



Shanghai Pharmaceuticals Holding Co., Ltd.*

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

(Stock Code of H Share: 02607) (Stock Code of A Share: 601607)



2020
Interim Report

* For identification purpose only



Important Notice

- I. The board of directors, the board of supervisors and the directors, supervisors and senior management of the Company hereby warrant that the information contained in this interim report is true, accurate and complete and contains no false representations, misleading statements or material omissions and assume joint and several liabilities therefor.
- II. All directors of the Company attended the thirteen meeting of the seventh session of the board of directors convened on 27 August 2020, at which resolutions including the interim results of the Company for the six months ended 30 June 2020 were approved.
- III. This interim report is unaudited. The board of directors and the audit committee of the Company have reviewed and confirmed this financial report.
- IV. Zhou Jun, the person in charge of the Company, Cho Man, the principal in charge of accounting, and Shen Bo, head of the Accounting Department (Chief Financial Officer), hereby declare that they warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.
- V. The plan for profit distribution or conversion of capital reserve fund into share capital for the Reporting Period considered by the board of directors
None
- VI. **Risk statements regarding the forward-looking statements**
 Applicable Not applicable
The forward-looking statements, such as future plans and development 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.
- VII. **Is there any appropriation of funds by the controlling shareholders and their connected parties that is unrelated to operation?**
No
- VIII. **Is there any instance of providing external guarantee that is in breach of the established decision making procedure?**
No
- IX. **Significant Risks**
During the Reporting Period, there are no significant risks that have substantive significant effect on operation and management of the Company. The Company has already explained all the risks and corresponding measures in this report that the Company might face in the operation and management. Please refer to the “Potential Risk Factors” set out in the Report of the Board of Directors, Chapter 4.

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Chapter 1 Definitions

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

Definitions of Common Terms

“the Group”, “Group”, “the Company”, “Company” or “Shanghai Pharmaceuticals”	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (shares of which are listed on the Shanghai Stock Exchange with stock code 601607, and on the Main Board of The Stock Exchange of Hong Kong Limited with stock code 02607) or Shanghai Pharmaceuticals Holding Co., Ltd. and its subsidiaries, where applicable
“the Reporting Period”, “Reporting Period” or “Period”	the 6-month period from 1 January 2020 to 30 June 2020
“YOY”	year-on-year
“the PRC”	the People’s Republic of China; unless the context otherwise requires, references to the PRC or China in this report do not include Hong Kong, Macau or Taiwan
“Shares”	shares of Shanghai Pharmaceuticals with a nominal value of RMB1.00 each, comprising both A Shares and H Shares
“A Shares”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Shares”	overseas shares of the Company, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“AUD”	Australian dollars, the lawful currency of Australia
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“SFO”	the Securities and Futures Ordinance, Chapter 571, Laws of Hong Kong, as amended from time to time
“NHSA”	National Healthcare Security Administration (國家醫療保障局)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“SIIC”	Shanghai Industrial Investment (Holdings) Co., Ltd. (上海實業(集團)有限公司)
“Shanghai Shangshi”	Shanghai Shangshi (Group) Co., Ltd. (上海上實(集團)有限公司)
“Shanghai Pharmaceutical (Group)”	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)



“Guosheng Assets”	Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司)
“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)
“SPH Changzhou Pharmaceutical”	SPH Changzhou Pharmaceutical Co., Ltd. (上藥集團常州藥業股份有限公司)
“No. 1 Biochemical & Pharmaceutical”	SPH No. 1 Biochemical & Pharmaceutical Co., Ltd. (上海上藥第一生化藥業有限公司)
“SPH Zhongxi”	Shanghai SPH Zhongxi Pharmaceutical Co., Ltd. (上海上藥中西製藥有限公司)
“SPH Health Commerce”	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), a share-holding subsidiary of SPH Health Cloud
“SPH Dragon & Tiger”	Shanghai Pharmaceutical Dragon & Tiger Medicine Sales Co., Ltd. (上海上藥龍虎醫藥銷售有限公司)
“QA”	Quality assurance
“QC”	Quality control
“LIMS”	Laboratory Information Management System
“NMPA”	National Medical Products Administration of the People’s Republic of China (中華人民共和國國家藥品監督管理局)
“CDE”	Center For Drug Evaluation of NMPA (中華人民共和國國家藥品監督管理局藥品審評中心)
“WHO”	World Health Organization
“FDA”	Food and Drug Administration of the United States
“COD”	Chemical oxygen demand (wastewater testing indicator)
“BD”	Expanded introduction of new drugs
“DTP”	Direct to Patient
“ADC”	Antibody-drug Conjugate

Chapter 2 Basic Corporate Information and Major Financial Indicators

I. CORPORATE INFORMATION

Name of the Company in Chinese	上海醫藥集團股份有限公司
Chinese abbreviation of the name of the Company	上海醫藥
Name of the Company in English	Shanghai Pharmaceuticals Holding Co., Ltd.
English abbreviation of the name of the Company	Shanghai Pharma
Legal representative of the Company	Mr. Zhou Jun
Authorised representatives of the Company	Mr. Cho Man, Ms. Chen Jinzhu

II. CONTACT PERSON AND CONTACT DETAILS

Secretary of the board of directors	
Name	Chen Jinzhu
Contact address	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai
Telephone	+8621-63730908
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III. CHANGES IN BASIC CORPORATE INFORMATION

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

IV. INFORMATION DISCLOSURE AND PLACE WHERE INFORMATION IS AVAILABLE FOR INSPECTION

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



V. STOCK INFORMATION OF THE COMPANY

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

VI. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Major Accounting Data

Unit: RMB

Major accounting data	Reporting Period (January to June)	Corresponding period of last year	Change compared to the corresponding period of last year (%)
Operating revenue	87,165,105,135.39	92,575,234,415.81	-5.84
Net profit attributable to equity holders of the listed company	2,442,842,195.88	2,286,361,293.96	6.84
Net profit after deduction of non-recurring profit or loss attributable to equity holders of listed company	2,200,380,669.72	2,095,151,313.69	5.02
Net cash flows from operating activities	3,705,636,065.71	2,022,707,082.95	83.20

	As at the end of the Reporting Period	As at the end of last year	Change compared to the end of last year (%)
Net assets attributable to equity holders of listed company	42,919,814,372.57	41,659,054,746.92	3.03
Total assets	147,907,749,409.35	137,026,395,859.72	7.94

Chapter 2 Basic Corporate Information and Major Financial Indicators

(II) Major Financial Indicators

Unit: RMB

Major financial indicators	Reporting Period (January to June)	Corresponding period of last year	Change compared to the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.86	0.80	6.84
Diluted earnings per share (RMB per share)	0.86	0.80	6.84
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.77	0.74	5.02
Weighted average return on net assets (%)	5.70	5.70	/
Weighted average return on net assets after deduction of non- recurring profit or loss (%)	5.13	5.22	Decreased by 0.09 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 AMOUNT

Applicable Not Applicable

Unit: RMB

Non-recurring Profit and Loss Item	Amount
Profit or loss on disposal of non-current assets	49,337,200.67
Government grants recognised in profit or loss for the current period excluding those closely related to the Company's ordinary operations and granted on an on-going basis under the national policies according to certain fixed quota of amount or volume	180,096,212.10
Except for the effective hedging activities related to the Company's ordinary operations, profit or loss arising from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, and derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and other debt investment	111,051,542.29
Reversal of the provisions for impairment of receivables and contract assets subject to impairment test separately	19,034,482.72
Other non-operating income and expenses excluding the aforesaid items	-29,632,174.70
Effect on minority interests	-19,726,957.81
Effect on income tax	-67,698,779.11
Total	242,461,526.16

IX. OTHER

Applicable Not Applicable

The proposal regarding Re-appointment of Domestic Auditor and Termination of Re-appointment of Overseas Auditor was considered and approved by the Company at the 2019 annual general meeting held on 23 June 2020. The Company shall prepare its financial statements under the China Accounting Standards for Business Enterprises and disclose financial report since 2020 and cease to disclose financial data under the Hong Kong Financial Reporting Standards (for details of the proposal, please refer to the relevant general meeting documents disclosed by the Company on 8 May 2020).

Chapter 3 An Overview of Company Businesses

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

(I) The main business and operation model

The main business of Company covers the pharmaceutical manufacturing and pharmaceutical service. During the Reporting Period, the Company has accelerated innovation and transformation constantly, deepened intensive development, realized steady improvement in operating quality, profitability, operating efficiency and industry status, created value for public health constantly.

1. *Pharmaceutical Manufacturing*

The Company ranked 48th among Top 50 Global Pharma Companies in 2020 published by Pharm Exec (American magazine Pharmaceutical Executive) and 3rd among Top 100 Chinese Chemical Drug Companies in China's pharmaceutical industry published by the Southern Medicine Economic Research Institute. The Company adheres to the direction of meeting clinical needs and continuously provides patients with more than 700 varieties of high-quality drugs and health products by constructing an industrial system with advantages in research and development, clinical research, drug pilot, industrialization and marketing. In order to respond to the national "Healthy China 2030" strategy actively and the call for accelerating innovation of the biomedical industry, the Company has continuously optimized its product structure by developing product strategy, increasing investment in innovation, implementing open innovation modes, utilizing combination of industry and finance, and focusing on international development, enriching its innovative drugs with differentiated advantages and improved innovative drug products to promote the sustained and healthy development of the Company's pharmaceutical manufacturing.

2. *Pharmaceutical Service*

Pharmaceutical service is the core force to ensure the efficient and stable supply of medical materials and drugs. With business channels and retail networks covering 24 provinces, municipalities and autonomous regions in China, 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 China, 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

The Chinese government has taken bio-pharmaceuticals as its national development strategy. In the medium and long term, the scale of the pharmaceutical market will continue to expand under the multiple drives of comprehensive factors such as national policies, economic development, population aging and biopharmaceutical technology development.

During the Reporting Period, the domestic economic operation and people's lives were greatly affected by the COVID-19 epidemic. According to the data released by the National Bureau of Statistics, GDP fell by 1.6% in the first half of 2020. Due to the combined impact of the epidemic prevention and control requirements, the resumption of work and production policies, and the decline in outpatient visits to hospitals, various domestic pharmaceutical sub-sectors have been negatively affected in different degrees. According to the data released by the National Bureau of Statistics, sizable enterprises in the pharmaceutical manufacturing industry realized operating income of approximately RMB1,109.39 billion, down by 2.3% year-on-year from January to June 2020.

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

Applicable Not Applicable

Unit: RMB

Major Assets	Consolidated on 30 June 2020	Consolidated on 31 December 2019	Changes in current amount as compared to last period (%)	Explanation of material changes (change over 30%)
Long-term equity investments	6,570,883,880.24	4,853,779,059.53	35.38	Increase in investments in associates and joint ventures during the Reporting Period
Fixed assets	10,523,472,385.29	9,445,675,117.04	11.41	/
Construction in progress	1,443,552,400.40	1,649,896,366.49	-12.51	/
Intangible assets	4,265,995,899.81	3,930,371,809.89	8.54	/
Goodwill	11,854,723,865.10	10,789,918,517.77	9.87	/

Among which, overseas assets amounted to 30.22 (Unit: RMB'00 million), the proportion to the total assets is 2.04%.

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

III. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

Applicable Not Applicable

1. Advantages of full industrial chains

Shanghai Pharma is a leading integrated industrial group in China's industry and commerce industry. Its businesses cover 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 industry. The Company is able to integrate resources to break through the industry development bottlenecks and continuously provide quality product, service and solution for patients, medical institutions and partners. Due to the industrial advantages of such integrated development, the Company is able to constantly create extra synergetic profits and value for its shareholders and the society and lower the risks and uncertainties of individual fields.

2. Product structure advantages

The Company has profound history. Over the years, it owns rich product resources. It produces approximately 700 varieties of drugs each year regularly. Its products mainly cover 7 major therapeutic fields, namely anti-tumor, heart and cerebral vessels, psychoneural, anti-infection, auto-immunity, digestive tract and metabolism, and respiratory system, which has formed the portfolio echelon of key products and basic and common drug products. The Company has product lines for producing a complete range of dosage forms of drugs both at home and abroad. The Company insists on comprehensive lean management. The Company has established production information management MES system and quality information management LIMS system for a lean optimization of all processes of drug production and manufacturing. The Company puts emphasis on improvement of its ability in technological innovation, industrialization and quality control, so as to keep its leading advantages in quality and cost and ensure that it is able to constantly and stably produce drugs that meet the intended purposes and the registration requirements. The Company seeks international development in products. It has passed the quality certifications of WHO, FDA, European Union and other developed countries as to several of its Active Pharmaceutical Ingredients (APIs). Various preparation products have been granted the FDA's approval.

3. R&D resources advantages

The Company attaches importance to R&D innovation. We continuously increase R&D investment, maintaining industry-leading R&D investment intensity. Driven by both independent development and BD, we have built a product chain that meets clinical needs and has technological advantages through organic integration of internal resources and external cooperation. The Company insists on an open R&D mode. To accelerate product introduction and R&D cooperation and promote in-depth cooperation amongst the industry, colleges, and institutes, it has carried out new R&D cooperation platform with Shanghai Institute of Materia Medica of Chinese Academy of Sciences, Fudan University,



Chapter 3 An Overview of Company Businesses

Shanghai Jiao Tong 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 and other research institutes and affiliated colleges. The Company continues to construct forward-looking innovative drug R&D product chains and improved innovative drug product chains with clinical values and technological features. The Company has been consecutively shortlisted for Best Industrial Enterprises in China's Medical R&D Product Pipeline released by China National Pharmaceutical Industry Information Center. Its R&D ability is ranked at the first echelon of China's medical enterprise.

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 business.

5. Service advantages

The Company insists on innovating drug distribution methods and keeps providing services for reform of public medical institutions. We have leading supply chain management, information technology and logistics technologies so as to meet the needs of the public and the medical institutions. We also keep increasing our service efficiency and improving customer 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 service, information management of drug stocks, and clinical support service. The Company integrates its online and offline drug retail businesses, which is leading in China, covering over 2,000 branded offline retail chain pharmacies in 16 provinces, autonomous regions and municipalities across China, the Company is able to constantly provide efficient, professional and safe services for its customers.

6. Advantages of industrial and financial integration

The Company has a sound financial structure and a good control of its asset to liability ratio. By virtue of A+H shares listing platform, international and domestic investment platform and all kinds of merger and acquisition 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 advantage

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".

Chapter 4 Report of the Board of Directors

I. DISCUSSION AND ANALYSIS OF THE OVERALL OPERATION

Details of results

From January to June 2020, the operating income of the Company was RMB87.165 billion, representing a year-on-year decrease of 5.84%, of which, revenue from pharmaceutical manufacturing was RMB11.675 billion, representing a year-on-year decrease of 2.24% and revenue from pharmaceutical services was RMB75.490 billion, representing a year-on-year decrease of 6.38%. The net profit attributable to equity holders of listed company was RMB2.443 billion, representing a year-on-year increase of 6.84%, of which main business of pharmaceutical manufacturing contributed profits of RMB1.166 billion, representing a year-on-year increase of 7.40% and main business of pharmaceutical services contributed profits of RMB1.076 billion, representing a year-on-year increase of 5.22%. Shareholding enterprises contributed profits of RMB552 million, representing a year-on-year increase of 3.87%. Net profit after deduction of non-recurring profit or loss attributable to equity holders of the listed company was RMB2.2 billion, representing a year-on-year increase of 5.02%. Net profit attributable to equity holders of the listed company after the reversal of R&D expenditure increased by 9.44% year-on-year.

In the second quarter, with the improvement of the epidemic situation, the overall business of the Company has resumed gradually. From April to June, the operating income of the Company was RMB46.717 billion, representing a year-on-year increase of 0.32% and quarter-on-quarter increase of 15.50%; revenue from pharmaceutical manufacturing was RMB6.024 billion, representing a year-on-year increase of 4.84% and quarter-on-quarter increase of 6.60%; revenue from pharmaceutical services was RMB40.693 billion, representing a year-on-year decrease of 0.32% and quarter-on-quarter increase of 16.94%. The net profit attributable to equity holders of listed company was RMB1.405 billion, representing a year-on-year increase of 21.10% and quarter-on-quarter increase of 35.32%. Net profit after deduction of non-recurring profit or loss attributable to equity holders of the listed company was RMB1.217 billion, representing a year-on-year increase of 15.31% and quarter-on-quarter increase of 23.76%. Net profit attributable to equity holders of the listed company after the reversal of R&D expenditure increased by 19.76% year-on-year and increased by 26.17% quarter-on-quarter.

During the Reporting Period, the Company's integrated gross profit margin was 14.74%, increased by 0.69 percentage point compared with the same period of last year. Pharmaceutical manufacturing grew by 0.79 percentage point and pharmaceutical distribution increased by 0.59 percentage point. The operating profit margin of the Company was 4.39% after deduction of management, sales and R&D expenses, representing an increase of 0.41 percentage point compared with the same period of last year.

The Company continues to maintain good quality of operation. During the Reporting Period, the operating net cash inflow amounted to RMB3.706 billion.



Operation Highlights in the First Half of the Year

Pharmaceutical Manufacturing

In the first half of 2020, due to the impact of the COVID-19, the global economy was greatly impacted and the pharmaceutical industry also faced unprecedented challenges. The Company, relying on abundant product variety resources, responded quickly and made full use of its strengths to offset its weaknesses under pressure. In the second quarter, the performance of Company has stabilized and recovered. From January to June, the sales revenue from the pharmaceutical manufacturing business was RMB11.675 billion, representing a decrease of 2.24% compared with the same period of last year. The gross profit margin was 58.55%, representing an increase of 0.79 percentage point compared with the same period of last year. The combined sales revenue of 60 key products was RMB6.547 billion, representing a year-on-year decrease of 3.00% and the average gross profit margin was 71.69%. From April to June, the sales revenue from the pharmaceutical manufacturing business was RMB6.024 billion, representing an increase of 4.84% compared with the same period of last year and quarter-on-quarter increase of 6.60%. The combined sales revenue of 60 key products was RMB3.484 billion, representing a year-on-year increase of 3.42% and quarter-on-quarter increase of 13.74%.

- Product and Planning

The Company actively promoted its own strength, further optimized and defined the development path of innovative drugs, generic drugs and traditional Chinese medicine according to the requirements of the new situation, new starting point and new development and in respect of its own business structure and product characteristics, and formally established the Rare Disease Drugs Department to concentrate on strengthening the expansion of the rare disease drug market.

1. Establishment of Product Strategy Department

During the Reporting Period, the newly established Shanghai Pharmaceuticals Products Strategy Department of the Company, as a first-level functional department, was positioned to manage the whole cycle of R&D, production and marketing of the Group's industrial products based on the Group's development strategy, guided by market demand and innovative competition, and aimed at product planning, thereby further improving the formulation and implementation efficiency of product planning, and comprehensively ensuring the continuous update and accelerated implementation of the product planning of "developing one generation and exploring one generation" from the and aspects of institutional setup, mechanism design and resource allocation.

2. Establishment of Rare Disease Platform

During the Reporting Period, the Company took rare disease drugs as the key development field, and further established the Rare Disease Drug Department on the basis of effectively integrating the existing approval resources for rare disease drugs (15 varieties, involving 18 rare diseases and more than 10 products under development). As the professional, concentrated and intensive development platform, the Company intends to comprehensively coordinate the R&D, production and sales in this field through physical operation mode. On one hand, the Company strengthened internal coordination for stock products, supplemented the weak development field and expanded relevant indications; on the other hand, it accelerated the cooperation between BD Project and business, further introduced and transformed new drugs for rare diseases and strive to become the leading enterprise of drugs for rare diseases in China.

Chapter 4 Report of the Board of Directors

3. Expanding Overseas Markets

Driven by the overall promotion of the newly established International Business Department, the Company seized the market opportunities during the epidemic and actively expanded the overseas sales of industrial products. On one hand, the Company has achieved access breakthroughs in dozens of countries and regions through accelerated review and approval of export registration of anti-epidemic drugs; on the other hand, the Company has keenly seized the opportunity of adjusting the international market supply pattern of APIs and further improved its market share in more than 50 countries where APIs have been sold, of which the Statin series APIs and Ticagrelor series APIs with the largest export volume increased by more than 60% year-on-year. In the first half of the year, the Group's total exports reached more than RMB500 million, more than three times that of the same period of last year. At the same time, the International Business Department has sorted out and selected a number of products with cost advantages and technical difficulties, created a list of export industrial products, and carried out overseas registration applications in batches.

4. Progress in Major Preparations Projects

During the Reporting Period, the Company signed a strategic framework agreement with Baoshan District, Shanghai, to in the "North Shanghai Biomedical Industrial Park" and launched the super factory project of Baoshan Pharmaceutical of Shanghai Pharmaceuticals, which is intended to integrate high-end chemical drug products in Shanghai and build a multi-dose, multi-species, high-yield industrial park, with the phase I of the project expected to commence within the year. The phase II of the Chiatai Qingchunbao Modern TCM Base (Deqing project) has already commenced in May 2020, and will integrate with the phase I of the project to form a highly automated, informatized and intelligent first-class intelligent TCM factory. The Shanghai Pharmaceuticals Modern TCM Base (Qingpu), with a total investment of RMB580 million, was under construction and was scheduled to be completed in the second half of this year, with exclusive products including artificial musk raw materials, ginkgo biloba extract and Jingyin mixture, etc. It will be a benchmark intelligent factory for modern TCM through the integration of informationization and automation.

5. Progress in Major API Preparation Integration Projects

During the Reporting Period, the Company further promoted the matching of preparations and raw materials, optimized the production base layout, and completed major projects according to the planning schedule. In April, the signing ceremony of Shanghai Pharmaceuticals Jinshan Green Pharmaceutical Excellence Base project (Phase 1) was held in Jinshan, Shanghai. In the future, the project will form a complete set for the preparations of No. 1 Biochemical & Pharmaceutical and SPH Zhongxi, thus realizing the transformation of the production layout from scattered to fine and SPH excellent and ensuring the supply of raw materials for key products. The Shanghai Pharmaceuticals Liaoning Green Raw Material Medicine Base project (Phase I) was launched in June in Fushun High-tech Zone, Liaoning Province, as a strategic raw material base for the consistency evaluation of Shanghai Pharmaceuticals anti-infective aseptic injections, and is scheduled to be put into production in 2022. In July, the groundbreaking for SPH Sine Pingyuan Medicine Industrial Park was laid in Pingyuan, Shandong Province, to build a national designated



professional park for the production of psychotropic drugs and a national production base for brand-name basic and common generic drugs, which will have an annual production capacity of 260 tonnes of APIs and 6 billion tablets after the project is completed and put into production.

6. Implementing the Corporate Responsibility As a Pharmaceutical Company to Fight Against the COVID-19

During the Reporting Period, Shanghai Pharmaceuticals fulfilled its social responsibility and mission as a pharmaceutical enterprise, and resumed work and production in a timely and orderly manner by working together to fight against the COVID-19. According to the summary statistics of the clinical drug varieties related to the fight against the COVID-19, and combined with the key control varieties of National Ministry of Industry and Information and the COVID-19 diagnosis and treatment protocol, the Company's manufacturing enterprises has established a list of ten categories of drugs, including antiviral, antibacterial, antipyretic and analgesic, phlegm, immune regulation, preventive medicine, Chinese patent medicine, etc., for the purpose of dynamic monitoring and advance planning to ensure the supply of anti-epidemic drugs.

- R&D and Innovation

During the Reporting Period, the Company further increased its investment in R&D, with total investment in R&D in the first half of the year amounting to RMB750 million, which was 6.42% of sales revenue from manufacturing, of which RMB677 million was invested in R&D expenses (a year-on year growth of 19.96%), which was 5.80% of sales revenue from manufacturing.

The Company's innovative drug pipeline made many progresses in different phases. During the Reporting Period, the applications for clinical trials of "LT3001 for injection" (new medicine for stroke) and "SPH3261 capsule" (new anti-tumor drug ErbB2 inhibitor) were approved by NMPA; "SPH4336 Tablet", the new anti-tumor small molecule drug, has received the "Clinical Trial Notice" from NMPA and will start Phase I clinical trials in the near future. The Phase II clinical trial for the effectiveness and safety of SPH3127 in the treatment of primary mild and moderate hypertension – a randomized, double-blind, dose-finding, placebo-parallel control study completed clinical research, and all three doses have advantages in curative effect compared with placebo. In July 2020, the first subject was enrolled in the phase I clinical trial of "SPH3348", a new anti-tumor drug with c-Met selective inhibitor, and the first subject was enrolled in the phase II clinical trial of Triptolide tablet, a "Lei Teng Shu" tablet for treatment of rheumatoid arthritis indications. All of the above innovative drug pipeline products are new class 1 drugs.

This year, the Company has also made a number of substantial progress in its generic drug consistency evaluation. From the beginning of the year to the date of disclosure, a total of 7 varieties (7 specifications) of Zopiclone Tablets, Metformin Hydrochloride Tablets, Ambroxol Hydrochloride Capsules, Captopril Tablets, Amlodipine Benzenesulfonate Tablets, Clozapine Tablets and Telmisartan Tablets passed the generic drug consistency evaluation, increasing the total number of approved products to 13 varieties (16 specifications), which is at the forefront of the industry. In the overseas market, the new generation of antiepileptic drug, eslicarbazepine acetate tablets, was provisionally approved by the U.S. FDA for four specifications of the ANDA (U.S. generic drug application) of the drug.

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Meanwhile, the Company continued to enrich its own innovative product pipeline and transformed and improved its pipeline layout with the mode of “Self-innovate + Introduction”. During the Reporting Period, the Company participated in the capital increase by Oncternal Therapeutics, a US-based early-stage bio-development company, at NASDAQ, which will be used to advance subsequent clinical trials; signed a cooperation agreement with Mapi Pharma, an Israeli pharmaceutical company, to develop two long-acting injectable projects; entered into an entreated technology development agreement with a new drug R&D company, Beijing Kexin Bicheng Pharmaceutical Technology Development Co., Ltd in respect of the rare diseases drugs. On 6 August, Shanghai Pharmaceuticals entered into a license agreement with Shenzhen Immvira Pharma Co., Ltd., pursuant to which, the Company will invest up to RMB1.15 billion to acquire the exclusive rights to commercialize a new generation of recombinant herpesvirus T3011 (intratumoral injection) in the Greater China region, which is currently undergoing clinical trials in China, Australia and the United States against various solid tumors, and the pre-clinical studies in combination with multiple anti-tumor therapies are also progressing strongly and are expected to enter the clinical phase soon.

In line with the product planning and R&D layout, the Company is also accelerating the construction of related platforms to improve R&D efficiency. 6 R&D platforms, 2 drug pilot platforms, 3 clinical platforms and 3 industrialization platforms have been completed or are under construction. As a major project of Shanghai in 2020, Shanghai Pharmaceuticals Biomedicine Industrial Base located at No. 92 Zhangjiang Road, Pudong New Area, Shanghai has been officially launched at the beginning of the year. After completion of construction, in addition to hosting Shanghai Pharmaceuticals’s in-house innovative research projects on therapeutic antibodies, cell therapy, gene therapy and other biopharmaceuticals, the Base will also build a “one-stop” public service platform for innovation incubation and drug pilot industrialization in the field of biopharmaceuticals, attracting and gathering small and medium-sized biopharmaceutical R&D enterprises; based on the Small-molecule Drug API and Preparation Drug Pilot Base (Phase I), the Bio-antibody and ADC Drug R&D Pilot and Industrialization Base (Phase II), the Shanghai Pharmaceuticals Northern Medicine project which is located in Benxi has been successfully capped in June this year, and is expected to be put into use in the first half of 2021.

Meanwhile, the Company continued to strengthen strategic cooperation with scientific research institutes and clinical institutions. During the Reporting Period, Shanghai Pharmaceuticals, Shanghai Jiao Tong University School of Medicine, Shanghai Bio-pharmaceutical Industry Equity Investment Fund (under preparation) and Shanghai Eryi Investment Management Co., Ltd. jointly signed a strategic cooperation framework agreement to jointly build an incubation platform for “Shanghai Pharmaceuticals – Medicine Innovation Achievements of Shanghai Jiao Tong University School” and accelerate the research and development and industrialization of cutting-edge innovation projects.



Pharmaceutical Service

From January to June, the Company's sales revenue from pharmaceutical distribution was RMB75.451 billion (a year-on-year decrease of 5.91%); its gross profit margin was 7.08%; and the sales revenue from pharmaceutical retail was RMB3.768 billion (a year-on-year decrease of 1.79%); its gross profit margin was 13.68%. This was mainly due to the impact of the COVID-19 epidemic, which greatly restricted the business development of medical institutions in the first quarter, resulting in a certain decline in pure sales business, but the Company's commercial business has recovered gradually since the second quarter onwards. From April to June, the Company's sales revenue from pharmaceutical distribution was RMB40.697 billion (a year-on-year growth of 0.68%); while the sales revenue from pharmaceutical retail was RMB1.965 billion (a year-on-year decrease of 0.99%). At the same time, the Internet medical and health industry also ushered in new opportunities. On the basis of fighting epidemic and ensuring supply, the Company actively maintains stable development of existing commercial business and strives to explore new opportunities hidden under the new normal.

During the Reporting Period, the Company continued to strengthen its competitive strength in warehousing and logistics, import access, etc., and actively explored new multinational pharmaceutical enterprise customers, and successfully introduced 8 import agent varieties in the first half of the year. Among other things, the Company will exclusively import and distribute Amgen's "Denosumab", the world's first RANKL inhibitor, as an innovative therapy for osteoblastoma, in which inhibition of RANKL secreted by tumor stromal components can significantly reduce or eliminate osteoclast-like tumor-associated giant cells. The Company will also import and distribute Teva's "Deutetrabenazine", the world's first deuterium-substituted drug, for the rare disease Huntington Disease, which will further strengthen the strength of the Company's rare disease drug platform.

During the Reporting Period, the Company's sales revenue from vaccine was RMB2.177 billion (a year-on-year growth of 49%). The Company's agent GlaxoSmithKline (GSK) blockbuster variety – recombinant herpes zoster vaccine (SHINGRIX) was officially launched on 2 July, which is expected to further boost vaccine sales in the second half of the year. Clinical data showed that SHINGRIX showed up to 90% or more efficacy in preventing shingles in all study age groups of 50 years and above, which is of significance for maintaining healthy functions and improving the health of middle-aged and elderly people.

The COVID-19 epidemic has also brought rapid growth in the volume of Internet medical care, accelerating the online hospital treatment. On the basis of the single beneficial drug brand products such as the original beneficial drug e-prescription and beneficial drug DTP pharmacy, the Company's SPH Health Commerce has gradually developed into a beneficial drug ecosystem with four major business segments and eight major series. Since this year, relying on the policy guidelines and technical means of card-optional payment of medical insurance electronic vouchers, and giving full play to the advantages of the "Internet Hospital + Drug Supply Chain Service Extension Project", the Company has explored a new model of "online registration for consultation, remote follow-up prescription, card-optional payment of medical insurance and direct delivery of drugs to patients". SPH Health Commerce now has connected with 31 Internet hospitals in Shanghai, and reached an exclusive distribution commission relationship with many of them. At present, the Series B financing of SPH Health Commerce is advancing, and it intends to introduce advantageous industry resources and development funds to accelerate the integration of industry-related new retail assets and upgrade the pharmaceutical business technology platform to help the Company become an industry leader in the future.

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Founded in August 2017, SPH Health Commerce's share-holding subsidiary, MediTrust Health, as the first full-cycle medical innovation payment platform in China, is committed to solving ordinary people's medical payment problems through innovative financial and Internet tools. Since its inception for three years, MediTrust Health has launched high-value drug financial installment business and efficacy insurance and many other innovative payment and pharmaceutical insurance projects around its innovative one-stop pharmaceutical solution brand for medical payments – Yaokangfu (藥康付), and its innovative medical insurance solution brand for commercial insurers – Yaoyibao (藥益保). In March this year, MediTrust Health received RMB30 million in Series A+ strategic financing from China Life Reinsurance Company Ltd. (“China Re Life”), and formed a comprehensive strategic partnership with China Re Life, which will promote further integration of payment and insurance business.

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

On 10 August, “Fortune” Magazine announced the list of the top 500 in the world in 2020, and Shanghai Pharmaceuticals made its debut on the list, ranking 473rd. Starting with a new beginning, Shanghai Pharmaceuticals will usher in a new chapter in its development. In the second half of the year, the Company will pursue the annual operation goals and key works set forth by the Board to carry out all kinds of operations in an orderly manner with a higher positioning and higher quality requirements:

In the pharmaceutical manufacturing, the Company will further increase its investment in R&D, insist on independent R&D and external cooperation in parallel, accelerate the progress of innovative projects, strengthen cooperation with famous experts in relevant clinical therapeutic and technical fields, improve the innovative R&D pipeline, promote the construction of major projects from R&D, clinical research, pilot test to industrialization, further enhance the integration of innovative resources, and accelerate cooperation with BIOCAD joint venture on product work, further deepen the cooperation with Shanghai Ruijin Hospital and West China Hospital of Sichuan University, and other institutions in innovation and clinical aspects, and gradually form an open and diversified research and development system. To adapt to the industry development trend and enhance the “high quality and low cost” manufacturing capacity, the Company has initiated the planning of several industrial parks to speed up the improvement of manufacturing capacity and to build up the advantage of intensification.

In the pharmaceutical services, the Company will give full play to its scale, service and synergy advantages, seize the opportunity of the rapid listing of innovative drugs, build an imported drug service platform in the new Lingang area of the Shanghai Pilot Free Trade Zone, seize the opportunity of the changing market landscape of mature and innovative drugs, and further expand its product and service categories; at the same time, the Company will also closely follow the new trend of Internet medical development, actively promote open cooperation and service innovation, and continue to enhance the value of services for medical institutions, retail terminals, patients, suppliers, etc. Recently, the Company was identified as the only professional medical emergency material reserve platform in Shanghai, and the materials that can be stored include drugs, vaccines, medical equipment, consumables, diagnostic equipment and supporting reagents, and personal protection. Under the guidance of the new strategy, the Company will accelerate the construction of supporting infrastructure, expand the distribution and storage capacity of various kinds of medical materials, and protect the lives and health of people.



