 12th meeting of the 7th Board of Supervisors held on 15 December 2020, the Company granted a total of 2,730,000.00 stock options to incentive recipients ("Grants in 2020").

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4 Notes to the consolidated financial statements (Cont'd)

(42) Capital surplus (Cont'd)

(c) Share-based payment (Cont'd)

(i) Summary (Cont'd)

The Company's and incentive recipients' performance will be assessed in the above Incentive Plan. The percentage of stock options can be exercised is 33%, 33% and 34% respectively since working for 2 years, 3 years and 4 years from the granting date.

(ii) Statement of changes in stock options during the period

	Six months ended 30 June 2021	Six months ended 30 June 2020
Number of outstanding stock options issued at the beginning of the period	28,330,000.00	25,680,000.00
Number of stock options granted in the current period	-	-
Number of stock options exercised in the current period	-	-
Number of stock options expired in the current period	-	(80,000.00)
Number of outstanding stock options issued at the end of the period	<u>28,330,000.00</u>	<u>25,600,000.00</u>
Share-based payment expenses in the current period	18,850,061.34	17,287,134.00
Accumulated share-based payment expenses	54,823,892.04	18,518,546.28

(iii) Method for determining the fair value of stock options at the grant date

The Group adopts the Black-Scholes option pricing model to determine the fair value of stock options. The main parameters are as follows:

	Grants in 2020	Grants in 2019
Exercise price of stock options	RMB20.16	RMB18.41
Current price of the underlying stocks	RMB19.00	RMB18.08
Estimated volatility of the share price	28.65% ~ 32.18%	29.14% ~ 34.76%
Estimated dividend yields	2.03%	1.72%
Risk-free interest rate	2.92% ~ 3.06%	2.75% ~ 2.95%

The validity period of options is from the registration date of granting to the date of exercise or cancellation of all options in each batch and shall not exceed 5 years.

Validity period of options

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4 Notes to the consolidated financial statements (Cont'd)

(43) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income for the six months ended 30 June 2021 income statement				
	31 December 2020	Converted from OCI into retained earnings	30 June 2021	Amount before income tax	Less: other comprehensive income transferred out this period	Less: income tax expense	Attributable to the Company after tax	Attributable to minority shareholders
Other comprehensive income items which will not be reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified to profit and loss								
Changes in fair value of other equity instrument investments	(50,811,086.09)	-	(33,210,927.21)	17,600,158.88	-	-	17,600,158.88	-
Other comprehensive income items which will be reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	324,040.09	-	1,119,436.56	795,396.47	-	-	795,396.47	-
Provision for impairment of receivables financing	4,362,149.27	-	3,516,146.25	(1,104,805.47)	-	222,604.03	(846,003.02)	(36,198.42)
Differences arising from translation of foreign currency financial statements	(219,285,862.85)	-	(186,073,681.34)	12,617,537.49	-	-	33,212,181.51	(20,594,644.02)
	(265,410,759.58)	-	(214,649,025.74)	29,908,287.37	-	222,604.03	50,761,733.84	(20,630,842.44)

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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(43) Other comprehensive income (Cont'd)

	Other comprehensive income in the balance sheet			Other comprehensive income in the six months ended 30 June 2020 income statement				
	31 December 2019	Converted from OCI into undistributed profits	30 June 2020	Amount before income tax	Less: other comprehensive income transferred out this period	Less: income tax expense	Attributable to the Company after tax	Attributable to minority shareholders
Other comprehensive income items which will not be reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified to profit and loss								
Changes in fair value of other equity instrument investments	(44,899,472.37)	(2,486,222.32)	(42,887,024.75)	4,498,669.94	-	-	4,498,669.94	-
Other comprehensive income items which will be reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	(2,370,211.78)	-	(2,302,236.75)	67,975.03	-	-	67,975.03	-
Provision for impairment of receivables financing	4,024,979.47	-	3,635,389.34	(513,438.83)	-	115,126.68	(389,590.13)	(8,722.02)
Differences arising from translation of foreign currency financial statements	(498,984,362.44)	-	(582,901,347.32)	(94,525,048.39)	-	-	(83,916,984.88)	(10,608,063.51)
	(542,229,067.12)	(2,486,222.32)	(624,455,219.48)	(90,471,842.25)	-	115,126.68	(79,739,930.04)	(10,616,785.53)

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4 Notes to the consolidated financial statements (Cont'd)

(44) Surplus reserve

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Statutory surplus reserve	1,708,295,145.32	-	-	1,708,295,145.32
Discretionary surplus reserve	117,763,127.56	-	-	117,763,127.56
	<u>1,826,058,272.88</u>	<u>-</u>	<u>-</u>	<u>1,826,058,272.88</u>
	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Statutory surplus reserve	1,549,921,408.26	-	-	1,549,921,408.26
Discretionary surplus reserve	117,763,127.56	-	-	117,763,127.56
	<u>1,667,684,535.82</u>	<u>-</u>	<u>-</u>	<u>1,667,684,535.82</u>

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4 Notes to the consolidated financial statements (Cont'd)

(45) Undistributed profits

	Six months ended 30 June 2021	Six months ended 30 June 2020
Undistributed profits at the beginning of the period	25,054,352,978.09	21,970,908,120.34
Add: net profit attributable to shareholders of the Company	3,567,759,976.70	2,442,842,195.88
Converted from other comprehensive income	-	2,486,222.32
Less: Dividends declared (a)	(1,364,202,874.56)	(1,250,519,301.68)
Undistributed profits at the end of the period	<u>27,257,910,080.23</u>	<u>23,165,717,236.86</u>

- (a) On 29 June 2021, through consideration and approval at the Company's annual general meeting of year 2020, with total of 2,842,089,322 shares as base, cash dividends of RMB1,364,202,874.56 were distributed to all shareholders at RMB4.80 (including tax) per 10 shares.

(46) Revenue and cost of sales

	Six months ended 30 June 2021	Six months ended 30 June 2020
Main operations revenue	104,892,099,331.25	86,930,497,817.98
Other operations revenue	<u>345,369,550.72</u>	<u>234,607,317.41</u>
	<u>105,237,468,881.97</u>	<u>87,165,105,135.39</u>
	Six months ended 30 June 2021	Six months ended 30 June 2020
Main operations cost	90,641,001,981.56	73,963,938,027.67
Other operations cost	<u>169,264,360.33</u>	<u>91,108,696.35</u>
	<u>90,810,266,341.89</u>	<u>74,055,046,724.02</u>

- (a) Main operations revenue and main operations cost

	Six months ended 30 June 2021		Six months ended 30 June 2020	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
Domestic sales	103,746,843,324.05	89,998,651,855.55	85,064,142,720.12	72,575,890,676.45
Foreign sales	<u>1,145,256,007.20</u>	<u>642,350,126.01</u>	<u>1,866,355,097.86</u>	<u>1,388,047,351.22</u>
	<u>104,892,099,331.25</u>	<u>90,641,001,981.56</u>	<u>86,930,497,817.98</u>	<u>73,963,938,027.67</u>

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4 Notes to the consolidated financial statements (Cont'd)

(46) Revenue and cost of sales (Cont'd)

(b) Main operations revenue and main operations cost are analyzed by industry as follows:

	Six months ended 30 June 2021		Six months ended 30 June 2020	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
Production	12,601,614,547.89	5,090,721,766.36	11,674,691,545.54	4,730,226,128.36
Distribution	92,487,385,777.05	86,328,870,929.79	75,451,463,608.15	69,972,763,895.39
Retail	3,708,499,971.81	3,201,232,343.96	3,767,820,629.20	3,242,650,964.49
Others	228,622,512.16	94,911,526.20	168,126,525.82	90,535,737.42
Elimination	(4,134,023,477.66)	(4,074,734,584.75)	(4,131,604,490.73)	(4,072,238,697.99)
	<u>104,892,099,331.25</u>	<u>90,641,001,981.56</u>	<u>86,930,497,817.98</u>	<u>73,963,938,027.67</u>

The Group and its subsidiaries are mainly engaged in sale of products and recognise revenue when control of goods has been transferred to customers.

(47) Taxes and surcharges

	Six months ended 30 June 2021	Six months ended 30 June 2020	Tax base
City maintenance and construction tax	131,530,012.10	100,319,229.68	Please refer to Note 3(1)
Education surcharges	104,621,848.56	77,448,112.71	
Stamp duty	46,625,146.40	40,928,761.00	
Real estate tax	27,428,067.03	26,949,764.00	
Land use tax	8,728,288.40	9,631,784.57	
Others	5,718,097.65	5,924,820.47	
	<u>324,651,460.14</u>	<u>261,202,472.43</u>	

(48) Selling expenses

	Six months ended 30 June 2021	Six months ended 30 June 2020
Employee benefits expenses	1,888,773,823.20	1,627,228,224.30
Promotion and advertising costs	2,879,693,132.25	2,671,858,262.85
Travelling and meeting expenses	553,986,611.87	566,336,969.27
Storage and Transportation costs	485,880,807.62	430,098,549.09
Amortisation of right-of-use assets	192,773,744.68	146,169,582.72
Amortisation of intangible assets	102,248,573.96	126,931,117.35
Depreciation of fixed assets	99,781,082.43	95,624,677.26
Office expenses	73,460,041.46	63,943,826.25
Rental fees	39,787,392.27	73,385,307.42
Others	423,459,969.08	318,788,414.21
	<u>6,739,845,178.82</u>	<u>6,120,364,930.72</u>

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4 Notes to the consolidated financial statements (Cont'd)

(49) General and administrative expenses

	Six months ended 30 June 2021	Six months ended 30 June 2020
Employee benefits expenses	1,304,522,810.53	1,134,456,419.50
Depreciation of fixed assets	155,510,446.86	158,941,579.66
Amortisation of right-of-use assets	115,160,992.94	122,829,240.05
Travelling and meeting expenses	94,943,519.94	75,481,556.33
Office expenses	72,525,076.15	62,240,716.84
Amortisation of intangible assets	67,576,281.50	71,703,354.66
Maintenance expenses	35,318,022.26	45,755,891.97
Rental fees	31,941,117.98	47,481,052.61
Others	444,833,784.54	505,902,127.89
	<u>2,322,332,052.70</u>	<u>2,224,791,939.51</u>

(50) Research and development expenses

	Six months ended 30 June 2021	Six months ended 30 June 2020
Employee benefits expenses	291,403,747.76	229,116,063.32
Technical development expenses	272,792,077.56	191,458,376.67
Materials consumption fee	114,035,439.67	93,013,201.54
Depreciation and amortisation	56,312,009.20	36,675,183.21
Test fees	32,194,294.99	25,951,205.17
Right-of-use assets amortisation	16,174,603.09	7,122,122.45
Others	97,116,339.92	93,414,291.56
	<u>880,028,512.19</u>	<u>676,750,443.92</u>

(51) Finance expenses-net

	Six months ended 30 June 2021	Six months ended 30 June 2020
Loan interest expenses	532,104,534.22	630,800,365.40
Debenture interest expenses	128,201,773.40	92,021,583.77
Lease liabilities interest expenses	50,771,627.33	40,778,369.63
Less: Interest income	(158,099,236.75)	(141,180,535.23)
Exchange gains or losses	(9,310,480.58)	21,879,138.26
Others	35,200,487.53	26,209,082.51
	<u>578,868,705.15</u>	<u>670,508,004.34</u>

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4 Notes to the consolidated financial statements (Cont'd)

(52) Expenses by nature

The cost of sales, selling expenses, general and administrative expenses and research and development expenses in the income statements are listed as follows by nature:

	Six months ended 30 June 2021	Six months ended 30 June 2020
Raw materials, merchandise and consumables used	88,703,044,489.60	72,108,237,704.67
Changes in inventories of finished goods and work in progress	472,949,858.36	422,838,389.66
Employee benefits expenses	4,116,520,887.60	3,649,477,043.54
Promotion and advertising costs	2,879,693,132.25	2,671,858,262.85
Travelling and meeting expenses	662,776,739.77	651,203,789.63
Transportation costs	623,545,732.35	465,946,928.24
Depreciation of fixed assets	511,892,720.15	489,926,224.05
Amortisation of right-of-use assets	360,056,234.57	311,777,306.52
Amortisation of intangible assets	204,916,932.32	228,764,530.96
Energy and utilities	197,370,572.23	194,946,539.57
Office expenses	151,603,051.87	130,366,165.95
Maintenance expenses	139,707,733.65	140,335,518.80
Rental fees (i)	94,941,673.40	151,359,258.45
Others	1,633,452,327.48	1,459,916,375.28
	<u>100,752,472,085.60</u>	<u>83,076,954,038.17</u>

- (i) The Group directly recognised the lease payments of short-term lease and low value lease into profit or loss for the current year. For the six months ended 30 June 2021, the amount was RMB 94,941,673.40 (For the six months ended 30 June 2020: RMB151,359,258.45).

