



INTERIM REPORT

2023



SPH



**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)*

## Important Notice

1. The board of directors, the board of supervisors and the directors, supervisors and senior management of the Company hereby warrant that the information contained in this interim report is true, accurate and complete and contains no false representations, misleading statements or material omissions and assume joint and several legal liabilities therefor.
2. All directors of the Company attended the meeting of the board of directors.
3. This interim report is unaudited.
4. Zhou Jun, the person in charge of the Company, Shen Bo, the principal in charge of accounting, and Shen Bo, head of the Accounting Department (Chief Financial Officer), hereby declare that they warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.
5. The plan for profit distribution or conversion of capital reserve fund into share capital for the Reporting Period considered by the board of directors  
None
6. Risk statements regarding the forward-looking statements  
Applicable    Not applicable  

The forward-looking statements, such as future plans and development strategies, contained in this report do not constitute any substantive commitment by the Company to the investors. Investors are advised to be aware of the investment risks involved.
7. Is there any appropriation of funds by the controlling shareholders and their connected parties that is unrelated to operation  
No
8. Is there any instance of providing external guarantee that is in breach of the established decision making procedure  
No
9. Is there an existence of more than half of the directors being unable to warrant the truthfulness, accuracy and completeness of the content of this interim report  
No
10. Significant Risks  
During the Reporting Period, there are no significant risks that have substantive significant effect on production and operation of the Company. The Company has already explained all the risks that the Company might face in the operation and management and corresponding measures in this report. Please refer to the "Potential Risk Factors" set out in the Management Discussion and Analysis, Chapter 3.



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Catalogue of Documents Available for Inspection

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

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

# Chapter 1 Definitions

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

Definitions of Common Terms	
“the Group”, “Group”, “the Company”, “Company” or “Shanghai Pharmaceuticals”	Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability (shares of which are listed on the Shanghai Stock Exchange with stock code 601607, and on the Main Board of The Stock Exchange of Hong Kong Limited with stock code 02607) or Shanghai Pharmaceuticals Holding Co., Ltd. and its subsidiaries, where applicable
“the Reporting Period”, “Reporting Period” or “Period”	the 6-month period from 1 January 2023 to 30 June 2023
“YOY”	year-on-year
“PRC” or “China”	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
“HK\$” or “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“NZ\$”	New Zealand dollars, the lawful currency of New Zealand
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“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, the Laws of Hong Kong, as amended from time to time
“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 Overseas Company”	Shanghai Overseas Company Limited
“Shanghai Pharmaceutical (Group)”	Shanghai Pharmaceutical (Group) Co., Ltd. (上海醫藥(集團)有限公司)
“Guosheng Group”	Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司) and its wholly-owned subsidiaries Shanghai Shengrui Investment Co., Ltd. (上海盛睿投資有限公司) and Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司)
“SPH Sine”	SPH Sine Pharmaceutical Factory Co., Ltd. (上海上藥信誼藥廠有限公司)
“CanSino SPH”	CanSino SPH Biologics Inc. (48.958% owned by Shanghai Pharmaceuticals, 1.245% owned by Shanghai Biomedical Industrial Equity Investment Fund and 49.797% owned by CanSino Biologics Inc. respectively)
“SPH Biotherapy”	Shanghai Pharmaceutical Group Biotherapy Technology Co., Ltd.
“Leiyunshang SPH”	Shanghai Leiyunshang Pharmaceutical Co., Ltd.
“Qingchunbao”	Chiatai Qingchunbao Pharmaceutical Co., Ltd.
“Yunnan Baiyao”	Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)
“Shanghai Tandong”	Shanghai Tandong Enterprise Consulting Services Co., Ltd. (上海潭東企業諮詢服務有限公司)
“NMPA”	National Medical Products Administration of the People’s Republic of China (中華人民共和國國家藥品監督管理局)
“WHO”	World Health Organization
“FDA”	Food and Drug Administration of the United States
“BD”	expanded introduction of drugs
“Shanghai SASAC”	Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
“Fudan Zhangjiang”	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.
“first-in-class”	first new drug target or mechanism of action discovered
“Independent Directors” or “Independent Non-executive Directors”	independent non-executive directors of the Company
“new drug pipelines”	new drug pipeline projects for clinical application acceptance and subsequent clinical research phase

## 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	Zhou Jun

### II. CONTACT PERSON AND CONTACT DETAILS

	Secretary of the board of directors	Securities Affairs Representative
Name	Zhong Tao	Lu Ye, Sun Shiyi
Contact address	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai, China	Shanghai Pharmaceutical Building, No. 200 Taicang Road, Shanghai, China
Telephone	+8621-63730908	+8621-63730908
Facsimile	+8621-63289333	+8621-63289333
E-mail	pharm@sphchina.com	boardoffice@sphchina.com

### III. CHANGES IN BASIC CORPORATE INFORMATION

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

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

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

### V. STOCK INFORMATION OF THE COMPANY

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

### VI. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

#### (I) Major Accounting Data

*Unit: Yuan Currency: RMB*

Major accounting data	Reporting Period (January to June)	Corresponding period of last year	Increase/decrease of the Reporting Period compared to the corresponding period of last year (%)
Operating revenue	132,592,157,323.37	111,707,464,327.64	18.70
Net profit attributable to equity holders of the listed company	2,609,821,842.28	3,695,606,535.71	-29.38
Net profit after deduction of non-recurring profit or loss attributable to equity holders of the listed company	2,199,302,173.26	2,680,789,249.57	-17.96
Net cash flows from operating activities	1,638,423,947.92	-556,181,060.49	/

	As at the end of the Reporting Period	As at the end of last year	Increase/decrease as at the end of the Reporting Period compared to the end of last year (%)
Net assets attributable to equity holders of the listed company	67,358,648,385.13	67,063,005,889.23	0.44
Total assets	213,317,704,838.46	198,134,901,498.95	7.66

## Chapter 2 Basic Corporate Information and Major Financial Indicators

### (II) Major Financial Indicators

Major financial indicators	Reporting Period (January to June)	Corresponding period of last year	Increase/decrease of the Reporting Period compared to the corresponding period of last year (%)
Basic earnings per share (RMB per share)	0.71	1.13	-37.17
Diluted earnings per share (RMB per share)	0.71	1.13	-37.17
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.59	0.82	-28.05
Weighted average return on net assets (%)	3.82	6.36	Decreased by 2.54 percentage points
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	3.22	4.61	Decreased by 1.39 percentage points

Note on major accounting data and financial indicators of the Company

Applicable  Not applicable

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

Applicable  Not applicable

### VIII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Applicable    Not applicable

*Unit: Yuan   Currency: RMB*

Non-recurring profit or loss item	Amount
Profit or loss on disposal of non-current assets	73,632,380.30
Government grants recognised in profit or loss for the current period excluding those closely related to the Company's ordinary operations and granted on an ongoing basis under the national policies according to certain fixed quota of amount or volume	235,285,309.06
Except for the effective hedging activities related to the Company's ordinary operations, profit or loss arising from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, and derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	196,842,384.45
Reversal of provisions on impairment for receivables and contract assets assessed for impairment on an individual basis	24,594,923.41
Other non-operating income and expenses other than the aforesaid items	-24,291,726.48
Less: Effect on income tax	-63,379,704.41
Effect on minority interests (after tax)	-32,163,897.31
<b>Total</b>	<b>410,519,669.02</b>

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

Applicable    Not applicable

### IX. OTHER

Applicable    Not applicable

# Chapter 3 Management Discussion and Analysis

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

### (I) Main business and operating mode

The Company's main business covers both pharmaceutical manufacturing and pharmaceutical service. During the Reporting Period, the Company continued to accelerate innovation and transformation, deepened intensive development, achieved the steady improvement of business quality, profitability, operation efficiency and industry status, and created value for people's health constantly. The Company has been listed among the Fortune Global 500 for the fourth consecutive year, ranking the 438th in 2023.

#### 1. *Pharmaceutical manufacturing*

The Company ranks 41st in the list of TOP 50 Global Pharmaceutical Enterprises in 2023 released by Pharm Exec, and 3rd among Top 100 Chinese Chemical Drug Companies in China's pharmaceutical manufacturing for 2022 published by the Southern Medicine Economic Research Institute. The Company adheres to the orientation of satisfying clinical needs and continuously provides patients with more than 750 varieties of high-quality drugs and health products by constructing an industrial system with advantages in research and development, clinical research, drug pilot, industrialization and marketing. In order to respond to the national "Healthy China 2030" strategy actively and the call for accelerating innovation of the biomedical industry, the Company has continuously optimized its product structure by developing product strategy, increasing investment in innovation, implementing open innovation modes, utilizing combination of industry and finance, and focusing on international development, enriching its innovative drugs with differentiated advantages and improved innovative drug products to promote the sustained and healthy development of the Company's pharmaceutical manufacturing.

#### 2. *Pharmaceutical service*

Pharmaceutical service is the core force to ensure the efficient and stable supply of medical materials and drugs. With business channels and retail networks covering 25 provinces, municipalities and autonomous regions in the PRC, the Company, as the second largest pharmaceutical commercial enterprise and the largest service provider of imported drugs, vaccines and medical devices in China, continuously provides efficient, convenient and reliable services to medical institutions, retail institutions, partners and patients at all levels. The Company has established strategic partnerships with major pharmaceutical manufacturers at home and abroad. With its strong supply chain service network to provide integrated pharmaceutical supply chain solutions, the Company has become the preferred partner for domestic pharmaceutical distribution and innovative product listing. In addition, the Company actively promotes the upgrade of the supply chain of pharmaceutical and health products in the PRC, and continues to explore and innovate models for the supply and payment of medical and health products by means of information technology.

### (II) Industry situation

On 24 July 2023, the Political Bureau of the Communist Party of China (CPC) Central Committee held a meeting. In view of the current economic situation, the meeting pointed out that the national economy has continuously recovered and saw overall rebound. After a stable transition of pandemic prevention and control, the economic recovery has been a process of ups and downs. China's economy has great development resilience and potential for development and its long-term positive fundamentals have not changed.

The Chinese government has taken the biopharmaceutical industry as its national development strategy. Such industry is a strategic industry related to the national economy and people's livelihood and national security, and it is an important foundation for building a healthy China. The pharmaceutical industry in China is at a critical stage of industrial restructuring and scientific and technological self-reliance. In the medium and long term, the construction of a multi-level medical security system and industrial ecology is accelerating and the development of the pharmaceutical market continues to improve under the multiple drivers of comprehensive factors such as national policies, economic development, population aging and biopharmaceutical technology development.

## II. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

Applicable    Not applicable

### 1. Integrated advantages of pharmaceutical manufacturing and service research and investment

Shanghai Pharmaceuticals is a leading integrated industrial group in China's industry and commerce industry. Its business covers pharmaceutical manufacturing and pharmaceutical service, which enables the Company to have unique business model with shared and mutual benefits. Therefore, it enables the Company to be continuously driven by major links of the value chain of the pharmaceutical 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 integrated development advantages of pharmaceutical manufacturing and service research and investment, the Company is able to constantly create extra synergetic profits and value for its shareholders and the society and lower the risks and uncertainties of individual fields.

### 2. Product structure advantages

The Company has profound history. Over the years, it owns rich product resources. It produces approximately 750 varieties of drugs each year regularly. Its products mainly cover 7 major therapeutic fields, namely anti-tumor, heart and cerebral vessels, psychoneural, anti-infection, auto-immunity, digestive tract and metabolism, and respiratory system, which have formed the portfolio echelon of key products and basic and common drug products. The Company has production lines with a full range of dosage forms and insists on comprehensive lean management. By building a production information management MES system and a quality information management LIMS system, the Company is able to achieve lean optimization of all aspects of drug production and manufacturing, focus on improvement of its ability in technological innovation, industrialization and quality control, maintain leading quality and cost advantages, and ensure that it can consistently and steadily produce drugs that meet the intended use and registration requirements. The Company actively explores the international development for its products. Several Active Pharmaceutical Ingredients (APIs) passed the quality certification of WHO, FDA, EU and other developed countries, and several preparation products have been approved by FDA.

### 3. R&D resources advantages

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

### 4. Business network advantages

The Company has an intensive and informational modern drug circulation system, forming a network with a direct coverage of 25 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 manufacturing and business model serves to promote our own pharmaceutical manufacturing business.

### 5. Service advantages

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

### 6. Advantages of financial and industrial integration

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

### 7. Brand advantages

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

### III. DISCUSSION AND ANALYSIS OF THE OVERALL OPERATION

#### (I) Details of results

In the era of major power competition, the pharmaceutical industry in China as a whole is in the stage of industrial structure adjustment. In the first half of 2023, Shanghai Pharmaceuticals adhered to the principle of “financial and industrial integration, and innovative development” to serve the national strategies. Shanghai Pharmaceuticals has been **listed among the Fortune Global 500, Top 50 Global Pharmaceuticals** and Global Top 25 Most Valuable Pharmaceutical Brands (released by Brand Finance) **for four consecutive years**; and also successfully completed the re-election of the board of directors, the board of supervisors and senior management.

From January to June 2023, **the operating income of the Company amounted to RMB132.592 billion (the currency is RMB, the same below), representing a YOY increase of 18.70%**, of which, the revenue from pharmaceutical manufacturing amounted to RMB14.699 billion, representing a YOY increase of 12.64%, and the revenue from pharmaceutical service amounted to RMB117.893 billion, representing a YOY increase of 19.50%.

From January to June 2023, **due to the influence of the earnings from relocation of the subsidiary Qingchunbao in the same period of last year and the one-off special profit or loss such as provisions for asset impairment of the current period made by CanSino SPH in which the Company has shares**, the Company recorded RMB2.61 billion of net profit attributable to equity holders of the listed company, representing a YOY decrease of 29.38%; **the net profit attributable to the owner of parent company after deduction of the above-mentioned one-off special profit or loss amounted to RMB3.076 billion, representing a YOY increase of 9.34%**. Among which, the manufacturing business contributed profits of RMB1.328 billion, the commercial business contributed profits of RMB1.770 billion, and the main shareholding enterprises contributed profit of RMB344 million (factoring out the influence of CanSino SPH). The net profit attributable to shareholders of listed company after deducting non-recurring profit or loss amounted to RMB2.199 billion, representing a YOY decrease of 17.96%; while factoring out the influence of CanSino SPH, the net profit attributable to shareholders of listed company after deduction of non-recurring profit or loss amounted to RMB2.666 billion, which was basically the same as that for the same period of last year.

### (II) Operating highlights

After conducting comprehensive research and judgment on opportunities and challenges brought by the macroeconomic scenarios, Shanghai Pharmaceuticals adheres to the **integrated development model of “pharmaceutical manufacturing and service research and investment”**, continues to **strengthen its scale superiority and comprehensive strength, comprehensively enhances its industrial competitiveness of “low cost, high efficiency and mass production”**, and strives to meet the health needs of the majority of the people.

- *Steadily promoting R&D innovation*

During the Reporting Period, **the Company invested RMB1.218 billion in R&D, representing a YOY increase of 25.91%**, of which R&D expenditure amounted to RMB1.026 billion, representing a YOY increase of 26.76%.