II. MAJOR OPERATIONS DURING THE REPORTING PERIOD

(1) Analysis of principal business

1 Analysis on changes in relevant items of financial statements

Unit: RMB

Item	Amount for the Reporting Period	Amount for the same period of last year	Change (%)
Operating income	87,165,105,135.39	92,575,234,415.81	-5.84
Operating costs	74,055,046,724.02	79,286,909,662.12	-6.60
Costs of sales	6,120,364,930.72	6,430,188,385.31	-4.82
Administration expense	2,224,791,939.51	2,329,229,677.81	-4.48
Finance costs	670,508,004.34	664,798,432.98	0.86
R&D expenditure	676,750,443.92	564,145,212.56	19.96
Asset impairment losses	231,929,820.32	57,693,835.65	302.00
Credit impairment loss	153,480,670.87	219,733,124.55	-30.15
Gains from changes in fair value	103,418,122.80	58,035,860.22	78.20
Gains on disposal of assets	-1,215,478.38	6,416,615.89	/
Non-operating income	27,520,041.01	40,887,859.82	-32.69
Non-operating expenses	57,152,215.71	101,243,870.88	-43.55
Net cash flow generated from operating activities	3,705,636,065.71	2,022,707,082.95	83.20
Net cash flow generated from investing activities	-662,875,551.02	-1,708,857,204.39	61.21
Net cash flow generated from financing activities	4,180,568,566.81	-1,525,660,120.81	/

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

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

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

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

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

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

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

Reasons for changes in credit impairment loss: Decrease in provision for bad debts of receivable 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

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

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

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

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

Reasons for changes in net cash flow generated from investing activities: Increase of cash from acquisition of subsidiaries during the Reporting Period

Reasons for changes in net cash flow generated from financing activities: Increase in the issue of extra short-term financing bills during the Reporting Period

2 Others

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

Applicable Not Applicable

(2) Analysis of Principal Business by Industry

Applicable Not Applicable

Unit: RMB

By industry	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease		Increase/decrease in gross profit margin year-on-year (%)
				in operating income year-on-year (%)	in operating cost year-on-year (%)	
Manufacturing	11,674,691,545.54	4,730,226,128.36	59.48	-2.24	-3.96	Increased by 0.73 percentage point
Distribution	75,451,463,608.15	69,972,763,895.39	7.26	-5.91	-6.51	Increased by 0.59 percentage point
Retail	3,767,820,629.20	3,242,650,964.49	13.94	-1.79	-0.87	Decreased by 0.81 percentage point
Others	168,126,525.82	90,535,737.42	46.15	126.58	93.59	Increased by 9.18 percentage points
Offsetting	-4,131,604,490.73	-4,072,238,697.99	/	/	/	/

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

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

Applicable Not Applicable



(III) Analysis on Assets and Liabilities

✓Applicable □Not Applicable

1. Assets and Liabilities

Unit: RMB

Items	Current Ending Amount	Percentage of Ending Amount to Total Assets (%)	Last Ending Amount	Percentage of Last Ending Amount to Total Assets (%)	Change Ratio of Current Ending Amount to Last Ending Amount (%)	Description
Monetary funds	25,265,865,592.34	17.08	18,152,817,741.94	13.25	39.18	Increase of funds from the issue of extra short-term financing bill during the Reporting Period
Derivative financial assets	833,158.48	0.001	3,027,011.42	0.002	-72.48	Decrease in fair value of financial assets held during the Reporting Period
Non-current assets due within one year	8,431,708.80	0.01	23,257,721.60	0.02	-63.75	Decrease in long-term receivables due within one year during the Reporting Period
Long-term equity investment	6,570,883,880.24	4.44	4,853,779,059.53	3.54	35.38	Increase in investments in associates and jointly controlled entities during the Reporting Period
Other equity instrument investment	82,560,100.41	0.06	194,183,980.82	0.14	-57.48	Disposal of certain of financial assets during the Reporting Period
Other non-current assets	1,365,689,772.22	0.92	3,267,487,855.84	2.38	-58.20	Decrease of prepaid investment payment during the Reporting Period
Derivative financial liabilities	2,468,504.97	0.002	1,724,460.87	0.001	43.15	Increase in fair value of financial liabilities held during the Reporting Period
Other payables	13,475,341,328.80	9.11	9,565,692,034.58	6.98	40.87	Increase in dividend payables and current accounts of the Company during the Reporting Period
Accrued liabilities	22,362,171.45	0.02	70,923,169.00	0.05	-68.47	Decrease in provision for litigation expenses during the Reporting Period
Deferred income	1,842,548,836.01	1.25	1,278,726,271.79	0.93	44.09	Increase of relocation compensation during the Reporting Period

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

Applicable Not Applicable

As at 30 June 2020, the Company's housing and buildings and machinery equipment with the book value of RMB313,171,898.49 (original cost: RMB419,118,115.32), and 132,282.80 square meters of land use right (original cost of RMB35,366,228.63 and book value of RMB29,903,214.73) were set as collateral for short-term borrowings of RMB443,680,000.00, long-term borrowings of RMB35,059,705.50 and long-term borrowings due within one year of RMB26,000,000.00.

As at 30 June 2020, the Group pledged the accounts receivable with the book value of RMB842,008,167.46, receivables financing of RMB14,937,418.09 and notes receivable of RMB41,722,110.26 to the bank as a guarantee for short-term borrowings of RMB765,422,162.39. As at 30 June 2020, borrowings of RMB84,542,588.00 for bank collaterals and the long-term borrowings due within one year of RMB104,664,153.94 were obtained by pledging receivable with the book value of RMB189,206,741.94.

As at 30 June 2020, the balance of the Group's restricted monetary funds was RMB2,304,826,031.43, which was mainly the margin deposit for security for applying to the bank for issuing bank acceptance bills and letters of credit.

3. *Other information*

Applicable Not Applicable



(IV) Analysis on Investment Conditions

1. Overall Analysis on External Equity Investments

Applicable Not Applicable

Unit: RMBO'000

Amount of Investments during the Reporting Period	392,187.38
Increase or Decrease in Amount of Investment	305,827.95
Amount of Investment in the Same Period over Prior Year	86,359.43
Percentage of Increase in Amount of Investments (%)	354.13

(1) Significant Equity Investments

Applicable Not Applicable

Unit: RMBO'000

Acquiree	Time of acquisition	Purchasing cost	Principal business activities	Proportionate interest acquired	Acquisition method	Capital source	Partner	Income of acquiree from acquisition date to the period end	Net profit of acquiree from acquisition date to the period end	Whether involved in litigation
Sichuan Guojia Medical Technology Co., Ltd.	2 January 2020	189,358.90	Distribution of pharmaceutical products	51.00%	Acquisition of equity interests in target company through capital increase	Own fund	Third parties	146,284.74	6,626.17	No

(2) Significant Non-equity Investments

Applicable Not Applicable

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

Unit: RMB0'000

Code	Name	Initial Investment Cost	Ending Carrying Amount	Profit or Loss during Reporting Period	Change in Owners' Equity during Reporting Period	Change in Fair Value	Source of Capital	Purchase or Disposal during the Reporting Period
000931	ZHONGGUANCUN	9.93	25.55	0.83	/	0.83	Own fund	Nil
600675	CHINA ENTERPRISE	39.00	384.42	18.42	/	18.42	Own fund	Nil
601328	BANK OF COMMUNICATIONS	472.01	294.19	-28.67	/	-28.67	Own fund	Nil
03692(HK)	Hansoh Pharmaceutical (翰森製藥)	13,769.67	36,434.57	10,633.60	/	10,633.60	Own fund	Nil
00455(HK)	Tianda Pharma	8,785.19	3,843.37	/	-478.78	-478.78	Own fund	Nil
01763(HK)	China Isotope	4,004.42	4,412.64	/	1,079.00	1,079.00	Own fund	Partly disposed
/	Other non-current financial assets (unlisted company)	3,064.43	12,342.50	/	/	/	/	Partly transferred into subsidiaries
Total		30,144.65	57,737.24	10,624.18	600.22	11,224.40	/	/

(V) Disposal of Major Assets and Equities

- Applicable Not Applicable



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

✓Applicable □Not Applicable

Unit: RMB100 million

Company Name	Business Nature	Shareholding Percentage	Registered Capital	Size of Assets	Owners' Equity	Operating income	Net Profit
Shanghai Pharma Co., Ltd.	Sales of drugs	100%	50.00	565.95	136.80	463.72	8.05
SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Sales of drugs	100%	13.00	261.88	60.27	183.64	3.18
SPH Sine Pharmaceutical Factory Co., Ltd.	Production and sales of drugs	100%	11.92	53.72	27.15	27.68	2.90
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Production and sales of drugs	100%	2.25	25.82	12.10	15.03	1.25
SPH New Asia Pharmaceutical Co., Ltd.	Production and sales of drugs	96.90%	10.52	20.40	12.26	11.31	0.63
Shanghai TCM Co., Ltd.	Production and sales of drugs	100%	14.76	74.06	38.21	28.25	2.87
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Production and sales of drugs	75%	1.29	32.41	15.95	5.50	0.39
SPH Changzhou Pharmaceutical Co., Ltd.	Production and sales of drugs	75.89%	1.58	42.72	22.61	26.17	1.31
SPH Zhongxi Sunve Pharmaceutical Co., Ltd.	Production and sales of drugs	100%	5.46	36.20	28.79	6.96	4.43
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Production and sales of drugs	67.52%	0.93	12.37	7.71	6.97	0.47
Hangzhou Huqingyutang Pharmaceutical Co., Ltd.	Production and sales of drugs	51.01%	1.35	7.06	5.39	2.44	0.23
Xiamen TCM Factory Co., Ltd.	Production and sales of drugs	61%	0.84	4.30	3.59	1.89	0.25
Liaoning SPH Herbex Pharmaceutical (Group) Co., Ltd.	Production and sales of drugs	55%	0.51	8.95	4.94	3.34	0.38
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Production and sales of drugs	100%	0.94	6.26	3.73	2.56	0.39
SPH Materials Supply and Sales Co., Ltd.	Wholesale of Chemicals and APIs	100%	1.01	2.57	1.22	0.91	0.01
Shanghai Medical Instruments Co., Ltd.	Production and sales of medical equipments	100%	1.27	6.81	3.46	2.18	0.17
SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd.	Production and sales of drugs	100%	1.41	5.57	4.14	0.87	0.15
Shanghai Pharma Sales Co., Ltd.	Sales of drugs	100%	0.50	10.03	2.01	7.52	0.55
Zeus Investment Limited	Production and sales of healthcare products	59.61%	AUD3.19	22.26	8.53	4.47	0.02
Techpool Bio-pharma Co., Ltd. (廣東天普生化醫藥股份有限公司)	Production and sales of drugs	67.14%	1.00	16.52	13.10	4.63	0.47

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(VII) The Structural Entity Controlled by the Company

Applicable Not Applicable

III. OTHER DISCLOSURES

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

Applicable Not Applicable

(II) Potential Risk Factors

Applicable Not Applicable

1. *Risk of industry policy change*

As the centralized and volume-based procurement of drugs continues to be promoted and the Measures for the Administration of Drug Registration and Measures for the Supervision and Administration of Drug Production come into force, the impact of the policy on the pharmaceutical industry is at the stage of adaptation and adjustment, and the circulation model and operation model of the pharmaceutical industry may face further adjustment. The Company will conduct adequate research on various policies, make resource adjustment allocation in advance, and make plans for extreme situations in advance. The Company will also proactively adapt to market changes, continue to improve its innovation capabilities, accelerate the launching of innovative products, and promote continuous optimization of its business structure.

2. *Risk of new drug research and development falling short of expectations*

The R&D of new drugs is characterized by high investment, high risk and long cycle, and each step is susceptible to unpredictable factors, which may lead to the risk of not recovering the initial R&D investment. The Company will adhere to the strategic strength, continue to promote innovation and development, follow the policy, industry environment and timely adjust the R&D strategy, insist on scientific project initiation, establish an effective risk prevention and control mechanism, reasonable allocation of market resources, actively introduce high-end R&D talents, and enhance the systematization capabilities of R&D innovation.

3. *Risk of changes in domestic and foreign supply chain systems*

Affected by the global COVID-19 epidemic, the Company and its subsidiaries are facing uncertainties in international market expansion and overseas cooperation models, while price fluctuations of domestic and overseas bulk herbs and raw materials may have an impact on the Company's product costs. The Company will make plans for alternative suppliers of raw materials and API self-support, while actively paying attention to and exploring cooperation in emerging markets.



IV. 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 65.00%, representing an increase of 1.04 percentage points over the beginning of the period. The interest coverage ratio (EBIT/Interest Expenses) was 5.72 times (same period of 2019: 5.54 times). The gearing ratio (net amount of debts/total capital) of the Company was 24.90%.

During the Reporting Period, Shanghai Pharmaceuticals has a good liquidity and financial resources. As at the end of the Reporting Period, the balance of bank loans was RMB29.776 billion and the balance of bonds payable was RMB3 billion and the balance of extra short-term financing bill was RMB5 billion, of which the balance of loans in New Zealand Dollar amounted to RMB316 million, the balance of loans in US Dollar amounted to RMB7.172 billion, the balance of loans and bonds payable at a fixed interest rate amounted to RMB27.399 billion. The net amount of accounts receivable and notes receivable (including receivables financing) was RMB51.696 billion, representing an increase of 3.80% on a year-on-year basis. The increased accounts receivable was mainly due to the expanded operation scale of the Company and the expanded scope of consolidation. The balance of accounts payable and notes payable of the Company was RMB36.715 billion, representing a decrease of 0.43% on a year-on-year basis.

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

(II) Exchange Rate Fluctuation Risk and Any Hedging

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

(III) Contingent Liabilities

During the Reporting Period, the Company has no major action or arbitration pending to be disclosed.

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(IV) Employees, Remuneration Policy and Training Scheme

As of 30 June 2020, Shanghai Pharmaceuticals had a total of 47,459 employees (including 1,250 R&D personnels).

The Company adhered to the payment concept of “Position, Ability, Performance and Market” which improved annual and term performance evaluation system of senior management of the Company and management of the subsidiaries, with upgraded performance-based incentive and restraint mechanism. The Company constructed differentiated remuneration systems for management staff, marketing staff, R&D staff, technical quality management staff and production staff with reasonable docking between the various remuneration systems, so as to effectively motivate the employees and stimulate their creativity, continually improve the Company’s business results and enhance the achievement of the Company’s strategic goals. The Company carried out market research on remuneration, improving the staff revenue growth and underpinning mechanisms related to the Company’s operating performance, so that employees can share the achievements of enterprise development.

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

During the Reporting Period, the Company continued to push forward the implementation of the “dynamic development strategy with six verticals and six horizontals” through the combination of “online + offline” training, forming a talent training system focusing on main programs, rotation training programs, professional programs and special projects, supplemented by a series of forums + university lectures. During the Reporting Period, the Company pushed forward the implementation of Mini MBA program using online live streaming and conducted seven professional forums to enhance the pharmacy literacy of its employees. The Company’s Large Wild Goose project (Phase V), Elite Wild Goose project (Phase II) and Marketing Boot Camp (Phase I) were successfully completed, and the online public lectures on taxation attracted more than 2,000 participants, further consolidating the talent reserve base of the Company. In addition, the Company adopted a multi-scene practical teaching method to enhance the “new media literacy” of the management and realize the symbiosis and win-win of enterprise and leadership image; in addition, the Company also set up a special training program for its international development, designing courses based on multi-dimensional aspects such as language ability and cross-border negotiation to enhance its ability to cooperate with overseas enterprises.



(V) Option Incentive Scheme

On 18 December 2019, the Company's 2019 share option incentive scheme (the "Option Incentive Scheme") was 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 "Grant Date"), pursuant to shareholders' authorization, the Board approved the grant of 25,680,000 A-share share options (the "Initial Granted Options") to 211 participants and reserved 2,740,900 A-share share options (the "Reserved Options").

Due to the resignation of employee, the Company considered and approved at the meeting of the board on 10 February 2020 to adjust the number of the Initial Participants from 211 to 210 and the number of Initial Granted Options was adjusted from 25.68 million to 25.60 million accordingly with no adjustments to the Reserved Options. For details, please refer to the Company's overseas regulatory announcement dated 11 February 2020.

1. *Purpose of the Option Incentive Scheme*

To further optimize the corporate governance structure of the Company, create long-term incentive and restrictions on the senior management, mid-level management and key technical and business staff of the Company, fully encourage their initiative and creativity, effectively align their interests with the Company's long term development, prevent the loss of talents, and achieve sustainable development of the Company, as proposed by the Remuneration and Assessment Committee of the Board, Shanghai Pharmaceuticals formulated the Option Incentive Scheme in accordance with relevant laws, regulations and regulatory documents, and the Articles of Associations.

2. *Determination of and distribution to participants under the Option Incentive Scheme*

The participants under the Option Incentive Scheme comprise the senior management, mid-level management and key technical and business staff of the Company. The participants do not include non-executive Directors, independent non-executive Directors, members of the Remuneration and Assessment Committee, Supervisors, and any substantial shareholders or actual controller individually or jointly holding more than 5% of the Shares of the Company and their respective spouse, parents and children. All participants are employed by the Company or its holding subsidiaries and branches, and have entered into labour contracts with and received remuneration from the Company or its holding subsidiaries.

Chapter 4 Report of the Board of Directors

The distribution of the share options initially granted to participants is as follows:

Name	Position(s)	Number of the share options proposed to be granted (in 10,000 A Shares)	Percentage to total number of the share options granted (%)	Percentage to total issued share capital of the Company as of the Grant Date (%)
Cho Man	Executive Director, president	48.00	1.69%	0.017%
Li Yongzhong	Executive Director, vice president	39.00	1.38%	0.014%
Shen Bo	Executive Director, vice president, chief financial officer	39.00	1.38%	0.014%
Zhao Yong	Vice President	33.00	1.16%	0.012%
Mao Jianyi	Vice President	33.00	1.16%	0.012%
Gu Haoliang	Vice President	33.00	1.16%	0.012%
Liu Dawei	Vice President	33.00	1.16%	0.012%
Zhang Yaohua	Vice President	33.00	1.16%	0.012%
Chen Jinzhu	Secretary to the Board	33.00	1.16%	0.012%
Middle level management and core employees of the Company (201 persons in total)		2,236.00	78.90%	0.787%
Total initial granted share options		2,560.00	90.33%	0.901%

3. *Number of share options proposed to be granted under the Option Incentive Scheme*

The number of A-share share options proposed to be granted under the Option Incentive Scheme is 28,420,900, representing not more than approximately 1.00% of the total number of Shares of the Company in issue as of the date of this report.



4. *Maximum number of share options granted to each participant under the Option Incentive Scheme*

The total number of Shares to be granted to the participants under the Option Incentive Scheme which are still in the Validity Period of the Option Incentive Scheme shall not exceed 1% of the Company's total share capital at the time of the approval by the General Meetings (being 18 December 2019) on a cumulative basis.

5. *Vesting period*

The vesting period shall be the period commencing from the registration date of the grant of share options to the first exercise date. The vesting period for the Option Incentive Scheme shall be 24 months.

6. *Exercise Period and Exercise Date*

The share options granted to the participants can be exercised after the vesting period. The exercise date must be a trading day and shall not fall into the following periods:

- (i) the period commencing on 30 days prior to the announcements of periodic reports of the Company, or in the event of postponement in publishing the periodic reports for special reasons, 30 days prior to the original announcement date and end on one day prior to the actual announcement date;
- (ii) the period commencing on 10 days prior to the announcements of results forecast and preliminary results of the Company;
- (iii) the period commencing on the date of the occurrence of material events that may have significant impacts on price of Shares and derivatives of the Company, or the date of entering into the decision-making process, and end on two business days after such events have been lawful disclosed; and

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- (iv) other periods prescribed by the CSRC and the Shanghai Stock Exchange.

During the exercise period, the participants are able to exercise the options according to the following exercising arrangement upon the fulfillment of the exercise conditions under the Option Incentive Scheme. The exercise period of the share options and timetable for each exercise are set out below:

Exercise Period	Time Arrangement	Proportion of Exercisable Share Options to the number of Share Options granted
First exercise period	Commencing from the first trading day upon the expiry of 24 months from the Grant Date to the last trading day upon the expiry of 36 months from the Grant Date	33%
Second exercise period	Commencing from the first trading day upon the expiry of 36 months from the Grant Date to the last trading day upon the expiry of 48 months from the Grant Date	33%
Third exercise period	Commencing from the first trading day upon the expiry of 48 months from the Grant Date to the last trading day upon the expiry of 60 months from the Grant Date	34%

The participants shall exercise the share options during the exercise period. If the exercise conditions are not fulfilled, such share options shall not be exercised. If the exercise conditions are fulfilled nevertheless not all of the relevant share options have been exercised during the above exercise period, such share options shall be cancelled by the Company.



7. *Exercise price and determination method*

The exercise price of the share options under the Option Incentive Scheme is RMB18.41 per A Share for the initial grant, i.e. upon the fulfillment of the exercise conditions, the participants are able to purchase the A Shares issued by the Company to the participants at the price of RMB18.41 per A Share. In cases of capitalization of capital reserves, bonus issue and shares subdivision, rights issue, and share consolidation, exercise price shall be adjusted accordingly.

The exercise price of the share options for the initial grant under the Option Incentive Scheme shall not be less than the nominal value of the A Shares and shall not be lower than the higher of:

- (i) the average trading price of the A Shares on the trading day immediately preceding the date of the announcement in relation to the Option Incentive Scheme, being RMB18.20 per A Share;
- (ii) the average trading price of the A Shares for 60 trading days immediately preceding the date of the announcement in relation to the Option Incentive Scheme, being RMB18.41 per A Share.

The share options for the reserved grant shall be approved by the meetings of the Board before each grant, among whom, the directors who are proposed to be participants or directors in relation thereto shall abstain from voting. The exercise price shall be not be less than the nominal value of the A Shares and determined with reference to the higher of:

- (i) the average trading price of the A Shares on the trading day immediately preceding the date of the announcement of the Board's resolution of granting the reserved share options;
- (ii) the average trading price of the A Shares for 20, 60 or 120 trading days immediately preceding the date of the announcement of the Board's resolution of granting the reserved share options.

8. *Validity period*

(1) Validity period of the Option Incentive Scheme

The Option Incentive Scheme will take effect after it has been considered and approved by the General Meetings, and will expire on the date on which the share options granted under the Option Incentive Scheme have been exercised or cancelled.

(2) Validity period of the share options

The validity period of the share options granted under the Option Incentive Scheme commences from the registration date of the grant, which shall not exceed 60 months.

Chapter 4 Report of the Board of Directors

9. Changes in options granted under the Option Incentive Scheme

Details of changes in options granted under the Option Incentive Scheme for the six months ended 30 June 2020 are as follows:

Name	Position(s)	Number of options outstanding at the beginning of the Reporting Period	Number of options granted during the Reporting Period (in 10,000 A Shares)	Number of exercisable options during the Reporting Period (in 10,000 A Shares)	Number of options exercised during the Reporting Period (in 10,000 A Shares)	Number of options cancelled during the Reporting Period (in 10,000 A Shares)	Number of options lapsed during the Reporting Period (in 10,000 A Shares)	Number of options outstanding at the end of the Reporting Period (in 10,000 A Shares)
Cho Man	Executive Director, president	48.00	0	0	0	0	0	48.00
Li Yongzhong	Executive Director, vice president	39.00	0	0	0	0	0	39.00
Shen Bo	Executive Director, vice president, chief financial officer	39.00	0	0	0	0	0	39.00
Zhao Yong	Vice President	33.00	0	0	0	0	0	33.00
Mao Jianyi	Vice President	33.00	0	0	0	0	0	33.00
Gu Haoliang	Vice President	33.00	0	0	0	0	0	33.00
Liu Dawei	Vice President	33.00	0	0	0	0	0	33.00
Zhang Yaohua	Vice President	33.00	0	0	0	0	0	33.00
Chen Jinzhu	Secretary to the Board, joint company secretary	33.00	0	0	0	0	0	33.00
Middle level management and core employees of the Company (201 persons in total)		2,236.00	0	0	0	0	0	2,236.00
Reserved shares		274.09	0	0	0	0	0	274.09
Total		2,834.09	0	0	0	0	0	2,834.09

Note: Immediately prior to the Grant Date of the options (18 December 2019), the closing price of the Company's A Shares was RMB18.07 per A Share.

As at 30 June 2020, no initial granted options were exercised, cancelled and lapsed.



10. 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, and estimated the fair value of shares options initially granted using this model on 19 December 2019 (Grant Date). Particulars are as follows:

The 25.68 million 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 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 17.08 of the Hong Kong Listing Rules, there were 210 participants under the Option Incentive Scheme, among which, three of them were directors of the Company (the "Category One Grantees") and the rest 207 participants were employees working under employment contracts with the Company that are regarded as "continuous contracts" for the purposes of the Employment Ordinance (Chapter 57 of Hong Kong laws) (the "Category Two Grantees").

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The fair values of the first, second and third batches of the options granted to the Category One Grantees and the Category Two Grantees during the period for the six months ended 30 June 2020 are set out below.

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

(2) Accounting policies in relation to share options

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

(i) Grant Date

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

(ii) Vesting period

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

(iii) Exercise period

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

(iv) Exercise date

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



Chapter 5 Significant Events

I. GENERAL MEETING

Meeting Session	Date of convening	Query index on designated website for publishing resolutions	Date of disclosure on publishing resolutions
2019 Annual General Meeting, 2020 First A Share and H Share Class Meetings	23 June 2020	Announcement Lin No. 2020-040 disclosed on the Shanghai Stock Exchange (http://www.sse.com.cn/).	24 June 2020

Explanation of the General Meeting

Applicable Not Applicable

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

(1) 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

III. 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

Chapter 5 Significant Events

Pursuant to the Prospectus on Initial Public Offering of Shares and Listing on the Science and Technology Innovation Board disclosed by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (“Fudan-Zhangjiang”) on 19 June 2020, the Company issued the Commitment Letter on Avoiding Horizontal Competition, the Commitment Letter on Share Lock-up and the Commitment Letter on Intention to Reduce Shareholding, confirming that the Company made the following commitments during the period of holding of Fudan-Zhangjiang’s shares:

- 1 The Company will not use its capacity as a substantial shareholder to interfere with the independent operation of Fudan-Zhangjiang, nor will it seek to obtain benefits from or transfer benefits to Fudan-Zhangjiang;
- 2 The Company and the enterprises directly or indirectly controlled by it will not voluntarily increase their shareholdings in Fudan-Zhangjiang, nor will it obtain actual control over Fudan-Zhangjiang in any form;
- 3 The Company will continue to strictly comply with the relevant provisions of laws and regulations with respect to the connected transactions between the Company and Fudan-Zhangjiang in respect of their business activities;
- 4 The Company will strictly comply with the corresponding provisions of relevant laws and rules and timely fulfill its disclosure obligations when it exchanges shares of Fudan-Zhangjiang held by it in the future.

As at the end of the Reporting Period, the Company strictly complied with the above commitments and there was no violation of such commitments.



IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Appointment and dismissal of accounting firms

Applicable Not Applicable

The Company considered and approved the Proposal regarding Re-appointment of Domestic Auditor and Termination of Re-appointment of Overseas Auditor at the 2019 Annual General Meeting held on 23 June 2020. The Company resolved not to engage overseas auditor since 2020 and engaged PricewaterhouseCoopers Zhong Tian LLP as the Company's audit firm for 2020 which shall undertake other duties required for overseas auditors under the Hong Kong Listing Rules.

Statement of the change in accounting firms during the auditing period

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

V. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Applicable Not Applicable

VI. MATERIAL LITIGATIONS AND ARBITRATIONS

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

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

Applicable Not Applicable

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

Applicable Not Applicable

Chapter 5 Significant Events

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

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

Applicable Not Applicable

Overview of Events	Search Index
On 30 September 2019, the proposal regarding the 2019 Share Option Scheme (Draft) and Summary, the proposal regarding Assessment Management Measures for the Implementation of the 2019 Share Option Scheme, the proposal regarding Mandate Granted by the General Meeting to the Board to Deal with the Relevant Matters in respect of 2019 Share Option Scheme and the proposal regarding the List of Participants under the 2019 Share Option Scheme were considered and approved at the fifth meeting of the seventh session of the Board and the third meeting of the seventh session of the Board of Supervisors of the Company.	Announcements Lin No. 2019-077, Lin No. 2019-078 and Lin No. 2019-079
On 18 December 2019, the proposal regarding Proposed Adoption of the 2019 Share Option Scheme, the proposal regarding Assessment Management Measures for the Implementation of the 2019 Share Option Scheme and the proposal regarding Proposed Authorization to the Board to Deal with the Relevant Matters in relation to the 2019 Share Option Scheme were considered and approved at the 2019 first extraordinary general meeting, the 2019 Second A Share Class Meeting and the 2019 Second H Share Class Meeting of the Company.	Announcement Lin No. 2019-096
On 19 December 2019, the proposal regarding Relevant Matters in relation to Initial Grant under the 2019 Share Option Scheme was considered approved at the seventh meeting of the seventh session of the Board and the fifth meeting of the seventh session of the Board of Supervisors of the Company.	Announcements Lin No. 2019-097, Lin No. 2019-098 and Lin No. 2019-099
On 10 February 2020, the proposal regarding the Adjustment of the List of Participants and Number of Share Options under the Share Option Scheme was considered and approved at the eighth meeting of the seventh session of the Board and the sixth meeting of the seventh session of the Board of Supervisors of the Company.	Announcements Lin No. 2020-002, Lin No. 2020-003, Lin No. 2020-004
On 15 February 2020, as reviewed and confirmed by the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, the registration of the share options initially granted under share option scheme was completed.	Announcement Lin No. 2020-005



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

Equity incentives

Applicable Not Applicable

Employee share schemes

Applicable Not Applicable

Other incentive measures

Applicable Not Applicable

X. SIGNIFICANT RELATED TRANSACTIONS

(1) Related transactions relating to daily operations

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

Applicable Not Applicable

Chapter 5 Significant Events

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

✓Applicable □Not Applicable

Unit: RMB0'000

Related party	Related relationship	Type of the related transaction	Particulars of the related transaction	Pricing principle of the related transaction	Amount of the related transaction	Proportion in the amount of 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	Controlling Shareholder and its Subsidiaries	Purchase of goods and receipt of services from the related party	Purchase of goods and receipt of services from the related party	Negotiated based on the market price	890.06	100.00	Cash	890.06	N/A
		Selling products and offering labor services to the related party	Selling products and offering labor services to the related party	Negotiated based on the market price	43.20	100.00	Cash	43.20	N/A
Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司) and its subsidiaries	Parent company and its wholly-owned subsidiary	Leasing housing and equipment and receiving property services from related party	Leasing housing and machinery and receiving property services	Negotiated based on the market price	2,552.36	100.00	Cash	2,552.36	N/A
		Leasing housing to related party	Leasing housing to related party	Negotiated based on the market price	218.00	100.00	Cash	218.00	N/A
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	Loans in related finance companies	Loan and settlement and other financial services	Negotiated based on the market price	259,950.00	100.00	Cash	259,950.00	N/A
		Deposits in related finance companies	Deposits services (daily maximum)	Negotiated based on the market price	227,969.68	100.00	Cash	227,969.68	N/A
Shangshi Commercial Factoring Co., Ltd. (上實商業保理有限公司)	Subsidiary of Controlling Shareholder	Provision of factoring services by related insurance companies	Total credits amount received for the accounts receivable financing business	Negotiated based on the market price	8,125.00	100.00	Cash	8,125.00	N/A

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

(III) Material related transactions relating to joint external investment

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

(IV) Credits and liabilities with related parties

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

Chapter 5 Significant Events

XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1 Trusteeship, contracting and leasing

Applicable Not Applicable

2 Guarantees

Applicable Not Applicable

Unit: RMB

External guarantees provided by the Company (excluding those provided to its subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Value of guarantee	Date of guarantee (date of agreement)	Commencement		Type of guarantee	Guarantee			Any counter Guarantee	Guarantee Provided to	
					date of guarantee	expiry date of guarantee		Fully fulfilled	Guarantee overdue	Overdue amount		related parties	Connected relationship
Shanghai Pharma Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd	366,604.00	/	2019/12/18	2020/3/18	Joint guarantee	Yes	No	/	No	No	associate
Shanghai Pharma Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd	926,965.48	/	2019/12/18	2020/3/18	Joint guarantee	Yes	No	/	No	No	associate
Shanghai Pharma Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd	839,773.10	/	2019/12/18	2020/6/18	Joint guarantee	Yes	No	/	No	No	associate
Shanghai Pharma Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd	6,722,926.37	/	2019/12/23	2020/3/23	Joint guarantee	Yes	No	/	No	No	associate
Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)													/
Total remaining balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)													/
Guarantees provided by the Company to its subsidiaries													
Total value guaranteed for its subsidiaries during the Reporting Period													2,161,604,409.65
Total remaining balance guaranteed for its subsidiaries at the end of the Reporting Period (B)													9,605,575,169.47
Total value guaranteed by the Company (including those provided to its subsidiaries)													
Total value guaranteed (A+B)													9,605,575,169.47
Percentage of total value guaranteed in the Company's net assets (%)													22.38
Among which:													
Value guaranteed for shareholders, de facto controller and related parties (C)													/
Value directly or indirectly guaranteed for guaranteed parties whose gearing ratio exceeds 70% (D)													8,699,992,157.54
Amount of total value guaranteed exceeding 50% of net assets (E)													/
Total value guaranteed for the above three items (C+D+E)													8,699,992,157.54
Details of possible joint and several settlement liabilities for undue guarantee													/
Details of guarantee													/

XII. POVERTY ALLEVIATION MEASURES OF THE LISTED COMPANY

Applicable Not Applicable

XIII. CONVERTIBLE CORPORATE BONDS

Applicable Not Applicable



XIV. INFORMATION ON ENVIRONMENT

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

✓Applicable □Not Applicable

1. Information on discharge of pollutants

✓Applicable □Not Applicable

No.	Name of key pollutant discharging units	Name of key pollutants	Discharge mode	Discharge condition	Discharge concentration waste water (mg/L), exhaust gas (mg/m ³)	Total discharge amount (tonne)	Implemented standards for discharge of pollutants	Approved total amount of discharge (tonne)
1.	Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd. (Jianchuan Road)	COD	Interval	Main waste water outlet	36.50	1.33	DB31/373-2010 Indirect discharge standard of Discharge Standards of Pollution of Biopharmacy Industry; GB 8978-1996 Level 3 standard of Comprehensive Discharge Standards on Sewage	0.75 (including total discharge of raw materials only, and no pollutant discharge permit is issued for preparations)
		Ammonia nitrogen			1.69	0.06		0.06 (including total discharge of raw materials only, and no pollutant discharge permit is issued for preparations)
		SO ₂	Continuous	Exhaust gas outlet	0	0	DB31/387-2018 Table 1 of Emission Standard of Air Pollutants for Boilers	0.60
		PM			1.75	0.04		0.57
		NOx			35.80	1.40		11.48
	Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd. (Bijiang Road)	Non-methane hydrocarbon	Continuous	Exhaust gas outlet	9.15	0.13	DB31/373-2010 Discharge Standards of Pollution of Biopharmacy Industry	1.25
		Ammonia	Continuous	Exhaust gas outlet	0.57	0.02	DB31/1025-2016 Emission Standards for Odor Pollutants	0.01 (source EIA)
		COD	Interval	Main waste water outlet	49.61	0.35	DB31/199-2018 Level 3 Discharge Limits in Table 2 of Comprehensive Discharge Standard of Sewage	20.26
		Ammonia nitrogen			0.43	0.003		1.82
		SO ₂	Continuous	Exhaust gas outlet	0	0	DB31/387-2018 Table 1 of Emission Standard of Air Pollutants for Boilers	0.05
	PM			1.20	0.001		0.09	
	NOx			48.50	0.14		1.59	
	Non-methane hydrocarbon	Continuous	Exhaust gas outlet	13.00	1.29	DB31/933-2015 Table 1 of Comprehensive Emission Standard of Air Pollutants	10.30	
	Ammonia	Continuous	Exhaust gas outlet	0.53	0.03	DB31/1025-2016 Emission Standards for Odor Pollutants	Nil	

