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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 2022

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 2022. 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 2022 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, 30 August 2022

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 33th meeting of the seventh session of the board of directors convened on 29 August 2022, at which resolutions including the interim results of the Company for the six months ended 30 June 2022 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. Is there an existence of 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.

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Catalogue of Documents Available for Inspection

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

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

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 2022 to 30 June 2022
“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 A”	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 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 Sine”	SPH Sine Pharmaceutical Factory Co., Ltd. (上海上藥信誼藥廠有限公司)
“SHAPHAR”	Shanghai Pharmaceutical Co., Ltd. (上藥控股有限公司)
“SPH TCM”	Shanghai Traditional Chinese Medicine Co., Ltd. (上海市藥材有限公司)
“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)
“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
“Shanghai SASAC”	Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
“CanSino SPH”	CanSino SPH Biologics Inc. (48.958% owned by Shanghai Pharmaceuticals, 1.245% owned by Shanghai Biomedical Industrial Equity Investment Fund and 49.797% owned by CanSino Biologics Inc. respectively)
“Tianjin Pharmaceutical”	Tianjin Pharmaceutical Holdings Co., Ltd. (天津市醫藥集團有限公司)

Chapter 1 Definitions

“SciClone Pharmaceuticals”	SciClone Pharmaceuticals (Holdings) Limited (賽生藥業控股有限公司)
“Nuance Pharma”	Nuance Pharma (Shanghai) Co. Ltd. (優銳醫藥科技(上海)有限公司)
“Antengene Corporation”	Antengene Corporation Limited (德琪醫藥有限公司)
“Kexin Bicheng”	Beijing Kexin Bicheng Medicine Science & Technology Developing Co., Ltd. (北京科信必成醫藥科技發展有限公司)
“Ruijin Hospital”	Ruijin Hospital of Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院附屬瑞金醫院)
“Kaichuan Pharma”	Foshan Kaichuan Pharma Co., Ltd. (佛山市凱川醫藥科技有限公司)
“SPH Keyuan”	SPH Keyuan Xinhai Pharmaceutical Co., Ltd. (上藥科園信海醫藥有限公司)
“Labway Clinical”	Shanghai Labway Clinical Laboratory Co., Ltd. (上海蘭衛醫學檢驗所股份有限公司)
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Shilian Kangjian”	Chengdu Shilian Kangjian Biotechnology Co., Ltd. (成都世聯康健生物科技有限公司)
“SPH Huayu”	Shanghai SPH Huayu Pharmaceutical Co., Ltd. (上海上藥華宇藥業有限公司)

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

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, China	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai, China
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, China
Postal code for office address of the Company	200020
Website of the Company	http://www.sphchina.com
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

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	111,707,464,327.64	105,237,468,881.97	6.15
Net profit attributable to equity holders of the listed company	3,695,606,535.71	3,567,759,976.70	3.58
Net profit after deduction of non-recurring profit or loss attributable to equity holders of listed company	2,680,789,249.57	2,551,033,937.65	5.09
Net cash flows from operating activities	-556,181,060.49	2,171,018,019.80	-125.62

	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	65,329,039,376.55	49,359,479,911.36	32.35
Total assets	187,151,015,796.86	163,435,509,161.71	14.51

(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)	1.13	1.26	-9.94
Diluted earnings per share (RMB per share)	1.13	1.26	-9.94
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.82	0.90	-8.64
Weighted average return on net assets (%)	6.36	7.56	Decreased by 1.20 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	4.61	5.40	Decreased by 0.79 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

VIII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Applicable Not applicable

Unit: Yuan Currency: RMB

Non-recurring profit or loss item	Amount
Profit or loss on disposal of non-current assets	1,422,890,374.83
Government grants recognised in profit or loss for the current period excluding those closely related to the Company's ordinary operations and granted on an ongoing basis under the national policies according to certain fixed quota of amount or volume	124,039,817.90
Except for the effective hedging activities related to the Company's ordinary operations, profit or loss arising from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, and derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	25,391,346.09
Reversal of provisions on impairment for receivables and contract assets assessed for impairment on an individual basis	16,967,331.93
Other non-operating income and expenses other than the aforesaid items	-41,241,603.36
Less: Effect on income tax	-233,469,993.71
Effect on minority interests (after tax)	-299,759,987.54
Total	1,014,817,286.14

Explanation on the fact that the non-recurring profit or loss items illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Non-recurring Profit or Losses were defined as its recurring profit or loss items

Applicable Not applicable

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 manufacturing*

The Company ranks 41st in the list of TOP 50 Global Pharmaceutical Enterprises in 2022 released by Pharm Exec, and 3rd among Top 100 Chinese Chemical Drug Companies in China's pharmaceutical manufacturing for 2021 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 750 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.

(II) Industry situation

During the Reporting Period, unexpected factors such as the complex evolution of the international environment and the impact of the domestic COVID-19 pandemic adversely affected the economic operation. At the same time, various departments in various regions in China efficiently coordinated the prevention and control of the COVID-19 pandemic and the economic and social development, and effectively implemented a package of policies and measures to stabilize the economy, so the rebound of the COVID-19 pandemic was effectively controlled, the economic operation showed an overall trend of stabilization and recovery, and the fundamentals of the long-term improvement of the domestic economy remained unchanged.

The Chinese government has taken the biopharmaceutical industry as its national development strategy. Such industry is a strategic industry related to the national economy and people's livelihood, economic development and national security, and it is an important foundation for building a healthy China. 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.

II. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

Applicable Not applicable

1. Full Industry Chain Advantages

Shanghai Pharmaceuticals is a leading integrated industrial group in China's industry and commerce industry. Its business covers pharmaceutical manufacturing 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 manufacturing. 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 approximately 750 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 circulation 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.

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 2022, COVID-19 pandemic prevention and control entered into the stage of new normal, and China maintained the basic tune of “seeking progress while maintaining stability” for its economic work. The Company overcame the major challenges imposed by COVID-19 pandemic, and achieved good growth in operating income and profits in the first half of the year. According to the latest figures, **Shanghai Pharmaceuticals advanced its ranking up to 430th in the Fortune Global 500 (ranked 437th in the previous year), and 41st in the Top 50 Global Pharmaceuticals (42nd in the previous year)**, and ranked among the top three Chemical Drug Companies in China for 2021. Meanwhile, Shanghai Pharmaceuticals has been listed as the Top 25 most valuable pharmaceutical brands released by Brand Finance for three consecutive years, with increasing industry awareness and brand reputation. In April, **the private placement program with the total capital raised amounting to RMB13.975 billion completed the registration of shares**, and Yunnan Baiyao became the second largest shareholder of the Company. The diversification of the equity structure will further deepen the reform of the corporate governance structure, marketization mechanism, decision-making mechanism and incentive mechanism. In the fields of traditional Chinese medicine, great health, pharmaceutical service and new business, both parties will cooperate to realize coordinated development and win-win progress in virtue of their respective advantages in product resources, customer resources, brand management, market channels, product development and other aspects. During the Reporting Period, the State-owned Assets Supervision and Administration Commission of the State Council released the list of corporate governance demonstration enterprises for state-owned business, and Shanghai Pharmaceuticals, as one of the four enterprises recommended by the Shanghai SASAC, was selected in that list.

From January to June 2022, the operating income of the Company amounted to RMB111.707 billion (the currency is RMB, the same below), representing a YOY increase of 6.15%, of which, the revenue from pharmaceutical manufacturing amounted to RMB13.050 billion, representing a YOY increase of 3.56%, and revenue from pharmaceutical service amounted to RMB98.657 billion, representing a YOY increase of 6.50%.

The Company recorded RMB3.696 billion of net profit attributable to equity holders of the listed company, representing a YOY increase of 3.58%, of which the main business of pharmaceutical manufacturing contributed profits of RMB1.104 billion, representing a decrease of 4.87% (on the same statistical caliber basis), the main business of pharmaceutical service contributed profits of RMB1.745 billion, representing a YOY increase of 30.95%, and major joint ventures contributed profits of RMB335 million, representing a YOY decrease of 42.89%. In addition, the Company recorded RMB2.681 billion of net profit after deduction of non-recurring profit or loss attributable to equity holders of listed company, representing a YOY increase of 5.09%. After deducting the investment income of shareholding enterprises, the net profit after deduction of non-recurring profit or loss attributable to shareholders of the patent company increased by 18.66% YOY.

Chapter 3 Management Discussion and Analysis

During the Reporting Period, **the Company's consolidated gross margin was 13.12%, representing an increase of 0.11 percentage point compared with the same period of last year.** Among them, the gross margin of pharmaceutical manufacturing business was 57.84% and 6.87% for pharmaceutical distribution business.

(II) Highlights of the first half of the year

- ***Incumbent on epidemic prevention and control to protect Shanghai City***

In March 2022, Shanghai was confronted with tough situation of epidemic prevention and control following the rebound of COVID-19 pandemic, which attracted widespread attention. Under the test of COVID-19 pandemic, Shanghai Pharmaceuticals always insisted on putting the people's life safety and health first, immediately activated the emergency work mechanism, and comprehensively coordinated the emergency support for medical supplies, drug supply and production, and the epidemic prevention and control within the enterprise.

Guaranteeing the supply of materials is the key to the epidemic prevention and control. During this epidemic outbreak, Shanghai Pharmaceuticals launched the closed-off management of eight major logistics warehouses in Shanghai, with over 5,000 employees sticking to the front-line positions concerning logistics, hospital supply chain and retail, and worked unyieldingly to ensure the supply of medical materials under tremendously difficult conditions.

The SHAPHAR Internet Hospital and SPH Cloud Health of the Group overcame the difficulties such as traffic restrictions and manpower shortage, worked day and night on the frontline to complete the drug sorting and distribution tasks several times than usual, and to solve citizens' "difficulty in drug dispensing". Nearly 760,000 drug home-delivery services were provided for citizens during the epidemic period. Shanghai Huashi Pharmacy kept its stores operating from the end of March. As of 30 May, there were 277 stores that qualified for operation remained open, covering more than 1,920 surrounding neighborhood committees; these stores received and processes more than 500 orders from online platforms every day, and some stores received more than 800 orders per day. The workers of SPH Huayu were overworked to decoct the traditional Chinese medicines with the function of "eliminating the interior and exterior pathogenic evil" for COVID-19 patients in makeshift hospitals of Shanghai to help prevention and control the epidemic.

During the epidemic period, many industrial enterprise under Shanghai Pharmaceuticals maintained uninterrupted production. Since April, in order to resume normal production as soon as possible and satisfy the frontline drug demands, Shanghai Pharmaceuticals has paid close attention to epidemic prevention and control as well as work and production resumption simultaneously, with more than 2,000 employees participated in closed-loop production, and has completed the production tasks through the various methods, such as one person undertaking several posts and remote connection.

In this battle against time, Shanghai Pharmaceuticals once again marched ahead at an accelerated pace, took multiple measures to facilitate epidemic prevention and control, and continuously made contributions to the war against COVID-19.

Last year, with the strong support from the municipal Party committee, government and relevant committees and bureaus, Shanghai Pharmaceuticals and CanSino cooperated and **built a COVID-19 vaccine plant in half a year**, with an annual capacity of 200 million doses and integration from stock solution to preparation designed in accordance with GMP requirements, becoming the “fastest” infrastructure project of Shanghai Pharmaceuticals. The project is carried out by **CanSino SPH** (a joint venture), and was granted with the first production license of COVID-19 vaccine in Shanghai and the approval of preparation production at the end of 2021. On 27 January 2022, the COVID-19 vaccine “Convidecia” produced by CanSino SPH was officially announced for mass production, and the first injection was given on the same day. In August, CanSino SPH was granted with the approval for supplementary application for registration of stock solution No.1 pipeline and preparation No.1 pipeline, becoming the only enterprise in China to undertake entrusted vaccine production from stock solution to preparation production.

In response to the request of Shanghai Municipal Party Committee and Municipal Government to rapidly improve the capacity of nucleic acid testing in Shanghai, Shanghai Pharmaceuticals cooperated with Baoshan District People’s Government and Labway Clinical to establish the SPH Labway Nucleic Acid Testing Laboratory. On 27 April 2022, upon receipt of government notice, Shanghai Pharmaceuticals quickly took response actions, and leaders of the Group held special meetings and worked out plans immediately to complete the task of building capacity for nucleic acid testing in the battle against COVID-19 pandemic. On 12 May, the SPH Labway Nucleic Acid Testing Laboratory was officially put into operation, and now its nucleic acid testing capacity can reach 100,000 tubes per day. As the “Urban Nucleic Acid Testing Base of Baoshan District”, this laboratory has been specified as the designated unit for large-scale screening and normal testing of medical institutions, which provides a strong guarantee for the regular epidemic prevention and control.

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During the epidemic period, SIIC, the controlling shareholder of the Company, also assumed responsibility of the construction and operation management of No.2 Lingang Makeshift Hospital in Shanghai. As one of the core enterprises of SIIC, Shanghai Pharmaceuticals synchronously undertook the task of providing support services for the operation management of makeshift hospitals, and assisted in the operation management.

- **Pharmaceutical manufacturing:**

During the Reporting Period, the Company adhered to the annual general operating policy of “ensuring stability a top priority, pursuing progress while ensuring stability, and striving for change while ensuring stability”, and attached equal emphasis to epidemic prevention and control and production and operation, with the sales revenue from pharmaceutical manufacturing reaching RMB13.05 billion (a YOY increase of 3.56%). The Company achieved a YOY increase of 13.69% in the sales revenue of 60 key products, and actively exploited the development opportunities of potential products.

Continuous enrichment of the innovative drug pipeline

During the Reporting Period, the Company further accelerated the research and development/the innovation and transformation, with the R&D investment totaling RMB968 million in the first half of 2022, accounting for 7.41% of industrial sales revenue, of which R&D expenses amounted to RMB810 million, down 7.99% YOY, accounting for 6.20% of industrial sales revenue.

Up to now, there have been 50 new drug pipelines for clinical application acceptance and entering the clinical study stage, including 42 innovative drugs and 8 improved new drugs. Among the innovative drug pipeline, six are in pivotal studies or clinical Phase III. At the same time, in the preclinical stage, the Company also reserved a number of special varieties through self-development and cooperative development, including probiotic new drugs KBL697 and KBL693 (which are in Clinical Phase I/II in the United States and Australia) and bacteriophage lyase ClyO. During the Reporting Period, the Company also successfully participated in Series A financing of Chengdu Shilian Kangjian Biotechnology Co., Ltd., and was engaged in the stem cell industry by taking this opportunity, established industrial connection for further layout and introduction of cutting-edge stem cell drugs, and laid the foundation for deep cultivation in stomatological market.

1. New drugs in development

Classification	Quantity (by indication)	Remarks
Innovative drugs	42	34 projects entered the clinical stage, and 8 clinical applications have been accepted
Improved new drugs	8	3 projects entered the clinical stage, and 5 clinical applications have been accepted
Total	50	

2. Pipeline of innovative drugs in development

No.	Treatment	Drug name/ Code	Indications	R&D progress in China as of the end of the Reporting Period	R&D progress in other countries as of the end of the Reporting Period
1	Cardiovascular	I001	Primary mild to moderate hypertension	Clinical Phase III	/
2	Digestive and metabolism	X842	Reflux esophagitis	Clinical Phase III	/
3	Neoplasm	BCD-100	Cervical cancer	Clinical Phase III	/
4	Neoplasm	BCD-100	Non-small cell lung cancer	Clinical Phase III	/
5	Infection	Benapenem	Anti-infection	Clinical Phase II (Completed)	/
6	Psychoneurotic	SRD4610	Amyotrophic lateral sclerosis	Clinical Phase II (Pivotal study)	/
7	Infection	I008-A	AIDS chronic abnormal immune priming	Clinical Phase II (Pivotal study)	/
8	Neoplasm	B013	Breast cancer	Clinical Phase II	* US, clinical Phase I
9	Autoimmunity	I008	Rheumatoid Arthritis	Clinical Phase II	/
10	Digestive and metabolism	I001-A	Diabetic nephropathy	Clinical Phase II	/
11	Autoimmunity	I001-B	Inflammatory enteritis	IND	US, clinical Phase II
12	Neoplasm	I036	Juventus sarcoma	Clinical Phase IIa	* US, clinical Phase II
13	Neoplasm	B003	Breast cancer	Clinical Phase II	/
14	Neoplasm	I022	Advanced solid tumors/ liposarcoma	Clinical Phase I	US, clinical Phase II
15	Cardiovascular	Salvianolic acid A for injection	Angina pectoris of coronary heart disease	Clinical Phase I (Completed)	/
16	Psychoneurotic	I037	Acute ischaemic stroke	Clinical Phase I (Completed)	* US/Taiwan, clinical Phase II
17	Neoplasm	B001	Non-Hodgkin lymphoma	Clinical Phase I (Completed)	/
18	Neoplasm	I020	Advanced solid tumors	Clinical Phase I	/
19	Neoplasm	I022-K	Advanced solid tumors	Clinical Phase I	/
20	Neoplasm	I025-A	HER2-positive advanced breast cancer	Clinical Phase I	/
21	Autoimmunity	B001-C	Neuromyelitis optica	Clinical Phase I	/
22	Neoplasm	B006	Progressive large cell lymphoma (PTCL), Hodgkin lymphoma	Clinical Phase Ib	/
23	Neoplasm	B007	Non-Hodgkin lymphoma	Clinical Phase I	/
24	Neoplasm	B015	Advanced solid tumors	Clinical Phase I	/
25	Neoplasm	I010	Non-small cell lung cancer	Clinical Phase I	/
26	Neoplasm	B002	Breast cancer	Clinical Phase I	/
27	Autoimmunity	BCD-085	Ankylosing arthritis	Clinical Phase I	/
28	Digestive and metabolism	SI006	Irritable bowel syndrome	/	Canada/US, clinical Phase I completed
29	Neoplasm	B010-A	Advanced hepatocellular carcinoma	IIT	/
30	Neoplasm	Autologous cell immunotherapy	Lung cancer	IIT	/

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No.	Treatment	Drug name/ Code	Indications	R&D progress in China as of the end of the Reporting Period	R&D progress in other countries as of the end of the Reporting Period
31	Neoplasm	B019	Leukemia (Primary Care Program)	IIT	/
32	Psychoneurotic	C012	Alzheimer's disease	IIT	/
33	Autoimmunity	BCD-085	Psoriasis	IND	/
34	Autoimmunity	B007-A	Primary membranous nephropathy	IND	/
35	Autoimmunity	B001-A	Multiple sclerosis	Clinical approval obtained	/
36	Neoplasm	I025	HER2-positive advanced breast cancer	pre-IND	/
37	Psychoneurotic	I040	Depression	pre-IND	/
38	Neoplasm	BCD-021	Non-small cell lung cancer, colorectal cancerpre	pre-IND	/
39	Neoplasm	BCD-022	Breast cancer	pre-IND	/
40	Autoimmunity	BCD-057	Rheumatoid Arthritis	pre-IND	/
41	Neoplasm	B013	Mantle cell lymphoma	/	* US, clinical Phase II
42	Neoplasm	B013	Chronic lymphocytic leukemia	/	* US, clinical Phase II

*Note: For the varieties under cooperative development, overseas rights and interests belong to the partners

3. Introduction to new drug projects in development and the progress

- I001 project:
I001 tablets are a new generation of oral non-peptide small molecule renin inhibitors, which belong to type 1 chemical drug. As a antihypertensive drug with a new mechanism of action, I001 tablets have successfully completed the clinical trial and data clearing of Phase III, stage I after the first patient of Phase III was enrolled on 10 June 2021, which is expected to provide an effective treatment approach and richer treatment means for the majority of mild and moderate patients. On 30 December 2020, I001, a new indication of UC, was qualified for Phase II clinical trials by the FDA and synchronously applied for clinical trials for this indication in China. On 30 July 2021, it was approved for Phase II clinical trial of diabetic nephropathy in China, and clinical trials were conducted. At present, there are 35 initiation centers for hypertension indications in Phase III, stage II, and 269 subjects are enrolled; clinical research on other indications is ongoing.
- I022-K project:
I022-K is a type 1 new chemical drug independently developed by Shanghai Pharmaceuticals, with completely independent intellectual property rights. I022-K tablets have a broad spectrum of antitumor effects and are used for the treatment of advanced solid tumors. Especially for KRAS mutant tumors, there is a significant effect. On 27 August 2021, it was approved for clinical trial; on 20 January 2022, the first subject was enrolled for Phase I clinical trial, and the clinical trial is progressing smoothly at present. At present, the trial of second dose escalation group is in progress.
- B007 project:
Recombinant anti-CD20 humanized monoclonal antibody is a new type of recombinant monoclonal antibody product for human use, with independent intellectual property rights. It is highly humanized and is expected to have lower immunogenicity and longer half-life than rituximab. On 30 November 2021, the first subject was enrolled for Phase I clinical trial. At present, enrollment for the first to third dose groups is completed, with a total of 9 subjects enrolled.

- **B006 project:**
This drug is a recombinant human-mouse chimeric anti-CD30 monoclonal antibody-MCC-DM1 coupling agent for injection with independent intellectual property rights, and is intended for anaplastic large cell lymphoma, Hodgkin's lymphoma and cutaneous T-cell lymphoma. This project has completed the Phase I clinical dose escalation phase of the trial, and the clinical trial of the dose expansion phase is ongoing. Up to now, 13 subjects have been enrolled for dose escalation trial; 12 subjects have been enrolled for trial of Phase Ib.
- **NJ-2021-002(Z) (hemorrhoids) and NJ-2021-002(F) (radiation proctitis)**
NJ-2021-002(Z), (F) are improved new drug projects. According to the mechanism of action and pharmacodynamic test results of the product, the R&D team has developed the world's first sterile gel preparation that can be used locally in the anorectal region to promote wound healing after hemorrhoid surgery, relieve edema and pain, and inhibit itching. This indication, which received clinical tacit clearance in 2021, and initiated a Phase I clinical trial in March 2022. At present, the Phase I clinical trial has been completed, and data from phase I study demonstrates a good safety and tolerability profile for healthy subjects with single and multiple infusions. At the same time, this drug can also promote wound healing, inhibit inflammation and intestinal fibrosis through mucosal protection; it can also be used for anti-oxidative stress, prevention and treatment of oxidative damage caused by radiotherapy. The relevant indications were declared to IND for approval in December 2021, and were approved in March 2022. After the product is marketed, it is expected to become the world's first drug with the indication of "radiation proctitis" and fill the gap in clinical medication for radiation proctitis.
- **FZZ-2021-003 (osteoarthritis)**
FZZ-2021-003 is an improved new drug project. Aiming at the key targets in the pathogenesis of osteoarthritis, this project applies the existing active drugs and allows the drugs to act directly on the lesion site with a new route of administration through special drug loading technology, thus exerting the active drug effect, realizing the improvement of chondrocyte microenvironment, promoting cartilage regeneration, blocking inflammation, and discontinuing and reversing injury. This project is currently undergoing preclinical research. After the product is marketed, it is expected to become the first osteoarthritis drug that truly targets the cause and can achieve the effect of changing the disease process.

4. Introduction of major introduced new drug projects

During the Reporting Period, SPH New Asia Pharmaceutical Co., Ltd., a subsidiary of the Company, signed licensing agreements with Xuanzhu Biotechnology Co., Ltd. and its subsidiary Xuanzhu (Beijing) Pharmaceutical Technology Co., Ltd. respectively, obtaining the exclusive licenses of the bulk drugs and preparations of the Benapenem Project and the Plazomicin Project in China (including Hongkong, Macau and Taiwan Province), including the rights to sublicense, use, produce, import, develop, package, distribute and sell, with the transaction consideration of no more than RMB266 million and the transaction consideration of no more than RMB174 million respectively plus the corresponding gradient sale commissions. The development of other license-in products was also progressing normally.

- Benapenem Project

The Benapenem is a new drug of class 1.1 carbapenem antibiotics (β -lactams) independently researched and developed in China, which inhibits the synthesis of bacterial cell wall through penicillin binding proteins (PBPs) acting on bacterial cell membrane, resulting in the death of bacteriolysis. At present, its complicated urinary tract infection indications have completed clinical phase II trials in China and reached the ideal clinical endpoint.

- Plazomicin Project

The Plazomicin is a new generation of aminoglycoside derivatives, which can inhibit the synthesis of bacterial protein by binding to bacterial ribosome 30S subunit. It has been approved by FDA (U.S. Food and Drug Administration) in 2018, and is used for the last-line treatment of complex urinary tract infections caused by multidrug-resistant Enterobacter. It is the only semi-synthetic aminoglycoside antibiotic approved by FDA in recent years.

- I037 (“LT3001 for injection”) Project

I037 is a new acute stroke drug in cooperation with Lumosa Therapeutics (6535.TW). The first phase I clinical trial of I037 was completed in January 2021, and the first subject was enrolled. As of the end of January 2022, the phase I clinical trial had been completed. At present, the lead unit of the phase II clinical trial has been confirmed, and the Company is being communicating with CDE on clinical plan.

- X842 Project

X842 is a new generation of potassium ion competitive acid blocker (P-CAB) oral drug, which can competitively block the potassium ion activity in H-K-ATPase and inhibit gastric acid secretion. It has the advantages of quick effect, strong and lasting acid inhibition, no individual difference in curative effect and few adverse reactions. The project was introduced from Guizhou Shengnuo Biotechnology Co., Ltd. in October 2021. At present, the phase III clinical trial of reflux esophagitis in China is progressing normally.

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Cooperation in R&D to build an innovation platform

With the mode of “independent research and development + external cooperation”, the Company continues to expand the innovative drug product group with clinical value, and based on the market-oriented system and mechanism, the Company has reached strategic cooperation with a number of well-known universities, research institutes and medical institutions to build an innovation platform. The Company’s cooperation with Fudan University School of Pharmacy, Zhongshan Hospital Affiliated to Fudan University, Ruijin Hospital, Shanghai Jiao Tong University School of Medicine, Shanghai Children’s Medical Center Affiliated to Shanghai Jiao Tong University School of Medicine, Xinhua Hospital affiliated to Shanghai Jiao Tong University School of Medicine, ShanghaiTech University, Sichuan University West China Hospital, Shenyang Pharmaceutical University, CAS Center for Excellence in Molecular Cell Science and other institutions is progressing normally.

On 2 August this year, Shanghai Pharmaceuticals, Hong Kong Science Park and Shanghai Biomedical Fund held a strategic cooperation and exchange meeting in Hong Kong Science Park to discuss in-depth cooperation in the field of biomedicine and signed a memorandum of strategic cooperation.

SIIC and Shanghai Pharmaceuticals actively joined hands to further deepen their cooperation in Hong Kong, jointly built an international innovation platform for biomedicine, jointly accelerated the incubation and transformation of basic biomedical research in Hong Kong, and helped Hong Kong build an international innovation and technology center.

Promote the inheritance, innovation and development of traditional Chinese medicine

In recent years, China has attached great importance to the development of traditional Chinese medicine industry, and in the first half of this year, a series of policies to encourage and support the development of traditional Chinese medicine, such as the 14th Five-Year Plan for the Development of Traditional Chinese Medicine, the 14th Five-Year National Health Plan, and the Guiding Opinions on Medical Insurance Supporting the Inheritance, Innovation and Development of Traditional Chinese Medicine, were successively issued.

The Company has abundant resources of traditional Chinese medicine products, and owns 7 key enterprises of traditional Chinese medicine, 9 widely recognized core brands, a number of confidential formulas such as Babaodan and Liushen Pills, and exclusive varieties such as Weifuchun. The sale revenue of traditional Chinese medicine accounts for about one-third of the total revenue of the industrial segment, of which the sale revenue of 14 products in 2021 exceeded RMB100 million. The Company actively responded to the national strategy, vigorously tapped the resources of traditional Chinese medicine products, and focused on cooperation in the field of traditional Chinese medicine. **In July 2022, Shanghai Pharmaceuticals, Yunnan Baiyao and Tianjin Pharmacy jointly held the “Yuntianshang” meeting of the Alliance for Reviving China’s Excellent Traditional Chinese Medicine Industry**, focusing on such topics as jointly promoting the development of Chinese herbal medicines, building GAP bases, in-depth cooperation in the field of OTC channels, great health and health care products business, research and development cooperation, and personnel training. All parties decided to make full use of the “Yuntianshang” alliance platform, further strengthen coordination, strengthen exchanges and cooperation, make overall plans to optimize resource allocation, and jointly promote industrial development.

Rare is not lonely, rare is powerful, and rare is proud.

In recent years, China has paid more and more attention to the field of rare diseases. On 13 June 2022, the National Healthcare Security Administration issued the Work Plan for the Adjustment of the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Drug List in 2022. The rare disease treatment drugs approved by the China Food and Drug Administration before 30 June 2022 are expected to be included in the new medical insurance drug list.

There are 21 varieties in the products of Shanghai Pharmaceuticals used to treat rare diseases, involving 34 rare diseases, and Shanghai Pharmaceuticals is one of the enterprises with the largest number of approvals for rare diseases in China. **As the only rare disease platform of Shanghai Pharmaceuticals, SPH Ruier** is a resource-integrated industry-wide chain of enterprise with first-class industrialization and commercialization capabilities. With SPH Ruier as the platform, on the one hand, the Company concentrates the existing rare disease variety resources, on the other hand, it actively introduces cutting-edge innovative varieties. At present, the Company has a total of 15 research projects, involving global innovative drugs, first generic drugs and many clinically urgently needed drugs, covering many rare disease categories such as tumor, motor neuron, endocrine, cardiovascular, metabolism, etc., and including 2 Class I new drugs, 3 Class II new drugs and many clinically urgently needed Class III and Class IV projects. During the Reporting Period, the Company invested nearly RMB60 million in the research and development of rare disease drugs.

In the next three years, Shanghai Pharmaceuticals will focus on building SPH Ruier into an important innovative research and development base for rare diseases drugs in China, a transformation base for rare diseases drugs with global influence, a high-end international production base for rare diseases drugs and a guarantee and supply base for urgently needed rare diseases drugs.

The progress of key products of SPH Ruier is as follows:

- The SRD4610 project obtained by investing in and controlling Kaichuan Pharma is used to treat amyotrophic lateral sclerosis. CDE has given this variety “special accreditation qualification” (green channel), and it is expected that it will be approved for marketing after the completion of phase II clinical practice. As of the first half of 2022, all patients had been enrolled in phase II clinical trials.
- SRD5211, developed in cooperation with Kexin Bicheng, is the only second-generation antihistamine injection in acute urticaria, and its domestic research and development is in the phase III clinical research group. As of the first half of 2022, 85% of patients have been enrolled.
- The SRD6214 project obtained by signing the transfer agreement with Ruijin Hospital is used to treat α -thalassemia. Similar products have not been clinically tested in China, and this variety is expected to become the first-line drug for α -thalassemia, which is currently undergoing preclinical research.
- SRD1301: the indications are acute leukemia, breast cancer, urothelial cancer, etc. As of the Reporting Period, the registration declaration has been completed according to the three categories of chemicals, and supplementary research is under way.

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- SRD2407: the indication is pulmonary hypertension. During the Reporting Period, the process verification was completed and the BE test was entered.
- SRD4512: the indication is amyotrophic lateral sclerosis, and the registration declaration has been completed according to the chemical category 5.2.
- SRD1403: the indication is acute non-lymphocytic leukemia, and the process verification has been officially carried out.

During the Reporting Period, SPH Ruier actively cooperated with the China Rare Disease Alliance, Shanghai Rare Disease Foundation, China Pharmaceutical University, Shanghai University of Traditional Chinese Medicine, Peking Union Medical College Hospital, Shanghai Ruijin Hospital, Shanghai Ninth People's Hospital and other national rare disease academic institutions, and carried out six high-standard professional academic exchange activities by combining online method and offline method.

Accelerated approval of consistency evaluation

As for generic drugs, up to now in 2022, 10 varieties (11 specifications) of conformity evaluation approval documents (based on the time of the approval documents) have been newly obtained, which makes the products approved for conformity evaluation cumulatively increase to 45 varieties (67 specifications), ranking first in the industry.

New Products That Have Been Reviewed for Consistency Evaluation in 2022

No.	Company	Product Name	Specification
1	SPH No.1 Biochemical & Pharmaceutical Co., Ltd.	Octreotide acetate injection	1ml: 0.1mg
2	Shanghai Xinya Pharmaceutical Minhang Co., Ltd.	Clindamycin hydrochloride capsules	75mg, 150mg
3		Aripiprazole tablets	10mg
4	Shanghai Zhongxi Pharmaceutical Co., Ltd.	Oseltamivir phosphate capsules	75mg
5		Hydroxychloroquine sulfate tablets	0.1g
6	Shanghai Sine Jinzhu Pharmacy Co., Ltd.	Neostigmine sulfate injection	2ml:1mg
7	SPH Sine Pharmaceutical Factory Co., Ltd.	Methotrexate tablets	2.5mg
8		Amiodarone hydrochloride tablets	0.2g
9	Shandong Sine Pharmaceutical Co., Ltd.	Flunarizine hydrochloride capsules	5mg
10	Changzhou Pharmaceutical Factory Co., Ltd.	Folic Acid Tablets	5mg

- ***Pharmaceutical business: the leading edge is further expanded***

As a leading enterprise in the national pharmaceutical distribution industry, Shanghai Pharmaceuticals achieved sales revenue of RMB99.157 billion from January to June 2022, representing a year-on-year increase of 7.21%, with a gross profit margin of 6.87%; the retail business of medicine achieved sales revenue of RMB3.531 billion, representing a year-on-year decrease of 4.80%, with a gross profit margin of 12.17%. In June 2022, the “List of Top 100 Wholesale and Retail Enterprises of the National Pharmaceutical Circulation Industry” was released at the information release and development situation report meeting of the pharmaceutical circulation industry (2021-2022) hosted by China Association of Pharmaceutical Commerce. Shanghai Pharmaceuticals ranked second among pharmaceutical circulation and wholesale enterprises, Shanghai Huashi Pharmacy ranked seventh among pharmaceutical circulation and retail enterprises, and SPH Cloud Health Yiyao Pharmaceutical (Shanghai) Co., Ltd. ranked 19th among pharmaceutical circulation and retail enterprises. In July 2022, in the seventh batch of national distribution places in Shanghai, Shanghai Pharmaceuticals successfully won 28 varieties, ranking first.