(53) Asset impairment reversals/(losses)

	Six months ended 30 June 2021	Six months ended 30 June 2020
Impairment reversals/(losses) for inventory	17,435,780.01	(231,929,820.32)
Impairment loss for fixed assets	(1,800,967.41)	-
	<u>15,634,812.60</u>	<u>(231,929,820.32)</u>

(54) Credit impairment losses

	Six months ended 30 June 2021	Six months ended 30 June 2020
Impairment loss/ (reversal) of notes receivables	540,151.52	(697,354.16)
Impairment loss of accounts receivables	202,887,540.86	145,990,449.00
Impairment reversal of receivables financing	(1,104,805.47)	(513,438.83)
Impairment (reversal)/ loss of other receivables	(1,857,151.30)	8,969,514.86
Impairment loss/ (reversal) of long-term receivables	637,822.33	(268,500.00)
	<u>201,103,557.94</u>	<u>153,480,670.87</u>

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4 Notes to the consolidated financial statements (Cont'd)

(55) Other income

	Six months ended 30 June 2021	Six months ended 30 June 2020	Asset related/ Income related
Government grants and tax refunds	124,086,791.21	192,184,117.56	Income related
R&D project subsidies	13,571,450.95	17,484,264.60	Asset/ Income related
Support funds	40,201,820.77	5,844,830.54	Asset/ Income related
Others	14,740,117.82	15,460,013.90	Income related
	<u>192,600,180.75</u>	<u>230,973,226.60</u>	Income related

(56) Investment income

	Six months ended 30 June 2021	Six months ended 30 June 2020
Equity pick up	609,988,167.57	552,311,515.37
Dividend income gained when other non-current financial assets are held	1,051,000.00	1,050,000.00
Investment income on disposal of long-term equity investments	1,161,900,712.68	50,552,679.05
Loss from derecognition of receivables financing	(79,371,433.97)	(62,711,655.14)
Loss on derecognition of financial assets at amortised cost	(24,080,881.60)	(19,533,123.59)
Others	1,700,588.20	7,633,464.46
	<u>1,671,188,152.88</u>	<u>529,302,880.15</u>

(57) (Losses)/Gains arising from changes in fair value

	Six months ended 30 June 2021	Six months ended 30 June 2020
Other non-current financial assets	(43,083,309.92)	106,241,715.64
Derivative instruments	7,489,654.79	(2,823,592.84)
	<u>(35,593,655.13)</u>	<u>103,418,122.80</u>

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4 Notes to the consolidated financial statements (Cont'd)

(58) Gains/(losses) on disposals of assets

	Six months ended 30 June 2021	Six months ended 30 June 2020	Amount classified to non-recurring profit or loss for the Six months ended 30 June 2021
Gains/(losses) on disposal of fixed assets	4,875,555.58	(1,204,028.01)	4,875,555.58
Gain on disposal of intangible assets	-	43,858.01	-
Others	1,049,219.11	(55,308.38)	1,049,219.11
	<u>5,924,774.69</u>	<u>(1,215,478.38)</u>	<u>5,924,774.69</u>

(59) Non-operating income

	Six months ended 30 June 2021	Six months ended 30 June 2020	Amount classified to non-recurring profit or loss for the Six months ended 30 June 2021
Income from demolition compensation	11,526,915.24	-	11,526,915.24
Penalty and compensation from suppliers	2,420,974.65	3,872,255.98	2,420,974.65
Write-off of account payables	1,855,410.28	6,027,392.90	1,855,410.28
Others	11,892,050.90	17,620,392.13	11,892,050.90
	<u>27,695,351.07</u>	<u>27,520,041.01</u>	<u>27,695,351.07</u>

(60) Non-operating expenses

	Six months ended 30 June 2021	Six months ended 30 June 2020	Amount classified to non-recurring profit or loss for the Six months ended 30 June 2021
Donation	24,826,345.13	30,490,802.92	24,826,345.13
Others	15,433,156.35	26,661,412.79	15,433,156.35
	<u>40,259,501.48</u>	<u>57,152,215.71</u>	<u>40,259,501.48</u>

(61) Income tax expenses

	Six months ended 30 June 2021	Six months ended 30 June 2020
Current income tax calculated according to tax law and related regulations	908,988,495.96	929,262,611.18
Deferred income tax	143,784,080.70	(206,548,863.54)
	<u>1,052,772,576.66</u>	<u>722,713,747.64</u>

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4 Notes to the consolidated financial statements (Cont'd)**(61) Income tax expenses (Cont'd)**

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	Six months ended 30 June 2021	Six months ended 30 June 2020
Total profit	5,217,563,188.52	3,603,876,705.73
Income tax expenses calculated at applicable tax rate	1,304,390,797.13	900,969,176.43
Effect of favourable tax rates	(155,163,981.97)	(167,286,291.98)
Income not subject to tax	(196,070,156.14)	(137,301,381.83)
Costs, expenses and losses not deductible for tax purposes	51,917,176.17	76,092,155.86
Additional deduction on research and development expenses	(91,534,704.95)	(91,108,603.43)
Utilisation of previously tax losses not recognised as deferred tax assets	(20,435,484.33)	(7,358,982.45)
Tax losses for which no deferred income tax asset was recognised	159,668,930.75	148,707,675.04
Income tax expenses	<u>1,052,772,576.66</u>	<u>722,713,747.64</u>

(62) Earnings per share**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding.

	Six months ended 30 June 2021	Six months ended 30 June 2020
Profit attributable to shareholders of the Company	3,567,759,976.70	2,442,842,195.88
Weighted average numbers of ordinary shares outstanding	2,842,089,322.00	2,842,089,322.00
Basic earnings per share	1.26	0.86

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. For the six months ended 30 June 2021, the Company's dilutive potential ordinary shares are the stock options granted in 2019 (for the six months ended 30 June 2020: nil).

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4 Notes to the consolidated financial statements (Cont'd)

(63) Notes to the consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2021	Six months ended 30 June 2020
Deposits, guarantees, current accounts and advances	344,888,204.50	284,025,252.32
Specific funds and government grants	161,094,155.01	278,891,085.85
Interest income	158,928,915.69	143,896,699.51
Other non-operating income	25,839,940.79	16,991,278.32
Others	18,537,122.79	111,806,836.13
	<u>709,288,338.78</u>	<u>835,611,152.13</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2021	Six months ended 30 June 2020
Daily expenses	4,717,774,100.92	4,445,669,053.02
Payments for current accounts and advances	626,535,658.36	831,883,461.64
Non-operating expenses	38,720,711.55	84,295,037.90
Bank charge	33,604,403.41	23,125,708.97
Others	11,166,465.27	14,365,571.24
	<u>5,427,801,339.51</u>	<u>5,399,338,832.77</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June 2021	Six months ended 30 June 2020
Withdrawal of time deposits due over three months	190,000,000.00	280,000,000.00
Recovering associates loans	120,000,000.00	-
Prepayment of demolition compensation	100,455,483.00	504,099,351.00
Cash generated from business combinations	-	2,205,314,102.95
Others	4,725,475.93	6,270,000.00
	<u>415,180,958.93</u>	<u>2,995,683,453.95</u>

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4 Notes to the consolidated financial statements (Cont'd)

(63) Notes to the consolidated cash flow statement (Cont'd)

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2021	Six months ended 30 June 2020
Net cash outflow from disposal of subsidiaries	1,517,202,996.91	-
Loan to associates	144,005,634.53	-
Deposit of time deposits due over three months	90,000,000.00	490,000,000.00
Capital increase in associates	15,002,480.00	42,160,622.85
Others	150,000.00	-
	<u>1,766,361,111.44</u>	<u>532,160,622.85</u>

(e) Cash received relating to other financing activities

	Six months ended 30 June 2021	Six months ended 30 June 2020
Capital increase received in advance	1,166,118,438.13	-
Related party transactions	83,340,000.00	1,291,153,579.86
Subsidiaries borrowed from their minority shareholders	33,067,778.49	110,675,243.06
Others	-	332,738,059.68
	<u>1,282,526,216.62</u>	<u>1,734,566,882.60</u>

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2021	Six months ended 30 June 2020
Repayment for lease liabilities	330,513,721.32	326,476,502.94
Refund from subsidiaries to their minority shareholders	250,596,072.21	63,799,521.51
Acquisition of minority shares in a subsidiary	6,988,800.00	49,984,518.27
	<u>588,098,593.53</u>	<u>440,260,542.72</u>

For the six months ended 30 June 2021, total cash outflows for leases paid by the Group amounted to RMB425,455,394.72(As at 30 June 2020: RMB477,835,761.39), which were included in cash paid relating to operating activities except the repayments of lease liabilities that were included in cash paid relating to financing activities.

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4 Notes to the consolidated financial statements (Cont'd)

(64) Notes to the consolidated cash flow statement

(a) Notes to the consolidated cash flow statement

Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June 2021	Six months ended 30 June 2020
Net profit	4,164,790,611.86	2,881,162,958.09
Add: (Reversal)/provision for asset impairment	(15,634,812.60)	231,929,820.32
Credit impairment provision	201,103,557.94	153,480,670.87
Amortisation of right-of-use assets	360,056,234.57	311,777,306.52
Depreciation of fixed assets and investment properties	517,744,650.18	495,586,428.69
Amortisation of intangible assets	204,916,932.32	228,764,530.96
Amortisation of long-term prepaid expenses	89,439,886.37	67,094,024.93
Depreciation of bearer biological assets	4,144,231.46	110,184.66
(Gain)/ loss on disposal of fixed assets, intangible assets and other long-term assets	(5,924,774.69)	1,215,478.38
Loss/(profit) arising from changes in fair value	35,593,655.13	(103,418,122.80)
Finance expenses	712,179,915.91	742,147,746.80
Investment income	(1,774,640,468.45)	(529,302,880.15)
Increase in deferred tax assets	(74,371,059.68)	(150,727,521.51)
Increase/(decrease) in deferred tax liabilities	217,932,536.35	(55,936,468.71)
Decrease in inventories	467,369,561.16	599,265,545.53
(Increase)/Decrease in operating receivables	(6,731,440,105.53)	180,527,594.50
Increase/(decrease) in operating payables	3,797,757,467.50	(1,348,041,231.37)
Net cash flows from operating activities	<u>2,171,018,019.80</u>	<u>3,705,636,065.71</u>

Net increase in cash and cash equivalents

	Six months ended 30 June 2021	Six months ended 30 June 2020
Cash and cash equivalents at the end of the period	20,349,388,821.55	22,961,039,560.91
Less: Cash and cash equivalents at the beginning of the period	<u>(19,576,444,789.85)</u>	<u>(15,716,257,907.41)</u>
Net increase in cash and cash equivalents	<u>772,944,031.70</u>	<u>7,244,781,653.50</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(64) Notes to the consolidated cash flow statement (Cont'd)

(b) Acquisition or disposal of subsidiaries

(i) Acquisition of subsidiaries

	Six months ended 30 June 2021
Cash and cash equivalents paid for company combination this period	141,063,961.43
Including: Fimet Invest OY	141,063,961.43
Less: Cash and cash equivalents held by the subsidiaries on the date of purchase	(48,167,973.55)
Including: Fimet Invest OY	(48,167,973.55)
Add: Cash and cash equivalents paid for company combination in the earlier stage	77,229,282.90
Including: SPH Jiangyin Co., Ltd	29,950,000.00
Net cash outflow for acquiring the subsidiaries	170,125,270.78
Including: Cash paid for acquiring the subsidiaries	170,125,270.78
Cash received relating to other investing activities	-
Price of acquiring the subsidiaries for the six months ended 30 June 2021	
Fimet Invest OY	<u>203,496,575.94</u>
Price of acquiring the subsidiaries in the earlier stage	
SPH Jiangyin Co., Ltd.	299,500,000.00
Other subsidiaries	<u>621,224,408.00</u>
	<u>920,724,408.00</u>

Net assets of subsidiaries at acquisition date

	Six months ended 30 June 2021	Six months ended 30 June 2020
Current assets	87,764,979.23	4,536,316,216.86
Non - current assets	29,546,514.04	532,256,749.19
Current liabilities	(40,356,317.84)	(2,605,498,948.96)
Non - current liabilities	<u>(10,886,216.16)</u>	<u>(94,445,564.20)</u>
	<u>66,068,959.27</u>	<u>2,368,628,452.89</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(64) Notes to the consolidated cash flow statement (Cont'd)

- (b) Acquisition or disposal of subsidiaries (Cont'd)
- (ii) Disposal of subsidiaries

Six months ended
30 June 2021

Cash and cash equivalents generated from disposal of subsidiaries this period	-
Less: Cash and cash equivalents held by the subsidiaries on the date of disposal	(1,517,202,996.91)
Other cash paid relating to investing activities	<u>(1,517,202,996.91)</u>

Price for disposal of the subsidiaries for the Six months ended 30 June 2021

Shanghai Pharma Health Commerce Co.,Ltd.	Not applicable
Shanghai Huiyong Pharmaceutical Research Co., Ltd.	<u>Not applicable</u>
	<u>Not applicable</u>

Net assets for disposal of the subsidiaries at disposal date

Six months ended
30 June 2021

Current assets	2,034,694,385.97
Non - current assets	422,656,142.88
Current liabilities	(1,874,631,968.73)
Non - current liabilities	<u>(55,835,007.84)</u>
	<u>526,883,552.28</u>

(c) Cash and cash equivalents

	30 June 2021	31 December 2020
Cash	20,349,388,821.55	19,576,444,789.85
Including: Cash on hand	6,275,034.99	8,093,286.77
Cash at bank that can be readily drawn on demand	20,343,113,786.56	19,568,351,503.08
Other cash balances that can be readily drawn on demand	-	-
Cash and cash equivalents at the end of the period	<u>20,349,388,821.55</u>	<u>19,576,444,789.85</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(65) Foreign currency items