Chapter 5 Significant Events

No.	Name of key pollutant discharging units	Name of key pollutants	Discharge mode	Discharge condition	Discharge concentration waste water (mg/L), exhaust gas (mg/m ³)	Total discharge amount (tonne)	Implemented standards for discharge of pollutants	Approved total amount of discharge (tonne)
2.	Shanghai Ziyuan Pharmaceutical Co., Ltd.	COD	Interval	Main waste water outlet	137.50	0.54	DB31/199-2018 Comprehensive Discharge Standard of Sewage	Nil
		Ammonia nitrogen			6.87	0.03		Nil
		SO ₂	Continuous	Exhaust gas outlet	0	0	DB31/387-2018 Emission Standard of Air Pollutants for Boilers	0.04
		NOx			57.67	0.03		0.07
		PM			1.87	0.001		0.01
		Non-methane hydrocarbon	Interval	Exhaust gas outlet	12.61	0.32	DB31/933-2015 Comprehensive Emission Standard of Air Pollutants	0.72
Hydrogen chloride	5.80	0.06			Nil			
3.	Shanghai SPH Zhongxi Pharmaceutical Co., Ltd.	COD	Continuous	Main waste water outlet	34.20	1.42	DB31/199-2018 Level 3 standard of Comprehensive Discharge Standard of Sewage	23.77
		Ammonia nitrogen			0.94	0.04		1.09
		SO ₂	Continuous	Exhaust gas outlet	0	0	DB31/387-2018 Discharge Limits in Table 2 of Emission Standard of Air Pollutants for Boilers	0.44
		NOx			28.13	0.64		3.87
		PM			2.05	0.34		0.85
		Non-methane hydrocarbon	Interval	Exhaust gas outlet	2.70	0.16	GB37823-2019 Special Discharge Limits in Table 2 of Air Pollutant Emission Standard of Pharmaceutical Industry	0.35
4.	Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.	COD	Continuous	Main waste water outlet	27.18	1.96	GB/T31962-2015 Water Quality Standard on Discharge of Sewage into Cities and Towns Sewer	Nil
		Ammonia nitrogen			0.53	0.04		Nil
5.	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	COD	Continuous	Main waste water outlet	24.09	0.72	DB31/199-2018 Comprehensive Discharge Standard of Sewage and GB/T31962-2015 Water Quality Standard on Discharge of Sewage into Cities and Towns Sewer	9.44
		Ammonia nitrogen			7.31	0.22		0.97
		SO ₂	Interval	Exhaust gas outlet	3.50	0.01	DB31/767-2013 Air Pollutant Emission Standard for Hazardous Wastes Incineration	2.16
		NOx			53.67	0.19		1.62
		PM			6.55	0.02		0.02
		Volatile organic compound (VOCs)	Interval	Exhaust gas outlet	19.10	4.20	GB37823-2019 Air Pollutant Emission Standard of Pharmaceutical Industry	1.08
Hydrogen chloride	1.00	0.003			Nil			
6.	Shanghai Leiyunshang Pharmaceutical Co., Ltd.	COD	Continuous	Main waste water outlet	59.58	4.43	DB31/199-2018 Comprehensive Discharge Standard of Sewage	Nil
		Ammonia nitrogen			5.11	0.38		Nil



Chapter 5 Significant Events

No.	Name of key pollutant discharging units	Name of key pollutants	Discharge mode	Discharge condition	Discharge concentration waste water (mg/L), exhaust gas (mg/m ³)	Total discharge amount (tonne)	Implemented standards for discharge of pollutants	Approved total amount of discharge (tonne)
7.	Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	COD	Interval	Main waste water outlet	316.00	9.48	As per the takeover contract with Jiangsu Dayu Water Holding Co., Ltd. (Wunan Sewage Treatment Plant) GB/T31962-2015 Water Quality Standard on Discharge of Sewage into Cities and Towns Sewer	22.34
		Ammonia nitrogen			0.70	0.02		1.56
		SO ₂	Interval	Exhaust gas outlet of boilers	0	0	GB13271-2014 Emission Standard of Air Pollutants for Boilers	Nil
		NOx			51.90	0.98		Nil
		PM			0	0		Nil
		VOCs			2.03	0.01		7.68
Methanol	Interval	Exhaust gas outlet	17.50	0.02	GB16297-1996 Air Pollutant Emission Standards DB32/3151-2016 Emission Standard of Volatile Organic Compounds for Chemical Industry	Nil		
8.	Changzhou Pharmaceutical Factory Co., Ltd.	COD	Interval	Main waste water outlet	151.00	13.12	As per the takeover contract with the Changzhou Southeast Industrial Wastewater Treatment Plant Co., Ltd	43.43
		Ammonia nitrogen			0.91	0.08		1.74
9.	Nantong Changyou Pharmaceutical Technology Co., Ltd.	COD	Continuous	Main waste water outlet	314.00	16.80	As per the takeover contract with Rudong Shenshui Environmental Technology Co., Ltd	76.19
Ammonia nitrogen	0.75	0.04			5.51			
10.	SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	COD	Interval	Main waste water outlet	131.00	5.59	DB37/676-2007 Comprehensive Emission Standard of Water Pollutants for Shandong Peninsula Basin GB/T31962-2015 Water Quality Standard on Discharge of Sewage into Cities and Towns Sewer	92.59
		Ammonia nitrogen			2.55	0.11		5.22
11.	TECHPOOL Bio-Pharma Co., Ltd. (廣東天普生化醫藥股份有限公司)	COD	Interval	Main waste water outlet	22.50	0.43	DB44/26-2001 Discharge Limits of Water Pollutants and GB/T31962-2015 Water Quality Standard on Discharge of Sewage into Cities and Towns Sewer	33.45
		Ammonia nitrogen			0.07	0.001		3.01
		SO ₂	Continuous	Exhaust gas outlet of boilers	<3.00	0.004	GB13271-2014 Emission Standard of Air Pollutants for Boilers	0.05
		NOx			98.00	0.25		2.30
		PM			2.30	0.01		0.30
Non-methane hydrocarbon	Interval	Alcohol precipitation exhaust gas outlet	3.56	0.01	DB44/27-2001 Discharge Limits of Air Pollutants	3.18		
12.	Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	SO ₂	Interval	Exhaust gas outlet of boilers	1.40	0.06	DB31/387-2014 Emission Standard of Air Pollutants for Boilers	45.90
		NOx			49.67	2.07		31.20
		PM			6.62	0.26		Nil
13.	Shanghai Pharmaceutical Group (Benxi) Northern Pharma Co., Ltd.	NOx	Continuous	Exhaust gas outlet of boilers	104.00	1.75	GB13271-2014 Emission Standard of Air Pollutants for Boilers	4.30
		SO ₂			1.82	0.25		0.92
		PM			5.13	0.23		Nil
		Non-methane hydrocarbon	Interval	Exhaust gas outlet	7.50	0.32	GB16297-1996 Comprehensive Emission Standard of Air Pollutants	28.86
Sulfuretted hydrogen	Continuous	Exhaust gas outlet	0.04	0.04	GB14554-93 Emission Standards for Odor Pollutants	Nil		

Note: None of the above companies has exceeded the discharge standards.

Chapter 5 Significant Events

2. Construction and operation of pollution prevention & treatment facilities

✓Applicable Not Applicable

No.	Name of key pollutant discharging units	Construction and operation of pollution prevention & treatment facilities
1.	Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd. (Jianchuan Road)	Established a sewage treatment station with a daily capacity of 300 tonnes of sewage and several sets of exhaust gas treatment equipment, which were all running normally. The waste water and exhaust gas were discharged under certain standards after treatment. In the first half of 2020, installation of exhausted gas treatment facilities for No.6 building was completed.
	Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd. (Bijiang Road)	Established a sewage treatment station with a daily capacity of 210 tonnes of sewage and several sets of exhaust gas treatment equipments, which were all running normally. The waste water and exhaust gas were discharged under certain standards after treatment.
2.	Shanghai Ziyuan Pharmaceutical Co., Ltd.	Two VOCs exhaust gas treatment facilities were built. Equipment functioned normally and exhaust gas was discharged under certain standards after treatment. Industrial waste water was treated as hazardous waste by the entrusted qualified unit.
3.	Shanghai SPH Zhongxi Pharmaceutical Co., Ltd.	Established a sewage treatment station with a daily capacity of 600 tonnes of sewage and several sets of exhaust gas treatment equipments. After treatment by the biochemical sewage treatment station, the sewage of the whole factory was discharged into Shanghai Jiading Xincheng Sewage Treatment Company Limited for further treatment. In the first half of 2020, the sewage treatment station and the exhaust gas treatment facilities were running normally. 2 sets of VOCs online monitoring equipments were networked to municipal and district monitoring platforms.



Chapter 5 Significant Events

No.	Name of key pollutant discharging units	Construction and operation of pollution prevention & treatment facilities
4.	Shanghai Sine Jinzhu Pharmaceutical Co., Ltd.	The QC specimen laboratory, liquid phase room, analysis room and hazardous chemicals warehouse in the Company are all equipped with VOC collection systems, which have completed acceptance monitoring and the emission effect is up to standard. The Safety and Environmental Protection Department has formulated VOC operation procedures and operation records. At present, QC usage is normal and records are complete. The Company's sewage treatment is equipped with an acid-base neutralization tank with an average daily capacity of 750 tonnes of sewage. The Safety and Environmental Protection Department has formulated operation procedures and operation records. The current operation is normal and no wastewater discharge exceeds the standard.
5.	Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	Established two sewage treatment stations with a daily capacity of 150 tonnes of sewage and 300 tonnes of sewage, respectively. After treatment by the biochemical sewage treatment station, the sewage of the whole factory was discharged into Shanghai Fengjin Environmental Construction Management Co., Ltd. for further treatment. In the first half of 2020, the sewage treatment station was running normally. Besides, a number of exhaust gas treatment facilities were established. Incinerator equipment and MVR equipment were running normally. The exhaust emission data all meet the emission standards in the first half of 2020.
6.	Shanghai Leiyunshang Pharmaceutical Co., Ltd.	Established a sewage treatment station with a daily capacity of 1,200 tonnes of sewage and several sets of dust and organic exhaust gas treatment equipments. After treatment by the sewage treatment station, the sewage of the whole factory was discharged into Shanghai Fengxian Xibu Sewage Treatment Co., Ltd. for further treatment. The sewage treatment station and dust and organic exhaust gas treatment facilities were running normally and the wastewater and exhaust gas were discharged under certain standards after treatment.

Chapter 5 Significant Events

No.	Name of key pollutant discharging units	Construction and operation of pollution prevention & treatment facilities
7.	Shanghai Pharma Group Changzhou Kony Pharmaceutical Co., Ltd.	<p>Established a sewage treatment station with design capacity of 200 tonnes per day of sewage and ten sets of exhaust gas treatment equipments.</p> <p>After the physicochemical pretreatment and anaerobic and aerobic biological treatment and degradation processes are qualified, the wastewater collected by the whole plant is discharged into Jiangsu Dayu Water Co., Ltd. (Wunan Sewage Treatment Plant) for further treatment.</p> <p>The waste gas is effectively collected and discharged up to standard after three-stage spray absorption + photocatalytic oxidation + carbon fiber adsorption.</p> <p>The waste water and waste gas treatment facilities of the whole plant are managed by special personnel and operate normally.</p>
8.	Changzhou Pharmaceutical Factory Co., Ltd.	<p>After treatment, the sewage was discharged into Changzhou Southeast Industrial Wastewater Treatment Plant Co., Ltd. for further treatment after physical and chemical + biochemical process.</p> <p>Process exhaust gas was collected according to workshops factory-wide. Exhaust treatment facilities were established based on different characterization factors. The exhaust gas was discharged under certain standards after treatment.</p> <p>In the first half of 2020, sewage treatment station and facilities for exhaust gas treatment factory-wide functioned normally.</p>
9.	Nantong Changyou Pharmaceutical Technology Co., Ltd.	<p>Established a sewage treatment station with the daily capacity of 1,000 tonnes.</p> <p>The sewage of the whole factory, after the treatment of sewage treatment station, was discharged to Rudong Shenshui Environmental Technology Co., Ltd for further treatment.</p> <p>In the first half of 2020, sewage treatment stations functioned normally and the wastewater was discharged under certain standards after treatment.</p>



Chapter 5 Significant Events

No.	Name of key pollutant discharging units	Construction and operation of pollution prevention & treatment facilities
10.	SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Established a sewage treatment station with the daily capacity of 1,500 tonnes and multiple sets of dust treatment equipments. The sewage of the whole factory, after the treatment of biochemical sewage treatment station, was discharged to Qingdao Lianwan River Water Quality Purification Plant for further treatment. In the first half of 2020, sewage treatment stations and dust treatment equipments functioned normally and the wastewater and exhaust gas were discharged under certain standards after treatment.
11.	TECHPOOL Bio-Pharma Co., Ltd. (廣東天普生化醫藥股份有限公司)	Established a sewage treatment station with the daily capacity of 252.6 m ³ and 4 sets of exhausted gas treatment equipments. The sewage of the whole factory, after the treatment of biochemical sewage treatment station, was discharged to Guangzhou Liede Sewage Treatment Plant for further treatment. In the first half of 2020, sewage treatment stations and exhaust gas disposal equipments functioned normally and the wastewater and exhaust gas were discharged under certain standards after treatment.
12.	Liaoning SPH Herbapex Pharmaceutical (Group) Co., Ltd.	Established a sewage treatment station with the daily capacity of 600 tonnes, a set of boiler desulfurization and denitrification, dust removal equipment and multiple sets of dust treatment equipments. The sewage of the whole factory, after activated sludge and sewage treatment, was discharged to municipal sewage treatment plant for further treatment. In the first half of 2020, the sewage treatment station and boiler flue gas and dust treatment equipment were running normally and the sewage and exhaust gas were discharged under certain standards after treatment.
13.	Shanghai Pharmaceutical Group (Benxi) Northern Pharma Co., Ltd.	Established a sewage treatment station with daily capacity of 200 tonnes of sewage, two sets of VOC exhaust gas treatment facility for organic waste gas treatment in raw materials workshop and a set of sewage treatment station odor treatment facility. After treatment by the biochemical sewage treatment station, the sewage of the whole factory was discharged into Shiqiaozi Sewage Treatment Plant for further treatment. From January to June 2020, the sewage treatment station and exhaust gas treatment equipments were running normally and the sewage and exhaust gas were discharged under certain standards after treatment.

Chapter 5 Significant Events

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

✓Applicable Not Applicable

- Administrative licensing situations for environmental protection
All key pollution discharge enterprises have obtained or applied for the Pollutant Discharge Permit. Shanghai Sine Jinzhu Pharmaceutical Co., Ltd. applied for the National Pollution Discharge Permit in March 2020, completed the application and submitted it on 15 June, and is expected to conduct on-site examination in July.
- Environmental impact assessment on construction projects
In March 2020, the renovation project of the traditional Chinese medicine extraction workshop of Shanghai SPH Zhongxi Pharmaceutical Co., Ltd. was approved by the Evaluation Opinions on Access to Jiading District Industrial Project (Leased Factory Building). In June 2020, the Company completed the preparation of the environmental impact report for the renovation project of the traditional Chinese medicine extraction workshop and carried out the publicity of the draft of the environmental impact report.

On 15 April 2020, the Technological Transformation Project of Research and Development Center of Changzhou Pharmaceutical Factory Co., Ltd. has obtained the environmental impact assessment approval and was under construction. In June 2020, the Original Site Reconstruction and Expansion (Phase I) Project has completed the environment assessment report available for public opinion.

In April 2020, the Quality Inspection Building Construction Project of Nantong Changyou Pharmaceutical Technology Co., Ltd. has obtained the environmental impact assessment approval and was under construction. In May 2020, the Construction Project with Annual Capacity of 113.80 tonnes of APIs passed the independent acceptance and is in normal production.

4. *Contingency plan for emergency environmental incident*

✓Applicable Not Applicable

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

5. *Environmental self-detection scheme*

✓Applicable Not Applicable

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



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

Applicable Not Applicable

At the beginning of this year, at the Committee of Safety in Production and Environmental Protection, the Company has arranged to implement the signing of the 2020 Letter of Responsibilities on Environmental Protection for 20 subordinate enterprises. The operators of the Company's 20 subordinate enterprises signed the Letter of Responsibilities on Environmental Protection and undertake to realize the annual environmental protection responsibility target and implement the environmental protection work requirements of the enterprises. In the future, the Company will issue work requirements and transmit laws and policies in a timely manner through WeChat Group and other means. Up to now, 69 items of information such as laws and policies and technical documents have been forwarded.

In 2020, five enterprises including Shanghai Hefeng Pharmaceutical Co., Ltd., Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., Shanghai Ziyuan Pharmaceutical Co., Ltd., Shanghai Jinhe Bio-Pharmaceutical Co., Ltd. (上海金和生物製藥有限公司) and SPH New Asia Pharmaceutical Co., Ltd. in Shanghai were named on the municipal clean production review list. All five enterprises have signed the third-party contracts and are carrying out clean production review. Four enterprises including Shanghai Sine Jinzhu Pharmaceutical Co., Ltd., SPH No. 1 Biochemical & Pharmaceutical Co., Ltd., Shanghai New Asiatic Pharmaceutical Minhang Co., Ltd., and Shanghai SPH Zhongxi Pharmaceutical Co., Ltd. have completed the self-evaluation report and third-party evaluation report of Green Factory. Four enterprises have passed the expert review meeting, and three enterprises have applied for National Green Factory.

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

Applicable Not Applicable

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

Applicable Not Applicable

XV. INFORMATION ABOUT OTHER SIGNIFICANT EVENTS

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

Applicable Not Applicable

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

Applicable Not Applicable

Chapter 6 Changes in Ordinary Shares and Information about Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in Shares

1. *Table of changes in Shares*

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

2. *Explanation of changes in Shares*

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

(II) Changes in trade-restricted shares

Applicable Not Applicable

II. INFORMATION ABOUT SHAREHOLDERS

(I) Number of shareholders:

The total number of ordinary shareholders as at the end of the Reporting Period	114,778
The total number of shareholders of preference Shares with voting rights restored as at the end of the Reporting Period	0

Note: Among the 114,778 shareholders as at the end of the Reporting Period, 112,830 were A share holders and 1,948 were H share holders.



Chapter 6 Changes in Ordinary Shares and Information about Shareholders

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

Unit: Share

Name of shareholder (in full)	Shareholdings of top ten shareholders					
	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Shareholding Percentage (%)	Number of trade- restricted Shares held	Pledged or frozen Status Number	Nature of shareholders
HKSCC NOMINEES LIMITED ¹	-90,292,888	827,782,024	29.126	0	Unknown	Foreign shareholder
Shanghai Pharmaceutical (Group)	0	716,516,039	25.211	0	Nil	State-owned legal person
SILC and its wholly-owned subsidiaries and Shanghai Shangshi	14,160,700	294,106,998	10.348	0	Unknown	State-owned legal person and Foreign shareholder
China Securities Finance Corporation Limited	0	85,333,703	3.002	0	Nil	Unknown
Hong Kong Securities Clearing Company Limited ²	-1,153,401	46,991,056	1.653	0	Unknown	Foreign shareholder
Guosheng Group and Guosheng Asset ³	0	43,100,900	1.517	0	Unknown	State-owned legal person
Central Huijin Investment Ltd.	0	24,891,300	0.876	0	Nil	Unknown
NSSF 604 Combination	-234,900	24,251,106	0.853	0	Nil	Unknown
Yinhua Fund-Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	0	11,964,367	0.421	0	Nil	Unknown
Industrial and Commercial Bank of China Company Limited – CSI Shanghai State-owned Exchange Traded Index-based Investment Fund	-1,608,700	10,002,540	0.352	0	Nil	Unknown

Chapter 6 Changes in Ordinary Shares and Information about Shareholders

Shareholdings of top ten shareholders without trade restrictions			
Name of shareholder	Number of Shares without trade restrictions	Class and number of Shares	
		Class	Number
HKSCC NOMINEES LIMITED	827,782,024	Overseas listed foreign shares	827,782,024
Shanghai Pharmaceutical (Group)	716,516,039	RMB ordinary shares	716,516,039
SIIC and its wholly-owned subsidiaries and Shanghai Shangshi	294,106,998	RMB ordinary shares	222,301,798
		Overseas listed foreign shares	71,805,200
China Securities Finance Corporation Limited	85,333,703	RMB ordinary shares	85,333,703
Hong Kong Securities Clearing Company Limited	46,991,056	RMB ordinary shares	46,991,056
Guosheng Group and Guosheng Asset	43,100,900	RMB ordinary shares	24,585,800
		Overseas listed foreign shares	18,515,100
Central Huijin Investment Ltd.	24,891,300	RMB ordinary shares	24,891,300
NSSF 604 Combination	24,251,106	RMB ordinary shares	24,251,106
Yinhua Fund-Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	11,964,367	RMB ordinary shares	11,964,367
Industrial and Commercial Bank of China Company Limited – CSI Shanghai State –owned Exchange Traded Index-based Investment Fund	10,002,540	RMB ordinary shares	10,002,540
Note on connected relations or concerted actions of the above shareholders	SIIC is the De Facto Controller of Shanghai Shangshi, which is a controlling shareholder of Shanghai Pharmaceutical (Group). Shanghai Shengrui Investment Co., Ltd. is a wholly-owned subsidiary of Shanghai Guosheng (Group) Co. Ltd., which is a wholly-owned subsidiary of Shanghai SASAC. The Company is not aware of any affiliation among other shareholders or whether they are persons acting in concert as stipulated under the “Administrative Measures on Disclosure of Changes in Shareholders’ Shareholdings in Listed Companies”.		
Note on shareholders of preference Shares with voting rights restored and number of Shares held	/		



Chapter 6 Changes in Ordinary Shares and Information about Shareholders

Notes:

- 1 Shares held by HKSCC NOMINEES LIMITED are held on behalf of its clients and the number of Shares it holds as shown in the table above excludes the 71,805,200 H Shares held and controlled by SIIC and its wholly-owned subsidiaries and 18,515,100 H Shares held and controlled by Guosheng Group through Southbound Trading. As the relevant rules of the Hong Kong Stock Exchange do not require clients to report whether the shares that they hold and control are pledged or frozen, HKSCC NOMINEES LIMITED is unable to provide statistics on the number of shares that have been pledged or frozen;
- 2 Hong Kong Securities Clearing Company Limited is the nominee holder of the RMB ordinary shares under Shanghai-Hong Kong Stock Connect.
- 3 Guosheng Assets is a wholly-owned subsidiary of Shanghai Guosheng (Group) Co. Ltd.. The 24,585,800 A shares of the Company controlled by Shanghai Guosheng (Group) Co. Ltd. are held by Guosheng Assets on behalf of Shanghai Guosheng (Group) Co. Ltd. since November 2019. H shares of the Company held by Guosheng Group remained unchanged and the shares of the Company actually held and controlled by Shanghai Guosheng (Group) Co., Ltd. remained unchanged.

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

Applicable Not Applicable

Unit: Share

The listing and trading of trade-restricted Shares					
No.	Name of shareholders holding trade-restricted Shares	Number of trade-restricted Shares	Time available for listing and trading	Number of additional Shares available for listing and trading	Trade restrictions
1	Hainan Zhong Wang Investment and Management Company Limited	81,600	To be confirmed	0	The consideration payable to Shanghai Pharmaceutical (Group) in the equity division reform remained outstanding.
Note on connected relations or concerted actions of the above shareholders		/			

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

Applicable Not Applicable

III. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

Applicable Not Applicable

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

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

As at 30 June 2020, according to the information available to the Company and to the knowledge of the directors, the following shareholders had interests or short positions in the Shares or underlying Shares which were subject to disclosure by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the voting rights of the total number of the issued H Shares or A Shares at the shareholders' general meetings of the Company. Interests and short positions of Directors, Supervisors and Chief Executive are set out "Chapter 8 Directors, Supervisors and Senior Management" below.

Name of shareholder	Class of Shares	Nature of Interests in Shares	Number of Shares	Percentage of H Shares/A Shares held as at the end of the Reporting Period to the entire issued H Shares/A Shares (%)	Percentage in total share capital of the Company as at the end of the Reporting Period (%)
SIIC group ^{note 1(1)}	A Shares/ H Shares	Interests of controlled corporation	1,010,623,037(L)	48.82 (A Shares)/ 7.81 (H Shares)	35.56
Shanghai Shangshi group ^{note 1(2)}	A Shares	Beneficial owner/ Interests of controlled corporation	938,317,837(L)	48.79	33.02
Shanghai Pharmaceutical (Group)	A Shares	Beneficial owner	716,516,039(L)	37.26	25.21
BlackRock, Inc.	H Shares	Interests of controlled corporation	75,060,121(L) 126,000(S)	8.17 0.01	2.64 0.00
National Council for Social Security Fund	H Shares	Beneficial owner	69,629,220(L)	7.58	2.45
Citigroup Inc.	H Shares	Person having a security interest in shares/ Interests of controlled corporation/approved lending agent	54,655,980(L) 1,063,300(S) 50,889,268(P)	5.95 0.12 5.54	1.92 0.04 1.79
LSV ASSET MANAGEMENT	H Shares	Investment manager/ Other	46,026,070(L)	5.01	1.62

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



Chapter 6 Changes in Ordinary Shares and Information about Shareholders

- Note 1 : (1) SIIC is a wholly-owned subsidiary of Shanghai SASAC. SIIC group refers to SIIC and its wholly-owned subsidiaries. According to the Decision on Authorising Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate the State-owned Assets of Shanghai Overseas Companies, its Major Overseas Group Companies and Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] No.6) issued by the Shanghai SASAC in 1998, SIIC was authorized to be the de facto controller of Shanghai Shangshi and is therefore deemed to hold Shares of the Company through Shanghai Shangshi. As at the end of the Reporting Period, SIIC group held and controlled 1,010,623,037 Shares of the Company in total (including A Shares and H Shares), of which 500,000 A Shares and 71,805,200 H Shares were directly held by SIIC group, and 938,317,837 A Shares were indirectly held by SIIC through Shanghai Shangshi group. As at the date of this report (i.e. 28 August 2020), SIIC has implemented the shareholding increase plan for H shares of the Company, please refer to the announcement Lin No. 2020-045 of the Company for details.
- (2) Shanghai Shangshi is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shangshi Group refers to Shanghai Shangshi and its wholly-owned subsidiaries. Shanghai Shangshi holds 60% equity interests in Shanghai Pharmaceutical (Group) and is therefore deemed to hold shares of the Company through Shanghai Pharmaceutical (Group). As at the end of the Reporting Period, out of the 938,317,837 A shares held and controlled by Shanghai Shangshi Group in the Company, 221,801,798 A shares were directly held by Shanghai Shangshi Group, while 716,516,039 A shares were indirectly held by Shanghai Shangshi through Shanghai Pharmaceutical (Group).
- Note 2: (1) Figures disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- (2) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain conditions are fulfilled. When a shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Hong Kong Stock Exchange unless certain conditions have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
- (3) Save as disclosed above, as at the end of the Reporting Period, the Company was not aware of any other person (other than the Directors, Supervisors and Chief Executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

(II) PURCHASE, SALES AND REDEMPTION OF SHARES

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

Chapter 7 Information Related to Preference Shares

Applicable Not Applicable



Chapter 8 Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDINGS

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

III. DISCLOSURES REQUIRED BY THE HONG KONG LISTING RULES

Applicable Not Applicable

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

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

Save as disclosed in this report, as at 30 June 2020, according to the information available to the Company and to the knowledge of the directors, none of the Directors, Supervisors and Chief Executive of the Company has interests or short positions in the Company or its associated corporation (within the meaning of Part XV of the SFO) which will be required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company, or will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Chapter 8 Directors, Supervisors and Senior Management

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

Cai Jiangnan, an independent non-executive director: He ceased to act as the independent director of Zhejiang DI'AN Diagnostics Co., Ltd. (stock code: 300244) since 16 July 2020.

HONG Liang, an independent non-executive director: He ceased to act as the independent director of Shanghai Winner Information Technology Co., Inc. (stock code: 300609) since 20 May 2020.

Gu Zhaoyang, an independent non-executive director: He ceased to act as the Dean of School of Accountancy at the Chinese University of Hong Kong (CUHK) since July 2020.

(III) Audit Committee

The Audit Committee under the board of directors of the Company has reviewed the Company's 2020 interim report and agreed with the accounting treatment adopted by the Company.

(IV) Compliance with the Corporate Governance Code

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

(V) Compliance with the Model Code

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



Chapter 9 Relevant Information of the Corporate Bonds

Applicable Not Applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: RMB'00 million

Name of Bond	Abbreviation	Code	Date of issue	Due date	Balances of the bonds	Interest rate (%)	Repayment of principal and interest	Trading place
Shanghai Pharmaceuticals Holding Co., Ltd. Public Issuance of 2018 Corporate Bonds (first tranche)	18 SPH 01	155006	7 November 2018	7 November 2021	30.00	4.10	Interest paid annually, with the last installment of interest paid together with the principal	Shanghai Stock Exchange

Information of payment of interest of Corporate Bonds

Applicable Not Applicable

Corporate bonds are issued to eligible investors. The value date of the corporate bonds of this tranche is 7 November 2018, and the next payment date of interest is 7 November 2020.

Other information of Corporate Bonds

Applicable Not Applicable

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

Bond Custodian	Name	Credit Suisse Founder Securities Limited
	Office Address	15/F, South Tower, Financial Street Centre, No. 9A Financial Street, Xicheng District, Beijing
	Contact Person	Zhao Liujun (趙留軍), Wu Liang (吳亮), Zhang Qiao (張喬)
	Contact Number	010-6653 8666
Credit Rating Agency	Name	China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司)
	Office Address	Building 6, Galaxy SOHO, No. 2 Nanzhuganhutong, Chaoyangmennei Avenue, Dongcheng District, Beijing

Other Information

Applicable Not Applicable

Chapter 9 Relevant Information of the Corporate Bonds

III. USE OF PROCEEDS FROM THE CORPORATE BONDS

Applicable Not Applicable

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

IV. INFORMATION OF THE CREDIT RATING OF THE CORPORATE BONDS

Applicable Not Applicable

In accordance with the relevant requirements of the CSRC, rating industry practice and relevant requirements of rating system of China Chengxin International Credit Rating Co., Ltd. (hereinafter referred to as “CCX International”), from the date of the issuing of first rating report (subject to the date specified in the rating report), CCX International will continue to pay attention to factors such as changes of external operating environment, changes of operational and financial conditions and security for repayment of debt for bonds during period of validity of credit rating of bonds or the duration of bonds, so as to consistently keep track of credit risks of bonds. Track rating contains regular and irregular track rating.

During the period of track rating, CCX International completed the regular track rating of the year on 27 May 2020, in which the credit rating of the subject is AAA with stable rating outlook. The credit rating of this tranche of bonds is maintained at AAA. Furthermore, from the date of issuing the rating report, CCX International will pay close attention to information in relation to the Company and bonds. Where any major events occur which may exert influence on the bonds' credit rating, CCX International will launch irregular track rating promptly as it considers necessary, based on the relevant information provided by the Company, and make investigation, analysis in this regard and issue the rating results of the irregular track rating.

Relevant information including the results of regular and irregular track rating conducted by CCX International will be published on the websites of CCX International and the Stock Exchange according to regulatory requirements or agreements. The time of disclosing announcements on website of the Stock Exchange shall not be later than that of public disclosure in other stock exchanges, media and other places.

If the Company fails or refuses to provide relevant information, CCX International will conduct analysis based on the relevant conditions, whereupon confirm or adjust the subject, credit level of the bond, or announce the credit rating to be temporarily void.



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

Applicable Not Applicable

During the Reporting Period, the corporate bonds has no credit increasing mechanism. There is no material change on the repayment plan and other relevant information of "18 SPH 01".

VI. MEETINGS OF HOLDERS OF CORPORATE BONDS

Applicable Not Applicable

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

VII. PERFORMANCE OF THE CUSTODIAN OF THE CORPORATE BONDS

Applicable Not Applicable

The custodian of the bonds of "18 SPH 01" is Credit Suisse Founder Securities Limited. During the Reporting Period, Credit Suisse Founder Securities Limited strictly follows the requirements of laws and regulations such as "Administration Measures for the Issuance and Dealing of Corporate Bonds" and "Practice Code for the Custodian of the Corporate Bonds" and obligations of the "Bonds Custody Agreement" to perform its responsibilities as the custodian of bonds. On 19 June 2020, it issued the "Custody Report of Shanghai Pharmaceuticals Holding Co., Ltd. on Public Issuance of 2018 Corporate Bonds (first tranche) (for year of 2019)", and disclosed on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn/>) on 19 June 2020.

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

Applicable Not Applicable

Unit: RMB

Major indicator	As at the end of the Reporting Period	As at the end of last year	Increase or decrease in the Reporting Period over the end of last year (%)	Reason for change
Current ratio	1.29	1.31	-1.83	/
Quick ratio	0.98	0.97	1.26	/
Asset-liability ratio (%)	65.00	63.96	Increased by 1.04 percentage points	/
Loan repayment ratio (%)	100	100	/	/

Chapter 9 Relevant Information of the Corporate Bonds

	Reporting Period (January to June)	Corresponding period of last year	Increase or decrease in the Reporting Period over the same period of last year (%)	Reason for change
EBITDA interest coverage ratio	7.16	6.79	5.51	/
Interest repayment ratio (%)	100	100	/	/

IX. EXPLANATION ON OVERDUE DEBTS

Applicable Not Applicable

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

Applicable Not Applicable

On 28 July 2020, the Company paid the principle and interests payable for 2020 extra short-term financial bill (second tranche) on time.

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

Applicable Not Applicable

The Company keeps good credit records with major banks and other financial institutions, and maintains long-term cooperative partnership with domestic major commercial banks, which make it enjoys strong ability in indirect debt financing. As at 30 June 2020, the total amount of the Group's credit line from bank, on a consolidated basis, was RMB128.448 billion, of which RMB38.524 billion was used. The Company may carry out financing activities within the Group's facilities limit to support the business development. The Company repaid the principal of its bank loans on time.

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

Applicable Not Applicable

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

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

Applicable Not Applicable



Chapter 10 Financial Report

I. AUDIT REPORT

Applicable Not Applicable

II. FINANCIAL STATEMENTS

The financial statements and notes (unaudited) prepared under the China Accounting Standards for Business Enterprises, attached.