[Consolidate China’s leading position in the service of imported drugs and innovative drugs](#)

Up to now in 2022, the Company has added a total of 23 new imported products, and continues to maintain the leading position of imported innovative drugs.

During the Reporting Period, SHAPHAR, a subsidiary of the Company, signed a strategic cooperation agreement with SciClone Pharmaceuticals, focusing on several imported original research products such as Ridaxian of SciClone Pharmaceuticals, and relying on the life-cycle service experience of innovative drugs of SHAPHAR, it carried out comprehensive cooperation in various fields such as pre-marketing services, international supply chain, omni-channel coverage, new retail expansion and innovative payment. SHAPHAR also signed a strategic cooperation agreement with Nuance Pharma, and joined hands with Yourui Pharmaceutical in precise focus and innovative development in the fields of breathing, pain and iron deficiency anemia. XPOVIO®, the main new drug of Deqi Pharmaceutical signing a contract in August 2021, has been successfully marketed in China in the first half of this year with the help of SHAPHAR. At the same time, SHAPHAR has overcome the impact of the epidemic situation, efficiently completed the rapid coverage of all work in circulation to the national market, and provided fast and convenient services for patients through its DTP pharmacy network.

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The construction of “Great Health” Park was accelerated again

In July 2022, at the signing ceremony of the strategic cooperation agreement of Shanghai SASAC, “Shanghai Pharmaceutical Great Health Innovation Park” was officially included in the key cooperation projects of state-owned enterprises in Pudong New Area. Shanghai Pharmaceutical Great Health Innovation Park is located in Waigaoqiao Free Trade Zone, Shanghai, with a planned area of nearly 100,000 square meters. In the future, it will build a high-standard and modern warehousing and distribution base, as well as comprehensive service facilities with various functions such as exhibition, research and development, packaging, processing, import and export, and re-export.

In the same month, the launching ceremony of Pharmaceutical Health International Industrial Park in Lingang New Area of SHAPHAR was held in Lingang New Area of China (Shanghai) Pilot Free Trade Zone, marking that SHAPHAR has stepped onto a new level in building an innovative development platform with international resource allocation capability. The Lingang project covers an area of 189mu and is planned to be developed in three phases. With the advantage of being close to Pudong Airport, the Lingang project business will take the international supply chain as the carrier and provide the whole life cycle service of the supply chain platform, so as to attract domestic and foreign pharmaceutical upstream enterprises to settle down and improve the service level.

The sale of imported vaccines is stable

During the Reporting Period, the Company achieved the sale revenue of about RMB1.9 billion from imported vaccines. In the first half of this year, the transportation and sale of products were restricted by the COVID-19 pandemic, and the trend has improved since May. However, the impact of the COVID-19 pandemic on the national and local finances is still a major challenge this year and even in the next few years. The Company has a leading vaccine supply chain service platform and has the capability of cold chain logistics covering the whole country. In the past two years, the Company has also made a series of strategic layout for the vaccine business segment, successfully extending the industrial chain from the original import general business to the upstream links such as R&D and production and the downstream terminal promotion of vaccines.

Non-pharmaceutical businesses such as device health maintained a strong momentum

During the Reporting Period, the Company's sale of non-pharmaceutical businesses such as devices and big health were about RMB16.7 billion, representing a year-on-year increase of about 55%. SHAPHAR actively expanded its cooperation with head suppliers in the fields of intracardiac intervention, peripheral intervention, cryoablation, large-scale equipment, etc. In the first half of the year, 363 equipment recruitment projects were carried out, with a total bid amount of RMB1.2 billion. In the first half of this year, SPH Keyuan has introduced more than 8,000 new equipment products. The Company actively deployed all over the country, and successively established SPH (Hangzhou) Medical Devices Co., Ltd. and SPH (Sichuan) Medical Equipment Co., Ltd., with emphasis on promoting the establishment of equipment platforms in Shandong and Beijing. At the same time, the Company actively explored the transformation of sale representatives, improved the terminal access capability and the clinical value-added service capability, prepared for the new normal of device collection, and helped the business to develop continuously.

SPH Cloud Health continuously makes innovations and breakthrough

1. New professional pharmacies build an out-of-hospital market blueprint for commercialization of innovative drugs

With the R&D and marketing of global innovative drugs ushering in a blowout, and the support of relevant national policies, the declaration and marketing of new drugs of China have entered an accelerated period. The commercialization capability has become the most important ability in the drug marketing stage, and the out-of-hospital market has become a battleground for pharmaceutical companies. As China's leading "Internet + pharmaceutical commercial technology platform", SPH Cloud Health has established a DTP professional pharmacy system covering the whole life cycle, national integration and the largest volume in the field of new and special drugs. At the same time, SPH Cloud Health comprehensively built a domestic phenomenon-level professional pharmacy by focusing on out-of-hospital scenarios, and with a more diversified supply system, more accessible and more professional products and services, and more affordable payment methods,

2. Standardized CAR-T service process improves the accessibility of patients' treatment
As a professional DTP pharmacy with integrated management in China, "Yiyao Pharmacy" undertakes the implementation service of CAR-T products in China. The standardized service process has strict implementation standards from patients' signing of contracts, tailor-made special equipment, product distribution to subsequent health management, and takes the lead in the industry with first-mover advantage. Especially in the special period of fighting against the COVID-19 pandemic, "Yiyao Pharmacy" formulated an emergency plan of "one can, one policy" for storage and transportation, and Yikaida ® commercial drug return service continued to enter in "Yiyao Pharmacy", completing the 100th implementation in China.

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- The first “Yiyao · Comprehensive Flagship” in China opened Relying on the largest integrated and nationwide professional pharmacy network in China-Yiyao · Pharmacy Network, **the first newly opened “Yiyao · Comprehensive Flagship” in China** has a total construction area of over 1,800 square meters. Besides the leading DTP professional sale and service modules in China, “Yiyao · Comprehensive Flagship” also has a cloud pharmacy center with innovative intelligent pharmacy terminals, which expands the functional areas such as PAP charity assistance, PEP patient education, cellular immunity service and innovative financial insurance service. “Yiyao · Comprehensive Flagship” will better provide patients with professional and safe medication services, create a new segment with national influence and competitiveness, and add a new benchmark for Shanghai, which is rich in life and health industry resources.

MediTrust Health is committed to providing users and their families with more comprehensive, economical and high-quality medical and health services by being driven by intelligent technology and taking the dual platform of medical and insurance as the core. In 2022, SHAPHAR and MediTrust Health gave full play to the pioneer advantage of “Internet + Medicine + Drug + Insurance”, continued to provide customized drug service support for the “Huhuibao” Insurance, and helped the “Huhuibao” Insurance renew and upgrade. The “Huhuibao” Insurance (2022 Version) has added 11 drugs for tumors and rare diseases in different fields, and also added coverage for gastrointestinal stromal tumors, neuroblastoma and other diseases, further expanding the scope of protection.

As of the first half of 2022, the actual claim settlement and service customers of MediTrust Health exceeded 1 million, saving medical expenses for patients by over RMB400 million. The “Huiminbao” Insurance covered more than 90 cities in total, and the medicine and device rights cards have been implemented in 360 cities. In July this year, the 11th CFS Financial Summit and 2022 Sustainable Business Conference were held in Beijing. At the Conference, MediTrust Health won the “2022 Outstanding Brand Image Award”.

Material changes in the operation of the Company during the Reporting Period and events that occurred during the Reporting Period that have had a significant impact on the operation of the Company and are expected to have a significant impact in the future

Applicable Not applicable

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 current period	Amount for the same period of last year	Change (%)
Operating income	111,707,464,327.64	105,237,468,881.97	6.15
Operating cost	96,678,478,831.09	91,225,177,184.48	5.98
Selling expenses	6,794,498,225.38	6,324,934,336.23	7.42
Administration expenses	2,321,686,991.32	2,322,332,052.70	-0.03
R&D expenditure	809,672,103.19	880,028,512.19	-7.99
Finance costs	648,913,998.77	578,868,705.15	12.10
Asset impairment losses	-39,449,430.51	-15,634,812.60	-152.32
Credit impairment loss	217,692,401.14	201,103,557.94	8.25
Other income	135,866,657.63	192,600,180.75	-29.46
Investment income	309,246,323.46	1,671,188,152.88	-81.50
Gains arising from changes in fair value	25,391,346.09	-35,593,655.13	/
Gains on assets disposal	1,427,179,664.17	5,924,774.69	23,988.34
Non-operating income	10,001,694.34	27,695,351.07	-63.89
Non-operating expenses	51,243,297.70	40,259,501.48	27.28
Net cash flow generated from operating activities	-556,181,060.49	2,171,018,019.80	-125.62
Net cash flow generated from investing activities	-11,417,450,767.21	-3,192,543,135.86	-257.63
Net cash flow generated from financing activities	16,317,624,700.65	1,795,571,128.72	808.77

Reasons for changes in above items for more than 30% as follows:

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

Reasons for changes in investment income: Decrease in investment income recognized due to disposal of subsidiaries during the Reporting Period

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

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

Reasons for changes in non-operating income: Decrease in compensation received 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 paid for investment in financial assets held for trading during the Reporting Period

Reasons for changes in net cash flow generated from financing activities: Increase in cash from non-public issuance of shares during the Reporting Period

Chapter 3 Management Discussion and Analysis

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

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

Applicable Not applicable

(III) Analysis on Assets and Liabilities

Applicable Not applicable

1. Assets and Liabilities

Unit: 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
Financial assets held for trading	10,601,334,943.42	5.66	-	-	/	Increase in financial assets held for trading purchased during the Reporting Period
Other non-current assets	567,166,267.39	0.30	856,897,933.62	0.52	-33.81	Decrease in time deposits due over one year during the Reporting Period
Derivative financial liabilities	2,984,912.95	0.002	774,097.78	0.0005	285.60	Increase in fair values of financial liabilities held during the Reporting Period
Non-current liabilities due within one year	1,176,638,612.10	0.63	582,042,566.55	0.36	102.16	Increase in long-term borrowings due within one year during the Reporting Period
Other current liabilities	6,207,839,362.69	3.32	9,232,381,601.62	5.65	-32.76	Increase in repayment of extra short-term financing bill during the Reporting Period
Expected liabilities	50,780,803.32	0.03	23,243,898.02	0.01	118.47	The increase in expenditure for expected compensation during the Reporting Period
Deferred income	496,281,134.61	0.27	2,349,080,148.54	1.44	-78.87	Increase in transfer of compensation for demolition and construction during the Reporting Period

2. *Overseas assets*

Applicable Not applicable

(1) Asset size

Among which, overseas assets amounted to 24.62 (Unit: '00 million Currency: RMB), the proportion to the total assets is 1.32%.

(2) Explanation on high proportion of overseas assets

Applicable Not applicable

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

Applicable Not applicable

As at 30 June 2022, the balance of the Group's other monetary funds was RMB2,217 million, which was mainly the margin deposit for security for applying to the bank for issuing bank acceptance bills and letters of credit.

As at 30 June 2022, the Group pledged the accounts receivable with the book value of RMB440 million to the bank as a guarantee for short-term borrowings of RMB379 million.

As at 30 June 2022, the Group pledged the accounts receivable with the book value of RMB92 million to the bank as a guarantee for long-term borrowings of RMB92 million.

As at 30 June 2022, houses, buildings, machinery and equipment with a book value of RMB367 million (original price: RMB583 million) and land use rights of 300,000 square meters (original price: RMB392 million, book value: RMB375 million) were used as collateral for RMB369 million of short-term borrowings, RMB158 million of long-term borrowings and RMB14 million of long-term borrowings due within one year.

As at 30 June 2022, the equity interest in subsidiary of the Group was pledged for the pledged bank borrowings of RMB80 million and RMB7 million of long-term borrowings due within one year.

4. *Other information*

Applicable Not applicable

Chapter 3 Management Discussion and Analysis

(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	36,465.87
Increase or Decrease in Amount of Investment	-98,243.52
Amount of Investment in the Same Period over Prior Year	134,709.39
Percentage of Increase/decrease in Amount of Investments (%)	-72.93

(1) Significant Equity Investments

Applicable Not applicable

(2) Significant Non-equity Investments

Applicable Not applicable

(3) Financial Assets Measured at Fair Value

√Applicable Not applicable

Unit: 0'000 Yuan Currency: RMB

Stock Code	Stock Name	Initial Investment Cost	Closing Carrying Amount	Profit or Loss during Reporting Period	Change in Owners' Equity during Reporting Period	Change of amount in Fair Value	Source of Capital	Purchase or Disposal during the Reporting Period
000931	ZHONGGUANCUN	9.93	16.53	-2.80	/	-2.80	Own fund	Nil
600675	CHINA ENTERPRISE	39.00	289.03	4.72	/	4.72	Own fund	Nil
601328	BANK OF COMMUNICATIONS	472.01	285.59	21.22	/	21.22	Own fund	Nil
688578	Allist	2,045.70	1,899.00	-819.00	/	-819.00	Own fund	Nil
03692(HK)	Hansoh Pharmaceutical (翰森製藥)	13,769.67	14,803.47	-2,963.92	791.40	-2,963.92	Own fund	Nil
06600(HK)	SciClone Pharmaceuticals	19,353.29	9,202.35	455.05	/	455.05	Own fund	Nil
00455(HK)	Tianda Pharma	8,785.19	5,205.80	/	-2,133.44	-2,133.44	Own fund	Nil
Total		44,474.79	31,701.77	-3,304.73	-1,342.04	-5,438.17	/	/

For details of other financial assets measured at fair value, please refer to Note 13 to the Financial Statements.

(V) Disposal of Major Assets and Equities

□Applicable √Not applicable

(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	732.89	172.82	607.41	10.72
SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Sales of drugs	100.00%	13.00	289.43	82.05	234.87	6.28
SPH Sine Pharmaceutical Factory Co., Ltd.	Production and sales of drugs	100.00%	11.92	62.15	32.43	25.51	3.05
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	2.25	34.53	12.90	20.56	1.40
SPH New Asia Pharmaceutical Co., Ltd.	Production and sales of drugs	96.90%	10.52	19.00	12.30	9.74	0.14
Shanghai TCM Co., Ltd.	Production and sales of drugs	100.00%	14.76	85.37	42.62	29.59	2.99
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Production and sales of drugs	75.00%	1.29	37.66	29.18	7.13	12.25
SPH Changzhou Pharmaceutical Co., Ltd.	Production and sales of drugs	75.89%	1.58	48.27	27.16	29.75	1.12
SPH Zhongxi Sunve Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	5.46	38.78	30.22	5.42	2.84
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Production and sales of drugs	67.52%	0.93	15.44	9.71	8.92	0.74
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Production and sales of drugs	51.01%	1.35	9.14	7.48	4.26	0.82
Xiamen TCM Factory Co., Ltd.	Production and sales of drugs	61.00%	2.00	5.96	4.67	3.15	0.46
Liaoning SPH Herbpex Pharmaceutical (Group) Co., Ltd.	Production and sales of drugs	55.00%	1.02	11.20	2.68	4.55	0.56
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	0.94	5.76	2.98	1.96	0.12
SPH Materials Supply and Sales Co., Ltd.	Wholesale of Chemicals and APIs	100.00%	1.01	2.43	1.07	0.71	-0.05
Shanghai Medical Instruments Co., Ltd.	Production and sales of medical equipments	100.00%	3.27	8.72	5.52	2.24	0.25
SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	1.41	3.58	2.90	0.17	-0.24
Shanghai Pharma Sales Co., Ltd.	Sales of drugs	100.00%	0.50	10.76	1.23	6.40	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	19.84	16.60	6.86	1.21

(VII) The Structural Entity Controlled by the Company

Applicable Not applicable

V. OTHER DISCLOSURES

(I) Potential risk factors

Applicable Not applicable

The COVID-19 pandemic has entered into normalization stage and regional rebound of domestic pandemic from time to time. 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 results and time 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 proactive plans for possible contingent risks to reduce the overall impact on the Company's business operations.

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 59.54%, representing a decrease of 4.32 percentage points over the beginning of the period. The interest coverage ratio (EBIT/interest expenses) was 7.88 times (same period of 2021: 8.34 times). The gearing ratio (net amount of debts/total capital) of the Company was 21.89%.

During the Reporting Period, Shanghai Pharmaceuticals had a good liquidity and financial resources. As at the end of the Reporting Period, the balance of bank loans was RMB37.331 billion and the balance of extra short-term financing bill was RMB6.041 billion, of which the balance of loans in New Zealand Dollar amounted to RMB246 million, the balance of loans in US Dollar amounted to RMB3.156 billion, the balance of loans in Euro Dollar amounted to RMB6 million, the balance of loans and extra short-term financing bill payable at a fixed interest rate amounted to approximately RMB38.733 billion. The net amount of accounts receivable and notes receivable (including receivables financing) was RMB67.744 billion, representing an increase of 11.04% on a YOY basis. The increased accounts receivable was mainly due to the expanded operation scale of the Company. The balance of accounts payable and notes payable of the Company was RMB44.765 billion, representing an increase of 6.59% 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 Related 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 had no major action or arbitration pending to be disclosed.

(IV) Employees, Remuneration Policy and Training Scheme

As of 30 June 2022, Shanghai Pharmaceuticals had a total of 46,577 employees (including 1,408 R&D personnels).

The Company adheres 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 constructs 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 carries 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, as well as pension, medical insurance, housing fund, work-related injury insurance and other benefits from the Company. The Company participates in various employee welfare schemes, such as pension, medical insurance, housing fund, maternity and unemployment insurance organized by the provincial and municipal governments in accordance with the relevant regulations of China. Moreover, the Company establishes the enterprise pension system and improves the corporate welfare system, which will enhance the cohesion and competitiveness of the Group.

During the Reporting Period, the Company continued to promote the implementation of the “dynamic development strategy with six verticals and six horizontals”, actively explored diversified training forms on the basis of the original talent cultivation system, built a digital learning platform -“Shanghai Pharmaceuticals E-School”, upgraded a new learning mode, created a learning atmosphere for all employees, and accelerated the implementation of digitalization and systematization of talent cultivation. In the first half of the year, the Company held a total of 13 forums, covering four major topics: pharmaceutical industry, new management knowledge, humanities and general education, and vocational skills. Jing Yan (Phase 7), Mini MBA (Phase 3 and Phase 4) and management trainee programs continued to run; new employees from social recruitment completed their learning tasks online; the international registered English special class was launched, and a total of 26 classes of course projects were completed, with a total of 2,611 participants. At the same time, the Company has made an important breakthrough in the case subject research, and the “Contributing to Human Beings and Pioneering for Shanghai – Subject Research on the Construction Project of CanSino SPH” won the Nomination Award for Excellent Subject of the SASAC System.

(V) 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 25,680,000 to 25,600,000 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. The Company considered and approved at the meeting of the Board on 5 January 2022 to adjust the number of the participants from 210 to 190 with 2,341,880 options cancelled. In conclusion, as at 30 June 2022, 25,988,120 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 as of 30 June 2022 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	15.84	0	0	0	48.00
Li Yongzhong	Executive Director, Vice President	39.00	0	12.87	0	0	0	39.00
Shen Bo	Executive Director, Vice President, Chief Financial Officer	39.00	0	12.87	0	0	0	39.00
Zhao Yong	Vice President	33.00	0	10.89	0	0	0	33.00
Mao Jianyi	Vice President	33.00	0	10.89	0	0	0	33.00
Gu Haoliang	Vice President (resigned)	33.00	0	10.89	0	0	0	33.00
Liu Dawei	Vice President (resigned)	33.00	0	0	0	33.00	0	0
Zhang Yaohua	Vice President	33.00	0	10.89	0	0	0	33.00
Chen Jinzhu	Vice President, Secretary to the Board, Joint Company Secretary	33.00	0	10.89	0	0	0	33.00
Pan Deqing	Vice President	18.00	0	0.594	0	0	0	18.00
Middle level management and core employees of the Company (181 persons in total after adjustment) under the initial grant		2,218.00	0	670.098	169.82	201.188	0	1,846.992
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	766.722	169.82	234.188	0	2,428.992

Note: Immediately prior to the Initial Options Grant Date (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 (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 participant, the Board approved that the above-mentioned employee is disqualified for options and the number of initial granted options 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 in relation 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 2022, 2,341,880 options in total were cancelled and 1,698,200 options in total were exercised.

Mr. Gu Haoliang ceased to be the vice president of the Company since 30 March 2022 (for details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025)) and his share options granted remained unchanged as at the end of the Reporting Period.

Mr. Pan Deqing was appointed as the vice president of the Company on 30 March 2022 (for details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025)) and his share options granted remained unchanged as at the end of the Reporting Period.

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 were cancelled by the Company.

Ms. Chen Jinzhu ceased to be the vice president of the Company on 30 March 2022 (for details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025)) and her share options granted remained unchanged as at the end of the Reporting Period.

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.

Chapter 3 Management Discussion and Analysis

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.

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, three of whom 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 the Laws of Hong Kong) (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 2022 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 share options under the reserved options grant 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)

Chapter 3 Management Discussion and Analysis

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

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 2022 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 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 exercisable 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 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 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".

(VI) Directed non-public issuance of A Shares

To enhance the Company's working capital, strategic investors were brought to optimize the shareholding structure. On 8 April 2022, Shanghai Pharmaceuticals has completed registration of 187,000,000 A Shares and 665,626,796 A Shares under non-public issuance of A shares to Shanghai Tandong and Yunnan Baiyao, at the issue price of RMB16.39 per A share (the closing price of A Shares on that day was RMB20.91), and the aggregate proceeds raised amounted to RMB13,974,553,186.44, and the net proceeds raised amounted to RMB13,932,172,375.54. Pursuant to the non-public offer proposal, the aforesaid raised funds of the Company, after deduction of issuance costs, will be fully used to supplement the working capital and repay the Company's debts. Among which, RMB3 billion was used to repay the Company's debts, and the remaining was used to supplement the working capital. During the Reporting Period, the proposed use of the abovementioned net proceeds disclosed in the non-public offer proposal remains unchanged.

In the first half of 2022, under strict control of the epidemic in Shanghai, some of the raised funds have been temporarily idle. The board of directors of the Company has approved the use of the temporarily idle raised funds of not more than RMB10.8 billion in total amount for cash management on 29 April 2022, and the funds may be applied on a rolling basis within the above quota. The term of use shall not exceed 12 months from the date on which it is adopted upon deliberation at the thirty meeting of the seventh session of the board of directors in 2022, and the investment period for a single product shall not exceed 12 months.

For the unused amount of RMB7,961,810,410.96 as at 30 June 2022, the Company will use the remaining net proceeds based on the method set out in the non-public offering proposal. The full remaining net proceeds from the non-public issuance of A shares are expected to be used up within 1 year.

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
2021 Annual General Meeting	30 June 2022	Announcement (Lin No. 2022-053) disclosed on the website of the Shanghai Stock Exchange (http://www.sse.com.cn/)	1 July 2022	All resolutions had been approved. For details, please refer to the announcement in relation to the resolutions at the 2021 Annual General Meeting (Lin No. 2022-053)

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

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

Applicable Not applicable

Name	Position	Change situation
Gu Haoliang	Vice President	Resignation
Chen Jinzhu	Vice President	Resignation
Zhong Tao	Vice President	Engagement
Pan Deqing	Vice President	Engagement
Li Dongming	Vice President	Engagement

Note: The position shall be the one after appointment in case of engagement; and the position shall be the one before resignation in case of resignation.

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

Applicable Not applicable

For details, please refer to the announcement in relation to the change of senior management of the Company (Lin No. 2022-025).

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

2019 Initial share option incentive plan

Incentive method:	share options
Source of underlying shares:	issuance of shares to participants

Chapter 4 Corporate Governance

Measurement method, parameter selection criteria and results of fair value of equity instruments

Measurement method	Black-Scholes model (B-S model)
Parameter name	<ol style="list-style-type: none"> 1. Target price: RMB18.20 per A Share (assuming that the grant date is 30 September 2019, and the closing price of the Company is RMB18.20 per A Share) 2. Exercise price: RMB18.41 per A Share 3. Validity period: 3.5 years (depending on the weighted average exercise validity period) 4. Volatility rate: 27.46% (using the Company's volatility rate in the past 3.5 years) 5. Risk-free interest rates: 2.82% (using 3.5-year benchmark deposit interest rate of financial institutes as stipulated by the PBOC) 6. Dividend yield: 2.32% (using the Company's dividend yield in 2018)
Measurement result	The fair value of shares options initially granted is RMB3.40 per A Share

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 all applicable code 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 of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). After sufficient enquiry, all the directors and supervisors have confirmed that they complied with the Model Code in all aspects during the Reporting Period.

(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 2022 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 environmental-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:

The Group revised and issued the Basic Requirements for Enterprise Environmental Protection of Shanghai Pharmaceutical (Group) and Shanghai Pharmaceuticals in 2022, increasing the number of articles from 123 to 124. The requirement that A-class enterprises of the Group should establish ISO14001 environmental management system and effectively operate has been added. The Group requires energy-consuming enterprises to meet following requirements: the designation of energy management departments and personnels, 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 10 February 2022, the Group issued the Notice on the Key Work of Energy Management in 2022 and other documents, determining the total energy consumption and intensity targets of 56 energy-consuming enterprises in 2022 and the list of green jobs of enterprises, and determining to carry out the assessment of energy-saving targets and green jobs of energy-consuming enterprises at the end of the year. According to the requirements of the Group, 58 enterprises have formulated measures and plans for energy-saving projects, and planned to implement a total of 73 energy-saving projects, with an estimated total investment of RMB6.33 million, electricity saving of 5.28 million kWh, steam saving of 5,981 tons, natural gas saving of 460,000 cubic meters, water saving of 95,728 tons and fund saving of RMB7.61 million. In the second half of 2022, the Group plans to organize and complete the energy audit of 10 key energy-consuming enterprises and the energy-saving diagnosis of 9 larger energy-consuming enterprises. The Group will deeply tap the energy-saving potential of energy-consuming enterprises through energy audit and energy-saving diagnosis, and achieve the goal of energy saving, consumption reduction and green carbon reduction by implementing energy-saving technical transformation measures.

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
Undertakings stated in acquisition report or report of changes in equity	Lock-up of shares	Yunnan Baiyao	Yunnan Baiyao undertakes that the subscribed additional shares of Shanghai Pharmaceuticals shall be subject to a lock-up period of 36 months from the date of completion of the issuance. Any shares to be acquired by Yunan Baiyao after the completion of the above transaction due to bonus issue, conversion of capital reserve into share capital of Shanghai Pharmaceuticals, etc. shall also subject to the lock-up arrangement mentioned above. If the CSRC and the Shanghai Stock Exchange have other requirements for the lock-up period for the subscription of additional shares of Shanghai Pharmaceuticals by Yunnan Baiyao, the parties will adjust the lock-up period in accordance with such requirements of the CSRC and the Shanghai Stock Exchange.	Date of commitment: 11 May 2021; Term: within 36 months from the date of completion of the non-public issuance of A shares of the Company in 2021	Yes	Yes
The commitment in relation to major assets restructuring	Solving horizontal competition	Shanghai Pharmaceutical (Group) and SIC	<ol style="list-style-type: none"> 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; It and its subsidiaries shall avoid any business or operations that may compete with the Company; It shall avoid investing companies or enterprises that compete with the business and operations of the Company; and 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. 	22 December 2009 to long term	Yes	Yes
The commitment in relation to the initial public offering	Solving horizontal competition	Shanghai Pharmaceutical (Group) and SIC	Please refer to "The commitment in relation to major assets restructuring" described above for details.	22 December 2009 to long term	Yes	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
The commitment in relation to the refinancing	Other	SIIC, Shanghai Shangshi and Shanghai Pharmaceutical (Group)	<ol style="list-style-type: none"> The Company confirmed that the Company and its controlled companies did not reduce their holdings of the shares of Shanghai Pharmaceuticals for the period from 6 months prior to the price benchmark date of the issuance (i.e. 15 May 2021) to the issue date of the commitment; The Company undertook that the Company and its controlled companies did not have any plans to reduce their holdings of the shares of Shanghai Pharmaceuticals (including the shares arising from bonus issue, conversion of capital reserve into share capital and other distribution of rights and interests in the undertaking period) within 6 months after the issue of this commitment until the completion of the issuance; The Company and its controlled companies did not violate the requirements as stipulated in the Article 44 of the Securities Law of the People's Republic of China; In the event of any breach of the aforementioned commitments, all the proceeds of the Company and its controlled companies due to the reduction of the holding of shares of Shanghai Pharmaceuticals shall be owned by Shanghai Pharmaceuticals, and the Company and its controlled companies shall assume all legal liabilities arising therefrom according to law. 	The issue date of the commitment of SIIC, Shanghai Shangshi was 15 September 2021; issue date of the commitment of Shanghai Pharmaceutical (Group) was 13 September 2021. Please refer to the detailed commitment for the commitment term.	Yes	Yes
	Other	SIIC, Shanghai Shangshi and Shanghai Pharmaceutical (Group)	<ol style="list-style-type: none"> The Company undertakes not to exceed its authority to interfere with the operation and management activities of the Company and not to encroach on the interests of the Company; If the Company violates such commitments and causes losses to the Company or investors, the Company is willing to bear the responsibility of compensation to the Company or investors in accordance with the law; From the issue date of the commitment to the completion of the implementation of the Company's non-public issuance of A Shares, if the CSRC makes other new regulatory provisions on the remedial measures on returns and its commitment, and if the above commitment cannot meet such provisions of the CSRC, the Company undertakes to issue additional commitment in accordance with the latest provisions of the CSRC at that time; as one of the responsible subjects in relation to the remedial measures on returns, if the Company violates the above commitments or refuses to fulfill the above commitments, the Company agrees that the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities shall impose relevant penalties or take relevant regulatory measures against the Company in accordance with the relevant regulations and rules formulated or issued by them. 	11 May 2021 to long term	Yes	Yes
	Other	The Company	<ol style="list-style-type: none"> Strictly implements the management system of the proceeds to prevent the risk of using the proceeds; Further strengthens the Company's operation management and internal control to improve operational efficiency and profitability; Strictly implements the profit distribution policy and ensure the implementation of the investor return mechanism. 	11 May 2021 to long term	Yes	Yes
	Other	Directors and senior management of the Company	<ol style="list-style-type: none"> Undertake not to transfer benefits to other units or individuals without compensation or on unfair terms, or use other means to harm the interests of the Company; Undertake to exercise restraint on my official consumption behavior; Undertake not to use the Company's assets to engage in investment or consumption activities unrelated to the performance of duties; Undertake to link the remuneration system formulated by the Board or the Remuneration and evaluation committee of the Board to the implementation of the Company's remedial measures on returns; Undertake that if the Company subsequently launches the equity incentive policy, the exercise conditions of the Company's equity incentive to be announced will be linked to the implementation of the Company's remedial measures on returns; From the issue date of the commitment to the completion of the implementation of the Company's non-public issuance of A Shares, if the CSRC makes other new regulatory provisions on the remedial measures on returns and its commitment, and if the above commitment cannot meet such provisions of the CSRC, I undertake to issue additional commitment in accordance with the latest provisions of the CSRC at that time; Undertake to effectively implement the relevant return remedial measures formulated by the Company and any commitments made by me in relation to return remedial measures, and if I violate such commitments and cause losses to the Company or investors, I am willing to bear the compensation to the Company or investors in accordance with the law; as one of the responsible subjects in relation to the remedial measures on returns, if I violate the above commitments or refuse to fulfill the above commitments, I agree that the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities shall impose relevant penalties or take relevant regulatory measures against me in accordance with the relevant regulations and rules formulated or issued by them. 	11 May 2021 to long term	Yes	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	Yes	Yes

II. APPROPRIATION OF FUNDS BY THE CONTROLLING SHAREHOLDERS AND OTHER 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

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. (the "Plaintiff") against Guangzhou Baotian Biotechnology Co., Ltd. (the "Defendant") for dispute over private lending. On 5 November 2021, Guangzhou Tianhe District People's Court handed down its first-instance judgment in respect of the case, ruling that the Defendant shall repay the principal amount of RMB83.50 million and the interests accrued on within 15 days from the date when this judgement takes effect, and dismissed other requests of the Plaintiff. The case is still in progress.	Please refer to the Announcement of Shanghai Pharmaceuticals Holding Co., Ltd. in relation to Material Litigations and Arbitrations and interim announcement (Lin No. 2021-091) 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.	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.