	30 June 2021		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand —			
USD	27,156,968.16	6.4601	175,436,730.01
HKD	24,547,547.46	0.8321	20,426,014.24
AUD	356,472.04	4.8528	1,729,887.52
NZD	41,168.92	4.5153	185,890.02
EUR	599,509.93	7.6862	4,607,953.22
Others	231,980,057.28	—	4,602,497.19
			<u>206,988,972.20</u>
Accounts receivables—			
USD	5,419,635.59	6.4601	35,011,387.87
AUD	11,666,194.00	4.8528	56,613,706.24
NZD	14,274,127.00	4.5153	64,451,965.64
EUR	1,533,010.42	7.6862	11,783,024.69
Others	364,339,248.54	—	6,684,817.33
			<u>174,544,901.77</u>
Other receivables—			
USD	792,554.39	6.4601	5,119,980.61
HKD	5,354,682.65	0.8321	4,455,631.43
EUR	111,738.69	7.6862	858,845.92
Others	54,625,782.40	—	883,886.65
			<u>11,318,344.61</u>
Short-term borrowings—			
NZD	3,907,239.00	4.5153	17,642,356.26
EUR	159,086.57	7.6862	1,222,771.19
			<u>18,865,127.45</u>
Accounts payables—			
USD	147,738,790.67	6.4601	954,407,361.61
HKD	15,694,903.05	0.8321	13,059,728.83
AUD	3,979,027.06	4.8528	19,309,422.52
NZD	11,131,541.50	4.5153	50,262,249.33
EUR	2,526,325.22	7.6862	19,417,840.91
Others	348,693,009.97	—	15,616,550.15
			<u>1,072,073,153.35</u>

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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(65) Foreign currency items (Cont'd)

	30 June 2021		
	Foreign currency balance	Exchange rate	RMB balance
Other payables—			
USD	184,421,488.29	6.4601	1,191,381,256.50
HKD	36,917,111.36	0.8321	30,718,728.36
AUD	2,994,801.20	4.8528	14,533,171.26
NZD	7,966,855.00	4.5153	35,972,740.38
EUR	572,154.63	7.6862	4,397,694.92
Others	146,255,978.91	—	2,385,356.67
			<u>1,279,388,948.09</u>
Current portion of long-term borrowings—			
USD	468,000,000.00	6.4601	3,023,326,800.00
EUR	147,257.16	7.6862	1,131,847.98
			<u>3,024,458,647.98</u>
Current portion of lease liabilities—			
USD	480,312.08	6.4601	3,102,864.07
HKD	1,116,433.45	0.8321	928,984.27
AUD	243,913.04	4.8528	1,183,661.20
NZD	1,938,227.53	4.5153	8,751,678.77
			<u>13,967,188.31</u>
Long-term borrowings—			
NZD	66,000,000.00	4.5153	298,009,800.00
EUR	801,097.46	7.6862	6,157,395.30
			<u>304,167,195.30</u>
Long-term payables—			
AUD	55,955,239.35	4.8528	<u>271,539,585.52</u>
Lease liabilities—			
USD	1,741,104.35	6.4601	11,247,708.21
AUD	79,385.94	4.8528	385,244.09
NZD	39,414,693.35	4.5153	177,969,164.88
			<u>189,602,117.18</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

5 Changes in scope of business combinations

(1) Main business combination involving enterprise not under common control

(a) Main business combination involving enterprise not under common control for the period

Acquiree	Timing of acquisition	Acquisition cost	% interest acquired	Method of acquisition	Acquisition /Combination date	Basis for determining the acquisition/combination date	Revenue of the acquiree from the acquisition/combination date to the end of the period	Net profit of the acquiree from the acquisition/combination date to the end of the period	Cash flows from operating activities of the acquiree from the acquisition/combination date to the end of the period	Net cash flows of the the acquiree from the acquisition/combination date to the end of the period
Fimet Invest OY	28 June 2021	203,496,575.94	100%	Acquisition of equity of the target company by capital injection	28 June 2021	Finance and operation of the acquiree are controlled to obtain variable returns from its involvement with the investee, with the ability to use its power over the investee to affect the amount of the investee's returns	-	-	-	-

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

5 Changes in scope of business combinations (Cont'd)

(1) Main business combination involving enterprise not under common control (Cont'd)

(b) Costs of combination and goodwill are as follows:

Fimet Invest OY	
Costs of combination -	
Cash paid	141,063,961.43
Fair value of transferred non-cash assets	62,432,614.51
Less: Carrying amount of net assets obtained	(66,068,959.27)
Goodwill	<u>137,427,616.67</u>

(c) The assets and liabilities of Fimet Invest OY at the acquisition date are as follows:

(i) Fimet Invest OY

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2020 Carrying amount
Cash at bank and on hand	48,167,973.55	48,167,973.55	46,394,012.11
Accounts receivables	9,719,609.96	9,719,609.96	4,637,802.70
Advances to suppliers	1,710,911.23	1,710,911.23	85,070.78
Other receivables	1,122,857.05	1,122,857.05	862,087.55
Inventories	27,043,627.44	27,043,627.44	33,938,229.69
Long-term investment	8,185.80	8,185.80	8,548.55
Fixed assets	3,927,596.78	3,927,596.78	4,593,933.56
Intangible assets	24,361,483.15	4,361,483.15	5,453,621.96
Long-term prepaid expenses	1,249,248.31	1,249,248.31	1,681,372.40
Less: Short-term borrowings	(1,222,771.19)	(1,222,771.19)	(2,403,772.71)
Accounts payables	(7,208,381.84)	(7,208,381.84)	(7,745,103.33)
Contract liabilities	(19,596,826.52)	(19,596,826.52)	(25,890,825.74)
Employee benefits payable	(3,559,461.62)	(3,559,461.62)	(4,501,427.86)
Taxes payable	(958,013.20)	(958,013.20)	(1,600,083.20)
Other payables	(6,679,015.49)	(6,679,015.49)	(1,120,124.81)
Current portion of long-term borrowings	(1,131,847.98)	(1,131,847.98)	(2,363,477.42)
Long-term borrowings	(6,157,395.30)	(6,157,395.30)	(6,428,450.41)
Deferred tax liabilities	(4,728,820.86)	(728,820.86)	(760,946.55)
Net assets	<u>66,068,959.27</u>	<u>50,068,959.27</u>	<u>44,840,467.27</u>
Less: Minority interests	-	-	-
Net assets obtained	<u>66,068,959.27</u>	<u>50,068,959.27</u>	<u>44,840,467.27</u>

The fair value of the assets and liabilities acquired above at the acquisition date are determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

- Evaluation methods of fixed assets, construction in progress and intangible assets include income method, cost method and market method;
- Evaluation is based on a basic assumption that the results will be used in accounting and report of enterprise assets acquisition;
- All assets evaluated are based on the actual stock on the assessment base date, and the current market price of the relevant asset is based on the effective domestic price on the assessment base date;
- There will be no major unforeseeable changes in the external economic environment after the assessment date;

There will be no unforeseeable factors leading to its unsustainable operation, and the existing use of the assessed assets will remain unchanged and continue to be used on-site.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

5 Changes in scope of business combinations (Cont'd)

(2) Disposal of subsidiary

(a) The relevant information on the disposal of subsidiary in the current period is summarized as follows:

Name of subsidiary	Disposal price	Disposal ratio	Disposal method	Time of loss of control	Judgment basis at the point of loss of control	The difference between the disposal price and the disposal investment corresponding to the consolidated financial statement level of the subsidiary's net asset share	The amount of other comprehensive income related to the equity investment of the atomic company transferred to the investment profit and loss
SPH Health Commerce	Not applicable	24.77%	Passive dilution	5 February 2021	Finance and operation of the investee are no longer controlled.	Not applicable	-

On 5 February, 2021, the Group's subsidiary, SPH Health Commerce completed the B round financing and introduced seven new investors in the form of capital increase. The seven new shareholders subscribed for a total of RMB688,562,500 for the newly-increased registered capital of SPH Health Commerce at a consideration of RMB1,032,843,750 in cash (hereinafter referred to as "the transaction"). After the transaction, the Group's direct/indirect shareholding in SPH Health Commerce has been diluted from 72.7478% to 47.974%, and SPH Health Commerce is no longer included in the Group's consolidation scope. The disposal income is RMB1,027,530,284.17.

(b) The disposal profit and loss information is as follows

(i) SPH Health Commerce

The disposal gains and losses are calculated as follows:

	Amount
The fair value of the remaining 47.97% of the equity at the disposal date	1,454,970,394.94
Less: SPH Health Commerce's share of net assets at the level of consolidated financial statements	(343,276,665.79)
Less: fair value of put option granted	(84,163,444.98)
	<hr/>
Other comprehensive income transferred to current profit and loss	-
Investment income from disposal	<hr/>
	1,027,530,284.17

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

6 Equity in other subjects

(1) Equity in significant subsidiaries

(a) The structure of the Group

Name of significant subsidiaries	Place of operation	Place of registration	Principal activities	Issued and paid up capital/ registered capital	Share proportion		Acquisition method
					Direct	Indirect	
Shanghai Pharmaceutical Co., Ltd. (上藥控股有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	5,000,000,000	100.00%	-	Subsidiaries established through establishment or investment
SPH Keyuan Xinhai Pharmaceutical Co., Ltd. (上藥科園信海醫藥有限公司)	Beijing	Haikou	Distribution of pharmaceutical products	1,300,000,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
China International Pharmaceutical (Holdings) Limited (中國國際醫藥(控股)有限公司)	Hong Kong	Hong Kong	Distribution of pharmaceutical products	22,508,000	100.00%	-	Subsidiaries established through establishment or investment
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd. (上海上藥信誼藥廠有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	1,191,611,000	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd. (上海上藥第一生化藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	225,000,000	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd. (上海中西三維藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	545,800,000	65.13%	34.87%	Subsidiaries established through establishment or investment
Shanghai SPH New Asiatic Pharmaceutical Co., Ltd. (上海上藥新亞藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	1,052,429,000	96.90%	-	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Changzhou Pharmaceutical Co., Ltd. (上藥集團常州藥業股份有限公司)	Changzhou	Changzhou	Pharmaceutical products manufacture and trading	157,580,506	57.36%	18.53%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Dong Ying (Jiangsu) Pharmaceutical Co., Ltd. (上藥東英(江蘇)藥業有限公司)	Nantong	Nantong	Pharmaceutical products manufacture and trading	141,322,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai Traditional Chinese Medicine Co., Ltd. (上海市藥材有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	1,476,070,000	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhonghua Pharmaceutical Co., Ltd. (上海中華藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	93,642,000	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)

6 Equity in other subjects (Cont'd)

(1) Equity in significant subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name of significant subsidiaries	Place of operation	Place of registration	Principal activities	Issued and paid up capital/ registered capital	Share proportion		Acquisition method
					Direct	Indirect	
SPH Qingdao Growful Pharmaceutical Co., Ltd. (上海醫藥集團青島國風藥業股份有限公司)	Qingdao	Qingdao	Pharmaceutical products manufacture and trading	93,000,000	67.52%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Chiatai Qingchunbao Pharmaceutical Co., Ltd. (正大青春寶藥業有限公司)	Hangzhou	Hangzhou	Pharmaceutical products manufacture and trading	128,500,000	20.00%	55.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Hangzhou Huqingyutang Pharmaceutical Co., Ltd. (杭州胡慶餘堂藥業有限公司)	Hangzhou	Hangzhou	Pharmaceutical products manufacture and trading	135,000,000	-	51.01%	Subsidiaries obtained through business combinations involving enterprises under common control
Xiamen Traditional Chinese Medicine Co., Ltd. (廈門中藥廠有限公司)	Xiamen	Xiamen	Pharmaceutical products manufacture and trading	200,000,000	-	61.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd. (遼寧上藥好護士藥業(集團)有限責任公司)	Benxi	Benxi	Pharmaceutical products manufacture and trading	102,000,000	-	55.00%	Subsidiaries obtained through business combinations involving enterprises under common control
SHANGHAI SUNVE BIO-TECH CO LTD. (上海三維生物技術有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	USD 15,343,300	-	100.00%	Subsidiaries established through establishment or investment
TECHPOOL Bio-Pharma Co., Ltd. (廣東天普生化醫藥股份有限公司)	Guangzhou	Guangzhou	Pharmaceutical products manufacture and trading	100,000,000	39.28%	27.86%	Subsidiaries obtained through business combinations involving enterprises not under common control
Zeus Investment Limited	Hong Kong	Hong Kong	Investment holding practices	AUD 319,208,250	-	59.61%	Subsidiaries established through establishment or investment
Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司)	Shanghai	Shanghai	Medical instruments manufacture and trading	127,000,000	99.21%	0.79%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd. (上海醫藥物資供銷有限公司)	Shanghai	Shanghai	Wholesale of chemical raw materials	101,390,000	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Tianping Pharmaceutical Company Ltd. (上海信誼天平藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	154,700,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control

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(All amounts in RMB Yuan unless otherwise stated)

6 Equity in other subjects (Cont'd)

(1) Equity in significant subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name of significant subsidiaries	Place of operation	Place of registration	Principal activities	Issued and paid up capital/ registered capital	Share proportion		Acquisition method
					Direct	Indirect	
Shanghai Sine Jinzhu Pharmacy Co., Ltd. (上海信誼金朱藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	9,072,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Wanxiang Pharmaceutical Co., Ltd. (上海信誼萬象藥業股份有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	100,000,000	-	89.92%	Subsidiaries obtained through business combinations involving enterprises under common control
SHANDONG SINE PHARMACEUTICAL CO LTD (山東信誼製藥有限公司)	Dezhou	Dezhou	Pharmaceutical products manufacture and trading	177,406,159	-	67.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai New Asiatic Medicine Industry Minhang Co., Ltd. (上海新亞藥業閔行有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	57,500,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Liaoning Meiya Pharmaceutical Co., Ltd. (遼寧美亞製藥有限公司)	Fushun	Fushun	Pharmaceutical products manufacture and trading	130,000,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhongxi Pharmaceutical Co., Ltd. (上海上藥中西製藥有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	148,200,000	-	90.00%	Subsidiaries established through establishment or investment
Shanghai Huayu Pharmaceutical Co., Ltd. (上海上藥華宇藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	270,060,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Lei Yun Shang Pharmaceutical Co., Ltd. (上海雷允上藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	465,070,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Shenxiang Health Pharmaceutical Co., Ltd. (上海上藥神象健康藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	150,000,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Xing Ling Sci.&Tech. Pharmaceutical Co., Ltd. (上海上藥杏靈科技藥業股份有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	80,000,000	-	86.31%	Subsidiaries obtained through business combinations involving enterprises under common control
Zhejiang Jiuxu Pharmaceutical Co., Ltd. (浙江九旭藥業有限公司)	Jinhua	Jinhua	Pharmaceutical products manufacture and trading	25,000,000	-	51.00%	Subsidiaries obtained through business combinations involving enterprises not under common control