Chapter 11 Catalogue of Documents Available for Inspection

Catalogue of Documents Available for Inspection

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

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

Chairman: **Zhou Jun**

Submission date approved by the Board of Directors: 27 August 2020



Consolidated and Company Balance Sheet

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	Note	30 June 2020 Consolidated	31 December 2019 Consolidated	30 June 2020 Company	31 December 2019 Company
ASSETS					
Current assets					
Cash at bank and on hand	4(1)	25,265,865,592.34	18,152,817,741.94	6,865,377,351.33	3,688,306,798.50
Derivative financial assets	4(2)	833,158.48	3,027,011.42	-	-
Notes receivables	4(3)	220,122,046.65	274,119,544.70	-	-
Accounts receivables	4(4), 17(1)	49,630,700,634.78	47,339,803,537.21	-	-
Receivables financing	4(5)	1,844,888,523.55	2,187,059,525.49	-	-
Advances to suppliers	4(7)	1,747,251,203.91	1,937,456,121.28	1,731,191.24	482,514.35
Other receivables	4(6), 17(2)	2,238,686,364.31	2,202,960,796.71	18,959,586,492.29	16,676,400,517.51
Inventories	4(8)	24,580,518,147.64	24,877,356,781.61	-	-
Current portion of non-current assets	4(12)	8,431,708.80	23,257,721.60	-	-
Other current assets	4(9)	1,209,295,897.63	1,093,722,591.66	-	-
Total current assets		106,746,593,278.09	98,091,581,373.62	25,826,695,034.86	20,365,189,830.36
Non-current assets					
Long-term receivables	4(12)	226,222,502.07	265,642,096.94	-	-
Long-term equity investments	4(13), 17(3)	6,570,883,880.24	4,853,779,059.53	23,193,948,673.28	22,508,236,186.23
Other equity instrument investments	4(10)	82,560,100.41	194,183,980.82	-	-
Other non-current financial assets	4(11)	494,812,557.50	384,398,172.73	25,206,737.80	25,206,737.80
Investment properties	4(14)	241,163,265.77	292,319,211.54	-	-
Fixed assets	4(15)	10,523,472,385.29	9,445,675,117.04	61,730,147.45	55,394,368.16
Construction in progress	4(16)	1,443,552,400.40	1,649,896,366.49	18,748,530.38	17,811,606.35
Bearer biological assets	4(17)	415,091,472.32	410,145,018.27	-	-
Right-of-use assets	4(18)	1,695,781,224.73	1,622,096,400.05	26,331,640.53	5,485,517.64
Intangible assets	4(19)	4,265,995,899.81	3,930,371,809.89	80,543,590.52	90,518,114.22
Development costs		226,158,699.40	211,593,325.81	-	-
Goodwill	4(20)	11,854,723,865.10	10,789,918,517.77	-	-
Long-term prepaid expenses	4(21)	382,400,286.41	394,799,913.53	1,338,659.48	901,352.01
Deferred tax assets	4(22)	1,372,647,819.59	1,222,507,639.85	-	-
Other non-current assets	4(24)	1,365,689,772.22	3,267,487,855.84	1,518,800.00	1,535,681.44
Total non-current assets		41,161,156,131.26	38,934,814,486.10	23,409,366,779.44	22,705,089,563.85
TOTAL ASSETS		147,907,749,409.35	137,026,395,859.72	49,236,061,814.30	43,070,279,394.21

Consolidated and Company Balance Sheet

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Note	30 June 2020 Consolidated	31 December 2019 Consolidated	30 June 2020 Company	31 December 2019 Company
LIABILITIES AND OWNERS' EQUITY				
Current liabilities				
Short-term borrowings	4(25) 23,508,891,986.02	23,138,687,189.75	1,701,561,805.56	2,703,229,875.00
Derivative financial liabilities	4(2) 2,468,504.97	1,724,460.87	-	-
Notes payables	4(26) 3,817,755,480.08	5,053,473,408.54	-	-
Accounts payables	4(27) 32,896,922,301.84	31,818,985,528.48	25,214,697.20	20,852,915.38
Contract liabilities	4(28) 1,184,501,018.43	1,534,199,122.71	5,018,089.17	4,207,189.17
Employee benefits payable	4(29) 826,463,915.13	1,090,856,663.84	19,270,722.85	43,277,332.24
Taxes payable	4(30) 951,975,626.55	1,215,420,806.49	6,959,976.88	10,500,289.31
Other payables	4(31) 13,475,341,328.80	9,565,692,034.58	13,412,148,792.25	11,442,314,213.85
Current portion of non-current liabilities	4(33) 1,014,958,111.29	1,188,602,322.14	93,048,573.02	23,996,517.76
Other current liabilities	4(34) 5,027,712,328.77	-	5,027,712,328.77	-
Total current liabilities	82,706,990,601.88	74,607,641,537.40	20,290,934,985.70	14,248,378,332.71
Non-current liabilities				
Long-term borrowings	4(35) 5,878,457,361.21	6,135,992,761.69	-	-
Debentures payable	4(36) 2,998,706,480.50	2,998,228,732.34	2,998,706,480.50	2,998,228,732.34
Lease liabilities	4(37) 1,281,787,874.18	1,155,638,865.78	15,702,040.42	-
Long-term payables	4(38) 415,256,187.39	415,627,976.40	-	-
Provisions	4(32) 22,362,171.45	70,923,169.00	-	-
Deferred income	4(39) 1,842,548,836.01	1,278,726,271.79	38,933,525.60	43,131,349.85
Long-term employee benefits payable	4(40) 35,922,837.11	48,095,893.55	-	-
Deferred tax liabilities	4(22) 847,451,651.82	809,599,134.48	5,859,736.77	5,859,736.77
Other non-current liabilities	4(41) 107,309,280.61	119,993,223.89	-	-
Total non-current liabilities	13,429,802,680.28	13,032,826,028.92	3,059,201,783.29	3,047,219,818.96
Total liabilities	96,136,793,282.16	87,640,467,566.32	23,350,136,768.99	17,295,598,151.67
Owners' equity				
Share capital	4(42) 2,842,089,322.00	2,842,089,322.00	2,842,089,322.00	2,842,089,322.00
Capital surplus	4(43) 15,868,778,497.37	15,720,601,835.88	18,953,151,721.00	18,847,858,307.71
Other comprehensive income	4(44) (624,455,219.48)	(542,229,067.12)	(1,464,253.18)	(1,509,389.95)
Surplus reserve	4(45) 1,667,684,535.82	1,667,684,535.82	1,296,575,310.72	1,296,575,310.72
Undistributed profits	4(46) 23,165,717,236.86	21,970,908,120.34	2,795,572,944.77	2,789,667,692.06
Total equity attributable to equity owners of the Company	42,919,814,372.57	41,659,054,746.92	25,885,925,045.31	25,774,681,242.54
Minority interests	8,851,141,754.62	7,726,873,546.48	-	-
Total owners' equity	51,770,956,127.19	49,385,928,293.40	25,885,925,045.31	25,774,681,242.54
TOTAL LIABILITIES AND OWNERS' EQUITY	147,907,749,409.35	137,026,395,859.72	49,236,061,814.30	43,070,279,394.21

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



Consolidated and Company Income Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2019 Consolidated	Six months ended 30 June 2020 Company	Six months ended 30 June 2019 Company
Revenue	4(47), 17(4)	87,165,105,135.39	92,575,234,415.81	4,742,200.00	7,919,726.07
Less: Cost of sales	4(47), 4(53), 17(4)	(74,055,046,724.02)	(79,286,909,662.12)	-	-
Taxes and surcharges	4(48)	(261,202,472.43)	(281,585,458.05)	(508,294.23)	(2,311,019.83)
Selling expenses	4(49), 4(53)	(6,120,364,930.72)	(6,430,188,385.31)	-	-
General and administrative expenses	4(50), 4(53)	(2,224,791,939.51)	(2,329,229,677.81)	(95,432,194.37)	(110,830,685.36)
Research and development expenses	4(51), 4(53)	(676,750,443.92)	(564,145,212.56)	(152,128,717.95)	(63,685,364.33)
Financial expenses – net	4(52)	(670,508,004.34)	(664,798,432.98)	(83,281,809.37)	(106,846,247.08)
Including: Interest expenses		(763,600,318.80)	(758,121,035.99)	(145,994,175.29)	(122,381,608.74)
Interest income		141,180,535.23	122,051,795.11	11,747,211.34	7,284,818.60
Add: Other income	4(56)	230,973,226.60	226,879,108.70	9,711,075.69	617,101.15
Investment income	4(57), 17(5)	529,302,880.15	470,065,586.49	1,579,961,959.04	1,565,531,442.16
Including: Share of profit of associates and joint ventures		552,311,515.37	531,708,278.69	91,586,952.56	69,186,277.09
Derecognition of financial assets at amortised cost		(19,533,123.59)	(8,869,176.07)	-	-
Profit arising from changes in fair value	4(58)	103,418,122.80	58,035,860.22	-	-
Credit impairment losses	4(55)	(153,480,670.87)	(219,733,124.55)	(5,731,318.51)	(2,213,917.77)
Asset impairment losses	4(54)	(231,929,820.32)	(57,693,835.65)	-	-
(Losses)/Gains on disposals of assets	4(59)	(1,215,478.38)	6,416,615.89	(11,135.95)	-
Operating profit		3,633,508,880.43	3,502,347,798.08	1,257,321,764.35	1,288,181,035.01
Add: Non-operating income	4(60)	27,520,041.01	40,887,859.82	3,375.85	-
Less: Non-operating expenses	4(61)	(57,152,215.71)	(101,243,870.88)	(900,585.81)	(1,580,000.00)
Total profit		3,603,876,705.73	3,441,991,787.02	1,256,424,554.39	1,286,601,035.01
Less: Income tax expenses	4(62)	(722,713,747.64)	(691,367,678.02)	-	-
Net profit		2,881,162,958.09	2,750,624,109.00	1,256,424,554.39	1,286,601,035.01
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		2,881,162,958.09	2,750,624,109.00	1,256,424,554.39	1,286,601,035.01
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to equity owners of the Company		2,442,842,195.88	2,286,361,293.96	Not applicable	Not applicable
Minority interests		438,320,762.21	464,262,815.04	Not applicable	Not applicable

Consolidated and Company Income Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2019 Consolidated	Six months ended 30 June 2020 Company	Six months ended 30 June 2019 Company
Other comprehensive income, net of tax	4(44)	(90,356,715.57)	(4,114,383.08)	45,136.77	756.00
Attributable to equity owners of the Company		(79,739,930.04)	13,230,117.04	45,136.77	756.00
Other comprehensive income that will not be reclassified to profit or loss		4,498,669.94	21,638,288.84	-	-
Changes arising from remeasurement of net liability or net asset of defined benefit plan		-	-	-	-
Shares of other comprehensive income of the investee accounted for using equity method that will not be subsequently reclassified to profit or loss		-	-	-	-
Changes in fair value of other equity instrument investments		4,498,669.94	21,638,288.84	-	-
Other comprehensive income that will be reclassified to profit or loss		(84,238,599.98)	(8,408,171.80)	45,136.77	756.00
Shares of other comprehensive income of the investee accounted for using equity method that will be reclassified to profit or loss		67,975.03	1,138.50	45,136.77	756.00
Changes in fair value of other debt investments at FVOCI		-	-	-	-
Profits or losses arising from reclassification of financial assets		-	-	-	-
Allowance of debt investments at FVOCI		(389,590.13)	539,853.94	-	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge		-	-	-	-
Translation differences on translation of foreign currency financial statements		(83,916,984.88)	(8,949,164.24)	-	-
Attributable to minority interests		(10,616,785.53)	(17,344,500.12)	-	-
Total comprehensive income		2,790,806,242.52	2,746,509,725.92	1,256,469,691.16	1,286,601,791.01
Attributable to equity owners of the Company		2,363,102,265.84	2,299,591,411.00	Not applicable	Not applicable
Attributable to minority interests		427,703,976.68	446,918,314.92	Not applicable	Not applicable
Earnings per share	4(63)				
Basic earnings per share (RMB)		0.86	0.80	-	-
Diluted earnings per share (RMB)		0.86	0.80	-	-

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



Consolidated and Company Cash Flow Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2019 Consolidated	Six months ended 30 June 2020 Company	Six months ended 30 June 2019 Company
Cash flows from/(used in) operating activities					
Cash received from sales of goods or rendering of services		95,232,265,021.58	97,162,575,516.75	15,305,518.56	5,161,859.76
Refund of taxes and surcharges		40,899,683.52	40,385,993.47	-	-
Cash received relating to other operating activities	4(64)(a)	835,611,152.13	690,640,781.17	499,175,344.37	551,049,762.51
Sub-total of cash inflows		96,108,775,857.23	97,893,602,291.39	514,480,862.93	556,211,622.27
Cash paid for goods and services		(80,042,761,232.11)	(83,955,513,297.14)	-	-
Cash paid to and on behalf of employees		(3,652,054,250.82)	(3,741,393,196.20)	(84,954,636.44)	(127,758,018.71)
Payments of taxes and surcharges		(3,308,985,475.82)	(3,078,416,220.11)	(3,576,258.70)	(5,561,532.02)
Cash paid relating to other operating activities	4(64)(b)	(5,399,338,832.77)	(5,095,572,494.99)	(442,986,664.15)	(611,811,064.71)
Sub-total of cash outflows		(92,403,139,791.52)	(95,870,895,208.44)	(531,517,559.29)	(745,130,615.44)
Net cash flows from/(used in) operating activities	4(65)(a)	3,705,636,065.71	2,022,707,082.95	(17,036,696.36)	(188,918,993.17)
Cash flows from/(used in) investing activities					
Cash received from disposal of investments		2,425,259,528.41	905,385,002.58	2,307,633,419.49	905,385,002.58
Cash received from returns on investments		221,608,148.73	104,928,066.95	1,045,483,986.45	1,094,382,565.57
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		26,897,440.84	44,124,885.70	94,399.22	-
Net cash received from disposal of subsidiaries and other business units		103,728,983.10	3,158,887.61	-	-
Cash received relating to other investing activities	4(64)(c)	2,995,683,453.95	2,560,000.00	3,361,670,275.40	1,554,888,487.21
Sub-total of cash inflows		5,773,177,555.03	1,060,156,842.84	6,714,882,080.56	3,554,656,055.36
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,713,637,630.88)	(879,717,174.46)	(20,327,489.37)	(18,671,372.50)
Cash paid to acquire investments		(2,300,000,000.00)	(1,039,916,624.17)	(2,300,000,000.00)	(900,500,000.00)
Net cash paid to acquire subsidiaries and other business units	4(65)(b)	(1,890,254,852.32)	(635,513,738.98)	(20,000,000.00)	-
Cash paid relating to other investing activities	4(64)(d)	(532,160,622.85)	(213,866,509.62)	(6,172,745,265.37)	(1,412,451,599.92)
Sub-total of cash outflows		(6,436,053,106.05)	(2,769,014,047.23)	(8,513,072,754.74)	(2,331,622,972.42)
Net cash flows (used in)/from investing activities		(662,875,551.02)	(1,708,857,204.39)	(1,798,190,674.18)	1,223,033,082.94

Consolidated and Company Cash Flow Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2019 Consolidated	Six months ended 30 June 2020 Company	Six months ended 30 June 2019 Company
Cash flows from/(used in) financing activities					
Cash received from capital contributions		6,147,600.00	8,150,000.00	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		6,147,600.00	8,150,000.00	-	-
Cash received from borrowings		24,352,208,112.75	21,916,086,705.06	2,700,000,000.00	2,700,000,000.00
Cash received from issuance of debentures		4,997,500,000.00	-	4,997,500,000.00	-
Cash received relating to other financing activities	4(64)(e)	1,734,566,882.60	235,027,291.69	761,731,249.40	190,000,000.00
Sub-total of cash inflows		31,090,422,595.35	22,159,263,996.75	8,459,231,249.40	2,890,000,000.00
Cash repayments of borrowings		(24,956,070,086.21)	(22,340,669,487.62)	(3,700,000,000.00)	(2,600,000,000.00)
Cash payments for distribution of dividends, profits or interest expenses		(1,513,523,399.61)	(855,337,353.88)	(55,375,398.31)	(54,305,458.32)
Including: Cash payments for distribution of dividends or profits to minority shareholders of subsidiaries		(791,586,075.41)	(182,093,217.10)	-	-
Cash payments relating to other financing activities	4(64)(f)	(440,260,542.72)	(488,917,276.06)	(11,641,174.28)	(59,600,000.00)
Sub-total of cash outflows		(26,909,854,028.54)	(23,684,924,117.56)	(3,767,016,572.59)	(2,713,905,458.32)
Net cash flows from/(used in) financing activities		4,180,568,566.81	(1,525,660,120.81)	4,692,214,676.81	176,094,541.68
Effect of foreign exchange rate changes on cash and cash equivalents		21,452,572.00	(2,181,079.14)	83,215.70	(539,004.53)
Net increase/(decrease) in cash and cash equivalents	4(65)(a)	7,244,781,653.50	(1,213,991,321.39)	2,877,070,521.97	1,209,669,626.92
Add: Cash and cash equivalents at beginning of year		15,716,257,907.41	16,605,554,712.49	3,398,271,917.33	1,617,374,798.30
Cash and cash equivalents at end of year	4(65)(c)	22,961,039,560.91	15,391,563,391.10	6,275,342,439.30	2,827,044,425.22

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



Consolidated Statement of Changes in Owners' Equity

For the six months ended 30 June 2020
(All Amounts In RMB Yuan Unless Otherwise Stated)

Item	Note	Attributable to equity owners of the Company							Total owners' equity
		Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	
Balance at 1 January 2019		2,842,089,322.00	15,845,033,453.86	-	(492,638,959.02)	1,488,432,388.59	19,245,253,845.74	7,399,513,745.79	46,327,683,796.96
Movements for the six months ended 30 June 2019		-	(1,379,020.30)	-	13,230,117.04	-	1,121,104,671.94	345,533,476.90	1,478,489,245.58
Total comprehensive income									
Net profit		-	-	-	-	-	2,286,361,293.96	464,262,815.04	2,750,624,109.00
Other comprehensive income	4(44)	-	-	-	13,230,117.04	-	-	(17,344,500.12)	(4,114,383.08)
Total comprehensive income		-	-	-	13,230,117.04	-	2,286,361,293.96	446,918,314.92	2,746,509,725.92
Capital contribution and withdrawal by owners									
Capital contribution by owners	4(43)	-	-	-	-	-	-	20,797,142.86	20,797,142.86
Others	4(43)	-	(1,379,020.30)	-	-	-	-	48,385,556.94	47,006,536.64
Profit distribution									
Appropriation to surplus reserves	4(45)	-	-	-	-	-	-	-	-
Profit distribution to equity owners	4(46)	-	-	-	-	-	(1,165,256,622.02)	(170,567,537.82)	(1,335,824,159.84)
Balance at 30 June 2019		2,842,089,322.00	15,843,654,433.56	-	(479,408,841.98)	1,488,432,388.59	20,366,358,517.68	7,745,047,222.69	47,806,173,042.54
Balance at 1 January 2020		2,842,089,322.00	15,720,601,835.88	-	(542,229,067.12)	1,667,684,535.82	21,970,908,120.34	7,726,873,546.48	49,385,928,293.40
Movements for the six months ended 30 June 2020		-	148,176,661.49	-	(82,226,152.36)	-	1,194,809,116.52	1,124,268,208.14	2,385,027,833.79
Total comprehensive income									
Net profit		-	-	-	-	-	2,442,842,195.88	438,320,762.21	2,881,162,958.09
Other comprehensive income	4(44)	-	-	-	(79,739,930.04)	-	-	(10,616,785.53)	(90,356,715.57)
Total comprehensive income		-	-	-	(79,739,930.04)	-	2,442,842,195.88	427,703,976.68	2,790,806,242.52
Capital contribution and withdrawal by owners									
Capital contribution by owners		-	-	-	-	-	-	6,147,600.00	6,147,600.00
Amount recorded in owners' equity arising from share-based payment arrangements	4(43)	-	17,287,134.00	-	-	-	-	-	17,287,134.00
Others	4(43)	-	130,889,527.49	-	-	-	-	1,098,234,359.75	1,229,123,887.24
Profit distribution									
Appropriation to surplus reserves	4(45)	-	-	-	-	-	-	-	-
Profit distribution to equity owners	4(46)	-	-	-	-	-	(1,250,519,301.68)	(407,817,728.29)	(1,658,337,029.97)
Transfer within owners' equity									
Surplus reserves used to offset accumulated losses	4(46)	-	-	-	(2,486,222.32)	-	2,486,222.32	-	-
Balance at 30 June 2020		2,842,089,322.00	15,868,778,497.37	-	(624,455,219.48)	1,667,684,535.82	23,165,717,236.86	8,851,141,754.62	51,770,956,127.19

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

Company Statement of Changes in Owners' Equity

For the six months ended 30 June 2020

(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 2019		2,842,089,322.00	18,846,626,895.43	-	(1,517,884.52)	1,117,323,163.49	2,341,654,988.99	25,146,176,485.39
Movements for the six months ended 30 June 2019		-	-	-	756.00	-	121,344,412.99	121,345,168.99
Total comprehensive income								
Net profit		-	-	-	-	-	1,286,601,035.01	1,286,601,035.01
Other comprehensive income		-	-	-	756.00	-	-	756.00
Total comprehensive income		-	-	-	756.00	-	1,286,601,035.01	1,286,601,791.01
Profit distribution								
Appropriation to surplus reserves		-	-	-	-	-	-	-
Profit distribution to equity owners		-	-	-	-	-	(1,165,256,622.02)	(1,165,256,622.02)
Balance at 30 June 2019		2,842,089,322.00	18,846,626,895.43	-	(1,517,128.52)	1,117,323,163.49	2,462,999,401.98	25,267,521,654.38
Balance at 1 January 2020		2,842,089,322.00	18,847,858,307.71	-	(1,509,389.95)	1,296,575,310.72	2,789,667,692.06	25,774,681,242.54
Movements for the six months ended 30 June 2020		-	105,293,413.29	-	45,136.77	-	5,905,252.71	111,243,802.77
Total comprehensive income								
Net profit		-	-	-	-	-	1,256,424,554.39	1,256,424,554.39
Other comprehensive income		-	-	-	45,136.77	-	-	45,136.77
Total comprehensive income		-	-	-	45,136.77	-	1,256,424,554.39	1,256,469,691.16
Capital contribution and withdrawal by owners								
Capital contribution by owners		-	-	-	-	-	-	-
Amount recorded in owners' equity arising from share-based payment arrangements		-	17,287,134.00	-	-	-	-	17,287,134.00
Others		-	88,006,279.29	-	-	-	-	88,006,279.29
Profit distribution								
Appropriation to surplus reserves		-	-	-	-	-	-	-
Profit distribution to equity owners		-	-	-	-	-	(1,250,519,301.68)	(1,250,519,301.68)
Balance at 30 June 2020		2,842,089,322.00	18,953,151,721.00	-	(1,464,253.18)	1,296,575,310.72	2,795,572,944.77	25,885,925,045.31

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



Notes to the Financial Statements

For the six months ended 30 June 2020
(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 CSRC, the Company merged with Shanghai Industrial Pharmaceutical Investment Co. Ltd. (“Shangshi Pharmaceutical”) and Shanghai Zhongxi Pharmaceutical Co. Ltd. (“Zhongxi Pharmaceutical”), and issued shares to purchase pharmaceutical assets from Shanghai Pharmaceutical Group, and issued shares to raise funds from Shanghai Shangshi (Group) Co., Ltd. (“Shanghai Shangshi”) and used the funds to purchase the pharmaceutical assets from Shanghai Industrial Holdings Limited (“Shangshi Holdings”). After the completion of above significant asset restructuring, the total share capital of the Company was increased to 1,992,643,338 shares. Shanghai Pharmaceutical Co., Ltd. was renamed as Shanghai Pharmaceuticals Holding Co., Ltd. The Company’s stock code was changed from 600849 to 601607. The Company’s shares were referred to “Shanghai Pharmaceuticals”.

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

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

On 30 June 2020, the Company’s share capital was RMB2,842,089,322.00 with a total share capital of 2,842,089,322 shares, in which, 1,923,016,618 (A shares) RMB-denominated ordinary shares listed in China, and 919,072,704 (H shares) overseas listed foreign shares.

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION (continued)

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 Shanghai 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 Assets Supervision and Administration Commission of Shanghai Municipal Government (“Shanghai ASAC”). Shanghai Industrial (Holdings) Co., Ltd. (“Shangshi Holdings”) is registered in Hong Kong, and its actual controller is Shanghai ASAC. Shangshi Holdings is authorised to manage Shanghai Shangshi by Shanghai ASAC. Therefore, the ultimate holding company is Shangshi Holdings.

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

These financial statements are authorised for issue by the Board of Directors of the Company on 27 August 2020.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

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)), depreciation of fixed assets and amortisation of intangible assets (Note 2(13), Note 2(17)), recognition and measurement of revenue (Note 2(23)), etc.

Significant judgements 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 came into force in 3 March 2014. Certain disclosures in the financial statements have been included to reflect the requirements under the new Hong Kong Companies Ordinance.

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

The financial statements of the Company for the six months ended 30 June 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company’s financial position of the Company as at 30 June 2020 and of their financial performance, cash flows and other information for the six months then ended.

(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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.

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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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 attributable 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. 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.

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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(6) Preparation of consolidated financial statements (continued)

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. The Group partially disposed its long-term equity investments in subsidiaries without losing the control right. The difference between disposal proceeds and shares of net assets which the Group is entitled to from disposal of long-term equity investment and 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 current investment income 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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(8) Foreign currency translation

(a) Foreign currency transaction

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.

(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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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 party. The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of financial instrument.

(a) Financial assets

(i) Classification and measurement

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

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

Debt instruments

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

Amortised cost

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



Notes to the Financial Statements

For the six months ended 30 June 2020
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2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) Financial asset (continued)

(i) Classification and measurement (continued)

Fair value through other comprehensive income (FVOCI)

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

Fair value through profit or loss (FVPL)

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

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 are presented in other non-current financial assets.

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) *Financial asset (continued)*

(ii) Impairment

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

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

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

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

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

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



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) *Financial asset (continued)*

(ii) Impairment (continued)

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

Group 1	Aging
Group 2	Dividends receivables from related parties
Group 3	Interest receivables and receivables financing
Group 4	Guarantee deposits and other receivables from other entities
Group 5	Receivables from intra-group companies

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(9) Financial instruments (continued)

(a) *Financial asset (continued)*

(iii) De-recognition

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

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

(b) *Financial liability*

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

The financial liabilities of the Group are mainly measured at amortised cost, including notes payables and 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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(10) Inventories

(a) *Classification*

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

(b) *Costing of inventories*

Cost is determined using the weighted average method. 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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Long-term equity investments (continued)

(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, the Group records its proportionate share directly into capital surplus, other comprehensive income, and profit distribution. 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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(11) Long-term equity investments (continued)

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

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

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

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

(d) *Impairment of long-term equity investments*

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

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

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

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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. 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. (Note 2(19)).



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(13) Fixed assets

(a) *Recognition and initial measurement of fixed assets*

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

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

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

(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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.

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 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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(17) Intangible assets

Intangible assets include land use rights, business network, brands, 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 their approved use period. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) *Business network*

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

(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. They are assessed for impairment on an annual basis.

(d) *Know-how*

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

(e) *Patent rights*

Patent rights are amortised using the straight-line method over its protection period as stipulated by the laws.

(f) *Software*

Software is amortised using the straight-line method over its estimated useful lives.

(g) *Periodical review of useful life and amortisation 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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(17) Intangible assets (continued)

(h) *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.

(i) *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)).

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(18) Long-term prepaid expenses

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

(19) Impairment of long-term assets

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



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.

(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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(20) Employee benefits (continued)

(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.

(21) Profit distribution

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



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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 current best estimate.

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

(23) Revenue recognition

Sales are recognised when control of goods or service 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 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.

(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 payment. For the remaining part of the services, a contract asset is recognised. The Group recognises the loss provision using the expected credit loss model (Note 2 (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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(26) Lease

A contract is, or contains, 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. Lease payments that are variable based on the revenue 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.

Right-of-use assets of the Group include buildings and machinery. 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 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.

(b) Finance lease

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



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(27) Share-based payment

(a) *Categories*

A share-based payment is a transaction in which the Group grants equity instruments or assumes liabilities that are determined based on the price of equity instruments, in exchange for services rendered by employees. Equity instruments include the equity instruments linked to the company, the parent company of the company or another accounting entity within the same group. Share-based payment are categorised into equity-settled share-based payment transaction and cash-settled share-based payment transaction.

Equity-settled share-based payment arrangement

Equity-settled share-based payment arrangements, in which the Group receives employees' services as consideration for equity instruments of the Group, is measured at the fair value of the equity instruments at the grant date. The equity instruments vest if the counterparty completes a specified service period, or the performance condition is satisfied. The Group shall recognise an amount for the services received during the vesting period as cost or expense with a corresponding increase in the capital surplus by reference to the fair value of the equity instruments granted, based on the best available estimate of the number of equity instruments expected to vest. The Group shall revise that estimate, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the Group shall revise the estimate to equal the number of equity instruments that ultimately vested and recognise the amount in share capital.

(b) *Measurement of equity-settled share-based payment arrangement*

The Group applies option pricing model to measure the fair value of the share or option.

(c) *Measurement of best estimate of equity instruments expected to vest*

At each balance sheet date during vesting period, the Group should amend the number of estimated vested equity instruments based on the best estimate taking into consideration of subsequent information newly acquired, such as change in number of exercisable employees. At the exercisable date, the ultimate estimated number of exercisable equity instruments coincides with the actual number.

(d) *Accounting treatment of the settlement of the share-based payment*

On the settlement date of the share options, the Group recognises relevant share capital and share premium and derecognises the cumulative capital surplus recognised during the vesting period.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(30) Critical accounting estimates and judgements

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

(a) Critical accounting judgements

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 expected lifespan of the assets, the Group's business model and its asset management policy. 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 scrap 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, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives.

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

(iii) Accounting estimates on impairment of goodwill

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(30) Critical accounting estimates and judgements (continued)

(a) *Critical accounting estimates and key assumptions (continued)*

(iii) Accounting estimates on impairment of goodwill (continued)

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 provided for 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 and selling expense. 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) Impairment of trade receivables

The loss allowances for trade receivables are based on assumptions about risk of default and expected credit loss rates. The Group determines the expected credit loss rates based on the probability of default and default loss rate. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. When considering forward-looking information, the Group selects appropriate economic indicators and analyses them according to different economic scenarios and weights. The Group monitors and reviews assumptions related to the calculation of expected credit losses on a regular basis. There was no significant change in the above estimation techniques and key assumptions for the six months ended 30 June 2020, and the weight of different economic scenarios used in the expected credit loss model had no material impact on the expected credit loss.

(vi) 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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(30) Critical accounting estimates and judgements (continued)

(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.

(ii) Factors in determining a significant increase in credit risk

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

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION

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

Category	Taxation basis	Tax rate
Enterprise income tax	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%

(2) Preferential tax rate policy and approval documents

Enterprise income tax

The actual enterprise income tax rate applicable to the Company was 25% for the six months ended 30 June 2020 and 30 June 2019.

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

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 Harvest Pharmaceutical Co., Ltd., Gansu Sine Tiansen 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 SPH New Asiatic Pharmaceutical Co., Ltd., Shanghai New Asiatic Medicine Industry Minhang Co., Ltd., SPH Changzhou Pharmaceutical Factory Co., Ltd., Chifeng Mysun Pharmaceutical Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd., SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd., SPH Kony (Changzhou) Co., Ltd., Shanghai Huayu Pharmaceutical Co., Ltd., Shanghai Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Zhejiang Jiuxu Pharmaceutical Co., Ltd., Shanghai Zhonghua Pharmaceutical Co., Ltd., Zhonghua Nantong Pharmaceutical Co., Ltd., Qingdao Shanghai Pharmaceutical Growful Pharmaceutical Co., Ltd., Chiatai Qingchunbao Pharmaceuticals Co., Ltd., Hangzhou HuQingYuTang Pharmaceutical Co., Ltd., Xiamen Traditional Chinese Medicine Co., Ltd., Liaoning SPH Herbapex Pharmaceutical (group) Co., Ltd., Techpool Bio-Pharma Co., Ltd., Nantong Changyou Pharmaceutical Technology Co., Ltd, Beijing Health Link Information Technology Ltd., SPH Shenxiang Health Pharmaceutical Co., Ltd, Shandong Sine Pharmaceutical Co., Ltd, Shanghai Haichang Medical Plastic Plant, Tianjin Jinjin Pharmaceutical Co., Ltd., SPH Yihe (Benxi) Medical 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 2020 was 15%.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION (continued)

(2) Preferential tax rate policy and approval documents (continued)

Enterprise income tax (continued)

SPH Keyuan Xinhai Pharmaceutical Enshi Co., Ltd., SPH Cardinal Health (Sichuan) Pharmaceutical Co., Ltd., SPH Cardinal Health (Chongqing) Pharmaceutical Co., Ltd., SPH Ke Yuan Xinhai Pharmaceutical Tongliao Co., Ltd., Chongqing SPH Huiyuan Pharmaceutical Co., Ltd., Chongqing Tianbao Pharmaceutical Co., Ltd., SPH Guizhou Pharmaceutical Co., Ltd., SPH Qian dongnan Pharmaceutical Co., Ltd., SPH Bijie Pharmaceutical Co., Ltd., SPH Liupanshui Pharmaceutical Co., Ltd., SPH Anshun Pharmaceutical Co., Ltd., SPH Qiannan Pharmaceutical Co., Ltd., SPH Zunyi Pharmaceutical Co., Ltd., Shanghai Pharmaceutical Sichuan Biological Products Co., Ltd., SPH Chongqing Yiyao Pharmacy Co., Ltd., SPH Cardinal Health (Chengdu) Pharmacy Co., Ltd. were recognised by relevant local tax authorities as Encouraging Enterprises in the western region. Pursuant to Article 49 of Measures for handling preferential policies of enterprise income tax (Guo Jia Shui Wu Zong Ju [2015] 76) issued by the State Administration of Taxation, the companies above enjoyed a preferential CIT rate of 15% for the period.

The subsidiary, SPH (Dali) Chinese Yew Biology Co., Ltd., is 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 six months ended 30 June 2020 with the exemption from enterprise income tax.

The subsidiaries, Shaanxi SPH Medical Instruments Co., Ltd., Luoyang Kangxin Pharmacy Limited, SPH Keyuan Xinhai Qiqihar Pharmaceutical Co., Ltd. and Shanghai Qiyi Dental Equipment Co., Ltd., Beijing Xinhai Keyuan Pharmacies Co., Ltd., Beijing Heanchangtai Drug Store Co., Ltd., Jinlin 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 Jinzhou Pharmaceutical Co., Ltd., Shanghai Shangyi Kangge Medical Equipment Co., Ltd. are identified as micro and small enterprises. In accordance with the related regulations of the *Notice of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (Cai Shui [2019] No. 13) released by the Ministry of Finance and the State Administration, the above companies, the sales of which per month is below RMB0.1 million (inclusive), are exempted from value-added tax (VAT); the annual taxable income that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20% or 21%.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2020	31 December 2019
Cash on hand	8,568,435.65	6,265,520.26
Cash at bank	22,952,471,125.26	15,709,992,387.15
Others	2,304,826,031.43	2,436,559,834.53
	25,265,865,592.34	18,152,817,741.94
Including: cash at bank and on hand overseas	1,616,904,275.24	292,847,011.48

As at 30 June 2020, there was no restricted cash at bank and on hand in the cash at bank of the Group (31 December 2019: Nil); other cash balances of RMB1,049,378,687.33 were pledged as collateral by the Group for the purpose of bank acceptance notes (31 December 2019: RMB1,352,661,766.45); other cash balances of RMB3,439,184.17 were pledged as collateral by the Group for the purpose of letters of credit (31 December 2019: RMB4,337,855.20); other cash balances of RMB1,220,000,000.00 were time deposits due over three months (31 December 2019: RMB1,010,000,000.00); other restricted cash balances were RMB32,008,159.93 (31 December 2019: RMB69,560,212.88).

(2) Derivative financial assets and derivative financial liabilities

	30 June 2020	31 December 2019
Derivative financial assets		
– forward foreign exchange contract (i)	833,158.48	3,027,011.42
Derivative financial liabilities		
– forward foreign exchange contract (i)	2,468,504.97	1,724,460.87

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



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Notes receivables

	30 June 2020	31 December 2019
Trade acceptance notes	223,935,492.38	278,630,344.59
Less: Provision for bad debts	(3,813,445.73)	(4,510,799.89)
	220,122,046.65	274,119,544.70

- (a) As at 30 June 2020, notes receivable pledged as collateral for the Group's short-term borrowings (Note 4(25)(b)) were listed as follows:

Trade acceptance notes	41,722,110.26
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- (b) As at 30 June 2020, the Group had no notes receivable which had been endorsed or discounted but were not yet due.

The Group had endorsed or discounted few trade acceptance notes for the six months ended 30 June 2020, and thus still classified them as financial assets at amortised cost. Besides, certain bank acceptance notes of the Group were discounted and endorsed for the purpose of daily treasury management. Therefore, bank acceptance notes of the Company were classified to financial assets at fair value through other comprehensive income, included in receivables financing (Note 4(5)).