Chapter 6 Significant Events

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

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, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Applicable Not applicable

X. SIGNIFICANT RELATED TRANSACTIONS

(I) Related transactions relating to daily operations

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

Applicable Not applicable

2. *Events disclosed in interim announcement 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
SIC and its subsidiaries	Purchase of goods and receipt of services from the related party ¹	Purchase of goods and receipt of services from the related party	Negotiated based on the market price	2,678.74	100.00	Cash	2,678.74	N/A
Shanghai Pharmaceutical (Group) and its subsidiaries	Selling products and offering labor services to the related party	Selling products and offering labor services to the related party		47.96	100.00		47.96	
	Leasing housing and equipment and receiving property services from related party ²	Leasing housing, machinery and equipment and receiving property services		2,299.83	100.00		2,299.83	
	Leasing housing to related parties	Leasing housing to related parties		240.35	100.00		240.35	
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		2,628.67	100.00		2,628.67	

- Notes:
- 1 The amount of the related transaction under such transaction included the purchase amount under the Procurement Framework Agreement and the daily related transactions entered into between the Group and Wing Fat Printing Co., Ltd. (for details, please refer to announcement Lin No. 2021-087 of the Company).
 - 2 The amount of the related transaction under such transaction included the amount of leasing business under the Property Leasing Framework Agreement and the daily related transactions entered into between the Group and Shanghai Pharmaceutical (Group) (for details, please refer to announcement Lin No. 2020-061 of the Company).

3. *Events not disclosed in interim announcements*

Applicable Not applicable

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

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

(IV) Credits and liabilities with related parties

1. *Events disclosed in the interim announcement without subsequent development or changes during implementation*
Applicable Not applicable
2. *Events disclosed in interim announcement with subsequent development or changes during implementation*
Applicable Not applicable
3. *Events not disclosed in interim announcement*
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 (including deposit)**√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		
					Total amount deposited during the Period	Total amount withdrew during 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	0.35%-2.025%	289,858.68	1,741,670.42	1,735,643.63	295,885.47

2. Loan business (including discount of notes)√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		
					Total amount lent during the Period	Total amount repaid during 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	600,000.00	2.75%-5.0%	223,548.48	144,529.45	114,155.54	253,922.39

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	963,850.00	147,925.17

4. Other information Applicable Not applicable

Chapter 6 Significant Events

(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)	
Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)	0.00
Total remaining balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)	0.00
Guarantees provided by the Company to its subsidiaries	
Total value guaranteed for its subsidiaries during the Reporting Period	4,547,618,176.32
Total remaining balance guaranteed for its subsidiaries at the end of the Reporting Period (B)	8,715,153,314.79
Total value guaranteed by the Company (including guarantees to subsidiaries)	
Total value guaranteed (A+B)	8,715,153,314.79
Proportion of total value guaranteed in the Company's net assets (%)	13.34%
Among which:	
Value guaranteed for shareholders, de facto controller and related parties (C)	0.00
Value directly or indirectly guaranteed for guaranteed parties whose gearing ratio exceeds 70% (D)	7,739,500,411.06
Amount of total value guaranteed exceeding 50% of net assets (E)	0.00
Total of value guaranteed for the above three items (C+D+E)	7,739,500,411.06
Details of possible joint settlement liabilities for undue guarantee	/
Details of guarantee	/

3 Other material contracts

Applicable Not applicable

Chapter 7 Changes in Shares and Information about Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in Shares

1. Table of changes in Shares

Unit: share

	Before current change		Current increase or decrease (+,-)					After current change	
	Number of Shares	Percentage (%)	Issue of new Shares	Bonus Shares	Conversion of capital reserve fund into share capital	Others	Subtotal	Number of Shares	Percentage (%)
I. Trade-restricted Shares	81,600	0.003	852,626,796	0	0	0	852,626,796	852,708,396	23.069
1. State-held Shares	0	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal persons	0	0	187,000,000	0	0	0	187,000,000	187,000,000	5.059
3. Other domestically held Shares	81,600	0.003	665,626,796	0	0	0	665,626,796	665,708,396	18.010
Of which: Shares held by domestic non-state-owned legal persons	81,600	0.003	665,626,796	0	0	0	665,626,796	665,708,396	18.010
Shares held by domestic natural persons	0	0	0	0	0	0	0	0	0
4. Foreign-held Shares	0	0	0	0	0	0	0	0	0
Of which: Shares held by foreign legal persons	0	0	0	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0
II. Shares without trade restrictions	2,842,007,722	99.997	1,698,200	0	0	0	1,698,200	2,843,705,922	76.931
1. RMB ordinary shares	1,922,935,018	67.659	1,698,200	0	0	0	1,698,200	1,924,633,218	52.067
2. Domestically listed foreign Shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign Shares	919,072,704	32.338	0	0	0	0	0	919,072,704	24.864
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of Shares	2,842,089,322	100	854,324,996	0	0	0	854,324,996	3,696,414,318	100

Notes:

- 1 Among trade-restricted Shares, the additional 187,000,000 Shares held by state-owned legal persons and additional 665,626,796 shares of other domestically held Shares represented new shares acquired by Shanghai Tandong and Yunnan Baiyao through subscription of A shares under non-public issuance of A shares of Shanghai Pharmaceuticals in 2021 respectively.
- 2 Among Shares without trade restrictions, additional 1,698,200 RMB ordinary shares represented the shares that have been exercised under 2019 Stock Option Incentive Plan and completed the registration of the transfer as at the end of Reporting Period.
- 3 As at the end of the Reporting Period, the total issued Shares amounted to 3,696,414,318, comprising 2,777,341,614 A Shares and 919,072,704 H Shares.

Chapter 7 Changes in Shares and Information about Shareholders

2. Explanation of changes in Shares

Applicable Not applicable

The non-public issuance of A shares of the Company in 2021 and 2019 Share Option Incentive Plan have resulted in the change in the Company's shares, while the control right of the Company remained unchanged. SIIC, Shanghai Shangshi and Shanghai Pharmaceutical (Group) Co., Ltd. are controlling shareholders of the Company and Shanghai SASAC is the De Facto Controller of the Company.

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

(III) Changes in trade-restricted shares

Applicable Not applicable

Unit: share

Name of shareholders	Number of trade-restricted shares at the beginning of the period	Number of shares with restriction released during the Reporting Period	Increase in trade-restricted shares during the Reporting Period	Number of trade-restricted shares at the end of the Reporting Period	Reasons for trade restriction	Expiry date for trade restriction
Yunnan Baiyao	0	0	665,626,796	665,626,796	Subscription of A Shares under non-public issuance of A shares of the Company in 2021	8 April 2025
Shanghai Tandong	0	0	187,000,000	187,000,000	Subscription of A Shares under non-public issuance of A shares of the Company in 2021	8 April 2025
Total	0	0	852,626,796	852,626,796	/	/

II. INFORMATION ABOUT SHAREHOLDERS

(I) Number of shareholders

The total number of ordinary shareholders as at the end of the Reporting Period	123,133
The total number of shareholders of preference Shares with voting rights restored as at the end of the Reporting Period	0

Note: Among the 123,133 shareholders as at the end of the Reporting Period, 121,343 were A shareholders and 1,790 were H shareholders.

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

Unit: share

Name of shareholder (in full)	Shareholdings of top ten shareholders				Pledged, labelled or frozen		
	Increase/decrease during the Reporting Period	Number of shares held at the end of the Period	Shareholding Percentage (%)	Number of trade-restricted Shares held	Status	Number	Nature of shareholders
HKSCC NOMINEES LIMITED ¹	-18,184,800	730,931,524	19.774	0	Unknown		Foreign legal person
Shanghai Pharmaceutical (Group)	0	716,516,039	19.384	0	Nil		State-owned legal person
Yunnan Baiyao	665,626,796	665,626,796	18.007	665,626,796	Nil		Domestic non-state-owned legal persons
SIIC and its wholly-owned subsidiaries and Shanghai Shangshi and its wholly-owned subsidiaries ²	205,190,900	573,014,098	15.502	187,000,000	Nil		State-owned legal person
Hong Kong Securities Clearing Company Limited ³	9,223,406	62,335,814	1.686	0	Unknown		Foreign legal person
China Securities Finance Corporation Limited	-26,014,460	59,319,243	1.605	0	Nil		Unknown
Guosheng Group and Guosheng Asset	0	44,632,100	1.207	0	Nil		State-owned legal person
Bank of Ningbo Co., Ltd. – Zhongtai Xingyuan Value Selected Flexible Allocation Mixed Securities Investment Fund	11,370,498	14,184,001	0.384	0	Unknown		Unknown
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	-256,345	11,708,022	0.317	0	Unknown		Unknown
China Merchants Bank Co., Ltd. – Industrial Income Enhancement Bond Securities Investment Fund	2,577,275	10,860,000	0.294	0	Unknown		Unknown

Chapter 7 Changes in Shares and Information about Shareholders

Shareholdings of top ten shareholders without trade restrictions			
Name of shareholder	Number of Shares without trade restrictions	Class and number of Shares	
		Class	Number
HKSCC NOMINEES LIMITED	730,931,524	Overseas listed foreign shares	730,931,524
Shanghai Pharmaceutical (Group)	716,516,039	RMB ordinary shares	716,516,039
SIIC and its wholly-owned subsidiaries and Shanghai Shangshi	386,014,098	RMB ordinary shares	222,301,798
		Overseas listed foreign shares	163,712,300
Hong Kong Securities Clearing Company Limited	62,335,814	RMB ordinary shares	62,335,814
China Securities Finance Corporation Limited	59,319,243	RMB ordinary shares	59,319,243
Guosheng Group and Guosheng Asset	44,632,100	RMB ordinary shares	21,117,000
		Overseas listed foreign shares	23,515,100
Bank of Ningbo Co., Ltd. – Zhongtai Xingyuan Value Selected Flexible Allocation Mixed Securities Investment Fund	14,184,001	RMB ordinary shares	14,184,001
Yinhua Fund-Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	11,708,022	RMB ordinary shares	11,708,022
China Merchants Bank Co., Ltd. – Industrial Income Enhancement Bond Securities Investment Fund	10,860,000	RMB ordinary shares	10,860,000
Harvest Fund– Agricultural Bank – Harvest China Securities and Financial Assets Management Program	9,986,887	RMB ordinary shares	9,986,887
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 Information 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 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 163,712,300 H Shares held by SIIC and its wholly-owned subsidiaries and 23,515,100 H Shares held by Guosheng Group and Guosheng Assets through Southbound Trading.
- 2 The 187,000,000 A Shares held by Shanghai Tandong Enterprise Consulting Services Co., Ltd. were included in the number of Shares held by Shanghai Shangshi and its wholly-owned subsidiaries.
- 3 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 ten 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 held	Time available for listing and trading	Number of additional Shares available for listing and trading	Trade restrictions
1	Yunnan Baiyao	665,626,796	8 April 2025	0	Subject to a lock-up period of 36 months from the date of completion of the non-public issuance in 2021
2	Shanghai Tandong	187,000,000	8 April 2025	0	Subject to a lock-up period of 36 months from the date of completion of the non-public issuance in 2021
3	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		/			

Chapter 7 Changes in Shares and Information about Shareholders

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

Applicable Not applicable

Name of strategic investors or general legal person	Stipulated start date of shareholding	Stipulated end date of shareholding
Yunnan Baiyao	8 April 2022	Nil
Explanation on agreed shareholding period of strategic investors or general legal persons participating in placing of new shares	Yunnan Baiyao undertakes that the subscribed additional shares of Shanghai Pharmaceuticals under non-public issuance in 2021 shall be subject to a lock-up period of 36 months from the date of completion of the issuance. Any shares to be acquired by Yunan Baiyao after the completion of the above transaction due to bonus issue, conversion of capital reserve into share capital of Shanghai Pharmaceuticals, etc. shall also subject to the lock-up arrangement mentioned above.	

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

Unit: share

Name	Position	Number of options held at the beginning of the period (in 0'000)	Number of options newly granted during the Reporting Period	Number of exercisable shares during the Reporting Period	Number of share options exercised during the Reporting Period	Number of options held at the end of the period (in 0'000)
Cho Man	Director	48	0	158,400	0	48
Li Yongzhong	Director	39	0	128,700	0	39
Shen Bo	Director	39	0	128,700	0	39
Zhao Yong	Senior management	33	0	108,900	0	33
Mao Jianyi	Senior management	33	0	108,900	0	33
Gu Haoliang (resigned)	Senior management	33	0	108,900	0	33
Zhang Yaohua	Senior management	33	0	108,900	0	33
Chen Jinzhu	Senior management	33	0	108,900	0	33
Pan Deqing	Senior management	18	0	59,400	0	18
Total	/	309	0	1,019,700	0	309

(III) Other information

Applicable Not applicable

IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

Applicable Not applicable

V. DISCLOSURES 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 2022, 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	1,289,530,137(L)	40.54 (A Shares)/ 17.81 (H Shares)	34.89
Shanghai Shangshi Group ^{Note 1 (2)}	A Shares	Beneficial owner/ Interests of controlled corporation	1,125,317,837(L)	40.52	30.44
Shanghai Pharmaceutical (Group)	A Shares	Beneficial owner	716,516,039(L)	25.80	19.38
BlackRock, Inc.	H Shares	Interests of controlled corporation	65,071,997(L) 298,900(S)	7.08 0.03	1.76 0.01
Citigroup Inc.	H Shares	Interests of controlled corporation/Approved lending agent	49,756,839(L) 4,432,000(S) 45,287,999(P)	5.41 0.48 4.92	1.35 0.12 1.23
LSV ASSET MANAGEMENT	H Shares	Investment manager/Other	46,026,070(L)	5.01	1.25

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

Chapter 7 Changes in 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 held and controlled 1,289,530,137 Shares in total (including A Shares and H Shares), of which 500,000 A Shares and 163,712,300 H Shares were directly held by SIIC Group, and 1,125,317,837 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 1,125,317,837 A shares held and controlled by Shanghai Shangshi Group in the Company, 408,801,798 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 and has an interest in 480,000 underlying A Shares 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 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 and has an interest in 390,000 underlying A Shares 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.

Save as disclosed in this report, as at 30 June 2022, according to the information available to the Company and to the knowledge 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 Hong Kong Stock Exchange.

(III) 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

(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 (fifth tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	21 SPH	012102515	12 July 2021	13 July 2021	13 January 2022	-	2.60	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 (sixth tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	21 SPH	012103012	16 August 2021	17 August 2021	24 February 2022	-	2.44	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 (seventh tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	21 SPH	012104031	2 November 2021	3 November 2021	28 April 2022	-	2.64	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors		No
2022 extra short-term financing bill (first tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	22 SPH	012280116	10 January 2022	11 January 2022	15 July 2022	30.00	2.50	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors		No
2022 extra short-term financing bill (second tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	22 SPH	012280633	21 February 2022	22 February 2022	27 May 2022	-	2.13	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors		No
2022 extra short-term financing bill (third tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	22 SPH	012281895	24 May 2022	25 May 2022	17 February 2023	30.00	2.00	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors		No
2022 extra short-term financing bill (fourth tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	22 SPH	012282390	6 July 2022	7 July 2022	16 December 2022	30.00	1.70	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors		No
2022 extra short-term financing bill (fifth tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	22 SPH	012282445	12 July 2022	13 July 2022	19 January 2023	30.00	1.70	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 of bonds

Applicable Not applicable

Overdue bonds

Applicable Not applicable

Notes on overdue debts

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 and the impact of guarantees, debt repayment plans and other debt repayment guarantee measures during the Reporting Period*

Applicable Not applicable

5. *Other situation of debt-financing instruments of non-financial businesses*

Applicable Not applicable

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

Applicable Not applicable

(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	1.40	1.27	10.43	/
Quick ratio	1.11	0.96	15.90	/
Assets-liabilities ratio (%)	59.54%	63.86%	Down 4.32 percentage points	/

Chapter 9 Relevant Information of the Corporate Bonds

	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	2,680,789,249.57	2,551,033,937.65	5.09	/
EBITDA-Debt ratio	0.07	0.07	/	/
Interest coverage ratio	7.88	8.34	-5.53	/
Cash interest coverage ratio	1.66	6.67	-75.08	Increase in cash outflows from operating activities during the Reporting Period
EBITDA interest coverage ratio	9.30	9.99	-6.90	/
Loan repayment ratio (%)	100%	100%	/	/
Interest repayment ratio (%)	100%	100%	/	/

II. CONVERTIBLE CORPORATE BONDS

Applicable Not applicable

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD

**FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

Shanghai Pharmaceuticals Holding Co., Ltd.

Financial Statements
For the Six Months Ended 30 June 2022

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SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2022 Consolidated	31 December 2021 Consolidated	30 June 2022 Company	31 December 2021 Company
Current assets					
Cash at bank and on hand	4(1)	26,697,396,624.30	22,390,385,718.86	7,862,678,281.85	4,956,241,685.91
Derivative financial assets	4(3)	3,690,399.91	3,284,464.66	-	-
Financial assets held for trading	4(2)	10,601,334,943.42	-	10,601,334,943.42	-
Notes receivables	4(4)	1,214,170,794.62	1,278,880,689.20	-	-
Accounts receivables	4(5), 15(1)	65,076,575,489.64	58,107,770,169.75	-	-
Receivables financing	4(6)	1,452,772,469.61	1,619,009,831.53	-	-
Advances to suppliers	4(7)	3,188,367,346.68	2,457,761,134.48	16,193,739.63	5,462,462.14
Other receivables	4(8), 15(2)	3,120,318,071.00	2,419,107,971.82	19,104,432,311.84	19,489,191,886.01
Inventories	4(9)	27,755,496,945.98	27,104,035,290.12	-	-
Current portion of non-current assets	4(13)	132,212,122.64	126,505,618.81	-	-
Other current assets	4(10)	772,570,997.11	987,691,443.81	3,348,676.84	3,728,979.13
Total current assets		140,014,906,204.91	116,494,432,333.04	37,587,987,953.58	24,454,625,013.19
Non-current assets					
Long-term receivables	4(13)	196,941,761.96	197,742,289.76	-	-
Long-term equity investments	4(14), 15(3)	9,600,428,843.99	9,073,275,353.92	27,637,863,892.38	26,939,075,300.25
Other equity instrument investments	4(11)	52,058,030.39	73,392,413.17	-	-
Other non-current financial assets	4(12)	1,380,430,660.76	1,388,900,666.61	1,017,094,150.24	1,000,330,863.71
Investment properties	4(15)	202,513,501.34	213,323,262.12	-	-
Fixed assets	4(16)	10,035,722,688.02	10,484,118,204.34	89,232,765.54	95,247,382.34
Construction in progress	4(17)	3,403,251,186.52	2,914,130,007.74	47,977,588.49	41,134,707.27
Bearer biological assets	4(18)	401,254,857.24	402,569,065.33	-	-
Right-of-use assets	4(19)	2,001,021,764.89	1,992,433,702.85	63,028,113.99	80,816,751.81
Intangible assets	4(20)	5,958,644,332.57	6,049,431,213.09	58,614,390.64	67,951,930.43
Development costs	4(20)	284,179,276.91	259,227,946.08	69,259,629.85	75,797,743.15
Goodwill	4(21)	11,238,832,557.37	11,238,972,360.76	-	-
Long-term prepaid expenses	4(22)	387,569,298.23	429,117,473.86	6,537,902.70	8,013,318.30
Deferred tax assets	4(23)	1,426,094,564.37	1,367,544,935.42	-	-
Other non-current assets	4(25)	567,166,267.39	856,897,933.62	7,337,400.63	305,634,463.20
Total non-current assets		47,136,109,591.95	46,941,076,828.67	28,996,945,834.46	28,614,002,460.46
TOTAL ASSETS		187,151,015,796.86	163,435,509,161.71	66,584,933,788.04	53,068,627,473.65

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 30 June 2022 (CONTINUED)

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	30 June 2022 Consolidated	31 December 2021 Consolidated	30 June 2022 Company	31 December 2021 Company
Current liabilities					
Short-term borrowings	4(26)	29,000,855,209.63	22,514,574,027.35	600,508,333.33	1,051,400,832.59
Derivative financial liabilities	4(3)	2,984,912.95	774,097.78	-	-
Notes payables	4(27)	4,378,911,673.60	4,764,748,001.67	-	-
Accounts payables	4(28)	40,385,685,910.30	37,230,666,373.90	19,940,923.57	43,111,344.29
Contract liabilities	4(29)	1,219,390,492.08	1,310,920,870.47	19,613,176.26	20,097,189.17
Employee benefits payable	4(30)	1,105,267,846.70	1,433,028,127.78	40,739,244.41	64,292,350.69
Taxes payable	4(31)	1,271,357,829.18	1,692,660,081.03	7,455,964.93	2,024,631.71
Other payables	4(32)	15,191,131,750.00	13,062,527,812.97	18,450,558,282.70	14,675,113,166.07
Current portion of non-current liabilities	4(34)	1,176,638,612.10	582,042,566.55	426,715,766.64	26,539,361.75
Other current liabilities	4(35)	6,207,839,362.69	9,232,381,601.62	6,041,703,190.99	9,077,033,424.66
Total current liabilities		99,940,063,599.23	91,824,323,561.12	25,607,234,882.83	24,959,612,300.93
Non-current liabilities					
Long-term borrowings	4(36)	7,702,871,392.73	7,157,751,703.48	980,000,000.00	1,380,000,000.00
Lease liabilities	4(37)	1,466,234,598.54	1,434,274,148.94	41,754,811.17	60,875,539.35
Long-term payables	4(38)	315,223,270.63	315,161,494.71	-	-
Provisions	4(33)	50,780,803.32	23,243,898.02	-	-
Deferred income	4(39)	496,281,134.61	2,349,080,148.54	39,103,312.60	53,628,980.57
Long-term employee benefits payable	4(40)	38,407,581.83	39,007,184.36	-	-
Deferred tax liabilities	4(23)	1,167,156,585.92	998,768,820.78	5,859,736.77	5,859,736.77
Other non-current liabilities	4(41)	253,829,328.18	227,688,064.66	-	-
Total non-current liabilities		11,490,784,695.76	12,544,975,463.49	1,066,717,860.54	1,500,364,256.69
Total liabilities		111,430,848,294.99	104,369,299,024.61	26,673,952,743.37	26,459,976,557.62
Owners' equity					
Share capital	4(42)	3,696,414,318.00	2,842,089,322.00	3,696,414,318.00	2,842,089,322.00
Capital surplus	4(43),15(4)	29,205,214,128.76	16,070,723,052.49	32,219,913,146.82	19,094,211,080.76
Other comprehensive income	4(44),15(5)	(306,763,335.42)	(144,394,206.19)	(241,951.22)	(146,268.20)
Surplus reserve	4(45)	1,992,463,708.39	1,992,463,708.39	1,616,672,906.21	1,616,672,906.21
Undistributed profits	4(46),15(6)	30,741,710,556.82	28,598,598,034.67	2,378,222,624.86	3,055,823,875.26
Total equity attributable to equity owners of the Company		65,329,039,376.55	49,359,479,911.36	39,910,981,044.67	26,608,650,916.03
Minority interests		10,391,128,125.32	9,706,730,225.74	-	-
Total owners' equity		75,720,167,501.87	59,066,210,137.10	39,910,981,044.67	26,608,650,916.03
TOTAL LIABILITIES AND OWNERS' EQUITY		187,151,015,796.86	163,435,509,161.71	66,584,933,788.04	53,068,627,473.65

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 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2022 Consolidated	Six months ended 30 June 2021 Consolidated	Six months ended 30 June 2022 Company	Six months ended 30 June 2021 Company
Revenue	4(47),15(7)	111,707,464,327.64	105,237,468,881.97	1,336,075.48	1,625,696.91
Less: Cost of sales	4(47),4(53), 15(7)	(96,678,478,831.09)	(91,225,177,184.48)	(152,986.29)	(821,737.35)
Taxes and surcharges	4(48)	(374,450,643.77)	(324,651,460.14)	(3,607,739.24)	(121,662.88)
Selling expenses	4(49),4(53)	(6,794,498,225.38)	(6,324,934,336.23)	-	-
General and administrative expenses	4(50),4(53)	(2,321,686,991.32)	(2,322,332,052.70)	(88,628,706.72)	(91,516,447.31)
Research and development expenses	4(51),4(53)	(809,672,103.19)	(880,028,512.19)	(186,182,171.85)	(192,358,181.97)
Financial expenses - net	4(52)	(648,913,998.77)	(578,868,705.15)	(65,466,783.68)	(162,061,129.73)
Including: Interest expenses		(837,337,415.10)	(711,077,934.95)	(158,022,755.61)	(172,984,594.89)
Interest income		216,796,397.04	158,099,236.75	68,605,266.37	21,518,312.55
Add: Other income	4(56)	135,866,657.63	192,600,180.75	9,269,739.46	4,788,198.17
Investment income	4(57),15(8)	309,246,323.46	1,671,188,152.88	1,146,126,332.59	1,726,765,512.32
Including: Share of profit of associates and joint ventures		377,554,964.67	609,988,167.57	39,321,711.88	149,917,883.82
Derecognition of financial assets at amortised cost		(38,368,985.78)	(24,080,881.60)	-	-
Profit/(losses) arising from changes in fair value	4(58)	25,391,346.09	(35,593,655.13)	58,438,963.99	26,552,937.79
Credit impairment (losses)/reversals	4(55)	(217,692,401.14)	(201,103,557.94)	180,027.68	1,340,877.12
Asset impairment reversals	4(54)	39,449,430.51	15,634,812.60	-	-
Gains on disposals of assets	4(59)	1,427,179,664.17	5,924,774.69	3,575,094.30	17,457.89
Operating profit		5,799,204,554.84	5,230,127,338.93	874,887,845.72	1,314,211,520.96
Add: Non-operating income	4(60)	10,001,694.34	27,695,351.07	38,669.07	186,789.10
Less: Non-operating expenses	4(61)	(51,243,297.70)	(40,259,501.48)	(33,751.63)	(309,149.60)
Total profit		5,757,962,951.48	5,217,563,188.52	874,892,763.16	1,314,089,160.46
Less: Income tax expenses	4(62)	(1,193,743,521.23)	(1,052,772,576.66)	-	-
Net profit		4,564,219,430.25	4,164,790,611.86	874,892,763.16	1,314,089,160.46
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		4,564,219,430.25	4,164,790,611.86	874,892,763.16	1,314,089,160.46
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to equity owners of the Company		3,695,606,535.71	3,567,759,976.70	Not applicable	Not applicable
Minority interests		868,612,894.54	597,030,635.16	Not applicable	Not applicable
Other comprehensive income, net of tax	4(44)	(166,533,548.07)	30,130,891.40	(95,683.02)	528,159.05
Attributable to equity owners of the Company		(162,369,129.23)	50,761,733.84	(95,683.02)	528,159.05
Other comprehensive income that will not be reclassified to profit or loss		(21,334,382.78)	17,600,158.88	-	-
Changes in fair value of other equity instrument investments		(21,334,382.78)	17,600,158.88	-	-
Other comprehensive income that will be reclassified to profit or loss		(141,034,746.45)	33,161,574.96	(95,683.02)	528,159.05
Shares of other comprehensive income of the investee accounted for using equity method that will be reclassified to profit or loss		(144,089.03)	795,396.47	(95,683.02)	528,159.05
Provision for credit impairment of receivables financing		2,373,458.78	(846,003.02)	-	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge		(1,816,377.32)	-	-	-
Translation differences on translation of foreign currency financial statements		(141,447,738.88)	33,212,181.51	-	-
Attributable to minority interests		(4,164,418.84)	(20,630,842.44)	-	-
Total comprehensive income		4,397,685,882.18	4,194,921,503.26	874,797,080.14	1,314,617,319.51
Attributable to equity owners of the Company		3,533,237,406.48	3,618,521,710.54	Not applicable	Not applicable
Attributable to minority interests		864,448,475.70	576,399,792.72	Not applicable	Not applicable
Earnings per share	4(63)				
Basic earnings per share (RMB)		1.13	1.26	Not applicable	Not applicable
Diluted earnings per share (RMB)		1.13	1.26	Not applicable	Not applicable

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 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2022 Consolidated	Six months ended 30 June 2021 Consolidated	Six months ended 30 June 2022 Company	Six months ended 30 June 2021 Company
Cash flows (used in)/from operating activities					
Cash received from sales of goods or rendering of services		115,137,698,406.99	110,544,179,457.36	8,426,570.48	16,270,344.40
Refund of taxes and surcharges		174,669,238.40	49,276,930.48	1,830,018.26	-
Cash received relating to other operating activities	4(64)(a)	885,301,251.21	709,288,338.78	254,565,248.02	340,846,608.91
Sub-total of cash inflows		116,197,668,896.60	111,302,744,726.62	264,821,836.76	357,116,953.31
Cash paid for goods and services		(101,863,352,964.33)	(95,042,564,417.24)	-	-
Cash paid to and on behalf of employees		(4,751,363,837.41)	(4,418,162,832.96)	(121,956,169.55)	(107,415,961.90)
Payments of taxes and surcharges		(3,892,125,458.09)	(4,243,198,117.11)	(3,576,588.61)	(943,006.94)
Cash paid relating to other operating activities	4(64)(b)	(6,247,007,697.26)	(5,427,801,339.51)	(230,180,602.39)	(264,559,838.69)
Sub-total of cash outflows		(116,753,849,957.09)	(109,131,726,706.82)	(355,713,360.55)	(372,918,807.53)
Net cash flows (used in)/from operating activities	4(65)(a)	(556,181,060.49)	2,171,018,019.80	(90,891,523.79)	(15,801,854.22)
Cash flows (used in)/from investing activities					
Cash received from disposal of investments		10,829,087,178.09	901,844,289.91	10,829,087,178.09	901,844,289.91
Cash received from returns on investments		261,214,864.37	302,364,597.31	630,212,502.44	1,476,904,579.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		103,735,484.82	53,139,737.99	13,780,000.00	-
Cash received relating to other investing activities	4(64)(c)	551,212,819.86	415,180,958.93	2,691,013,473.85	1,047,618,942.13
Sub-total of cash inflows		11,745,250,347.14	1,672,529,584.14	14,164,093,154.38	3,426,367,811.06
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,025,044,709.45)	(1,150,299,794.81)	(18,714,481.30)	(76,021,389.71)
Cash paid to acquire investments		(21,387,100,000.00)	(1,095,483,542.97)	(21,387,100,000.00)	(900,000,000.00)
Net cash paid to acquire subsidiaries and other business units		(190,262,946.00)	(852,928,270.78)	(174,000,000.00)	(77,150,000.00)
Cash paid relating to other investing activities	4(64)(d)	(560,293,458.90)	(1,766,361,111.44)	(644,387,853.02)	(1,738,770,152.93)
Sub-total of cash outflows		(23,162,701,114.35)	(4,865,072,720.00)	(22,224,202,334.32)	(2,791,941,542.64)
Net cash flows (used in)/from investing activities		(11,417,450,767.21)	(3,192,543,135.86)	(8,060,109,179.94)	634,426,268.42
Cash flows from financing activities					
Cash received from capital contributions		13,997,173,806.62	55,550,000.00	13,962,893,388.88	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		34,280,417.74	55,550,000.00	-	-
Cash received from borrowings		26,047,087,015.03	10,545,906,796.56	600,000,000.00	1,100,000,000.00
Cash received from issuance of debentures		8,999,216,666.67	9,997,251,936.37	8,999,216,666.67	9,997,251,936.37
Cash received relating to other financing activities	4(64)(e)	285,752,735.71	1,282,526,216.62	1,826,846,372.62	846,545,867.91
Sub-total of cash inflows		49,329,230,224.03	21,881,234,949.55	25,388,956,428.17	11,943,797,804.28
Cash repayments of borrowings		(30,424,175,114.53)	(18,641,296,054.37)	(13,050,392,561.76)	(11,200,000,000.00)
Cash payments for distribution of dividends, profits or interest expenses		(993,217,085.94)	(856,269,172.93)	-	(52,065,741.09)
Including: Cash payments for distribution of dividends or profits to minority shareholders of subsidiaries		(228,266,202.65)	(290,661,713.59)	-	-
Cash payments relating to other financing activities	4(64)(f)	(1,594,213,322.91)	(588,098,593.53)	(1,341,126,546.02)	(476,925,347.60)
Sub-total of cash outflows		(33,011,605,523.38)	(20,085,663,820.83)	(14,391,519,107.78)	(11,728,991,088.69)
Net cash flows from financing activities		16,317,624,700.65	1,795,571,128.72	10,997,437,320.39	214,806,715.59
Effect of foreign exchange rate changes on cash and cash equivalents					
		(988,675.33)	(1,101,980.96)	(20.72)	(109.10)
Net increase in cash and cash equivalents	4(65)(a)	4,343,004,197.62	772,944,031.70	2,846,436,595.94	833,431,020.69
Add: Cash and cash equivalents at beginning of period		20,137,500,219.76	19,576,444,789.85	4,716,238,699.67	3,989,558,641.83
Cash and cash equivalents at end of period	4(65)(c)	24,480,504,417.38	20,349,388,821.55	7,562,675,295.61	4,822,989,662.52

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 2022

(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 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(46)	-	-	-	-	-	3,567,759,976.70	597,030,635.16	4,164,790,611.86
Other comprehensive income	4(44)	-	-	-	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(43)	-	18,850,061.34	-	-	-	-	-	18,850,061.34
Others	4(43)	-	88,121,067.17	-	-	-	-	(149,864,396.47)	(61,743,329.30)
Profit distribution									
Appropriation to surplus reserves	4(45)	-	-	-	-	-	-	-	-
Profit distribution to equity owners	4(46)	-	-	-	-	-	(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
Balance at 1 January 2022		2,842,089,322.00	16,070,723,052.49	-	(144,394,206.19)	1,992,463,708.39	28,598,598,034.67	9,706,730,225.74	59,066,210,137.10
Movements for the six months ended 30 June 2022		854,324,996.00	13,134,491,076.27	-	(162,369,129.23)	-	2,143,112,522.15	684,397,899.58	16,653,957,364.77
Total comprehensive income									
Net profit	4(46)	-	-	-	-	-	3,695,606,535.71	868,612,894.54	4,564,219,430.25
Other comprehensive income	4(44)	-	-	-	(162,369,129.23)	-	-	(4,164,418.84)	(166,533,548.07)
Total comprehensive income		-	-	-	(162,369,129.23)	-	3,695,606,535.71	864,448,475.70	4,397,685,882.18
Capital contribution and withdrawal by owners									
Capital contribution by owners	4(42), 4(43)	854,324,996.00	13,114,562,463.71	-	-	-	-	34,280,417.75	14,003,167,877.46
Amount recorded in owners' equity arising from share-based payment arrangements	4(43)	-	5,471,087.48	-	-	-	-	-	5,471,087.48
Others	4(43)	-	14,457,525.08	-	-	-	-	9,231,770.32	23,689,295.40
Profit distribution									
Appropriation to surplus reserves	4(45)	-	-	-	-	-	-	-	-
Profit distribution to equity owners	4(46)	-	-	-	-	-	(1,552,494,013.56)	(223,562,764.19)	(1,776,056,777.75)
Balance at 30 June 2022		3,696,414,318.00	29,205,214,128.76	-	(306,763,335.42)	1,992,463,708.39	30,741,710,556.82	10,391,128,125.32	75,720,167,501.87

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 2022

(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 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								
Total comprehensive income			108,980,985.21	-	528,159.05	(4,681,577.08)	(92,247,907.78)	12,579,659.40
Net profit	15(6)	-	-	-	-	-	1,314,089,160.46	1,314,089,160.46
Other comprehensive income	15(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	15(4)	-	18,850,061.34	-	-	-	-	18,850,061.34
Others	15(4)	-	90,130,923.87	-	-	-	-	90,130,923.87
Profit distribution								
Appropriation to surplus reserves	15(6)	-	-	-	-	-	-	-
Profit distribution to equity owners	15(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
Balance at 1 January 2022		2,842,089,322.00	19,094,211,080.76	-	(146,268.20)	1,616,672,906.21	3,055,823,875.26	26,608,650,916.03
Movements for the six months ended 30 June 2022								
Total comprehensive income		854,324,996.00	13,125,702,066.06	-	(95,683.02)	-	(677,601,250.40)	13,302,330,128.64
Net profit	15(6)	-	-	-	-	-	874,892,763.16	874,892,763.16
Other comprehensive income	15(5)	-	-	-	(95,683.02)	-	-	(95,683.02)
Total comprehensive income		-	-	-	(95,683.02)	-	874,892,763.16	874,797,080.14
Capital contribution and withdrawal by owners								
Capital contribution by owners	15(4)	854,324,996.00	13,114,562,463.71	-	-	-	-	13,968,887,459.71
Amount recorded in owners' equity arising from share-based payment arrangements	15(4)	-	5,471,087.48	-	-	-	-	5,471,087.48
Others	15(4)	-	5,668,514.87	-	-	-	-	5,668,514.87
Profit distribution								
Appropriation to surplus reserves	15(6)	-	-	-	-	-	-	-
Profit distribution to equity owners	15(6)	-	-	-	-	-	(1,552,494,013.56)	(1,552,494,013.56)
Balance at 30 June 2022		3,696,414,318.00	32,219,913,146.82	-	(241,951.22)	1,616,672,906.21	2,378,222,624.86	39,910,981,044.67

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

(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.