As at the end of the Reporting Period, the Company had **64 new drug pipelines in total, of which 3 have been applied for pre NDA or marketing. Up to now, the main progress of the R&D of the Company’s new drug is as follows:**

**I001 tablets (i.e. SPH3127; type 1 chemical drug) is a new generation of oral non-peptide small molecule renin inhibitors, and the application for NDA marketing for hypertension indication was accepted in June 2023.** The current statistical results show that main endpoint has been reached. The non-inferiority was demonstrated by Topline results, and the test achieved the expected results, which is expected to provide richer treatment means for the majority of mild and moderate hypertension patients. The antihypertensive drugs have a huge demand in the Chinese market, and the total sales amount of antihypertensive drugs prescribed by Chinese hospitals in 2022 was RMB26.75 billion according to IQVIA database.

**X842 is a class 1.1 new drug introduced by the Company and is a new generation of potassium ion competitive acid blocker (P-CAB) oral drug. The application for NDA marketing for reflux esophagitis indication was accepted in February 2023.** It can competitively block the potassium ion activity in H-K-ATPase, and has the advantages of quick effect, strong and lasting acid inhibition, no individual difference in curative effect and few adverse reactions. At present, P-CAB, together with PPI, has become the first choice for treating gastroesophageal reflux disease (GERD) according to the consensus reached by experts of GERD in China, which is expected to break the monopoly of PPI in the acid suppression market. The total sales amount of traditional PPI products amounted to RMB13 billion in 2022 according to IQVIA database.

**B019 injection is a chimeric antigen receptor autologous T-cell injection targeting CD19 and CD22**, which was independently developed by SPH Biotherapy **for the treatment of relapsed or refractory B-lymphocyte tumors**. The application for clinical trial was accepted by the NMPA in August 2023. The chimeric antigen receptor of B019 is of bicistronic vector structure, which can express two independent chimeric antigen receptors on T cells, and bind CD19 or CD22 protein expressed on the surface of B lymphocytes respectively without affecting each other to exert anti-tumor effects.

The **class 2 new drug** introduced by the Company, i.e., **Lansoprazole and Sodium Bicarbonate Capsules (Xinweining®)**, was **formally put into commercial production** in May this year. Xinweining® is an exclusive product in the world, and mainly used for the treatment of gastric acid diseases. As the first class 2.3 new drug introduced by Shanghai Pharmaceuticals, it will be included in the combined solution for key diseases together with other digestive tract products in the future, helping the Company to comprehensively deepen the layout of the digestive tract sector and strengthen the pipeline of new drug products.

**Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd. (“Shanghai Biomedical Frontier Center”)** was incorporated in Shanghai in October 2022, with the aim to build a carrier for transformation of the original innovations in biopharmaceuticals through the linkage mode of **“early-incubation + mid-acceleration + late-industrialization”** and actively introduce subversive and revolutionary new projects in the frontier fields.

**Shanghai Pharmaceuticals Center (Park, No. 88 Zhangjiang Road, Shanghai)**, serving as the biomedicine innovation incubation base in Shanghai, aims to incorporate a large-scale biomedical innovation accelerator, including the Shanghai Biomedical Frontier Center, and the physical space has been initially determined. At the same time, Shanghai Pharmaceuticals and Hong Kong Science and Technology Parks Corporation plan to jointly implement the combined biomedicine incubation programme, and promote the construction of joint innovation incubators in Hong Kong Science and Technology Park to promote the cultivation of biomedical start-ups in Shanghai and Hong Kong and the transformation of innovative technologies. The construction of incubators in Hong Kong Science and Technology Park, which was first launched last year, has been progressing in an orderly manner. In addition, the Shanghai Biomedical Frontier Center actively communicated with the governments of Xuhui District and Huangpu District, and identified the initial places for constructing early incubators in effective cooperation with neighboring universities and medical institutions.

During the Reporting Period, the reorganization of the “**National Key Laboratory of Innovative Immunotherapy**” jointly declared by Shanghai Pharmaceuticals and School of Medicine of Shanghai Jiao Tong University was approved. This laboratory is mainly engaged in the research and development of original core technologies, and is able to develop the first-in-class original immunization therapy. It also focuses on revealing the new mechanism of immune cell regulation, identifying the new targets of disease immunotherapy, inventing new technologies for immune drugs research and development, and developing new immunotherapy products.

- *Rich in traditional Chinese medicine resources*  
**Shanghai Pharmaceuticals has abundant resources of traditional Chinese medicine, and owns 8 key enterprises of traditional Chinese medicine under its direct control and 9 core traditional Chinese medicine brands. In the first half of 2023, the revenue from pharmaceutical manufacturing for traditional Chinese medicine segment amounted to RMB5.12 billion, representing a YOY increase of 21.64%.** The Company seized the development opportunities of traditional Chinese medicine industry, continued to excavate its own superior resources, took the Institute of Chinese Materia Medica as the core platform to conduct evidence-based medicine research, and continued to implement the large varieties and brand strategies of traditional Chinese medicine. During the Reporting Period, the scientific and technological aspects of key varieties of traditional Chinese medicine grew rapidly.

1. Yangxinshi Tablet

Yangxinshi Tablet is targeted at cardiovascular patients with low exercise intensity, and it is **the first brand of proprietary Chinese medicine for standardized diagnosis and treatment of cardiac rehabilitation (improving exercise tolerance)**. In January 2019, the HEARTRIP study led by Academician Han Yaling was officially launched. This study is the first prospective, multi-center, randomized, double-blind, double-simulated, active drug-controlled RCT study in China, with General Hospital of PLA Northern Theater Command playing the leading role and 23 provincial and municipal hospitals including Peking University People’s Hospital and Beijing Anzhen Hospital as the participants. This study is aimed to compare the efficacy and safety of Yangxinshi Tablets and Trimetazidine Hydrochloride Tablets on exercise tolerance of post-PCI patients. In May 2023, the statistical analysis of the data for this study was completed. The results showed that **effects of Yangxinshi Tablet on improvement of exercise tolerance are not inferior to trimetazidine, and Yangxinshi Tablet is deemed to have a good safety profile**. This result well confirms the research hypothesis, and the research results will provide strong evidence-based evidence for Yangxinshi Tablet to improve exercise tolerance of cardiovascular patients.

### 2. Yuxuebi Capsule

Yuxuebi Capsule is clinically targeted at **people suffering chronic pain of the musculoskeletal system, and has protective effect on cardiovascular injury in people with rheumatic immune diseases**. The Company is currently carrying out clinical research with traditional Chinese and western medicine hospitals such as Guang'anmen Hospital of China Academy of Chinese Medical Sciences and Shuguang Hospital Affiliated to Shanghai University of Traditional Chinese Medicine on treatment of chronic pain of the musculoskeletal system and RA combining cardiovascular lesion, etc. A total of 1,000 subjects have rolled for the real-world study on the treatment of chronic pain of the musculoskeletal system with Yuxuebi Capsule. At the same time, the Company has carried out research on the pharmacodynamic material basis and mechanism of action with China Academy of Chinese Medicine Sciences, Tianjin University of Traditional Chinese Medicine, Liaoning University of Traditional Chinese Medicine and other colleges and universities.

### 3. Guanxinning Tablet

Guanxinning Tablet is used to treat coronary heart disease, which is suitable for patients who take drugs for a long period and will not increase the risk of bleeding. The Company has recently completed a multi-center, cluster randomized controlled trial clinical trial on the efficacy and safety of Guanxinning Tablets in the long-term treatment of coronary heart disease with 3,600 patients. The results showed that if changing the combined therapy of aspirin and clopidogrel to the therapy of only aspirin after percutaneous coronary intervention, addition of Guanxinning Tablet for one year could further reduce the occurrence of major unscrupulous cerebrovascular events (MACCE) without increasing the risk of serious bleeding in patients with coronary heart disease, exhibiting a good safety profile for patients. This study provides high-quality evidence-based medical evidence for Guanxinning Tablets as a **secondary preventive drug for cardiovascular diseases**.

### 4. Babaodan

Babaodan is a **secret variety** of state, and is positioned as a hepatocyte protectant with cholagogic effect and also clinically used in the comprehensive treatment of hepatobiliary tumors. A total of 169 cases of observation have been completed for the exploration and research on Babaodan capsule in preventing and treating hepatocellular carcinoma recurrence after surgical resection. In addition, Xiamen TCM Factory Co., Ltd. has conducted in-depth research on the role of Babaodan in tumor, anti-inflammatory and immunomodulation with Zhejiang University, China Pharmaceutical University, Institute of China Academy of Chinese Medical Sciences and other colleges and universities, and conducted major research projects including "Network Pharmacology Research on Babaodan's Role in Anti-Inflammatory and Immunomodulation" and "Pharmacodynamic Research on Babaodan in Treating Hepatocellular Carcinoma Recurrence after Surgical Resection".

5. Weifuchun

Weifuchun is used to treat **precancerous lesions of gastric cancer** and chronic atrophic gastritis. A multicenter, randomized, double-blind, double-simulated, parallel-controlled post-marketing clinical trial on the efficacy and safety of Weifuchun capsule in treating chronic atrophic gastritis was performed in 19 Grade 3A hospitals in China, such as Zhejiang Provincial Hospital of Chinese Medicine and Peking Union Medical College Hospital of China Academy of Medical Sciences. As at the end of June 2023, 160 subjects had been enrolled. In addition, a multi-center prospective real-world study on blocking “Inflammatory Cancer Transformation” by using Weifuchun capsule to treat chronic atrophic gastritis was initiated, which involves about 100 hospitals nationwide, including Longhua Hospital affiliated to Shanghai University of Traditional Chinese Medicine.

6. GBE50

GBE50 is mainly used to expand the clinical application in **the prevention and treatment of cerebrovascular diseases and cognitive impairment**. In July 2023, the Company and Shanghai Medical Innovation & Development Foundation jointly released the “Brain Health Innovation Research Fund – Vascular Cognitive Impairment” program. The launch of this program is an important measure of Leiyunshang SPH to accelerate the close combination of GBE50 series preparations with modern medical clinical practice and thus enrich research on the post-marketing clinical evidence-based evidences. SPH Xing Ling Sci. & Tech. Pharmaceutical Co., Ltd., the manufacturer of GBE50, was selected as one of the first 100 smart factories in Shanghai.

- *Integration of manufacturing and service to reduce costs and increase efficiency*

Shanghai Pharmaceuticals is a leading **comprehensive industrial group integrating pharmaceutical manufacturing and service in China, with its operating income and cost covering the pharmaceutical manufacturing and pharmaceutical service**. The Company makes continuous efforts to reduce costs and increase efficiency through integrating internal resources, adjusting production layout and promoting the combination of pharmaceutical manufacturing and service.

In the pharmaceutical circulation supply chain service sector, the Company strives to build an **innovative drug service platform**, providing **one-stop management services of the whole supply chain** covering four major areas of pre-listing cooperation, import and export services, nationwide distribution and innovation and added value for innovative products of pharmaceutical enterprises around the world. During the Reporting Period, the sales of innovative drug segment increased by about 24% YOY. The Company successfully introduced 14 import varieties under general agency; the general agency of imported vaccines gradually increased, representing a YOY increase of 15.7%. During the Reporting Period, the Company's sales of non-pharmaceutical businesses such as device and big health were about RMB20.4 billion, representing a YOY increase of about 22.16%.

## Chapter 3 Management Discussion and Analysis

In order to give full play to the professional advantages of the north-south service platforms and realize the coordinated development of businesses through complementation in a differentiated way, the Company plans to launch **the north-south integration project in the pharmaceutical service segment**. In the future, the Company will conduct unified and intensive management of the service platforms in the northern and southern regions at the provincial level, and formulate the programs for corporate functions establishment of the provincial platforms in a unified way; establish and improve the unified management systems and service standards in the province, so as to improve efficiency and accelerate the pace of empowerment through operation integration.

For the pharmaceutical manufacturing segment, in order to further optimize the production capacity layout of pharmaceutical manufacturing service, build an outstanding manufacturing system, and continuously promote cost reduction and efficiency improvement, the Group's Manufacturing Management Center took the lead in promoting the **special work of base integration and capacity optimization**, developed the production capacity layout and action plan for optimization and improvement of industrial bases, and **speeded up the elimination of backward production capacity and the construction of intelligent manufacturing bases**.

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

Applicable Not applicable

## IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

## (I) Analysis of principal business

## 1. Analysis on changes in relevant items of financial statements

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period of last year	Change (%)
Operating income	132,592,157,323.37	111,707,464,327.64	18.70
Operating cost	115,533,492,130.90	96,678,478,831.09	19.50
Selling expenses	7,732,875,492.74	6,794,498,225.38	13.81
Administration expenses	2,762,737,366.79	2,321,686,991.32	19.00
Finance costs	773,219,746.78	648,913,998.77	19.16
R&D expenditure	1,026,309,891.55	809,672,103.19	26.76
Asset impairment losses	-66,099,386.50	-39,449,430.51	-67.55
Credit impairment loss	336,316,422.58	217,692,401.14	54.49
Other income	370,355,726.92	135,866,657.63	172.59
Investment income	-198,992,363.96	309,246,323.46	-164.35
Gains arising from changes in fair value	196,842,384.45	25,391,346.09	675.23
Gains on disposal of assets	73,745,726.60	1,427,179,664.17	-94.83
Non-operating income	18,105,606.98	10,001,694.34	81.03
Non-operating expenses	42,397,333.46	51,243,297.70	-17.26
Net cash flow generated from operating activities	1,638,423,947.92	-556,181,060.49	/
Net cash flow generated from investing activities	-2,614,650,567.90	-11,417,450,767.21	77.10
Net cash flow generated from financing activities	5,131,620,554.94	16,317,624,700.65	-68.55

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

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

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

## Chapter 3 Management Discussion and Analysis

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

Reasons for changes in investment income: Increase in investment loss arising from assets impairment of the companies in which the Company has shares during the Reporting Period

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

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

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

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

Reasons for changes in net cash flow generated from investing activities: Decrease in cash paid for investment in financial assets held for trading during the Reporting Period

Reasons for changes in net cash flow generated from financing activities: Increase in cash received from non-public issuance of shares during the same period of the previous year

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

Applicable Not applicable

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

Applicable Not applicable

### (III) Analysis on Assets and Liabilities

✓Applicable    Not applicable

#### 1. Assets and Liabilities

*Unit: Yuan Currency: 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
Other receivables	3,528,810,863.86	1.65	2,574,814,141.06	1.30	37.05	Increase in dividends receivable during the Reporting Period
Other equity instruments investment	56,382,940.45	0.03	101,487,525.55	0.05	-44.44	Decrease in fair values of financial assets held during the Reporting Period
Contract liabilities	1,437,890,005.81	0.67	2,242,823,457.63	1.13	-35.89	Decrease in advance received from customers during the Reporting Period
Non-current liabilities due within one year	4,234,825,090.02	1.99	3,249,433,102.21	1.64	30.33	Increase in long-term borrowings due within one year during the Reporting Period

Other information

Nil

#### 2. Overseas assets

✓Applicable    Not applicable

##### (1) Asset size

Among which, overseas assets amounted to 26.81 (Unit: '00 million Currency: RMB), the proportion to the total assets is 1.26%.

##### (2) Explanation on high proportion of overseas assets

Applicable    ✓Not applicable

3. *Major assets restriction as at the end of the Reporting Period*  
Applicable Not applicable

As at 30 June 2023, the balance of the Group's other monetary funds was RMB2,649 million, which was mainly the margin deposit for security for applying to the bank for issuing bank acceptance bills and letters of credit.

As at 30 June 2023, houses, buildings, machinery and equipment with a book value of RMB139 million (original price: RMB219 million) and land use rights of 270,000 square meters (original price: RMB531 million, book value: RMB501 million) were used as collaterals for short-term borrowings of RMB250 million and long-term borrowings of RMB478 million.