- (c) *Provision for bad debts*

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

- (i) As at 30 June 2020, 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 2020, 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 2020, the Group measured the provision for bad debts of trade acceptance notes based on the lifetime expected credit losses, and the related amount was RMB3,813,455.73 (31 December 2019: RMB4,510,799.89).

- (iii) As at 30 June 2020, the Group had no notes receivable written off.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Accounts receivables

	30 June 2020	31 December 2019
Accounts receivables	51,848,231,984.14	49,403,487,044.33
Less: Provision for bad debts	(2,217,531,349.36)	(2,063,683,507.12)
	49,630,700,634.78	47,339,803,537.21

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 within 360 days are granted to customers depending on customers' credit quality.

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

	30 June 2020	31 December 2019
Within 1 year	49,711,169,824.23	47,723,708,246.84
1-2 years	1,110,217,167.16	658,692,999.02
Above 2 years	1,026,844,992.75	1,021,085,798.47
	51,848,231,984.14	49,403,487,044.33

(b) As at 30 June 2020, the top five accounts receivables based on the balance of the debtors are summarized and analyzed as follows:

	Account Balance	Amount of bad debt provision	% of total balance
Total top five accounts receivables	2,797,432,395.64	(59,616,932.93)	5.40%



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Accounts receivables (continued)

(c) *Accounts receivable derecognised due to the transfer of financial assets were analysed as follows:*
For the six months ended 30 June 2020, the Group carried out factoring without recourse to few accounts receivable. As at 30 June 2020, the balance of accounts receivable that was derecognised due to factoring without resource was RMB2,469,399,548.93 (31 December 2019: RMB687,484,234.11). The provision for bad debts was 25,627,604.12 (31 December 2019: RMB8,680,923.25), and related expenses were RMB8,019,387.24 (31 December 2019: RMB2,753,687.45).

As at 30 June 2020, accounts receivable with carrying amount of RMB842,008,167.46, receivables financing of RMB14,937,418.09 and notes receivables of RMB41,722,110.26 were pledged as collateral for the Group's short-term borrowings of RMB765,422,162.39 (Note 4(25)(b));

As at 31 December 2019, accounts receivable with carrying amount of RMB1,055,492,062.85 and receivables financing of RMB130,497,231.64 were pledged as collateral for the Group's short-term borrowings of RMB1,026,173,384.01 (Note 4(25)(b)).

(d) *Provision for bad debts*
For the accounts receivables, regardless of whether there is a significant financing component, the Group calculates loss provisions in accordance with the expected credit losses throughout the lifetime.

(i) As at 30 June 2020, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Accounts Balance	Life expectancy credit loss rate	Provision for bad debts	Reason
Accounts receivable 1	138,388,888.93	100.00%	(138,388,888.93)	Through assessment, provision on an individual basis
Accounts receivable 2	122,673,049.04	100.00%	(122,673,049.04)	Through assessment, provision on an individual basis
Accounts receivable 3	33,176,192.41	100.00%	(33,176,192.41)	Through assessment, provision on an individual basis
Accounts receivable 4	32,277,708.73	100.00%	(32,277,708.73)	Through assessment, provision on an individual basis
Others	222,780,967.56	100.00%	(222,780,967.56)	Through assessment, provision on an individual basis
	549,296,806.67		(549,296,806.67)	

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Accounts receivables (continued)

(d) Provision for bad debts (continued)

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

	30 June 2020		
	Carrying amount	Provision for bad debts	
	Amount	Life expectancy credit loss rate	Amount
Within 6 months	41,447,868,606.82	1.06%	(437,437,426.80)
6-12 months	8,179,402,308.72	4.02%	(328,772,755.55)
1-2 years	965,935,111.63	20.32%	(196,295,210.04)
Above 2 years	705,729,150.30	100.00%	(705,729,150.30)
	51,298,935,177.47		(1,668,234,542.69)

	31 December 2019		
	Carrying amount	Provision for bad debts	
	Amount	Life expectancy credit loss rate	Amount
Within 6 months	42,699,726,610.65	1.00%	(425,655,846.49)
6-12 months	4,842,400,728.25	4.21%	(203,691,711.83)
1-2 years	586,417,840.86	27.18%	(159,394,084.23)
Above 2 years	718,644,081.82	100.00%	(718,644,081.82)
	48,847,189,261.58		(1,507,385,724.37)



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(4) Accounts receivables (continued)

(d) *Provision for bad debts (continued)*

(iii) For the six months ended 30 June 2020, the provision for bad debts on an individual basis amounted to RMB9,074,906.64. RMB16,075,882.72 (for the six months ended 30 June 2019: Nil) was collected or reversed, and the relevant balance was RMB16,075,882.72 (for the six months ended 30 June 2019: Nil). The significant 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	4,713,176.00	Cash
Accounts receivable 2	Collection in the current period	Through assessment, provision on an individual basis	3,776,487.62	Cash
Others	Collection in the current period	Through assessment, provision on an individual basis	7,586,219.10	Cash
			16,075,882.72	

(e) For the six months ended 30 June 2020, no accounts receivable was written off by the Group.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(5) Receivables financing

	30 June 2020	31 December 2019
Receivables financing	1,844,888,523.55	2,187,059,525.49

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 has no bank acceptance notes with provision for impairment made on an individual basis. As at 30 June 2020, the Group measured the provision for bad debts based on the lifetime expected credit losses, and the related amount was RMB4,831,676.64 (31 December 2019: RMB5,345,115.47). 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 2020, notes receivable endorsed or discounted but unmatured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes	1,114,037,570.16	14,937,418.09

As at 30 June 2020, accounts receivable with carrying amount of RMB842,008,167.46, receivables financing of RMB14,937,418.09 and Notes receivables of RMB41,722,110.26 were pledged as collateral for the Group's short-term borrowings of RMB765,422,162.39 (Note 4(25)(b)).

As at 31 December 2019, accounts receivable with carrying amount of RMB1,055,492,062.85 and receivables financing of RMB130,497,231.64 were pledged as collateral for the Group's short-term borrowings of RMB1,026,173,384.01 (Note 4(25)(b)).



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(6) Other receivables

	30 June 2020	31 December 2019
Compensation receivable from suppliers	923,170,496.52	1,047,916,911.76
Guarantees (including deposits)	744,438,109.23	637,742,998.60
Receivables from enterprises	233,346,024.70	254,505,921.15
Reserves	50,476,855.00	46,861,520.88
Dividends receivable	36,940,647.00	49,862,267.17
Others	955,440,556.51	865,377,352.93
	2,943,812,688.96	2,902,266,972.49
Less: Provision for bad debts	(705,126,324.65)	(699,306,175.78)
	2,238,686,364.31	2,202,960,796.71

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

	30 June 2020	31 December 2019
Within 1 year	1,914,169,976.55	1,888,570,486.34
1-2 years	225,828,053.04	288,389,607.98
Above 2 years	803,814,659.37	725,306,878.17
	2,943,812,688.96	2,902,266,972.49

(b) As at 30 June 2020, the analysis of provision for bad debts for individual other receivables is as follows:

	Book balance	The third stage – Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Other receivables 1	120,000,000.00	100.00%	(120,000,000.00)	Unable to collect
Other receivables 2	54,252,088.65	34.07%	(18,485,487.70)	Unable to collect
Other receivables 3	34,033,754.45	100.00%	(34,033,754.45)	Unable to collect
Other receivables 4	33,375,018.03	100.00%	(33,375,018.03)	Unable to collect
Others	258,280,192.47	100.00%	(258,280,192.47)	Unable to collect
	499,941,053.60		(464,174,452.65)	

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(6) Other receivables (continued)

(c) As at 30 June 2020, the analysis of bad debt provisions of other receivables is as follows:

	30 June 2020			31 December 2019		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
The first stage – Within the next 12 months expected credit loss rate						
Within 1 year	1,885,623,410.81	(22,535,630.02)	1.20%	1,823,423,668.58	(11,966,648.36)	0.66%
The third stage – Expected credit loss rate throughout the lifetime						
1-2 years	167,039,260.42	(29,674,038.94)	17.76%	254,087,573.64	(33,281,152.56)	13.10%
Above 2 years	391,208,964.13	(188,742,203.04)	48.25%	312,701,182.93	(186,939,566.34)	59.78%
	558,248,224.55	(218,416,241.98)		566,788,756.57	(220,220,718.90)	

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



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(6) Other receivables (continued)

- (d) For the six months ended 30 June 2020, RMB13,718,347.65 and RMB4,748,832.79 were made in the provision for bad debts of other receivables in the first stage and the third stage, which were mainly about loss provision of other receivables newly included in the current period and the affects that other receivables transferring form stage one to stage three made to the ECL due to the changes of loss rate in the current period.

For the six months ended 30 June 2020, the Group had no important reversal of provision for bad debts in the first stage, and had important reversal of provision for bad debts on individual basis of RMB2,958,600.00, and the relevant balance was RMB13,600,000.00.

	Reasons for reversal/ collection	Basis and appropriateness for determining the original provision for bad debts	Amount of reversal/collection	Collection method
Other receivables 1	Collection in the current period	Through assessment, provision on an individual basis	13,600,000.00	Cash

- (e) For the six months ended 30 June 2020, no other receivables were written off by the Group.
- (f) As at 30 June 2020, the top five receivables based on the balance of the debtors are summarized and analyzed as follows:

	Nature	Balance	Aging	% of total balance	Provision of bad debt
Other receivables 1	Current accounts	120,000,000.00	Above 5 years	4.08%	(120,000,000.00)
Other receivables 2	Current accounts	97,446,666.03	Within 2 years	3.31%	(5,003,745.88)
Other receivables 3	Current accounts	64,251,722.33	Within 1 year	2.18%	(400,932.83)
Other receivables 4	Current accounts	54,252,088.65	Within 2 years	1.84%	(18,485,487.70)
Other receivables 5	Current accounts	50,434,412.54	Within 1 year	1.71%	(2,360,589.09)
		386,384,889.55		13.12%	(146,250,755.50)

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(7) Advances to suppliers

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

	30 June 2020		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	1,718,152,106.95	98.33%	1,906,170,769.03	98.39%
Above 1 year	29,099,096.96	1.67%	31,285,352.25	1.61%
	1,747,251,203.91	100.00%	1,937,456,121.28	100.00%

As at 30 June 2020, advances to suppliers aged over 1 year were RMB29,099,096.96 (31 December 2019: RMB31,285,352.25), which were mainly advances of raw materials.

(b) As at 30 June 2020, the top five advances to suppliers based on the balance of the debtors are summarized and analyzed as follows:

	Amount	% of total balance
Total top five advances to suppliers	376,751,794.68	21.56%



Notes to the Financial Statements

For the six months ended 30 June 2020
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4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(8) Inventories

(a) The inventory is classified as follows:

	30 June 2020			31 December 2019		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	1,732,400,554.64	(54,263,498.79)	1,678,137,055.85	1,910,620,521.71	(63,287,867.81)	1,847,332,653.90
Goods in transit	4,925,913.31	-	4,925,913.31	17,912,470.65	-	17,912,470.65
Turnover materials	55,556,712.11	-	55,556,712.11	49,100,528.60	-	49,100,528.60
Consigned processing materials	16,901,072.00	-	16,901,072.00	10,802,978.91	-	10,802,978.91
Work in progress	1,126,118,131.72	(22,574,840.47)	1,103,543,291.25	767,411,437.57	(23,154,410.33)	744,257,027.24
Finished goods	22,675,128,028.52	(954,849,369.28)	21,720,278,659.24	22,954,582,298.93	(747,904,462.70)	22,206,677,836.23
Consumable biological assets	1,175,443.88	-	1,175,443.88	1,273,286.08	-	1,273,286.08
	25,612,205,856.18	(1,031,687,708.54)	24,580,518,147.64	25,711,703,522.45	(834,346,740.84)	24,877,356,781.61

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

	31 December 2019	Increase in the current period		Decrease in the current period		30 June 2020
		Provision	Others	Reverse	Others	
Raw materials	63,287,867.81	3,023,243.15	-	(11,946,127.91)	(101,484.26)	54,263,498.79
Work in progress	23,154,410.33	614,131.80	-	(675,902.12)	(517,799.54)	22,574,840.47
Finished goods	747,904,462.70	363,406,141.35	-	(122,491,665.95)	(33,969,568.82)	954,849,369.28
	834,346,740.84	367,043,516.30	-	(135,113,695.98)	(34,588,852.62)	1,031,687,708.54

(9) Other current assets

	30 June 2020	31 December 2019
Taxes prepaid and to be deducted	1,022,393,132.99	863,290,102.57
Input VAT to be certified	186,902,764.64	230,432,489.09
	1,209,295,897.63	1,093,722,591.66

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(10) Other equity instrument investments

	30 June 2020	31 December 2019
Equity instruments (i)	82,560,100.41	194,183,980.82

	30 June 2020	31 December 2019
Equity instruments		
Listed shares		
– Tianda Pharmaceuticals Limited (“Tianda Pharma”)	38,433,733.37	43,221,497.67
– China Isotope & Radiation Corporation (“CIRC”)	44,126,367.04	150,962,483.15
	82,560,100.41	194,183,980.82

	30 June 2020	31 December 2019
Tianda Pharma		
– Cost	87,851,852.85	87,851,852.85
– Accumulated changes in fair value	(49,418,119.48)	(44,630,355.18)
	38,433,733.37	43,221,497.67
CIRC		
– Cost (ii)	40,044,155.91	147,263,900.89
– Accumulated changes in fair value	4,082,211.13	3,698,582.26
	44,126,367.04	150,962,483.15

- (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.
- (ii) For the six months ended 30 June 2020, the Group disposed of the equity instrument of CIRC partially at a price of RMB117,626,108.92, due to strategy change. The accumulated other comprehensive income of RMB2,486,222.32 was converted into undistributed profits (Note 4(46)).



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(11) Other non-current financial assets

	30 June 2020	31 December 2019
Equity instruments		
– Listed common shares (a)	371,387,514.80	260,673,130.03
– Unlisted common shares (b)	123,425,042.70	123,725,042.70
	494,812,557.50	384,398,172.73

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

	30 June 2020	31 December 2019
(a) Listed common shares		
– Cost	142,906,089.22	142,906,089.22
– Accumulated changes in fair value	222,345,913.08	116,104,197.44
– Accumulated differences on translation of foreign currency financial statements	6,135,512.50	1,662,843.37
	371,387,514.80	260,673,130.03
(b) Unlisted common shares		
– Cost	30,644,261.62	30,944,261.62
– Accumulated changes in fair value	92,780,781.08	92,780,781.08
	123,425,042.70	123,725,042.70

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(12) Long-term receivables

	30 June 2020	31 December 2019
Cost –		
Deposits receivable (Note) – total amount	327,659,132.60	382,906,820.79
Less: Provision of bad debt	(1,190,061.93)	(1,458,561.93)
Unrealised finance income		
Deposits receivable	(91,814,859.80)	(92,548,440.32)
Current portion of long-term receivables	(8,431,708.80)	(23,257,721.60)
	226,222,502.07	265,642,096.94

Note: the amounts are deposits with over one year of collection period that the Group pays. As at 30 June 2020 and 31 December 2019, long-term receivables of the Group were all in the first stage.

(13) Long-term equity investments

	30 June 2020	31 December 2019
Joint ventures (a)	2,286,342,899.60	831,151,591.95
Associates (b)	4,365,591,341.32	4,103,677,828.26
Less: Provision for impairment of long-term equity investments	(81,050,360.68)	(81,050,360.68)
	6,570,883,880.24	4,853,779,059.53



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(13) Long-term equity investments (continued)

(a) Joint ventures

	31 December 2019	Changes during the period							Impairment balance	
		Increase in investment	Decrease in investment	Equity pick-up	OCI adjustment	Other equity changes	Declare cash dividends or profits	Provision for impairment		Other
SPH-BIOCAD(HK) Limited	-	1,420,475,280.00	-	(186,519.16)	-	-	-	(1,744,739.91)	1,418,544,020.93	-
Shanghai Huichison Pharmaceutical Co., Ltd.	513,887,967.33	-	-	170,418,876.11	-	-	(150,000,000.00)	-	534,306,843.44	-
Jiangxi Nanhua Medicines Co., Ltd.	260,818,816.10	-	-	14,746,967.36	-	-	-	-	275,565,783.46	-
Shanghai Finnet Medical Instrument Co., Ltd.	16,443,571.68	-	-	755,556.00	-	-	(1,610,639.16)	-	15,588,488.52	-
Others	40,001,236.84	1,847,160.00	-	489,366.41	-	-	-	-	42,337,763.25	(1,747,365.36)
	831,151,591.95	1,422,322,440.00	-	186,224,446.72	-	-	(151,610,639.16)	(1,744,739.91)	2,286,342,899.60	(1,747,365.36)

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

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(13) Long-term equity investments (continued)

(b) Associates

	31 December 2019	Changes during the period							30 June 2020	Impairment balance		
		Increase in investment	Decrease in investment	Equity pick-up	OCI adjustment	Other equity changes (i)	Declare cash dividends or profits	Provision for impairment			Other	
Shanghai Roche Pharmaceuticals Ltd.	1,195,931,998.78	-	-	216,980,791.55	-	-	-	-	-	-	1,412,912,790.33	-
Shanghai Industrial Group Finance Co., Ltd.	378,821,575.99	-	-	12,618,640.11	-	(7,187,760.00)	-	-	-	-	384,252,456.10	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (ii)	253,100,063.34	-	-	5,859,393.11	67,975.03	132,522,661.71	(14,709,979.20)	-	-	-	376,840,113.99	-
SINO-AMERICAN Shanghai Squibb Pharmaceutical Ltd.	266,904,388.24	-	-	76,790,224.93	-	-	(58,302,887.00)	-	-	-	285,391,726.17	-
Shanghai Good Health Capital LLP	237,930,915.59	-	-	(13,120,580.26)	-	-	-	-	-	-	224,810,335.33	-
Shanghai Lianyi Investment Center (limited Partnership)	171,889,754.42	40,000,000.00	-	475,854.52	-	-	-	-	-	-	212,365,608.94	-
Shanghai Tsumura Pharmaceuticals Co., Ltd.	193,797,620.18	-	-	9,600,799.06	-	(3,022,800.00)	-	-	-	-	200,365,619.24	-
Shangshi Commercial Factoring Co., Ltd.	150,339,980.03	-	-	6,603,596.40	-	-	-	-	-	-	156,997,576.43	-
Shanghai Bracco Sine Pharmaceutical Co., Ltd.	136,528,069.79	-	-	12,179,278.51	-	-	-	-	-	-	148,707,348.30	-
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	139,039,321.79	-	-	8,041,517.23	-	-	-	-	-	-	147,080,839.02	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	91,201,379.66	-	-	6,023,160.18	-	-	-	-	-	-	97,224,539.84	-
Oncernal Therapeutics, Inc	67,067,358.12	-	-	(4,794,404.94)	-	-	-	960,713.70	-	-	63,233,666.88	-
Shanghai Leyu Shuang Northern Area Medicine General Co., Ltd.	60,502,826.82	-	-	1,411,421.22	-	-	-	-	-	-	61,914,248.04	-
A.M.Pappas Life Science Venture V LP	60,759,309.07	313,462.85	-	(1,715,213.49)	-	(7,633,272.40)	-	-	-	-	51,724,286.03	-
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	49,038,003.34	-	-	830,743.33	-	(1,862,000.00)	-	-	-	-	48,006,746.67	-
Shanghai Chest Medical Instruments Co., Ltd	41,878,389.97	-	-	(684,607.33)	-	-	-	-	-	-	41,193,782.64	-
Sichuan Greentech Bio-technology Co., Ltd	32,092,883.41	-	-	(1,033,127.25)	-	-	-	-	-	-	31,059,756.16	-
Shanghai Sine Promod Pharmaceutical Co., Ltd.	28,885,173.00	-	-	1,407,229.85	-	(1,472,101.26)	-	-	-	-	28,820,301.59	-
Chengdu Huaxi Precision Medicine Industry Innovation Center Co., Ltd	-	20,000,000.00	-	56,821.15	-	-	-	-	-	-	20,056,821.15	-
Sichuan Guojia Medical Technology Co., Ltd.	197,769,961.59	-	-	-	-	-	-	(197,769,961.59)	-	-	-	-
Other investments	350,144,855.13	4,169,549.29	-	28,555,730.77	-	(10,237,356.72)	-	-	-	-	372,632,778.47	(79,302,995.32)
	4,103,677,828.26	64,483,012.14	-	366,087,268.65	67,975.03	132,522,661.71	(104,438,156.58)	-	(196,809,247.89)	-	4,365,591,341.32	(79,302,995.32)

(i) Related information of equity in the associates is set forth in Note 6(2).

(ii) Other equity changes mainly resulted from the issuance of shares of Shanghai Fudan-zhangjiang Bio-pharmaceutical Co., Ltd during current period, which led to change in capital surplus.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(14) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2019	441,146,039.16	75,183,543.08	516,329,582.24
Disposal	(52,040,250.00)	–	(52,040,250.00)
Translation difference	73,370.42	–	73,370.42
30 June 2020	389,179,159.58	75,183,543.08	464,362,702.66
Accumulated depreciation			
31 December 2019	(212,309,089.50)	(11,701,281.20)	(224,010,370.70)
Depreciation	(5,436,349.26)	(223,855.38)	(5,660,204.64)
Disposal	6,505,031.22	–	6,505,031.22
Translation difference	(33,892.77)	–	(33,892.77)
30 June 2020	(211,274,300.31)	(11,925,136.58)	(223,199,436.89)
Closing net book amount			
30 June 2020	177,904,859.27	63,258,406.50	241,163,265.77
31 December 2019	228,836,949.66	63,482,261.88	292,319,211.54

For the six months ended 30 June 2020, the depreciation and amortisation of investment properties amounted to RMB5,660,204.64 (for the six months ended 30 June 2019: RMB6,734,104.01).

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(15) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
Cost						
31 December 2019	8,552,512,039.89	4,851,896,043.30	409,087,741.13	883,935,088.09	705,809,528.69	15,403,240,441.10
Increase in the current period						
Addition	552,391,203.44	69,888,934.62	10,662,410.21	30,581,394.43	26,719,908.65	690,243,851.35
Transfers from construction in progress	304,222,107.50	445,453,505.69	3,838,056.51	88,847,638.41	4,107,862.01	846,469,170.12
Business combinations involving enterprises not under common control	40,392,581.53	604,817.23	2,801,420.15	1,628,728.32	1,359,903.79	46,787,451.02
Translation difference	(4,370,320.02)	(5,223,587.61)	(572,437.45)	430,337.71	(1,556,336.88)	(11,292,344.25)
Decrease in the current period						
Disposal	(3,233,829.89)	(33,600,094.26)	(11,380,991.10)	(26,302,430.21)	(11,263,135.12)	(85,780,480.58)
Transfer to construction in progress	-	(780,807.86)	-	-	-	(780,807.86)
30 June 2020	9,441,913,782.45	5,328,238,811.11	414,436,199.45	979,120,756.75	725,177,731.14	16,888,887,280.90
Accumulated depreciation						
31 December 2019	(2,325,794,412.26)	(2,264,868,839.09)	(281,453,943.51)	(534,141,855.85)	(427,125,628.22)	(5,833,384,678.93)
Increase in the current period						
Depreciation charge	(151,378,409.83)	(222,495,456.35)	(16,800,634.44)	(64,955,685.83)	(34,296,037.60)	(489,926,224.05)
Translation difference	1,841,194.52	4,096,127.13	464,380.22	365,373.09	204,623.45	6,971,698.41
Decrease in the current period						
Disposals	2,113,426.79	29,260,619.55	10,595,216.47	25,358,579.00	7,045,384.50	74,373,226.31
Transfer to construction in progress	-	463,605.00	-	-	-	463,605.00
30 June 2020	(2,473,218,200.78)	(2,453,543,943.76)	(287,194,981.26)	(573,373,589.59)	(454,171,657.87)	(6,241,502,373.26)
Accumulated impairment						
31 December 2019	(72,629,508.30)	(46,167,124.41)	(927,526.13)	(2,199,369.14)	(2,257,117.15)	(124,180,645.13)
Decrease in the current period						
Disposal	-	178,886.02	83,643.53	-	5,593.23	268,122.78
30 June 2020	(72,629,508.30)	(45,988,238.39)	(843,882.60)	(2,199,369.14)	(2,251,523.92)	(123,912,522.35)
Carrying amount						
30 June 2020	6,896,066,073.37	2,828,706,628.96	126,397,335.59	403,547,798.02	268,754,549.35	10,523,472,385.29
31 December 2019	6,154,088,119.33	2,540,860,079.80	126,706,271.49	347,593,863.10	276,426,783.32	9,445,675,117.04



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(15) Fixed assets (continued)

As at 30 June 2020, buildings, machinery and equipment with a carrying amount of RMB313,171,898.49 (a cost of RMB419,118,115.32) and 132,282.80 square metres of land use rights (a cost of RMB35,366,228.63, a carrying amount of RMB29,903,214.73) (Note 4(19)) were pledged as collateral for short-term borrowings of RMB443,680,000.00 (Note 4(25)(a)), long-term borrowings of RMB35,059,705.50 (Note 4(35)(a)) and current portion of long-term borrowings of RMB26,000,000.00 (Note 4(33)).

As at 31 December 2019, buildings, machinery and equipment with a carrying amount of RMB221,983,506.93 (a cost of RMB395,015,703.01) and 78,576.72 square metres of land use rights (a cost of RMB21,418,792.50, a carrying amount of RMB17,728,606.93) (Note 4(19)) were pledged as collateral for short-term borrowings of RMB350,937,968.80 (Note 4(25)(a)), long-term borrowings of RMB51,122,651.00 (Note 4(35)(a)) and current portion of long-term borrowings of RMB19,874,109.00 (Note 4(33)).

For the six months ended 30 June 2020, depreciation charged to fixed assets amounted to RMB489,926,224.05 (for the six months ended 30 June 2019: RMB433,600,663.73), of which RMB205,324,721.50, RMB95,624,677.26, RMB158,941,579.66 and RMB30,035,245.63 (for the six months ended 30 June 2019: RMB202,542,012.10, RMB70,284,801.40, RMB128,920,409.92 and RMB31,853,440.31) were charged to cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses respectively.

For the sixth months ended 30 June 2020, the costs of fixed assets transferred from construction in progress amounted to RMB846,469,170.12 (for the sixth months ended 30 June 2019: RMB265,948,596.62).

(a) *Temporarily idle fixed assets*

As at 30 June 2020, the Group had no temporarily material idle fixed assets (31 December 2019: Nil).

(b) *Fixed assets with pending certificates of ownership:*

	Carrying amount	Reasons for not obtaining certificates of title yet
Buildings	490,296,102.24	Still in the process

(16) Construction in progress

	30 June 2020			31 December 2019		
	Book balance	Bad debt provisions	Carrying amount	Book balance	Bad debt provisions	Carrying amount
Construction in progress	1,453,300,762.31	(9,748,361.91)	1,443,552,400.40	1,659,644,728.40	(9,748,361.91)	1,649,896,366.49

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(16) Construction in progress

(a) Changes in major construction projects

Names	Budget '0000	31 December 2019	Increase in the current period	Transfer to fixed assets	Others	30 June 2020	% of Budget	Project progress	Accumulative amount of capitalised borrowing costs	Capitalised borrowing costs in the current period	Capitalisation rate in the current period	Sources of funds
Qingchunbao-Beijing subsidiary	145,627	743,619,120.74	117,108,829.73	(642,161,549.99)	-	218,566,400.48	61.93%	61.93%	-	-	-	Self-owned funds
Industrial Innovation and Upgrade of GBE50 and Artificial Musk	57,972	94,807,987.99	106,798,013.50	-	-	201,606,001.49	34.78%	34.78%	-	-	-	Self-owned funds
Huaxi Medicine Industrial Park	15,900	-	124,219,133.78	-	(14,563,346.88)	109,655,786.90	78.13%	78.13%	-	-	-	Self-owned funds
SPH Huanan Pharmaceutical Industrial Base (Phase 1)	11,427	78,442,451.01	10,799,601.01	-	-	89,242,052.02	78.10%	78.10%	-	-	-	Self-owned funds
Dispensing Granule Project of Haohushi	8,754	35,351,967.03	8,623,245.56	(130,868.53)	-	43,844,344.06	99.99%	99.99%	-	-	-	Self-owned funds
Building Installation of Northern Pharmaceuticals	92,656	27,048,434.82	12,155,941.51	(1,432,167.31)	(701,386.07)	37,070,822.95	47.10%	47.10%	-	-	-	Self-owned funds
QC Laboratory Renovation	4,429	13,204,984.02	13,099,362.83	-	-	26,304,346.85	59.40%	59.40%	-	-	-	Self-owned funds
Penicillin Solid Oral Dosage form Plant of Sudan Medicine	3,499	27,956,517.41	3,296,185.10	(689,884.86)	(5,092,872.50)	25,569,945.15	99.99%	99.99%	-	-	-	Self-owned funds
High-rack Warehouse Expansion	2,553	18,080,539.39	4,897,648.56	(22,978,187.95)	-	-	90.00%	100.00%	-	-	-	Self-owned funds
Others		621,132,725.99	307,733,706.85	(179,176,511.48)	(48,248,858.95)	701,441,062.41						
		1,659,644,728.40	708,731,668.43	(846,469,170.12)	(68,606,464.40)	1,453,300,762.31						



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(16) Construction in progress (continued)

(b) Provision for impairment of construction in progress

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Others	(9,748,361.91)	–	–	(9,748,361.91)

(c) As at 30 June 2020, the progress of the construction in progress in the Group was estimated by proportion of expenditures incurred to budgeted amount.

(17) Bearer biological assets

	Mature biological assets	Immature biological assets	Total
Cost			
31 December 2019	285,952,211.03	144,277,825.16	430,230,036.19
Increase in the current period	–	5,056,638.71	5,056,638.71
30 June 2020	285,952,211.03	149,334,463.87	435,286,674.90
Accumulated depreciation			
31 December 2019	(20,085,017.92)	–	(20,085,017.92)
Depreciation charge	(110,184.66)	–	(110,184.66)
30 June 2020	(20,195,202.58)	–	(20,195,202.58)
Carrying amount			
30 June 2020	265,757,008.45	149,334,463.87	415,091,472.32
31 December 2019	265,867,193.11	144,277,825.16	410,145,018.27

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(18) Right-of-use assets

	Buildings	Machinery and equipment	Other equipment	Total
Cost				
31 December 2019	3,076,134,904.94	39,139,084.41	778,298.85	3,116,052,288.20
Increase in the current period				
New lease contracts	427,281,304.83	–	–	427,281,304.83
Decrease in the current period				
Changes in leases	(101,392,177.60)	–	–	(101,392,177.60)
Translation difference	(2,643,891.27)	–	–	(2,643,891.27)
30 June 2020	3,399,380,140.90	39,139,084.41	778,298.85	3,439,297,524.16
Accumulated amortisation				
31 December 2019	(1,465,827,056.22)	(16,451,294.44)	(356,241.12)	(1,482,634,591.78)
Increase in the current period				
Amortisation charge	(301,346,676.08)	(10,218,595.32)	(212,035.12)	(311,777,306.52)
Decrease in the current period				
Changes in leases	62,094,355.43	–	–	62,094,355.43
Translation difference	122,539.81	–	–	122,539.81
30 June 2020	(1,704,956,837.06)	(26,669,889.76)	(568,276.24)	(1,732,195,003.06)
Accumulated impairment				
31 December 2019	(11,321,296.37)	–	–	(11,321,296.37)
Impairment charge	–	–	–	–
30 June 2020	(11,321,296.37)	–	–	(11,321,296.37)
Carrying amount				
30 June 2020	1,683,102,007.47	12,469,194.65	210,022.61	1,695,781,224.73
31 December 2019	1,598,986,552.35	22,687,789.97	422,057.73	1,622,096,400.05



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(19) Intangible assets

	Land use rights	Business network	Trademarks and brands	Proprietary technology and patents	Software	Others	Total
Cost							
31 December 2019	1,826,906,963.85	1,976,054,594.17	685,225,287.33	796,685,113.23	584,219,318.13	39,549,105.04	5,908,640,381.75
Increase in the current period							
Purchase	172,642,573.65	-	-	1,429,482.87	13,149,106.87	5,284,308.95	192,505,472.34
Internal research and development (R&D)	-	-	-	4,989,246.39	-	-	4,989,246.39
Business combinations involving enterprises not under common control	13,825,187.50	337,976,012.50	-	-	3,338,465.92	-	355,139,665.92
Transfer from construction in progress	-	-	-	-	14,533,761.77	180,862.07	14,714,623.84
Decrease in the current period							
Disposals	-	-	-	(1,472,111.23)	(47,710,090.10)	(350,479.98)	(49,532,681.31)
Other	-	(116,365.37)	-	-	(10,596.79)	(1,183,413.93)	(1,310,376.09)
30 June 2020	2,013,374,725.00	2,313,914,241.30	685,225,287.33	801,631,731.26	567,519,965.80	43,480,382.15	6,425,146,332.84
Accumulated amortisation							
31 December 2019	(359,417,128.34)	(861,276,476.21)	(32,382,199.40)	(267,555,282.40)	(302,411,696.94)	(30,446,772.99)	(1,853,489,556.28)
Increase in the current period							
Amortisation charge	(22,221,612.23)	(109,169,910.96)	(3,935,345.95)	(28,565,977.48)	(53,472,270.59)	(11,399,413.75)	(228,764,530.96)
Decrease in the current period							
Disposals	-	-	-	98,078.80	47,361,988.02	350,479.98	47,810,546.80
30 June 2020	(381,638,740.57)	(970,446,387.17)	(36,317,545.35)	(296,023,181.08)	(308,521,979.51)	(41,495,706.76)	(2,034,443,540.44)
Accumulated impairment							
31 December 2019	(7,684,303.04)	(2,854,166.67)	(30,575,718.00)	(81,867,731.04)	(304,706.47)	(1,492,390.36)	(124,779,015.58)
Impairment charge	-	-	-	-	-	-	-
Disposals	-	-	-	-	72,122.99	-	72,122.99
30 June 2020	(7,684,303.04)	(2,854,166.67)	(30,575,718.00)	(81,867,731.04)	(232,583.48)	(1,492,390.36)	(124,706,892.59)
Carrying amount							
30 June 2020	1,624,051,681.39	1,340,613,687.46	618,332,023.98	423,740,819.14	258,765,402.81	492,285.03	4,265,995,899.81
31 December 2019	1,459,805,532.47	1,111,923,951.29	622,267,369.93	447,262,099.79	281,502,914.72	7,609,941.69	3,930,371,809.89

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(19) Intangible assets (continued)

For the six months ended 30 June 2020, the amortisation of intangible assets amounted to RMB228,764,530.96 (for the six months ended 30 June 2019: RMB200,038,175.14).

As at 30 June 2020, certificates of ownership for land use right with a carrying amount of RMB1,073,067.90 (a cost of RMB3,340,802.00) (31 December 2019: a carrying amount of RMB42,032,309.85 (a cost of RMB44,383,212.08) was still in progress.

As at 30 June 2020, 132,282.80 square metres of land use rights (a cost of RMB35,366,228.63, a carrying amount of RMB29,903,214.73) and buildings, machinery and equipment with a carrying amount of RMB313,171,898.49 (a cost of RMB419,118,115.32) (Note 4(15)) were pledged as collateral for short-term borrowings of RMB443,680,000.00 (Note 4(25)(a)), long-term borrowings of RMB35,059,705.50 (Note 4(35) (a)) and current portion of long-term borrowings of RMB26,000,000.00 (Note 4(33)).