Pursuant to the document "Approval for the Non-public Issuance of Shares by Shanghai Pharmaceutical Group Co., Ltd." (Zheng Jian Xu Ke [2022] No. 584) issued by CSRC on March 22, 2022, the Company was approved to issue 852,626,796 A shares to Yunnan Baiyao Group Co., Ltd. and Shanghai Tandong Enterprise Consulting Service Co., Ltd. at RMB16.39 per share. As of 25 March 2022, Yunnan Baiyao and Shanghai Tandong has completed the non-public issuance payment. PricewaterhouseCoopers Zhong Tian LLP has issued an report, PwC ZT Yan Zi (2022) No. 0271, for capital verification. As at 8 April 2022, the Company has completed the share registration of non-public issuance of A shares.

As at 30 June 2022, according to the share-based payment plan, the Company issued 1,698,200 shares listed (A shares) at an exercise price of RMB18.41 per share.

On 30 June 2022, the Company's share capital was RMB3,696,414,318.00 with a total share capital of 3,696,414,318 shares, in which, 2,777,341,614 (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 2022

(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.

Significant subsidiaries which are included in the scope of consolidation in this period are disclosed in Note 5.

These financial statements are authorised for issue by the Board of Directors of the Company on 29 August 2022.

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 2022**

(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 2022 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 2022 and their financial performance, cash flows and other information for the six months ended 30 June 2022.

(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.

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(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.

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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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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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.

The financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are directly recognised in profit or loss. For other financial assets, the related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of goods or rendering of services excluding or without regard to significant financing components are initially recognised at the consideration that is entitled to be charged by the Group as expected.

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:

Measured at amortised cost

The Group's business model for such financial assets management aims to receive contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement, which means the cash flow generated at certain dates is only the payment for the principal and corresponding interest based on unpaid principal. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables, etc. Debt investments and long-term receivables that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets; debt investments with maturities of no more than one year (inclusive) at acquisition are included in other current assets.

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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)

Measured at fair value through other comprehensive income (FVOCI)

The Group's business model for such financial assets management aims to receive contractual cash flows and hold the financial assets for sale. The contractual cash flow characteristics of such financial assets are consistent with basic loan arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets mainly comprise receivables financing and other debt investments, etc. Other debt investments that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets; other debt investments with maturities no more than one year (inclusive) at acquisition are included in other current assets.

Measured at fair value through profit or loss (FVPL)

Debt instruments held by the Group, which are not divided into those measured at amortised cost or fair value through other comprehensive income, are measured at fair value through profit or loss and included in financial assets held for trading. At initial recognition, Group designates a portion of financial assets as at fair value through profit or loss to eliminate or significantly reduce accounting mismatches. Financial assets that are due over one year as from the balance sheet date and are expected to be held over one year are included in other non-current financial assets. Others are included in 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 at initial recognition. The dividend income is recognised in profit or loss.

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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 ECL on financial assets amortised cost, debt instruments at FVOCI, contract assets, lease receivables and financial guarantee contracts.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, and using default risk as weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

The Group measures the ECL of financial instruments at different stages respectively at each balance sheet date. 12-month ECL provision is recognised for financial instruments in Stage 1, that have not had a significant increase in credit risk since initial recognition, lifetime ECL provision is recognised for financial instruments in Stage 2, that have had a significant increase in credit risk without credit impairment since initial recognition, and lifetime ECL provision is recognised for financial instruments in Stage 3, that have had a credit impairment since initial recognition.

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, determines the financial instruments to be in Stage 1, and recognizes 12-month ECL provision for such financial instruments.

For the financial instruments in Stage 1 and Stage 2, interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For the financial instruments in Stage 3, 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 based on lifetime ECL for notes receivables, accounts receivables, receivables financing and contract assets resulting from transactions of daily operations such as sales of goods and rendering of services, regardless of whether they contain a significant financing component or not. The Group also measures the loss allowance based on lifetime ECL for lease receivables.

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

(9) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(ii) Impairment (Cont'd)

When the ECL of individual financial asset cannot be assessed at a reasonable cost, the Group groups the receivables based on shared risk characteristics, and measures the ECL based on each group. The Group determines groupings and loss allowance recognition of the financial assets as follows:

Group 1	Account receivables
Group 2	Notes receivables and receivables financing
Group 3	Other receivables
Group 4	Amount due from subsidiaries

For accounts receivables, 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 considers the historical credit loss experience, current situation and forecasts of economic conditions to measure the ECL based on exposure at default and lifetime ECL ratio.

For notes receivables, receivables financing not resulting from transactions of daily operation, other receivables and long-term receivables in groups, the Group considers the historical credit loss experience, current situation, and forecasts of economic conditions to measure the ECL based on exposure at default and 12-month or lifetime ECL 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.

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

(9) Financial instruments (Cont'd)

(a) Financial asset (Cont'd)

(iii) Derecognition

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 issued

Cost is determined using the first-in-first-out method or weighted average method. The Group uses the individual valuation method to determine the cost of inventory issued 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 disposing of a long-term equity investment accounted for by the equity method, the relevant other comprehensive income accounted for by the original equity method shall be accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the equity method is terminated. The owner's equity recognized from changes in other owners' equity other than net profit or loss, other comprehensive income and profit distribution shall be fully transferred to the current investment income when the equity method is terminated. If the investor partially disposes of the long-term equity investment accounted for by the equity method, and the remaining equity is still accounted for by the equity method, the relevant other comprehensive income accounted for by the original equity method shall be treated on the same basis as the direct disposal of the relevant assets or liabilities by the investee and shall be settled proportionally. The owner's equity recognized due to changes in other owners' equity of the investee except for net profit and loss, other comprehensive income and profit distribution shall be carried forward to the current investment income in proportion.

- (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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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. Fixed 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, outsourcing in-licenses, 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 estimated 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 recognized in business combination is measured at fair value at the acquisition date. 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 and 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) Outsourcing 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 prepayments recognizable as asset is capitalised when paid. Milestone payment recognizable as asset is capitalised as intangible assets when incurred, unless the payment is only for outsourced research and development work, which would follow the capitalization 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 (usually no more than 20 years), 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 right-of-use assets, 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 employee benefits payable.

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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 Group presents loss allowance for financial guarantee contracts and for loan commitments based on ECL as provisions

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, apart from consideration paid to acquire other distinct good or service from those customers.

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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 ECL 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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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.

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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, 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.

(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.

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 change as the receipts for the new lease.

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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.

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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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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 or 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(21)).

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups or 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 or 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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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 ECL

The loss allowances for trade receivables are based on assumptions about risk of default and ECL rates. The Group determines the ECL 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 ECL, including the risk of economic downturn, external market environment, technological environment, 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, the parameters are set to 6.60%, 5.20% and 3.00% respectively. The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. For the six months ended 30 June 2022, the Group has reassessed the forward-looking parameters in ECL model, to reflect the impact of COVID-19 on loss allowance of financial instruments.

(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) Determination of significant increase in credit risk and credit-impaired

Judgement of the Group for significant increase in credit risk is mainly based on whether the number of overdue days exceeds 30, or whether one or more of the following indicators changed significantly: business environment of the debtor, internal and external credit rating, significant changes in actual or expected operating results, significant decrease in value of collateral or credit rate of guarantor which affects the probability of default, etc.

Judgement of the Group on the occurred credit impairment is mainly based on whether the number of overdue days exceeds 90 (i.e., a default has occurred), or whether it meets one or more of the following conditions: the debtor is suffering significant financial difficulties, engaged in other debt restructuring, or probably bankrupt, etc.

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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%, 30%
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%

- (a) Pursuant to the Circular on the Deduction Policies of Relevant Enterprise Income Tax for Equipment and Apparatus (Cai Shui [2018] No. 54) and the Announcement on extending the implementation period of Certain Preferential Policies (Cai Shui [2021] No. 6) and related regulations issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2023, the newly purchased equipment under RMB5 million can be recognized in cost and expense of the current period in the month after the assets are put into use, and can be deducted when calculating the taxable income.

(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 2022 and 30 June 2021.

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

The subsidiaries, Shanghai Sine Pharmaceutical Laboratories Co., Ltd., Shanghai Sine Tianping Pharmaceutical Co., Ltd., Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co. Ltd., Shanghai Sine Yan'an Pharmaceutical Co., Ltd., Shanghai Hefeng Pharmaceutical Co., Ltd., Gansu Sine Tiansen Pharmaceutical Co., Ltd., Shandong Sine Pharmaceutical Co., Ltd., Tianjin Jinjin Pharmaceutical Co., Ltd., Shanghai No.1 Biochemical Pharmaceutical Co., Ltd., Shanghai Ziyuan Pharmaceutical Co., Ltd., Shanghai Zhongxi Pharmaceutical Co., Ltd., Shanghai Jinhe Bio-tech Co., Ltd., Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd., Shanghai SPH New Asiatic Pharmaceutical Co., Ltd., Shanghai New Asiatic Medicine Industry Minhang Co., Ltd., SPH Changzhou Pharmaceutical Factory Co., Ltd., Nantong Changyou Pharmaceutical Technology Co., Ltd., SPH Kony (Changzhou) Co., Ltd., Shanghai SPH Xingling Technology Pharmaceutical Co., Ltd., Zhejiang Jiuxu Pharmaceutical Co., Ltd., SPH Shenxiang Health Pharmaceutical Co., Ltd., Shanghai Leiyunshang Pharmaceutical Co., Ltd., Shanghai Zhonghua Pharmaceutical Co., Ltd., Zhonghua Nantong Pharmaceutical Co., Ltd., Qingdao Shanghai Pharmaceutical Growful Pharmaceutical Co., Ltd., SPH Dongying (Jiangsu) Pharmaceutical Co. Ltd., Chiatai Qingchunbao Pharmaceuticals Co., Ltd., Hangzhou HuQingYuTang Pharmaceutical Co., Ltd., Xiamen Traditional Chinese Medicine Co., Ltd., Liaoning huaohushi (Group) pharmaceutical Co., Ltd., Techpool Bio-Pharma Co., Ltd., Beijing Health Link Information Technology Ltd., Liaoning Medya Pharmaceutical Co., Ltd., and Shanghai Huantong Business 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 2022 was 15%.

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3 Taxation (Cont'd)

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

(a) Enterprise income tax (Cont'd)

The subsidiaries, SPH Keyuan Xinhai Pharmaceutical Enshi Co., Ltd., SPH Ke Yuan Xinhai Pharmaceutical Tongliao Co., Ltd., SPH Cardinal Health (Sichuan) Pharmaceutical Co., Ltd., SPH Cardinal Health (Chongqing) Pharmaceutical Co., Ltd., Chongqing SPH Huiyuan Pharmaceutical Co., Ltd., Chongqing Tianbao Pharmaceutical Co., Ltd., Shanghai Pharmaceutical Sichuan Biological Products Co., Ltd., SPH Zunyi Pharmaceutical Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd., Chifeng Mysun Pharmaceutical Co., Ltd., Yunnan SPH Pharmaceutical Co. Ltd., SPH Keyuan Xinhai Pharmaceutical Inner Mongolia Co., Ltd. and SPH Qiannan 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 2022.

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 2022 with the exemption from enterprise income tax.

The subsidiaries, Shaanxi SPH Medical Instruments Co., Ltd., Luoyang Kangxin 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, SPH Keyuan Xinhai Shengyunyian Pharmaceutical Co., Ltd., SPH Keyuan (Heilongjiang) Pharmacy Limited, SPH Jinzhou Pharmaceutical Co., Ltd., Shanghai Qiyi Dental Equipment Co., Ltd., Shanghai Shangyi Kangge Medical Equipment Co., Ltd., Changshu Shangto Dental Materials Co., Ltd., Shanghai Lei's Hanguang Traditional Chinese 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, Qingdao Yanhuang Yiyi Culture Communication Co., Ltd., Shanghai Wuzhou Medical Equipment Co., Ltd., SPH Keyuan (Henan) Pharmacy Limited, Shanxi SPH Pharmacy Co., Ltd., SPH Keyuan (Hainan) Pharmacy Limited and Shanghai Pharmaceutical Keyuan pharmacy Shijiazhuang 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, Announcement on Implementing Preferential Income Tax Policy for Small and Micro Enterprises and Individual Business (SAT Announcement [2021] No.12) and announcement on further implementing Preferential Income Tax Policy for Small and Micro Enterprises and Individual Business (SAT Announcement [2022] NO.13) the above companies, the sales of which per month is below RMB0.15 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 12.5%, 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 25%, with the applicable enterprise income tax rate of 20%.

The subsidiary, SPH Keyuan Xinhai (Hainan) Limited is identified as an encouraged industry enterprise. According to the notice on preferential policies for enterprise income tax of Hainan free trade port (CS [2020] No.31), the income tax rate applicable to companies for the six months ended 30 June 2022 was 15%.

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4 Notes to consolidated financial statement items

(1) Cash at bank and on hand

	30 June 2022	31 December 2021
Cash on hand	5,677,474.03	5,022,850.35
Cash at bank	21,516,449,717.31	17,241,733,169.02
Financial company deposits	2,958,377,226.04	2,890,744,200.39
Others	2,216,892,206.92	2,252,885,499.10
	<u>26,697,396,624.30</u>	<u>22,390,385,718.86</u>
Including: cash at bank and on hand overseas	<u>575,860,954.22</u>	<u>523,925,501.63</u>

As at 30 June 2022, there was no restricted cash at bank and on hand in the cash at bank of the Group (31 December 2021: Nil); other cash balances of RMB1,418,176,141.40 were pledged as collateral by the Group for the purpose of bank acceptance notes (31 December 2021: RMB1,441,333,204.83); other cash balances of RMB54,200,533.04 were pledged as collateral by the Group for the purpose of letters of credit (31 December 2021: RMB55,627,218.49); other cash balances of RMB628,000,000.00 were time deposits due over three months (31 December 2021: RMB570,000,000.00); other restricted cash balances were RMB116,515,532.48 (31 December 2021: RMB185,925,075.78).

(2) Financial assets held for trading

	30 June 2022	31 December 2021
Structured deposit	<u>10,601,334,943.42</u>	<u>-</u>

(3) Derivative financial assets and derivative financial liabilities

	30 June 2022	31 December 2021
Derivative financial assets		
—forward foreign exchange contract(i)	<u>3,690,399.91</u>	<u>3,284,464.66</u>
Derivative financial liabilities		
—forward foreign exchange contract (i)	<u>2,984,912.95</u>	<u>774,097.78</u>

(i) As at 30 June 2022 and 31 December 2021, the derivatives financial assets and derivative financial liabilities were mainly forward foreign exchange contracts held by the Group.

(4) Notes receivables

	30 June 2022	31 December 2021
Bank acceptance notes	722,692,015.48	939,017,596.40
Trade acceptance notes	499,356,027.64	346,862,027.97
Less: Provision for bad debts	<u>(7,877,248.50)</u>	<u>(6,998,935.17)</u>
	<u>1,214,170,794.62</u>	<u>1,278,880,689.20</u>

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

(4) Notes receivables (Cont'd)

- (a) As at 30 June 2022, notes receivable discounted but unmatured (Note 4(26)(b)) were listed as follows:

	Not Derecognised
Bank acceptance notes	114,152,457.68
Trade acceptance notes	182,176,524.68
	<u>296,328,982.36</u>

For the six months ended 30 June 2022, insignificant portion of the trade acceptance notes were endorsed or discounted and not derecognised by the Group, which thereby categorised the balance of trade acceptance notes receivable as financial assets at amortised cost. Bank acceptance notes are grouped based on bank types, credit level etc. for management. For bank acceptance notes are not derecognised, they are categorised financial assets at amortised cost to hold for collection of the contractual cash flows.

- (b) 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 lifetime ECL.

- (i) As at 30 June 2022, 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 2022, 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 2022, the Group measured the provision for bad debts of trade acceptance notes based on the lifetime ECL, and the related amount was RMB7,877,248.50(31 December 2021: RMB6,998,935.17).

- (iii) As at 30 June 2022, the Group had no notes receivable written off.

(5) Accounts receivables

	30 June 2022	31 December 2021
Accounts receivables	67,191,674,291.25	60,001,944,426.20
Less: Provision for bad debts	<u>(2,115,098,801.61)</u>	<u>(1,894,174,256.45)</u>
	<u>65,076,575,489.64</u>	<u>58,107,770,169.75</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)

(5) Accounts receivables (Cont'd)

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

	30 June 2022	31 December 2021
Within 1 year	64,391,195,995.16	57,677,153,312.42
1-2 years	1,544,053,169.55	1,081,604,623.11
Above 2 years	1,256,425,126.54	1,243,186,490.67
	<u>67,191,674,291.25</u>	<u>60,001,944,426.20</u>

(b) As at 30 June 2022, the top five accounts receivables based on the balance of the debtors are summarized and analysed as follows:

	Account Balance	Amount of bad debt provision	% of total balance
Total top five accounts receivables	<u>3,859,747,332.71</u>	<u>(34,384,239.21)</u>	<u>5.74%</u>

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

For the six months ended 30 June 2022, the Group carried out factoring without recourse to a few accounts receivables. As at 30 June 2022, the balance of accounts receivables that was derecognised due to factoring without resource was RMB3,349,810,319.35 (31 December 2021: RMB863,243,694.43). The provision for bad debts was RMB48,541,525.14 (31 December 2021: RMB4,944,810.83), and related expenses were RMB37,787,814.52 (31 December 2021: RMB22,136,651.01).

As at 30 June 2022, accounts receivables with carrying amount of RMB439,961,240.09 were pledged as collateral for the Group's short-term borrowings of RMB378,591,240.09 (Note 4(26)(b)).

As at 30 June 2022, accounts receivables with carrying amount of RMB91,686,029.00 was pledged as collateral for the Group's long-term borrowings of RMB91,686,029.00 (Note 4(36)(b)).

As at 31 December 2021, accounts receivables with carrying amount of RMB899,753,040.40 were pledged as collateral for the Group's short-term borrowings of RMB664,991,024.67 (Note 4(26)(b)).

As at 31 December 2021, accounts receivables with carrying amount of RMB190,916,984.00 was pledged as collateral for the Group's long-term borrowings of RMB116,016,984.00 (Note 4(36)(b)) and current portion of long-term borrowings RMB1,622,376.47 (Note 4(34)).

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

(5) 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 lifetime ECL.

(i) As at 30 June 2022, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Accounts balance	Lifetime ECL rate	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>261,450,872.39</u>	100.00%	<u>(261,450,872.39)</u>	Through assessment, provision on an individual basis
	<u>590,360,741.06</u>		<u>(590,360,741.06)</u>	

As at 31 December 2021, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Accounts balance	Lifetime ECL rate	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>265,728,364.62</u>	100.00%	<u>(265,728,364.62)</u>	Through assessment, provision on an individual basis
	<u>594,638,233.29</u>		<u>(594,638,233.29)</u>	

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

(5) Accounts receivables (Cont'd)

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

(ii) As at 30 June 2022 and 31 December 2021, the aging analysis of accounts receivables on grouping basis is as follows:

	30 June 2022		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 6 months	54,037,637,486.99	0.53%	(284,070,627.22)
6 – 12 months	10,351,097,926.24	2.65%	(274,187,483.42)
1 – 2 years	1,515,360,303.31	17.77%	(269,262,116.26)
Above 2 years	697,217,833.65	100.00%	(697,217,833.65)
	<u>66,601,313,550.19</u>		<u>(1,524,738,060.55)</u>
	31 December 2021		
	Accounts balance	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Within 6 months	49,951,861,069.10	0.45%	(227,069,741.17)
6 – 12 months	7,707,662,561.26	2.19%	(168,845,739.53)
1 – 2 years	1,036,382,297.24	18.55%	(192,220,277.15)
Above 2 years	711,400,265.31	100.00%	(711,400,265.31)
	<u>59,407,306,192.91</u>		<u>(1,299,536,023.16)</u>

(iii) For the six months ended 30 June 2022, the provision for bad debts on an individual basis amounted to RMB3,718,111.70 (for the six months ended 30 June 2021: RMB13,084,710.96). The provision for bad debts on an individual basis amounted to RMB7,995,603.93 (for the six months ended 30 June 2021: RMB9,214,869.12) was collected or reversed, and the relevant balance was RMB7,995,603.93 (for the six months ended 30 June 2021: RMB9,214,869.12). 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	2,219,491.96	Cash
Accounts receivable 2	Collection in the current period	Through assessment, provision on an individual basis	1,219,966.56	Cash
Others	Collection in the current period	Through assessment, provision on an individual basis	<u>4,556,145.41</u>	Cash
			<u>7,995,603.93</u>	

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

(5) Accounts receivables (Cont'd)

(e) For the six months ended 30 June 2022, no accounts receivables was written off by the Group.

(6) Receivables financing

	30 June 2022	31 December 2021
Bank acceptance notes	<u>1,452,772,469.61</u>	<u>1,619,009,831.53</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.

The Group had no bank acceptance notes with provision for impairment made on an individual basis. As at 30 June 2022, the Group measured the provision for bad debts based on the lifetime ECL, and the related amount was RMB7,256,687.12 (31 December 2021: RMB4,824,701.57). 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 2022, notes receivable endorsed or discounted but unmatured were as follows:

	Derecognised
Bank acceptance notes	<u>1,440,440,716.90</u>

(7) Advances to suppliers

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

	30 June 2022		31 December 2021	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	3,138,926,903.88	98.45%	2,426,552,095.39	98.73%
Above 1 year	49,440,442.80	1.55%	31,209,039.09	1.27%
	<u>3,188,367,346.68</u>	<u>100.00%</u>	<u>2,457,761,134.48</u>	<u>100.00%</u>

As at 30 June 2021, advances to suppliers aged over 1 year were RMB49,440,442.80 (31 December 2021: RMB31,209,039.09), 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 summarised and analysed as follows:

	Amount	% of total balance
Total top five advances to suppliers	<u>466,345,823.98</u>	<u>14.63%</u>

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

(8) Other receivables

	30 June 2022	31 December 2021
Compensation receivable from suppliers	1,540,693,408.78	1,088,089,537.78
Guarantees (including deposits)	818,216,843.86	759,946,986.28
Receivables from enterprises	388,167,801.15	248,231,914.45
Reserves	95,948,373.45	53,019,804.70
Dividends receivable	25,688,936.73	60,223,172.44
Others	1,026,610,127.20	988,952,268.26
	<u>3,895,325,491.17</u>	<u>3,198,463,683.91</u>
Less: Provision for bad debts	<u>(775,007,420.17)</u>	<u>(779,355,712.09)</u>
	<u>3,120,318,071.00</u>	<u>2,419,107,971.82</u>

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

	30 June 2022	31 December 2021
Within 1 year	2,765,257,584.12	2,051,560,611.61
1-2 years	223,671,871.43	260,952,317.05
Above 2 years	906,396,035.62	885,950,755.25
	<u>3,895,325,491.17</u>	<u>3,198,463,683.91</u>

(b) As at 30 June 2022, the analysis of provision for bad debts for individual other receivables is as follows:

	Accounts balance	Stage 3 – lifetime ECL rate	Provision for bad debts	Reasons
Other receivable 1	120,000,000.00	100.00%	(120,000,000.00)	Unable to collect
Other receivable 2	37,223,273.63	100.00%	(37,223,273.63)	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	251,836,299.36	100.00%	(251,836,299.36)	Unable to collect
	<u>476,468,345.47</u>		<u>(476,468,345.47)</u>	

As at 31 December 2021, the analysis of provision for bad debts for individual other receivables is as follows:

	Accounts balance	Stage 3 – lifetime ECL rate	Provision for bad debts	Reasons
Other receivable 1	120,000,000.00	100.00%	(120,000,000.00)	Unable to collect
Other receivable 2	46,195,001.63	100.00%	(46,195,001.63)	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	246,491,665.37	100.00%	(246,491,665.37)	Unable to collect
	<u>480,095,439.48</u>		<u>(480,095,439.48)</u>	

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(All amounts in RMB Yuan unless otherwise stated)

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

(8) Other receivables (Cont'd)

(c) As at 30 June 2022 and 31 December 2021, the analysis of bad debt provisions of other receivables on grouping basis is as follows:

	30 June 2022			31 December 2021		
	Accounts balance	Provision for bad debts	% of total balance	Accounts balance	Provision for bad debts	% of total balance
	Amount	Amount		Amount	Amount	
Stage 1 – 12-month ECL rate in groups						
Compensation receivable from suppliers	1,498,114,602.82	(12,341,539.04)	0.82%	1,054,441,861.59	(19,950,279.82)	1.89%
Guarantees (including deposits)	816,403,247.04	(13,343,187.80)	1.63%	758,133,389.46	(8,279,467.97)	1.09%
Receivables from enterprises	269,097,153.49	(1,199,482.26)	0.45%	115,279,427.30	(1,275,963.68)	1.11%
Reserves	95,050,128.78	(2,768,393.40)	2.91%	52,198,108.14	(540,296.33)	1.04%
Dividends receivable	25,688,936.73	(16,163.83)	0.06%	60,223,172.44	(43,795.43)	0.07%
Others	449,261,622.43	(11,399,777.66)	2.54%	410,387,799.54	(11,328,578.48)	2.76%
	<u>3,153,615,691.29</u>	<u>(41,068,543.99)</u>		<u>2,450,663,758.47</u>	<u>(41,418,381.71)</u>	
Stage 3 – lifetime ECL rate in groups						
Compensation receivable from suppliers	31,948,193.55	(31,359,681.44)	98.16%	23,017,063.78	(22,564,381.79)	98.03%
Receivables from enterprises	22,436,404.70	(21,469,313.89)	95.69%	31,433,597.69	(29,305,868.33)	93.23%
Reserves	898,244.67	(875,044.67)	97.42%	821,696.56	(820,696.56)	99.88%
Others	209,958,611.49	(203,766,490.71)	97.05%	212,432,127.93	(205,150,944.22)	96.57%
	<u>265,241,454.41</u>	<u>(257,470,530.71)</u>		<u>267,704,485.96</u>	<u>(257,841,890.90)</u>	

As at 30 June 2022 and 31 December 2021, the Group has no other receivables in Stage 2.

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

(8) Other receivables (Cont'd)

- (d) For the six months ended 30 June 2022, RMB7,420,959.63 were made in the provision for bad debts of other receivables in Stage 1 and RMB3,998,454.20 were reversed from the provision for bad debts of other receivables in Stage 3, which were mainly about loss provision of other receivables newly included in the current period and the affects that other receivables transferring from Stage 1 to Stage 3 made to the ECL due to the changes of loss rate in the current period.

For the six months ended 30 June 2022, the Group had no important reversal of provision for bad debts in Stage 1, and had important reversal of provision for bad debts on an individual basis of RMB8,971,728.00, and the relevant balance was RMB8,971,728.00.

	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	8,971,728.00	Cash

- (e) For the six months ended 30 June 2022, no other receivables was written off by the Group.

- (f) As at 30 June 2022, the top five receivables based on the balance of the debtors are summarized and analysed as follows:

	Nature	Balance	Aging	% of total balance	Provision for bad debts
Other receivable 1	Current accounts	144,306,160.96	0-2years	3.70%	(1,475,238.96)
Other receivable 2	Current accounts	132,732,900.00	Within 1 year	3.41%	(132,732.90)
Other receivable 3	Current accounts	120,000,000.00	Above 5 years	3.08%	(120,000,000.00)
Other receivable 4	Current accounts	101,396,400.12	Within 1 year	2.60%	(932,911.98)
Other receivable 5	Current accounts	61,009,599.29	Within 1 year	1.57%	(550,921.86)
		<u>559,445,060.37</u>		<u>14.36%</u>	<u>(123,091,805.70)</u>

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

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

(9) Inventories

(a) The inventory is classified as follows:

	30 June 2022			31 December 2021		
	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	1,956,748,354.33	(105,948,195.31)	1,850,800,159.02	1,901,426,075.28	(99,586,015.27)	1,801,840,060.01
Goods in transit	29,793,868.44	-	29,793,868.44	17,132,139.02	-	17,132,139.02
Turnover materials	59,327,041.14	-	59,327,041.14	51,442,390.82	-	51,442,390.82
Consigned processing materials	6,052,017.67	-	6,052,017.67	8,375,028.88	-	8,375,028.88
Work in progress	1,060,024,242.10	(21,024,219.48)	1,039,000,022.62	1,181,481,223.86	(21,024,219.48)	1,160,457,004.38
Finished goods	25,744,053,642.35	(974,129,891.00)	24,769,923,751.35	25,086,015,502.78	(1,028,325,896.90)	24,057,689,605.88
Consumable biological assets	600,085.74	-	600,085.74	9,772,061.13	(2,673,000.00)	7,099,061.13
	<u>28,856,599,251.77</u>	<u>(1,101,102,305.79)</u>	<u>27,755,496,945.98</u>	<u>28,255,644,421.77</u>	<u>(1,151,609,131.65)</u>	<u>27,104,035,290.12</u>

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

	31 December 2021	Provision/(reversal) in the current period	Decrease in the current period	30 June 2022
Raw materials	99,586,015.27	6,384,826.72	(22,646.68)	105,948,195.31
Work in progress	21,024,219.48	-	-	21,024,219.48
Finished goods	1,028,325,896.90	(45,834,257.23)	(8,361,748.67)	974,129,891.00
Consumable biological assets	2,673,000.00	-	(2,673,000.00)	-
	<u>1,151,609,131.65</u>	<u>(39,449,430.51)</u>	<u>(11,057,395.35)</u>	<u>1,101,102,305.79</u>

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

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

(10) Other current assets

	30 June 2022	31 December 2021
Taxes prepaid and to be deducted	567,974,037.23	779,894,867.62
Input VAT to be certified	204,596,959.88	207,796,576.19
	<u>772,570,997.11</u>	<u>987,691,443.81</u>

(11) Other equity instrument investments

	30 June 2022	31 December 2021
Equity instrument investments(i)	<u>52,058,030.39</u>	<u>73,392,413.17</u>

	30 June 2022	31 December 2021
Equity instrument investments		
Listed shares		
—Tianda Pharmaceuticals Limited (“Tianda Pharma”)	<u>52,058,030.39</u>	<u>73,392,413.17</u>

	30 June 2022	31 December 2021
Tianda Pharma		
—Cost	87,851,852.85	87,851,852.85
—Accumulated changes in fair value	<u>(35,793,822.46)</u>	<u>(14,459,439.68)</u>
	<u>52,058,030.39</u>	<u>73,392,413.17</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.