As at 30 June 2023, the bank pledged borrowings of RMB1,024 million were short-term borrowings with the short-term borrowings of RMB139 million obtained by discounting commercial acceptance bills, the short-term borrowings of RMB236 million obtained by discounting bank acceptance bills and the accounts receivable with book value of RMB755 million as collaterals.

As at 30 June 2023, the Group pledged the accounts receivable with the book value of RMB142 million to the bank as a collateral for pledged bank borrowings of RMB60 million and long-term borrowings due within one year of RMB82 million. The equity interest in a subsidiary of the Group was pledged for the bank pledged borrowings of RMB73 million and long-term borrowings due within one year of RMB5 million.

4. *Other information*  
Applicable Not applicable

### (IV) Analysis on Investment Conditions

1. Overall Analysis on External Equity Investments

Applicable    Not applicable

*Unit: 0'000 Yuan Currency: RMB*

Amount of Investments during the Reporting Period	140,057.46
Increase or Decrease in Amount of Investment	103,591.59
Amount of Investment in the Same Period over Prior Year	36,465.87
Percentage of Increase/decrease in Amount of Investments (%)	284.08

(1) Significant Equity Investments

Applicable    Not applicable

(2) Significant Non-equity Investments

Applicable    Not applicable

(3) Financial Assets Measured at Fair Value

Applicable    Not applicable

*Unit: 0'000 Yuan Currency: RMB*

Category of Assets	Opening Amount	Profit or Loss Arising from the Changes in Fair Values during the Period	Accumulated Changes in Fair Value Included in Equity	Impairment Provision for the Period	Purchase Amount for the Current Period	Sales/ Redemption Amount for the Current Period	Other Changes	Closing Amount
Share	36,144.42	1,388.66	-4,050.25			1,695.40		31,787.43
Others (Other non-current financial assets— equity in unlisted companies)	188,308.35	2,355.61						190,663.96
Others (Financial assets held for trading)	961,355.47	15,939.99			1,432,665.00	1,266,100.22		1,143,860.24
<b>Total</b>	<b>1,185,808.24</b>	<b>19,684.26</b>	<b>-4,050.25</b>		<b>1,432,665.00</b>	<b>1,267,795.62</b>		<b>1,366,311.63</b>

## Chapter 3 Management Discussion and Analysis

### Investment in Securities

✓Applicable    Not applicable

Unit: 0'000 Yuan Currency: RMB

Types of Securities	Stock code	Short name	Initial Investment Cost	Sources of capital	Opening Carrying Amount	Profit or Loss Arising	Purchase Amount for the Current Period	Sales Amount for the Current Period	Investment Gains or Losses for the Current Period	Closing Carrying Amount	Accounting Items
						Changes in Fair Values during the Period					
Shares	000931	ZHONGGUANCUN	9.93	Self-owned funds	15.50	-0.98	/		-0.98	14.52	Other non-current financial assets
Shares	600675	CHINA ENTERPRISE	39.00	Self-owned funds	290.91	-12.28	/		-12.28	278.64	Other non-current financial assets
Shares	601328	BANK OF COMMUNICATIONS	472.01	Self-owned funds	271.82	60.79	/		60.79	332.61	Other non-current financial assets
Shares	688578	Allist	2,045.70	Self-owned funds	1,771.20	732.70	/	1,695.40	732.70	808.50	Other non-current financial assets
Shares	03692(HK)	Hansoh Pharmaceutical (翰森製藥)	13,769.67	Self-owned funds	14,486.79	-2,251.73	460.20		-2,251.73	12,695.27	Other non-current financial assets
Shares	06600(HK)	SciClone Pharmaceuticals	19,353.29	Self-owned funds	9,159.44	2,860.17	/		2,860.17	12,019.61	Other non-current financial assets
Shares	00455(HK)	Tianda Pharma	8,785.19	Self-owned funds	10,148.75	/	-4,510.46		/	5,638.29	Other equity instruments investment
Total	/	/	44,474.79	/	36,144.42	1,388.66	-4,050.25	1,695.40	1,388.66	31,787.43	/

## Chapter 3 Management Discussion and Analysis

Explanation on Securities Investment

Applicable  Not applicable

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

Investment in Private Funds

Applicable  Not applicable

Investment in Derivatives

Applicable  Not applicable

*Unit: 0'000 Yuan Currency: RMB*

<b>Investment Category</b>	<b>Opening Amount</b>	<b>Closing Amount</b>	<b>Year-on-Year (%)</b>
Derivative financial assets—forward foreign exchange contract	<b>482.01</b>	343.64	-28.71
Derivative financial liabilities—forward foreign exchange contract	<b>156.99</b>	125.74	-19.91

### (V) Disposal of Major Assets and Equities

Applicable  Not applicable

Nil

## Chapter 3 Management Discussion and Analysis

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

Applicable  Not applicable

Unit: '00 million Yuan Currency: RMB

Company Name	Business Nature	Shareholding Percentage	Registered Capital	Size of Assets	Owner' Equity	Operating Income	Net Profit
Shanghai Pharmaceutical Co., Ltd.	Sales of drugs	100.00%	50.00	843.84	182.53	732.34	12.69
SPH Keyuan Xinhai Pharmaceutical Co., Ltd.	Sales of drugs	100.00%	13.00	359.46	87.12	278.23	5.96
SPH Sine Pharmaceutical Factory Co., Ltd.	Production and sales of drugs	100.00%	11.92	71.65	38.05	27.48	3.36
SPH No. 1 Biochemical & Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	2.25	40.76	13.44	21.59	1.40
SPH New Asia Pharmaceutical Co., Ltd.	Production and sales of drugs	96.90%	10.52	22.79	12.78	10.17	0.40
Shanghai TCM Co., Ltd.	Production and sales of drugs	100.00%	14.76	87.99	47.62	37.92	3.78
Chiatai Qingchunbao Pharmaceutical Co., Ltd.	Production and sales of drugs	75.00%	1.29	38.00	29.44	7.06	0.50
SPH Changzhou Pharmaceutical Co., Ltd.	Production and sales of drugs	75.89%	1.58	52.25	29.39	33.26	1.96
SPH Zhongxi Sunve Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	5.46	37.56	29.85	5.87	2.75
Techpool Bio-pharma Co., Ltd. (廣東天普生醫藥股份有限公司)	Production and sales of drugs	67.14%	1.00	23.13	18.32	8.54	1.50
SPH Qingdao Guofeng Pharmaceutical Co., Ltd.	Production and sales of drugs	67.52%	0.93	17.41	11.01	9.88	0.88
Hangzhou Huiqingyutang Pharmaceutical Co., Ltd.	Production and sales of drugs	51.01%	1.35	10.51	8.38	5.53	1.04
Xiamen TCM Factory Co., Ltd.	Production and sales of drugs	61.00%	2.00	7.47	4.94	4.00	0.53
Liaoning SPH Herpex Pharmaceutical (Group) Co., Ltd.	Production and sales of drugs	55.00%	1.02	10.39	3.61	4.52	0.50
Shanghai Zhonghua Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	0.94	6.05	3.27	2.39	0.31
Shanghai Medical Instruments Co., Ltd.	Production and sales of medical equipments	100.00%	3.27	8.14	5.70	2.51	0.13
SPH Changzhou Kony Pharmaceutical Co., Ltd.	Production and sales of drugs	100.00%	0.15	3.55	2.69	1.18	0.17

### (VII) The Structural Entity Controlled by the Company

Applicable  Not applicable

### V. OTHER DISCLOSURES

#### (I) Potential risk factors

Applicable Not applicable

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

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

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

#### (II) Other disclosures

Applicable Not applicable

### VI. DISCLOSURES REQUIRED BY THE HONG KONG LISTING RULES

#### (I) Capital Structure

As at the end of the Reporting Period, the asset-liability ratio (total liabilities/total assets) of Shanghai Pharmaceuticals was 62.99%, representing an increase of 2.36 percentage points over the beginning of the period. The interest coverage ratio (EBIT/interest expenses) was 5.71 times (same period of 2022: 7.88 times). The gearing ratio (net amount of debts/total capital) of the Company was 23.13%.

During the Reporting Period, Shanghai Pharmaceuticals had a good liquidity and financial resources. As at the end of the Reporting Period, the balance of bank loans of the Company was RMB44.207 billion and the balance of extra short-term financing bill was RMB6.018 billion, of which the balance of loans in New Zealand Dollar amounted to RMB255 million, the balance of loans in US Dollar amounted to RMB2.333 billion, the balance of loans in Euro amounted to RMB3 million, the balance of loans and extra short-term financing bill payable at a fixed interest rate amounted to approximately RMB46.475 billion. The net amount of accounts receivable and notes receivable (including receivables financing) was RMB80.386 billion, representing an increase of 14.53% on a YOY basis. The increase in accounts receivable was mainly due to the expanded operation scale of the Company. The balance of accounts payable and notes payable of the Company was RMB56.164 billion, representing an increase of 8.92% on a YOY basis.

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

### (II) Exchange Rate Fluctuation Risk and Any Related Hedging

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

### (III) Contingent Liabilities

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

### (IV) Significant Investment

As at 30 June 2023, the Company did not have any significant investment under paragraph 32(4A) of Appendix 16 to the Hong Kong Listing Rules.

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

As of 30 June 2023, Shanghai Pharmaceuticals had a total of 47,811 employees (including 1,540 R&D personnels).

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

The remuneration and compensation package of the employees generally includes salary, allowance and bonus, as well as pension, medical insurance, housing fund, work-related injury insurance and other benefits from the Company. The Company participates in various employee welfare schemes, such as pension, medical insurance, housing fund, maternity and unemployment insurance organized by the provincial and municipal governments in accordance with the relevant regulations of China. Moreover, the Company establishes the enterprise pension system and improves the corporate welfare system, which will enhance the cohesion and competitiveness of the enterprise.

During the Reporting Period, the Company continued to promote the implementation of the “dynamic development strategy with six verticals and six horizontals”, continued to carry out multi-dimensional training programs, created a diversified learning environment, promoted the extraction of excellent operation management cases, managed and operated a digital learning platform, and maintained a learning atmosphere for all employees. In the first half of the year, the Company held a total of 9 forums, covering four major topics: pharmaceutical industry, new management knowledge, humanities and general education, and vocational skills. Jing Yan (Phase 8 and Phase 9), Hong Yan (Phase 4 and Phase 5), internationalization (Phase 2) and management trainee programs continued to run; social recruitment and school recruitment of new employees were carried out separately; two rounds of on-the-job training and skill competition for all employees of the financial line were completed, and a total of 89 classes of course projects were completed online and offline, with a total of 14,312 participants and with a total class time of 1,148 hours. At the same time, the Company selected 8 subsidiaries within the Group in the case development work to extract 9 excellent operation management cases, 4 manuscripts were revised, and 3 manuscripts were used for internal teaching and sharing.

### (VI) Option Incentive Scheme

On 18 December 2019, the Company’s 2019 share option incentive scheme (the “Option Incentive Scheme”) was considered and approved by the shareholders of the Company at the 2019 first extraordinary general meeting, the 2019 second H-share class meeting, and the 2019 second A-share class meeting (the “General Meetings”) and adopted by the Company. On 19 December 2019 (the “Initial Options Grant Date”) pursuant to shareholders’ authorization, the Board approved the grant of 25,680,000 share options to 211 participants. Due to the resignation of employees, the Company considered and approved at the meeting of the Board on 10 February 2020 to adjust the number of the initial participants from 211 to 210 and the number of initial granted options was adjusted from 25,680,000 to 25,600,000 accordingly. On 15 December 2020 (the “Reserved Options Grant Date”, together with the “Initial Options Grant Date”, collectively referred to as the “Grant Date”), pursuant to shareholders’ authorization, the Board approved the grant of 2,730,000 reserved share options to 28 participants.

Due to the resignation or unfulfillment of performance assessment requirements of some employees, the Company considered and approved at the meeting of the Board on 5 January 2022 to adjust the number of the initial participants from 210 to 190 and the number of initial granted options was adjusted from 25,600,000 to 23,258,120 accordingly. The Company considered and approved at the meeting of the Board on 9 January 2023 to adjust the number of the initial participants from 190 to 182 and the number of initial granted options was adjusted from 23,258,120 to 22,735,520 accordingly. The Company considered and approved at the meeting of the Board on 9 January 2023 to adjust the number of the participants of reserved options from 28 to 23 and the number of reserved options was adjusted from 2,730,000 to 2,290,000 accordingly.

Due to fulfillment of the exercise conditions for the second exercise period of the initial granted share options and the first exercise period of the reserved options of the Option Incentive Scheme, the Company considered and approved at the meeting of the Board on 9 January 2023 that 182 participants can exercise 7,421,700 options for the second exercise period and 23 participants can exercise 755,700 options for the first exercise period of the reserved options. The Company considered and approved at the meeting of the Board on 30 March 2023 the cancellation of 4,324,659 initial granted options which had expired but had not been exercised during the first exercise period. As at 30 June 2023, a total of 5,666,352 A-share share options were exercised.

In conclusion, as at 30 June 2023, 12,204,455 A-share share options were granted by the Company, which had not been exercised.

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, administrative regulations and regulatory documents, and the Articles of Association.

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 and other employee participants of the Company. The participants do not include non-executive Directors, independent non-executive Directors, members of the Remuneration and Assessment Committee, Supervisors, or any substantial shareholders or actual controller individually or jointly holding more than 5% of the Shares 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 3 Management Discussion and Analysis

As at 30 June 2023, the distribution of the share options to participants is as follows:

Name	Position(s)	Number of the share options granted (in 10,000 A Shares)	Percentage to total number of the share options granted	Percentage to total share capital of the Company as of the Grant Date
Cho Man <sup>Note 1</sup>	Executive Director, President (resigned)	48.00	1.918%	0.017%
Shen Bo	Executive Director, President, Chief Financial Officer	39.00	1.558%	0.014%
Li Yongzhong	Executive Director, Executive President	39.00	1.558%	0.014%
Zhao Yong	Vice President	33.00	1.319%	0.012%
Mao Jianyi	Vice President	33.00	1.319%	0.012%
Gu Haoliang <sup>Note 2</sup>	Vice President (resigned)	33.00	1.319%	0.012%
Zhang Yaohua	Vice President	33.00	1.319%	0.012%
Chen Jinzhu <sup>Note 3</sup>	Vice President, Secretary to the Board, Joint Company Secretary (resigned)	33.00	1.319%	0.012%
Pan Deqing <sup>Note 4</sup>	Vice President	18.00	0.719%	0.006%
Middle level management and core employees of the Company (173 persons in total after adjustment) under the initial grant		1,964.552	78.502%	0.691%
Middle level management and core employees (23 persons in total after adjustment) under the reserved options grant		229.00	9.151%	0.081%
Total		2,502.552	100.000%	0.883%

Note 1: Mr. Cho Man ceased to be the executive director and president of the Company from 29 June 2023 (for details, please refer to the Company's announcement dated 30 June 2023). Except for the share options granted but not exercised during the first exercise period of initial granted options, which have been cancelled by the Company, his granted share options remained unchanged as at 30 June 2023.

Note 2: Mr. Gu Haoliang ceased to be the vice president of the Company from 29 March 2022 (for details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025)). Except for the share options granted but not exercised during the first exercise period of initial granted options, which have been cancelled by the Company, his granted share options remained unchanged as at 30 June 2023.