As at 31 December 2019, 78,576.72 square metres of land use rights (a cost of RMB21,418,792.50, a carrying amount of RMB17,728,606.93) and buildings, machinery and equipment with a carrying amount of RMB221,983,506.93 (a cost of RMB395,015,703.01) (Note 4(15)) were pledged as collateral for short-term borrowings of RMB350,937,968.80 (Note 4(25)(a)), long-term borrowings of RMB51,122,651.00 (Note 4(35) (a)) and current portion of long-term borrowings of RMB19,874,109.00 (Note 4(33)).

For the six months ended 30 June 2020, the R&D expenditures of the Group were RMB696,305,063.90 (for the six months ended 30 June 2019: RMB578,367,509.20) in total, of which, RMB676,750,443.92 (for the six months ended 30 June 2019: RMB564,145,212.56) was recognised in the profit or loss and RMB19,554,619.98 (for the six months ended 30 June 2019: RMB14,222,296.64) was included in the ending balance of the development costs.



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For the six months ended 30 June 2020
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4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(20) Goodwill

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Goodwill				
Shanghai Pharmaceutical Co., Ltd.'s subsidiaries	2,717,599,601.12	1,079,930,322.96	–	3,797,529,924.08
China Health System Ltd. and its subsidiaries	2,870,085,225.01	–	–	2,870,085,225.01
Shanghai Pharmaceuticals (HK) Investment Limited's subsidiaries	2,676,288,350.76	–	–	2,676,288,350.76
TECHPOOL Bio-Pharma Co., Ltd and its subsidiaries	1,399,888,707.64	–	–	1,399,888,707.64
Zeus Investment Limited and its subsidiaries	1,018,970,547.85	–	(19,278,389.51)	999,692,158.34
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	229,814,182.41	617,770.53	–	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
SPH Kony (Changzhou) Co., Ltd.	107,285,726.91	–	–	107,285,726.91
Others	158,425,128.21	–	–	158,425,128.21
	12,293,131,482.97	1,080,548,093.49	(19,278,389.51)	13,354,401,186.95
Less: Provision for impairment (a)				
Zeus Investment Limited and its subsidiaries	(928,448,539.22)	–	3,535,643.35	(924,912,895.87)
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)
Big Global Limited and its subsidiary	(97,257,120.00)	–	–	(97,257,120.00)
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.'s subsidiaries	(39,470,053.42)	–	–	(39,470,053.42)
China Health System Ltd. and its subsidiaries	(1,038,013.89)	–	–	(1,038,013.89)
Others	(106,700,826.16)	–	–	(106,700,826.16)
	(1,503,212,965.20)	–	3,535,643.35	(1,499,677,321.85)
	10,789,918,517.77	1,080,548,093.49	(15,742,746.16)	11,854,723,865.10

Goodwill recognised in the current period arose from the purchase of Sichuan Guojia Medical Technology Co., Ltd. (Note 5(1))

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(20) Goodwill (continued)

(a) *Impairment*

The goodwill allocated to the asset groups and groups of asset groups are summarised by operating segments as follows:

	30 June 2020	31 December 2019
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	999,692,158.34	1,018,970,547.85
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
Others	482,313,293.23	482,313,293.23
Distribution –		
Distribution business of Shanghai Pharmaceutical Co., Ltd and Cardinal Health (L) Co., Ltd.	6,041,507,439.79	4,961,577,116.83
Distribution business of China Health System Ltd. and Liaoning International Pharmaceutical Trading Co., Ltd.	3,100,517,177.95	3,099,899,407.42
Taizhou Shangyao Medicine Co., Ltd.	136,595,896.08	136,595,896.08
Others	75,432,707.05	75,432,707.05
Others	320,743,235.82	320,743,235.82
	13,354,401,186.95	12,293,131,482.97

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. The Group's allocation of goodwill has not changed for the six months ended 30 June 2020.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(20) Goodwill (continued)

(a) Impairment (continued)

The recoverable amounts of asset groups and groups of asset groups are calculated using the estimated cash flows determined according to the five-year budget approved by management, together with the constant growth rates thereafter. The details are set out in the following table.

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

	Production	Distribution
Growth rates within budget period	-12%~14%	6%~8%
Growth rate to extrapolate cash flows beyond the budget period	0%~3%	2%~3%
Gross margin rate	10%~91%	6%~8%
Discount rates	12%~19%	13%~14%

The weighted average growth rate adopted by the Group refers to the forecast data contained in other companies in the same industry, and does not exceed the long-term average growth rate of each product. The Group determines the budgeted gross margin based on historical experience and forecasts of market development and uses a pre-tax interest rate that reflects the specific risks of the relevant asset portfolio and asset portfolio combination as the discount rate.

(21) Long-term prepaid expenses

	31 December 2019	Increase in the current period	Amortisation in the current period	Others	30 June 2020
Improvement and maintenance expenditures of right-of-use assets	341,115,715.46	35,024,879.68	(23,884,273.53)	(55,308.38)	352,201,013.23
Others	53,684,198.07	22,665,980.17	(43,209,751.40)	(2,941,153.66)	30,199,273.18
	394,799,913.53	57,690,859.85	(67,094,024.93)	(2,996,462.04)	382,400,286.41

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(22) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offset

	30 June 2020		31 December 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment provision	2,995,369,789.21	711,903,197.47	2,704,915,525.60	638,690,653.89
Accrual expenses	1,431,893,468.93	313,193,276.14	1,214,842,728.27	271,588,405.81
Elimination of intra-group unrealised profit	1,022,057,975.39	183,441,206.02	908,524,409.07	168,229,418.61
Deferred income	198,298,030.19	40,101,216.39	205,248,133.02	41,994,810.85
Others	1,601,467,808.11	390,449,045.35	1,488,149,699.18	361,992,374.29
	7,249,087,071.83	1,639,087,941.37	6,521,680,495.14	1,482,495,663.45
Including:				
Expected to be recovered within one year (inclusive)		1,342,819,000.43		1,088,227,372.27
Expected to be recovered after one year		296,268,940.94		394,268,291.18
		1,639,087,941.37		1,482,495,663.45

(b) Deferred tax liabilities before offset

	30 June 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of other non-current financial assets	69,130,134.84	17,282,533.71	69,224,369.84	17,306,092.46
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	3,235,478,416.56	808,869,604.14	2,984,139,203.56	746,034,800.89
Others	1,150,958,543.00	287,739,635.75	1,224,985,058.92	306,246,264.73
	4,455,567,094.40	1,113,891,773.60	4,278,348,632.32	1,069,587,158.08
Including:				
Expected to be recovered within one year (inclusive)		166,397,471.60		184,241,529.70
Expected to be recovered after one year		947,494,302.00		885,345,628.38
		1,113,891,773.60		1,069,587,158.08



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(22) Deferred tax assets and deferred tax liabilities (continued)

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

	30 June 2020	31 December 2019
Deductible tax loss	3,421,592,961.73	2,856,198,191.38

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

	30 June 2020	31 December 2019
2020	143,707,244.14	146,335,403.82
2021	293,270,672.63	316,331,508.52
2022	698,896,552.16	702,643,486.40
2023	765,728,664.40	765,728,664.40
2024	925,159,128.24	925,159,128.24
2025	594,830,700.16	Not applicable
	3,421,592,961.73	2,856,198,191.38

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

	30 June 2020		31 December 2019	
	Offsetting amount	Amount after offset	Offsetting amount	Amount after offset
Deferred tax assets	(266,440,121.78)	1,372,647,819.59	(259,988,023.60)	1,222,507,639.85
Deferred tax liabilities	266,440,121.78	847,451,651.82	259,988,023.60	809,599,134.48

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(23) Asset impairment

	31 December 2019	Increase in the current period	Reverse in current period	Others	30 June 2020
Provision for bad debts of notes receivables	4,510,799.89	-	(697,354.16)	-	3,813,445.73
Including: Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on grouping basis	4,510,799.89	-	(697,354.16)	-	3,813,445.73
Provision for bad debts of accounts receivables	2,063,683,507.12	162,066,331.72	(16,075,882.72)	7,857,393.24	2,217,531,349.36
Including: Provision for bad debts on individual basis	556,297,782.75	9,074,906.64	(16,075,882.72)	-	549,296,806.67
Provision for bad debts on grouping basis	1,507,385,724.37	152,991,425.08	-	7,857,393.24	1,668,234,542.69
Provisions for bad debts of receivables financing	5,345,115.47	-	(513,438.83)	-	4,831,676.64
Including: Provision for bad debts on individual basis	-	-	-	-	-
Provision for bad debts on grouping basis	5,345,115.47	-	(513,438.83)	-	4,831,676.64
Provision for bad debts of other receivables	699,306,175.78	11,928,114.86	(2,958,600.00)	(3,149,365.99)	705,126,324.65
Provision for impairment of long-term receivables	1,458,561.93	-	(268,500.00)	-	1,190,061.93
Subtotal	2,774,304,160.19	173,994,446.58	(20,513,775.71)	4,708,027.25	2,932,492,858.31



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(23) Asset impairment (continued)

	31 December 2019	Increase in the current period	Reverse in current period	Others	30 June 2020
Provision for decline in the value of inventories	834,346,740.84	367,043,516.30	(135,113,695.98)	(34,588,852.62)	1,031,687,708.54
Provision for impairment of long- term equity investment	81,050,360.68	–	–	–	81,050,360.68
Provision for impairment of fixed assets	124,180,645.13	–	–	(268,122.78)	123,912,522.35
Provision for impairment of construction in progress	9,748,361.91	–	–	–	9,748,361.91
Provision for impairment of intangible assets	124,779,015.58	–	–	(72,122.99)	124,706,892.59
Provision for impairment of goodwill	1,503,212,965.20	–	–	(3,535,643.35)	1,499,677,321.85
Provision for impairment of right- of-use assets	11,321,296.37	–	–	–	11,321,296.37
Subtotal	2,688,639,385.71	367,043,516.30	(135,113,695.98)	(38,464,741.74)	2,882,104,464.29
	5,462,943,545.90	541,037,962.88	(155,627,471.69)	(33,756,714.49)	5,814,597,322.60

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(24) Other non-current assets

	30 June 2020	31 December 2019
Prepayment for land cost	959,090,000.00	555,845,000.00
Prepayment for construction costs	273,253,684.11	772,692,998.90
Prepayment for business combination	–	1,692,714,300.00
Others	133,346,088.11	246,235,556.94
	1,365,689,772.22	3,267,487,855.84

(25) Short-term borrowings

	30 June 2020	31 December 2019
Mortgaged (a)	443,680,000.00	350,937,968.80
Pledged (b)	765,422,162.39	1,026,173,384.01
Guaranteed (c)	118,130,982.38	190,150,000.00
Credit	22,114,667,695.89	21,491,799,802.45
Interest accrued	66,991,145.36	79,626,034.49
	23,508,891,986.02	23,138,687,189.75

- (a) As at 30 June 2020, short-term borrowings of RMB443,680,000.00 and long-term borrowings of RMB35,059,705.50 (Note 4(35)(a)) and current portion of long-term borrowings of RMB26,000,000.00 (Note 4(33)) were secured by buildings, and machinery and equipment (Note 4(15)) with a carrying amount of RMB313,171,898.49 (a cost of RMB419,118,115.32), and 132,282.80 square metres of land use rights (a cost of RMB35,366,228.63, a carrying amount of RMB29,903,214.73) (Note 4(19));

As at 31 December 2019, short-term borrowings of RMB350,937,968.80 and long-term borrowings of RMB51,122,651.00 (Note 4(35)(a)) and current portion of long-term borrowings of RMB19,874,109.00 (Note 4(33)) were secured by buildings, and machinery and equipment (Note 4(15)) with a carrying amount of RMB221,983,506.93 (a cost of RMB395,015,703.01), and 78,576.72 square metres of land use rights (a cost of RMB21,418,792.50, a carrying amount of RMB17,728,606.93) (Note 4(19));

- (b) As at 30 June 2020, pledged bank borrowings of RMB765,422,162.39 were secured by accounts receivable with a carrying amount of RMB842,008,167.46 (Note 4(4)(c)) and receivables financing with a carrying amount of RMB14,937,418.09 (Note 4(5)) and notes receivables with a carrying amount of RMB41,722,110.26 (Note 4(3));

As at 31 December 2019, pledged bank borrowings of RMB1,026,173,384.01 were secured by accounts receivable with a carrying amount of RMB1,055,492,062.85 (Note 4(4)(c)) and receivables financing with a carrying amount of RMB130,497,231.64 (Note 4(5));

- (c) As at 30 June 2020, guaranteed borrowings of RMB72,133,857.18 (31 December 2019: RMB5,350,000.00) were mainly secured by the minority shareholders of subsidiaries of the Group.

As at 30 June 2020, guaranteed borrowings of RMB45,997,125.20 (31 December 2019: RMB184,800,000.00) were mainly secured by the Group and the minority shareholders of subsidiaries of the Group.

- (d) As at 30 June 2020, the range of interest rate of short-term borrowings was 1.23% to 5.66% (31 December 2019: 2.85% to 5.66%).



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(26) Notes payables

	30 June 2020	31 December 2019
Trade acceptance	1,169,587,613.16	1,595,106,459.35
Bank acceptance	2,648,167,866.92	3,458,366,949.19
	3,817,755,480.08	5,053,473,408.54

(27) Accounts payables

	30 June 2020	31 December 2019
Purchase payable	32,896,922,301.84	31,818,985,528.48

(i) As at 30 June 2020, accounts payables aged over one year were RMB2,579,156,970.72 (31 December 2019: RMB2,295,213,016.16).

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

	30 June 2020	31 December 2019
Within 1 year	30,317,765,331.12	29,523,772,512.32
1-2 years	1,608,033,295.99	1,498,504,062.73
Above 2 years	971,123,674.73	796,708,953.43
	32,896,922,301.84	31,818,985,528.48

(28) Contract liabilities

	30 June 2020	31 December 2019
Advance payments	1,184,501,018.43	1,534,199,122.71

For the six months ended 30 June 2020, contract liabilities included in the period beginning with carrying amount of RMB1,398,369,471.16 (30 June 2019: RMB1,243,820,100.73) were transferred to revenue, all of which were income from sales of goods.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(29) Employee benefits payable

	30 June 2020	31 December 2019
Short-term employee benefits payable (a)	792,905,704.72	1,064,758,750.20
Defined contribution plans payable (b)	28,787,776.50	21,848,567.36
Termination benefits payable (c)	4,770,433.91	4,249,346.28
	826,463,915.13	1,090,856,663.84

(a) Short-term employee benefits payable

	31 December 2019	Increase for the period	Decrease for the period	30 June 2020
Wages and salaries, bonus, allowances and subsidies	878,219,919.26	2,617,181,786.17	(2,884,049,243.22)	611,352,462.21
Staff welfare	–	141,865,966.13	(141,865,966.13)	–
Social security contributions	14,231,399.41	116,061,448.29	(116,945,886.65)	13,346,961.05
Including: Medical insurance	13,227,246.89	105,669,044.45	(106,418,528.32)	12,477,763.02
Work injury insurance	396,747.85	2,677,322.79	(2,768,797.45)	305,273.19
Maternity insurance	607,404.67	7,715,081.05	(7,758,560.88)	563,924.84
Housing funds	3,538,819.69	169,643,741.29	(168,609,029.68)	4,573,531.30
Labor union funds and employee education funds	42,361,348.35	60,578,391.24	(48,823,245.80)	54,116,493.79
Others	126,407,263.49	23,288,588.89	(40,179,596.01)	109,516,256.37
	1,064,758,750.20	3,128,619,922.01	(3,400,472,967.49)	792,905,704.72

(b) Defined contribution plans payable

	31 December 2019	Increase for the period	Decrease for the period	30 June 2020
Basic pensions	20,579,723.90	146,883,496.35	(139,854,137.86)	27,609,082.39
Unemployment insurance	1,268,843.46	3,815,866.91	(3,906,016.26)	1,178,694.11
	21,848,567.36	150,699,363.26	(143,760,154.12)	28,787,776.50



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(29) Employee benefits payable (continued)

(c) Termination benefits payable

	30 June 2020	31 December 2019
Termination benefits payable (current portion)	4,770,433.91	4,249,346.28

(30) Taxes payable

	30 June 2020	31 December 2019
Enterprise income tax payable	568,100,686.41	716,991,334.48
Unpaid VAT	296,592,625.08	371,420,678.91
City maintenance and construction tax payable	19,112,797.03	21,810,084.35
Withholding of personal income tax for employees	16,958,696.08	28,354,252.26
Educational surcharge payable	15,237,522.34	17,859,700.13
Property tax payable	8,214,663.43	18,503,881.78
Others	27,758,636.18	40,480,874.58
	951,975,626.55	1,215,420,806.49

(31) Other payables

	30 June 2020	31 December 2019
Accrued expenses	4,564,915,593.06	3,843,836,053.34
Deposits and guarantees payable	2,471,701,365.94	2,762,550,489.91
Dividends payable for ordinary share	1,250,519,301.68	–
Accounts received from other companies	2,663,924,696.01	683,913,486.30
Payables for equity acquisition	635,748,987.37	610,413,637.45
Engineering equipment expenses payable	372,019,058.45	386,738,312.09
Dividends payable to minority shareholders	204,359,728.64	99,519,576.04
Others	1,312,152,597.65	1,178,720,479.45
	13,475,341,328.80	9,565,692,034.58

(a) As at 30 June 2020, other payables aged over one year were RMB1,939,692,465.05 (31 December 2019: RMB1,660,015,499.22).

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(32) Provisions

	31 December 2019	Increase for the period	Decrease for the period	30 June 2020
Pending litigations	65,179,971.91	14,800,000.00	(63,360,997.55)	16,618,974.36
Estimated liquidation loss	5,743,197.09	–	–	5,743,197.09
	70,923,169.00	14,800,000.00	(63,360,997.55)	22,362,171.45

(33) Current portion of non-current liabilities

	30 June 2020	31 December 2019
Lease liabilities due within one year (Note 4(37))	545,021,548.84	560,871,935.10
Long-term borrowings due within one year (Note 4(35))	388,204,125.70	606,329,457.13
Debentures payable due within one year	79,865,753.42	18,534,246.58
Long-term payables due within one year (Note 4(38))	1,866,683.33	2,866,683.33
	1,014,958,111.29	1,188,602,322.14

(34) Other current liabilities

	30 June 2020	31 December 2019
Super & Short-term Commercial Paper ("SCP")	5,027,712,328.77	–



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(34) Other current liabilities (continued)

(a) Details of the SCP are as follows:

	31 December 2019	Issue for the period	Interest accrued	Amortisation of discount	Repayment for the period	30 June 2020
2020 SCP stage 1	-	2,498,125,000.00	20,808,219.18	1,875,000.00	-	2,520,808,219.18
2020 SCP stage 2	-	2,499,375,000.00	6,904,109.59	625,000.00	-	2,506,904,109.59
	-	4,997,500,000.00	27,712,328.77	2,500,000.00	-	5,027,712,328.77

	Face value	Issuing date	Debenture maturity	Issuing amount
2020 SCP phase 1	2,500,000,000.00	26 February 2020	270 days	2,498,125,000.00
2020 SCP phase 2	2,500,000,000.00	27 April 2020	90 days	2,499,375,000.00

Upon receipt of Notice of Acceptance of Registration (Zhong Shi Xie Zhu (2020) SCP37), the Company was authorized to issue SCP with limitation to amount of RMB5,000,000,000 by National Association of Financial Market Institution Investors in the PRC. Considering the Company's capital plan and inter-bank market situations, the Company issued the first stage of SCP at 26 February 2020, with a fixed interest rate of 2.45% and a maturity date of 270 days, and issued the second stage of SCP at 27 April 2020, with a fixed interest rate of 1.60% and a maturity date of 90 days.

Notes to the Financial Statements

For the six months ended 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(35) Long-term borrowings

	30 June 2020	31 December 2019
Mortgaged (a)	61,059,705.50	70,996,760.00
Guaranteed	68,000,000.00	68,500,000.00
Credit	5,940,901,917.56	6,401,200,163.93
Pledged (b)	189,206,741.94	189,054,277.00
Interest accrued	7,493,121.91	12,571,017.89
	6,266,661,486.91	6,742,322,218.82
Less: Long-term borrowings due within one year		
Mortgaged (a)	(26,000,000.00)	(19,874,109.00)
Guaranteed	(68,000,000.00)	(1,000,000.00)
Credit	(182,046,849.85)	(503,494,806.24)
Pledged (b)	(104,664,153.94)	(69,389,524.00)
Interest accrued	(7,493,121.91)	(12,571,017.89)
	(388,204,125.70)	(606,329,457.13)
	5,878,457,361.21	6,135,992,761.69

(a) As at 30 June 2020, short-term borrowings of RMB443,680,000.00 (Note 4(25)(a)) and long-term borrowings of RMB35,059,705.50 and current portion of long-term borrowings of RMB26,000,000.00 (Note 4(33)) were secured by buildings, and machinery and equipment with a carrying amount of RMB313,171,898.49 (a cost of RMB419,118,115.32) (Note 4(15)), and 132,282.80 square meters of land use rights (a cost of RMB35,366,228.63, a carrying amount of RMB29,903,214.73) (Note 4(19)).

As at 31 December 2019, short-term borrowings of RMB350,937,968.80 (Note 4(25)(a)) and long-term borrowings of RMB51,122,651.00 (Note 4(33)) and current portion of long-term borrowings of RMB19,874,109.00 were secured by buildings, and machinery and equipment with a carrying amount of RMB221,983,506.93 (Note 4(15)) (a cost of RMB395,015,703.01), and 78,576.72 square meters of land use rights (a cost of RMB21,418,792.50, a carrying amount of RMB17,728,606.93) (Note 4(19)).

(b) As at 30 June 2020, bank borrowings of RMB84,542,588.00 and current portion of long-term borrowings of RMB104,664,153.94 (Note 4(33)) were secured by long-term receivables with a carrying amount of RMB189,206,741.94.

As at 31 December 2019, bank borrowings of RMB119,664,753.00 and current portion of long-term borrowings of RMB69,389,524.00 (Note 4(33)) were secured by long-term receivables with a carrying amount of RMB206,210,749.24.

(c) As at 30 June 2020, the range of interest rate of long-term borrowings was 2.91% to 5.70% (31 December 2019: 2.91% to 5.70%).



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(36) Debentures payable

	31 December 2019	Interest accrued	Amortisation of discount	Repayment for the period	Transfer into non-current liabilities due within one year	30 June 2020
Corporate debentures in 2018 (Phase 1)	2,998,228,732.34	61,331,506.84	477,748.16	-	(61,331,506.84)	2,998,706,480.50

Details of the debentures are as follows:

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

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

(37) Lease liabilities

	30 June 2020	31 December 2019
Lease liabilities	1,826,809,423.02	1,716,510,800.88
Less: Current portion of non-current liabilities (Note 4(33))	(545,021,548.84)	(560,871,935.10)
	1,281,787,874.18	1,155,638,865.78

- (a) As at 30 June 2020, future cash outflows to which the Group was potentially exposed that were not included in the lease liabilities comprise the following:

As at 30 June 2020, payments for leases not yet commenced to which the Group was committed amounted to RMB16,666,709.47 (Note 14(3)).

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(38) Long-term payables

	30 June 2020	31 December 2019
Long-term payables for acquisition of subsidiaries	378,641,595.21	380,013,384.22
Payables for forest use rights	38,481,275.51	38,481,275.51
	417,122,870.72	418,494,659.73
Less: Long-term payables due within one year	(1,866,683.33)	(2,866,683.33)
	415,256,187.39	415,627,976.40

(39) Deferred income

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020	Reason
Compensation for demolition and construction	889,644,961.74	531,099,351.00	(5,174,942.63)	1,415,569,370.11	Relocation and demolition
Scientific research funds and specific funds (a)	389,081,310.05	67,167,371.87	(29,269,216.02)	426,979,465.90	Others
Total	1,278,726,271.79	598,266,722.87	(34,444,158.65)	1,842,548,836.01	

(a) Government grant

	31 December 2019	Increase in the current period	Amount included in other income	Amount deducted by general and administrative expenses	30 June 2020	Asset related/ Income related
Scientific research funds and specific funds	389,081,310.05	67,167,371.87	(14,800,416.01)	(14,468,800.01)	426,979,465.90	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 specific funds	14,800,416.01	Other income
Scientific research funds and specific funds	14,468,800.01	General and administrative expenses
	29,269,216.02	



Notes to the Financial Statements

For the six months ended 30 June 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(40) Long-term employee benefits payable

	30 June 2020	31 December 2019
Termination benefits payable	40,693,271.02	52,345,239.83
Less: To be paid within one year (Note 4(29)(c))	(4,770,433.91)	(4,249,346.28)
	35,922,837.11	48,095,893.55

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

(41) Other non-current liabilities

	30 June 2020	31 December 2019
Medical reserve funds	87,926,649.70	87,993,983.02
Government loan	40,000.00	40,000.00
Others	19,342,630.91	31,959,240.87
	107,309,280.61	119,993,223.89

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(42) Share capital

	31 December 2019	Change in the current period			Subtotal	30 June 2020
		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 listed foreign shares	919,072,704.00	-	-	-	-	919,072,704.00
	2,842,007,722.00	-	-	-	-	2,842,007,722.00
	2,842,089,322.00	-	-	-	-	2,842,089,322.00

	31 December 2018	Change in the current period			Subtotal	30 June 2019
		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 listed foreign shares	919,072,704.00	-	-	-	-	919,072,704.00
	2,842,007,722.00	-	-	-	-	2,842,007,722.00
	2,842,089,322.00	-	-	-	-	2,842,089,322.00



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(43) Capital surplus

	31 December 2019	Increase in the current period (a)	Decrease in the current period (b)	30 June 2020
Share premium	16,314,977,783.96	–	(1,633,134.22)	16,313,344,649.74
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	34,816,670.59	132,522,661.71	–	167,339,332.30
Others	(629,192,618.67)	17,287,134.00	–	(611,905,484.67)
	15,720,601,835.88	149,809,795.71	(1,633,134.22)	15,868,778,497.37

	31 December 2018	Increase in the current period	Decrease in the current period (b)	30 June 2019
Share premium	16,399,940,814.22	–	(1,379,020.30)	16,398,561,793.92
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	34,816,670.59	–	–	34,816,670.59
Others	(589,724,030.95)	–	–	(589,724,030.95)
	15,845,033,453.86	–	(1,379,020.30)	15,843,654,433.56

- (a) For the six months ended 30 June 2020, the increase of the capital surplus was mainly the share of changes in equity other than comprehensive income and profit distribution of investees under the equity method and amount recorded in owners' equity arising from equity-settled share-based payment arrangements.
- (b) For the six months ended 30 June 2020 and 2019, the decrease of the capital surplus was mainly the difference between the consideration paid in transaction of the Group and its few shareholders and identifiable net assets of the subsidiaries based on continuous calculation from the acquisition date at proportion of shareholding after transaction.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(44) Other comprehensive income

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



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(44) Other comprehensive income (continued)

	Other comprehensive income in the balance sheet		Other comprehensive income in the six months ended 30 June 2019 income statement				
	31 December 2018	30 June 2019	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							
Changes in fair value of other equity instrument investments	(76,770,959.87)	(55,132,671.03)	21,638,288.84	-	-	21,638,288.84	-
Other comprehensive income items which will be reclassified to profit or loss							
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	(2,383,004.20)	(2,381,865.70)	1,138.50	-	-	1,138.50	-
Provision for impairment of receivables financing	2,874,122.82	3,413,976.76	719,805.25	-	(179,951.31)	539,853.94	-
Differences arising from translation of foreign currency financial statements	(416,359,117.77)	(425,308,282.01)	(26,293,664.36)	-	-	(8,949,164.24)	(17,344,500.12)
	(492,638,959.02)	(479,408,841.98)	(3,934,431.77)	-	(179,951.31)	13,230,117.04	(17,344,500.12)

(45) Surplus reserve

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Statutory surplus reserve	1,549,921,408.26	-	-	1,549,921,408.26
Discretionary surplus reserve	117,763,127.56	-	-	117,763,127.56
	1,667,684,535.82	-	-	1,667,684,535.82

	31 December 2018	Adjustment (a)	1 January 2019	Increase in the current period	Decrease in the current period	30 June 2019
Statutory surplus reserve	1,370,680,272.72	(11,011.69)	1,370,669,261.03	-	-	1,370,669,261.03
Discretionary surplus reserve	117,763,127.56	-	117,763,127.56	-	-	117,763,127.56
	1,488,443,400.28	(11,011.69)	1,488,432,388.59	-	-	1,488,432,388.59

(a) On 1 January 2019, due to the first implement of the new leasing standard, surplus reserve was decreased by RMB11,011.69.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(46) Undistributed profits

	Six months ended 30 June 2020 Amount	Six months ended 30 June 2019 Amount
Undistributed profits at the beginning of period (before adjustment)	21,970,908,120.34	19,330,643,209.50
Adjustment (a)	–	(85,389,363.76)
Undistributed profits at the beginning of period (after adjustment)	21,970,908,120.34	19,245,253,845.74
Add: net profit attributable to shareholders of the Company	2,442,842,195.88	2,286,361,293.96
Converted from other comprehensive income (b)	2,486,222.32	–
Less: appropriation to statutory surplus reserve	–	–
Dividend declared (c)	(1,250,519,301.68)	(1,165,256,622.02)
Undistributed profits at the end of period	23,165,717,236.86	20,366,358,517.68

- (a) On 1 January 2019, due to the first implement of new leasing standard, undistributed profit at the beginning of 2019 was decreased by RMB85,389,363.76.
- (b) For the six months ended 30 June 2020, the Group disposed of the equity instrument of CIRC partially at the price of RMB117,626,108.92, due to strategy change. The accumulated other comprehensive income of RMB2,486,222.32 was converted into undistributed profits (Note 4(10)).
- (c) On 23 June 2020, through consideration and approval at the Company's annual general meeting of year 2019, with total of 2,842,089,322 shares as base, cash dividends of RMB1,250,519,301.68 were distributed to all shareholders at RMB4.4 (including tax) per 10 shares.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(47) Revenue and cost of sales

	Six months ended 30 June 2020	Six months ended 30 June 2019
Main operations revenue	86,930,497,817.98	91,942,619,163.76
Other operations revenue	234,607,317.41	632,615,252.05
	87,165,105,135.39	92,575,234,415.81

	Six months ended 30 June 2020	Six months ended 30 June 2019
Main operations cost	73,963,938,027.67	79,027,810,409.81
Other operations cost	91,108,696.35	259,099,252.31
	74,055,046,724.02	79,286,909,662.12

(a) Main operations revenue and main operations cost

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
Domestic sales	85,064,142,720.12	72,575,890,676.45	90,826,511,365.29	78,262,398,728.20
Foreign sales	1,866,355,097.86	1,388,047,351.22	1,116,107,798.47	765,411,681.61
	86,930,497,817.98	73,963,938,027.67	91,942,619,163.76	79,027,810,409.81

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(47) Revenue and cost of sales (continued)

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

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
Production	11,674,691,545.54	4,730,226,128.36	11,942,067,912.36	4,925,415,427.66
Distribution	75,451,463,608.15	69,972,763,895.39	80,193,796,546.79	74,842,226,090.53
Retail	3,767,820,629.20	3,242,650,964.49	3,836,681,760.52	3,270,960,743.36
Others	168,126,525.82	90,535,737.42	74,201,388.67	46,767,885.16
Elimination	(4,131,604,490.73)	(4,072,238,697.99)	(4,104,128,444.58)	(4,057,559,736.90)
	86,930,497,817.98	73,963,938,027.67	91,942,619,163.76	79,027,810,409.81

The Group and its subsidiaries are principally engaged in the sale of products and recognise revenue when control transfer to customer.

(48) Taxes and surcharges

	Six months ended 30 June 2020	Six months ended 30 June 2019	Taxation basis
City maintenance and construction tax	100,319,229.68	117,225,212.02	Please refer to Note 3(1)
Educational surcharge	77,448,112.71	81,813,587.90	
Stamp tax	40,928,761.00	40,449,838.40	
Real estate tax	26,949,764.00	26,198,933.44	
Land use tax	9,631,784.57	9,106,331.34	
Others	5,924,820.47	6,791,554.95	
	261,202,472.43	281,585,458.05	



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(49) Selling expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Employee benefit expenses	1,627,228,224.30	1,591,864,363.76
Promotion and advertising costs	2,671,858,262.85	2,667,880,575.79
Travelling and meeting expenses	566,336,969.27	911,858,238.65
Transportation costs	325,262,356.70	271,444,770.09
Amortisation of right-of-use assets	146,169,582.72	128,412,322.79
Amortisation of intangible assets	126,931,117.35	97,184,372.03
Storage costs	104,836,192.39	91,301,311.69
Depreciation of fixed assets	95,624,677.26	70,284,801.40
Rental fees	73,385,307.42	61,779,323.67
Office expenses	63,943,826.25	66,624,909.14
Others	318,788,414.21	471,553,396.30
	6,120,364,930.72	6,430,188,385.31

(50) General and administrative expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Employee benefit expenses	1,134,456,419.50	1,271,616,839.27
Depreciation of fixed assets	158,941,579.66	128,920,409.92
Amortisation of right-of-use assets	122,829,240.05	88,698,056.55
Travelling and meeting expenses	75,481,556.33	113,301,532.78
Amortisation of intangible assets	71,703,354.66	80,783,485.80
Office expenses	62,240,716.84	46,733,437.29
Rental fees	47,481,052.61	42,086,701.37
Maintenance expenses	45,755,891.97	42,459,240.68
Others	505,902,127.89	514,629,974.15
	2,224,791,939.51	2,329,229,677.81

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(51) Research and development expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Employee benefit expenses	229,116,063.32	207,781,552.94
Technical development expenses	191,458,376.67	158,998,307.09
Material consumption fee	93,013,201.54	66,175,284.01
Depreciation and amortisation	43,797,305.66	37,299,554.66
Test fee	25,951,205.17	32,021,275.94
Others	93,414,291.56	61,869,237.92
	676,750,443.92	564,145,212.56

(52) Financial expenses-net

	Six months ended 30 June 2020	Six months ended 30 June 2019
Loan interest expenses	630,800,365.40	654,343,798.03
Debenture interest expenses	92,021,583.77	65,669,741.81
Lease liabilities interest expenses	40,778,369.63	38,107,496.15
Less: Interest income	(141,180,535.23)	(122,051,795.11)
Exchange gains or losses	21,879,138.26	12,988,328.55
Others	26,209,082.51	15,740,863.55
	670,508,004.34	664,798,432.98



Notes to the Financial Statements

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(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 2020	Six months ended 30 June 2019
Raw materials, merchandise and consumables used	72,108,237,704.67	76,015,238,075.66
Changes in inventories of finished goods and work in progress	422,838,389.66	1,825,071,684.68
Employee benefit expenses	3,649,477,043.54	3,697,212,037.67
Promotion and advertising costs	2,671,858,262.85	2,667,880,575.79
Travelling and meeting expenses	651,203,789.63	1,034,480,969.07
Transportation costs	465,946,928.24	503,526,146.36
Depreciation	489,926,224.05	433,600,663.73
Right-of-use asset amortisation	311,777,306.52	232,286,753.28
Amortisation of intangible assets	228,764,530.96	200,038,175.14
Energy and utilities	194,946,539.57	207,842,778.64
Rental fees (i)	151,359,258.45	162,820,925.29
Maintenance expenses	140,335,518.80	117,473,250.50
Office expenses	130,366,165.95	119,178,976.95
Others	1,459,916,375.28	1,393,821,925.04
	83,076,954,038.17	88,610,472,937.80

(i) The Group directly recognised the lease payments of short-term lease and low value lease into profit or loss. For the six months ended 30 June 2020, the amount was RMB151,359,258.45.