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(All amounts in RMB Yuan unless otherwise stated)

6 Equity in other subjects (Cont'd)

(1) Equity in significant subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name of significant subsidiaries	Place of operation	Place of registration	Principal activities	Issued and paid up capital/ registered capital	Share proportion		Acquisition method
					Direct	Indirect	
Changzhou Pharmaceutical Factory Co., Ltd. (常州製藥廠有限公司)	Changzhou	Changzhou	Pharmaceutical products manufacture and trading	108,000,000	-	77.78%	Subsidiaries obtained through business combinations involving enterprises under common control
Chifeng Aike Pharmaceutical Technology Co., Ltd. (赤峰艾克製藥科技股份有限公司)	Chifeng	Chifeng	Pharmaceutical products manufacture and trading	40,900,000	-	58.19%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH (benxi) North Pharmaceutical Co., Ltd. (上海醫藥集團(本溪)北方藥業有限公司)	Benxi	Benxi	Development, manufacture and distribution of medicine	380,000,000	100.00%	-	Subsidiaries established through establishment or investment
Zhejiang Shanghai Xinxin Pharma Co., Ltd. (浙江上藥新欣醫藥有限公司)	Hangzhou	Hangzhou	Distribution of pharmaceutical products	37,880,000	-	67.00%	Subsidiaries established through establishment or investment
Shanghai Pharmaceutical Medicine Sales Co., Ltd. (上海醫藥集團藥品銷售有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	50,000,000	100.00%	-	Subsidiaries established through establishment or investment
Ningbo Pharmaceutical Co., Ltd. (上藥控股寧波醫藥股份有限公司)	Ningbo	Ningbo	Distribution of pharmaceutical products	250,000,000	-	63.61%	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai Pharmaceutical Shanhe Wuxi Co., Ltd. (上藥控股江蘇股份有限公司)	Wuxi	Wuxi	Distribution of pharmaceutical products	119,224,505	-	98.11%	Subsidiaries obtained through business combinations involving enterprises not under common control
Guang Zhou Z.S.Y Pharmaceutical Co., Ltd. (上藥控股廣東有限公司)	Guangzhou	Guangzhou	Distribution of pharmaceutical products	76,880,000	-	82.59%	Subsidiaries obtained through business combinations involving enterprises not under common control
SPH Shan Dong Pharmceutical Co., Ltd. (上藥控股山東有限公司)	Jinan	Jinan	Distribution of pharmaceutical products	80,000,000	-	75.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Fujian Pharmaceutical Co., Ltd. (福建省醫藥有限責任公司)(Note 1)	Fuzhou	Fuzhou	Distribution of pharmaceutical products	109,716,000	-	49.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Cardinal Health (Shanghai) Pharmaceutical Co., Ltd. (上藥康得樂(上海)醫藥有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	98,634,700	-	100.00%	Subsidiaries obtained through business combinations involving enterprises not under common control

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6 Equity in other subjects (Cont'd)

(1) Equity in significant subsidiaries (Cont'd)

(a) The structure of the Group (Cont'd)

Name of significant subsidiaries	Place of operation	Place of registration	Principal activities	Issued and paid up capital/ registered capital	Share proportion		Acquisition method
					Direct	Indirect	
SHANGHAI HUASHI PHARMACEUTICAL CO., LTD. (上海華氏大藥房有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	250,000,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
SPH Keyuan Xinhai Pharmaceutical Hubei Co. Ltd. (上藥科園信海醫藥湖北有限公司)	Wuhan	Wuhan	Distribution of pharmaceutical products	100,000,000	-	60.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd. (上藥科園信海陝西醫藥有限公司)	Xi'an	Xi'an	Distribution of pharmaceutical products	100,000,000	-	85.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Henan Kangxin Pharmaceutzcal Co., Ltd. (河南省康信醫藥有限公司)	Zhengzhou	Zhengzhou	Distribution of pharmaceutical products	100,000,000	-	70.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
China Medical Foreign Trading Liao Ning Co., Ltd. (遼寧省醫藥對外貿易有限公司)	Shenyang	Shenyang	Distribution of pharmaceutical products	282,012,500	51.74%	-	Subsidiaries obtained through business combinations involving enterprises not under common control
Sichuan Guojia Medical Technology Co., Ltd. (四川省國嘉醫藥科技有限責任公司)	Chengdu	Chengdu	Distribution of pharmaceutical products	36,734,700	-	51.00%	Subsidiaries obtained through business combinations involving enterprises not under common control

Note 1: The Company's directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of the subsidiary although its equity interests in it were 49%, after considering the facts that the majority of the executive directors of these subsidiaries were representatives of the Group.

Note 2: Except SPH Changzhou Pharmaceutical Co., Ltd., SPH Qingdao Growful Pharmaceutical Co., Ltd., TECHPOOL Bio-Pharma Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., SPH Xing Ling Sci.&Tech. Pharmaceutical Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd., Ningbo Pharmaceutical Co., Ltd. and Shanghai Pharmaceutical Shanhe Wuxi Co., Ltd. whose corporate category is incorporated company by shares, all of the above mentioned subsidiaries are limited liability companies.

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6 Equity in other subjects (Cont'd)

(1) Equity in significant subsidiaries (Cont'd)

(b) Subsidiaries with significant minority interests

Name of significant subsidiaries	Shareholding proportion of minority interests	Comprehensive income attributable to minority interests for the six months ended 30 June 2021	Dividends distributed to minority interests for the six months ended 30 June 2021	Minority interests on 30 June 2021		
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	24.11%	60,835,322.21	12,172,462.00	945,680,848.38		
Sichuan Guojia Medical Technology Co., Ltd. and its subsidiaries	49.00%	28,372,371.60	-	1,128,533,869.69		
		30 June 2021				
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries(i)	3,284,989,103.51	1,243,644,920.40	4,528,634,023.91	(1,977,444,073.37)	(30,591,308.65)	(2,008,035,382.02)
Sichuan Guojia Medical Technology Co., Ltd. and its subsidiaries	2,435,761,699.87	475,800,115.96	2,911,561,815.83	(527,566,551.45)	(80,864,918.06)	(608,431,469.51)

(i) As at and for the six months ended 31 December 2021, the Company's equity and net comprehensive income to minority interests presented in the consolidated balance sheets were approximately RMB445,334,715.81 and RMB30,853,001.00.

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6 Equity in other subjects (Cont'd)

(1) Equity in significant subsidiaries (Cont'd)

(b) Subsidiaries with significant minority interests (Cont'd)

	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	2,960,943,241.60	1,196,743,387.30	4,157,686,628.90	(1,738,435,806.81)	(41,689,090.92)	(1,780,124,897.73)
Sichuan Guojia Medical Technology Co., Ltd. and its subsidiaries	2,295,173,401.98	484,886,424.22	2,780,059,826.20	(449,748,341.61)	(85,083,937.45)	(534,832,279.06)
	Six months ended 30 June 2021					
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities		
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	2,963,115,280.99	155,199,631.20	155,209,372.71	(44,756,982.03)		
Sichuan Guojia Medical Technology Co., Ltd. and its subsidiaries	1,569,237,018.38	57,902,799.19	57,902,799.19	1,653,723,798.77		
	Six months ended 31 December 2020					
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities		
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	2,616,570,090.55	130,950,013.86	130,950,013.86	82,001,836.81		
Sichuan Guojia Medical Technology Co., Ltd. and its subsidiaries	1,462,847,399.73	80,179,716.72	80,179,716.72	69,723,048.78		

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**NOTES TO THE FINANCIAL STATEMENTS
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6 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates

(a) Summarised financial information of significant joint ventures and associates

	Place of operation	Place of incorporate	Principal activities	If strategic for group activities	Share proportion	
					Direct	Indirect
Associates—						
Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	Yes	-	30.00%
Sino-American Shanghai Squibb Pharmaceuticals Ltd. (中美上海施貴寶製藥 有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	Yes	30.00%	-
Joint ventures –						
Shanghai Hutchison Pharmaceutical Co., Ltd. (上海和黃藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	Yes	-	50.00%

(b) Summarised financial information of significant joint ventures

	30 June 2021 RMB'000	31 December 2020 RMB'000
	Shanghai Hutchison Pharmaceutical Co., Ltd.	Shanghai Hutchison Pharmaceutical Co., Ltd.
Current assets	1,050,795	1,155,621
Including: Cash and cash equivalents	357,556	475,065
Non-current assets	604,180	608,622
Total assets	1,654,975	1,764,243
Current liabilities	781,250	722,407
Non-current liabilities	49,811	40,890
Total liabilities	831,061	763,297
Minority interests	-	-
Equity attributable to shareholders of the company	823,914	1,000,946
Share of net assets by shareholding (i)	411,957	500,473
Adjustments		
- Unrealised profits arising from internal transactions	(9,656)	(5,934)
Carrying amount of investments in joint ventures	402,301	494,539
Fair value of the investment in joint ventures with quoted price	Not applicable	Not applicable

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(All amounts in RMB Yuan unless otherwise stated)

6 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates (Cont'd)

(b) Summarized financial information of significant joint ventures (Cont'd)

	Six months ended 30 June 2021 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.	Six months ended 30 June 2020 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.
Revenue	1,174,800	1,102,421
Finance (income)/expenses	(4,590)	27,724
Income tax expenses	63,523	(52,944)
Net profit	372,968	339,033
Other comprehensive income	-	-
Total comprehensive income	<u>372,968</u>	<u>339,033</u>
Dividends declared by the joint ventures to the Group	<u>275,000</u>	<u>150,000</u>

- (i) The Group calculates share of assets in proportion of the shareholdings based on the amount attributable to the parent company of joint ventures in their consolidated financial statements. The amount in the consolidated financial statements of joint ventures considers the impacts of fair value of identifiable assets and liabilities of joint ventures at the time of acquisition and the unification of accounting policies.

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(All amounts in RMB Yuan unless otherwise stated)

6 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates (Cont'd)

(c) Summarized financial information of significant associates

	30 June 2021		31 December 2020	
	RMB'000		RMB'000	
	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.
Current assets	9,552,858	1,631,072	10,327,910	2,375,480
Non-current assets	2,521,470	709,063	2,666,548	699,758
Total assets	12,074,328	2,340,135	12,994,458	3,075,238
Current liabilities	6,404,477	1,283,985	7,486,952	2,231,095
Non-current liabilities	587,739	23,516	1,043,692	-
Total liabilities	6,992,216	1,307,501	8,530,644	2,231,095
Minority interests	-	-	-	-
Equity attributable to shareholders of the company	5,082,112	1,032,634	4,463,814	844,143
Share of net assets by shareholding (i)	1,524,634	309,790	1,339,144	253,243
Adjustments				
- Goodwill	-	-	-	-
- Unrealized profits arising from internal transactions	(23,725)	(3,106)	(23,107)	(3,486)
Carrying amount of investments in associate	1,500,909	306,684	1,316,037	249,757
Fair value of the investment in associates with quoted price	Not applicable	Not applicable	Not applicable	Not applicable

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(All amounts in RMB Yuan unless otherwise stated)

6 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates (Cont'd)

(c) Summarized financial information of significant associates (Cont'd)

	Six months ended 30 June 2021		Six months ended 30 June 2020	
	RMB'000		RMB'000	
	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.
Revenue	7,138,380	2,318,988	7,552,270	2,436,484
Net profit	618,298	188,491	680,554	251,574
Other comprehensive income	-	-	-	-
Total comprehensive income	618,298	188,491	680,554	251,574
Dividends declared by the associates to the Group	-	-	-	58,303

- (i) The Group calculated the shares of assets in proportion of the shareholdings and based on the amount attributable to the parent company of the associates in their consolidated financial statements. The amount in the consolidated financial statements of associates considers the impacts of fair value of identifiable assets and liabilities of associates at the time of acquisition and the unification of accounting policies.

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**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

6 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates (Cont'd)

(d) Summarized financial information of non-significant joint ventures and associates

	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Joint ventures –		
Carrying amount of investments in total	1,670,456	1,750,289
Aggregate of the following items in proportion		
Net profit (i)	12,250	15,805
Other comprehensive income (i)	-	-
Total comprehensive income	<u>12,250</u>	<u>15,805</u>
Associates –		
Carrying amount of investments in total	5,363,625	2,496,535
Aggregate of the following items in proportion		
Net profit (i)	173,178	143,247
Other comprehensive income (i)	795	68
Total comprehensive income	<u>173,973</u>	<u>143,315</u>

- (i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and the unification of accounting policies adopted by the joint ventures and the associates to those adopted by the Company.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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7 Segment Information

The Group's revenue is mainly derived from Mainland China. The board of directors consider the business from a business type perspective. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 4 reportable segments as follows:

- Pharmaceutical business (Production segment), which is mainly engaged in research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products;
- Distribution and supply chain solutions (Distribution segment), which is mainly engaged in distribution, warehousing, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers;
- Pharmaceutical retail (Retail segment), which is mainly engaged in operation of a network of retail pharmacy stores; and
- Other business operations (Others), which is mainly engaged in other business.

Inter-segment transfer prices are measured by reference to selling prices to third parties.