Note 3: Ms. Chen Jinzhu ceased to be the vice president of the Company from 29 March 2022, and ceased to be the secretary to the Board and joint company secretary of the Company from 29 August 2022 (for details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025) and the Announcement on Proposed Re-election and Election of Directors and Supervisors, etc. dated 29 August 2022 (A share announcement Lin No. 2022-066)). Except for the share options granted but not exercised during the first exercise period of initial granted options, which have been cancelled by the Company, her granted share options remained unchanged as at 30 June 2023.

Note 4: Mr. Pan Deqing was appointed as the vice president of the Company on 29 March 2022 (for details, please refer to the Company's overseas regulatory announcement dated 30 March 2022 (A share announcement Lin No. 2022-025)). Except for the share options granted but not exercised during the first exercise period of initial granted options, which have been cancelled by the Company, his share options granted before serving as the vice president remained unchanged as at 30 June 2023.

3. *Number of share options granted under the option incentive scheme*

The number of A-share share options granted under the Option Incentive Scheme is 25,025,520, not more than 1% 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 of the Option Incentive Scheme 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 lawfully disclosed; and
- iv. other periods prescribed by the CSRC and the Shanghai Stock Exchange.

During the exercise period, the participants are able to exercise the share 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 Option to the Number of Share Option 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 period, such share options shall be cancelled by the Company.

### 7. *Exercise price*

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 of the share options 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 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 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 3 Management Discussion and Analysis

### 9. Changes in options granted under the option incentive scheme

Details of changes in options granted under the Option Incentive Scheme as of 30 June 2023 are as follows:

Name	Position(s)	Number of option outstanding at the beginning of the Reporting Period (in 10,000 A Shares)	Number of options granted during the Reporting Period (in 10,000 A Shares)	Number of exercisable options during the Reporting Period (in 10,000 A Shares)	Number of option exercised during the Reporting Period (in 10,000 A Shares)	Number of option 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 during the Reporting Period (in 10,000 A Shares)	Grant Date	Exercise period	Exercise Price	The weighted average closing price of A shares of the Company immediately before the Exercise date during the Reporting Period
Cho Man	Executive Director, President (resigned)	48.00	0	31.68	0	-15.84	0	32.16	19 December 2019	From 14 February 2022 to 13 February 2025	RMB18.41 per A Share	
Shen Bo	Executive Director, President, Chief Financial Officer	39.00	0	25.74	0	-12.87	0	26.13				
Li Yongzhong	Executive Director, Executive President	39.00	0	25.74	0	-12.87	0	26.13				
Zhao Yong	Vice President	33.00	0	21.78	0	-10.89	0	22.11				
Mao Jianyi	Vice President	33.00	0	21.78	0	-10.89	0	22.11				
Zhang Yaohua	Vice President	29.00	0	17.78	0	-6.89	0	22.11				
Pan Deqing	Vice President	18.00	0	11.88	0	-5.94	0	12.06				
Resigned senior management (2 persons)		66.00	0	43.56	0	-21.78	0	44.22				
Middle level management and core employees of the Company (173 persons in total) under the initial grant		1,737.8066	0	1,025.9466	-541.5922	-386.7559	0	809.4585				RMB21.91
Middle level management and core employees (23 persons in total) under the reserved options grant		273.00	0	75.57	-25.043	-44.00	0	203.957	15 December 2020	From 8 February 2023 to 7 February 2026	RMB20.16 per A Share	RMB22.60
<b>Total</b>		<b>2,315.8066</b>	<b>0</b>	<b>1,301.4566</b>	<b>-566.6352</b>	<b>-528.7259</b>	<b>0</b>	<b>1,220.4455</b>				

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

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

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

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

As of 30 June 2023, there were 7,421,700 initial granted options exercisable during the second exercise period and 755,700 reserved options exercisable during the first exercise period with the exercise period commencing on 14 February 2023 and ending on 13 February 2024 and 7 February 2024, respectively. According to the exercise arrangement of the Company's Option Incentive Scheme, 182 participants of initial granted share options and 23 participants of reserved share options exercised 5,666,352 share options in total during the Reporting Period.

As of the beginning and end of the Reporting Period, there were no options available for grant by the Company according to the Option Incentive Scheme.

### 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. As the valuation of options are subject to a number of assumptions and with regard to the limitation of the B-S model, the Company would like to remind all the shareholders and potential investors of the Company that the estimation of such value is subjective and uncertain.

### *Initial Grant*

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

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

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

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

### *Reserved Options Grant*

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

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

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

- i. Market price of underlying shares: RMB19.00 per A Share (the closing price of the Company's Shares on the Reserved Options Grant Date is RMB19.00 per A Share)
  - ii. Exercise price: RMB20.16 per A Share
  - iii. Validity period: 2.5 years, 3.5 years, and 4.5 years (depending on the weighted average exercise period of options vested in each period)
  - iv. Volatility rate: 32.20%, 30.71% and 28.66% (using the Company's volatility rate in the past 2.5 years, 3.5 years, and 4.5 years)
  - v. Risk-free interest rates: 2.94%, 3.02%, and 3.09% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rate of government bonds)
  - vi. Expected dividend yield: 2.03% (using the Company's average dividend yield in the past three years)
- (2) Accounting policies in relation to share options
- According to the Accounting Standards for Business Enterprises No. 11 – Share-based Payments, the Company will measure and account for the cost of the Company's Option Incentive Scheme as per the following accounting methods:
- i. Grant Date  
As share options are not exercisable on the Grant Date, accounting treatment is not required. The Company shall determine the fair value of the share options on the Grant Date.

- ii. Vesting period  
On each balance sheet date during the vesting period, the services obtained in the current period shall, based on the best estimate of the number of the exercisable share options, be included in cost of the relevant assets or expenses and the other capital reserves in capital reserves at the fair value of the share options on the Grant Date.
- iii. Exercise period  
No adjustment shall be made to the 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".

### 11. *Shares to be issued due to grant of share options and awards under all share schemes*

During the Reporting Period, there were 13,014,566 A Shares to be issued under all share option incentive schemes of the Company, representing 0.468% of the weighted average number of issued A Shares during the Reporting Period.

## (VII) Outlook for the Second half of 2023

In the second half of the year, the Company will continue to actively serve the national strategy in accordance with the annual business objectives and key work arrangements, give full play to the integrated advantages of pharmaceutical manufacturing and service research and investment and continuously enhance the scale effect and comprehensive strength. In terms of "steady growth", the pharmaceutical manufacturing shall continuously promote the strategy of major products and accelerate investment and mergers; the pharmaceutical service shall promote the construction of platforms at the provincial level and accelerate the expansion of new businesses. In terms of "efficiency improvement", the Company will focus on advantageous areas and strengthen the whole-life cycle management of R&D projects; optimize the production capacity layout of manufacturing lines to create a cost competitive advantage; meet compliance regulatory requirements and accelerate the construction of a first-class marketing system; continue to promote the digitalization construction of Shanghai Pharmaceuticals. In terms of "risk control", the Company will improve the compliance management system and strictly abide by the bottom line of quality, safety and environmental protection. In terms of "system optimization", the Company will strengthen the construction of the three major centers of sales, production and research, advance the integrated development of the business sector and promote the talent strategy.

# Chapter 4 Corporate Governance

## I. GENERAL MEETING

Meeting session	Date of convening	Query index on the designated website for publishing resolutions	Date of disclosure	Resolution of the meeting
2022 Annual General Meeting	29 June 2023	Announcement (Lin No. 2023-055) disclosed on the website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> )	30 June 2023	All resolutions had been approved. For details, please refer to the announcement in relation to the resolutions at the 2022 Annual General Meeting (Lin No. 2023-055)

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

Applicable Not applicable

Explanation of the General Meeting

Applicable Not applicable

## II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

✓Applicable    Not applicable

Name	Position	Change situation
Zhou Jun	Chairman, Non-executive Director	Election
Yao Jiayong	Vice Chairman, Non-executive Director	Election
Chen Fashu	Non-executive Director	Election
Shen Bo	Executive Director	Election
Li Yongzhong	Executive Director	Election
Dong Ming	Executive Director	Election
Gu Zhaoyang	Independent Director	Election
Manson Fok	Independent Director	Election
Wang Zhong	Independent Director	Election
Xu Youli	Chief Supervisor, Supervisor	Election
Yu Weidong	Employee Supervisor	Election
Ma Jia	Supervisor	Election
Shen Bo	President, Chief Financial Officer	Engagement
Li Yongzhong	Executive President	Engagement
Zhao Yong	Vice President	Engagement
Mao Jianyi	Vice President	Engagement
Zhang Yaohua	Vice President	Engagement
Zhong Tao	Vice President, Board Secretary and Joint Engagement Company Secretary	
Pan Deqing	Vice President	Engagement
Li Dongming	Vice President	Engagement
Shao Shuai	Vice President	Engagement
Ge Dawei	Vice Chairman, Non-executive Director	Resignation
Cho Man	Executive Director, President	Resignation
Li An	Non-executive Director	Resignation
Cai Jiangnan	Independent Director	Resignation
Hong Liang	Independent Director	Resignation
Huan Jianchun	Employee Supervisor	Resignation
Xin Keng	Supervisor	Resignation

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

✓Applicable    Not applicable

On 29 June 2023, the Company successfully completed the re-election of the eighth session of the board of directors, the board of supervisors and senior management (for details, please refer to the announcements of the Company Lin No. 2023-055, No. 2023-056 and No. 2023-057). The above table shows the details of changes in directors, supervisors and senior management during the Reporting Period.

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

#### Profit Distribution Proposal, Proposal for the Conversion of Capital Reserve Fund into Share Capital for the Half Year

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

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

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

Applicable Not applicable

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

Equity incentives

Applicable Not applicable

2019 Initial share option incentive scheme

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

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

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

2020 Reserved share option incentive scheme

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

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

Measurement method	Black-Scholes model (B-S model)
Parameter name	<ol style="list-style-type: none"> <li>Market price of target: RMB19.00 per A Share (the closing price of the Company on the grant date is RMB19.00 per A Share)</li> <li>Exercise price: RMB20.16 per A Share</li> <li>Validity periods: 2.5 years, 3.5 years, and 4.5 years (depending on the weighted average exercise validity period of options vested in each period)</li> <li>Volatility rates: 32.20%, 30.71% and 28.66% (using the Company's volatility rates in the past 2.5 years, 3.5 years, and 4.5 years)</li> <li>Risk-free interest rates: 2.94%, 3.02%, and 3.09% (using the 2.5-year, 3.5-year, and 4.5-year benchmark deposit interest rates of government bonds)</li> <li>Expected dividend yield: 2.03% (using the Company's average dividend yield in the past three years)</li> </ol>
Measurement result	According to the estimation based on valuation model and various data on 15 December 2020, the unit costs of three batches of share options granted are RMB3.37 per A Share, RMB3.83 per A Share, and RMB4.06 per A Share, respectively, and the total cost of 2,730,000 share options granted is RMB10.2575 million.

Other explanation

Applicable  Not applicable

Employee share schemes

Applicable  Not applicable

Other incentive measures

Applicable  Not applicable

## V. DISCLOSURES REQUIRED BY THE HONG KONG LISTING RULES

### (I) Compliance with the Corporate Governance Code

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

### (II) Compliance with the Model Code

The board of directors of the Company has confirmed that the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). After sufficient enquiry, all the directors and supervisors have confirmed that they complied with the Model Code in all aspects during the Reporting Period.

### (III) Change in Details of Biographies

Latest biographical details of Mr. YAO Jiayong: Born in May 1966. He graduated from the Second Military Medical University with a bachelor’s degree in pharmacy and obtained a master’s degree in military science from the National Defense University with major in the military political work. He is currently the vice chairman and non-executive director of the Company. Mr. Yao is currently the deputy secretary to the Party Committee and the director of Shanghai Shangshi (Group) Co., Ltd., the secretary to the Party Committee of Shanghai Pharmaceutical (Group) Co., Ltd. and the secretary to the Party Committee of Shanghai Pharmaceuticals Holding Co., Ltd.. He has served as the political commissar of the Naval Medicine Department of the Second Military Medical University, secretary general of the Shanghai Financial Services Office, deputy secretary to the Party Committee of the Shanghai Financial Work Party Committee Office, the secretary of the Disciplinary Committee and supervision commissioner of Shanghai Shangshi (Group) Co., Ltd., etc.

Latest biographical details of Mr. SHEN Bo: Born in March 1973. He is a master of Professional Accountancy from the Chinese University of Hong Kong and a Chinese Certified Public Accountant. He is currently the executive director, president and chief financial officer of the Company, and holds directorships in some subsidiaries. Mr. Shen Bo is currently a non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 01349; and on the STAR Market of the Shanghai Stock Exchange, stock code: 688505). His previous positions included deputy manager of the finance department of Shanghai Jinling Co., Ltd.; chief financial officer of Shanghai Industrial Pharmaceutical Investment Co., Ltd.; and general manager of the finance department of Shanghai Pharmaceutical (Group) Co., Ltd.; and non-executive director of Tianda Pharmaceuticals Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00455).

Latest biographical details of Mr. LI Yongzhong: Born in February 1970. He obtained an executive master degree in business administration from the China Europe International Business School. He is qualified as a pharmacist. He is currently the executive director and executive president of the Company and the chairman, general manager and director of Shanghai Pharmaceutical Co., Ltd., a subsidiary of the Company. He also holds directorship in other subsidiaries of the Company. His previous positions included deputy manager of the New Drug Branch, general manager and deputy general manager of pharmaceutical distribution business department of Shanghai Pharmaceutical Co., Ltd.; general manager assistant and deputy general manager of Shanghai Pharmaceutical Co., Ltd., etc.

### (IV) Audit Committee’s Review on the Interim Report

The audit committee under the board of directors of the Company has reviewed the Company’s 2023 interim report and agreed with the accounting treatment adopted by the Company.

## Chapter 5 Environmental and Social Responsibility

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

At the beginning of 2023, the Group completed the signing of the “Responsibility Statement for the Environmental Protection Work Objectives for 2023” of 20 directly-affiliated companies at the meeting of the Group’s Safety and Environmental Protection Committee in the first quarter. The responsibility statement clarified the responsibility of environmental management for enterprises, so as to enhance the responsibility sense of enterprise leaders and guarantee the effective implementation of environmental protection work of enterprises.

In April 2023, the Group issued the Notice on the Key Work of Energy Management in 2023, determining the total energy consumption and intensity targets of energy-consuming enterprises in 2023 and the list of green jobs of enterprises, and determining to carry out the assessment of energy-saving targets and green jobs of energy-consuming enterprises at the end of the year. According to the requirements of the Group, 51 enterprises have formulated measures and plans for energy-saving projects, and planned to implement a total of 69 energy-saving projects, with an estimated fund saving of RMB8.30 million, electricity saving of 9.911 million kWh, steam saving of 320.1 tons, natural gas saving of 446,500 cubic meters and water saving of 31,700 tons.