(12) Other non-current financial assets

	30 June 2022	31 December 2021
Equity instrument investments		
—Listed common shares(a)	264,959,667.28	290,092,858.15
—Unlisted common shares(b)	<u>1,115,470,993.48</u>	<u>1,098,807,808.46</u>
	<u>1,380,430,660.76</u>	<u>1,388,900,666.61</u>

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

(12) Other non-current financial assets (Cont'd)

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

	30 June 2022	31 December 2021
(a) Listed common shares		
—Cost	356,895,977.16	356,895,977.16
—Accumulated changes in fair value	(72,916,477.25)	(39,869,254.14)
—Accumulated differences on translation of foreign currency financial statements	(19,019,832.63)	(26,933,864.87)
	<u>264,959,667.28</u>	<u>290,092,858.15</u>
(b) Unlisted common shares		
—Cost	934,351,307.44	934,451,014.16
—Accumulated changes in fair value	181,119,686.04	164,356,794.30
	<u>1,115,470,993.48</u>	<u>1,098,807,808.46</u>

(13) Long-term receivables

	30 June 2022	31 December 2021
Cost –		
Deposits receivable (Note) -total amount	337,596,125.23	335,565,086.31
Medical equipment receivable - total amount	55,497,742.57	54,366,516.16
Less: Provision for bad debts	(2,014,245.03)	(2,381,046.12)
Unrealised finance income – Deposits receivable	(61,925,738.17)	(63,302,647.78)
Current portion of long-term receivables	(132,212,122.64)	(126,505,618.81)
	<u>196,941,761.96</u>	<u>197,742,289.76</u>

Note: the amounts are deposits with over one year of collection period that the Group pays. As at 30 June 2022 and 31 December 2021, long-term receivables of the Group were all in Stage 1.

(14) Long-term equity investments

	30 June 2022	31 December 2021
Joint ventures(a)	2,247,496,114.94	2,113,561,239.73
Associates(b)	<u>7,430,307,832.13</u>	<u>7,037,089,217.27</u>
Less: Provision for impairment of long-term equity investments	(77,375,103.08)	(77,375,103.08)
	<u>9,600,428,843.99</u>	<u>9,073,275,353.92</u>

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

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

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

(a) Joint ventures

	31 December 2021	Changes during the current period								30 June 2022	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-BIOCAD(HK) Limited	1,252,891,345.80	-	-	(7,832,347.00)	-	-	-	-	65,697,851.91	1,310,756,850.71	-
Shanghai Hutchison Pharmaceutical Co., Ltd.	455,179,417.53	-	-	213,318,937.68	-	-	(150,000,000.00)	-	-	518,498,355.21	-
Jiangxi Nanhua Medicines Co., Ltd	334,334,494.44	-	-	14,546,542.34	-	-	-	-	-	348,881,036.78	-
Zhejiang Shangyao Jiuzhou biopharmaceutical Co., Ltd	42,819,088.39	-	-	(2,022,780.68)	-	-	-	-	-	40,796,307.71	-
Others	28,336,893.57	-	-	226,896.00	-	-	-	-	(225.04)	28,563,564.53	(1,747,365.36)
	<u>2,113,561,239.73</u>	<u>-</u>	<u>-</u>	<u>218,237,248.34</u>	<u>-</u>	<u>-</u>	<u>(150,000,000.00)</u>	<u>-</u>	<u>65,697,626.87</u>	<u>2,247,496,114.94</u>	<u>(1,747,365.36)</u>

Related information of equity in joint ventures is set forth in Note 5(2).

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(All amounts in RMB Yuan unless otherwise stated)

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

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

(b) Associates

	31 December 2021	Changes during the current period							30 June 2022	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 Roche Pharmaceuticals Ltd.	1,406,965,137.30	-	-	85,295,889.07	-	-	-	-	-	1,492,261,026.37	-
Shanghai Pharma Health Commerce Co., Ltd	1,439,261,819.64	-	-	(15,576,350.29)	-	-	-	-	-	1,423,685,469.35	-
Shanghai Shangyao kangxino biopharmaceutical Co., Ltd	539,128,927.91	-	-	(23,298.62)	-	-	-	-	-	539,105,629.29	-
Shanghai Fudan- Zhangjiang Bio- Pharmaceutical Co., Ltd. (ii)	441,879,702.31	-	-	(7,346,002.30)	(144,089.03)	14,457,525.08	(14,709,979.20)	-	-	434,137,156.86	-
Shanghai Industrial Group Finance Co., Ltd.	403,735,674.67	-	-	6,851,064.40	-	-	-	-	-	410,586,739.07	-
Shanghai Lianyi Investment Center (limited Partnership)	349,704,903.44	-	-	(6,109,028.60)	-	-	-	-	-	343,595,874.84	-
SINO-AMERICAN Shanghai Squibb Pharmaceutical Ltd.	231,974,505.67	-	-	52,608,766.09	-	-	-	-	-	284,583,271.76	-
Beijing Lianxin Pharmaceutical Co., Ltd.	246,359,959.57	-	-	42,798,830.70	-	-	(42,000,000.00)	-	-	247,158,790.27	-
Shanghai Tsumura Pharmaceuticals Co., Ltd.	221,770,526.36	-	-	6,231,288.64	-	-	-	-	-	228,001,815.00	-
Shanghai Good Health Capital LLP	190,323,857.57	-	-	(2,097,455.83)	-	-	-	-	-	188,226,401.74	-
Shanghai Bracco Sine Pharmaceutical Co., Ltd.	139,147,968.79	-	-	40,403,910.21	-	-	-	-	-	179,551,879.00	-
Shangshi Commercial Factoring Co., Ltd.	157,763,069.34	-	-	1,744,268.48	-	-	-	-	-	159,507,337.82	-

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(All amounts in RMB Yuan unless otherwise stated)

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

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

(b) Associates (Cont'd)

	31 December 2021	Changes during the current period								30 June 2022	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		
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	146,438,396.45	-	-	5,853,285.67	-	-	-	-	-	152,291,682.12	-
Overseas Pharmaceutical(Gu angzhou) Co., Ltd.	-	150,000,000.00	-	(3,927,582.43)	-	-	-	-	-	146,072,417.57	-
Chengdu Wesker Biomedical Co., Ltd.	140,068,679.04	-	-	(10,421,096.85)	-	-	-	-	-	129,647,582.19	-
Shanghai Huiyong Medicine Research Co., Ltd.	127,515,687.61	-	-	(12,317,228.74)	-	-	-	-	-	115,198,458.87	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	114,750,205.43	-	-	4,324,054.43	-	-	(8,142,113.09)	-	-	110,932,146.77	-
Huaxi Precision Medicine Industry Innovation Center Co., Ltd.	19,299,650.47	80,000,000.00	-	(429,499.76)	-	-	-	-	-	98,870,150.71	-
Shanghai Shangshi Biomedical Innovation and Transformation Private Investment Fund LLP	44,527,109.65	45,000,000.00	-	(543,615.99)	-	-	-	-	-	88,983,493.66	-
Oncternal Therapeutics, Inc.(iii)	70,652,948.21	-	-	(3,756,987.51)	-	-	-	-	2,978,750.26	69,874,710.96	-
A.M.Pappas Life Science Venture V,LP	94,436,619.99	2,678,680.00	-	(25,855,168.04)	-	-	(5,166,062.43)	-	-	66,094,069.52	-
Shanghai Leiyunshang Northern Area Medicine General Co., Ltd.	64,999,235.39	-	-	542,827.66	-	-	-	-	-	65,542,063.05	-

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

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

(b) Associates (Cont'd)

	31 December 2021	Changes during the current period								30 June 2022	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 Huashi Pharmaceutical Storage & Transportation Co., Ltd.	56,245,598.29	-	-	65,933.42	-	-	-	-	-	56,311,531.71	-
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	55,725,961.91	-	-	872,134.55	-	-	(2,793,000.00)	-	-	53,805,096.46	-
Sichuan Greentech Bio-technology Co., Ltd.	48,802,282.26	-	-	118,702.10	-	-	-	-	-	48,920,984.36	-
Shanghai Chest Medical Instruments Co., Ltd.	43,264,784.08	-	-	3,406,429.42	-	-	-	-	-	46,671,213.50	-
Shanghai Xun Yao Biotechnology Co., Ltd.	39,937,281.37	-	-	(2,791,408.43)	-	-	-	-	-	37,145,872.94	-
Shanghai Sine Promod Pharmaceutical Co., Ltd.	25,112,166.44	-	-	(2,765,371.40)	-	-	-	-	-	22,346,795.04	-
Chengdu Shilian Kangjian Biotechnology Co., Ltd.	-	20,000,000.00	-	(134,228.47)	-	-	-	-	-	19,865,771.53	-
Other investments	177,296,558.11	-	(4,389,339.12)	2,294,654.75	-	-	(3,869,473.94)	-	-	171,332,399.80	(75,627,737.72)
	<u>7,037,089,217.27</u>	<u>297,678,680.00</u>	<u>(4,389,339.12)</u>	<u>159,317,716.33</u>	<u>(144,089.03)</u>	<u>14,457,525.08</u>	<u>(76,680,628.66)</u>	-	<u>2,978,750.26</u>	<u>7,430,307,832.13</u>	<u>(75,627,737.72)</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

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

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

(b) Associates (Cont'd)

- (i) Related information of equity in the associates is set forth in Note 5(2).
- (ii) Shanghai Fudan-Zhangjiang Bio-pharmaceuticals Co., Ltd is a domestic and Hong Kong listed company. As at 30 June 2022, the market value of the equity investments amounted to RMB1,607,299,770.17.
- (iii) ONCTERNAL THERAPEUTICS, INC. is listed on NASDAQ. As at 30 June 2022, the market value of the equity investments amounted to RMB30,313,305.15.

(15) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2021	430,172,629.63	23,143,293.08	453,315,922.71
Transfer to fixed assets	(9,725,049.43)	-	(9,725,049.43)
Translation difference	156,745.90	-	156,745.90
30 June 2022	<u>420,604,326.10</u>	<u>23,143,293.08</u>	<u>443,747,619.18</u>
Accumulated depreciation			
31 December 2021	(233,980,169.29)	(6,012,491.30)	(239,992,660.59)
Depreciation	(6,194,794.67)	(223,855.38)	(6,418,650.05)
Transfer to fixed assets	5,253,178.34	-	5,253,178.34
Translation difference	(75,985.54)	-	(75,985.54)
30 June 2022	<u>(234,997,771.16)</u>	<u>(6,236,346.68)</u>	<u>(241,234,117.84)</u>
Closing net book amount			
30 June 2022	<u>185,606,554.94</u>	<u>16,906,946.40</u>	<u>202,513,501.34</u>
31 December 2021	<u>196,192,460.34</u>	<u>17,130,801.78</u>	<u>213,323,262.12</u>

For the six months ended 30 June 2022, the depreciation and amortisation of investment properties amounted to RMB6,418,650.05 (for the six months ended 30 June 2021: RMB5,851,930.03).

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)

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

(16) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
Cost						
31 December 2021	9,776,656,770.02	5,869,640,485.29	424,803,598.54	1,121,269,340.19	834,616,781.97	18,026,986,976.01
Increase in the current period						
Addition	2,843,980.50	48,437,804.48	10,939,975.98	26,300,494.02	26,910,945.36	115,433,200.34
Transfers from construction in progress	90,134,800.62	22,900,794.93	-	7,125,325.85	1,487,124.42	121,648,045.82
Transfers from investment properties	9,725,049.43	-	-	-	-	9,725,049.43
Translation difference	(4,201,227.28)	(5,148,823.47)	(433,033.61)	(731,444.19)	(941,757.69)	(11,456,286.24)
Decrease in the current period						
Disposal	(296,571,337.61)	(173,267,369.70)	(13,888,744.83)	(36,861,024.24)	(11,465,349.78)	(532,053,826.16)
30 June 2022	9,578,588,035.68	5,762,562,891.53	421,421,796.08	1,117,102,691.63	850,607,744.28	17,730,283,159.20
Accumulated depreciation						
31 December 2021	(2,898,959,715.00)	(2,975,517,470.58)	(304,538,673.10)	(704,439,521.64)	(533,577,664.09)	(7,417,033,044.41)
Increase in the current period						
Depreciation charge	(166,000,214.79)	(235,424,098.96)	(19,208,070.85)	(74,004,399.60)	(41,989,097.88)	(536,625,882.08)
Transfers from investment properties	(5,253,178.34)	-	-	-	-	(5,253,178.34)
Translation difference	1,604,319.47	4,001,367.56	90,098.11	672,970.20	84,445.85	6,453,201.19
Decrease in the current period						
Disposals	154,475,997.81	143,216,940.13	11,786,986.80	31,310,742.25	11,395,486.86	352,186,153.85
30 June 2022	(2,914,132,790.85)	(3,063,723,261.85)	(311,869,659.04)	(746,460,208.79)	(564,086,829.26)	(7,600,272,749.79)

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

(16) Fixed assets (Cont'd)

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
Accumulated impairment						
31 December 2021	(78,930,720.63)	(43,126,314.79)	(168,583.70)	(1,374,659.29)	(2,235,448.85)	(125,835,727.26)
Decrease in the current period						
Disposal	31,442,695.93	8,214.83	10,240.73	84,575.80	2,278.58	31,548,005.87
30 June 2022	(47,488,024.70)	(43,118,099.96)	(158,342.97)	(1,290,083.49)	(2,233,170.27)	(94,287,721.39)
Carrying amount						
30 June 2022	6,616,967,220.13	2,655,721,529.72	109,393,794.07	369,352,399.35	284,287,744.75	10,035,722,688.02
31 December 2021	6,798,766,334.39	2,850,996,699.92	120,096,341.74	415,455,159.26	298,803,669.03	10,484,118,204.34

As at 30 June 2022, buildings, machinery and equipment with a carrying amount of RMB367,345,604.11 (a cost of RMB583,140,961.37) and 299,964.83 square metres of land use rights (a cost of RMB391,515,130.62, a carrying amount of RMB375,018,604.17) (Note 4(20)) were pledged as collateral for short-term borrowings of RMB369,300,000.00 (Note 4(26)(a)), long-term borrowings of RMB157,724,416.83 (Note 4(36)(a)) and current portion of long-term borrowings of RMB14,186,892.50 (Note 4(34)).

As at 31 December 2021, buildings, machinery and equipment with a carrying amount of RMB368,744,072.19 (a cost of RMB591,084,525.44) and 295,477.63 square metres of land use rights (a cost of RMB388,592,688.22, a carrying amount of RMB377,745,429.97) (Note 4(20)) were pledged as collateral for short-term borrowings of RMB368,430,000.00 (Note 4(26)(a)), long-term borrowings of RMB75,109,483.49 (Note 4(36)(a)) and current portion of long-term borrowings of RMB26,373,785.00 (Note 4(34)).

For the six months ended 30 June 2022, depreciation charged to fixed assets amounted to RMB536,625,882.08 (for the six months ended 30 June 2021: RMB511,892,720.15), of which RMB232,280,620.48, RMB103,693,540.96, RMB151,406,101.42 and RMB49,245,619.22 (for the six months ended 30 June 2021: RMB213,787,965.75, RMB99,781,082.43, RMB155,510,446.86 and RMB42,813,225.11) 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 2022, the costs of fixed assets transferred from construction in progress amounted to RMB121,648,045.82 (for the six months ended 30 June 2021: RMB200,990,161.54).

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

(16) Fixed assets (Cont'd)

According to the construction and development plan and technology industry development needs of Hangzhou Xixi Valley, Hangzhou Xihu District government has purchased the plot of No. 551 Xixi Road from Chiatai Qingchunbao Pharmaceuticals Co., Ltd.(hereinafter referred to as "CT Qingchunbao"), a subsidiary of the Group. On June 30, 2022, CT Qingchunbao has disposed buildings with a carrying amount of RMB110,384,386.83 (a cost of RMB243,635,339.97), machinery and equipment with a carrying amount of RMB27,918,576.43 (a cost of RMB148,247,585.18), other fixed assets with a carrying amount of RMB4,226,993.84 (a cost of RMB27,218,305.09), 112,008.00 square meters of land use rights (a cost of RMB6,429,601.00, a carrying amount of RMB3,292,534.41) (Note 4 (20)) and other intangible assets with a carrying amount of RMB568,118.25 (a cost of RMB849,580.00)(Note 4 (20)).

(a) Temporarily idle fixed assets

As at 30 June 2022, the Group had no material temporarily idle fixed assets (31 December 2021: Nil).

(b) Fixed assets with pending certificates of ownership:

	Carrying amount	Reasons for not obtaining certificates of ownership yet
Buildings	<u>180,061,740.46</u>	Still in the process

(17) Construction in progress

	30 June 2022			31 December 2021		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Construction in progress	<u>3,406,348,935.36</u>	<u>(3,097,748.84)</u>	<u>3,403,251,186.52</u>	<u>2,917,227,756.58</u>	<u>(3,097,748.84)</u>	<u>2,914,130,007.74</u>

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

(17) Construction in progress(Cont'd)

(a) Changes in major construction projects

Names	Budget' 0000	31 December 2021	Increase in the current period	Transfer to fixed assets	Other decrease in the current period	30 June 2022	% of Budget	Project progress	Accumulative amount of capitalised borrowing costs	Capitalised borrowing costs in the current period	Capitali sation rate in the current period	Sources of funds
Qingchunbao Deqing subsidiary Project	145,627.00	679,203,660.01	84,563,016.93	(8,984,799.80)	-	754,781,877.14	98.78%	98.78%	-	-	-	Self-owned funds
Industrial Innovation and Upgrade of GBE50 and Artificial Musk Building Installation of Northern	57,972.00	422,061,879.60	3,534,620.93	-	-	425,596,500.53	73.41%	73.41%	-	-	-	Self-owned funds
Pharmaceuticals Phase II Project	92,656.00	301,725,214.37	19,529,668.57	-	-	321,254,882.94	79.99%	79.99%	-	-	-	Self-owned funds
SPH Lingang Phase I Project	72,949.00	172,970,945.61	9,096,957.73	-	-	182,067,903.34	24.96%	24.96%	-	-	-	Self-owned funds
Shanghai Pharma Biopharmaceutical Industry Base Construction Project	278,848.09	51,041,970.60	88,904,988.55	-	-	139,946,959.15	5.02%	5.02%	-	-	-	Self-owned funds
Chinese herbal medicine deep processing project	19,985.00	94,328,815.09	31,468,135.68	-	-	125,796,950.77	72.96%	72.96%	-	-	-	Self-owned funds
Shanghai Pharmaceutical Jinshan Green Pharmaceutical Quality Base	59,814.00	104,259,899.50	14,912,846.97	-	-	119,172,746.47	19.92%	19.92%	-	-	-	Self-owned funds
Suide Road Phase II Project of Shanghai Pharmaceutical Logistics Center	84,921.25	52,355,278.54	42,749,809.73	-	-	95,105,088.27	11.20%	11.20%	-	-	-	Self-owned funds
Shanghai Pharmaceutical Group Changzhou Pharmaceutical Business Center	68,400.00	69,914,196.67	20,864,480.87	-	-	90,778,677.54	13.33%	13.33%	-	-	-	Self-owned funds
Shandong Xinyi API, Tablet and Supporting Facilities Construction Project	38,217.00	30,241,155.52	47,219,774.25	-	-	77,460,929.77	20.27%	20.27%	-	-	-	Self-owned funds
Relocation Project of Liaoning Meiya Pharmaceutical Co., Ltd.	59,921.00	62,124,225.20	13,168,512.46	-	-	75,292,737.66	6.72%	6.72%	-	-	-	Self-owned funds
Shanghai Pharmaceutical Xinyi Jiangchang West Road New Construction Project	98,799.00	18,030,552.70	43,529,274.14	-	-	61,559,826.84	6.23%	6.23%	-	-	-	Self-owned funds
Technical Project of TCM Granule	8,500.00	56,331,744.15	912,494.79	-	-	57,244,238.94	66.30%	66.30%	-	-	-	Self-owned funds
Biochemical Elevated Warehouse Project	19,039.00	51,839,980.68	4,639,693.84	-	-	56,479,674.52	29.67%	29.67%	-	-	-	Self-owned funds

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

(17) Construction in progress(Cont'd)

(a) Changes in major construction projects (Cont'd)

Names	Budget' 0000	31 December 2021	Increase in the current period	Transfer to fixed assets	Other decrease in the current period	30 June 2022	% of Budget	Project progress	Accumulative amount of capitalised borrowing costs	Capitalised borrowing costs in the current period	Capitali sation rate in the current period	Sources of funds
Shanghai Pharmaceutical Research Institute Renovation Project	7,788.00	21,115,710.54	998,826.64	-	-	22,114,537.18	38.20%	38.20%	-	-	-	Self-owned funds
Others		<u>729,682,527.80</u>	<u>223,038,170.48</u>	<u>(112,663,246.02)</u>	<u>(38,362,047.96)</u>	<u>801,695,404.30</u>			-	-	-	
		<u>2,917,227,756.58</u>	<u>649,131,272.56</u>	<u>(121,648,045.82)</u>	<u>(38,362,047.96)</u>	<u>3,406,348,935.36</u>			-	-	-	

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

(17) Construction in progress (Cont'd)

(b) Provision for impairment of construction in progress

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Others	<u>(3,097,748.84)</u>	<u>-</u>	<u>-</u>	<u>(3,097,748.84)</u>

(c) As at 30 June 2022, the progress of the construction in progress in the Group was estimated by the proportion of expenditures incurred to budgeted amount.

(18) Bearer biological assets

	Mature biological assets	Immature biological assets	Total
Cost			
31 December 2021	355,224,059.03	83,214,133.71	438,438,192.74
Increase in the current period	<u>-</u>	<u>3,360,487.43</u>	<u>3,360,487.43</u>
30 June 2022	<u>355,224,059.03</u>	<u>86,574,621.14</u>	<u>441,798,680.17</u>
Accumulated depreciation			
31 December 2021	(35,869,127.41)	-	(35,869,127.41)
Depreciation charge	<u>(4,674,695.52)</u>	<u>-</u>	<u>(4,674,695.52)</u>
30 June 2022	<u>(40,543,822.93)</u>	<u>-</u>	<u>(40,543,822.93)</u>
Carrying amount			
30 June 2022	<u>314,680,236.10</u>	<u>86,574,621.14</u>	<u>401,254,857.24</u>
31 December 2021	<u>319,354,931.62</u>	<u>83,214,133.71</u>	<u>402,569,065.33</u>

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

(19) Right-of-use assets

	Buildings	Machinery and equipment	Total
Cost			
31 December 2021	4,132,194,097.91	38,299,019.79	4,170,493,117.70
Increase in the current period			
New lease contracts	395,331,642.34	3,232,256.84	398,563,899.18
Decrease in the current period			
Changes in leases	(109,639,330.99)	-	(109,639,330.99)
Translation difference	(5,039,033.19)	-	(5,039,033.19)
30 June 2022	4,412,847,376.07	41,531,276.63	4,454,378,652.70
Accumulated depreciation			
31 December 2021	(2,151,125,070.24)	(18,148,138.03)	(2,169,273,208.27)
Increase in the current period			
Depreciation charge	(357,610,056.20)	(2,762,293.24)	(360,372,349.44)
Decrease in the current period			
Changes in leases	72,449,687.75	-	72,449,687.75
Translation difference	4,457,863.06	-	4,457,863.06
30 June 2022	(2,431,827,575.63)	(20,910,431.27)	(2,452,738,006.90)
Accumulated impairment			
31 December 2021	(8,786,206.58)	-	(8,786,206.58)
Changes in leases	8,167,325.67	-	8,167,325.67
30 June 2022	(618,880.91)	-	(618,880.91)
Carrying amount			
30 June 2022	1,980,400,919.53	20,620,845.36	2,001,021,764.89
31 December 2021	1,972,282,821.09	20,150,881.76	1,992,433,702.85

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

(20) Intangible assets

	Land use rights	Business network	Trademarks and brands	Proprietary technology and patents	Software and Others	Total
Cost						
31 December 2021	4,201,796,464.82	2,332,473,634.16	624,109,648.29	991,791,952.33	698,272,168.02	8,848,443,867.62
Increase in the current period						
Purchase	100,835,784.19	-	-	-	14,525,428.70	115,361,212.89
Transfer from R&D expenditures	-	-	-	26,280,249.82	-	26,280,249.82
Business combinations involving enterprises not under common control	-	-	-	-	-	-
Transfer from construction in progress	-	-	-	-	8,169,400.32	8,169,400.32
Translation difference	-	(2,712,838.66)	(834,390.65)	3,210,764.17	(835,419.67)	(1,171,884.81)
Decrease in the current period						
Disposals	(6,429,601.00)	-	-	(9,424,905.70)	(2,190,403.05)	(18,044,909.75)
30 June 2022	4,296,202,648.01	2,329,760,795.50	623,275,257.64	1,011,858,060.62	717,941,174.32	8,979,037,936.09
Accumulated amortisation						
31 December 2021	(480,715,980.36)	(1,255,016,237.19)	(36,785,838.64)	(396,985,491.84)	(442,611,568.86)	(2,612,115,116.89)
Increase in the current period						
Amortization charge	(51,802,157.59)	(86,305,300.51)	(3,370,515.67)	(23,722,481.33)	(59,947,786.56)	(225,148,241.66)
Translation difference	-	2,636,622.27	6,442.84	43,012.67	826,951.52	3,513,029.30
Decrease in the current period						
Disposals	3,137,066.59	-	-	-	430,603.78	3,567,670.37
30 June 2022	(529,381,071.36)	(1,338,684,915.43)	(40,149,911.47)	(420,664,960.50)	(501,301,800.12)	(2,830,182,658.88)
Accumulated impairment						
31 December 2021	(7,684,303.04)	(2,854,166.67)	(28,933,720.00)	(145,688,488.04)	(1,736,859.89)	(186,897,537.64)
Translation difference	-	-	46,950.00	(3,360,357.00)	-	(3,313,407.00)
30 June 2022	(7,684,303.04)	(2,854,166.67)	(28,886,770.00)	(149,048,845.04)	(1,736,859.89)	(190,210,944.64)
Carrying amount						
30 June 2022	3,759,137,273.61	988,221,713.40	554,238,576.17	442,144,255.08	214,902,514.31	5,958,644,332.57
31 December 2021	3,713,396,181.42	1,074,603,230.30	558,390,089.65	449,117,972.45	253,923,739.27	6,049,431,213.09

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

(20) Intangible assets (Cont'd)

For the six months ended 30 June 2022, the amortization of intangible assets amounted to RMB225,148,241.66 (for the six months ended 30 June 2021: RMB217,316,771.07).

As at 30 June 2022, certificates of ownership for land use rights with a carrying amount of RMB129,853,455.43 (a cost of RMB134,870,196.27) (31 December 2021: a carrying amount of RMB40,201,262.25 (a cost of RMB44,383,212.08)) were still in progress.

As at 30 June 2022, 299,964.83 square meters of land use rights (a cost of RMB391,515,130.62, a carrying amount of RMB375,018,604.17) and buildings, machinery and equipment with a carrying amount of RMB367,345,604.11 (a cost of RMB583,140,961.37) (Note 4(16)) were pledged as collateral for short-term borrowings of RMB369,000,000.00 (Note 4(26)(a)), long-term borrowings of RMB157,724,416.83 (Note 4(36)(a)) and current portion of long-term borrowings of RMB14,186,892.50 (Note 4(34)).

As at 31 December 2021, 295,477.63 square meters of land use rights (a cost of RMB388,592,688.22, a carrying amount of RMB377,745,429.97) and buildings, machinery and equipment with a carrying amount of RMB368,744,072.19 (a cost of RMB591,084,525.44) (Note 4(16)) were pledged as collateral for short-term borrowings of RMB368,430,000.00 (Note 4(26)(a)), long-term borrowings of RMB75,109,483.49 (Note 4(36)(a)) and current portion of long-term borrowings of RMB26,373,785.00 (Note 4(34)).

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

	31 December 2021	Increase in the current period	Decrease in the current period		30 June 2022
			Amount recognised in profit or loss	Amount recognised as intangible assets	
R&D project	<u>259,227,946.08</u>	<u>860,903,683.84</u>	<u>(809,672,103.19)</u>	<u>(26,280,249.82)</u>	<u>284,179,276.91</u>

For the six months ended 30 June 2022, the R&D expenditures of the Group were RMB860,903,683.84 (for the six months ended 30 June 2021: RMB894,410,922.32) in total, of which, RMB809,672,103.19 (for the six months ended 30 June 2021: RMB880,028,512.19) was recognised in profit or loss, RMB642,672.63 (for the six months ended 30 June 2021: RMB: RMB3,492,083.16) was recognised as intangible assets, and RMB50,588,908.02 (for the six months ended 30 June 2021: RMB10,890,326.97) was included in the ending balance of the development costs.

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

(21) Goodwill

	31 December 2021	Increase in the current period	Decrease in the current period	Others	30 June 2022
Goodwill -					
Shanghai Pharmaceutical Co., Ltd.'s subsidiaries	3,671,962,048.29	-	-	-	3,671,962,048.29
China Health System Ltd. and its subsidiaries	2,869,596,124.06	-	-	-	2,869,596,124.06
Shanghai Pharmaceuticals (HK) Investment Limited's subsidiaries	2,543,895,939.53	-	-	-	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	964,744,529.41	-	-	(1,565,466.03)	963,179,063.38
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	138,131,837.94	-	-	-	138,131,837.94
SPH Kony (Changzhou) Co., Ltd.	107,285,726.91	-	-	-	107,285,726.91
Others	157,094,963.30	-	-	-	157,094,963.30
	<u>13,197,805,843.08</u>	<u>-</u>	<u>-</u>	<u>(1,565,466.03)</u>	<u>13,196,240,377.05</u>
Less: Provision for impairment (a) -					
Zeus Investment Limited and its subsidiaries	(878,588,363.56)	-	-	1,425,662.64	(877,162,700.92)
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	(122,808,233.97)	-	-	-	(122,808,233.97)
Shanghai Traditional Chinese Medicine Co., Ltd.'s subsidiaries	(72,109,261.31)	-	-	-	(72,109,261.31)
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>(1,958,833,482.32)</u>	<u>-</u>	<u>-</u>	<u>1,425,662.64</u>	<u>(1,957,407,819.68)</u>
	<u>11,238,972,360.76</u>	<u>-</u>	<u>-</u>	<u>(139,803.39)</u>	<u>11,238,832,557.37</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 June 2022**

(All amounts in RMB Yuan unless otherwise stated)

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

(21) 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 2022. The goodwill allocated to the asset groups and groups of asset groups are summarised by operating segments (Note 6) as follows:

	30 June 2022	31 December 2021
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	963,179,063.38	964,744,529.41
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	138,131,837.94	138,131,837.94
Others	480,983,128.32	480,983,128.32
Distribution-		
Distribution business of Shanghai Pharmaceutical Co., Ltd and Cardinal Health (L) Co., Ltd.	5,867,386,339.71	5,867,386,339.71
Distribution business of China Health System Ltd. and Liaoning International Pharmaceutical Trading Co., Ltd.	3,100,028,077.00	3,100,028,077.00
Others	212,028,603.13	212,028,603.13
Retail and others	236,904,048.88	236,904,048.88
	<u>13,196,240,377.05</u>	<u>13,197,805,843.08</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.

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

(21) 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.

The main assumptions applied in calculating discounted future cash flows are as follows:

	Production	Distribution
Growth rates within budget period	-11%~22%	7%~12%
Growth rates beyond budget period	0%~2%	2%
Gross margin rates	9%~78%	6%~8%
Discount rates before tax	11%~19%	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.