The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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7 Segment Information (Cont'd)

(1) Segment information as at 30 June 2021 and for the six months ended 30 June 2021 is as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
Revenue	12,601,614,547.89	92,487,385,777.05	3,708,499,971.81	652,615,793.67	(4,212,647,208.45)	105,237,468,881.97
Including: External revenue	10,651,644,288.48	90,358,842,457.40	3,686,333,086.93	540,649,049.16	-	105,237,468,881.97
Inter-segment revenue	1,949,970,259.41	2,128,543,319.65	22,166,884.88	111,966,744.51	(4,212,647,208.45)	-
Less: Cost of sales	(5,090,721,766.36)	(86,328,870,929.79)	(3,201,232,343.96)	(325,260,357.59)	4,135,819,055.81	(90,810,266,341.89)
Taxes and surcharges	(120,013,525.43)	(187,450,695.03)	(9,880,552.25)	(7,306,687.43)	-	(324,651,460.14)
Selling expenses	(4,316,304,048.34)	(2,087,537,810.46)	(336,358,017.57)	(61,633,630.17)	61,988,327.72	(6,739,845,178.82)
General and administrative expenses	(943,455,139.12)	(1,022,129,007.89)	(148,682,356.26)	(217,589,356.87)	9,523,807.44	(2,322,332,052.70)
Research and development expenses	(880,028,512.19)	-	-	-	-	(880,028,512.19)
Segment profit	1,251,091,556.45	2,861,397,333.88	12,346,701.77	40,825,761.61	(5,316,017.48)	4,160,345,336.23
Unallocated:						
Finance expenses-net						(578,868,705.15)
Asset impairment reversals						15,634,812.60
Credit impairment losses						(201,103,557.94)
Add: Losses arising from changes in fair value						(35,593,655.13)
Investment income						1,671,188,152.88
Other income						192,600,180.75
Gains on disposals of assets						5,924,774.69
Operating profit						5,230,127,338.93
Depreciation and amortisation	399,016,025.22	555,189,153.13	99,467,900.97	122,628,855.58	-	1,176,301,934.90
Capital expenditures	590,555,529.99	146,636,897.63	11,486,462.44	307,463,389.43	-	1,056,142,279.49
Assets	34,580,285,105.85	111,438,072,229.25	2,479,998,607.36	37,061,226,922.98	(37,802,381,690.92)	147,757,201,174.52
Investment in associates-net	3,628,290,902.82	1,763,115,212.22	628,881.98	1,779,182,043.39	-	7,171,217,040.41
Investment in joint ventures -net	424,772,315.92	322,458,190.26	-	1,325,526,889.01	-	2,072,757,395.19
Unallocated:						
Deferred tax assets						1,420,358,309.68
Total assets						158,421,533,919.80
Liabilities	13,591,511,985.18	82,308,481,107.29	1,912,828,943.11	21,407,657,347.33	(19,663,603,280.69)	99,556,876,102.22
Unallocated:						
Deferred tax liabilities						1,036,231,932.38
Income tax payable						538,180,334.13
Total liabilities						101,131,288,368.73

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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7 Segment Information (Cont'd)

(2) Segment information as at 31 December 2020 and for the six months ended 30 June 2020 is as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
Revenue	11,674,691,545.54	75,451,463,608.15	3,767,820,629.20	500,005,277.97	(4,228,875,925.47)	87,165,105,135.39
Including: External revenue	9,942,360,152.49	73,085,323,029.05	3,748,833,222.78	388,588,731.07	-	87,165,105,135.39
Inter-segment revenue	1,732,331,393.05	2,366,140,579.10	18,987,406.42	111,416,546.90	(4,228,875,925.47)	-
Less: Cost of sales	(4,730,226,128.36)	(69,972,763,895.39)	(3,242,650,964.49)	(270,533,760.14)	4,161,128,024.36	(74,055,046,724.02)
Taxes and surcharges	(108,920,020.44)	(134,275,737.34)	(9,696,308.84)	(8,310,405.81)	-	(261,202,472.43)
Selling expenses	(3,986,554,499.33)	(1,808,771,252.23)	(332,465,615.24)	(45,565,014.57)	52,991,450.65	(6,120,364,930.72)
General and administrative expenses	(912,675,444.32)	(958,753,498.92)	(172,874,612.03)	(196,748,918.47)	16,260,534.23	(2,224,791,939.51)
Research and development expenses	(676,750,443.92)	-	-	-	-	(676,750,443.92)
Segment profit	1,259,565,009.17	2,576,899,224.27	10,133,128.60	(21,152,821.02)	1,504,083.77	3,826,948,624.79
Unallocated:						
Finance expenses-net						(670,508,004.34)
Asset impairment losses						(231,929,820.32)
Credit impairment losses						(153,480,670.87)
Add: Profit arising from changes in fair value						103,418,122.80
Investment income						529,302,880.15
Other income						230,973,226.60
Losses on disposals of assets						(1,215,478.38)
Operating profit						<u>3,633,508,880.43</u>
Depreciation and amortisation	414,290,278.48	485,501,264.40	120,480,186.74	83,060,746.14	-	1,103,332,475.76
Capital expenditures	564,732,166.38	158,834,432.38	8,636,954.21	777,370,235.23	-	1,509,573,788.20
Assets	33,000,552,477.85	105,413,756,411.79	2,633,187,666.93	36,434,058,676.87	(36,306,327,131.09)	141,175,228,102.35
Investment in associates-net	2,757,375,516.85	299,981,076.79	-	1,453,543,557.92	-	4,510,900,151.56
Investment in joint ventures -net	516,301,873.82	321,019,908.31	-	1,302,842,071.92	-	2,140,163,854.05
Unallocated:						
Deferred tax assets						<u>1,359,363,370.67</u>
Total assets						<u>149,185,655,478.63</u>
Liabilities	12,256,541,872.32	76,824,349,046.83	1,979,083,869.30	17,610,654,354.23	(15,740,531,895.72)	92,930,097,246.96
Unallocated:						
Deferred tax liabilities						832,375,455.83
Income tax payable						<u>682,453,006.19</u>
Total liabilities						<u>94,444,925,708.98</u>

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8 Related parties and related party transactions

(1) The parent company

(a) General information of the parent company

	Place of registration	Nature of business
Shanghai Pharma Group	No 92, Zhangjiang Road, Shanghai	Pharmaceutical products manufacture

The Company's ultimate controlling party is Shanghai Industrial Group, incorporated in Hong Kong.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Shanghai Pharma Group	<u>3,158,720,000.00</u>	<u>-</u>	<u>-</u>	<u>3,158,720,000.00</u>

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	30 June 2021		31 December 2020	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
Shanghai Pharma Group	25.21%	25.21%	25.21%	25.21%

(2) Significant subsidiaries

For basic and related information of significant subsidiaries, please refer to Note 6(1)

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8 Related parties and related party transactions (Cont'd)

(3) Joint ventures and associates

Except for the joint ventures and associates disclosed in Note 4(13), the other joint ventures and associates that have related party transactions with the Group are as follows:

	Relationship with the Group
Shanghai Ivyuan Pharmacy Co., Ltd. (上海綠苑藥房有限公司)	Associate
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd. (上海千山遠東製藥機械有限公司)	Associate
Shanghai Huaren Pharmaceutical Co., Ltd. (上海華仁醫藥有限公司)	Associate
Hangzhou Huqingyutang Medicinal Planting Co., Ltd. (杭州胡慶餘堂藥材種植有限公司)	Associate
Shanghai Huayu Saffron Planting Professional Cooperative (上海華宇西紅花種植專業合作社)	Associate
Chongqing Quanzhidao Medicine Co., Ltd. (重慶全之道醫藥有限公司)	Associate
Shanghai Jianer Pharmacy Co., Ltd. (上海健爾醫藥有限公司)	Joint venture
Guangzhou Ruixun Medicine Co., Ltd. (廣州銳訊醫藥有限公司)	Fomer Associate

(4) Other related parties

	Relationship with the Group
Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (上海新先鋒藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Indu-Land Property Co., Ltd. (上海英達萊物業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Yingdalai Property Co., Ltd. (上海英達萊置業有限公司)	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 Pharma Group

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(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions

Except for the items disclosed in other items of the financial statements, other related party transactions of the Group include:

(a) Purchase and sales of goods, vender and purchase of services

Purchase of goods and services:

Related party	Related transaction	Pricing policies	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Shanghai Roche Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	1,156,882.30	896,389.50
Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	159,701.58	178,387.06
Shanghai Pharma Health Commerce Co., Ltd.'s subsidiaries	Purchase of goods	By negotiation	153,827.97	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Purchase of goods	By negotiation	136,482.33	103,139.31
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Purchase of goods	By negotiation	102,661.68	36,695.72
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	58,868.50	26,446.26
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	40,127.09	24,176.96
Shanghai Sine Promod Pharmaceutical Corp., Ltd and its subsidiaries.	Purchase of goods	By negotiation	18,942.89	34,126.89
Shanghai Huayu Saffron Planting Professional Cooperative	Purchase of goods	By negotiation	11,484.41	16,851.84
Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	10,075.00	11,477.92
Hangzhou Huqingyutang Medicinal Planting Co., Ltd.	Purchase of goods	By negotiation	7,355.72	6,285.49
Guangzhou Ruixun Medicine Co., Ltd.	Purchase of goods	By negotiation	2,072.93	7,004.99
Others	Purchase of goods and services	By negotiation	43,270.43	9,931.84
			<u>1,901,752.83</u>	<u>1,350,913.78</u>

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8 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, vender and purchase of services (Cont'd)

Sales of goods and services:

Related party	Related transaction	Pricing policies	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	Sales of goods	By negotiation	1,514,423.02	1,325,460.94
Shanghai Pharma Health Commerce Co.,Ltd.'s subsidiaries	Sales of goods	By negotiation	79,685.71	-
Shanghai Hutchison Pharmaceutical Co., Ltd	Sales of goods	By negotiation	44,149.69	82,736.78
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	Sales of goods	By negotiation	40,264.32	25,906.60
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	Sales of goods	By negotiation	23,517.20	29,211.99
Shanghai Ivyuan Pharmacy Co., Ltd.	Sales of goods	By negotiation	14,106.86	15,031.63
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Sales of goods	By negotiation	5,663.06	2,736.50
Shanghai Roche Pharmaceutical Co., Ltd.	Sales of goods	By negotiation	4,090.29	8,488.60
Shanghai Jianer Pharmacy Co., Ltd.	Sales of goods	By negotiation	1,975.31	1,963.20
Shanghai Sine Promod Pharmaceutical Corp., Ltd and its subsidiaries.	Sales of goods	By negotiation	250.39	8,701.25
	Sales of goods and vender of services			
Others		By negotiation	11,877.00	5,696.12
			<u>1,740,002.85</u>	<u>1,505,933.61</u>

(b) Lease

The rental income recognised by the Group as the lessor:

Lessee	Leased asset	Rental income recognised during six months ended 30 June 2021 RMB'000	Rental income recognised during six months ended 30 June 2020 RMB'000
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Building	5,404.07	5,827.71
Shanghai Yingdalai Property Co., Ltd.	Building	2,403.45	2,180.00
Shanghai Hutchison Pharmaceutical Co., Ltd.	Building	1,231.27	1,231.27
		<u>9,038.79</u>	<u>9,238.98</u>

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(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(b) Lease (Cont'd)

The Group is the lessee:

Lessor	Leased asset	Lease payable recognised during Six months ended 30 June 2021 RMB'000	Lease payable recognised during Six months ended 30 June 2020 RMB'000
Shanghai Pharma Group	Building	20,583.90	14,597.77
Shanghai Indu-Land Property Co., Ltd	Building	6,524.19	5,166.53
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	Land use right and Building	-	4,905.24
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	Machinery equipment	-	854.06
		<u>27,108.09</u>	<u>25,523.60</u>

The Group's addition of right-of-use assets as the lessee:

Lessor	Leased asset	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Shanghai Pharma Group	Building	<u>2,128.28</u>	<u>26,334.69</u>

Finance cost of lease liabilities assumed by the Group as the lessee:

Lessor	Leased asset	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Shanghai Pharma Group	Building	981.57	1,136.49
Shanghai Indu-Land Property Co., Ltd	Building	-	37.32
		<u>981.57</u>	<u>1,173.81</u>

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8 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(c) R&D expenditures

		Six months ended 30 June 2021	Six months ended 30 June 2020
	Pricing policies	RMB'000	RMB'000
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	By negotiation	-	4,776.50
Shanghai Huiyong Medicine Research Co., Ltd.	By negotiation	1,132.08	-
		<u>1,132.08</u>	<u>4,776.50</u>

(d) Guarantee

The Group is the Guarantor:

Guaranteed party	Guarantee amount RMB'000	Starting date	Ending date	Completed or not
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	<u>723.13</u>	2021/03/25	2021/07/25	No

(e) Key management compensation

	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Salary, bonus and other compensation	23,698.71	14,057.85
Stock options	<u>1,939.79</u>	<u>2,180.09</u>
	<u>25,638.50</u>	<u>16,237.94</u>

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8 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(f) Interest

Interest income

	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	<u>7,037.81</u>	<u>2,395.93</u>

Interest expense

	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	<u>36,824.22</u>	<u>37,446.84</u>

Derecognition on accounts receivables and financing receivables

	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	3,830.68	5,451.04
Shangshi Commercial Factoring Co., Ltd.	-	650.32
	<u>3,830.68</u>	<u>6,101.36</u>

(g) Deposits and borrowings

	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Net (decrease)/increase of the deposit balance		
Shanghai Industrial Group Finance Co., Ltd.	<u>(319,325.66)</u>	<u>63,178.56</u>

Loan received from related parties

Shanghai Industrial Group Finance Co., Ltd.	1,226,000.00	2,599,500.00
SPH-BIOCAD(HK) Limited	-	1,291,153.58
	<u>1,226,000.00</u>	<u>3,890,653.58</u>

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(All amounts in RMB Yuan unless otherwise stated)