(54) Asset impairment losses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Impairment losses on inventory	231,929,820.32	55,053,835.65
Impairment losses on fixed assets	–	2,640,000.00
	231,929,820.32	57,693,835.65

Notes to the Financial Statements

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(55) Credit impairment loss

	Six months ended 30 June 2020	Six months ended 30 June 2019
Impairment reversal a notes receivables	(697,354.16)	(589,583.80)
Impairment losses on accounts receivables	145,990,449.00	222,771,028.18
Impairment (reversal)/losses on receivables financing	(513,438.83)	719,805.25
Impairment losses/(reversal) on other receivables	8,969,514.86	(1,917,620.40)
Impairment reversal on long-term receivables	(268,500.00)	(1,250,504.68)
	153,480,670.87	219,733,124.55

(56) Other income

	Six months ended 30 June 2020	Six months ended 30 June 2019	Asset related/ Income related
Government grants and tax refund	192,184,117.56	192,348,872.41	Income related
R&D project subsidy	17,484,264.60	15,045,884.84	Income related
Support funds	5,844,830.54	15,802,414.19	Income related
Others	15,460,013.90	3,681,937.26	Income related
	230,973,226.60	226,879,108.70	Income related

(57) Investment income

	Six months ended 30 June 2020	Six months ended 30 June 2019
Equity pick up	552,311,515.37	531,708,278.69
Dividend income gained when other non-current financial assets are held	1,050,000.00	1,191,679.08
Investment income/(loss) on disposal of long-term equity investments	50,552,679.05	(2,236,261.66)
Dividend income gained when other equity instrument investments are held	–	1,171,738.17
Loss from derecognition of receivables financing	(62,711,655.14)	(60,531,016.10)
Derecognition of financial assets at amortised cost	(19,533,123.59)	(8,869,176.07)
Others	7,633,464.46	7,630,344.38
	529,302,880.15	470,065,586.49



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For the six months ended 30 June 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(58) Profit arising from changes in fair value

	Six months ended 30 June 2020	Six months ended 30 June 2019
Other non-current financial assets	106,241,715.64	60,341,975.05
Derivative instruments	(2,823,592.84)	(2,306,114.83)
	103,418,122.80	58,035,860.22

(59) Loss/(gain) on disposals of assets

	Six months ended 30 June 2020	Six months ended 30 June 2019	Amount classified to non-recurring profit or loss for the six months ended 30 June 2020
Gain on disposal of intangible assets	(43,858.01)	(8,488,193.94)	(43,858.01)
Loss on disposal of fixed assets	1,204,028.01	2,071,578.05	1,204,028.01
Others	55,308.38	–	55,308.38
	1,215,478.38	(6,416,615.89)	1,215,478.38

(60) Non-operating income

	Six months ended 30 June 2020	Six months ended 30 June 2019	Amount classified to non-recurring profit or loss for the six months ended 30 June 2020
Write-off of account payables	6,027,392.90	825,318.64	6,027,392.90
Liquidated damages	3,872,255.98	541,830.28	3,872,255.98
Income from demolition compensation	–	26,488,717.57	–
Others	17,620,392.13	13,031,993.33	17,620,392.13
	27,520,041.01	40,887,859.82	27,520,041.01

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(61) Non-operating expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019	Amount classified to non-recurring profit or loss for the six months ended 30 June 2020
Donation	30,490,802.92	25,051,877.11	30,490,802.92
Others	26,661,412.79	76,191,993.77	26,661,412.79
	57,152,215.71	101,243,870.88	57,152,215.71

(62) Income tax expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Current income tax	929,262,611.18	839,257,154.95
Deferred income tax	(206,548,863.54)	(147,889,476.93)
	722,713,747.64	691,367,678.02

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 2020	Six months ended 30 June 2019
Total profit	3,603,876,705.73	3,441,991,787.02
Income tax expenses calculated at applicable tax rate	900,969,176.43	860,497,946.76
Effect of favourable tax rates	(167,286,291.98)	(152,420,484.38)
Income not subject to tax	(137,301,381.83)	(133,261,031.61)
Costs, expenses and losses not deductible for tax purposes	76,092,155.86	140,170,558.44
Additional deduction of research and development expenses	(91,108,603.43)	(65,057,436.87)
Utilisation of previously tax losses not recognised as deferred tax assets	(7,358,982.45)	(33,655,219.35)
Tax losses not recognised as deferred tax assets	148,707,675.04	75,093,345.03
Income tax expenses	722,713,747.64	691,367,678.02



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(63) Earnings per share

(a) *Basic earnings per share*

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

	Six months ended 30 June 2020	Six months ended 30 June 2019
Profit attributable to shareholders of the Company	2,442,842,195.88	2,286,361,293.96
Weighted average number of ordinary shares outstanding	2,842,089,322.00	2,842,089,322.00
Basic earnings per share	0.86	0.80

(b) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing 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. As there were no dilutive potential ordinary shares for the six months ended 30 June 2020 and for the year ended 31 December 2019, diluted earnings per share equals to basic earnings per share.

(64) Notes to the consolidated cash flow statement

(a) *Cash received relating to other operating activities*

	Six months ended 30 June 2020	Six months ended 30 June 2019
Deposits, guarantees, current accounts and advances	284,025,252.32	309,588,627.63
Specific funds and government grants	278,891,085.85	236,206,023.66
Interest income	143,896,699.51	121,886,678.07
Other non-operating income	16,991,278.32	14,364,632.31
Others	111,806,836.13	8,594,819.50
	835,611,152.13	690,640,781.17

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(64) Notes to the consolidated cash flow statement (continued)

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2020	Six months ended 30 June 2019
Daily expenses	4,445,669,053.02	4,787,814,196.64
Payments for current accounts and advances	831,883,461.64	216,315,938.48
Non-operating expenses	84,295,037.90	57,057,631.35
Bank charge	23,125,708.97	28,021,516.69
Others	14,365,571.24	6,363,211.83
	5,399,338,832.77	5,095,572,494.99

(c) Cash received relating to other investing activities

	Six months ended 30 June 2020	Six months ended 30 June 2019
Prepayment of demolition compensation	504,099,351.00	–
Withdrawal of time deposits due over three months	280,000,000.00	–
Cash generated from business combinations	2,205,314,102.95	–
Others	6,270,000.00	2,560,000.00
	2,995,683,453.95	2,560,000.00

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2020	Six months ended 30 June 2019
Deposit of time deposits due over three months	490,000,000.00	160,000,000.00
Capital increase in associates	42,160,622.85	46,396,818.27
Others	–	7,469,691.35
	532,160,622.85	213,866,509.62



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(64) Notes to the consolidated cash flow statement (continued)

(e) Cash received relating to other financing activities

	Six months ended 30 June 2020	Six months ended 30 June 2019
Related party transactions	1,291,153,579.86	–
Subsidiaries borrowed from their minority shareholders	110,675,243.06	36,750,542.43
Others	332,738,059.68	198,276,749.26
	1,734,566,882.60	235,027,291.69

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2020	Six months ended 30 June 2019
Payment of lease liabilities	326,476,502.94	264,915,466.03
Refund from subsidiaries to their minority shareholders	63,799,521.51	63,022,206.38
Buying a minority stake in a subsidiary	49,984,518.27	40,315,804.77
Others	–	120,663,798.88
	440,260,542.72	488,917,276.06

As at 30 June 2020, total cash outflows for leases paid by the Group amounted to RMB477,835,761.39, which were included in cash paid relating to operating activities except the repayments of lease liabilities that were included in cash paid relating to financing activities.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(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 2020	Six months ended 30 June 2019
Net profit	2,881,162,958.09	2,750,624,109.00
Add: Provisions for asset impairment	231,929,820.32	57,693,835.65
Credit impairment provision	153,480,670.87	219,733,124.55
Amortisation of right-of-use assets	311,777,306.52	232,286,753.28
Depreciation of fixed assets and investment properties	495,586,428.69	440,334,767.74
Amortisation of intangible assets	228,764,530.96	200,038,175.14
Amortisation of long-term prepaid expenses	67,094,024.93	75,245,433.90
Depreciation of bearer biological assets	110,184.66	110,184.66
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	1,215,478.38	(6,416,615.89)
Profit arising from changes in fair value	(103,418,122.80)	(58,035,860.22)
Financial expenses-net	742,147,746.80	758,121,035.99
Investment income	(529,302,880.15)	(470,065,586.49)
Increase in deferred tax assets	(150,727,521.51)	(106,318,415.58)
Decrease in deferred tax liabilities	(55,936,468.71)	(41,571,061.35)
Decrease in inventories	599,265,545.53	1,288,009,322.62
Decrease/(increase) in operating receivables	180,527,594.50	(6,599,014,554.67)
(Decrease)/increase in operating payables	(1,348,041,231.37)	3,281,932,434.62
Net cash flows from operating activities	3,705,636,065.71	2,022,707,082.95

Net increase/(decrease) in cash and cash equivalents

	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash and cash equivalents at the end of the period	22,961,039,560.91	15,391,563,391.10
Less: Cash and cash equivalents at the beginning of the period	(15,716,257,907.41)	(16,605,554,712.49)
Net increase/(decrease) in cash and cash equivalents	7,244,781,653.50	(1,213,991,321.39)



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(65) Notes to the consolidated cash flow statement (continued)

(b) Acquisition of subsidiaries

	Six months ended 30 June 2020
Cash and cash equivalents paid in the current period for business combination occurred in the current period	252,378,500.00
Including: Jiangsu Runtian Biochemical Medicine Co., Ltd.	216,000,000.00
Less: Cash and cash equivalents held by subsidiaries at acquisition date	(2,303,415,730.67)
Including: Sichuan Guojia Medical Technology Co., Ltd. ("Sichuan Guojia")	(2,202,666,455.11)
Jiangsu Runtian Biochemical Medicine Co., Ltd.	(76,619,585.48)
Add: Cash and cash equivalents paid in the current period for business combination occurred in the previous period	295,502,700.04
Including: Jiangsu Dazhong Pharmaceutical Logistics Co., Ltd.	59,900,000.00
Net cash outflow on acquisition of the subsidiary	(1,755,534,530.63)
Including: Cash paid to acquire subsidiaries	449,779,572.32
Cash received relating to other investing activities	(2,205,314,102.95)
Considerations for acquisition of subsidiaries for the six months ended 30 June 2020	
Sichuan Guojia	1,893,588,958.66
Jiangsu Runtian Biochemical Medicine Co., Ltd.	360,000,000.00
Other subsidiaries	46,753,244.63
	2,300,342,203.29
Consideration for acquisition of subsidiaries of prior periods	
Jiangsu Dazhong Pharmaceutical Logistics Co., Ltd.	299,500,000.00
Other subsidiaries	722,823,700.00
	1,022,323,700.00

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(65) Notes to the consolidated cash flow statement (continued)

(b) *Acquisition of subsidiaries (continued)*

Net assets of subsidiaries at acquisition date

	Six months ended 30 June 2020	Six months ended 30 June 2019
Current assets	4,536,316,216.86	618,495,599.51
Non-current assets	532,256,749.19	113,545,130.37
Current liabilities	(2,605,498,948.96)	(303,264,084.01)
Non-current liabilities	(94,445,564.20)	(13,327,720.15)
	2,368,628,452.89	415,448,925.72

(c) *Cash and cash equivalents*

	30 June 2020	31 December 2019
Cash	22,961,039,560.91	15,716,257,907.41
Including: Cash on hand	8,568,435.65	6,265,520.26
Cash at bank that can be readily drawn on demand	22,952,471,125.26	15,709,992,387.15
Other cash balances that can be readily drawn on demand	–	–
Cash and cash equivalents at the end of the period	22,961,039,560.91	15,716,257,907.41



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(66) Foreign currency items

	30 June 2020		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand —			
USD	217,839,601.05	7.0795	1,542,195,455.63
HKD	103,216,503.40	0.9134	94,277,954.21
AUD	2,935,367.90	4.8657	14,282,619.59
EUR	1,909,530.49	7.9610	15,201,772.23
Others	40,368,157.16		7,221,758.55
			1,673,179,560.21
Accounts receivables —			
USD	5,424,890.58	7.0795	38,405,512.86
HKD	13,303,383.50	0.9134	12,151,310.49
AUD	13,039,985.00	4.8657	63,448,655.01
NZD	10,991,685.00	4.5495	50,006,670.91
EUR	58,000.00	7.9610	461,738.00
Others	22,763,715.37		1,607,778.52
			166,081,665.79
Other receivables —			
USD	211,384.29	7.0795	1,496,495.08
HKD	5,464,849.03	0.9134	4,991,593.10
Others	18,383,887.29		1,377,544.92
			7,865,633.10
Short-term borrowings —			
USD	202,372,040.00	7.0795	1,432,692,857.18
NZD	29,615,571.01	4.5495	134,736,040.31
			1,567,428,897.49
Accounts payables —			
USD	106,188,658.25	7.0795	751,762,606.08
AUD	4,509,327.00	4.8657	21,941,032.38
NZD	8,385,369.37	4.5495	38,149,237.95
EUR	7,302,145.62	7.9610	58,132,381.28
Others	219,366,969.54		15,354,722.31
			885,339,980.00

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(66) Foreign currency items (continued)

	Foreign currency balance	30 June 2020	
		Exchange rate	RMB balance
Other payables —			
USD	224,997,574.08	7.0795	1,592,870,325.70
HKD	31,971,892.73	0.9134	29,203,126.82
AUD	4,415,605.59	4.8657	21,485,012.12
NZD	12,792,587.21	4.5495	58,199,875.51
Others	21,298,334.08		1,444,412.45
			1,703,202,752.60
Current portion of non-current liabilities —			
USD	2,633,947.36	7.0795	18,647,030.34
HKD	8,936,943.63	0.9134	8,163,004.31
AUD	2,757,039.77	4.8657	13,414,928.41
NZD	39,922,376.05	4.5495	181,626,849.84
			221,851,812.90
Long-term borrowings —			
USD	808,000,000.00	7.0795	5,720,236,000.00
Long-term payables —			
AUD	57,978,574.25	4.8657	282,106,348.73
Lease liabilities —			
HKD	1,390,925.78	0.9134	1,270,471.61
AUD	35,400,279.00	4.8657	172,247,137.53
			173,517,609.14



Notes to the Financial Statements

For the six months ended 30 June 2020
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5 CHANGES IN SCOPE OF BUSINESS COMBINATIONS

- (1) Main business combination involving enterprise not under common control
(a) Main business combination involving enterprise not under common control for the period

Acquiree	Timing of acquisition	Acquisition cost	% interest acquired	Method of acquisition	Acquisition/Combination date	Basis for determining the acquisition/combination date	Revenue of the acquiree from the acquisition/combination date to the end of the period	Net profit of the acquiree from the acquisition/combination date to the end of the period	Cash flows from operating activities of the acquiree from the acquisition/combination date to the end of the period	Net cash flows of the acquiree from the acquisition/combination date to the end of the period
Sichuan Guojia	2 January 2020	1,893,588,958.66	51%	Acquisition of equity of the target company by capital injection	2 January 2020	Finance and operation of the acquiree are controlled to obtain variable returns from its involvement with the investee, with the ability to use its power over the investee to affect the amount of the investee's returns	1,462,847,399.73	66,261,671.12	69,723,948.78	(865,324,627.37)

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5 CHANGES IN SCOPE OF BUSINESS COMBINATIONS (continued)

(1) Main business combination involving enterprise not under common control (continued)

(b) Costs of combination and goodwill are as follows:

Sichuan Guojia	
Costs of combination -	
Cash paid	1,692,714,300.00
Fair value of initial shareholding ratio at acquisition date	200,874,658.66
Less: Carrying amount of net assets obtained	(1,138,289,732.41)
Goodwill	755,299,226.25

(c) The assets and liabilities of Sichuan Guojia at the acquisition date are as follows:

(i) Sichuan Guojia

	Acquisition date Fair value	Acquisition date Carrying amount	31 December 2019 Carrying amount
Cash at bank and on hand	2,202,666,455.11	2,202,666,455.11	2,202,666,455.11
Accounts receivables	645,423,555.88	645,423,555.88	645,423,555.88
Advances to suppliers	19,588,126.48	19,588,126.48	19,588,126.48
Other receivables	6,213,853.42	6,213,853.42	6,213,853.42
Inventories	232,342,501.66	232,342,501.66	232,342,501.66
Other current assets	3,648,282.37	3,648,282.37	3,648,282.37
Fixed assets	41,128,820.22	1,322,575.93	1,322,575.93
Construction in progress	124,219,133.78	124,219,133.78	124,219,133.78
Intangible assets	351,801,200.00	13,825,187.50	13,825,187.50
Long-term prepaid expenses	7,391.85	7,391.85	7,391.85
Less: Accounts payables	(444,009,927.15)	(444,009,927.15)	(444,009,927.15)
Employee benefits payable	(6,283,395.46)	(6,283,395.46)	(6,283,395.46)
Taxes payable	(17,749,760.56)	(17,749,760.56)	(17,749,760.56)
Other payables	(797,610,021.61)	(797,610,021.61)	(797,610,021.61)
Current portion of other non-current liabilities	(35,000,000.00)	(35,000,000.00)	(35,000,000.00)
Deferred tax liabilities	(94,445,564.20)	-	-
Net assets	2,231,940,651.79	1,948,603,959.20	1,948,603,959.20
Less: Minority interests	(1,093,650,919.38)	(954,815,940.01)	(954,815,940.01)
Net assets obtained	1,138,289,732.41	993,788,019.19	993,788,019.19



Notes to the Financial Statements

For the six months ended 30 June 2020
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5 CHANGES IN SCOPE OF BUSINESS COMBINATIONS (continued)

(1) Main business combination involving enterprise not under common control (continued)

The fair value of the assets and liabilities acquired above at the acquisition date are determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

- Evaluation methods of fixed assets, construction in progress and intangible assets include income method, cost method and market method;
- Evaluation is based on a basic assumption that the results will be used in accounting and report of enterprise assets acquisition;
- All assets evaluated are based on the actual stock on the assessment base date, and the current market price of the relevant asset is based on the effective domestic price on the assessment base date;
- There will be no major unforeseeable changes in the external economic environment after the assessment date;

There will be no unforeseeable factors leading to its unsustainable operation, and the existing use of the assessed assets will remain unchanged and continue to be used on-site.

Notes to the Financial Statements

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(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS

(1) Equity in significant subsidiaries

(a) The structure of the Group

Name of significant subsidiaries	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
				Direct	Indirect	
Shanghai Pharmaceutical Co., Ltd. (上藥控股有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	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	-	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	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	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	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhongyi Sunve Pharmaceutical Co., Ltd. (上海中西三維藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	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	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	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	-	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	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	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Qingdao Growful Pharmaceutical Co., Ltd. (上海醫藥集團青島固本藥業股份有限公司)	Qingdao	Qingdao	Pharmaceutical products manufacture and trading	67.52%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Chiaiai Qingchunbao Pharmaceutical Co., Ltd. (正大青春醫藥有限公司)	Hangzhou	Hangzhou	Pharmaceutical products manufacture and trading	20.00%	55.00%	Subsidiaries obtained through business combinations involving enterprises under common control



Notes to the Financial Statements

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6 EQUITY IN OTHER SUBJECTS (continued)

(1) Equity in significant subsidiaries (continued)

(a) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
				Direct	Indirect	
Hangzhou Huqingyang Pharmaceutical Co., Ltd. (杭州胡慶陽堂藥業有限公司)	Hangzhou	Hangzhou	Pharmaceutical products manufacture and trading	-	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	-	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	-	55.00%	Subsidiaries obtained through business combinations involving enterprises under common control
SHANGHAI SUWE BIO-TECH CO LTD. (上海三維生物技術有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	-	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	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	-	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	99.21%	0.79%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd. (上海醫藥物資供應有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	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	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
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	-	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	-	100.00%	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	-	54.93%	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai New Asiatic Medicine Industry Minhang Co., Ltd. (上海新亞藥業發行有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

(1) Equity in significant subsidiaries (continued)

(a) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
				Direct	Indirect	
Liaoning Meiya Pharmaceutical Co., Ltd. (辽宁美亚制药有限公司)	Fushun	Fushun	Pharmaceutical products manufacture and trading	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhongxi Pharmaceutical Co., Ltd. (上海中西制药有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	-	90.00%	Subsidiaries established through establishment or investment
Shanghai Huayu Pharmaceutical Co., Ltd. (上海华宇药业有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Lei Yun Shang Pharmaceutical Co., Ltd. (上海雷云上药业有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Shenxiang Health Pharmaceutical Co., Ltd. (上海上药神象健康药业有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Xing Ling Sci.&Tech. Pharmaceutical Co., Ltd. (上海上药杏灵科技药股份有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	-	86.31%	Subsidiaries obtained through business combinations involving enterprises under common control
Zhejiang Jiuxu Pharmaceutical Co., Ltd. (浙江九旭药业有限公司)	Jinhua	Jinhua	Pharmaceutical products manufacture and trading	-	51.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Changzhou Pharmaceutical Factory Co., Ltd. (常州制药厂有限公司)	Changzhou	Changzhou	Pharmaceutical products manufacture and trading	-	77.78%	Subsidiaries obtained through business combinations involving enterprises under common control
Chifeng Aike Pharmaceutical Technology Co., Ltd. (赤峰艾克药科技股份有限公司)	Chifeng	Chifeng	Pharmaceutical products manufacture and trading	-	58.19%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH (benxi) North Pharmaceutical Co., Ltd. (上海医药集团(本溪北方药业有限公司))	Benxi	Benxi	Development, manufacture and distribution of medicine	100.00%	-	Subsidiaries established through establishment or investment
Shanghai Huiyong Medicine Research Co., Ltd. (上海惠永医药研究有限公司)	Shanghai	Shanghai	Development of medicine	70.00%	-	Subsidiaries established through establishment or investment
Zhejiang Shanghai Xinxin Pharma Co., Ltd. (浙江上药新欣制药有限公司)	Hangzhou	Hangzhou	Distribution of pharmaceutical products	-	67.00%	Subsidiaries established through establishment or investment
Ningbo Pharmaceutical Co., Ltd. (上药控股宁波医药股份有限公司)	Ningbo	Ningbo	Distribution of pharmaceutical products	-	63.61%	Subsidiaries obtained through business combinations involving enterprises not under common control



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For the six months ended 30 June 2020
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6 EQUITY IN OTHER SUBJECTS (continued)

(1) Equity in significant subsidiaries (continued)

(a) The structure of the Group (continued)

Name of significant subsidiaries	Place of operation	Place of incorporation	Principal activities	Share proportion		Acquisition method
				Direct	Indirect	
Shanghai Pharmaceutical Shanhe Wuxi Co., Ltd. (上海控股江蘇股份有限公司)	Wuxi	Wuxi	Distribution of pharmaceutical products	-	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	-	82.59%	Subsidiaries obtained through business combinations involving enterprises not under common control
SPH Shan Dong Pharmaceutical Co., Ltd. (上藥控股山東有限公司)	Jinan	Jinan	Distribution of pharmaceutical products	-	75.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Fujian Pharmaceutical Co., Ltd. (福建省醫藥有限公司)(Note)	Fuzhou	Fuzhou	Distribution of pharmaceutical products	-	49.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Cardinal Health (Shanghai) Pharmaceutical Co., Ltd. (上藥康得藥(上海)醫藥有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	-	100.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
SHANGHAI HUASHI PHARMACEUTICAL CO., LTD. (上海華氏大藥房有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	-	100.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai Pharma Health Commerce Co., Ltd. (上海醫藥大健康雲商股份有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	5.25%	92.50%	Subsidiaries established through establishment or investment
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	-	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	-	85.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Henan Kangyin Pharmaceutical Co., Ltd. (河南省康信醫藥有限公司)	Zhengzhou	Zhengzhou	Distribution of pharmaceutical products	-	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	51.74%	-	Subsidiaries obtained through business combinations involving enterprises not under common control

Note: 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 not greater than 50%, after considering the facts that the majority of the executive directors of these subsidiaries were representatives of the Group.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

(1) Equity in significant subsidiaries (continued)

(b) Subsidiaries with significant minority interests

Name of significant subsidiaries	Shareholding proportion of minority interests	Net profit		Minority interests on 30 June 2020
		attributable to minority interests for the six months ended 30 June 2020	Dividends distributed to minority interests for the six months ended 30 June 2020	
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	24.11%	51,012,499.18	30,866,697.00	871,120,207.97
Sichuan Guojia Medical Technology Co., Ltd.	49.00%	39,288,061.19	108,577,473.69	934,989,598.86

	30 June 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,095,274,545.24	1,176,468,332.40	4,271,742,877.64	(1,953,330,286.97)	(57,439,016.19)	(2,010,769,303.16)
Sichuan Guojia Medical Technology Co., Ltd.	2,198,311,478.78	125,210,521.08	2,323,521,999.86	(415,379,961.37)	-	(415,379,961.37)

	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	2,771,872,683.59	1,150,894,865.31	3,922,767,548.90	(1,594,193,057.21)	(114,096,858.57)	(1,708,289,915.78)



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

(1) Equity in significant subsidiaries (continued)

(b) Subsidiaries with significant minority interests (continued)

	Six months ended 30 June 2020			Net cash flows from operating activities
	Revenue	Net profit	Total comprehensive income	
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	2,616,570,090.55	130,950,013.86	130,950,013.86	82,001,836.81
Sichuan Guojia Medical Technology Co., Ltd.	1,462,847,399.73	80,179,716.72	80,179,716.72	69,723,048.78

	Six months ended 30 June 2019			Net cash flows from operating activities
	Revenue	Net profit	Total comprehensive income	
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	2,792,751,792.45	116,743,886.71	116,743,886.71	63,649,303.85

(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%

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(b) Summarised financial information of significant joint ventures

	30 June 2020 <i>RMB'000</i> Shanghai Hutchison Pharmaceutical Co., Ltd.	31 December 2019 <i>RMB'000</i> Shanghai Hutchison Pharmaceutical Co., Ltd.
Current assets	1,103,292	992,711
Including: Cash and cash equivalents	387,663	289,825
Non-current assets	618,347	636,138
Total assets	1,721,639	1,628,849
Current liabilities	612,960	558,897
Non-current liabilities	38,515	38,821
Total liabilities	651,475	597,718
Minority interests	–	–
Equity attributable to shareholders of the Company	1,070,164	1,031,131
Share of net assets by shareholding (i)	535,082	515,566
Adjustments		
– Unrealised profits arising from internal transactions	(775)	(1,734)
Carrying amount of investments in joint ventures	534,307	513,832



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(b) Summarised financial information of significant joint ventures (continued)

	30 June 2020 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.	31 December 2019 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.
Fair value of the investment in joint ventures with quoted price	Not applicable	Not applicable
Revenue	1,102,421	1,103,405
Financial income/(expenses)-net	27,724	(29,254)
Income tax expenses	(52,944)	(50,510)
Net profit	339,033	283,810
Other comprehensive income	–	–
Total comprehensive income	339,033	283,810
Dividends received by the Group from joint ventures for the 6 months ended 30 June 2020	150,000	75,000

- (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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(c) Summarized financial information of significant associates

	30 June 2020		31 December 2019	
	RMB'000		RMB'000	
	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.
Current assets	9,856,286	2,854,301	9,342,949	2,301,471
Non-current assets	2,687,716	669,514	2,843,942	724,811
Total assets	12,544,002	3,523,815	12,186,891	3,026,282
Current liabilities	6,728,486	2,563,215	7,037,584	2,122,913
Non-current liabilities	1,039,452	–	1,053,797	–
Total liabilities	7,767,938	2,563,215	8,091,381	2,122,913
Minority interests	–	–	–	–
Equity attributable to shareholders of the company	4,776,064	960,600	4,095,510	903,369
Share of net assets by shareholding (i)	1,432,819	288,180	1,228,653	271,011
Adjustments				
– Goodwill	–	–	–	–
– Unrealized profits arising from internal transactions	(19,906)	(2,788)	(32,721)	(4,106)
Carrying amount of investments in associate	1,412,913	285,392	1,195,932	266,905



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(c) Summarized financial information of significant associates (continued)

	30 June 2020 RMB'000		31 December 2019 RMB'000	
	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.
Fair value of the investment in associates with quoted price	Not applicable	Not applicable	Not applicable	Not applicable
Revenue	7,552,270	2,436,484	7,841,378	2,429,086
Net profit	680,554	251,574	864,877	125,860
Other comprehensive income	–	–	–	–
Total comprehensive income	680,554	251,574	864,877	125,860
Dividends received by the Group from associates for the 6 months ended 30 June 2020	–	58,303	–	–

- (i) The Group calculated the shares of assets in proportion of the shareholdings and based on the amount attributable to the parent company of the associates in their consolidated financial statements. The amount in the consolidated financial statements of associates considers the impacts of fair value of identifiable assets and liabilities of associates at the time of acquisition and the unification of accounting policies.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

6 EQUITY IN OTHER SUBJECTS (continued)

(2) Equity in joint ventures and associates (continued)

(d) Summarized financial information of non-significant joint ventures and associates

	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Joint ventures –		
Carrying amount of investments in total	1,750,289	290,486
Aggregate of the following items in proportion		
Net profit (i)	15,805	14,134
Other comprehensive income (i)	–	–
Total comprehensive income	15,805	14,134
Associates –		
Carrying amount of investments in total	2,496,535	2,547,660
Aggregate of the following items in proportion		
Net profit (i)	143,247	83,915
Other comprehensive income (i)	68	1
Total comprehensive income	143,315	83,916

- (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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION

The Group's revenue is mainly derived from Mainland China. The board of directors consider the business from a business type perspective. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 4 reportable segments as follows:

- Pharmaceutical business (Production segment), which is mainly engaged in research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products;
- Distribution and supply chain solutions (Distribution segment), which is mainly engaged in distribution, warehousing, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers, such as hospitals, distributors and retail pharmacies;
- 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.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION (continued)

(1) Segment information as at 30 June 2020 and for the six months ended 30 June 2020 is as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
Revenue	11,674,691,545.54	75,451,463,608.15	3,767,820,629.20	500,005,277.97	(4,228,875,925.47)	87,165,105,135.39
Including: External revenue	9,942,360,152.49	73,085,323,029.05	3,748,833,222.78	388,588,731.07	-	87,165,105,135.39
Inter-segment revenue	1,732,331,393.05	2,366,140,579.10	18,987,406.42	111,416,546.90	(4,228,875,925.47)	-
Less: Cost of sales	(4,730,226,128.36)	(69,972,763,895.39)	(3,242,650,964.49)	(270,533,760.14)	4,161,128,024.36	(74,055,046,724.02)
Taxes and surcharges	(108,920,020.44)	(134,275,737.34)	(9,696,308.84)	(8,310,405.81)	-	(261,202,472.43)
Selling expenses	(3,986,554,499.33)	(1,808,771,252.23)	(332,465,615.24)	(45,565,014.57)	52,991,450.65	(6,120,364,930.72)
General and administrative expenses	(912,675,444.32)	(958,753,498.92)	(172,874,612.03)	(196,748,918.47)	16,260,534.23	(2,224,791,939.51)
Research and development expenses	(676,750,443.92)	-	-	-	-	(676,750,443.92)
Financial expenses-net						(670,508,004.34)
Asset impairment losses						(231,929,820.32)
Credit impairment losses						(153,480,670.87)
Add: Profit arising from changes in fair value						103,418,122.80
Investment income						529,302,880.15
Other income						230,973,226.60
Gains on disposals of assets						(1,215,478.38)
Operating profit						3,633,508,880.43
Depreciation and amortisation	414,290,278.48	485,501,264.40	120,480,186.74	83,060,746.14	-	1,103,332,475.76
Capital expenditures	564,732,166.38	158,834,432.38	8,636,954.21	777,370,235.23	-	1,509,573,788.20
Assets	35,546,072,585.28	101,114,091,558.31	2,322,993,154.37	38,574,198,283.82	(37,593,137,872.26)	139,964,217,709.52
Investment in associates-net	2,799,697,047.78	296,419,124.44	-	1,190,172,173.78		4,286,288,346.00
Investment in joint ventures - net	568,483,738.40	297,567,774.92	-	1,418,544,020.92		2,284,595,534.24
Unallocated:						
Deferred tax assets						1,372,647,819.59
Total assets						147,907,749,409.35
Liabilities	12,178,801,607.42	76,162,896,127.21	1,730,392,932.36	20,898,621,006.02	(16,249,470,729.08)	94,721,240,943.93
Unallocated:						
Deferred tax liabilities						847,451,651.82
Income tax payable						568,100,686.41
Total liabilities						96,136,793,282.16



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

7 SEGMENT INFORMATION (continued)

(2) Segment information as at 31 December 2019 and for the six months ended 30 June 2019 is as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
Revenue	11,942,067,912.36	80,193,796,546.79	3,836,681,760.52	822,578,224.90	(4,219,890,028.76)	92,575,234,415.81
Including: External revenue	10,092,717,606.95	78,004,793,429.93	3,808,118,663.35	669,604,715.58	-	92,575,234,415.81
Inter-segment revenue	1,849,350,305.41	2,189,003,116.86	28,563,097.17	152,973,509.32	(4,219,890,028.76)	-
Less: Cost of sales	(4,925,415,427.66)	(74,842,226,090.53)	(3,270,960,743.36)	(368,235,122.34)	4,119,927,721.77	(79,286,909,662.12)
Taxes and surcharges	(118,340,816.12)	(144,057,788.50)	(9,935,341.31)	(9,251,512.12)	-	(281,585,458.05)
Selling expenses	(4,314,138,437.74)	(1,780,888,646.11)	(352,892,763.48)	(56,113,088.52)	73,844,550.54	(6,430,188,385.31)
General and administrative expenses	(904,202,969.23)	(1,039,467,987.45)	(169,737,007.49)	(240,821,844.80)	25,000,131.16	(2,329,229,677.81)
Research and development expenses	(564,145,212.56)	-	-	-	-	(564,145,212.56)
Financial expenses-net						(664,798,432.98)
Asset impairment losses						(57,693,835.65)
Credit impairment losses						(219,733,124.55)
Add: Profit arising from changes in fair value						58,035,860.22
Investment income						470,065,586.49
Other income						226,879,108.70
Gains on disposals of assets						6,416,615.89
Operating profit						3,502,347,798.08
Depreciation and amortisation	372,655,434.11	423,157,583.87	74,784,151.57	77,418,145.17	-	948,015,314.72
Capital expenditures	431,704,415.43	253,969,870.11	25,156,027.03	335,077,510.07	-	1,045,907,822.64
Assets	31,296,682,932.18	99,515,229,115.47	2,261,118,990.91	34,873,044,386.65	(36,995,966,264.87)	130,950,109,160.34
Investment in associates-net	2,396,993,084.07	480,389,383.94	-	1,146,992,364.93	-	4,024,374,832.94
Investment in joint ventures - net	546,198,946.68	283,205,279.91	-	-	-	829,404,226.59
Unallocated:						
Deferred tax assets						1,222,507,639.85
Total assets						137,026,395,859.72
Liabilities	10,635,943,955.21	74,677,597,363.54	1,684,481,285.40	15,871,967,517.60	(16,756,113,024.39)	86,113,877,097.36
Unallocated:						-
Deferred tax liabilities						809,599,134.48
Income tax payable						716,991,334.48
Total liabilities						87,640,467,566.32

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) *General information of the parent company*

	Place of registration	Nature of business
Shanghai Pharma Group	No 92, Zhangjiang Road, Shanghai	Pharmaceutical products manufacture

The Company's ultimate controlling party is Shanghai Industrial Group, incorporated in Hong Kong.