# Chapter 6 Significant Events

## I. FULFILMENT STATUS OF COMMITMENTS

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

√ applicable    □ Not applicable

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time and term of commitments	Whether there is a term for commitments	Whether the commitment is fulfilled in a timely and strict manner
Undertakings stated in acquisition report or report of changes in equity	Lock-up of shares	Yunnan Baiyao	Yunnan Baiyao undertakes that the subscribed additional shares of Shanghai Pharmaceuticals shall be subject to a lock-up period of 36 months from the date of completion of the issuance. Any shares to be acquired by Yunnan Baiyao after the completion of the above transaction due to bonus issue, conversion of capital reserve into share capital of Shanghai Pharmaceuticals, etc. shall also be subject to the lock-up arrangement mentioned above. If the CSRC and the Shanghai Stock Exchange have other requirements for the lock-up period for the subscription of additional shares of Shanghai Pharmaceuticals by Yunnan Baiyao, the parties will adjust the lock-up period in accordance with such requirements of the CSRC and the Shanghai Stock Exchange.	Date of commitment: 11 May 2021; Term: within 36 months from the date of completion of the non-public issuance of A shares of the Company in 2021.	Yes	Yes
The commitment in relation to major assets restructuring	Solving horizontal competition	Shanghai Pharmaceutical (Group) and SIC	<ol style="list-style-type: none"> <li>In the event it acquires, procures or otherwise comes to possess businesses or assets that compete or could potentially compete with the businesses of the Company, it shall, pursuant to its non-competition deed, irrevocably grant the Company the pre-emptive right to acquire all of such businesses or assets at any time;</li> <li>It and its subsidiaries shall avoid any business or operations that may compete with the Company;</li> <li>It shall avoid investing companies or enterprises that compete with the business and operations of the Company; and</li> <li>It shall bear all losses and expenses directly and indirectly incurred by the Company as a result of a breach by it of its undertakings set forth in its non-competition deed.</li> </ol>	22 December 2009 to long term	Yes	Yes
The commitment in relation to the initial public offering	Solving horizontal competition	Shanghai Pharmaceutical (Group) and SIC	Please refer to "The commitment in relation to major assets restructuring" described above for details.	22 December 2009 to long term	Yes	Yes

## Chapter 6 Significant Events

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time and term of commitments	Whether there is a term for commitments	Whether the commitment is fulfilled in a timely and strict manner
The commitment in relation to the refinancing	Other	SIIC, Shanghai Shangshi and Shanghai Pharmaceutical (Group)	<ol style="list-style-type: none"> <li>The Company confirmed that the Company and its controlled companies did not reduce their holdings of the shares of Shanghai Pharmaceuticals for the period from 6 months prior to the price benchmark date of the issuance (i.e. 12 May 2021) to the issue date of the commitment;</li> <li>The Company undertook that the Company and its controlled companies did not have any plans to reduce their holdings of the shares of Shanghai Pharmaceuticals (including the shares arising from bonus issue, conversion of capital reserve into share capital and other distribution of rights and interests in the undertaking period) within 6 months after the issue of this commitment until the completion of the issuance;</li> <li>The Company and its controlled companies did not violate the requirements as stipulated in the Article 44 of the Securities Law of the People's Republic of China;</li> <li>In the event of any breach of the aforementioned commitments, all the proceeds of the Company and its controlled companies due to the reduction of the holding of shares of Shanghai Pharmaceuticals shall be owned by Shanghai Pharmaceuticals; and the Company and its controlled companies shall assume all legal liabilities arising therefrom according to law.</li> </ol>	The issue date of the commitment of SIIC, Shanghai Shangshi was 15 September 2021; issue date of the commitment of Shanghai Pharmaceutical (Group) was 13 September 2021. Please refer to the detailed commitment for the commitment term.	Yes	Yes
The commitment in relation to the refinancing		SIIC, Shanghai Shangshi and Shanghai Pharmaceutical (Group)	<ol style="list-style-type: none"> <li>The Company undertakes not to exceed its authority to interfere with the operation and management activities of the Company and not to encroach on the interests of the Company;</li> <li>If the Company violates such commitments and causes losses to the Company or investors, the Company is willing to bear the responsibility of compensation to the Company or investors in accordance with the law;</li> <li>From the issue date of the commitment to the completion of the implementation of the Company's non-public issuance of A Shares, if the CSRC makes other new regulatory provisions on the remedial measures on returns and its commitment, and if the above commitment cannot meet such provisions of the CSRC, the Company undertakes to issue additional commitment in accordance with the latest provisions of the CSRC at that time; as one of the responsible subjects in relation to the remedial measures on returns, if the Company violates the above commitments or refuses to fulfill the above commitments, the Company agrees that the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities shall impose relevant penalties or take relevant regulatory measures against the Company in accordance with the relevant regulations and rules formulated or issued by them.</li> </ol>	11 May 2021 to long term	Yes	Yes

Background of commitments	Type of commitments	Undertaking party	Details of commitments	Time and term of commitments	Whether there is a term for commitments	Whether the commitment is fulfilled in a timely and strict manner
The commitment in relation to the refinancing	The Company	The Company	<ol style="list-style-type: none"> <li>1. Strictly implements the management system of the proceeds to prevent the risk of using the proceeds;</li> <li>2. Further strengthens the Company's operation management and internal control to improve operational efficiency and profitability;</li> <li>3. Strictly implements the profit distribution policy and ensure the implementation of the investor return mechanism.</li> </ol>	11 May 2021 to long term	Yes	Yes
The commitment in relation to the refinancing	Directors and senior management of the Company	Directors and senior management of the Company	<ol style="list-style-type: none"> <li>1. Undertake not to transfer benefits to other units or individuals without compensation or on unfair terms, or use other means to harm the interests of the Company;</li> <li>2. Undertake to exercise restraint on my official consumption behavior;</li> <li>3. Undertake not to use the Company's assets to engage in investment or consumption activities unrelated to the performance of duties;</li> <li>4. Undertake to link the remuneration system formulated by the Board or the Remuneration and Evaluation Committee of the Board to the implementation of the Company's remedial measures on returns;</li> <li>5. Undertake that if the Company subsequently launches the equity incentive policy, the exercise conditions of the Company's equity incentive to be announced will be linked to the implementation of the Company's remedial measures on returns;</li> <li>6. From the issue date of the commitment to the completion of the implementation of the Company's non-public issuance of A Shares, if the CSRC makes other new regulatory provisions on the remedial measures on returns and its commitment, and if the above commitment cannot meet such provisions of the CSRC, I undertake to issue additional commitment in accordance with the latest provisions of the CSRC at that time;</li> <li>7. Undertake to effectively implement the relevant return remedial measures formulated by the Company and any commitments made by me in relation to return remedial measures, and if I violate such commitments and cause losses to the Company or investors, I am willing to bear the compensation to the Company or investors in accordance with the law; as one of the responsible subjects in relation to the remedial measures on returns, if I violate the above commitments or refuse to fulfill the above commitments, I agree that the CSRC, the Shanghai Stock Exchange and other securities regulatory authorities shall impose relevant penalties or take relevant regulatory measures against me in accordance with the relevant regulations and rules formulated or issued by them.</li> </ol>	11 May 2021 to long term	Yes	Yes
The commitment in relation to the option incentive	Other	The Company	Not to provide loans and financial support in other forms, including providing guarantee for loans to the participants for acquiring the relevant entitlement under the Scheme.	30 September 2019 to long term	Yes	Yes

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

Applicable  Not applicable

### III. IRREGULAR GUARANTEES

Applicable  Not applicable

### IV. AUDIT OF THE INTERIM REPORT

Applicable  Not applicable

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

Applicable  Not applicable

### VI. ISSUES RELEVANT TO INSOLVENCY AND RESTRUCTURING

Applicable  Not applicable

### VII. MATERIAL LITIGATIONS AND ARBITRATIONS

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

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

Applicable  Not applicable

Overview and Type of Events	Search Index
Case of Techpool Bio-Pharma Co., Ltd. (the "Plaintiff") against Guangzhou Baotian Biotechnology Co., Ltd. (the "Defendant") for dispute over private lending. On 5 November 2021, Guangzhou Tianhe District People's Court handed down its first-instance judgment in respect of the case, ruling that the Defendant shall repay the principal amount of RMB83.50 million and the interests accrued on within 15 days from the date when this judgement takes effect, and dismissed other requests of the Plaintiff. The case is still in progress.	Please refer to the Announcement of Shanghai Pharmaceuticals Holding Co., Ltd. in relation to Material Litigations and Arbitrations and interim announcement (Lin No. 2021-091) disclosed by the Company on the website of Shanghai Stock Exchange for details.
Case of Techpool Bio-Pharma Co., Ltd. against two persons including Guangzhou Tianhe Hi-tech Industrial Zone Industrial Development Corporation for dispute over recovery of unpaid capital contribution. The case is in the stage of second instance and the court has yet to make a final judgment, which has no significant impact on the Company.	Please refer to the Announcement of Shanghai Pharmaceuticals Holding Co., Ltd. in relation to Material Litigations and Arbitrations disclosed by the Company on the website of Shanghai Stock Exchange for details.

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

Applicable  Not applicable

**(III) Other information**

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

**X. SIGNIFICANT RELATED TRANSACTIONS**

**(I) Related transactions relating to daily operations**

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

Applicable  Not applicable

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

Applicable  Not applicable

## Chapter 6 Significant Events

Unit: 0'000 Yuan Currency: RMB

Related party	Particulars of the related transaction	Pricing principle of the related transaction	Amount of the related transaction	Proportion in the amount of transaction of the same type (%)	Settlement method of the related transaction	Available market price of similar transactions	Reason for the difference between trading price and market price
SIC and its subsidiaries	Purchase of goods and receipt of services from the related party <sup>①</sup>	Negotiated based on the market price	3,093.25	100.00	Cash	3,093.25	N/A
Shanghai Pharmaceutical (Group) and its subsidiaries	Selling products and offering labor services to the related party		31.89	100.00		31.89	
	Leasing housing and equipment and receiving property services from related party <sup>②</sup>		1,898.27	100.00		1,898.27	
	Leasing housing to related parties		240.35	100.00		240.35	
Fudan Zhangjiang	Provision of pharmaceutical sales services under the entrustment of the related party		5,141.91	100.00		5,141.91	
Yunnan Baiyao	Purchase of goods from the related party		22,884.92	100.00		22,884.92	
	Selling products to the related party		30,715.79	100.00		30,715.79	

- Notes:
- ① The amount of the related transaction under such transaction included the purchase amount under the Procurement Framework Agreement and the daily related transactions entered into between the Group and Wing Fat Printing Co., Ltd. (for details, please refer to announcement of the Company Lin No. 2022-081).
  - ② The amount of the related transaction under such transaction included the amount of leasing business under the Property Leasing Framework Agreement and the daily related transactions entered into between the Group and Shanghai Pharmaceutical (Group) (for details, please refer to announcement of the Company Lin No. 2020-061).

### 3. Events not disclosed in interim announcements

Applicable  Not applicable

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

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

### (III) Material related transactions relating to joint external investment

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

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

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

## Chapter 6 Significant Events

### (V) Financial business between the Company and related financial companies, holding financial companies and related parties

Applicable  Not applicable

#### 1. Deposit business (including deposit)

Applicable  Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Related relationship	Daily maximum deposit limit	Deposit interest rate range	The balance at the beginning of the Period	The amount for the Period		
					Total amount deposited during the Period	Total amount withdrew during the Period	The balance at the end of the Period
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	450,000.00	0.2%-2.025%	391,968.46	2,191,984.08	2,260,374.05	323,578.49

#### 2. Loan business

Applicable  Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Related relationship	Loan limit	Loan interest rate range	The balance at the beginning of the Period	The amount for the Period		
					Total amount lent during the Period	Total amount repaid during the Period	The balance at the end of the Period
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	600,000.00	2.30%-5.00%	234,919.12	208,302.98	115,108.01	328,114.09

#### 3. Credit business or other financial business

Applicable  Not applicable

Unit: 0'000 Yuan Currency: RMB

Related party	Related relationship	Business type	Total limit	Actual amount
Shanghai Shangshi Group Finance Co., Ltd. (上海上實集團財務有限公司)	Subsidiary of Controlling Shareholder	Liquidity loans, project loans, discount of bank acceptance notes, discount of trade acceptance notes, factoring of trade receivables, bill acceptance and entrust loans	964,650.00	217,273.12

#### 4. Other information

Applicable  Not applicable

**(VI) Other significant related transaction**

Applicable  Not applicable

**(VII) Miscellaneous**

Applicable  Not applicable

**XI. MATERIAL CONTRACTS AND PERFORMANCE THEREOF****1 Trusteeship, contracting and leasing**

Applicable  Not applicable

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

Applicable  Not applicable

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding those provided to its subsidiaries)																
Guarantor	Relationship between the guarantor and the listed company		Value of guarantee	Date of guarantee		Commencement		Type of guarantee	Principal debts	Collateral (if any)	Guarantee		Overdue amount of counter guarantee	Any counter guarantee parties	Guarantee provided to related parties	Connected relationship
	Guaranteed party	Medicines		(date of agreement)	date of guarantee	Expiry date of guarantee	fully fulfilled				Guarantee overdue					
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	5,029,579.38	2023-02-22	2023-05-22	Joint	Bank guarantee	acceptance bills		Yes	No		Nil	No	Associate	
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	70,308.00	2023-02-22	2023-08-22	Joint	Bank guarantee	acceptance bills		No	No		Nil	No	Associate	
Shanghai Pharmaceutical Co., Ltd.	Wholly-owned subsidiary	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	6,793,295.96	2023-06-16	2023-12-12	Joint	Bank guarantee	acceptance bills		No	No		Nil	No	Associate	

## Chapter 6 Significant Events

Total value guaranteed during the Reporting Period (excluding those provided to its subsidiaries)	11,893,183.34
Total remaining balance guaranteed at the end of the Reporting Period (A) (excluding those provided to its subsidiaries)	6,863,603.96
<b>Guarantees provided by the Company to its subsidiaries</b>	
Total value guaranteed for its subsidiaries during the Reporting Period	4,054,375,280.00
Total remaining balance guaranteed for its subsidiaries at the end of the Reporting Period (B)	7,847,158,536.78
<b>Total value guaranteed by the Company (including guarantees to subsidiaries)</b>	
Total value guaranteed (A+B)	7,854,022,140.74
Proportion of total value guaranteed in the Company's net assets (%)	11.66%
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)	2,873,719,888.24
Amount of total value guaranteed exceeding 50% of net assets (E)	–
Total of value guaranteed for the above three items (C+D+E)	2,873,719,888.24
Details of possible joint settlement liabilities for undue guarantee	/
Details of guarantee	/

### 3 Other material contracts

Applicable  Not applicable

## XII. STATEMENT ON OTHER SIGNIFICANT EVENTS

Applicable  Not applicable

# Chapter 7 Changes in Shares and Information about Shareholders

## I. CHANGES IN SHARE CAPITAL

### (I) Table of changes in Shares

#### 1. Table of changes in Shares

Unit: share

	Before current change		Current increase or decrease (+,-)					After current change	
	Number of Shares	Percentage (%)	Issue of new Shares	Bonus Shares	Conversion of capital reserve fund into share capital	Others	Subtotal	Number of Shares	Percentage (%)
I. Trade-restricted Shares	852,708,396	23.061	0	0	0	0	0	852,708,396	23.026
1. State-held Shares	0	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal persons	187,000,000	5.057	0	0	0	0	0	187,000,000	5.050
3. Other domestically held Shares	665,708,396	18.004	0	0	0	0	0	665,708,396	17.977
Of which: Shares held by domestic non-state-owned legal persons	665,708,396	18.004	0	0	0	0	0	665,708,396	17.977
Shares held by domestic natural persons	0	0	0	0	0	0	0	0	0
4. Foreign-held Shares	0	0	0	0	0	0	0	0	0
Of which: Shares held by foreign legal persons	0	0	0	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0
II. Shares without trade restrictions	2,844,837,776	76.939	5,666,352	0	0	0	5,666,352	2,850,504,128	76.974
1. RMB ordinary shares	1,925,765,072	52.082	5,666,352	0	0	0	5,666,352	1,931,431,424	52.156
2. Domestically listed foreign Shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign Shares	919,072,704	24.856	0	0	0	0	0	919,072,704	24.818
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of Shares	3,697,546,172	100	5,666,352	0	0	0	5,666,352	3,703,212,524	100

## Chapter 7 Changes in Shares and Information about Shareholders

2. *Explanation of changes in Shares*

Applicable Not applicable

During the Reporting Period, 5,415,922 Shares were transferred and completed the registration due to exercise of options during the first exercise period and the second exercise period of the initial granted share options of the Company and 250,430 Shares were transferred and completed the registration due to exercise of options during the first exercise period of the reserved share options, 5,666,352 Shares in total. The number of Shares issued by the Company increased from 3,697,546,172 Shares at the beginning of the Period to 3,703,212,524 Shares at the end of the Period, including 2,784,139,820 A Shares and 919,072,704 H Shares.