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(g) Deposits and borrowings(Cont'd)

		Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Loan repayment to related parties	Shanghai Industrial Group Finance Co., Ltd.	(621,514.66)	(2,109,920.00)
Repayment received from related parties	Shanghai Huaren Pharmaceutical Co., Ltd.	500.00	300.00

(h) Discount of bank acceptance notes

		Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Discount amount	Shanghai Industrial Group Finance Co., Ltd.	222,278.59	421,712.81

(i) Discount of trade acceptance notes

		Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Discount amount	Shanghai Industrial Group Finance Co., Ltd.	-	31,806.73

(j) Factoring of trade receivables

		Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Shangshi Commercial Factoring Co., Ltd.		-	81,250.00

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8 Related parties and related party transactions (Cont'd)

(6) Balance of receivables and payables of related parties

Amounts due from related parties

		30 June 2021		31 December 2020	
		Accounts balance RMB'000	Provision for bad debts RMB'000	Accounts balance RMB'000	Provision for bad debts RMB'000
Accounts					
receivables	Jiangxi Nanhua Medicines Co.,				
due from:	Ltd and its subsidiaries.	839,750.19	4,597.84	677,108.34	3,718.23
	Shanghai Hutchison				
	Pharmaceutical Co., Ltd.	29,931.06	343.24	16,142.81	182.70
	Shanghai Leiyunshang				
	Pharmaceutical North District				
	Co., Ltd and its subsidiaries.	18,676.97	776.96	27,456.01	844.19
	Shanghai Pharma Health				
	Commerce Co.,Ltd.'s				
	subsidiaries	12,269.53	184.13	-	-
	Chongqing Medicines Shanghai				
	Pharma Sales Co., Ltd.	8,844.00	2,281.18	12,109.31	2,306.73
	Shanghai Ivyuan Pharmacy Co.,				
	Ltd.	3,033.77	16.71	4,933.86	31.29
	Sino-American Shanghai Squibb				
	Pharmaceuticals Ltd.	2,610.32	14.62	476.13	1.80
	Shanghai Jianer Pharmacy Co.,				
	Ltd.	660.75	3.59	568.79	3.19
	Others	8,074.68	569.83	8,742.80	1,078.11
		<u>923,851.27</u>	<u>8,788.10</u>	<u>747,538.05</u>	<u>8,166.24</u>
Other					
receivables	Shanghai Pharma Health				
due from:	Commerce Co.,Ltd.'s				
	subsidiaries	217,768.83	1,113.13	-	-
	Shanghai Hutchison				
	Pharmaceutical Co., Ltd.	75,000.00	187.50	-	-
	Shanghai Overseas United				
	Investment Co., Ltd.	13,297.64	66.49	13,297.64	66.49
	Shanghai Fudan-Zhangjiang				
	Bio-Pharmaceutical Co., Ltd.	10,507.13	26.27	-	-
	Shanghai Huayu Saffron				
	Planting Professional				
	Cooperative	7,588.13	7,588.13	7,588.13	5,642.78
	Shanghai Huaren				
	Pharmaceutical Co., Ltd.	6,478.95	38.23	7,132.79	42.08
	Shanghai Bracco Sine				
	Pharmaceutical Corp., Ltd.	4,888.15	53.47	3,647.04	26.08
	Shanghai Roche				
	Pharmaceutical Co., Ltd.	3,566.06	21.53	5,053.04	331.89
	Shanghai China Sun Far-east				
	Pharmaceutical Machinery				
	Co., Ltd.	1,460.88	1,460.88	1,460.88	1,460.88
	Shanghai Leiyunshang				
	Pharmaceutical North District				
	Co., Ltd.	1,450.00	3.63	1,450.00	3.63
	Sino-American Shanghai Squibb				
	Pharmaceuticals Ltd.	529.48	14.14	42,582.94	106.53
	Guangzhou Ruixun Medicine				
	Co., Ltd.	-	-	1,542.80	429.81
	Others	2,864.42	413.28	8,575.68	6,193.66
		<u>345,399.67</u>	<u>10,986.68</u>	<u>92,330.94</u>	<u>14,303.83</u>

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8 Related parties and related party transactions (Cont'd)

(6) Balance of receivables and payables of related parties (Cont'd)

Amounts due from related parties (Cont'd)

	30 June 2021 RMB'000	31 December 2020 RMB'000
Prepayments		
due from: Shanghai Roche Pharmaceutical Co., Ltd.	6,278.95	143.06
Shanghai Sine Promod Pharmaceutical Corp., Ltd.	3,241.29	102.96
Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	1,756.80	1,771.12
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	1,636.94	1,700.03
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	300.10	300.10
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	199.54	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	-	957.85
Shanghai Huayu Saffron Planting Professional Cooperative	-	2,920.10
Others	50.13	639.05
	<u>13,463.75</u>	<u>8,534.27</u>

Amounts due to related parties

	30 June 2021 RMB'000	31 December 2020 RMB'000
Accounts payables		
due to: Shanghai Roche Pharmaceutical Co., Ltd.	293,290.62	171,980.11
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	35,884.65	11,619.23
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	35,031.93	16,639.80
Shanghai Pharma Health Commerce Co., Ltd.'s subsidiaries	31,431.12	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	24,054.35	32,885.42
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries	14,313.22	13,114.26
Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries.	12,747.06	11,500.36
Hangzhou Huqingyutang Medicinal Planting Co., Ltd.	9,568.30	9,339.67
Shanghai Sine Promod Pharmaceutical Corp., Ltd and its subsidiaries.	7,331.48	6,735.15
Guangzhou Ruixun Medicine Co., Ltd.	-	1,791.41
Others	37,645.01	18,490.29
	<u>501,297.74</u>	<u>294,095.70</u>
Other payables due to: SPH-BIOCAD(HK) Limited	1,182,195.63	1,194,054.00
Shanghai Shangshi (Group) Co., Ltd.	811,804.86	622,000.00
Shanghai Pharma Group	348,602.27	12,662.18
Shanghai Sine Promod Pharmaceutical Corp., Ltd. and its subsidiaries	9,103.31	9,103.31
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	286.94	286.94
Shanghai Industrial Group Finance Co., Ltd.	-	1,798.21
Others	1,257.32	1,058.75
	<u>2,353,250.33</u>	<u>1,840,963.39</u>

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8 Related parties and related party transactions (Cont'd)

(6) Balance of receivables and payables of related parties (Cont'd)

Amounts due to related parties (Cont'd)

		30 June 2021 RMB'000	31 December 2020 RMB'000
Contract liabilities:			
	Chongqing Quanzhidao Medicine Co., Ltd.	4,017.00	363.45
	Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	-	604.92
	Others	40.07	87.62
		<u>4,057.07</u>	<u>1,055.99</u>
Lease liabilities:	Shanghai Pharma Group	<u>31,282.83</u>	<u>55,012.04</u>
Current borrowings:	Shanghai Industrial Group Finance Co., Ltd.	<u>2,151,989.68</u>	<u>1,547,504.33</u>
Cash at bank:	Shanghai Industrial Group Finance Co., Ltd.	<u>2,608,335.49</u>	<u>2,927,661.15</u>
Deposit:	Shanghai Industrial Group Finance Co., Ltd.	<u>10,203.51</u>	<u>10,697.63</u>

9 Contingencies

(1) Contingent liabilities and their financial impacts arising from significant pending litigation or arbitration

The Group has no significant pending litigation or arbitration.

(2) Contingent liabilities arising from debt guarantees provided for other units and their financial impacts

Please refer to Note 8(5)(d) for details of the debt guarantees provided by the Group for related parties.

10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	30 June 2021	31 December 2020
Buildings, machinery and equipment	<u>437,235,833.72</u>	<u>659,867,035.43</u>

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10 Commitments (Cont'd)**(2) Foreign investment commitments**

The company entered into an equity transfer agreement with Shanghai Asia Pioneer Pharmaceutical Co.,Ltd. on 27 May 2021. Accordingly, Shanghai Asia Pioneer Pharmaceutical Co.,Ltd. agreed to transfer its 100% equity interest in Shanghai SPH Biopharmaceutical Co., Ltd. to the company at a consideration of RMB 750,808,416.07. After the completion of this acquisition, the company will directly hold 100% of the equity of Shanghai SPH Biopharmaceutical Co., Ltd. As at 30 June 2021, the company has not yet paid the aforesaid payment.

11 Events after the balance sheet date**(1) The issue of Super & Short-term Commercial Paper ("SCP")**

The Company has completed the fifth stage of issuing with amount of RMB3,000,000,000 and bears fixed interest rate of 2.60% per annum, it is repayable within 184 days. The raised funds have been received by the Company on 13 July 2021. The Company has completed the sixth stage of issuing with amount of RMB3,000,000,000 and bears fixed interest rate of 2.44% per annum, it is repayable within 191 days. The raised funds have been received by the Company on 17 August 2021.

(2) Non-public issuance of A Shares

The Company held the extraordinary general meeting (the "EGM"), A Share Class Meeting and H Share Class Meeting(collectively, the "Meetings") on 12 August 2021. The meetings approved the proposal regarding the fulfilment of the criteria for the Proposed Non-public Issuance of A Shares. The Company intends to issue no more than 852,626,796 of A share to Yunnan Baiyao Group Co., Ltd.(hereinafter referred to as "Yunnan Baiyao") and Shanghai Tandong Enterprise Consulting Service Co., Ltd., and the raised funds will not exceed RMB14,383,814,000.00. After the issuance, Yunnan Baiyao will hold 18.02% of the Company's share as a strategic investor.

12 Operating lease receivable after the balance sheet date

As the lessor, the undiscounted cash amount of the lease receivable after the balance sheet date is summarized as follows:

	30 June 2021	31 December 2020
Within 1 year	49,190,862.41	47,971,012.20
1-2 years	47,425,851.44	46,497,095.52
2-5 years	76,983,612.69	83,885,102.79
Above 5 years	4,598,865.75	24,934,222.76
	<u>178,199,192.29</u>	<u>203,287,433.27</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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13 Business combination

Please refer to Note 5(1).

14 Financial instruments and risks

The Group's activities expose it to a variety of financial risks: market risk (primarily including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars and Hong Kong dollars.

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the Group, whose recording currencies are RMB, are expressed in RMB as at 30 June 2021 and 31 December 2020 as follows:

	30 June 2021		
	USD and HKD	Others	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	129,278,660.59	1,494,441.74	130,773,102.33
Accounts receivables	29,229,898.46	1,169,839.64	30,399,738.10
	<u>158,508,559.05</u>	<u>2,664,281.38</u>	<u>161,172,840.43</u>
Financial liabilities denominated in foreign currency -			
Accounts payables	927,038,758.95	2,287,024.86	929,325,783.81
	<u>927,038,758.95</u>	<u>2,287,024.86</u>	<u>929,325,783.81</u>
	31 December 2020		
	USD and HKD	Others	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	230,226,501.39	7,179,220.99	237,405,722.38
Accounts receivables	17,184,150.81	662,062.50	17,846,213.31
	<u>247,410,652.20</u>	<u>7,841,283.49</u>	<u>255,251,935.69</u>
Financial liabilities denominated in foreign currency -			
Accounts payables	319,067,195.89	750,549.23	319,817,745.12
Current portion of long-term borrowings	2,218,466,000.00	-	2,218,466,000.00
	<u>2,537,533,195.89</u>	<u>750,549.23</u>	<u>2,538,283,745.12</u>

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(All amounts in RMB Yuan unless otherwise stated)

14 Financial instruments and risks (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

As at 30 June 2021, for various financial assets and liabilities denominated in USD and HKD in the Group, if the USD and HKD strengthens/weakens by 5% against the RMB while holding all other variables constant, the Group's profit before income tax for the year would have been higher/lower by approximately RMB38,426,510.00 (31 December 2020: higher/lower by approximately RMB114,506,127.18).

(b) Interest rate risk

The Group's interest rate risk mainly arises from interest bearing debts, including short-term borrowings, long-term borrowings within one year and long-term borrowings. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2021,, the Group's short-term, long-term within one year and long-term interest-bearing borrowings were mainly with floating rates, amounting to RMB6,127,572,817.69 (31 December 2020: RMB6,548,683,265.11).

Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the six months ended 30 June 2021 and 31 December 2020, the Group did not enter into any interest rate swap agreements.

As at 30 June 2021, if interest rates on the floating rate borrowings rise/fall by 10% while holding all other variables constant, the Group's profit before tax would decrease/increase by approximately RMB9,467,166.41 (31 December 2020 : approximately RMB15,911,488.23).

(c) Other price risk

The Group's other price risk arises mainly from financial assets at fair value through profit or loss and other equity instrument investments.

As at 30 June 2021, if the price of above financial assets rise/fall by 10% while holding all other variables constant, the Group's profit before tax would increase/decrease by approximately RMB112,545,547.42 (31 December 2020: approximately RMB97,855,702.95), increase/decrease other comprehensive income approximately RMB5,065,187.92 (31 December 2020: approximately RMB3,305,172.03).