(22) Long-term prepaid expenses

	31 December 2021	Increase in the current period	Amortisation in the current period	Others	30 June 2022
Improvement and maintenance expenditures of right-of-use assets	332,225,792.58	24,444,349.73	(24,360,274.40)	(534,772.38)	331,775,095.53
Others	96,891,681.28	47,243,056.78	(60,776,254.44)	(27,564,280.92)	55,794,202.70
	<u>429,117,473.86</u>	<u>71,687,406.51</u>	<u>(85,136,528.84)</u>	<u>(28,099,053.30)</u>	<u>387,569,298.23</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(23) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offset

	30 June 2022		31 December 2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment	3,035,012,075.46	709,054,717.77	2,903,493,071.23	679,184,106.05
Accrued expenses	1,435,864,649.08	335,429,269.88	1,345,179,683.81	313,275,444.19
Lease Liabilities	2,011,947,670.34	493,411,454.85	1,979,319,007.98	493,387,218.68
Elimination of intra-group unrealised profit	838,150,974.19	151,575,655.27	767,235,816.58	144,431,890.03
Changes in fair value of other non-current financial assets	105,161,135.04	26,290,283.76	106,059,887.52	26,514,971.88
Deferred income	149,266,297.50	22,685,005.73	161,718,452.56	24,580,442.26
Others	827,470,207.89	184,813,560.28	778,275,847.46	172,432,870.42
	<u>8,402,873,009.50</u>	<u>1,923,259,947.54</u>	<u>8,041,281,767.14</u>	<u>1,853,806,943.51</u>
Including:				
Expected to be recovered within one year (inclusive)		1,232,628,546.89		1,165,867,148.79
Expected to be recovered after one year		<u>690,631,400.65</u>		<u>687,939,794.72</u>
		<u>1,923,259,947.54</u>		<u>1,853,806,943.51</u>

(b) Deferred tax liabilities before offset

	30 June 2022		31 December 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
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	2,688,802,217.60	672,200,554.40	2,823,276,434.74	705,819,108.69
Right-of-use assets	1,955,375,328.87	479,233,842.00	1,868,172,802.17	465,036,380.80
Investment income arising from disposal of subsidiaries	1,003,433,167.23	250,858,291.80	1,014,545,195.32	253,636,298.82
Demolition compensation	1,384,055,249.60	207,608,287.44	-	-
Changes in fair value of other non-current financial assets	159,317,157.93	39,829,289.49	150,512,434.63	37,628,108.66
Others	58,366,815.85	14,591,703.96	91,643,727.63	22,910,931.90
	<u>7,249,349,937.08</u>	<u>1,664,321,969.09</u>	<u>5,948,150,594.49</u>	<u>1,485,030,828.87</u>
Including:				
Expected to be recovered within one year (inclusive)		241,702,213.43		200,729,218.69
Expected to be recovered after one year		<u>1,422,619,755.66</u>		<u>1,284,301,610.18</u>
		<u>1,664,321,969.09</u>		<u>1,485,030,828.87</u>

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

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

(23) 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 2022	31 December 2021
Deductible losses	<u>6,035,900,758.33</u>	<u>5,354,243,182.35</u>

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

	30 June 2022	31 December 2021
2022	529,183,883.13	615,926,129.80
2023	632,352,728.74	688,068,406.76
2024	916,719,292.76	924,286,263.03
2025	1,167,331,624.71	1,196,378,740.88
2026	1,810,487,115.89	1,840,020,940.38
2027	683,310,996.69	10,389,615.76
2028	82,078,197.96	15,412,492.98
2029	40,314,121.02	679,254.21
2030	32,554,150.43	4,533,089.89
2031	90,897,526.33	58,548,248.66
2032	<u>50,671,120.67</u>	Not applicable
	<u>6,035,900,758.33</u>	<u>5,354,243,182.35</u>

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

	30 June 2022		31 December 2021	
	Offsetting amount	Amount after offset	Offsetting amount	Amount after offset
Deferred tax assets	(497,165,383.17)	1,426,094,564.37	(486,262,008.09)	1,367,544,935.42
Deferred tax liabilities	497,165,383.17	1,167,156,585.92	486,262,008.09	998,768,820.78

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

(24) Asset impairment

	31 December 2021	Increase in the current period	Reverse in the current period	Others	30 June 2022
Provision for bad debts of notes receivables	6,998,935.17	7,877,248.50	(6,998,935.17)	-	7,877,248.50
Including: Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on grouping basis	6,998,935.17	7,877,248.50	(6,998,935.17)	-	7,877,248.50
Provision for bad debts of accounts receivables	1,894,174,256.45	228,293,729.85	(7,995,603.93)	626,419.24	2,115,098,801.61
Including: Provision for bad debts on individual basis	594,638,233.29	3,718,111.70	(7,995,603.93)	-	590,360,741.06
Provision for bad debts on grouping basis	1,299,536,023.16	224,575,618.15	-	626,419.24	1,524,738,060.55
Provisions for bad debts of receivables financing	4,824,701.57	7,256,687.12	(4,824,701.57)	-	7,256,687.12
Including: Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on grouping basis	4,824,701.57	7,256,687.12	(4,824,701.57)	-	7,256,687.12
Provision for bad debts of other receivables	779,355,712.09	3,422,505.43	(8,971,728.00)	1,200,930.65	775,007,420.17
Provision for impairment of long-term receivables	2,381,046.12	-	(366,801.09)	-	2,014,245.03
Subtotal	2,687,734,651.40	246,850,170.90	(29,157,769.76)	1,827,349.89	2,907,254,402.43
Provision for decline in the value of inventories	1,151,609,131.65	-	(39,449,430.51)	(11,057,395.35)	1,101,102,305.79
Provision for impairment of long-term equity investment	77,375,103.08	-	-	-	77,375,103.08
Provision for impairment of fixed assets	125,835,727.26	-	-	(31,548,005.87)	94,287,721.39
Provision for impairment of construction in progress	3,097,748.84	-	-	-	3,097,748.84
Provision for impairment of intangible assets	186,897,537.64	-	-	3,313,407.00	190,210,944.64
Provision for impairment of goodwill	1,958,833,482.32	-	-	(1,425,662.64)	1,957,407,819.68
Provision for impairment of right-of-use assets	8,786,206.58	-	-	(8,167,325.67)	618,880.91
Subtotal	3,512,434,937.37	-	(39,449,430.51)	(48,884,982.53)	3,424,100,524.33
	6,200,169,588.77	246,850,170.90	(68,607,200.27)	(47,057,632.64)	6,331,354,926.76

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

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

(25) Other non-current assets

	30 June 2022	31 December 2021
Prepayment for construction costs and equipment	353,671,838.38	349,864,208.49
Fixed deposit	-	300,000,000.00
Others	213,494,429.01	207,033,725.13
	<u>567,166,267.39</u>	<u>856,897,933.62</u>

(26) Short-term borrowings

	30 June 2022	31 December 2021
Mortgaged (a)	369,000,000.00	368,430,000.00
Pledged (b)	674,920,222.45	940,780,920.43
Guaranteed (c)	241,897,125.20	313,897,125.20
Credit	27,653,884,826.55	20,824,242,255.84
Interest accrued	61,153,035.43	67,223,725.88
	<u>29,000,855,209.63</u>	<u>22,514,574,027.35</u>

- (a) As at 30 June 2022, short-term borrowings of RMB369,000,000.00 and long-term borrowings of RMB157,724,416.83(Note 4(36)(a)) and current portion of long-term borrowings of RMB14,186,892.50(Note 4(34)) were secured by buildings, and machinery and equipment (Note 4(16)) with a carrying amount of RMB367,345,604.11 (a cost of RMB583,140,961.37), and 299,964.83 square metres of land use rights (a cost of RMB391,515,130.62, a carrying amount of RMB375,018,604.17) (Note 4(20));

As at 31 December 2021, short-term borrowings of RMB368,430,000.00 and long-term borrowings of RMB75,109,483.49(Note 4(36)(a)) and current portion of long-term borrowings of RMB26,373,785.00(Note 4(34)) were secured by buildings, and machinery and equipment (Note 4(16)) with a carrying amount of RMB368,744,072.19(a cost of RMB591,084,525.44), and 295,477.63 square metres of land use rights (a cost of RMB388,592,688.22, a carrying amount of RMB377,745,429.97) (Note 4(20));

- (b) As at 30 June 2022, pledged bank borrowings of RMB674,920,222.45 were secured by accounts receivables with a carrying amount of RMB439,961,240.09(Note 4(5)(c)) and bank acceptance notes with a carrying amount of RMB114,152,457.68(Note 4(4)) and trade acceptance notes with a carrying amount of RMB182,176,524.68(Note 4(4));

As at 31 December 2021, pledged bank borrowings of RMB940,780,920.43 were secured by accounts receivables with a carrying amount of RMB899,753,040.40(Note 4(5)(c)) and bank acceptance notes with a carrying amount of RMB163,392,033.42(Note 4(4)) and trade acceptance notes with a carrying amount of RMB112,397,862.34(Note 4(4));

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)

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

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

- (c) As at 30 June 2022, guaranteed borrowings of RMB241,897,125.20(31 December 2021: RMB313,897,125.20) were mainly secured by the minority shareholders of subsidiaries of the Group.
- (d) As at 30 June 2022, the range of interest rate of short-term borrowings was 1.50% to 5.50% (31 December 2021: 1.00% to 5.50%).

(27) Notes payables

	30 June 2022	31 December 2021
Trade acceptance	416,380,737.00	981,727,895.37
Bank acceptance	3,962,530,936.60	3,783,020,106.30
	<u>4,378,911,673.60</u>	<u>4,764,748,001.67</u>

(28) Accounts payables

	30 June 2022	31 December 2021
Purchase payable	<u>40,385,685,910.30</u>	<u>37,230,666,373.90</u>

- (i) As at 30 June 2022, accounts payables aged over one year were RMB2,635,532,639.54 (31 December 2021: RMB3,116,581,413.66).
- (ii) The aging analysis of accounts payables is as follows:

	30 June 2022	31 December 2021
Within 1 year	37,750,153,270.76	34,114,084,960.24
1-2 years	1,372,842,034.18	1,659,616,581.51
Above 2 years	1,262,690,605.36	1,456,964,832.15
	<u>40,385,685,910.30</u>	<u>37,230,666,373.90</u>

(29) Contract liabilities

	30 June 2022	31 December 2021
Advance received from customers	<u>1,219,390,492.08</u>	<u>1,310,920,870.47</u>

For the six months ended 30 June 2022, contract liabilities included in the period beginning with carrying amount of RMB1,175,224,347.56 (for the six months ended 30 June 2021: RMB1,203,692,844.90) were transferred to revenue, all of which were income from sales of goods.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(30) Employee benefits payable

	30 June 2022	31 December 2021
Short-term employee benefits payable(a)	1,065,044,116.71	1,402,813,681.33
Defined contribution plans payable(b)	34,847,007.15	23,410,191.95
Termination benefits payable(c)	5,376,722.84	6,804,254.50
	<u>1,105,267,846.70</u>	<u>1,433,028,127.78</u>

(a) Short-term employee benefits payable

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Wages and salaries, bonus, allowances and subsidies	1,231,572,382.78	3,298,409,976.05	(3,642,117,565.53)	887,864,793.30
Staff welfare	-	123,223,507.74	(123,223,507.74)	-
Social security contributions	11,560,448.60	202,421,529.08	(202,345,679.42)	11,636,298.26
Including: Medical insurance	10,763,928.77	184,346,086.58	(184,125,369.63)	10,984,645.72
Work injury insurance	289,644.46	10,573,097.09	(10,698,719.31)	164,022.24
Maternity insurance	506,875.37	7,502,345.41	(7,521,590.48)	487,630.30
Housing funds	3,205,595.24	192,464,797.62	(194,143,925.36)	1,526,467.50
Labour union funds and employee education funds	44,526,490.50	67,540,684.37	(55,899,129.36)	56,168,045.51
Others	111,948,764.21	30,110,446.50	(34,210,698.57)	107,848,512.14
	<u>1,402,813,681.33</u>	<u>3,914,170,941.36</u>	<u>(4,251,940,505.98)</u>	<u>1,065,044,116.71</u>

(b) Defined contribution plans payable

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Basic pensions	22,571,366.60	359,170,594.86	(347,733,131.30)	34,008,830.16
Unemployment insurance	838,825.35	11,978,445.94	(11,979,094.30)	838,176.99
	<u>23,410,191.95</u>	<u>371,149,040.80</u>	<u>(359,712,225.60)</u>	<u>34,847,007.15</u>

(c) Termination benefits payable

	30 June 2022	31 December 2021
Termination benefits payable (current portion)	<u>5,376,722.84</u>	<u>6,804,254.50</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)

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

(31) Taxes payable

	30 June 2022	31 December 2021
Enterprise income tax payable	716,295,388.29	721,161,742.64
Unpaid VAT	387,998,665.06	781,897,403.65
City maintenance and construction tax payable	37,082,541.66	50,576,616.04
Educational surcharge payable	28,123,444.40	37,371,537.53
Withholding of personal income tax for employees	23,855,330.04	26,364,731.25
Property tax payable	12,963,746.52	17,156,565.39
Others	65,038,713.21	58,131,484.53
	<u>1,271,357,829.18</u>	<u>1,692,660,081.03</u>

(32) Other payables

	30 June 2022	31 December 2021
Accrued expenses	7,304,963,628.92	5,606,644,384.21
Deposits and guarantees payable	2,559,614,076.87	2,904,880,319.59
Accounts received from other companies	1,680,759,567.92	2,404,657,604.79
Payables for equity acquisition	268,213,441.37	272,803,407.52
Engineering equipment expenses payable	180,812,117.85	246,824,826.92
Dividends payable	1,889,342,179.97	341,551,604.87
Others	1,307,426,737.10	1,285,165,665.07
	<u>15,191,131,750.00</u>	<u>13,062,527,812.97</u>

(a) As at 30 June 2022, other payables aged over one year were RMB3,641,232,388.02(31 December 2021: RMB4,102,657,998.18).

(33) Provisions

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Pending litigations	17,500,700.93	27,365,972.22	(652,000.00)	44,214,673.15
Others	5,743,197.09	822,933.08	-	6,566,130.17
	<u>23,243,898.02</u>	<u>28,188,905.30</u>	<u>(652,000.00)</u>	<u>50,780,803.32</u>

(34) Current portion of non-current liabilities

	30 June 2022	31 December 2021
Current portion of long-term borrowings (Note 4(36))	627,332,079.44	33,443,394.84
Current portion of lease liabilities (Note 4(37))	545,713,071.80	545,044,859.04
Current portion of long-term payables (Note 4(38))	3,593,460.86	3,554,312.67
	<u>1,176,638,612.10</u>	<u>582,042,566.55</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

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

(35) Other current liabilities

	30 June 2022	31 December 2021
Super & Short-term Commercial Paper ("SCP")	6,041,219,178.08	9,077,033,424.66
Output tax to be recognized	166,620,184.61	155,348,176.96
	<u>6,207,839,362.69</u>	<u>9,232,381,601.62</u>

(a) Details of the SCP are as follows:

	31 December 2021	Issue for the period	Interest accrued	Amortisation of discount	Repayment for the period	30 June 2022
2021 SCP stage 5	3,036,756,164.38	-	2,564,383.57	-	(3,039,320,547.95)	-
2021 SCP stage 6	3,027,475,068.49	-	10,829,589.04	-	(3,038,304,657.53)	-
2021 SCP stage 7	3,012,802,191.79	-	25,387,397.25	-	(3,038,189,589.04)	-
2022 SCP stage 1	-	2,998,458,333.34	35,136,986.30	1,541,666.66	-	3,035,136,986.30
2022 SCP stage 2	-	2,999,216,666.67	16,456,438.36	783,333.33	(3,016,456,438.36)	-
2022 SCP stage 3	-	2,997,766,666.68	6,082,191.78	2,233,333.32	-	3,006,082,191.78
	<u>9,077,033,424.66</u>	<u>8,995,441,666.69</u>	<u>96,456,986.30</u>	<u>4,558,333.31</u>	<u>(12,132,271,232.88)</u>	<u>6,041,219,178.08</u>

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

(35) Other current liabilities (Cont'd)

(a) Details of the SCP are as follows (Cont'd):

	Face value	Issuing date	Debenture maturity	Issuing amount	Coupon rate
2022 SCP stage 1	3,000,000,000.00	10 January 2022	185 days	2,998,458,333.34	2.50%
2022 SCP stage 2	3,000,000,000.00	21 February 2022	94 days	2,999,216,666.67	2.13%
2022 SCP stage 3	3,000,000,000.00	24 May 2022	268 days	2,997,766,666.68	2.00%

(36) Long-term borrowings

	30 June 2022	31 December 2021
Mortgaged (a)	171,911,309.33	101,483,268.49
Credit	7,973,910,609.62	6,878,967,857.69
Pledged (b)	178,268,403.36	207,112,457.80
Interest accrued	6,113,149.86	3,631,514.34
	<u>8,330,203,472.17</u>	<u>7,191,195,098.32</u>
Less: Current portion of long-term borrowings		
Mortgaged (a)	(14,186,892.50)	(26,373,785.00)
Credit	(600,000,000.00)	-
Pledged (b)	(7,032,037.08)	(3,438,095.50)
Interest accrued	(6,113,149.86)	(3,631,514.34)
	<u>(627,332,079.44)</u>	<u>(33,443,394.84)</u>
	<u>7,702,871,392.73</u>	<u>7,157,751,703.48</u>

(a) As at 30 June 2022, short-term borrowings of RMB369,000,000.00 (Note 4(26)(a)) and long-term borrowings of RMB157,724,416.83 and current portion of long-term borrowings of RMB14,186,892.50 (Note 4(34)) were secured by buildings, and machinery and equipment with a carrying amount of RMB367,345,604.11 (a cost of RMB583,140,961.37) (Note 4(16)), and 299,964.83 square meters of land use rights (a cost of RMB391,515,130.62, a carrying amount of RMB375,018,604.17) (Note 4(20)).

As at 31 December 2021, short-term borrowings of RMB368,430,000.00 (Note 4(26)(a)) and long-term borrowings of RMB75,109,483.49 and current portion of long-term borrowings of RMB26,373,785.00 (Note 4(34)) were secured by buildings, and machinery and equipment with a carrying amount of RMB368,744,072.19 (a cost of RMB591,084,525.44) (Note 4(16)), and 295,477.63 square meters of land use rights (a cost of RMB388,592,688.22, a carrying amount of RMB377,745,429.97) (Note 4(20)).

(b) As at 30 June 2022, pledged bank borrowings of RMB91,686,029.00 were secured by account receivables with a carrying amount of RMB91,686,029.00 (Note 4(5)). Pledged bank borrowings of RMB79,550,337.28 and current portion of long-term borrowings of RMB7,032,037.08 (Note 4(34)) were secured by shares of subsidiaries of the Group.

As at 31 December 2021, pledged bank borrowings of RMB116,016,984.00 and current portion of long-term borrowings RMB1,622,376.47 (Note 4(34)) were secured by account receivables with a carrying amount of RMB190,916,984.00 (Note 4(5)). Pledged bank borrowings of RMB87,657,378.30 and current portion of long-term borrowings of RMB1,815,719.03 (Note 4(34)) were secured by shares of subsidiaries of the Group.

(c) As at 30 June 2022, the range of interest rate of long-term borrowings was 1.12% to 5.70 % (31 December 2021: 1.12% to 5.70%).

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

(37) Lease liabilities

	30 June 2022	31 December 2021
Lease liabilities	2,011,947,670.34	1,979,319,007.98
Less: Current portion of non-current liabilities (Note4(34))	<u>(545,713,071.80)</u>	<u>(545,044,859.04)</u>
	<u>1,466,234,598.54</u>	<u>1,434,274,148.94</u>

(a) As at 30 June 2022, future cash outflows to which the Group was potentially exposed that were not included in the lease liabilities comprise the following:

(i) As at 30 June 2022, payments for leases not yet commenced to which the Group was committed amounted to RMB12,453,760.89 (31 December 2021: RMB5,486,628.20).

(ii) As at 30 June 2022, the minimum rental payable in the future for contracts of short-term leases and low-value asset leases which adopt the practical expedient according to the new leasing standard amounted to RMB102,965,415.51 and RMB245,630.26 respectively (31 December 2021: RMB107,557,690.66 and RMB6,189,399.04 respectively) which would be due within one year.

(38) Long-term payables

	30 June 2022	31 December 2021
Long-term payables for acquisition of subsidiaries	277,683,201.90	278,165,684.01
Payables for forest use rights	41,133,529.59	40,550,123.37
	<u>318,816,731.49</u>	<u>318,715,807.38</u>
Less: Current portion of long-term payables (Note4(34))	<u>(3,593,460.86)</u>	<u>(3,554,312.67)</u>
	<u>315,223,270.63</u>	<u>315,161,494.71</u>

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

(39) Deferred income

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022	Reasons
Compensation for demolition and construction	1,910,810,303.83	-	(1,843,083,317.31)	67,726,986.52	Relocation and demolition
Scientific research funds and financial subsidy (a)	438,269,844.71	46,083,189.74	(55,798,886.36)	428,554,148.09	Others
Total	<u>2,349,080,148.54</u>	<u>46,083,189.74</u>	<u>(1,898,882,203.67)</u>	<u>496,281,134.61</u>	

(a) Government grants

	31 December 2021	Increase in the current period	Amount included in other income	30 June 2022	Asset related/ Income related
Scientific research funds and financial subsidy	438,269,844.71	46,083,189.74	(55,798,886.36)	428,554,148.09	Asset related/ Income related

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:

Government grants	Amount recognised in profit or loss for the period	Items reported in profit or loss for the period
Scientific research funds and financial subsidy	<u>55,798,886.36</u>	Other income

(40) Long-term employee benefits payable

	30 June 2022	31 December 2021
Termination benefits payable	43,784,304.67	45,811,438.86
Less: To be paid within one year (Note 4(30)(c))	<u>(5,376,722.84)</u>	<u>(6,804,254.50)</u>
	<u>38,407,581.83</u>	<u>39,007,184.36</u>

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

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

(41) Other non-current liabilities

	30 June 2022	31 December 2021
Medical reserve funds	114,524,430.21	104,152,918.64
Share repurchase payable(i)	85,752,514.64	85,752,514.64
Others	53,552,383.33	37,782,631.38
	<u>253,829,328.18</u>	<u>227,688,064.66</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 (including the Group's related parties, Shanghai Huadong Industrial Co., Ltd. and Shanghai Biomedical Industry Equity Investment Fund Partnership (L.P.) (hereinafter referred to as "Biomedical Industry Equity Investment Fund")) in the form of capital increase. The Group's shareholding ratio in SPH Health Commerce decreased from 72.7478% to 47.974%, and it will no longer merge with SPH Health Commerce. On 12 January 2021, The Group granted part of the Round B investors (including Biomedical Industry Equity Investment Fund) with put option. If certain events happen, these investors may request the Group to repurchase their shares in SPH Health Commerce at the agreed price. The Group deemed the put option as an other non-current liability, and 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)

(42) Share capital

	31 December 2021	Change in the current period			30 June 2022	
		Issue new shares(a)	Unlock non-tradable shares	Others		Subtotal
Shares subject to trading restriction - Ordinary shares denominated in RMB	81,600.00	852,626,796.00	-	-	852,626,796.00	852,708,396.00
Shares not subject to trading restriction - Ordinary shares denominated in RMB	1,922,935,018.00	1,698,200.00	-	-	1,698,200.00	1,924,633,218.00
Foreign shares listed overseas	919,072,704.00	-	-	-	-	919,072,704.00
	<u>2,842,007,722.00</u>	<u>1,698,200.00</u>	<u>-</u>	<u>-</u>	<u>1,698,200.00</u>	<u>2,843,705,922.00</u>
	<u>2,842,089,322.00</u>	<u>854,324,996.00</u>	<u>-</u>	<u>-</u>	<u>854,324,996.00</u>	<u>3,696,414,318.00</u>

- (a) Pursuant to the document "Approval for the Non-public Issuance of Shares by Shanghai Pharmaceutical Group Co., Ltd." (Zheng Jian Xu Ke [2022] No. 584) issued by CSRC on March 22, 2022, the Company was approved to issue 852,626,796 A shares to Yunnan Baiyao Group Co., Ltd. and Shanghai Tandong Enterprise Consulting Service Co., Ltd. at RMB16.39 per share. As of 25 March 2022, Yunnan Baiyao and Shanghai Tandong has completed the non-public issuance payment. PricewaterhouseCoopers Zhong Tian LLP has issued an report, PwC ZT Yan Zi (2022) No. 0271, for capital verification. The total funds raised amounted to RMB13,974,553,186.44, and the Company's share capital increased by RMB852,626,796.00. After deducting the issuance cost of RMB42,380,810.90, the remaining RMB13,079,545,579.54 was included in the capital surplus (share capital premium).

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

(42) Share capital (Cont'd)

	31 December 2020	Change in the current period			30 June 2021
		Issue new shares	Unlock non-tradable shares	Others	
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
	<u>2,842,007,722.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,842,007,722.00</u>
	<u>2,842,089,322.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,842,089,322.00</u>

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

(43) Capital surplus

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Share premium(a)	16,353,739,672.84	13,114,562,463.71	-	29,468,302,136.55
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method(b)	280,100,858.28	14,457,525.08	-	294,558,383.36
Share-based payment(c)	67,306,552.32	10,922,309.48	(5,451,222.00)	72,777,639.80
Others	(630,424,030.95)	-	-	(630,424,030.95)
	<u>16,070,723,052.49</u>	<u>13,139,942,298.27</u>	<u>(5,451,222.00)</u>	<u>29,205,214,128.76</u>
	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Share premium(a)	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(b)	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>

- (a) For the six months ended 30 June 2022, the increase of the capital surplus was mainly the difference between the funds raised less issuance cost of non-public issuance of A shares and the total par value of shares issued.

For the six months ended 30 June 2021, 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.

- (b) For the six months ended 30 June 2022 and six months ended 30 June 2021, the increase 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.

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

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

(43) Capital surplus (Cont'd)

- (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").

Pursuant to the Announcement on Adjusting the List of Incentive Objects and the Quantity of Options in the 2019 A-Share Stock Option Incentive Plan and Cancelling of Part of Options approved by resolutions of the 28th meeting of the 7th Board of Directors held on 5 January 2022, the Company adjusted a total of 23,258,120.00 stock options Grants in 2019.

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 2022	Six months ended 30 June 2021
Number of outstanding stock options issued at the beginning of the period	28,330,000.00	28,330,000.00
Number of stock options granted in the current period	-	-
Number of stock options exercised in the current period	(1,698,200.00)	-
Number of stock options expired in the current period	(2,341,880.00)	-
Number of outstanding stock options issued at the end of the period	<u>24,289,920.00</u>	<u>28,330,000.00</u>
Share-based payment expenses in the current period	10,922,309.48	18,850,061.34
Accumulated share-based payment expenses	78,228,861.80	54,823,892.04

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

(43) Capital surplus (Cont'd)

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

(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%
Validity period of options	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.	

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

(44) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income for the six months ended 30 June 2022 income statement				
	31 December 2021	Converted from OCI into retained earnings	30 June 2022	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	(14,459,439.68)	-	(35,793,822.46)	(21,334,382.78)	-	-	(21,334,382.78)	-
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	(336,899.65)	-	(480,988.68)	(144,089.03)	-	-	(144,089.03)	-
Effective part of profit and loss of cash flow hedging	11,147,712.98	-	9,331,335.66	(1,816,377.32)	-	-	(1,816,377.32)	-
Provision for impairment of receivables financing	2,373,068.10	-	4,746,526.88	2,431,985.55	-	(246,448.26)	2,373,458.78	(187,921.49)
Differences arising from translation of foreign currency financial statements	(143,118,647.94)	-	(284,566,386.82)	(145,424,236.23)	-	-	(141,447,738.88)	(3,976,497.35)
	<u>(144,394,206.19)</u>	<u>-</u>	<u>(306,763,335.42)</u>	<u>(166,287,099.81)</u>	<u>-</u>	<u>(246,448.26)</u>	<u>(162,369,129.23)</u>	<u>(4,164,418.84)</u>

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

(44) Other comprehensive income (Cont'd)

	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	(54,800,132.53)	-	(37,199,973.65)	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	(215,296,816.41)	-	(182,084,634.90)	12,617,537.49	-	-	33,212,181.51	(20,594,644.02)
	<u>(265,410,759.58)</u>	<u>-</u>	<u>(214,649,025.74)</u>	<u>29,908,287.37</u>	<u>-</u>	<u>222,604.03</u>	<u>50,761,733.84</u>	<u>(20,630,842.44)</u>

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

(45) Surplus reserve

	31 December 2021	Increase in the current period	Decrease in the current period	30 June 2022
Statutory surplus reserve	1,874,700,580.83	-	-	1,874,700,580.83
Discretionary surplus reserve	117,763,127.56	-	-	117,763,127.56
	<u>1,992,463,708.39</u>	<u>-</u>	<u>-</u>	<u>1,992,463,708.39</u>
	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>

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

(46) Undistributed profits

	Six months ended 30 June 2022	Six months ended 30 June 2021
Undistributed profits at the beginning of the period	28,598,598,034.67	25,054,352,978.09
Add: net profit attributable to shareholders of the Company	3,695,606,535.71	3,567,759,976.70
Less: Dividends declared (a)	<u>(1,552,494,013.56)</u>	<u>(1,364,202,874.56)</u>
Undistributed profits at the end of the period	<u>30,741,710,556.82</u>	<u>27,257,910,080.23</u>

- (a) On 30 June 2022, through consideration and approval at the Company's annual general meeting of year 2021, with total of 3,696,414,318 shares as base, cash dividends of RMB4.2 were distributed to all shareholders at RMB1,552,494,013.56 (including tax) per 10 shares.

(47) Revenue and cost of sales

	Six months ended 30 June 2022	Six months ended 30 June 2021
Main operations revenue	111,321,711,417.40	104,892,099,331.25
Other operations revenue	<u>385,752,910.24</u>	<u>345,369,550.72</u>
	<u>111,707,464,327.64</u>	<u>105,237,468,881.97</u>
	Six months ended 30 June 2022	Six months ended 30 June 2021
Main operations cost	96,484,688,636.77	91,055,912,824.15
Other operations cost	<u>193,790,194.32</u>	<u>169,264,360.33</u>
	<u>96,678,478,831.09</u>	<u>91,225,177,184.48</u>

- (a) Main operations revenue and main operations cost

	Six months ended 30 June 2022		Six months ended 30 June 2021	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
Domestic sales	109,805,493,890.15	95,497,407,345.83	103,746,843,324.05	90,413,562,698.14
Foreign sales	<u>1,516,217,527.25</u>	<u>987,281,290.94</u>	<u>1,145,256,007.20</u>	<u>642,350,126.01</u>
	<u>111,321,711,417.40</u>	<u>96,484,688,636.77</u>	<u>104,892,099,331.25</u>	<u>91,055,912,824.15</u>

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(All amounts in RMB Yuan unless otherwise stated)

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

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

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

	Six months ended 30 June 2022		Six months ended 30 June 2021	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
Production	13,069,246,662.84	5,382,752,151.01	12,601,614,547.89	5,303,436,073.74
Distribution	99,155,794,214.25	92,126,864,721.87	92,487,385,777.05	86,524,813,834.76
Retail	3,530,625,092.45	3,093,261,086.10	3,708,499,971.81	3,206,618,009.69
Others	58,871,626.55	44,737,530.22	228,622,512.16	95,779,490.71
Elimination	(4,492,826,178.69)	(4,162,926,852.43)	(4,134,023,477.66)	(4,074,734,584.75)
	<u>111,321,711,417.40</u>	<u>96,484,688,636.77</u>	<u>104,892,099,331.25</u>	<u>91,055,912,824.15</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.

(48) Taxes and surcharges

	Six months ended 30 June 2022	Six months ended 30 June 2021	Tax base
City maintenance and construction tax	152,178,434.19	131,530,012.10	Please refer to Note 3(1)
Education surcharges	115,221,475.65	104,621,848.56	
Stamp duty	56,618,521.35	46,625,146.40	
Real estate tax	35,031,527.87	27,428,067.03	
Land use tax	10,607,645.23	8,728,288.40	
Others	4,793,039.48	5,718,097.65	
	<u>374,450,643.77</u>	<u>324,651,460.14</u>	

(49) Selling expenses

	Six months ended 30 June 2022	Six months ended 30 June 2021
Promotion and advertising costs	3,331,855,615.00	2,879,693,132.25
Employee benefits expenses	1,933,128,962.48	1,888,773,823.20
Travelling and meeting expenses	516,783,126.52	553,986,611.87
Amortisation of right-of-use assets	167,098,278.14	192,773,744.68
Depreciation of fixed assets	103,693,540.96	99,781,082.43
Amortisation of intangible assets	101,745,686.89	102,248,573.96
Rental fees	89,026,367.21	39,787,392.27
Office expenses	88,216,844.91	73,460,041.46
Others	462,949,803.27	494,429,934.11
	<u>6,794,498,225.38</u>	<u>6,324,934,336.23</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

(50) General and administrative expenses

	Six months ended 30 June 2022	Six months ended 30 June 2021
Employee benefits expenses	1,341,205,209.25	1,304,522,810.53
Depreciation of fixed assets	151,406,101.42	155,510,446.86
Amortisation of right-of-use assets	105,883,547.28	115,160,992.94
Travelling and meeting expenses	74,663,454.47	94,943,519.94
Amortisation of intangible assets	66,900,879.92	67,576,281.50
Office expenses	45,482,439.69	72,525,076.15
Rental fees	43,146,210.41	31,941,117.98
Maintenance expenses	40,582,424.93	35,318,022.26
Others	452,416,723.95	444,833,784.54
	<u>2,321,686,991.32</u>	<u>2,322,332,052.70</u>

(51) Research and development expenses

	Six months ended 30 June 2022	Six months ended 30 June 2021
Employee benefits expenses	331,449,768.08	291,403,747.76
Technical development expenses	198,722,776.09	272,792,077.56
Materials consumption fee	90,052,333.62	114,035,439.67
Depreciation and amortisation	60,586,181.07	56,312,009.20
Test fees	31,513,202.61	32,194,294.99
Right-of-use assets amortisation	18,823,502.04	16,174,603.09
Others	78,524,339.68	97,116,339.92
	<u>809,672,103.19</u>	<u>880,028,512.19</u>

(52) Finance expenses-net

	Six months ended 30 June 2022	Six months ended 30 June 2021
Loan interest expenses	691,677,794.68	532,104,534.22
Debenture interest expenses	98,611,703.26	128,201,773.40
Lease liabilities interest expenses	47,047,917.16	50,771,627.33
Less: Interest income	(216,796,397.04)	(158,099,236.75)
Exchange gains or losses	(10,636,877.16)	(9,310,480.58)
Others	39,009,857.87	35,200,487.53
	<u>648,913,998.77</u>	<u>578,868,705.15</u>

- (i) The Group recognizes the cash obtained by discounting notes receivable that do not meet the conditions for derecognition as short-term borrowings (Note 4(26)), and calculates the interest expense according to the effective interest method and includes it in the interest expense of loan.