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	67,473
The total number of shareholders of preference Shares with voting rights restored as at the end of the Reporting Period	0

Note: Among the 67,473 shareholders as at the end of the Reporting Period, 65,724 were A shareholders and 1,749 were H shareholders.

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

*Unit: share*

Name of shareholder (in full)	Shareholdings of top ten shareholders				Pledged, labelled or frozen		
	Increase/decrease during the Reporting Period	Number of shares held at the end of the Period	Shareholding Percentage (%)	Number of trade-restricted Shares held	Status	Number	Nature of shareholders
Shanghai Pharmaceutical (Group) Co., Ltd.	0	716,516,039	19.348	0	Nil		State-owned legal person
HKSCC NOMINEES LIMITED	-6,747,400	684,018,724	18.471	0	Unknown		Foreign legal person
Yunnan Baiyao Group Co., Ltd.	0	665,626,796	17.974	665,626,796	Nil		Domestic non-state-owned legal person
Shanghai Industrial Investment (Holdings) Co., Ltd. and its wholly-owned subsidiaries and Shanghai Shangshi (Group) Co., Ltd. and its wholly-owned subsidiaries	6,760,300	619,939,498	16.741	187,000,000	Nil		State-owned legal person
Hong Kong Securities Clearing Company Limited	25,607,145	77,221,653	2.085	0	Unknown		Foreign legal person
Shanghai Guosheng Group Co., Ltd. and its wholly-owned subsidiaries	-100,000	44,532,100	1.203	0	Nil		State-owned legal person
China Securities Finance Corporation Limited	-17,988,700	41,330,543	1.116	0	Unknown		State-owned legal person
New China Life Insurance Co., Ltd.- Dividend-Individual dividend-018L-FH002 Shanghai	Unknown	17,512,196	0.473	0	Unknown		Unknown
China Construction Bank Corporation-E fund CSI 300 Medical and Healthcare Trading Open-end Index Securities Investment Fund	Unknown	16,008,407	0.432	0	Unknown		Unknown
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	-106,800	11,601,222	0.313	0	Unknown		Unknown

## Chapter 7 Changes in Shares and Information about Shareholders

Shareholdings of top ten shareholders without trade restrictions			
Name of shareholder	Number of Shares without trade restrictions	Class and number of Shares	
		Class	Number
Shanghai Pharmaceutical (Group) Co., Ltd.	716,516,039	RMB ordinary shares	716,516,039
HKSCC NOMINEES LIMITED	684,018,724	Overseas listed foreign shares	684,018,724
Shanghai Industrial Investment (Holdings) Co., Ltd. and its wholly-owned subsidiaries, Shanghai Shangshi (Group) Co., Ltd.	432,939,498	RMB ordinary shares	222,301,798
		Overseas listed foreign shares	210,637,700
Hong Kong Securities Clearing Company Limited	77,221,653	RMB ordinary shares	77,221,653
Shanghai Guosheng Group Co., Ltd. and its wholly-owned subsidiaries	44,532,100	RMB ordinary shares	21,017,000
		Overseas listed foreign shares	23,515,100
China Securities Finance Corporation Limited	41,330,543	RMB ordinary shares	41,330,543
New China Life Insurance Co., Ltd.-Dividend-Individual dividend-018L-FH002 Shanghai	17,512,196	RMB ordinary shares	17,512,196
China Construction Bank Corporation-E fund CSI 300 Medical and Healthcare Trading Open-end Index Securities Investment Fund	16,008,407	RMB ordinary shares	16,008,407
Yinhua Fund-Agricultural Bank – Yinhua China Securities and Financial Assets Management Program	11,601,222	RMB ordinary shares	11,601,222
Industrial and Commercial Bank of China Limited – China – Europe Medical and Health Hybrid Securities Investment Fund	10,955,673	RMB ordinary shares	10,955,673
Description of special account for repurchase among the top ten shareholders	Not available		
Explanations on the entrusting voting right, entrusted voting right and waive of voting right of the above shareholders	Not available		
Note on connected relations or concerted actions of the above shareholders	SIIIC is the de facto controller of Shanghai Shangshi, which is a controlling shareholder of Shanghai Pharmaceutical (Group). Shanghai Guosheng (Group) Co. Ltd. is a wholly-owned subsidiary of Shanghai SASAC. The Company is not aware of any affiliation among other shareholders or whether they are persons acting in concert as stipulated under the “Measures for the Administration of the Takeover of Listed Companies”.		
Note on shareholders of preference Shares with voting rights restored and number of Shares held	Not available		

## Chapter 7 Changes in Shares and Information about Shareholders

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 210,637,700 H Shares held by SIIC and its wholly-owned subsidiaries and 23,515,100 H Shares held by Guosheng Group through Southbound Trading;
2. The 187,000,000 A Shares held by Shanghai Tandong Enterprise Consulting Services Co., Ltd. were included in the number of Shares held by Shanghai Shangshi (Group) Co., Ltd. and its wholly-owned subsidiaries;
3. Hong Kong Securities Clearing Company Limited is the nominee holder of the RMB ordinary shares under Shanghai-Hong Kong Stock Connect.

Number of and the trade restrictions on the Shares held by the top ten shareholders holding trade-restricted shares

✓Applicable    Not applicable

*Unit: share*

The listing and trading of trade-restricted Shares					
No.	Name of shareholders holding trade-restricted Shares	Number of trade-restricted Shares held	Time available for listing and trading	Number of additional Shares available for listing and trading	Trade restrictions
1	Yunnan Baiyao	665,626,796	8 April 2025	0	Subject to a lock-up period of 36 months from the date of completion of the non-public issuance in 2021.
2	Shanghai Tandong	187,000,000	8 April 2025	0	Subject to a lock-up period of 36 months from the date of completion of the non-public issuance in 2021.
3	Hainan Zhong Wang Investment and Management Company Limited	81,600	To be confirmed	0	The consideration payable to Shanghai Pharmaceutical (Group) in the equity division reform remained outstanding.
Note on connected relations or concerted actions of the above shareholders		/			

## Chapter 7 Changes in Shares and Information about Shareholders

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

Applicable Not applicable

## III. INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Applicable Not applicable

Explanation on other situations

Applicable Not applicable

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

Applicable Not applicable

Unit: 0'000 shares

Name	Position	Number of options held at the beginning of the period	Number of options newly granted during the Reporting Period	Number of exercisable shares during the Reporting Period	Number of share options exercised during the Reporting Period	Number of options held at the end of the period
Shen Bo	Director	39.00	0	25.74	0	26.13
Li Yongzhong	Director	39.00	0	25.74	0	26.13
Zhao Yong	Senior management	33.00	0	21.78	0	22.11
Mao Jianyi	Senior management	33.00	0	21.78	0	22.11
Zhang Yaohua	Senior management	29.00	0	17.78	0	22.11
Pan Deqing	Senior management	18.00	0	11.88	0	12.06
Cho Man (resigned)	Director	48.00	0	31.68	0	32.16
Total	/	239.00	0	156.38	0	162.81

- Notes:
1. This table only lists the equity incentives granted to directors and senior management who have served/resigned during the Reporting Period;
  2. The first period of share options granted but not exercised to directors and senior management under the initial granted share options has been cancelled, resulting in a decrease in the number of share options held at the end of the period compared to the beginning.

### (III) Other information

Applicable Not applicable

## IV. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

Applicable Not applicable

## V. DISCLOSURES PURSUANT TO THE REQUIREMENTS OF THE SFO AND THE HONG KONG LISTING RULES

### (I) Interests and short positions of directors, supervisors, chief executive, substantial shareholders and other persons in the Shares and underlying Shares

As at 30 June 2023, according to the information available to the Company and to the knowledge of the directors, the following shareholders had interests or short positions in the Shares or underlying Shares which were subject to disclosure by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the voting rights of the total number of the issued H Shares or A Shares at the shareholders' general meetings of the Company.

Name of shareholder	Class of Shares	Nature of Interests in Shares	Number of Shares	Percentage of H Shares/A Shares held as at the end of the Reporting Period to the entire issued H Shares/A Shares (%)	Percentage in total share capital of the Company as at the end of the Reporting Period (%)
SIIC Group <sup>Note 1 (1)</sup>	A Shares/H Shares	Interests of controlled corporation	1,336,455,537(L)	40.44 (A Shares)/ 22.92 (H Shares)	36.09
Shanghai Shangshi Group <sup>Note 1 (2)</sup>	A Shares	Beneficial owner / Interests of controlled corporation	1,125,317,837(L)	40.42	30.39
Shanghai Pharmaceutical (Group)	A Shares	Beneficial owner	716,516,039(L)	25.74	19.35
Yunnan Baiyao	A Shares	Beneficial owner	665,626,796(L)	23.91	17.97
BlackRock, Inc.	H Shares	Interests of controlled corporation	73,512,372(L) 280,800(S)	8.00 0.03	1.99 0.01

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

Note 1: (1) SIIC is a wholly-owned subsidiary of Shanghai SASAC. SIIC Group refers to SIIC and its wholly-owned subsidiaries. According to the Decision on Authorising Shanghai Industrial Investment (Holdings) Co., Ltd. to Operate the State-owned Assets of Shanghai Overseas Company, its Major Overseas Group Companies and Shanghai Shangshi (Group) Co., Ltd. (Hu Guo Zi Wei Shou [1998] No.6) issued by the Shanghai SASAC in 1998, SIIC was authorized to be the de facto controller of Shanghai Shangshi and is therefore deemed to hold Shares of the Company through Shanghai Shangshi. As at the end of the Reporting Period, SIIC held and controlled 1,336,455,537 Shares in total (including A Shares and H Shares), of which 500,000 A Shares and 210,637,700 H Shares were directly held by SIIC Group, and 1,125,317,837 A Shares were indirectly held by SIIC through Shanghai Shangshi Group.

## Chapter 7 Changes in Shares and Information about Shareholders

- (2) Shanghai Shangshi is a wholly-owned subsidiary of the Shanghai SASAC. Shanghai Shangshi Group refers to Shanghai Shangshi and its wholly-owned subsidiaries. Shanghai Shangshi holds 60% equity interests in Shanghai Pharmaceutical (Group) and is therefore deemed to hold Shares of the Company through Shanghai Pharmaceutical (Group). As at the end of the Reporting Period, out of 1,125,317,837 A Shares held by Shanghai Shangshi Group in the Company, 408,801,798 A Shares were directly held by Shanghai Shangshi Group, while 716,516,039 A Shares were indirectly held by Shanghai Shangshi through Shanghai Pharmaceutical (Group).

- Note 2:
- (1) Figures disclosed above are based on the information provided on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).
  - (2) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain conditions are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless certain conditions have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.
  - (3) Save as disclosed above, as at the end of the Reporting Period, the Company was not aware of any other person (other than the directors, supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

As at 30 June 2023, Mr. Shen Bo, executive director, president and chief financial officer, held 71,700 A Shares of the Company and has an interest in 261,300 underlying A Shares in respect of the share options granted under the share option incentive scheme of the Company; Mr. Li Yongzhong, executive director and executive president, has an interest in 261,300 underlying A Shares in respect of the share options granted under the share option incentive scheme of the Company.

Save as disclosed in this report, as at 30 June 2023, 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 Hong Kong Stock Exchange.

### (III) PURCHASE, SALES OR 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 8 Information Related to Preference Shares

Applicable  Not applicable

# Chapter 9 Relevant Information of the Corporate Bonds

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

Applicable  Not applicable

### (I) Enterprise bonds

Applicable  Not applicable

### (II) Corporate bonds

Applicable  Not applicable

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

Applicable  Not applicable

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

Basic situation of the existing debt-financing instruments of non-financial businesses of the Company as at the date of disclosure of this report:

Unit: '00 million Yuan Currency: RMB

Name of bonds	Abbreviation	Code	Issue date	Value date	Maturity date	Bond balance	Interest rate (%)	Method for repayment of principal and interest	Trading place	Appropriate arrangements of the Investor (if any)	Trading mechanism	Is there any risk of termination of listing and trading
2023 extra short-term financing bill (third tranche) issued by Shanghai Pharmaceuticals Holding Co., Ltd.	Z3 SPH	012381485 SCP003	2023/4/12	2023/4/13	2023/10/13	30.00	2.25%	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors	The extra short-term financing bill can be traded and transferred in the national inter-bank bond market	No
2023 extra short-term financing bill (fourth tranche)	Z3 SPH	012382211 SCP004	2023/6/13	2023/6/14	2024/3/8	30.00	2.14%	The principal and interest shall be payable in a lump sum upon expiry	Inter-bank bond market	Trading with qualified investors	inter-bank bond market on the next working day following the registration date, which will be carried out in accordance with relevant requirements promulgated by the National Interbank Funding Center.	No

## Chapter 9 Relevant Information of the Corporate Bonds

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

Applicable  Not applicable

Overdue bonds

Applicable  Not applicable

Notes on overdue debts

Applicable  Not applicable

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

Applicable  Not applicable

3. *Adjustment of credit rating results*

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

### (V) Key accounting data and financial indicators

Applicable  Not applicable

Unit: Yuan Currency: RMB

Primary indicators	At the end of the Reporting Period	At the end of the previous year	Increase or decrease at the end of the Reporting Period compared to the end of the previous year (%)	Reasons for change
Current ratio	1.33	1.35	-1.89	/
Quick ratio	1.05	1.03	2.11	/
Assets-liabilities ratio (%)	62.99%	60.63%	Up 2.36 percentage points	/

## Chapter 9 Relevant Information of the Corporate Bonds

	The Reporting Period (January to June)	Same period of the previous year	Increase or decrease for the Reporting Period compared to the same period of the previous year (%)	Reasons for change
Net profit after deducting non-recurring profit or loss	2,199,302,173.26	2,680,789,249.57	-17.96	/
EBITDA-Debt ratio	0.05	0.07	/	/
Interest coverage ratio	5.71	7.88	-27.50	/
Cash interest coverage ratio	4.10	1.66	146.39	Increase in cash inflows from operating activities during the Reporting Period
EBITDA interest coverage ratio	6.94	9.30	-25.44	/
Loan repayment ratio (%)	100%	100%	/	/
Interest repayment ratio (%)	100%	100%	/	/

## II. CONVERTIBLE CORPORATE BONDS

Applicable  Not applicable

# Chapter 10 Financial Report

**Shanghai Pharmaceuticals Holding Co., Ltd.**

**Financial statements for the six months ended 30 June 2023**

Consolidated and company statements of financial position  
Consolidated and company income statements  
Consolidated and company statements of cash flows  
Consolidated statement of changes in owners' equity  
Company statement of changes in owners' equity  
Notes to the financial statements  
Supplementary information of financial statements