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14 Financial instruments and risks (Cont'd)

(2) Credit risk

The Group's credit risk mainly arises from cash at bank, notes receivables, accounts receivables, other receivables, receivables financing, long-term receivables etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks with higher credit ratings. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivables, accounts receivables, other receivables, receivables financing, and long-term receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 30 June 2021, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2020: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

As at the balance sheet date, the financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

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14 Financial instruments and risks (Cont'd)

(3) Liquidity risk (Cont'd)

	30 June 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	Total
Short-term borrowings	21,772,689,043.36	-	-	-	21,772,689,043.36
Derivative financial liabilities	2,171,396.38	-	-	-	2,171,396.38
Notes payables	4,629,135,972.84	-	-	-	4,629,135,972.84
Accounts payables	36,345,014,466.53	-	-	-	36,345,014,466.53
Other payables	14,313,811,262.60	-	-	-	14,313,811,262.60
Current portion of long-term payables	83,373,535.41	-	-	-	83,373,535.41
Current portion of long-term borrowings	3,105,531,607.14	-	-	-	3,105,531,607.14
Current portion of lease liabilities	625,066,622.92	-	-	-	625,066,622.92
Current portion of debentures payable	3,079,191,804.05	-	-	-	3,079,191,804.05
Other current liabilities	5,020,910,958.90	-	-	-	5,020,910,958.90
Long-term borrowings	-	864,451,386.78	2,393,849,970.10	100,992,889.12	3,359,294,246.00
Lease liabilities	-	513,069,958.26	623,359,834.00	410,953,904.11	1,547,383,696.37
Long-term payables	-	2,975,166.00	668,256,219.33	256,075,000.00	927,306,385.33
Other non-current liabilities	-	-	-	84,163,444.98	84,163,444.98
Loan interest	494,856,896.87	118,613,776.93	60,089,775.16	16,037,260.27	689,597,709.23
	<u>89,471,753,567.00</u>	<u>1,499,110,287.97</u>	<u>3,745,555,798.59</u>	<u>868,222,498.48</u>	<u>95,584,642,152.04</u>

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14 Financial instruments and risks (Cont'd)

(3) Liquidity risk (Cont'd)

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	Total
Short-term borrowings	20,139,185,856.91	-	-	-	20,139,185,856.91
Derivative financial liabilities	9,314,855.96	-	-	-	9,314,855.96
Notes payables	4,930,726,339.18	-	-	-	4,930,726,339.18
Accounts payables	32,861,440,182.89	-	-	-	32,861,440,182.89
Other payables	12,142,797,539.60	-	-	-	12,142,797,539.60
Current portion of long-term payables	83,368,535.41	-	-	-	83,368,535.41
Current portion of long-term borrowings	5,293,115,880.39	-	-	-	5,293,115,880.39
Current portion of lease liabilities	601,593,271.01	-	-	-	601,593,271.01
Current portion of debentures payable	3,017,668,077.27	-	-	-	3,017,668,077.27
Other current liabilities	5,018,616,438.36	-	-	-	5,018,616,438.36
Long-term borrowings	-	536,602,161.33	552,634,656.21	94,841,493.82	1,184,078,311.36
Lease liabilities	-	478,637,678.04	771,594,679.76	628,207,782.70	1,878,440,140.50
Long-term payables	-	2,970,166.00	680,007,459.78	257,509,100.00	940,486,725.78
Loan interest	589,876,080.32	38,971,891.33	8,916,175.34	14,948,383.56	652,712,530.55
	<u>84,687,703,057.30</u>	<u>1,057,181,896.70</u>	<u>2,013,152,971.09</u>	<u>995,506,760.08</u>	<u>88,753,544,685.17</u>

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14 Financial instruments and risks (Cont'd)

(3) Liquidity risk (Cont'd)

As at the balance sheet date, the Group's financial guarantees provided to external parties are analysed below based on the maximum amounts and the earliest periods in which the guarantees could be called:

	30 June 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Guarantees	<u>723,130.66</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>723,130.66</u>

	31 December 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Guarantees	<u>9,929,681.01</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,929,681.01</u>

Cash flows derived from leases not yet commenced to which the Group was committed are analysed by maturity at the balance sheet date (Note 4(36)(a)):

	30 June 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Lease liabilities	<u>4,350,579.59</u>	<u>4,365,789.58</u>	<u>4,198,479.58</u>	<u>-</u>	<u>12,914,848.75</u>

	31 December 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Lease liabilities	<u>12,403,714.23</u>	<u>2,475,574.47</u>	<u>1,951,088.46</u>	<u>-</u>	<u>16,830,377.16</u>

Bank and other borrowings are analysed by repayment terms as follows:

	30 June 2021		31 December 2020	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	24,878,220,650.50	8,100,102,762.95	25,432,301,737.30	8,036,284,515.63
1 to 2 years	864,451,386.78	-	536,602,161.33	-
2 to 5 years	2,393,849,970.10	-	552,634,656.21	-
Above 5 years	<u>100,992,889.12</u>	<u>-</u>	<u>94,841,493.82</u>	<u>-</u>
	<u>28,237,514,896.50</u>	<u>8,100,102,762.95</u>	<u>26,616,380,048.66</u>	<u>8,036,284,515.63</u>

15 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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15 Fair value estimates(Cont'd)

(1) Financial assets and liabilities measured at fair value on a recurring basis

As at 30 June 2021, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets—				
Forward foreign exchange contract	-	943,132.56	-	943,132.56
Receivables financing—				
Notes receivables	-	-	2,188,348,332.77	2,188,348,332.77
Other non-current financial assets	522,220,265.83	-	603,235,208.37	1,125,455,474.20
Other equity instrument investments	50,651,879.20	-	-	50,651,879.20
Total financial assets	572,872,145.03	943,132.56	2,791,583,541.14	3,365,398,818.73

As at 30 June 2021, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities—				
Forward foreign exchange contract	-	2,171,396.38	-	2,171,396.38
Other non-current liabilities	-	-	84,163,444.98	84,163,444.98
	-	2,171,396.38	84,163,444.98	86,334,841.36

As at 31 December 2020, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets—				
Forward foreign exchange contract	-	501,339.00	-	501,339.00
Receivables financing—				
Notes receivables	-	-	2,485,373,691.07	2,485,373,691.07
Other non-current financial assets	399,348,474.70	-	579,208,554.83	978,557,029.53
Other equity instrument investments	33,051,720.32	-	-	33,051,720.32
Total financial assets	432,400,195.02	501,339.00	3,064,582,245.90	3,497,483,779.92

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15 Fair value estimates (Cont'd)

(1) Financial assets and liabilities measured at fair value on a recurring basis (Cont'd)

As at 31 December 2020, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities				
—				
Forward foreign exchange contract	-	9,314,855.96	-	9,314,855.96

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no transfer between Level 1 and Level 2 for the current period.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier, liquidity discount and etc.

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15 Fair value estimates (Cont'd)

(1) Financial assets and liabilities measured at fair value on a recurring basis (Cont'd)

The changes in Level 3 assets and liabilities are as follows:

	31 December 2020	Purchase	Disposal	Transfer into Level 3	Transfer out of Level 3	Gain or loss recognised in profit or loss	Gain or loss recognised in other comprehensive income	30 June 2021
Receivables financing	2,485,373,691.07	8,759,623,085.73	(8,977,277,010.06)	-	-	(79,371,433.97)	-	2,188,348,332.77
Other non-current financial assets	579,208,554.83	-	(200,000.00)	-	-	24,226,653.54	-	603,235,208.37
Other non-current liabilities	-	84,163,444.98	-	-	-	-	-	84,163,444.98
Total	<u>3,064,582,245.90</u>	<u>8,843,786,530.71</u>	<u>(8,977,477,010.06)</u>	<u>-</u>	<u>-</u>	<u>(55,144,780.43)</u>	<u>-</u>	<u>2,875,746,986.12</u>

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15 Fair value estimates (Cont'd)

(1) Financial assets and liabilities measured at fair value on a recurring basis (Cont'd)

Information about the Level 3 fair value measurement is as follows:

	Fair value as at 30 June 2021	Valuation technique	Inputs			
			Name	Scope	Relationship with fair value	Observable/ Unobservable
Receivables financing	2,188,348,332.77	DCF	estimated discount rate	3.40%-5.44%	Negative	Unobservable
Other non-current financial assets	603,235,208.37	Market method Equity value	EV/EBIT, EV/S, etc.	0.32-10.78	Positive	Unobservable
Other non-current liabilities	84,163,444.98	distribution method	Stock volatility	33.7046-40.8964	Positive	Unobservable

Information about the Level 2 fair value measurement is as follows:

	Fair value as at 30 June 2021	Valuation technique	Observable inputs	
			Name	Scope/ weighted average
Assets				
Derivative financial assets—				
Forward foreign exchange contract	<u>943,132.56</u>	Market approach	Exchange rate	AUDUSD: 0.7529-0.7752

Liabilities				
Derivative financial assets—				
Forward foreign exchange contract	<u>2,171,396.38</u>	Market approach	Exchange rate	AUDNZD: 0.9284-0.9490

	Fair value as at 31 December 2020	Valuation technique	Observable inputs	
			Name	Scope/ weighted average
Assets				
Derivative financial assets—				
Forward foreign exchange contract	<u>501,339.00</u>	Market approach	Exchange rate	AUDNZD:0.9296-0.9328

Liabilities				
Derivative financial assets—				
Forward foreign exchange contract	<u>9,314,855.96</u>	Market approach	Exchange rate	AUDUSD:0.6436-0.7627

(2) Assets measured at fair value on a non-recurring basis

Non-current assets held for sale are recognised at the amount equal to the lower of the original carrying amount and the fair value less costs to sell. As at 30 June 2021, the Group has no non-current assets held for sale.

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15 Fair value estimates (Cont'd)

(3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include notes receivables, accounts receivables, other receivables, long-term receivables, short-term borrowings, accounts payables, other payables, other current liabilities, long-term payables, long-term borrowings, current portion of long-term borrowings, current portion of debentures payable and lease liabilities etc.

As at 30 June 2021 and 31 December 2020, the carrying amount of long-term receivables and non-current borrowings is a reasonable approximation of their fair value. The fair value of long-term receivables, long-term payables, long-term borrowings, debentures payable and lease liabilities is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

16 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

Total capital is calculated as "equity" as shown in the consolidated balance sheets plus net debt. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (as shown in the statement of financial position including short-term borrowings, current portion of non-current liabilities, other current liabilities, long-term borrowings, debentures payable, long-term payables and lease liabilities) less cash and cash equivalents.

As at 30 June 2021 and 31 December 2020, the Group's gearing ratios are as follows:

	30 June 2021	31 December 2020
Gearing ratio	<u>24.31%</u>	<u>24.32%</u>

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17 Notes to the Company's financial statements

(1) Accounts receivables

	30 June 2021	31 December 2020
Accounts receivables	119,851,808.14	119,851,808.14
Less: Provision for bad debts	<u>(119,851,808.14)</u>	<u>(119,851,808.14)</u>
	<u>-</u>	<u>-</u>

- (a) The aging analysis of accounts receivables based on the date of entry is as follows:

	30 June 2021	31 December 2020
Above three years	<u>119,851,808.14</u>	<u>119,851,808.14</u>

- (b) As at 30 June 2021, the top five accounts receivables based on the balance of the debtors are summarized and analyzed as follows:

	Account balance	Amount of bad debt provision	% of total balance
Total top five accounts receivables	<u>119,851,808.14</u>	<u>(119,851,808.14)</u>	<u>100.00%</u>

- (c) As at 30 June 2021, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Accounts balance	Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Accounts receivable 1	11,546,794.10	100%	(11,546,794.10)	Through assessment, provision on an individual basis
Accounts receivable 2	10,013,149.47	100%	(10,013,149.47)	Through assessment, provision on an individual basis
Accounts receivable 3	8,634,602.83	100%	(8,634,602.83)	Through assessment, provision on an individual basis
Accounts receivable 4	5,546,970.95	100%	(5,546,970.95)	Through assessment, provision on an individual basis
Others	<u>84,110,290.79</u>	100%	<u>(84,110,290.79)</u>	Through assessment, provision on an individual basis
	<u>119,851,808.14</u>		<u>(119,851,808.14)</u>	

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17 Notes to the Company's financial statements (Cont'd)

(2) Other receivables

	30 June 2021	31 December 2020
Amount due from subsidiaries	17,493,051,620.04	17,891,565,843.56
Guarantees (including deposits)	17,896,425.43	17,821,322.94
Dividends receivable	734,376,647.94	876,220,484.67
Interests receivable	30,486,294.79	26,629,306.01
Others	257,141,035.97	257,141,035.97
	<u>18,532,952,024.17</u>	<u>19,069,377,993.15</u>
Less: provision for bad debts	<u>(302,875,304.55)</u>	<u>(304,216,181.67)</u>
	<u>18,230,076,719.62</u>	<u>18,765,161,811.48</u>

(a) The aging analysis of other receivables is as follows:

	30 June 2021	31 December 2020
Within 1 year	14,884,762,201.07	14,881,996,613.25
1-2 years	2,441,709,400.54	3,139,791,963.04
2-3 years	373,754,169.76	264,522,802.65
Above 3 years	832,726,252.80	783,066,614.21
	<u>18,532,952,024.17</u>	<u>19,069,377,993.15</u>

(b) As at 30 June 2021, the analysis of provision for bad debts for individual other receivables is as follows:

	Accounts balance	The third stage Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Other receivable 1	120,000,000.00	100.00%	(120,000,000.00)	Unable to collect
Other receivable 2	33,375,018.03	100.00%	(33,375,018.03)	Unable to collect
Other receivable 3	26,030,686.00	100.00%	(26,030,686.00)	Unable to collect
Other receivable 4	22,000,000.00	100.00%	(22,000,000.00)	Unable to collect
Others	55,735,331.94	100.00%	(55,735,331.94)	Unable to collect
	<u>257,141,035.97</u>		<u>(257,141,035.97)</u>	

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17 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

- (c) As at 30 June 2021, the analysis of bad debt provisions of other receivables on grouping basis is as follows:

30 June 2021			31 December 2020		
Accounts balance	Provision for bad debts		Accounts balance	Provision for bad debts	
		% of total			% of total
Amount	Amount	balance	Amount	Amount	balance

The first stage — Expected credit loss rate within the next 12 months on grouping basis

Amount due from subsidiaries	17,493,051,620.04	(43,732,629.05)	0.25%	17,891,565,843.56	(44,728,914.61)	0.25%
Guarantees (including deposits)	17,896,425.43	(89,482.14)	0.50%	17,821,322.94	(89,106.61)	0.50%
Dividends receivable	734,376,647.94	(1,835,941.63)	0.25%	876,220,484.67	(2,190,551.21)	0.25%
Interests receivable	30,486,294.79	(76,215.76)	0.25%	26,629,306.01	(66,573.27)	0.25%
	<u>18,275,810,988.20</u>	<u>(45,734,268.58)</u>		<u>18,812,236,957.18</u>	<u>(47,075,145.70)</u>	

As at 30 June 2021 and 31 December 2020, the Company has no other receivables in the second stage.