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

(53) 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 2022	Six months ended 30 June 2021
Raw materials, merchandise and consumables used	95,096,028,034.81	88,703,044,489.60
Changes in inventories of finished goods and work in progress	(622,379,099.85)	472,949,858.36
Employee benefits expenses	4,292,199,437.53	4,116,520,887.60
Promotion and advertising costs	3,331,855,615.00	2,879,693,132.25
Travelling and meeting expenses	603,384,061.02	662,776,739.77
Depreciation of fixed assets	536,625,882.08	511,892,720.15
Transportation costs	504,749,271.02	623,545,732.35
Amortisation of right-of-use assets	360,372,349.44	360,056,234.57
Energy and utilities	222,953,558.40	197,370,572.23
Amortisation of intangible assets	200,454,651.32	204,916,932.32
Maintenance expenses (i)	159,888,425.07	139,707,733.65
Rental fees (ii)	152,317,776.44	94,941,673.40
Office expenses	140,576,105.84	151,603,051.87
Others	1,625,310,082.86	1,633,452,327.48
	<u>106,604,336,150.98</u>	<u>100,752,472,085.60</u>

- (i) For the daily maintenance and repair expenses of fixed assets that do not meet the criteria of capitalisation, the Group included the costs related to the production and processing of inventories in the costs of inventories and recognised as operating cost accordingly, and included the costs related to the research and development department, the administrative department and the sale department in research and development expenses, general and administrative expenses and selling expenses, respectively.
- (ii) 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 2022, the amount was RMB152,317,776.44 (For the six months ended 30 June 2021: RMB94,941,673.40).

(54) Asset impairment reversals

	Six months ended 30 June 2022	Six months ended 30 June 2021
Impairment reversals for inventory	(39,449,430.51)	(17,435,780.01)
Impairment loss for fixed assets	-	1,800,967.41
	<u>(39,449,430.51)</u>	<u>(15,634,812.60)</u>

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

(55) Credit impairment losses

	Six months ended 30 June 2022	Six months ended 30 June 2021
Impairment loss of notes receivables	878,313.33	540,151.52
Impairment loss of accounts receivables	220,298,125.92	202,887,540.86
Impairment loss/(reversal) of receivables financing	2,431,985.55	(1,104,805.47)
Impairment reversal of other receivables	(5,549,222.57)	(1,857,151.30)
Impairment (reversal)/loss of long-term receivables	(366,801.09)	637,822.33
	<u>217,692,401.14</u>	<u>201,103,557.94</u>

(56) Other income

	Six months ended 30 June 2022	Six months ended 30 June 2021	Asset related/ Income related
Government grants and tax refunds	83,468,051.16	124,086,791.21	Asset/ Income related
R&D project subsidies	38,282,040.80	13,571,450.95	Asset/ Income related
Support funds	5,617,040.67	40,201,820.77	Asset/ Income related
Others	8,499,525.00	14,740,117.82	Income related
	<u>135,866,657.63</u>	<u>192,600,180.75</u>	Income related

(57) Investment income

	Six months ended 30 June 2022	Six months ended 30 June 2021
Investment income from long-term equity investments under equity method	377,554,964.67	609,988,167.57
Dividend income gained when other non-current financial assets are held	-	1,051,000.00
Investment (loss)/income on disposal of long-term equity investments	(4,289,289.34)	1,161,900,712.68
Loss from derecognition of receivables financing	(25,650,366.09)	(79,371,433.97)
Loss on derecognition of financial assets at amortised cost	(38,368,985.78)	(24,080,881.60)
Others	-	1,700,588.20
	<u>309,246,323.46</u>	<u>1,671,188,152.88</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

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

	Six months ended 30 June 2022	Six months ended 30 June 2021
Structural deposits	41,675,677.46	-
Other non-current financial assets	(16,284,331.37)	(43,083,309.92)
Derivative instruments	-	7,489,654.79
	<u>25,391,346.09</u>	<u>(35,593,655.13)</u>

(59) Gains on disposals of assets

	Six months ended 30 June 2022	Six months ended 30 June 2021	Amount classified to non-recurring profit or loss for the Six months ended 30 June 2022
Gains on disposal of fixed assets and intangible assets(a)	1,422,724,587.58	4,875,555.58	1,422,724,587.58
Others	4,455,076.59	1,049,219.11	4,455,076.59
	<u>1,427,179,664.17</u>	<u>5,924,774.69</u>	<u>1,427,179,664.17</u>

(a) For the six months ended 30 June 2022, the gains from disposal of fixed assets and intangible assets were mainly the gains from the disposal of the plot No. 551, Xixi Road of CT Qingchunbao (Note 4(16)).

(60) Non-operating income

	Six months ended 30 June 2022	Six months ended 30 June 2021	Amount classified to non-recurring profit or loss for the Six months ended 30 June 2022
Penalty and compensation from suppliers	226,633.55	2,420,974.65	226,633.55
Others	9,775,060.79	25,274,376.42	9,775,060.79
	<u>10,001,694.34</u>	<u>27,695,351.07</u>	<u>10,001,694.34</u>

(61) Non-operating expenses

	Six months ended 30 June 2022	Six months ended 30 June 2021	Amount classified to non-recurring profit or loss for the Six months ended 30 June 2022
Litigation compensation	30,007,104.05	-	30,007,104.05
Donation	15,933,422.03	24,826,345.13	15,933,422.03
Others	5,302,771.62	15,433,156.35	5,302,771.62
	<u>51,243,297.70</u>	<u>40,259,501.48</u>	<u>51,243,297.70</u>

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

(62) Income tax expenses

	Six months ended 30 June 2022	Six months ended 30 June 2021
Current income tax calculated according to tax law and related regulations	1,079,400,804.77	908,988,495.96
Deferred income tax	114,342,716.46	143,784,080.70
	<u>1,193,743,521.23</u>	<u>1,052,772,576.66</u>

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 2022	Six months ended 30 June 2021
Total profit	5,757,962,951.48	5,217,563,188.52
Income tax expenses calculated at applicable tax rate	1,439,490,737.87	1,304,390,797.13
Effect of favourable tax rates	(293,576,870.18)	(155,163,981.97)
Income not subject to tax	(93,974,658.34)	(196,070,156.14)
Costs, expenses and losses not deductible for tax purposes	78,282,819.28	51,917,176.17
Additional deduction on research and development expenses	(94,000,448.54)	(91,534,704.95)
Utilisation of previously tax losses not recognised as deferred tax assets	(19,838,259.66)	(20,435,484.33)
Tax losses for which no deferred income tax asset was recognised	177,360,200.80	159,668,930.75
Income tax expenses	<u>1,193,743,521.23</u>	<u>1,052,772,576.66</u>

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

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

(63) 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 2022	Six months ended 30 June 2021
Profit attributable to shareholders of the Company	3,695,606,535.71	3,567,759,976.70
Weighted average numbers of ordinary shares outstanding	<u>3,269,007,816.00</u>	<u>2,842,089,322.00</u>
Basic earnings per share	<u>1.13</u>	<u>1.26</u>

(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 2022, the Company's dilutive potential ordinary shares are the stock options granted in 2019 (for the six months ended 30 June 2021: stock options granted in 2019).

(64) Notes to the consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2022	Six months ended 30 June 2021
Deposits, guarantees, current accounts and advances	514,782,464.48	344,888,204.50
Interest income	200,511,601.47	158,928,915.69
Specific funds and government grants	152,561,466.45	161,094,155.01
Other non-operating income	8,507,325.56	25,839,940.79
Others	<u>8,938,393.25</u>	<u>18,537,122.79</u>
	<u>885,301,251.21</u>	<u>709,288,338.78</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2022	Six months ended 30 June 2021
Daily expenses	5,137,172,176.00	4,717,774,100.92
Payments for current accounts and advances	1,049,036,307.73	626,535,658.36
Non-operating expenses	22,127,548.74	38,720,711.55
Bank charge	33,421,496.36	33,604,403.41
Others	<u>5,250,168.43</u>	<u>11,166,465.27</u>
	<u>6,247,007,697.26</u>	<u>5,427,801,339.51</u>

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

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

(c) Cash received relating to other investing activities

	Six months ended 30 June 2022	Six months ended 30 June 2021
Withdrawal of time deposits due over three months	466,223,899.99	190,000,000.00
Notes pledge recovery	75,429,708.39	-
Recovering associates' loans	-	120,000,000.00
Prepayment of demolition compensation	-	100,455,483.00
Others	9,559,211.48	4,725,475.93
	<u>551,212,819.86</u>	<u>415,180,958.93</u>

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2022	Six months ended 30 June 2021
Demolition expenses	218,173,778.90	-
Deposit of time deposits due over three months	209,341,000.00	90,000,000.00
Capital increase in associates	127,678,680.00	15,002,480.00
Net cash outflow from disposal of subsidiaries	-	1,517,202,996.91
Loan to associates	-	144,005,634.53
Others	5,100,000.00	150,000.00
	<u>560,293,458.90</u>	<u>1,766,361,111.44</u>

(e) Cash received relating to other financing activities

	Six months ended 30 June 2022	Six months ended 30 June 2021
Receive of related party transactions	150,000,000.00	83,340,000.00
Loans of subsidiaries from their minority shareholders	129,000,439.48	33,067,778.49
Capital increase received in advance	-	1,166,118,438.13
Others	6,752,296.23	-
	<u>285,752,735.71</u>	<u>1,282,526,216.62</u>

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(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)

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2022	Six months ended 30 June 2021
Repayment of related party transactions	1,000,000,000.00	-
Repayment for lease liabilities	357,167,359.75	330,513,721.32
Return of non-public issuance pledge	130,000,000.00	-
Refund from subsidiaries to their minority shareholders	107,045,963.16	250,596,072.21
Acquisition of minority shares in a subsidiary	-	6,988,800.00
	<u>1,594,213,322.91</u>	<u>588,098,593.53</u>

For the six months ended 30 June 2022, total cash outflows for leases paid by the Group amounted to RMB509,485,136.19(As at 30 June 2021: RMB425,455,394.72), 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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**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

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

(65) 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 2022	Six months ended 30 June 2021
Net profit	4,564,219,430.25	4,164,790,611.86
Add: Reversal for asset impairment	(39,449,430.51)	(15,634,812.60)
Credit impairment provision	217,692,401.14	201,103,557.94
Amortisation of right-of-use assets	360,372,349.44	360,056,234.57
Depreciation of fixed assets and investment properties	543,044,532.13	517,744,650.18
Amortisation of intangible assets	200,454,651.32	204,916,932.32
Amortisation of long-term prepaid expenses	85,136,528.84	89,439,886.37
Depreciation of bearer biological assets	4,674,695.52	4,144,231.46
Gain on disposal of fixed assets, intangible assets and other long-term assets	(1,427,179,664.17)	(5,924,774.69)
(profit)/Loss arising from changes in fair value	(25,391,346.09)	35,593,655.13
Finance expenses	838,326,090.43	712,179,915.91
Investment income	(373,265,675.33)	(1,774,640,468.45)
Increase in deferred tax assets	(65,961,077.03)	(74,371,059.68)
Increase in deferred tax liabilities	180,550,241.75	217,932,536.35
Decrease in inventories	(597,243,822.46)	467,369,561.16
Increase in operating receivables	(8,098,163,984.59)	(6,731,440,105.53)
Increase in operating payables	3,076,003,018.87	3,797,757,467.50
Net cash flows from operating activities	<u>(556,181,060.49)</u>	<u>2,171,018,019.80</u>

Net increase in cash and cash equivalents

	Six months ended 30 June 2022	Six months ended 30 June 2021
Cash and cash equivalents at the end of the period	24,480,504,417.38	20,349,388,821.55
Less: Cash and cash equivalents at the beginning of the period	<u>(20,137,500,219.76)</u>	<u>(19,576,444,789.85)</u>
Net increase in cash and cash equivalents	<u>4,343,004,197.62</u>	<u>772,944,031.70</u>

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

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

(b) Acquisition or disposal of subsidiaries

(i) Acquisition of subsidiaries

	Six months ended 30 June 2022
Cash and cash equivalents paid for company combination this period	-
Add: Cash and cash equivalents paid for company combination in the earlier stage	20,262,946.00
Including: Jiangsu Runtian Biochemical Medicine Co., Ltd.	16,956,696.00
Net cash outflow for acquiring the subsidiaries	20,262,946.00
Price of acquiring the subsidiaries for the six months ended 30 June 2022	
Price of acquiring the subsidiaries in the earlier stage	
Jiangsu Runtian Biochemical Medicine Co., Ltd.	360,000,000.00
Other subsidiaries	51,164,600.00
	<u>411,164,600.00</u>

Net assets of subsidiaries at acquisition date

	Six months ended 30 June 2022	Six months ended 30 June 2021
Current assets	43,596,495.37	87,764,979.23
Non - current assets	390,282.79	29,546,514.04
Current liabilities	(19,081,944.36)	(40,356,317.84)
Non - current liabilities	(83.61)	(10,886,216.16)
	<u>24,904,750.19</u>	<u>66,068,959.27</u>

(c) Cash and cash equivalents

	30 June 2022	31 December 2021
Cash	24,480,504,417.38	20,137,500,219.76
Including: Cash on hand	5,677,474.03	5,022,850.35
Cash at bank that can be readily drawn on demand	24,474,826,943.35	20,132,477,369.41
Other cash balances that can be readily drawn on demand	-	-
Cash and cash equivalents at the end of the period	<u>24,480,504,417.38</u>	<u>20,137,500,219.76</u>

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

(66) Foreign currency items

	30 June 2022		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand —			
USD	34,841,541.70	6.7114	233,835,522.97
HKD	9,678,821.34	0.8552	8,277,328.01
AUD	8,108,297.69	4.6145	37,415,739.69
EUR	2,584,833.01	7.0084	18,115,543.67
Others	437,503,341.35	—	32,767,288.13
			<u>330,411,422.47</u>
Accounts receivables—			
USD	12,361,780.61	6.7114	82,964,854.39
HKD	391,834.50	0.8552	335,096.86
AUD	4,139,497.74	4.6145	19,101,712.32
NZD	13,292,043.63	4.1771	55,522,195.45
EUR	525,712.44	7.0084	3,684,403.06
Others	882,682,741.98	—	12,411,487.00
			<u>174,019,749.08</u>
Other receivables—			
USD	1,347,902.49	6.7114	9,046,312.77
HKD	4,719,046.35	0.8552	4,035,728.44
AUD	3,237.10	4.6145	14,937.60
EUR	314,950.07	7.0084	2,207,296.07
Others	94,116,985.80	—	1,304,438.34
			<u>16,608,713.22</u>
Short-term borrowings—			
USD	850,000.00	6.7114	5,704,690.00
NZD	2,972,140.29	4.1771	12,414,927.21
EUR	226,817.25	7.0084	1,589,626.01
			<u>19,709,243.22</u>
Accounts payables—			
USD	4,819,740.70	6.7114	32,347,207.73
HKD	15,408,837.02	0.8552	13,177,637.42
AUD	2,426,481.27	4.6145	11,196,997.82
NZD	7,420,388.71	4.1771	30,995,705.68
EUR	5,744,300.52	7.0084	40,258,355.76
Others	331,094,182.72	—	12,177,190.68
			<u>140,153,095.09</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(66) Foreign currency items (Cont'd)

	30 June 2022		
	Foreign currency balance	Exchange rate	RMB balance
Other payables—			
USD	166,184,364.72	6.7114	1,115,329,745.38
HKD	48,901,000.96	0.8552	41,820,136.02
AUD	152,334.58	4.6145	702,947.92
NZD	11,973,995.02	4.1771	50,016,574.60
EUR	132,766.90	7.0084	930,483.54
Others	798,636,504.43	—	33,174,371.39
			<u>1,241,974,258.85</u>
Current portion of long-term borrowings—			
EUR	147,257.16	7.0084	1,032,037.08
USD	745,216.34	6.7114	5,001,444.94
			<u>6,033,482.02</u>
Current portion of lease liabilities—			
USD	355,825.35	6.7114	2,388,086.25
HKD	6,105,630.67	0.8552	5,221,535.35
AUD	1,416,487.41	4.6145	6,536,381.15
NZD	3,862,851.06	4.1771	16,135,515.16
			<u>30,281,517.91</u>
Long-term borrowings—			
USD	468,692,000.00	6.7114	3,145,579,488.80
NZD	55,913,343.43	4.1771	233,555,626.84
EUR	506,583.14	7.0084	3,550,337.28
			<u>3,382,685,452.92</u>
Long-term payables—			
AUD	55,955,239.35	4.6145	258,205,451.98
Lease liabilities—			
USD	1,235,300.96	6.7114	8,290,598.86
HKD	8,039,376.47	0.8552	6,875,274.76
AUD	96,274.24	4.6145	444,257.48
NZD	35,867,688.90	4.1771	149,822,923.30
			<u>165,433,054.40</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in RMB Yuan unless otherwise stated)

5 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)

5 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	51,000,000	-	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)

5 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)

5 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
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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(All amounts in RMB Yuan unless otherwise stated)

5 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
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd (上藥華西(四川)醫藥有限公司)	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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(All amounts in RMB Yuan unless otherwise stated)

5 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 2022	Dividends distributed to minority interests for the six months ended 30 June 2022(i)	Minority interests on 30 June 2022
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	24.11%	47,739,574.35	16,275,000.00	1,023,846,461.26
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd and its subsidiaries	49.00%	20,982,343.56	-	1,117,030,642.80

(i) All dividends declared to minority shareholders for the six months ended 30 June were paid in the year.

	30 June 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries(i)	3,537,121,056.31	1,289,845,673.36	4,826,966,729.67	(2,080,140,305.59)	(30,878,244.50)	(2,111,018,550.09)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd and its subsidiaries (ii)	2,515,578,526.86	462,498,266.94	2,978,076,793.80	(612,143,265.05)	(90,036,787.29)	(702,180,052.34)

(i) As at and for the six months ended 31 December 2022, the Company's equity and net comprehensive income to minority interests presented in the consolidated balance sheets were approximately RMB486,271,386.43 and RMB27,388,016.21.

(ii) As at and for the six months ended 31 December 2022, the Company's equity and net comprehensive loss to minority interests presented in the consolidated balance sheets were approximately RMB3,610,273.50 and RMB60,827.54.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

5 Equity in other subjects (Cont'd)

(1) Equity in significant subsidiaries (Cont'd)

(b) Subsidiaries with significant minority interests (Cont'd)

	31 December 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,247,612,614.48	1,261,021,916.50	4,508,634,530.98	(1,859,418,780.39)	(28,791,861.15)	(1,888,210,641.54)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. and its subsidiaries	2,329,557,591.33	461,736,506.27	2,791,294,097.60	(485,167,743.48)	(76,114,008.27)	(561,281,751.75)
	Six months ended 30 June 2022					
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities		
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	2,974,931,874.24	111,860,141.61	111,799,290.14	(86,414,467.81)		
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd and its subsidiaries	1,735,729,575.55	42,884,419.60	42,884,419.60	26,853,224.30		
	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)		
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd and its subsidiaries	1,569,237,018.38	57,902,799.19	57,902,799.19	1,653,723,798.77		

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

5 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 2022 RMB'000	31 December 2021 RMB'000
	Shanghai Hutchison Pharmaceutical Co., Ltd.	Shanghai Hutchison Pharmaceutical Co., Ltd.
Current assets	1,528,413	1,215,816
Including: Cash and cash equivalents	388,783	319,913
Non-current assets	571,956	583,267
Total assets	<u>2,100,369</u>	<u>1,799,083</u>
Current liabilities	1,002,530	824,716
Non-current liabilities	37,761	42,890
Total liabilities	<u>1,040,291</u>	<u>867,606</u>
Minority interests	-	-
Equity attributable to shareholders of the company	<u>1,060,078</u>	<u>931,476</u>
Share of net assets by shareholding (i)	530,039	465,738
Adjustments		
- Unrealised profits arising from internal transactions	(11,541)	(10,559)
Carrying amount of investments in joint ventures	<u>518,498</u>	<u>455,179</u>
Fair value of the investment in joint ventures with quoted price	Not applicable	Not applicable

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

5 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 2022 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.	Six months ended 30 June 2021 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.
Revenue	1,361,975	1,174,800
Finance income	(3,312)	(4,590)
Income tax expenses	71,419	63,523
Net profit	428,601	372,968
Other comprehensive income	-	-
Total comprehensive income	<u>428,601</u>	<u>372,968</u>
Dividends declared by the joint ventures to the Group	<u>150,000</u>	<u>275,000</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.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)

5 Equity in other subjects (Cont'd)

(2) Equity in joint ventures and associates (Cont'd)

(c) Summarized financial information of significant associates

	30 June 2022		31 December 2021	
	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	7,570,236	1,293,771	9,006,030	1,200,185
Non-current assets	2,473,551	577,083	2,605,938	678,653
Total assets	<u>10,043,787</u>	<u>1,870,854</u>	<u>11,611,968</u>	<u>1,878,838</u>
Current liabilities	4,419,229	900,938	6,246,174	1,079,844
Non-current liabilities	585,518	1,719	601,044	16,228
Total liabilities	<u>5,004,747</u>	<u>902,657</u>	<u>6,847,218</u>	<u>1,096,072</u>
Minority interests	-	-	-	-
Equity attributable to shareholders of the company	<u>5,039,040</u>	<u>968,197</u>	<u>4,764,750</u>	<u>782,766</u>
Share of net assets by shareholding (i)	1,511,712	290,459	1,429,425	234,830
Adjustments				
- Goodwill	-	-	-	-
- Unrealized profits arising from internal transactions	(19,451)	(5,876)	(22,460)	(2,855)
Carrying amount of investments in associate	<u>1,492,261</u>	<u>284,583</u>	<u>1,406,965</u>	<u>231,975</u>
Fair value of the investment in associates with quoted price	Not applicable	Not applicable	Not applicable	Not applicable

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

5 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 2022		Six months ended 30 June 2021	
	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	5,773,312	1,065,900	7,138,380	2,318,988
Net profit	274,290	185,431	618,298	188,491
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>274,290</u>	<u>185,431</u>	<u>618,298</u>	<u>188,491</u>
Dividends declared by the associates to the Group	-	-	-	-

- (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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(All amounts in RMB Yuan unless otherwise stated)

5 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 2022 RMB'000	Six months ended 30 June 2021 RMB'000
Joint ventures –		
Carrying amount of investments in total	1,728,998	1,670,456
Aggregate of the following items in proportion		
Net profit (i)	4,918	12,250
Other comprehensive income (i)	-	-
Total comprehensive income	<u>4,918</u>	<u>12,250</u>
Associates –		
Carrying amount of investments in total	5,653,464	5,363,625
Aggregate of the following items in proportion		
Net profit (i)	21,413	173,178
Other comprehensive (loss)/income (i)	<u>(144)</u>	<u>795</u>
Total comprehensive income	<u>21,269</u>	<u>173,973</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.

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6 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.

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

6 Segment Information (Cont'd)

(1) Segment information as at 30 June 2022 and for the six months ended 30 June 2022 is as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
Revenue	13,049,728,473.60	99,156,536,947.52	3,530,625,092.45	559,260,217.39	(4,588,686,403.32)	111,707,464,327.64
Including: External revenue	11,052,129,356.07	96,889,591,490.16	3,521,726,544.31	244,016,937.10	-	111,707,464,327.64
Inter-segment revenue	1,997,599,117.53	2,266,945,457.36	8,898,548.14	315,243,280.29	(4,588,686,403.32)	-
Less: Cost of sales	(5,363,233,961.78)	(92,127,471,136.40)	(3,093,261,086.10)	(335,700,745.02)	4,241,188,098.21	(96,678,478,831.09)
Taxes and surcharges	(138,100,179.82)	(219,368,936.04)	(7,625,911.76)	(9,355,616.15)	-	(374,450,643.77)
Selling expenses	(4,566,553,503.98)	(1,886,758,303.68)	(325,116,664.67)	(57,601,817.42)	41,532,064.37	(6,794,498,225.38)
General and administrative expenses	(935,541,508.08)	(1,093,182,871.13)	(127,385,444.38)	(178,264,933.17)	12,687,765.44	(2,321,686,991.32)
Research and development expenses	(809,672,103.19)	-	-	-	-	(809,672,103.19)
Segment profit	1,236,627,216.75	3,829,755,700.27	(22,764,014.46)	(21,662,894.37)	(293,278,475.30)	4,728,677,532.89
Unallocated:						
Finance expenses-net						(648,913,998.77)
Asset impairment reversals						39,449,430.51
Credit impairment losses						(217,692,401.14)
Add: Losses arising from changes in fair value						25,391,346.09
Investment income						309,246,323.46
Other income						135,866,657.63
Gains on disposals of assets						1,427,179,664.17
Operating profit						<u>5,799,204,554.84</u>
Depreciation and amortisation	428,213,716.43	560,699,903.13	80,415,159.41	124,353,978.28	-	1,193,682,757.25
Capital expenditures	427,016,088.05	216,631,235.83	13,557,116.08	276,340,262.20	-	933,544,702.16
Assets	39,525,589,641.91	124,875,648,183.15	2,904,906,326.22	52,285,816,719.46	(43,467,468,482.24)	176,124,492,388.50
Investment in associates-net	3,765,710,784.18	1,785,922,025.87	754,415.26	1,802,292,869.08	-	7,354,680,094.39
Investment in joint ventures -net	580,203,007.69	354,788,871.21	-	1,310,756,870.70	-	2,245,748,749.60
Unallocated: Deferred tax assets						<u>1,426,094,564.37</u>
Total assets						<u>187,151,015,796.86</u>
Liabilities	18,071,981,559.13	99,206,124,600.16	2,406,448,331.54	18,891,432,468.11	(29,028,590,638.16)	109,547,396,320.78
Unallocated: Deferred tax liabilities						1,167,156,585.92
Income tax payable						<u>716,295,388.29</u>
Total liabilities						<u>111,430,848,294.99</u>

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(All amounts in RMB Yuan unless otherwise stated)

6 Segment Information (Cont'd)

(2) Segment information as at 31 December 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	(5,303,436,073.74)	(86,524,813,834.76)	(3,206,618,009.69)	(326,128,322.10)	4,135,819,055.81	(91,225,177,184.48)
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	(4,103,589,740.96)	(1,891,594,905.49)	(330,972,351.84)	(60,765,665.66)	61,988,327.72	(6,324,934,336.23)
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	38,550,859,261.51	116,720,168,033.60	2,552,452,978.80	36,513,418,393.33	(41,342,209,794.87)	152,994,688,872.37
Investment in associates-net	3,424,947,045.18	1,803,440,243.73	739,522.77	1,732,334,667.86	-	6,961,461,479.54
Investment in joint ventures -net	518,781,565.47	340,133,254.14	-	1,252,899,054.77	-	2,111,813,874.38
Unallocated:						
Deferred tax assets						1,367,544,935.42
Total assets						163,435,509,161.71
Liabilities	18,343,256,283.16	86,049,942,268.30	2,018,303,126.78	7,403,371,286.56	(11,165,504,503.61)	102,649,368,461.19
Unallocated:						
Deferred tax liabilities						998,768,820.78
Income tax payable						721,161,742.64
Total liabilities						104,369,299,024.61

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7 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 2021	Increase in the current period	Decrease in the current period	30 June 2022
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 2022		31 December 2021	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
Shanghai Pharma Group	19.38%	19.38%	25.21%	25.21%

(2) Significant subsidiaries

For basic and related information of significant subsidiaries, please refer to Note 5(1)

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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7 Related parties and related party transactions (Cont'd)

(3) Joint ventures and associates

Except for the joint ventures and associates disclosed in Note 4(14), the other joint ventures and associates that have related party transactions with the Group are as follows:

Relationship with the Group

Shanghai Huaren Pharmaceutical Co., Ltd.
(上海華仁醫藥有限公司)

Associate

(4) Other related parties

Relationship with the Group

Yunnan Baiyao Group Co., Ltd.
(雲南白藥集團股份有限公司)

Shareholder with more than
5% of the Company's shares

SIIC International Investment Co., Ltd.
(上實國際投資有限公司)

Controlled by Shanghai
Shangshi

Shanghai Tandong Enterprise Consulting Service Co., Ltd.
(上海潭東企業諮詢服務有限公司)

Controlled by Shanghai
Shangshi

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

Wing Fat Printing Limited and its subsidiaries
(永發印務有限公司及其子公司)

Controlled by Shanghai
Pharma Group

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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7 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 2022 RMB'000	Six months ended 30 June 2021 RMB'000
Shanghai Roche Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	884,979.75	1,156,882.30
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Purchase of goods	By negotiation	196,071.65	136,482.33
Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	163,545.21	159,701.58
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Purchase of goods	By negotiation	76,510.07	102,661.68
Shanghai Pharma Health Commerce Co.,Ltd.'s subsidiaries	Purchase of goods	By negotiation	69,471.66	153,827.97
Yunnan Baiyao Group Co.,Ltd and its subsidiaries	Purchase of goods	By negotiation	67,139.96	-
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	35,831.87	58,868.50
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	26,286.70	40,127.09
Wing Fat Printing Limited and its subsidiaries	Purchase of goods	By negotiation	21,772.23	18,692.39
Others	Purchase of goods and services	By negotiation	44,134.83	74,508.99
			<u>1,585,743.93</u>	<u>1,901,752.83</u>

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7 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 2022 RMB'000	Six months ended 30 June 2021 RMB'000
Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	Sales of goods	By negotiation	1,751,886.83	1,514,423.02
Shanghai Pharma Health Commerce Co.,Ltd.'s subsidiaries	Sales of goods	By negotiation	185,346.45	79,685.71
Yunnan Baiyao Group Co.,Ltd and its subsidiaries	Sales of goods	By negotiation	145,179.88	-
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	Sales of goods	By negotiation	36,565.36	23,517.20
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	Sales of goods	By negotiation	36,057.75	40,264.32
Shanghai Hutchison Pharmaceutical Co., Ltd	Sales of goods	By negotiation	35,308.40	44,149.69
Others	Sales of goods and vender of services	By negotiation	18,700.70	37,962.91
			<u>2,209,045.37</u>	<u>1,740,002.85</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 2022 RMB'000	Rental income recognised during six months ended 30 June 2021 RMB'000
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Building	5,250.24	5,404.07
Shanghai Yingdalai Property Co., Ltd.	Building	2,403.45	2,403.45
Shanghai Hutchison Pharmaceutical Co., Ltd.	Building	-	1,231.27
		<u>7,653.69</u>	<u>9,038.79</u>

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7 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 2022 RMB'000	Lease payable recognised during Six months ended 30 June 2021 RMB'000
Shanghai Pharma Group	Building	14,772.55	16,362.23
Shanghai Indu-Land Property Co., Ltd	Building	<u>8,225.76</u>	<u>6,524.19</u>
		<u>22,998.31</u>	<u>22,886.42</u>

The Group's addition of right-of-use assets as the lessee:

Lessor	Leased asset	Six months ended 30 June 2022 RMB'000	Six months ended 30 June 2021 RMB'000
Shanghai Pharma Group	Building	<u>3,786.66</u>	<u>2,128.28</u>

Finance cost of lease liabilities assumed by the Group as the lessee:

Lessor	Leased asset	Six months ended 30 June 2022 RMB'000	Six months ended 30 June 2021 RMB'000
Shanghai Pharma Group	Building	<u>1,348.19</u>	<u>981.57</u>

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(c) R&D expenditures

		Six months ended 30 June 2022	Six months ended 30 June 2021
	Pricing policies	RMB'000	RMB'000
Shanghai Huiyong Medicine Research Co., Ltd.	By negotiation	<u>471.70</u>	<u>1,132.08</u>

(d) Assets sale

Related party	Related transaction	Pricing policies	For the year ended 31 December 2021	For the year ended 31 December 2020
		By negotiation	RMB'000	RMB'000
Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	Assets sale	Pricing policies	<u>13,780.00</u>	<u>-</u>

(e) Key management compensation

	Six months ended 30 June 2022	Six months ended 30 June 2021
	RMB'000	RMB'000
Salary, bonus and other compensation	20,983.47	23,698.71
Stock options	<u>1,248.26</u>	<u>1,939.79</u>
	<u>22,231.73</u>	<u>25,638.50</u>

(f) Interest

Interest income

	Six months ended 30 June 2022	Six months ended 30 June 2021
	RMB'000	RMB'000
Shanghai Industrial Group Finance Co., Ltd.	<u>2,570.52</u>	<u>7,037.81</u>

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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(f) Interest (Cont'd)

Interest expense

	Six months ended 30 June 2022 RMB'000	Six months ended 30 June 2021 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	<u>47,201.00</u>	<u>36,824.22</u>

(g) Derecognition on accounts receivables and financing receivables

	Six months ended 30 June 2022 RMB'000	Six months ended 30 June 2021 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	<u>304.32</u>	<u>3,830.68</u>