# Consolidated and Company Statements of Financial Position

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2023 Consolidated	31 December 2022 Consolidated	30 June 2023 Company	31 December 2022 Company
<b>Current assets</b>					
Cash at bank and on hand	4(1)	31,337,367,133.62	27,401,395,968.43	9,701,982,125.28	8,896,325,941.88
Derivative financial assets	4(3)	3,436,387.25	4,820,057.40	-	-
Financial assets held for trading	4(2)	11,438,602,447.67	9,613,554,659.84	11,438,602,447.67	9,613,554,659.84
Notes receivables	4(4)	1,409,207,805.83	1,799,584,411.55	-	-
Accounts receivables	4(5), 15(1)	77,414,511,678.20	66,759,853,950.45	-	-
Receivables financing	4(6)	1,562,015,687.90	1,627,386,138.71	-	-
Advances to suppliers	4(7)	3,660,387,849.29	3,867,582,698.57	9,889,043.22	9,345,489.16
Other receivables	4(8), 15(2)	3,528,810,863.86	2,574,814,141.06	15,832,622,022.06	14,647,589,803.23
Inventories	4(9)	33,146,468,526.75	34,460,216,765.02	-	-
Current portion of non-current assets	4(13)	156,639,693.53	185,619,908.99	9,026,586.30	10,366,305.70
Other current assets	4(10)	1,124,275,094.46	1,218,041,919.77	8,898,389.02	763,269.11
<b>Total current assets</b>		<b>164,781,723,168.36</b>	149,512,870,619.79	<b>37,001,020,613.55</b>	33,177,945,468.92
<b>Non-current assets</b>					
Long-term receivables	4(13)	200,858,612.45	212,299,836.32	40,207,463.14	37,320,278.77
Long-term equity investments	4(14), 15(3)	8,578,375,061.13	9,232,643,602.19	29,091,909,976.44	27,646,745,649.54
Other equity instrument investments	4(11)	56,382,940.45	101,487,525.55	-	-
Other non-current financial assets	4(12)	2,168,130,907.70	2,143,040,116.40	1,810,854,240.47	1,787,298,345.06
Investment properties	4(15)	240,057,047.31	246,415,460.32	-	-
Fixed assets	4(16)	11,307,368,958.74	11,539,289,437.00	98,240,750.07	100,582,376.49
Construction in progress	4(17)	3,471,455,091.66	2,777,363,094.05	50,178,835.28	35,354,623.28
Bearer biological assets	4(18)	135,248,608.40	137,191,760.75	-	-
Right-of-use assets	4(19)	1,921,753,934.96	1,868,659,922.65	71,153,257.69	86,593,287.17
Intangible assets	4(20)	6,120,506,873.42	6,244,139,954.44	54,086,927.82	68,262,180.37
Development costs	4(20)	363,918,634.14	342,605,253.63	77,703,026.05	76,703,026.05
Goodwill	4(21)	11,386,502,052.40	11,335,926,625.48	-	-
Long-term prepaid expenses	4(22)	517,065,043.67	462,438,552.91	17,975,920.09	18,064,854.14
Deferred tax assets	4(23)	1,599,206,373.65	1,534,728,993.68	-	-
Other non-current assets	4(25)	469,151,530.02	443,800,743.79	5,190,313.30	9,319,539.50
<b>Total non-current assets</b>		<b>48,535,981,670.10</b>	48,622,030,879.16	<b>31,317,500,710.35</b>	29,866,244,160.37
<b>TOTAL ASSETS</b>		<b>213,317,704,838.46</b>	198,134,901,498.95	<b>68,318,521,323.90</b>	63,044,189,629.29

# Consolidated and Company Statements of Financial Position (continued)

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	30 June 2023 Consolidated	31 December 2022 Consolidated	30 June 2023 Company	31 December 2022 Company
<b>Current liabilities</b>					
Short-term borrowings	4(26)	33,724,407,922.60	27,750,588,556.87	1,300,739,444.44	1,300,997,638.89
Derivative financial liabilities	4(3)	1,257,403.45	1,569,907.10	–	–
Notes payables	4(27)	6,113,077,717.45	5,961,723,663.49	–	–
Accounts payables	4(28)	50,051,071,687.46	45,603,805,328.17	45,206,258.42	61,884,185.13
Contract liabilities	4(29)	1,437,890,005.81	2,242,823,457.63	20,097,189.17	33,097,189.17
Employee benefits payable	4(30)	1,413,278,642.49	1,580,488,152.99	33,483,802.26	90,700,319.82
Taxes payable	4(31)	1,295,354,617.09	1,440,823,418.19	10,124,097.16	1,867,369.51
Other payables	4(32)	19,872,775,008.53	16,474,855,895.13	17,186,533,936.95	13,518,512,556.02
Current portion of non-current liabilities	4(34)	4,234,825,090.02	3,249,433,102.21	35,174,806.27	932,166,278.43
Other current liabilities	4(35)	6,195,633,456.00	6,384,934,548.00	6,017,599,726.03	6,060,361,643.84
<b>Total current liabilities</b>		<b>124,339,571,550.90</b>	<b>110,691,046,029.78</b>	<b>24,648,959,260.70</b>	<b>21,999,587,180.81</b>
<b>Non-current liabilities</b>					
Long-term borrowings	4(36)	6,869,962,559.20	6,259,799,370.32	3,565,220,000.00	139,360,000.00
Lease liabilities	4(37)	1,322,310,985.71	1,301,611,079.90	42,047,341.08	59,390,904.05
Long-term payables	4(38)	8,128,733.70	7,995,923.88	–	–
Provisions	4(33)	26,255,410.24	23,978,898.02	–	–
Deferred income	4(39)	562,757,451.14	534,581,050.48	114,632,778.15	83,641,136.76
Long-term employee benefits payable	4(40)	38,785,409.09	38,911,958.10	–	–
Deferred tax liabilities	4(23)	985,583,568.96	1,049,237,452.75	5,859,736.77	5,859,736.77
Other non-current liabilities	4(41)	221,872,282.57	225,288,678.29	–	–
<b>Total non-current liabilities</b>		<b>10,035,656,400.61</b>	<b>9,441,404,411.74</b>	<b>3,727,759,856.00</b>	<b>288,251,777.58</b>
<b>Total liabilities</b>		<b>134,375,227,951.51</b>	<b>120,132,450,441.52</b>	<b>28,376,719,116.70</b>	<b>22,287,838,958.39</b>
<b>Owners' equity</b>					
Share capital	4(42)	3,703,212,524.00	3,697,546,172.00	3,703,212,524.00	3,697,546,172.00
Capital surplus	4(43), 15(4)	29,164,167,422.22	29,098,103,770.87	32,388,045,266.71	32,275,668,338.76
Other comprehensive income	4(44), 15(5)	(498,240,910.42)	(371,323,663.92)	(316,727.56)	(302,235.46)
Surplus reserve	4(45)	2,158,807,271.16	2,158,807,271.16	1,783,016,468.98	1,783,016,468.98
Undistributed profits	4(46), 15(6)	32,830,702,078.17	32,479,872,339.12	2,067,844,675.07	3,000,421,926.62
Total equity attributable to equity owners of the Company		67,358,648,385.13	67,063,005,889.23	39,941,802,207.20	40,756,350,670.90
Minority interests		11,583,828,501.82	10,939,445,168.20	Not applicable	Not applicable
<b>Total owners' equity</b>		<b>78,942,476,886.95</b>	<b>78,002,451,057.43</b>	<b>39,941,802,207.20</b>	<b>40,756,350,670.90</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>213,317,704,838.46</b>	<b>198,134,901,498.95</b>	<b>68,318,521,323.90</b>	<b>63,044,189,629.29</b>

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

Legal representative:  
Zhou Jun

Principal in charge of accounting:  
Shen Bo

Head of accounting department:  
Shen Bo

Interim Report 2023

# Consolidated and Company Income Statements

For the Six Months Ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2023 Consolidated	Six months ended 30 June 2022 Consolidated	Six months ended 30 June 2023 Company	Six months ended 30 June 2022 Company
<b>Revenue</b>	4(47), 15(7)	<b>132,592,157,323.37</b>	111,707,464,327.64	<b>27,220,414.86</b>	1,336,075.48
Less: Cost of sales	4(47), 4(53), 15(7)	<b>(115,533,492,130.90)</b>	(96,678,478,831.09)	<b>(26,678,682.78)</b>	(152,986.29)
Taxes and surcharges	4(48)	<b>(377,172,900.67)</b>	(374,450,643.77)	<b>(570,397.43)</b>	(3,607,739.24)
Selling expenses	4(49), 4(53)	<b>(7,732,875,492.74)</b>	(6,794,498,225.38)	-	-
General and administrative expenses	4(50), 4(53)	<b>(2,762,737,366.79)</b>	(2,321,686,991.32)	<b>(108,059,853.16)</b>	(88,628,706.72)
Research and development expenses	4(51), 4(53)	<b>(1,026,309,891.55)</b>	(809,672,103.19)	<b>(188,600,629.71)</b>	(186,182,171.85)
Financial expenses – net	4(52)	<b>(773,219,746.78)</b>	(648,913,998.77)	<b>(83,576,036.74)</b>	(65,466,783.68)
Including: Interest expenses		<b>(962,461,260.78)</b>	(837,337,415.10)	<b>(148,907,903.81)</b>	(158,022,755.61)
Interest income		<b>212,569,528.64</b>	216,796,397.04	<b>46,683,593.88</b>	68,605,266.37
Add: Other income	4(56)	<b>370,355,726.92</b>	135,866,657.63	<b>11,950,199.64</b>	9,269,739.46
Investment (losses)/income	4(57), 15(8)	<b>(198,992,363.96)</b>	309,246,323.46	<b>1,513,551,779.13</b>	1,146,126,332.59
Including: Share of profit of associates and joint ventures		<b>(65,419,338.94)</b>	377,554,964.67	<b>64,628,883.58</b>	39,321,711.88
Derecognition of financial assets at amortised cost		<b>(101,189,251.80)</b>	(38,368,985.78)	-	-
Profit arising from changes in fair value	4(58)	<b>196,842,384.45</b>	25,391,346.09	<b>182,955,802.31</b>	58,438,963.99
Credit impairment losses	4(55)	<b>(336,316,422.58)</b>	(217,692,401.14)	<b>(3,807,123.95)</b>	180,027.68
Asset impairment reversals	4(54)	<b>66,099,386.50</b>	39,449,430.51	-	-
Gains on disposals of assets	4(59)	<b>73,745,726.60</b>	1,427,179,664.17	<b>3,478,944.61</b>	3,575,094.30
<b>Operating profit</b>		<b>4,558,084,231.87</b>	5,799,204,554.84	<b>1,327,864,416.78</b>	874,887,845.72
Add: Non-operating income	4(60)	<b>18,105,606.98</b>	10,001,694.34	<b>50,434.90</b>	38,669.07
Less: Non-operating expenses	4(61)	<b>(42,397,333.46)</b>	(51,243,297.70)	<b>(1,500,000.00)</b>	(33,751.63)
<b>Total profit</b>		<b>4,533,792,505.39</b>	5,757,962,951.48	<b>1,326,414,851.68</b>	874,892,763.16
Less: Income tax expenses	4(62)	<b>(1,116,791,485.41)</b>	(1,193,743,521.23)	-	-
<b>Net profit</b>		<b>3,417,001,019.98</b>	4,564,219,430.25	<b>1,326,414,851.68</b>	874,892,763.16
Including: Net profit of the acquiree in a business combination under common control before the combination date		<b>Not applicable</b>	Not applicable	<b>Not applicable</b>	Not applicable
Classified by continuity of operations					
Net profit from continuing operations		<b>3,417,001,019.98</b>	4,564,219,430.25	<b>1,326,414,851.68</b>	874,892,763.16
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Attributable to equity owners of the Company		<b>2,609,821,842.28</b>	3,695,606,535.71	<b>Not applicable</b>	Not applicable
Minority interests		<b>807,179,177.70</b>	868,612,894.54	<b>Not applicable</b>	Not applicable

# Consolidated and Company Income Statements (continued)

For the Six Months Ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2023 Consolidated	Six months ended 30 June 2022 Consolidated	Six months ended 30 June 2023 Company	Six months ended 30 June 2022 Company
<b>Other comprehensive income, net of tax</b>	4(44)	<b>(122,849,260.45)</b>	(166,533,548.07)	<b>(14,492.10)</b>	(95,683.02)
Attributable to equity owners of the Company		<b>(126,917,246.50)</b>	(162,369,129.23)	<b>(14,492.10)</b>	(95,683.02)
Other comprehensive income that will not be reclassified to profit or loss		<b>(45,104,585.10)</b>	(21,334,382.78)	-	-
Changes in fair value of other equity instrument investments		<b>(45,104,585.10)</b>	(21,334,382.78)	-	-
Other comprehensive income that will be reclassified to profit or loss		<b>(81,812,661.40)</b>	(141,034,746.45)	<b>(14,492.10)</b>	(95,683.02)
Shares of other comprehensive income of the investee accounted for using equity method that will be reclassified to profit or loss		<b>(21,818.84)</b>	(144,089.03)	<b>(14,492.10)</b>	(95,683.02)
Provision for credit impairment of receivables financing		<b>(714,727.58)</b>	2,373,458.78	-	-
Effective portion of gains or losses on hedging instruments in a cash flow hedge		<b>(1,091,149.05)</b>	(1,816,377.32)	-	-
Translation differences on translation of foreign currency financial statements		<b>(79,984,965.93)</b>	(141,447,738.88)	-	-
Attributable to minority interests		<b>4,067,986.05</b>	(4,164,418.84)	-	-
<b>Total comprehensive income</b>		<b>3,294,151,759.53</b>	4,397,685,882.18	<b>1,326,400,359.58</b>	874,797,080.14
Attributable to equity owners of the Company		<b>2,482,904,595.78</b>	3,533,237,406.48	<b>Not applicable</b>	Not applicable
Attributable to minority interests		<b>811,247,163.75</b>	864,448,475.70	<b>Not applicable</b>	Not applicable
<b>Earnings per share</b>	4(63)				
Basic earnings per share (RMB)		<b>0.71</b>	1.13	<b>Not applicable</b>	Not applicable
Diluted earnings per share (RMB)		<b>0.71</b>	1.13	<b>Not applicable</b>	Not applicable