(3) Long-term equity investments

	31 December 2021	31 December 2020
Subsidiaries (a)	23,611,004,323.29	21,539,281,590.65
Associates (b)	2,331,273,548.75	2,069,984,944.47
Joint ventures (c)	44,571,660.84	-
	<u>25,986,849,532.88</u>	<u>23,609,266,535.12</u>
Less: Provision for impairment of long-term equity investments	<u>(68,481,418.01)</u>	<u>(68,481,418.01)</u>
	<u>25,918,368,114.87</u>	<u>23,540,785,117.11</u>

The Company has no significant restriction on the realization of long-term investments.

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17 Notes to the Company's financial statements (Cont'd)

(3) Long-term equity investments (Cont'd)

(a) Subsidiaries

	31 December 2020	Changes during the period				30 June 2021	Impairment balance	Cash dividends declared in the current period
		Increase in investment	Decrease in investment	Provision for impairment	Others			
SIIC Medical Science and Technology (Group) Limited and its subsidiaries	7,155,574,261.96	-	-	-	3,695,700.16	7,159,269,962.12	-	-
Shanghai Pharmaceutical Co., Ltd. and its subsidiaries	4,848,598,723.30	-	-	-	(67,835,222.48)	4,780,763,500.82	-	484,154,561.76
Shanghai Pharmaceuticals (HK) Investment Limited	120,863,033.06	1,826,972,000.00	-	-	-	1,947,835,033.06	-	-
Shanghai Traditional Chinese Medicine Co., Ltd.	1,891,973,782.14	-	-	-	1,161,126.62	1,893,134,908.76	-	167,393,347.30
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.	1,414,753,608.52	-	-	-	1,387,822.77	1,416,141,431.29	-	-
Shanghai SPH New Asiatic Pharmaceutical Co., Ltd.	1,224,110,615.06	-	-	-	756,391.06	1,224,867,006.12	-	10,630,483.64
China Medical Foreign Trading Liao Ning Co.Ltd.	558,601,296.99	-	-	-	-	558,601,296.99	-	65,943,737.75
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	512,647,746.01	-	-	-	293,599.16	512,941,345.17	-	169,586,037.11
TECHPOOL Bio-Pharma Co., Ltd.	490,948,337.53	-	-	-	590,515.83	491,538,853.36	-	-
Shanghai Medical Instruments Co., Ltd.	207,037,242.89	198,425,197.79	-	-	305,210.43	405,767,651.11	-	4,579,191.02
SPH (benxi) North Pharmaceutical Co., Ltd.	380,000,000.00	-	-	-	-	380,000,000.00	-	-
Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd.	324,523,901.18	-	-	-	530,800.74	325,054,701.92	-	161,836,972.04
Shanghai Pharmaceutical (USA), Inc.	255,553,125.35	13,093,800.00	-	-	106,160.15	268,753,085.50	-	-
SPH Qingdao Growful Pharmaceutical Co., Ltd.	258,262,799.69	-	-	-	457,815.64	258,720,615.33	-	-
SPH Changzhou Pharmaceutical Co., Ltd.	205,860,491.07	-	-	-	444,545.62	206,305,036.69	-	-
Shanghai Zhonghua Pharmaceutical Co., Ltd.	100,508,229.43	-	-	-	411,370.57	100,919,600.00	-	-
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd.	89,478,301.80	-	-	-	106,160.15	89,584,461.95	-	-
Shanghai Pharmaceutical Medicine Sales Co., Ltd.	65,562,750.09	-	-	-	345,020.48	65,907,770.57	-	131,178,239.75
China International Pharmaceutical (Holdings) Limited	18,430,887.87	-	-	-	-	18,430,887.87	-	-
Shanghai Huiyong Medicine Research Co., Ltd.	70,097,831.52	-	-	-	(70,097,831.52)	-	-	-
Others	1,345,894,625.19	160,354,700.00	-	-	217,849.47	1,506,467,174.66	-	228,143,763.39
	<u>21,539,281,590.65</u>	<u>2,198,845,697.79</u>	<u>-</u>	<u>-</u>	<u>(127,122,965.15)</u>	<u>23,611,004,323.29</u>	<u>-</u>	<u>1,423,446,333.76</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

17 Notes to the Company's financial statements (Cont'd)

(3) Long-term equity investments (Cont'd)

(b) Associates

	31 December 2020	Changes during the period								30 June 2021	Impairment balance
		Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI adjustment	Other equity changes	Cash dividends declared	Provision for impairment	Others		
Shanghai Industrial Group Finance Co., Ltd.	392,328,721.77	-	-	8,125,365.18	-	-	-	-	-	400,454,086.95	-
Shanghai Lianyi Investment Center (limited Partnership)	271,803,660.01	-	-	83,857,023.23	-	-	(15,324,981.79)	-	-	340,335,701.45	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	253,242,898.47	-	-	56,547,980.88	-	-	-	-	-	309,790,879.35	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	269,111,043.76	-	-	8,761,952.94	528,159.05	-	(6,978,930.00)	-	-	271,422,225.75	-
Shanghai Good Health Capital LLP	222,982,081.05	-	(28,742,000.00)	(9,894,414.08)	-	-	-	-	(2,773,800.00)	181,571,866.97	-
Chengdu Wesker Biomedical Co., Ltd.	84,720,742.74	-	-	(4,632,124.09)	-	90,130,923.87	-	-	-	170,219,542.52	-
Shangshi Commercial Factoring Co., Ltd.	157,872,906.69	-	-	2,954,882.84	-	-	-	-	-	160,827,789.53	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	102,788,089.71	-	-	10,274,510.82	-	-	-	-	-	113,062,600.53	-
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	104,073,299.73	-	-	3,365,685.55	-	-	-	-	-	107,438,985.28	-
Shanghai Pharma Health Commerce Co., Ltd.	-	52,092,773.20	-	(347,535.75)	-	-	-	-	-	51,745,237.45	-
Shanghai Chest Medical Instruments Co., Ltd.	40,392,352.03	-	-	(202,923.91)	-	-	-	-	-	40,189,428.12	-
Sichuan Greentech Bio-technology Co., Ltd.	39,113,076.76	-	-	(369,874.58)	-	-	-	-	-	38,743,202.18	-
Chengdu Huaxi Precision Medicine Industry Innovation Center Co., Ltd.	20,047,525.66	-	-	(134,237.62)	-	-	-	-	-	19,913,288.04	-
Tianjin Modern Innovative Tcm Technology Co., Ltd.	17,801,398.81	-	-	(1,556,856.45)	-	-	-	-	-	16,244,542.36	-
Shanghai Huiyong Medicine Research Co., Ltd.	-	22,010,236.97	-	(6,578,418.71)	-	-	-	-	-	15,431,818.26	-
Chengdu Huaxi Clinical Research Center Co., Ltd.	14,954,869.57	-	-	(105,085.88)	-	-	-	-	-	14,849,783.69	-
Others	78,752,277.71	-	-	280,292.61	-	-	-	-	-	79,032,570.32	(68,481,418.01)
	2,069,984,944.47	74,103,010.17	(28,742,000.00)	150,346,222.98	528,159.05	90,130,923.87	(22,303,911.79)	-	(2,773,800.00)	2,331,273,548.75	(68,481,418.01)

(c) Joint ventures

	31 December 2020	Changes during the period								30 June 2021	Impairment balance
		Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI adjustment	Other equity changes	Cash dividends declared	Provision for impairment	Others		
Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	-	45,000,000.00	-	(428,339.16)	-	-	-	-	-	44,571,660.84	-

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

17 Notes to the Company's financial statements (Cont'd)

(4) Capital surplus

	31 December 2020	Increase for the period	Decrease for the period	30 June 2021
Share premium	19,132,076,187.53	-	-	19,132,076,187.53
Other capital surplus -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	91,123,158.78	90,130,923.87	-	181,254,082.65
Share-based payment	35,973,830.70	18,850,061.34	-	54,823,892.04
Others	(289,656,947.52)	-	-	(289,656,947.52)
	<u>18,969,516,229.49</u>	<u>108,980,985.21</u>	<u>-</u>	<u>19,078,497,214.70</u>
	31 December 2019	Increase for the period	Decrease for the period	30 June 2020
Share premium	19,132,076,187.53	-	-	19,132,076,187.53
Other capital surplus -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	4,207,655.42	88,006,279.29	-	92,213,934.71
Share-based payment	1,231,412.28	17,287,134.00	-	18,518,546.28
Others	(289,656,947.52)	-	-	(289,656,947.52)
	<u>18,847,858,307.71</u>	<u>105,293,413.29</u>	<u>-</u>	<u>18,953,151,721.00</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in RMB Yuan unless otherwise stated)

17 Notes to the Company's financial statements (Cont'd)

(5) Other Comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income for six months ended 30 June 2021 income statement			
	31 December 2020	Converted from OCI into retained earnings	30 June 2021	Amount before income tax	Less: other comprehensive income transferred out this period	Less: income tax expense	Amount after tax
Other comprehensive income items which will be reclassified to profit or loss							
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	292,608.91	-	820,767.96	528,159.05	-	-	528,159.05
	Other comprehensive income in the balance sheet			Other comprehensive income for the six months ended 30 June 2020 income statement			
	31 December 2019	Converted from OCI into retained earnings	30 June 2020	Amount before income tax	Less: other comprehensive income transferred out this period	Less: income tax expense	Amount after tax
Other comprehensive income items which will be reclassified to profit or loss							
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	(1,509,389.95)	-	(1,464,253.18)	45,136.77	-	-	45,136.77

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

17 Notes to the Company's financial statements (Cont'd)

(6) Undistributed profits

	Six months ended 30 June 2021	Six months ended 30 June 2020
Undistributed profits at the beginning of the period	2,964,512,023.95	2,789,667,692.06
Add: net profit of the Company	1,314,089,160.46	1,256,424,554.39
Less: dividends declared	(1,364,202,874.56)	(1,250,519,301.68)
Others	(42,134,193.68)	-
Undistributed profits at the end of period	<u>2,872,264,116.17</u>	<u>2,795,572,944.77</u>

(7) Revenue and cost of sales

	Six months ended 30 June 2021	Six months ended 30 June 2020
Main operations revenue	-	-
Other operations revenue (a)	<u>1,625,696.91</u>	<u>4,742,200.00</u>
	<u>1,625,696.91</u>	<u>4,742,200.00</u>
	Six months ended 30 June 2021	Six months ended 30 June 2021
Main operations cost	-	-
Other operations cost (a)	<u>821,737.35</u>	<u>1,082,889.64</u>
	<u>821,737.35</u>	<u>1,082,889.64</u>

(a) Other operations revenue and cost of sales

	Six months ended 30 June 2021		Six months ended 30 June 2020	
	Other operations revenue	Other operations cost	Other operations revenue	Other operations cost
Service revenue	<u>1,625,696.91</u>	<u>821,737.35</u>	<u>4,742,200.00</u>	<u>1,082,889.64</u>

(8) Investment income

	Six months ended 30 June 2021	Six months ended 30 June 2020
Long-term equity investment income calculated by cost method	1,423,446,333.76	1,304,066,149.86
Long-term equity investment income calculated by equity method	149,917,883.82	91,586,952.56
Interest income from entrusted loans	170,805,064.35	175,675,437.13
Loss on disposal of long-term equity investments	(19,248,059.52)	-
Others	<u>1,844,289.91</u>	<u>8,633,419.49</u>
	<u>1,726,765,512.32</u>	<u>1,579,961,959.04</u>

The Company does not have any significant restrictions on repatriation of investment income.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**SUPPLEMENTARY INFORMATION OF FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

1 Summary of non-recurring profit or Loss

	Six months ended 30 June 2021	Six months ended 30 June 2020
Gains from disposal of non-current assets	1,167,825,487.37	49,337,200.67
Government grants recognised in profits (Except closely related with the enterprise's businesses and the normed or quantitative government grants at national uniform standard)	174,613,804.06	180,096,212.10
Except for effective hedging business related to the Group's normal business operations, gains and losses on changes in fair value from holding transactional financial assets, and investment income from disposal of transactional financial assets and other non-current financial assets	(33,858,294.90)	111,051,542.29
Reversal of provision for bad debts for receivables on individual basis	11,044,827.80	19,034,482.72
Non-operating income and expenses other than the above	(12,564,150.41)	(29,632,174.70)
	<u>1,307,061,673.92</u>	<u>329,887,263.08</u>
Impact of income tax expense	(262,256,593.48)	(67,698,779.11)
Impact on the minority interests, net of tax	(28,079,041.39)	(19,726,957.81)
	<u>1,016,726,039.05</u>	<u>242,461,526.16</u>

Basis for preparation of summary of non-recurring profit or loss

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public — non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 Return on net assets and earnings per share

	Weighted average return on net assets (%)		Earnings per share			
	Six months ended 30 June 2021	Six months ended 30 June 2020	Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
Net profit attributable to ordinary shareholders of the Company	7.56	5.70	1.26	0.86	1.26	0.86
Net profit attributable to ordinary shareholders of the Company after deducting non- recurring profit or loss	5.40	5.13	0.90	0.77	0.90	0.77