(h) Deposits and borrowings

	Six months ended 30 June 2022 RMB'000	Six months ended 30 June 2021 RMB'000
Net increase/(decrease) of the deposit balance		
Shanghai Industrial Group Finance Co., Ltd.	<u>60,267.91</u>	<u>(319,325.66)</u>
Loan received from related parties		
Shanghai Industrial Group Finance Co., Ltd.	<u>1,415,329.99</u>	<u>1,226,000.00</u>
Loan repayment to related parties		
Shanghai Industrial Group Finance Co., Ltd.	<u>1,031,250.00</u>	<u>(621,514.66)</u>
Repayment received from related parties		
Shanghai Huaren Pharmaceutical Co., Ltd.	<u>566.04</u>	<u>500.00</u>

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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(i) Discount of bank acceptance notes

		Six months ended 30 June 2022 RMB'000	Six months ended 30 June 2021 RMB'000
	Shanghai Industrial Group Finance Co., Ltd.		
Discount amount		<u>29,964.52</u>	<u>222,278.59</u>

(6) Balance of receivables and payables of related parties

	30 June 2022		31 December 2021	
	Accounts balance RMB'000	Provision for bad debts RMB'000	Accounts balance RMB'000	Provision for bad debts RMB'000
Accounts receivables				
due from:				
Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	673,549.04	799.81	727,411.83	948.60
Shanghai Pharma Health Commerce Co.,Ltd.'s subsidiaries	98,192.78	237.02	65,280.68	189.73
Yunnan Baiyao Group Co.,Ltd and its subsidiaries	69,448.52	314.48	-	-
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	15,681.28	640.86	30,353.55	707.15
Shanghai Hutchison Pharmaceutical Co., Ltd.	10,617.63	41.41	2,434.55	9.49
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	9,786.82	2,250.65	15,456.87	2,250.07
Others	4,362.21	611.19	14,596.26	924.92
	<u>881,638.28</u>	<u>4,895.42</u>	<u>855,533.74</u>	<u>5,029.96</u>
Other receivables				
due from:				
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	14,709.98	6.84	-	-
Shanghai Roche Pharmaceutical Co., Ltd.	13,572.80	374.79	14,565.01	384.94
Shanghai Overseas United Investment Co., Ltd.	13,297.64	392.39	13,297.64	392.39
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	-	-	57,386.33	40.17
Others	33,423.26	12,976.76	22,014.40	12,157.55
	<u>75,003.68</u>	<u>13,750.78</u>	<u>107,263.38</u>	<u>12,975.05</u>

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7 Related parties and related party transactions (Cont'd)

(6) Balance of receivables and payables of related parties (Cont'd)

		30 June 2022 RMB'000	31 December 2021 RMB'000
Prepayments due from:			
	Yunnan Baiyao Group Co.,Ltd and its subsidiaries	16,759.52	-
	Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	2,114.58	3,168.92
	Others	2,820.99	3,438.16
		<u>21,695.09</u>	<u>6,607.08</u>
		30 June 2022 RMB'000	31 December 2021 RMB'000
Accounts payables due to:			
	Shanghai Roche Pharmaceutical Co., Ltd.	195,119.66	265,825.63
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	49,611.54	54,513.63
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	27,668.91	15,124.62
	Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	21,565.46	21,325.63
	Shanghai Pharma Health Commerce Co.,Ltd.'s subsidiaries	17,133.27	33,161.74
	Wing Fat Printing Limited and its subsidiaries	16,501.03	18,380.04
	Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries	16,448.52	21,497.82
	Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries.	13,525.98	12,542.21
	Shanghai Sine Promod Pharmaceutical Co., Ltd. and its subsidiaries	11,801.09	9,587.66
	Yunnan Baiyao Group Co.,Ltd and its subsidiaries	11,787.11	-
	Others	27,271.02	28,467.21
		<u>408,433.59</u>	<u>480,426.19</u>
Other payables due to:			
	SPH-BIOCAD(HK) Limited	1,228,183.42	1,166,750.46
	Shanghai Pharma Group	313,472.28	12,129.57
	Yunnan Baiyao Group Co.,Ltd	279,563.25	-
	Shanghai Shangshi (Group) Co., Ltd.	151,946.76	908,790.00
	Shanghai Tandong Enterprise Consulting Service Co., Ltd.	78,540.00	30,000.00
	SIIC International Investment Co., Ltd.	70,034.03	-
	Shanghai Sine Promod Pharmaceutical Co., Ltd.	9,103.31	9,120.11
	Others	2,736.11	4,859.48
		<u>2,133,579.16</u>	<u>2,131,649.62</u>
Other non-current liabilities	Shanghai Biomedical Industry Equity Investment Fund Partnership (L.P.)	<u>60,917.91</u>	<u>60,917.91</u>
Contract liabilities:			
	Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	54,402.24	38,143.76
	Shanghai Xun Yao Biotechnology Co., Ltd.	5,413.87	6,649.76
	Others	2,279.71	2,260.77
		<u>62,095.82</u>	<u>47,054.29</u>
Lease liabilities:	Shanghai Pharma Group	<u>18,246.05</u>	<u>44,498.48</u>
Current borrowings:	Shanghai Industrial Group Finance Co., Ltd.	<u>2,529,043.62</u>	<u>2,144,963.63</u>
Cash at bank:	Shanghai Industrial Group Finance Co., Ltd.	<u>2,958,377.23</u>	<u>2,890,744.20</u>
Deposit:	Shanghai Industrial Group Finance Co., Ltd.	<u>477.49</u>	<u>7,842.61</u>

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8 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

The Group has no significant contingent liabilities arising from debt guarantees provided for other units.

9 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 2022	31 December 2021
Buildings, machinery and equipment	<u>355,748,134.05</u>	<u>355,215,814.07</u>

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10 Events after the balance sheet date

(1) The issue of Super & Short-term Commercial Paper (“SCP”)

The Company has completed the fourth stage of issuing with amount of RMB3,000,000,000 and bears fixed interest rate of 1.70% per annum, it is repayable within 162 days. The raised funds have been received by the Company on 7 July 2022. The Company has completed the fifth stage of issuing with amount of RMB3,000,000,000 and bears fixed interest rate of 1.70% per annum, it is repayable within 190 days. The raised funds have been received by the Company on 13 July 2022.

11 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 2022	31 December 2021
Within 1 year	40,715,175.02	25,792,246.83
1-2 years	35,124,565.45	23,652,999.50
2-5 years	41,884,662.88	61,221,365.83
Above 5 years	4,803,732.00	4,711,353.00
	<u>122,528,135.35</u>	<u>115,377,965.16</u>

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12 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 2022 and 31 December 2021 as follows:

	30 June 2022		Total
	USD and HKD	Others	
Financial assets denominated in foreign currency -			
Cash at bank and on hand	173,588,681.35	16,371,427.23	189,960,108.58
Accounts receivables	54,026,411.09	3,684,403.06	57,710,814.15
	<u>227,615,092.44</u>	<u>20,055,830.29</u>	<u>247,670,922.73</u>
Financial liabilities denominated in foreign currency -			
Accounts payables	12,540,921.60	40,112,980.94	52,653,902.54
	<u>12,540,921.60</u>	<u>40,112,980.94</u>	<u>52,653,902.54</u>
	31 December 2021		Total
	USD and HKD	Others	
Financial assets denominated in foreign currency -			
Cash at bank and on hand	260,125,139.26	17,086,932.14	277,212,071.40
Accounts receivables	21,435,599.89	5,457,535.62	26,893,135.51
	<u>281,560,739.15</u>	<u>22,544,467.76</u>	<u>304,105,206.91</u>
Financial liabilities denominated in foreign currency -			
Accounts payables	103,676,436.71	3,470,061.04	107,146,497.75
Current portion of long-term borrowings	-	3,657,378.30	3,657,378.30
	<u>103,676,436.71</u>	<u>7,127,439.34</u>	<u>110,803,876.05</u>

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12 Financial instruments and risks (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

As at 30 June 2022, 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 lower/higher by approximately RMB10,753,708.54 (31 December 2021: lower/higher by approximately RMB8,894,215.12).

(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 2022, the Group's short-term, long-term within one year and long-term interest-bearing borrowings were mainly with floating rates, amounting to RMB4,639,283,905.61 (31 December 2021: RMB4,148,541,479.80).

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 2022 and 30 June 2021, the Group did not enter into any interest rate swap agreements.

As at 30 June 2022, 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 RMB5,172,166.35 (31 December 2021 : approximately RMB4,016,005.36).

(c) Other price risk

The Group's other price risk arises mainly from all kinds of other equity instrument investments, which are exposed to changes in the prices of equity instruments.

As at 30 June 2022, 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 RMB139,466,560.42 (31 December 2021: approximately RMB138,043,066.08), increase/decrease other comprehensive income approximately RMB5,205,803.04 (31 December 2021: approximately RMB7,339,241.32).

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12 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 2022, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2021: 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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12 Financial instruments and risks (Cont'd)

(3) Liquidity risk (Cont'd)

	30 June 2022				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	29,000,855,209.63	-	-	-	29,000,855,209.63
Derivative financial liabilities	2,984,912.95	-	-	-	2,984,912.95
Notes payables	4,378,911,673.60	-	-	-	4,378,911,673.60
Accounts payables	40,385,685,910.30	-	-	-	40,385,685,910.30
Other payables	15,191,131,750.00	-	-	-	15,191,131,750.00
Current portion of long-term payables	3,593,460.86	-	-	-	3,593,460.86
Current portion of long-term borrowings	627,332,079.44	-	-	-	627,332,079.44
Current portion of lease liabilities	613,251,202.92	-	-	-	613,251,202.92
Other current liabilities	6,041,219,178.08	-	-	-	6,041,219,178.08
Long-term borrowings	-	7,374,371,481.88	76,000,000.00	252,499,910.85	7,702,871,392.73
Lease liabilities	-	592,242,566.85	919,318,205.18	463,721,336.64	1,975,282,108.67
Long-term payables	-	509,120,907.55	14,616,000.00	253,201,800.00	776,938,707.55
Other non-current liabilities	-	-	85,752,514.64	-	85,752,514.64
Loan interest	716,315,933.42	81,274,634.36	29,787,183.86	57,174,865.46	884,552,617.10
	<u>96,961,281,311.20</u>	<u>8,557,009,590.64</u>	<u>1,125,473,903.68</u>	<u>1,026,597,912.95</u>	<u>107,670,362,718.47</u>

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12 Financial instruments and risks (Cont'd)

(3) Liquidity risk (Cont'd)

	31 December 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	22,514,574,027.35	-	-	-	22,514,574,027.35
Derivative financial liabilities	774,097.78	-	-	-	774,097.78
Notes payables	4,764,748,001.67	-	-	-	4,764,748,001.67
Accounts payables	37,230,666,373.90	-	-	-	37,230,666,373.90
Other payables	13,062,527,812.97	-	-	-	13,062,527,812.97
Current portion of long-term payables	3,564,312.67	-	-	-	3,564,312.67
Current portion of long-term borrowings	33,443,394.84	-	-	-	33,443,394.84
Current portion of lease liabilities	599,253,757.66	-	-	-	599,253,757.66
Other current liabilities	9,077,033,424.66	-	-	-	9,077,033,424.66
Other non-current liabilities	-	-	85,752,514.64	-	85,752,514.64
Long-term borrowings	-	6,901,569,347.87	87,657,378.30	168,524,977.31	7,157,751,703.48
Lease liabilities	-	547,735,064.56	651,015,968.15	554,664,692.69	1,753,415,725.40
Long-term payables	-	22,319,445.14	502,270,628.31	254,640,900.00	779,230,973.45
Loan interest	461,742,000.24	84,556,549.78	62,093,444.25	35,749,249.77	644,141,244.04
	<u>87,748,327,203.74</u>	<u>7,556,180,407.35</u>	<u>1,388,789,933.65</u>	<u>1,013,579,819.77</u>	<u>97,706,877,364.51</u>

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12 Financial instruments and risks (Cont'd)

(3) Liquidity risk (Cont'd)

As at the balance sheet date, 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(37)(a)):

	30 June 2022				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Cash flows derived from leases not yet commenced	<u>2,983,346.29</u>	<u>3,080,064.38</u>	<u>6,280,789.96</u>	<u>109,560.26</u>	<u>12,453,760.89</u>
	31 December 2021				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Cash flows derived from leases not yet commenced	<u>2,433,559.83</u>	<u>1,232,250.53</u>	<u>1,820,817.84</u>	<u>-</u>	<u>5,486,628.20</u>

Bank and other borrowings are analysed by repayment terms as follows:

	30 June 2022		31 December 2021	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	29,628,187,289.07	6,041,219,178.08	22,548,017,422.19	9,077,033,424.66
1 to 2 years	7,374,371,481.88	-	6,901,569,347.87	-
2 to 5 years	76,000,000.00	-	87,657,378.30	-
Above 5 years	<u>252,499,910.65</u>	<u>-</u>	<u>168,524,977.31</u>	<u>-</u>
	<u>37,331,058,681.60</u>	<u>6,041,219,178.08</u>	<u>29,705,769,125.67</u>	<u>9,077,033,424.66</u>

13 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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13 Fair value estimates(Cont'd)

(1) Financial assets and liabilities measured at fair value on a recurring basis

As at 30 June 2022, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Derivative financial assets—				
Forward foreign exchange contract	-	3,690,399.91	-	3,690,399.91
Financial assets held for sell	-	-	10,601,334,943.42	10,601,334,943.42
Receivables financing—				
Notes receivables	-	-	1,452,772,469.61	1,452,772,469.61
Other non-current financial assets	264,959,667.28	-	1,115,470,993.48	1,380,430,660.76
Other equity instrument investments	<u>52,058,030.39</u>	-	-	<u>52,058,030.39</u>
Total financial assets	<u>317,017,697.67</u>	<u>3,690,399.91</u>	<u>13,169,578,406.51</u>	<u>13,490,286,504.09</u>

As at 30 June 2022, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contract	-	2,984,912.95	-	2,984,912.95
Other non-current liabilities	-	-	<u>85,752,514.64</u>	<u>85,752,514.64</u>
Total	<u>-</u>	<u>2,984,912.95</u>	<u>85,752,514.64</u>	<u>88,737,427.59</u>

As at 31 December 2021, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Derivative financial assets—				
Forward foreign exchange contract	-	3,284,464.66	-	3,284,464.66
Receivables financing—				
Notes receivables	-	-	1,619,009,831.53	1,619,009,831.53
Other non-current financial assets	290,092,858.15	-	1,098,807,808.46	1,388,900,666.61
Other equity instrument investments	<u>73,392,413.17</u>	-	-	<u>73,392,413.17</u>
Total financial assets	<u>363,485,271.32</u>	<u>3,284,464.66</u>	<u>2,717,817,639.99</u>	<u>3,084,587,375.97</u>

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13 Fair value estimates (Cont'd)

(1) Financial assets and liabilities measured at fair value on a recurring basis (Cont'd)

As at 31 December 2021, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities				
Derivative financial liabilities				
—				
Forward foreign exchange contract	-	774,097.78	-	774,097.78
Other non-current liabilities	-	-	85,752,514.64	85,752,514.64
Total	<u>-</u>	<u>774,097.78</u>	<u>85,752,514.64</u>	<u>86,526,612.42</u>

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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13 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 2021	Purchase	Disposal	Transfer into Level 3	Transfer out of Level 3	Gain or loss for the current period		30 June 2022
						Gain or loss recognised in profit or loss	Gain or loss recognised in other comprehensiv e income	
Financial assets—								
Financial assets held for sell	-	21,387,100,000.00	(10,827,440,734.04)	-	-	41,675,677.46	-	10,601,334,943.42
Receivables financing	1,619,009,831.53	4,998,487,313.31	(5,164,724,675.23)	-	-	(25,650,366.09)	25,650,366.09	1,452,772,469.61
Other non-current financial assets	<u>1,098,807,808.46</u>	-	<u>(99,706.72)</u>	-	-	<u>16,762,891.74</u>	-	<u>1,115,470,993.48</u>
Total financial assets	<u>2,717,817,639.99</u>	<u>26,385,587,313.31</u>	<u>(15,992,265,115.99)</u>	-	-	<u>32,788,203.11</u>	<u>25,650,366.09</u>	<u>13,169,578,406.51</u>
Financial liabilities—								
Other non-current liabilities	<u>85,752,514.64</u>	-	-	-	-	-	-	<u>85,752,514.64</u>

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13 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 2022	Valuation technique	Inputs			
			Name	Scope	Relationship with fair value	Observable/ Unobservable
Financial assets held for sell	10,601,334,943.42	DCF	expected return estimated	1.35%- 3.35%	Positive	Unobservable
Receivables financing	1,452,772,469.61	DCF	discount rate	2.7360%- 2.7483%	Negative	Unobservable
Other non-current financial assets	1,115,470,993.48	Market method Equity value	EV/EBIT, EV/S, etc.	0.31-17.76	Positive	Unobservable
Other non-current liabilities	85,752,514.64	distributio n method	Stock volatility	30.7307- 41.6631	Positive	Unobservable

Information about the Level 2 fair value measurement is as follows:

	Fair value as at 30 June 2022	Valuation technique	Observable inputs	
			Name	Scope/ weighted average
Assets				
Derivative financial assets—				
Forward foreign exchange contract	<u>3,690,399.91</u>	Market approach	Exchange rate	AUDUSD: 0.70201-0.7578
Liabilities				
Derivative financial assets—				
Forward foreign exchange contract	<u>2,984,912.95</u>	Market approach	Exchange rate	AUDNZD: 0.9041-0.95266
Fair value as at 31 December 2021				
Assets				
Derivative financial assets—				
Forward foreign exchange contract	<u>3,284,464.66</u>	Market approach	Exchange rate	AUDUSD: 0.7317-0.7752
Liabilities				
Derivative financial assets—				
Forward foreign exchange contract	<u>774,097.78</u>	Market approach	Exchange rate	AUDNZD: 0.93908-0.95266

(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 2022, the Group has no non-current assets held for sale.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)

13 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 2022 and 31 December 2021, 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.

14 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 2022 and 31 December 2021, the Group's gearing ratios are as follows:

	30 June 2022	31 December 2021
Gearing ratio	<u>21.89%</u>	<u>26.18%</u>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

15 Notes to the Company's financial statements

(1) Accounts receivables

	30 June 2022	31 December 2021
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 2022	31 December 2021
Above three years	<u>119,851,808.14</u>	<u>119,851,808.14</u>

(b) As at 30 June 2022, the top five accounts receivables based on the balance of the debtors are summarized and analysed as follows:

	Account balance	Amount of bad debt provision	% of total balance
Total top five accounts receivables	<u>39,911,209.13</u>	<u>(39,911,209.13)</u>	<u>33.30%</u>

(c) As at 30 June 2022, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Accounts balance	Lifetime ECL rate	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>	

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(2) Other receivables

	30 June 2022	31 December 2021
Amount due from subsidiaries	17,899,983,445.11	18,688,077,341.63
Guarantees (including deposits)	18,922,967.40	17,447,445.98
Dividends receivable	1,121,467,743.21	764,040,878.85
Interests receivable	77,924,010.64	33,485,996.75
Receivables from enterprises	-	186,105.00
Others	257,141,035.97	257,141,035.97
	<u>19,375,439,202.33</u>	<u>19,760,378,804.18</u>
Less: provision for bad debts	<u>(271,006,890.49)</u>	<u>(271,186,918.17)</u>
	<u>19,104,432,311.84</u>	<u>19,489,191,886.01</u>

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

	30 June 2022	31 December 2021
Within 1 year	12,151,270,061.92	11,996,953,024.45
1-2 years	1,656,478,160.66	3,865,141,323.22
2-3 years	4,308,231,484.13	3,067,427,569.76
Above 3 years	1,259,459,495.62	830,856,886.75
	<u>19,375,439,202.33</u>	<u>19,760,378,804.18</u>

(b) As at 30 June 2022, the analysis of provision for bad debts for individual other receivables is as follows:

	Accounts balance	Stage 3 – lifetime ECL rate	Provision for bad debts	Reasons
Other receivable 1	120,000,000.00	100%	(120,000,000.00)	Unable to collect
Other receivable 2	33,375,018.03	100%	(33,375,018.03)	Unable to collect
Other receivable 3	26,030,686.00	100%	(26,030,686.00)	Unable to collect
Other receivable 4	22,000,000.00	100%	(22,000,000.00)	Unable to collect
Others	55,735,331.94	100%	(55,735,331.94)	Unable to collect
	<u>257,141,035.97</u>		<u>(257,141,035.97)</u>	

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(c) As at 30 June 2022, the analysis of bad debt provisions of other receivables on grouping basis is as follows:

	30 June 2022			31 December 2021		
	Accounts balance	Provision for bad debts	% of total	Accounts balance	Provision for bad debts	% of total
	Amount	Amount	balance	Amount	Amount	balance
Stage 1 – 12-month ECL rate in groups						
Amount due from subsidiaries	17,899,983,445.11	(12,529,646.92)	0.07%	18,688,077,341.63	(13,014,189.51)	0.07%
Guarantees (including deposits)	18,922,967.40	(496,633.37)	2.62%	17,447,445.98	(467,637.75)	2.68%
Receivables from enterprises	-	-	-	186,105.00	(5,786.13)	3.11%
Dividends receivable	1,121,467,743.21	(785,027.42)	0.07%	764,040,878.85	(534,828.62)	0.07%
Interests receivable	77,924,010.64	(54,546.81)	0.07%	33,485,996.75	(23,440.19)	0.07%
	<u>19,118,298,166.36</u>	<u>(13,865,854.52)</u>		<u>19,503,237,768.21</u>	<u>(14,045,882.20)</u>	

As at 30 June 2022 and 31 December 2021, the Company has no other receivables in Stage 2.

(3) Long-term equity investments

	31 December 2022	31 December 2021
Subsidiaries (a)	25,027,350,138.49	24,650,543,477.80
Associates (b)	2,638,198,864.19	2,314,194,152.07
Joint ventures (c)	40,796,307.71	42,819,088.39
	<u>27,706,345,310.39</u>	<u>27,007,556,718.26</u>
Less: Provision for impairment of long-term equity investments	<u>(68,481,418.01)</u>	<u>(68,481,418.01)</u>
	<u>27,637,863,892.38</u>	<u>26,939,075,300.25</u>

The Company has no significant restriction on the realization of long-term investments.

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

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

(a) Subsidiaries

	31 December 2021	Changes during the period				30 June 2022	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	7,161,578,745.45	-	-	-	3,510,198.02	7,165,088,943.47	-	-
Shanghai Pharmaceutical Co., Ltd. and its subsidiaries	4,782,253,400.87	-	-	-	1,176,253.71	4,783,429,654.58	-	-
Shanghai Pharmaceuticals (HK) Investment Limited	2,077,320,167.06	-	-	-	-	2,077,320,167.06	-	-
Shanghai Traditional Chinese Medicine Co., Ltd.	1,894,107,851.21	-	-	-	1,279,303.30	1,895,387,154.51	-	184,050,000.00
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.	1,417,004,769.61	-	-	-	704,182.94	1,417,708,952.55	-	263,350,000.00
Shanghai SPH New Asiatic Pharmaceutical Co., Ltd.	1,225,334,777.24	-	-	-	230,340.63	1,225,565,117.87	-	7,441,920.00
Shanghai Shangyao Biomedical Co., Ltd.	750,808,416.07	316,168,699.00	-	-	-	1,066,977,115.07	-	-
China Medical Foreign Trading Liao Ning Co.Ltd.	558,601,296.99	-	-	-	-	558,601,296.99	-	-
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	513,162,900.53	-	-	-	(194,913.76)	512,967,986.77	-	208,661,734.47
TECHPOOL Bio-Pharma Co., Ltd.	491,790,672.61	-	-	-	364,361.10	492,155,033.71	-	-
Shanghai Medical Instruments Co., Ltd.	406,013,173.80	-	-	-	519,688.97	406,532,862.77	-	-
SPH (benxi) North Pharmaceutical Co., Ltd.	380,000,000.00	-	-	-	-	380,000,000.00	-	-
Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd.	325,385,918.24	-	-	-	482,713.14	325,868,631.38	-	54,050,000.00
Shanghai Pharmaceutical (USA), Inc.	281,743,905.02	32,673,250.00	-	-	(41,479.18)	314,375,675.84	-	-
SPH Qingdao Growful Pharmaceutical Co., Ltd.	259,111,315.09	-	-	-	137,360.13	259,248,675.22	-	-
SPH Changzhou Pharmaceutical Co., Ltd.	206,662,645.83	-	-	-	471,950.81	207,134,596.64	-	-
Shanghai Zhonghua Pharmaceutical Co., Ltd.	100,927,265.50	-	-	-	(83,639.91)	100,843,625.59	-	-
Shanghai Shangyao Ruier Pharmaceutical Co., Ltd.	100,155,641.97	-	-	-	250,548.77	100,406,190.74	-	-
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd.	89,819,335.50	-	-	-	352,472.25	90,171,807.75	-	-
Shanghai Pharmaceutical Medicine Sales Co., Ltd.	66,340,959.93	-	-	-	714,670.47	67,055,630.40	-	43,610,000.00
Shanghai Shangyao Innovative Pharmaceutical Technology Co., Ltd.	33,015,504.26	14,941,500.00	-	-	346,913.68	48,303,917.94	-	-
China International Pharmaceutical (Holdings) Limited	18,430,887.87	-	-	-	-	18,430,887.87	-	-
SPH Traditional Chinese Medicine Research Co., Ltd	-	4,000,000.00	-	-	-	4,000,000.00	-	-
Others	1,510,973,927.15	-	-	-	(1,197,713.38)	1,509,776,213.77	-	206,450,116.72
	24,650,543,477.80	367,783,449.00	-	-	9,023,211.69	25,027,350,138.49	-	967,613,771.19

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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(All amounts in RMB Yuan unless otherwise stated)

15 Notes to the Company's financial statements (Cont'd)

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

(b) Associates

	31 December 2021	Changes during the period								30 June 2022	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.	403,735,674.67	-	-	6,851,064.40	-	-	-	-	-	410,586,739.07	-
Shanghai Lianyi Investment Center (limited Partnership)	349,704,903.44	-	-	(6,109,028.60)	-	-	-	-	-	343,595,874.84	-
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	234,829,729.67	-	-	55,629,257.69	-	-	-	-	-	290,458,987.36	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	293,463,416.85	-	-	(4,878,148.44)	(95,683.02)	5,668,514.87	(9,770,499.20)	-	-	284,387,601.06	-
Shanghai Good Health Capital LLP	190,323,857.57	-	-	(2,097,455.83)	-	-	-	-	-	188,226,401.74	-
Shangshi Commercial Factoring Co., Ltd.	157,763,069.32	-	-	1,744,268.48	-	-	-	-	-	159,507,337.80	-
Yueyang Pharmaceutical Development (Guangzhou) Co., Ltd.	-	150,000,000.00	-	(3,927,582.43)	-	-	-	-	-	146,072,417.57	-
Chengdu Wesker Biomedical Co., Ltd.	140,068,679.04	-	-	(10,421,096.85)	-	-	-	-	-	129,647,582.19	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	114,750,205.43	-	-	4,324,054.43	-	-	(8,142,113.09)	-	-	110,932,146.77	-
Hangzhou Huiqing Yutang Pharmaceutical Co., Ltd.	104,586,611.40	-	-	2,000,750.13	-	-	-	-	-	106,587,361.53	-
Chengdu Huaxi Precision Medicine Industry Innovation Center Co., Ltd.	19,299,650.47	80,000,000.00	-	(429,499.76)	-	-	-	-	-	98,870,150.71	-
Shanghai Shangshi Biomedical Innovation and Transformation Private Investment Fund LLP	44,527,109.65	45,000,000.00	-	(543,615.99)	-	-	-	-	-	88,983,493.66	-
Shanghai Pharma Health Commerce Co., Ltd.	51,390,975.27	-	-	(1,037,741.31)	-	-	-	-	-	50,353,233.96	-
Sichuan Greentech Bio-technology Co., Ltd.	48,802,282.26	-	-	118,702.10	-	-	-	-	-	48,920,984.36	-
Shanghai Chest Medical Instruments Co., Ltd.	43,264,784.08	-	-	3,406,429.42	-	-	-	-	-	46,671,213.50	-
Chengdu Huaxi Clinical Research Center Co., Ltd.	14,530,778.61	-	-	(254,571.93)	-	-	-	-	-	14,276,206.68	-
Chengdu Shilian Health Biotechnology Co., Ltd.	-	20,000,000.00	-	(134,228.47)	-	-	-	-	-	19,865,771.53	-
Tianjin Modern Innovative Tcm Technology Co., Ltd.	14,661,025.01	-	-	(1,442,630.24)	-	-	-	-	-	13,218,394.77	-
Others	88,491,399.33	-	-	(1,454,434.24)	-	-	-	-	-	87,036,965.09	(68,481,418.01)
	<u>2,314,194,152.07</u>	<u>295,000,000.00</u>	<u>-</u>	<u>41,344,492.56</u>	<u>(95,683.02)</u>	<u>5,668,514.87</u>	<u>(17,912,612.29)</u>	<u>-</u>	<u>-</u>	<u>2,638,198,864.19</u>	<u>(68,481,418.01)</u>

(c) Joint ventures

	31 December 2021	Changes during the period								30 June 2022	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.	42,819,088.39	-	-	(2,022,780.68)	-	-	-	-	-	40,796,307.71	-

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

15 Notes to the Company's financial statements (Cont'd)

(4) Capital surplus

	31 December 2021	Increase for the period	Decrease for the period	30 June 2022
Share premium	19,132,076,187.53	13,114,562,463.71	-	32,246,638,651.24
Other capital surplus -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	184,485,288.43	5,668,514.87	-	190,153,803.30
Share-based payment	67,306,552.32	10,922,309.48	(5,451,222.00)	72,777,639.80
Others	(289,656,947.52)	-	-	(289,656,947.52)
	<u>19,094,211,080.76</u>	<u>13,131,153,288.06</u>	<u>(5,451,222.00)</u>	<u>32,219,913,146.82</u>
	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>

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

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

15 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 2022 income statement			
	31 December 2021	Converted from OCI into retained earnings	30 June 2022	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	(146,268.20)	-	(241,951.22)	(95,683.02)	-	-	(95,683.02)
	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

SHANGHAI PHARMACEUTICALS HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
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15 Notes to the Company's financial statements (Cont'd)

(6) Undistributed profits

	Six months ended 30 June 2022	Six months ended 30 June 2021
Undistributed profits at the beginning of the period	3,055,823,875.26	2,964,512,023.95
Add: net profit of the Company	874,892,763.16	1,314,089,160.46
Less: dividends declared	(1,552,494,013.56)	(1,364,202,874.56)
Others	-	(42,134,193.68)
Undistributed profits at the end of period	<u>2,378,222,624.86</u>	<u>2,872,264,116.17</u>

(7) Revenue and cost of sales

	Six months ended 30 June 2022	Six months ended 30 June 2021
Main operations revenue	-	-
Other operations revenue (a)	<u>1,336,075.48</u>	<u>1,625,696.91</u>
	<u>1,336,075.48</u>	<u>1,625,696.91</u>
	Six months ended 30 June 2022	Six months ended 30 June 2021
Main operations cost	-	-
Other operations cost (a)	<u>152,986.29</u>	<u>821,737.35</u>
	<u>152,986.29</u>	<u>821,737.35</u>

(a) Other operations revenue and cost of sales

	Six months ended 30 June 2022		Six months ended 30 June 2021	
	Other operations revenue	Other operations cost	Other operations revenue	Other operations cost
Service revenue	<u>1,336,075.48</u>	<u>152,986.29</u>	<u>1,625,696.91</u>	<u>821,737.35</u>

(8) Investment income

	Six months ended 30 June 2022	Six months ended 30 June 2021
Long-term equity investment income calculated by cost method	967,613,771.19	1,423,446,333.76
Long-term equity investment income calculated by equity method	39,321,711.88	149,917,883.82
Interest income from internal loans	139,190,849.52	170,805,064.35
Loss on disposal of long-term equity investments	-	(19,248,059.52)
Others	-	1,844,289.91
	<u>1,146,126,332.59</u>	<u>1,726,765,512.32</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 2022**

(All amounts in RMB Yuan unless otherwise stated)

1 Summary of non-recurring profit or Loss

	Six months ended 30 June 2022	Six months ended 30 June 2021
Gains from disposal of non-current assets	1,422,890,374.83	1,167,825,487.37
Government grants recognised in profits (Except closely related with the enterprise's businesses and the normed or quantitative government grants at national uniform standard)	124,039,817.90	174,613,804.06
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	25,391,346.09	(33,858,294.90)
Reversal of provision for bad debts for receivables on individual basis	16,967,331.93	11,044,827.80
Non-operating income and expenses other than the above	(41,241,603.36)	(12,564,150.41)
	<u>1,548,047,267.39</u>	<u>1,307,061,673.92</u>
Impact of income tax expense	(233,469,993.71)	(262,256,593.48)
Impact on the minority interests, net of tax	(299,759,987.54)	(28,079,041.39)
	<u>1,014,817,286.14</u>	<u>1,016,726,039.05</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		Earnings per share			
	net assets (%)		Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
Net profit attributable to ordinary shareholders of the Company	6.36	7.56	1.13	1.26	1.13	1.26
Net profit attributable to ordinary shareholders of the Company after deducting non- recurring profit or loss	4.61	5.40	0.82	0.90	0.82	0.90