(b) *Registered capital and changes in registered capital of the parent company*

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Shanghai Pharma Group	3,158,720,000.00	–	–	3,158,720,000.00

(c) *The percentages of shareholding and voting rights in the Company held by the parent company*

	30 June 2020		31 December 2019	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
Shanghai Pharma Group	25.21%	25.21%	25.21%	25.21%

(2) Significant subsidiaries

For basic and related information of significant subsidiaries, please refer to Note 6(1).



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(3) Joint ventures and associates

Except for the important joint ventures and associates disclosed in Note 4(13), the other joint ventures and associates that have related party transactions with the Group are as follows:

	Relationship with the Group
Shanghai Ivyuan Pharmacy Co., Ltd. (上海綠苑藥房有限公司)	Associate
Guangzhou Ruixun Medicine Co., Ltd. (廣州銳訊醫藥有限公司)	Associate
Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd. (上海千山遠東製藥機械有限公司)	Associate
Shanghai Huaren Pharmaceutical Co., Ltd. (上海華仁醫藥有限公司)	Associate
Hangzhou Huqingyutang Medicinal Planting Co., Ltd. (杭州胡慶餘堂藥材種植有限公司)	Associate
Shanghai Huayu Saffron Planting Professional Cooperative (上海華宇西紅花種植專業合作社)	Associate
Shanghai Jianer Pharmacy Co., Ltd. (上海健爾醫藥有限公司)	Joint venture
Wenshan Miaoxiang Panax notoginseng Co., Ltd. (文山苗鄉三七股份有限公司)	Joint venture

(4) Other related parties

	Relationship with the Group
Shanghai Asia Pioneer Pharmaceutical Co., Ltd. (上海新先鋒藥業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Indu-Land Property Co., Ltd. (上海英達萊物業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Yingdalai Property Co., Ltd. (上海英達萊置業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Overseas United Investment Co., Ltd. (上海海外聯合投資股份有限公司)	Controlled by Shanghai Pharma Group

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(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	Six months ended
			30 June 2020 RMB'000	30 June 2019 RMB'000
Shanghai Roche Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	896,389.50	945,122.51
Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	178,387.06	28,163.13
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Purchase of goods	By negotiation	103,139.31	176,229.29
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Purchase of goods	By negotiation	36,695.72	71,194.56
Shanghai Sine Promod Pharmaceutical Corp., Ltd and its subsidiaries.	Purchase of goods	By negotiation	34,126.89	15,966.76
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	26,446.26	2,003.16
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	24,176.96	24,121.19
Shanghai Huayu Saffron Planting Professional Cooperative	Purchase of goods	By negotiation	16,851.84	9,354.64
Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	11,477.92	–
Guangzhou Ruixun Medicine Co., Ltd.	Purchase of goods	By negotiation	7,004.99	86,635.83
Hangzhou Huqingyutang Medicinal Planting Co., Ltd.	Purchase of goods	By negotiation	6,285.49	4,741.60
Wenshan Miaoxiang Panax notoginseng Co., Ltd.	Purchase of goods	By negotiation	–	10,993.27
Others	Purchase of goods and services	By negotiation	9,931.84	1,738.55
			1,350,913.78	1,376,264.49



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, vender and purchase of services (continued)

Sales of goods and services:

Related party	Related transaction	Pricing policies	Six months ended	Six months ended
			30 June 2020 RMB'000	30 June 2019 RMB'000
Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	Sales of goods	By negotiation	1,325,460.94	1,158,672.27
Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries.	Sales of goods	By negotiation	82,736.78	29,266.58
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	Sales of goods	By negotiation	29,211.99	5,490.84
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	Sales of goods	By negotiation	25,906.60	11,755.27
Shanghai Ivyuan Pharmacy Co., Ltd.	Sales of goods	By negotiation	15,031.63	16,883.06
Shanghai Sine Promod Pharmaceutical Corp., Ltd and its subsidiaries.	Sales of goods	By negotiation	8,701.25	–
Shanghai Roche Pharmaceutical Co., Ltd.	Sales of goods	By negotiation	8,488.60	5,344.12
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Sales of goods	By negotiation	2,736.50	1,196.00
Shanghai Jianer Pharmacy Co., Ltd.	Sales of goods	By negotiation	1,963.20	2,218.18
Others	Sales of goods and vender of services	By negotiation	5,696.12	6,864.30
			1,505,933.61	1,237,690.62

(b) Lease

The Group is the lessor:

Lessee:	Leased asset	Rental income recognised during	Rental income recognised during
		six months ended 30 June 2020 RMB'000	six months ended 30 June 2019 RMB'000
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Building	5,827.71	5,378.81
Shanghai Yingdalai Property Co., Ltd.	Building	2,180.00	2,180.00
Shanghai Hutchison Pharmaceutical Co., Ltd.	Building	1,231.27	1,292.83
Shanghai Pharma Group	Building	–	878.16
		9,238.98	9,729.80

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(b) Lease (continued)

The Group is the lessee:

Lessor	Leased asset	Lease payable recognised during Six months ended 30 June 2020 RMB'000	Lease payable recognised during Six months ended 30 June 2019 RMB'000
Shanghai Pharma Group	Building	14,597.77	13,258.83
Shanghai Indu-Land Property Co., Ltd	Building	5,166.53	5,200.32
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	Land use right and Building	4,905.24	4,951.10
Shanghai Asia Pioneer Pharmaceutical Co., Ltd.	Machinery equipment	854.06	910.71
		25,523.60	24,320.96

Addition of right-of-use assets:

Lessor	Leased asset	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Shanghai Pharma Group	Building	26,334.69	22,939.40
Shanghai Indu-Land Property Co., Ltd	Building	–	1,073.60
		26,334.69	24,013.00

Finance cost of lease liabilities:

Lessor	Leased asset	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Shanghai Pharma Group	Building	1,136.49	434.15
Shanghai Indu-Land Property Co., Ltd	Building	37.32	35.26
		1,173.81	469.41



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(c) R&D expenditures

		Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Pricing policies			
Shanghai Fudan- Zhangjiang Bio- Pharmaceutical Co., Ltd.	By negotiation	4,776.50	6,372.00

(d) Key management compensation

		Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Key management compensation		14,057.85	31,780.65

(e) Interest

Interest income

		Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Shanghai Industrial Group Finance Co., Ltd.		2,395.93	1,332.58

Interest expense

		Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Shanghai Industrial Group Finance Co., Ltd.		42,909.08	36,226.42
Shangshi Commercial Factoring Co., Ltd.		650.32	30.82
		43,559.40	36,257.24

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(f) Deposits and borrowings

	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Net increase/(decrease) of the deposit balance Shanghai Industrial Group Finance Co., Ltd.	63,178.56	(862,063.71)
Loan received from related parties Shanghai Industrial Group Finance Co., Ltd. SPH-BIOCAD(HK) Limited	2,599,500.00 1,291,153.58	1,960,000.00 –
	3,890,653.58	1,960,000.00
Loan repayment to related parties Shanghai Industrial Group Finance Co., Ltd.	(2,109,920.00)	(1,467,100.00)
Repayment received from related parties Shanghai Huaren Pharmaceutical Co., Ltd.	300.00	150.00



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(5) Related party transactions (continued)

(g) Discount of bank acceptance notes

	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Discount amount Shanghai Industrial Group Finance Co., Ltd.	421,712.81	370,410.25

(h) Discount of trade acceptance notes

	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Discount amount Shanghai Industrial Group Finance Co., Ltd.	31,806.73	–

(i) Factoring of trade receivables

	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Shangshi Commercial Factoring Co., Ltd.	81,250.00	170,030.81

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(6) Balance of receivables and payables of related parties

Amount due from related parties

		30 June 2020		31 December 2019	
		Book	Provision	Book	Provision for
		balance	for	balance	impairment
		RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	647,491.77	3,765.37	522,175.99	2,867.18
due from:	Shanghai Hutchison Pharmaceutical Co., Ltd.	38,964.66	449.99	32,533.40	376.95
	Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	16,421.70	859.15	4,732.01	185.26
	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	13,135.56	2,327.75	4,062.51	2,258.05
	Shanghai Ivyuan Pharmacy Co., Ltd.	4,704.49	26.31	4,884.82	26.72
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	1,798.79	6.70	780.56	1.45
	Others	2,794.77	998.33	2,380.88	975.74
		725,311.74	8,433.60	571,550.17	6,691.35
Other receivables	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	30,826.83	75.47	9,367.38	129.27
due from:	Shanghai Overseas United Investment Co., Ltd.	13,297.64	66.49	13,297.64	66.49
	Shanghai Industrial Group Finance Co., Ltd.	10,098.51	7.28	2,232.28	5.58
	Shanghai Huayu Saffron Planting Professional Cooperative	7,588.13	4,778.18	7,588.13	3,250.03
	Shanghai Huaren Pharmaceutical Co., Ltd.	7,279.72	43.31	7,412.34	57.08
	Shanghai China Sun Far-east Pharmaceutical Machinery Co., Ltd.	1,460.88	1,460.88	1,460.88	1,460.88
	Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	1,450.00	3.63	1,450.00	3.63
	Shanghai Roche Pharmaceutical Co., Ltd.	300.00	300.00	300.00	300.00
	Sichuan Guojia Medical Technology Co., Ltd.	-	-	48,412.27	121.03
	Others	7,627.23	4,527.08	8,512.76	5,898.93
		79,928.94	11,262.32	100,033.68	11,292.92
Prepayments due	Shanghai Roche Pharmaceutical Co., Ltd.	19,409.49		587.73	
from:	Shanghai Hutchison Pharmaceutical Co., Ltd.	9,087.57		4,192.15	
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	6,359.58		3,701.93	
	Shanghai Sine Promod Pharmaceutical Corp., Ltd.	5,970.54		61.10	
	Shanghai Huayu Saffron Planting Professional Cooperative	2,920.10		12,892.62	
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	2,557.49		1,030.37	
	Others	570.82		1,548.13	
		46,875.59		24,014.03	



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(6) Balance of receivables and payables of related parties (continued)

Amounts due to related parties

		30 June 2020	31 December 2019
		RMB'000	RMB'000
Trade payables	Shanghai Roche Pharmaceutical Co., Ltd.	321,663.78	227,729.47
due to:	Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries.	29,139.93	4,048.47
	Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	27,939.24	14,958.35
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	22,469.35	13,699.06
	Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	11,490.82	–
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	11,169.46	41,049.23
	Wenshan Miaoxiang Panax notoginseng Co., Ltd.	11,028.91	11,028.91
	Shanghai Sine Promod Pharmaceutical Corp., Ltd and its subsidiaries.	10,860.47	7,443.77
	Hangzhou Huqingyutang Medicinal Planting Co.,Ltd.	8,048.83	7,206.79
	Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	7,697.23	1,349.94
	Guangzhou Ruixun Medicine Co., Ltd.	1,258.12	997.19
	Others	7,002.15	7,880.32
		469,768.29	337,391.50
Other payables	SPH-BIOCAD(HK) Limited	1,295,545.57	–
due to:	Shanghai Shangshi (Group) Co., Ltd.	719,592.79	415,000.00
	Shanghai Pharma Group	325,316.13	11,316.16
	Shanghai Sine Promod Pharmaceutical Corp., Ltd.	9,065.84	9,103.31
	Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	483.51	291.09
	Shanghai Industrial Group Finance Co., Ltd.	–	1,761.61
	Others	370.53	223.78
		2,350,374.37	437,695.95
Contract liabilities:	Shanghai Leiyunshang Pharmaceutical North District Co., Ltd.	284.55	1,309.56
	Others	61.57	38.76
		346.12	1,348.32
Lease liabilities:	Shanghai Pharma Group	53,081.29	29,028.69
	Shanghai Indu-Land Property Co., Ltd.	–	5,462.27
		53,081.29	34,490.96
Current borrowings:	Shanghai Industrial Group Finance Co., Ltd.	1,846,560.00	1,356,980.00
Cash at bank:	Shanghai Industrial Group Finance Co., Ltd.	2,265,386.23	2,202,207.67
Deposit:	Shanghai Industrial Group Finance Co., Ltd.	14,310.56	17,140.23

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

9 CONTINGENCIES

(1) Contingent liabilities and their financial impacts arising from significant pending litigation or arbitration

The Group has no significant pending litigation or arbitration.

10 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	30 June 2020	31 December 2019
Buildings, machinery and equipment	390,982,469.77	396,857,055.08

11 EVENTS AFTER THE BALANCE SHEET DATE

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

The Company is authorized to issue SCP with limitation to amount of RMB5,000,000,000 by National Association of Financial Market Institution Investors in the PRC subsequently. The Company has completed the third stage of issuing with amount of RMB2,500,000,000 and bears fixed interest rate of 2.50% per annum, it is unsecured and repayable within 90 days. The raised funds have been received by the Company on 24 July 2020.

12 OPERATING LEASE INCOME 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 2020	31 December 2019
Within 1 year	41,539,903.52	46,430,171.03
1-2 years	33,241,101.18	33,734,539.47
2-5 years	69,648,448.93	77,672,180.74
Above 5 years	25,635,922.76	32,683,340.42
	170,065,376.39	190,520,231.66



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

13 BUSINESS COMBINATION

Please refer to Note 5(1).

14 FINANCIAL INSTRUMENTS AND RISKS

The Group's activities expose it to a variety of financial risks: market risk (primarily including currency risk and interest rate 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 2020 and 31 December 2019 as follows:

	30 June 2020		Total
	USD and HKD	Others	
Financial assets denominated in foreign currency –			
Cash at bank and on hand	147,577,369.33	489,720.92	148,067,090.25
Accounts receivables	41,055,480.92	461,738.00	41,517,218.92
	188,632,850.25	951,458.92	189,584,309.17
Financial liabilities denominated in foreign currency –			
Accounts payables	731,397,186.14	30,472,776.59	761,869,962.73
Long-term borrowings	2,407,030,000.00	–	2,407,030,000.00
	3,138,427,186.14	30,472,776.59	3,168,899,962.73

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

14 FINANCIAL INSTRUMENTS AND RISKS (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

	31 December 2019		Total
	USD and HKD	Others	
Financial assets denominated in foreign currency –			
Cash at bank and on hand	200,912,880.45	3,954,205.19	204,867,085.64
Accounts Receivables	52,142,583.45	2,579,629.89	54,722,213.34
	253,055,463.90	6,533,835.08	259,589,298.98
Financial liabilities denominated in foreign currency –			
Accounts payables	657,262,131.93	8,840,696.54	666,102,828.47
Long-term borrowings	2,371,908,000.00	–	2,371,908,000.00
	3,029,170,131.93	8,840,696.54	3,038,010,828.47

As at 30 June 2020, 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 period will increase/decrease by approximately RMB147,489,716.79 (31 December 2019: increase/decrease RMB138,805,733.40)

(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 2020, the Group's short-term, long-term within one year and long-term interest-bearing borrowings were mainly with floating rates, amounting to RMB10,377,272,908.11 (31 December 2019: RMB8,930,506,843.25).

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 2020 and 30 June 2019, the Group did not enter into any interest rate swap agreements.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

14 FINANCIAL INSTRUMENTS AND RISKS (continued)

(1) Market risk (continued)

(b) Interest rate risk (continued)

As at 30 June 2020, if interest rates on the floating rate borrowings rise/fall by 10% while holding all other variables constant, the Group's profit before tax will decrease/increase by approximately RMB24,676,361.87 (31 December 2019: RMB26,689,739.25)

(c) Other price risk

The Group's other price risk arises mainly from financial assets at fair value through profit or loss and other equity instrument investments.

As at 30 June 2020, if the price of above financial assets rise/fall by 10% while holding all other variables constant, the Group's profit before tax will increase/decrease by approximately RMB10,624,171.56 (31 December 2019: approximately RMB11,508,963.82), increase/decrease other comprehensive income approximately RMB3,859,120.88 (31 December 2019: approximately RMB6,365,260.95).

(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, other medium or large size listed banks and foreign 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 2020, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage.

(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:

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

14 FINANCIAL INSTRUMENTS AND RISKS (continued)

(3) Liquidity risk (continued)

	30 June 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	23,508,891,986.02	-	-	-	23,508,891,986.02
Derivative financial liabilities	2,468,504.97	-	-	-	2,468,504.97
Notes payables	3,817,755,480.08	-	-	-	3,817,755,480.08
Accounts payables	32,896,922,301.84	-	-	-	32,896,922,301.84
Other payables	13,475,341,328.80	-	-	-	13,475,341,328.80
Long-term payables within one year	2,950,166.00	-	-	-	2,950,166.00
Long-term borrowings within one year	388,204,125.70	-	-	-	388,204,125.70
Lease liabilities within one year	574,207,231.29	-	-	-	574,207,231.29
Debentures payable within one year	79,865,753.42	-	-	-	79,865,753.42
Other current liabilities	5,027,712,328.77	-	-	-	5,027,712,328.77
Long-term borrowings	-	5,813,622,161.89	35,059,705.50	29,775,493.82	5,878,457,361.21
Debentures payable	-	3,000,000,000.00	-	-	3,000,000,000.00
Lease liabilities	-	453,287,597.46	486,012,057.14	532,270,946.02	1,471,570,600.62
Long-term payables	-	2,960,166.00	887,255,736.64	260,367,300.00	1,150,583,202.64
Loan interest	591,338,472.86	119,470,522.29	659,652.23	-	711,468,647.38
	80,365,657,679.75	9,389,340,447.64	1,408,987,151.51	822,413,739.84	91,986,399,018.74



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

14 FINANCIAL INSTRUMENTS AND RISKS (continued)

(3) Liquidity risk (continued)

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	23,138,687,189.75	-	-	-	23,138,687,189.75
Derivative financial liabilities	1,724,460.87	-	-	-	1,724,460.87
Notes payables	5,053,473,408.54	-	-	-	5,053,473,408.54
Accounts payables	31,818,985,528.48	-	-	-	31,818,985,528.48
Other payables	9,565,692,034.58	-	-	-	9,565,692,034.58
Long-term payables within one year	2,950,166.00	-	-	-	2,950,166.00
Long-term borrowings within one year	606,329,457.13	-	-	-	606,329,457.13
Lease liabilities within one year	605,817,739.25	-	-	-	605,817,739.25
Debentures payable within one year	18,534,246.58	-	-	-	18,534,246.58
Long-term borrowings	-	5,900,574,353.00	220,642,914.87	14,775,493.82	6,135,992,761.69
Debentures payable	-	3,000,000,000.00	-	-	3,000,000,000.00
Lease liabilities	-	430,386,813.69	497,135,737.31	371,483,747.46	1,299,006,298.46
Long-term payables	-	2,960,166.00	893,125,131.29	260,367,300.00	1,156,452,597.29
Loan interest	595,583,778.11	277,414,010.32	7,518,193.93	-	880,515,982.36
	71,407,778,009.29	9,611,335,343.01	1,618,421,977.40	646,626,541.28	83,284,161,870.98

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

14 FINANCIAL INSTRUMENTS AND RISKS (continued)

(3) Liquidity risk (continued)

As at the balance sheet date, the Group's financial guarantees provided to external parties are analysed below based on the maximum amounts and the earliest periods in which the guarantees could be called:

	30 June 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Guarantees	-	-	-	-	-

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Guarantees	8,856,268.95	-	-	-	8,856,268.95

Cash flows derived from leases not yet commenced to which the Group was committed were analysed by maturity at the balance sheet date (Note 4(37)(a)):

	30 June 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Lease liabilities	6,777,004.69	6,447,114.61	3,442,590.17	-	16,666,709.47

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

	30 June 2020		31 December 2019	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	23,897,096,111.71	5,107,578,082.19	23,745,016,646.88	18,534,246.58
1 to 2 years	5,813,622,161.89	3,000,000,000.00	5,900,574,353.00	3,000,000,000.00
2 to 5 years	35,059,705.50	-	220,642,914.87	-
Over 5 years	29,775,493.82	-	14,775,493.82	-
	29,775,553,472.92	8,107,578,082.19	29,881,009,408.57	3,018,534,246.58



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For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

15 FAIR VALUE ESTIMATES

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

As at 30 June 2020, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets —				
Forward foreign exchange contract	–	833,158.48	–	833,158.48
Receivables financing —				
Notes receivables	–	–	1,844,888,523.55	1,844,888,523.55
Other non-current financial assets	371,387,514.80	–	123,425,042.70	494,812,557.50
Other equity instrument investments	82,560,100.41	–	–	82,560,100.41
Total financial assets	453,947,615.21	833,158.48	1,968,313,566.25	2,423,094,339.94

As at 30 June 2020, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities —				
Forward foreign exchange contract	–	2,468,504.97	–	2,468,504.97

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

15 FAIR VALUE ESTIMATES (continued)

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

As at 31 December 2019, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets —				
Forward foreign exchange contract	–	3,027,011.42	–	3,027,011.42
Receivables financing —				
Notes receivables	–	–	2,187,059,525.49	2,187,059,525.49
Other non-current financial assets	260,673,130.03	–	123,725,042.70	384,398,172.73
Other equity instrument investments	194,183,980.82	–	–	194,183,980.82
Total financial assets	454,857,110.85	3,027,011.42	2,310,784,568.19	2,768,668,690.46

As at 31 December 2019, the financial liabilities measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities —				
Forward foreign exchange contract	–	1,724,460.87	–	1,724,460.87

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 is 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.



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

15 FAIR VALUE ESTIMATES (continued)

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

The changes in Level 3 assets are as follows:

	31 December 2019	Addition	Reduce	Transfer into the third level	Transfer out of the third level	Gain or loss for the current period		30 June 2020
						Gain or loss recognised in profit or loss	Gain or loss recognised in other comprehensive income	
Receivables financing	2,187,059,525.49	8,685,012,159.34	(8,964,471,506.14)	-	-	(62,711,655.14)	-	1,844,888,523.55
Other non-current financial assets	123,725,042.70	-	(300,000.00)	-	-	-	-	123,425,042.70
Total	2,310,784,568.19	8,685,012,159.34	(8,964,771,506.14)	-	-	(62,711,655.14)	-	1,968,313,566.25

Information about the Level 3 fair value measurement is as follows:

	Fair value as at 30 June 2020	Valuation technique	Inputs			
			Name	Scope	Relationship with fair value	Observable/Unobservable
Receivables financing	1,844,888,523.55	DCF	estimated discount rate	3.36%-5.13%	Negative	Unobservable
Other non-current financial assets	123,425,042.70	Market method	EV/EBIT,EV/S & etc.	0.30-10.57	Positive	Unobservable

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

15 FAIR VALUE ESTIMATES (continued)

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

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

	Fair value as at 30 June 2020	Valuation technique	Observable inputs	
			Name	Scope/weighted average
Assets				
Derivative financial assets — Forward foreign exchange contract	833,158.48	Market approach	Exchange rate	AUDNZD:0.9272-0.9328
Liabilities				
Derivative financial assets — Forward foreign exchange contract	2,468,504.97	Market approach	Exchange rate	NZDUSD:0.6452-0.6910
	Fair value as at 31 December 2019	Valuation technique	observable inputs	
			Name	Scope/weighted average
Assets				
Derivative financial assets — Forward foreign exchange contract	3,027,011.42	Market approach	Exchange rate	AUDNZD:0.9272-0.9584
Liabilities				
Derivative financial assets — Forward foreign exchange contract	1,724,460.87	Market approach	Exchange rate	NZDUSD:0.6230-0.6619



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

15 FAIR VALUE ESTIMATES (continued)

(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 2020, the Group has no non-current assets held for sale.

(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, receivables financing, other receivables, long-term receivables, short-term borrowings, accounts payables, other payables, other current liabilities, long-term payables, long-term borrowings, long-term borrowings within one year, debentures payable and lease liabilities etc.

As at 30 June 2020 and 31 December 2019, the carrying amount of long-term receivables and non-current borrowings is a reasonable approximation of their fair value. The fair value of long-term receivables, long-term payables, long-term borrowings, debentures payable and lease liabilities is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

16 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

Total capital is calculated as "equity" as shown in the consolidated balance sheets plus net debt. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (as shown in the statement of financial position including short-term borrowings, current portion of non-current liabilities, other current liabilities, long-term borrowings, debentures payable, long-term payables and lease liabilities) less cash and cash equivalents.

As at 30 June 2020 and 31 December 2019, the Group's gearing ratios are as follows:

	30 June 2020	31 December 2019
Gearing ratio	24.90%	28.12%

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivables

	30 June 2020	31 December 2019
Accounts receivables	119,851,808.14	119,851,808.14
Less: Provision for bad debts	(119,851,808.14)	(119,851,808.14)
	-	-

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

	30 June 2020	31 December 2019
Above three years	119,851,808.14	119,851,808.14

(b) As at 30 June 2020, the top five accounts receivables based on the balance of the debtors are summarized and analyzed as follows:

	Account Balance	Amount of bad debt provision	% of total balance
Total top five accounts receivable	39,911,209.13	(39,911,209.13)	33.30%

(c) As at 30 June 2020, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Book Balance	Life expectancy credit loss 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	84,110,290.79	100%	(84,110,290.79)	Through assessment, provision on an individual basis
	119,851,808.14		(119,851,808.14)	



Notes to the Financial Statements

For the six months ended 30 June 2020
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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Other receivables

	30 June 2020	31 December 2019
Amount due from subsidiaries	17,802,732,892.91	15,868,041,889.95
Guarantees (including deposits)	13,849,073.14	13,445,185.00
Dividends receivable	1,125,099,036.94	788,676,179.10
Interest receivable	64,594,737.69	48,066,450.69
Others	258,012,293.32	257,141,035.97
	19,264,288,034.00	16,975,370,740.71
Less: provision for bad debts	(304,701,541.71)	(298,970,223.20)
	18,959,586,492.29	16,676,400,517.51

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

	30 June 2020	31 December 2019
Within 1 year	17,810,423,012.23	15,846,675,259.90
1-2 years	661,535,915.69	338,640,555.22
2-3 years	13,298,385.00	13,298,385.00
Above 3 years	779,030,721.08	776,756,540.59
	19,264,288,034.00	16,975,370,740.71

(b) As at 30 June 2020, the analysis of provision for bad debts for individual other receivables is as follows:

	Book balance	The third stage — Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Other receivables 1	120,000,000.00	100.00%	(120,000,000.00)	Through assessment, provision on an individual basis
Other receivables 2	33,375,018.03	100.00%	(33,375,018.03)	Through assessment, provision on an individual basis
Other receivables 3	26,030,686.00	100.00%	(26,030,686.00)	Through assessment, provision on an individual basis
Other receivables 4	22,000,000.00	100.00%	(22,000,000.00)	Through assessment, provision on an individual basis
Others	55,735,331.94	100.00%	(55,735,331.94)	Through assessment, provision on an individual basis
	257,141,035.97		(257,141,035.97)	

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(2) Other receivables (continued)

(c) As at 30 June 2020, the analysis of bad debt provisions of other receivables is as follows:

	30 June 2020			31 December 2019		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
The first stage — Within the next 12 months Expected credit loss rate						
Within 1 year	17,810,423,012.23	(44,535,445.31)	0.25%	15,846,675,259.90	(39,617,055.15)	0.25%
The third stage — Expected credit loss rate throughout the lifetime						
1-2 years	661,535,915.69	(1,653,844.29)	0.25%	338,640,555.22	(846,601.39)	0.25%
Above 2 years	535,188,070.11	(1,371,216.14)	0.26%	532,913,889.62	(1,365,530.69)	0.26%
	1,196,723,985.80	(3,025,060.43)		871,554,444.84	(2,212,132.08)	

As at 30 June 2020, the Company has no other receivables in the second stage.

(3) Long-term equity investments

	30 June 2020	31 December 2019
Subsidiaries (a)	21,358,492,761.92	20,836,569,252.92
Associates (b)	1,903,937,329.37	1,740,148,351.32
	23,262,430,091.29	22,576,717,604.24
Less: Provision for impairment of long-term equity investments	(68,481,418.01)	(68,481,418.01)
	23,193,948,673.28	22,508,236,186.23

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



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Long-term equity investments (continued)

(a) Subsidiaries

	31 December 2019	Changes in the period				30 June 2020	Impairment balance	Cash dividends declared this period
		Investment Addition	Reduce investment	Provision for impairment	Others			
Shanghai Pharmaceutical Co., Ltd.	4,567,617,640.47	206,872,159.00	-	-	4,774,489,799.47	-	445,741,219.65	
Shanghai Medical Instruments Co., Ltd.	206,670,374.69	-	-	-	206,670,374.69	-	-	
SPH Changzhou Pharmaceutical Co., Ltd.	205,041,152.09	-	-	-	205,041,152.09	-	40,673,999.70	
SIC Medical Science and Technology (Group) Limited	6,396,906,825.94	301,068,750.00	-	-	6,697,975,575.94	-	-	
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.	1,412,038,783.85	-	-	-	1,412,038,783.85	-	-	
Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd.	323,618,959.62	-	-	-	323,618,959.62	-	188,813,200.72	
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	511,828,407.03	-	-	-	511,828,407.03	-	205,484,288.89	
Shanghai Traditional Chinese Medicine Co., Ltd.	1,889,943,778.11	-	-	-	1,889,943,778.11	-	173,940,906.97	
Shanghai Zhonghua Pharmaceutical Co., Ltd.	99,750,035.15	-	-	-	99,750,035.15	-	-	
Shanghai Pharmaceutical Material Supply and Marketing Co., Ltd.	89,282,638.76	-	-	-	89,282,638.76	-	-	
SPH Qingdao Growful Pharmaceutical Co., Ltd.	257,223,339.79	-	-	-	257,223,339.79	-	-	
Shanghai SPH New Asiatic Pharmaceutical Co., Ltd.	1,222,496,394.99	-	-	-	1,222,496,394.99	-	46,385,317.20	
Chiatzi Qingchunbao Pharmaceutical Co., Ltd.	444,400,000.00	-	-	-	444,400,000.00	-	-	
Shanghai Pharmaceutical Medicine Sales Co., Ltd.	65,024,676.73	-	-	-	65,024,676.73	-	38,222,517.63	
China International Pharmaceutical (Holdings) Limited	18,430,887.87	-	-	-	18,430,887.87	-	-	
SPH (benxi) North Pharmaceutical Co., Ltd.	380,000,000.00	-	-	-	380,000,000.00	-	-	
China Medical Foreign Trading Liao Ning Co.Ltd.	558,601,296.99	-	-	-	558,601,296.99	-	-	
TECHPOOL Bio-Pharma Co., Ltd.	490,177,914.31	-	-	-	490,177,914.31	-	-	
Shanghai Pharmaceutical (USA), Inc.	227,955,862.31	13,982,600.00	-	-	241,938,462.31	-	-	
Shanghai Huiyong Medicine Research Co., Ltd.	50,000,000.00	-	-	-	50,000,000.00	-	-	
Others	1,419,560,284.22	-	-	-	1,419,560,284.22	-	164,804,699.10	
	20,836,569,252.92	521,923,509.00	-	-	21,358,492,761.92	-	1,304,066,149.86	

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(3) Long-term equity investments (continued)

(b) Associates

	31 December 2019	Changes in the period							Impairment balance
		Investment Addition	Reduce investment	Equity pick up	OCI Adjustment	Declare cash dividends or profits	Provision for impairment	Others	
Shanghai Industrial Group Finance Co., Ltd.	378,821,575.99	-	-	12,618,640.11	-	(7,187,760.00)	-	-	384,252,456.10
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	271,010,635.87	-	-	75,472,084.63	-	(58,302,887.00)	-	-	288,179,833.50
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	168,128,889.86	-	-	3,890,753.34	88,051,416.05	(9,770,499.20)	-	-	250,300,580.05
Shanghai Good Health Capital LLP	237,930,915.59	-	-	(13,120,580.26)	-	-	-	-	224,810,335.33
Shanghai Liangyi Investment Center (limited Partnership)	171,889,754.42	40,000,000.00	-	475,854.52	-	-	-	-	212,365,608.94
Shangshi Commercial Factoring Co., Ltd.	150,393,980.02	-	-	6,603,596.40	-	-	-	-	156,997,576.42
Hangzhou Huiqiang Yuang Pharmaceutical Co., Ltd.	102,057,484.96	-	-	2,748,723.97	-	-	-	-	104,806,208.93
Shanghai Ajinomoto Amino Acid Co., Ltd.	91,201,379.66	-	-	6,023,160.18	-	-	-	-	97,224,539.84
Shanghai Chest Medical Instruments Co., Ltd.	41,878,389.97	-	-	(684,607.33)	-	-	-	-	41,193,782.64
Sichuan Greentech Bio-technology Co., Ltd.	32,082,883.41	-	-	(1,033,127.25)	-	-	-	-	31,059,756.16
Chengdu Huaxi Precision Medicine Industry Innovation Center Co., Ltd.	-	20,000,000.00	-	56,821.15	-	-	-	-	20,056,821.15
Tianjin Modern Innovative Tcm Technology Co., Ltd.	19,877,232.09	-	-	(1,484,937.94)	-	-	-	-	18,392,294.15
Others	74,865,229.48	-	-	20,571.04	-	(588,244.36)	-	-	74,297,556.16
	1,740,148,351.32	60,000,000.00	-	91,586,952.56	88,051,416.05	(75,849,390.56)	-	-	1,903,937,329.37
									(68,481,418.01)



Notes to the Financial Statements

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

(4) Revenue and cost of sales

	Six months ended 30 June 2020	Six months ended 30 June 2019
Main operations revenue	–	–
Other operations revenue (a)	4,742,200.00	7,919,726.07
	4,742,200.00	7,919,726.07

	Six months ended 30 June 2020	Six months ended 30 June 2019
Main operations cost	–	–
Other operations cost (a)	–	–
	–	–

(a) Other operations revenue and cost of sales

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Other operations revenue	Other operations cost	Other operations revenue	Other operations cost
Service revenue	4,742,200.00	–	7,919,726.07	–

(5) Investment income

	Six months ended 30 June 2020	Six months ended 30 June 2019
Long-term equity investment income calculated by cost method	1,304,066,149.86	1,334,149,716.34
Long-term equity investment income calculated by equity method	91,586,952.56	69,186,277.09
Interest income from entrusted loans	175,675,437.13	156,310,446.15
Others	8,633,419.49	5,885,002.58
	1,579,961,959.04	1,565,531,442.16

The Company does not have any significant restrictions on repatriation of investment income.

Supplementary Information of Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2020	Six months ended 30 June 2019
Gains and losses from disposal of non-current assets	49,337,200.67	64,433,261.49
Government grants recognised in profits	180,096,212.10	227,953,768.90
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	111,051,542.29	63,018,994.73
Reversal of provision for bad debts for receivables on individual basis	19,034,482.72	–
Non-operating income and expenses other than the above	(29,632,174.70)	(86,844,728.63)
	329,887,263.08	268,561,296.49
Impact of income tax expense	(67,698,779.11)	(53,641,919.91)
Impact on the minority interests, net of tax	(19,726,957.81)	(23,709,396.31)
	242,461,526.16	191,209,980.27

Basis for preparation of summary of non-recurring profit or loss

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public — non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Net profit attributable to ordinary shareholders of the Company	5.70	5.70	0.86	0.80	0.86	0.80
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	5.13	5.22	0.77	0.74	0.77	0.74

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