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

Legal representative:  
Zhou Jun

Principal in charge of accounting:  
Shen Bo

Head of accounting department:  
Shen Bo

# Consolidated and Company Statements of Cash Flows

For The Six Months Ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2023 Consolidated	Six months ended 30 June 2022 Consolidated	Six months ended 30 June 2023 Company	Six months ended 30 June 2022 Company
<b>Cash flows (used in)/from operating activities</b>					
Cash received from sales of goods or rendering of services		134,194,612,093.02	115,137,698,406.99	7,999,639.60	8,426,570.48
Refund of taxes and surcharges		80,136,280.36	174,669,238.40	-	1,830,018.26
Cash received relating to other operating activities	4(64)(a)	1,927,991,899.69	885,301,251.21	342,322,355.75	254,565,248.02
Sub-total of cash inflows		136,202,740,273.07	116,197,668,896.60	350,321,995.35	264,821,836.76
Cash paid for goods and services		(119,292,485,211.12)	(101,948,696,272.57)	(147,633,162.29)	(126,725,393.14)
Cash paid to and on behalf of employees		(4,995,677,959.80)	(4,751,363,837.41)	(167,628,498.45)	(121,956,169.55)
Payments of taxes and surcharges		(4,003,756,173.00)	(3,892,125,458.09)	(571,597.43)	(3,576,588.61)
Cash paid relating to other operating activities	4(64)(b)	(6,272,396,981.23)	(6,161,664,389.02)	(81,038,726.02)	(103,455,209.25)
Sub-total of cash outflows		(134,564,316,325.15)	(116,753,849,957.09)	(396,871,984.19)	(355,713,360.55)
<b>Net cash flows (used in)/from operating activities</b>	4(65)(a)	1,638,423,947.92	(556,181,060.49)	(46,549,988.84)	(90,891,523.79)
<b>Cash flows used in investing activities</b>					
Cash received from disposal of investments		12,543,612,200.90	10,829,087,178.09	12,526,650,000.00	10,800,000,000.00
Cash received from returns on investments		315,481,265.50	261,214,864.37	1,546,639,564.63	659,299,680.53
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		94,399,109.55	103,735,484.82	-	13,780,000.00
Cash received relating to other investing activities	4(64)(c)	830,122,037.65	551,212,819.86	1,923,738,292.92	2,691,013,473.85
Sub-total of cash inflows		13,783,614,613.60	11,745,250,347.14	15,997,027,857.55	14,164,093,154.38
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,503,729,823.71)	(1,025,044,709.45)	(31,328,287.62)	(18,714,481.30)
Cash paid to acquire investments		(14,326,650,000.00)	(21,387,100,000.00)	(14,326,650,000.00)	(21,387,100,000.00)
Net cash paid to acquire subsidiaries and other business units		(150,983,465.02)	(190,262,946.00)	(318,300,000.00)	(174,000,000.00)
Cash paid relating to other investing activities	4(64)(d)	(416,901,892.77)	(560,293,458.90)	(2,890,277,708.80)	(644,387,853.02)
Sub-total of cash outflows		(16,398,265,181.50)	(23,162,701,114.35)	(17,566,555,996.42)	(22,224,202,334.32)
<b>Net cash flows used in investing activities</b>		(2,614,650,567.90)	(11,417,450,767.21)	(1,569,528,138.87)	(8,060,109,179.94)

# Consolidated and Company Statements of Cash Flows (continued)

For The Six Months Ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Six months ended 30 June 2023 Consolidated	Six months ended 30 June 2022 Consolidated	Six months ended 30 June 2023 Company	Six months ended 30 June 2022 Company
<b>Cash flows from financing activities</b>					
Cash received from capital contributions		314,359,849.08	13,997,173,806.62	104,755,792.82	13,962,893,388.88
Including: Cash received from capital contributions by minority shareholders of subsidiaries		209,604,056.26	34,280,417.74	-	-
Cash received from borrowings		33,896,402,612.82	26,047,087,015.03	4,026,260,000.00	600,000,000.00
Cash received from issuance of debentures		11,997,529,999.99	8,999,216,666.67	11,997,529,999.99	8,999,216,666.67
Cash received relating to other financing activities	4(64)(e)	75,627,140.23	285,752,735.71	307,364,196.65	1,826,846,372.62
Sub-total of cash inflows		46,283,919,602.12	49,329,230,224.03	16,435,909,989.46	25,388,956,428.17
Cash repayments of borrowings		(38,392,377,994.11)	(30,424,175,114.53)	(13,500,400,000.00)	(13,050,392,561.76)
Cash payments for distribution of dividends, profits or interest expenses		(1,393,830,629.75)	(993,217,085.94)	(186,451,252.10)	(190,680,532.58)
Including: Cash payments for distribution of dividends or profits to minority shareholders of subsidiaries		(482,102,728.33)	(228,266,202.65)	-	-
Cash payments relating to other financing activities	4(64)(f)	(1,366,090,423.32)	(1,594,213,322.91)	(27,327,484.58)	(1,150,446,013.44)
Sub-total of cash outflows		(41,152,299,047.18)	(33,011,605,523.38)	(13,714,178,736.68)	(14,391,519,107.78)
<b>Net cash flows from financing activities</b>		5,131,620,554.94	16,317,624,700.65	2,721,731,252.78	10,997,437,320.39
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		(948,933.06)	(988,675.33)	1,485.82	(20.72)
<b>Net increase in cash and cash equivalents</b>	4(65)(a)	4,154,445,001.90	4,343,004,197.62	1,105,654,610.89	2,846,436,595.94
Add: Cash and cash equivalents at beginning of period		24,533,891,305.82	20,137,500,219.76	8,596,322,955.64	4,716,238,699.67
<b>Cash and cash equivalents at end of period</b>	4(65)(c)	28,688,336,307.72	24,480,504,417.38	9,701,977,566.53	7,562,675,295.61

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

Legal representative:  
Zhou Jun

Principal in charge of accounting:  
Shen Bo

Head of accounting department:  
Shen Bo

# Consolidated Statement of Changes in Owners' Equity

For the Six Months Ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Attributable to equity owners of the Company							
		Share capital	Capital surplus	Less: Treasury stock	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	Total owners' equity
<b>Balance at 1 January 2022</b>		2,842,089,322.00	16,070,723,052.49	-	(144,394,206.19)	1,992,463,708.39	28,598,598,034.67	9,706,730,225.74	59,066,210,137.10
<b>Movements for the six months ended 30 June 2022</b>		854,324,996.00	13,134,491,076.27	-	(162,369,129.23)	-	2,143,112,522.15	684,397,899.58	16,653,957,364.77
<b>Total comprehensive income</b>									
Net profit	4(46)	-	-	-	-	-	3,695,606,535.71	868,612,894.54	4,564,219,430.25
Other comprehensive income	4(44)	-	-	-	(162,369,129.23)	-	-	(4,164,418.84)	(166,533,548.07)
Total comprehensive income		-	-	-	(162,369,129.23)	-	3,695,606,535.71	864,448,475.70	4,397,685,882.18
<b>Capital contribution and withdrawal by owners</b>									
Capital contribution by owners	4(42), 4(43)	854,324,996.00	13,114,562,463.71	-	-	-	-	34,280,417.74	14,003,167,877.45
Amount recorded in owners' equity arising from share-based payment arrangements	4(43)	-	5,471,087.48	-	-	-	-	-	5,471,087.48
Others	4(43)	-	14,457,525.08	-	-	-	-	9,231,770.33	23,689,295.41
<b>Profit distribution</b>									
Appropriation to surplus reserves	4(45)	-	-	-	-	-	-	-	-
Profit distribution to equity owners	4(46)	-	-	-	-	-	(1,552,494,013.56)	(223,562,764.19)	(1,776,056,777.75)
<b>Balance at 30 June 2022</b>		3,696,414,318.00	29,205,214,128.76	-	(306,763,335.42)	1,992,463,708.39	30,741,710,556.82	10,391,128,125.32	75,720,167,501.87
<b>Balance at 1 January 2023</b>		3,697,546,172.00	29,098,103,770.87	-	(371,323,663.92)	2,158,807,271.16	32,479,872,339.12	10,939,445,168.20	78,002,451,057.43
<b>Movements for the six months ended 30 June 2023</b>		5,666,352.00	66,063,651.35	-	(126,917,246.50)	-	350,829,739.05	644,383,333.62	940,025,829.52
<b>Total comprehensive income</b>									
Net profit	4(46)	-	-	-	-	-	2,609,821,842.28	807,179,177.70	3,417,001,019.98
Other comprehensive income	4(44)	-	-	-	(126,917,246.50)	-	-	4,067,986.05	(122,849,260.45)
Total comprehensive income		-	-	-	(126,917,246.50)	-	2,609,821,842.28	811,247,163.75	3,294,151,759.53
<b>Capital contribution and withdrawal by owners</b>									
Capital contribution by owners	4(42), 4(43)	5,666,352.00	132,769,747.73	-	-	-	-	209,604,056.26	348,040,155.99
Amount recorded in owners' equity arising from share-based payment arrangements	4(43)	-	(31,153,853.36)	-	-	-	-	-	(31,153,853.36)
Others	4(43)	-	(35,552,243.02)	-	-	-	-	72,745,863.92	37,193,620.90
<b>Profit distribution</b>									
Appropriation to surplus reserves	4(45)	-	-	-	-	-	-	-	-
Profit distribution to equity owners	4(46)	-	-	-	-	-	(2,258,992,103.23)	(449,213,750.31)	(2,708,205,853.54)
<b>Balance at 30 June 2023</b>		3,703,212,524.00	29,164,167,422.22	-	(498,240,910.42)	2,158,807,271.16	32,830,702,078.17	11,583,828,501.82	78,942,476,886.95

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

Legal representative:  
Zhou Jun

Principal in charge of accounting:  
Shen Bo

Head of accounting department:  
Shen Bo

# Company Statement of Changes in Owners' Equity

For the Six Months Ended 30 June 2023  
(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
<b>Balance at 1 January 2022</b>		2,842,089,322.00	19,094,211,080.76	-	(146,268.20)	1,616,672,906.21	3,055,823,875.26	26,608,650,916.03
<b>Movements for the six months ended 30 June 2022</b>		854,324,996.00	13,125,702,066.06	-	(95,683.02)	-	(677,601,250.40)	13,302,330,128.64
<b>Total comprehensive income</b>								
Net profit	15(6)	-	-	-	-	-	874,892,763.16	874,892,763.16
Other comprehensive income	15(5)	-	-	-	(95,683.02)	-	-	(95,683.02)
Total comprehensive income		-	-	-	(95,683.02)	-	874,892,763.16	874,797,080.14
<b>Capital contribution and withdrawal by owners</b>								
Capital contribution by owners	15(4)	854,324,996.00	13,114,562,463.71	-	-	-	-	13,968,887,459.71
Amount recorded in owners' equity arising from share-based payment arrangements	15(4)	-	5,471,087.48	-	-	-	-	5,471,087.48
Others	15(4)	-	5,668,514.87	-	-	-	-	5,668,514.87
<b>Profit distribution</b>								
Appropriation to surplus reserves	15(6)	-	-	-	-	-	-	-
Profit distribution to equity owners	15(6)	-	-	-	-	-	(1,552,494,013.56)	(1,552,494,013.56)
<b>Balance at 30 June 2022</b>		3,696,414,318.00	32,219,913,146.82	-	(241,951.22)	1,616,672,906.21	2,378,222,624.86	39,910,981,044.67
<b>Balance at 1 January 2023</b>		3,697,546,172.00	32,275,668,338.76	-	(302,235.46)	1,783,016,468.98	3,000,421,926.62	40,756,350,670.90
<b>Movements for the six months ended 30 June 2023</b>		5,666,352.00	112,376,927.95	-	(14,492.10)	-	(932,577,251.55)	(814,548,463.70)
<b>Total comprehensive income</b>								
Net profit	15(6)	-	-	-	-	-	1,326,414,851.68	1,326,414,851.68
Other comprehensive income	15(5)	-	-	-	(14,492.10)	-	-	(14,492.10)
Total comprehensive income		-	-	-	(14,492.10)	-	1,326,414,851.68	1,326,400,359.58
<b>Capital contribution and withdrawal by owners</b>								
Capital contribution by owners	15(4)	5,666,352.00	132,769,747.73	-	-	-	-	138,436,099.73
Amount recorded in owners' equity arising from share-based payment arrangements	15(4)	-	(31,153,853.36)	-	-	-	-	(31,153,853.36)
Others	15(4)	-	10,761,033.58	-	-	-	-	10,761,033.58
<b>Profit distribution</b>								
Appropriation to surplus reserves	15(6)	-	-	-	-	-	-	-
Profit distribution to equity owners	15(6)	-	-	-	-	-	(2,258,992,103.23)	(2,258,992,103.23)
<b>Balance at 30 June 2023</b>		3,703,212,524.00	32,388,045,266.71	-	(316,727.56)	1,783,016,468.98	2,067,844,675.07	39,941,802,207.20

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

Legal representative:  
Zhou Jun

Principal in charge of accounting:  
Shen Bo

Head of accounting department:  
Shen Bo

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 1 GENERAL INFORMATION

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 1 GENERAL INFORMATION (continued)

By 30 June 2023, according to the share-based payment plan, the Company has issued 8,496,406 shares listed (A shares), including 8,245,976 shares at an exercise price of RMB18.41 per share, and 250,430 shares at an exercise price of RMB20.16 per share.

On 30 June 2023, the Company's share capital was RMB3,703,212,524.00 with a total share capital of 3,703,212,524 shares, in which, 2,784,139,820 (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.

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 pharmacies.

The controlling shareholder of the Company is Shanghai Pharmaceutical Group. Shanghai Shangshi is 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 ("SASAC"). Shanghai Industrial (Holdings) Co., Ltd. ("Shangshi Holdings") is registered in Hong Kong, and its actual controller is SASAC. Shangshi Holdings is authorised to manage Shanghai Shangshi by SASAC. Therefore, the ultimate holding company is Shangshi Holdings.

Significant subsidiaries which are included in the scope of consolidation in this period are disclosed in Note 5(1).

These financial statements are authorised for issue by the Board of Directors of the Company on 29 August 2023.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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 accounts receivables (Note 2(9)), valuation of inventories (Note 2(10)), valuation of investment properties (Note 2(12)), depreciation of fixed assets and amortisation of intangible assets and right-of-use assets (Note 2(13), Note 2(17), Note 2(26)), recognition and measurement of revenue (Note 2(23)), etc.

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

### (1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

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

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

The financial statements of the Company for the six months ended 30 June 2023 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company’s financial position as of 30 June 2023 and their financial performance, cash flows and other information for the six months ended 30 June 2023.

### (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 2023  
(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 2023

(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 attributed to minority interests and total comprehensive incomes attributed to minority interests, and presented separately in the consolidated financial statements under owners' equity, net profits and total comprehensive income respectively. If the loss of current period shared by the minority shareholders of a subsidiary exceeds the minority shareholders' share of the beginning balance of owners' equity of the subsidiary, the balance shall be offset against the minority shareholders' equity. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

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 2023  
(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. Under the circumstance that the Group partially disposed its long-term equity investments in subsidiaries without losing control, the difference between disposal proceeds and shares of net assets which the Group is entitled to from disposal of long-term equity investment is treated as an adjustment to capital surplus (share premium) in the consolidated financial statements. If the capital surplus (share premium) is not sufficient to cover the difference, retained earnings are adjusted.

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

### (7) Cash and cash equivalents

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

### (8) Foreign currency translation

#### (a) Foreign currency transactions

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

At the statement of financial position date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the statement of financial position 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 statement of financial position date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (8) Foreign currency translation (continued)

#### (b) Translation of foreign currency financial statements

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

### (9) Financial instruments

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

#### (a) Financial assets

##### (i) Classification and measurement

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

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

#### Debt instruments

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (9) Financial instruments (continued)

#### (a) Financial assets (continued)

##### (i) Classification and measurement (continued)

###### 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 to 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 statement of financial position 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.

###### 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 to 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 statement of financial position date are presented in current portion of non-current assets; at acquiring date, debts investments with maturity within one year (inclusive) are presented in other current assets and receivables financing.

###### Fair value through profit or loss (FVPL)

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

###### Equity instruments

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (9) Financial instruments (continued)

#### (a) Financial assets (continued)

##### (ii) Impairment

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

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

For notes receivables, accounts receivable, financing receivables and contract assets arising from the sales of goods and rendering of services in the ordinary course of operating activities, the Group recognises the lifetime ECL regardless of whether a significant financing component exists. For lease receivables, the Group measures the loss provision according to the lifetime ECL.

At each statement of financial position date, the ECL of financial instruments other than aforesaid notes receivables, accounts receivable, financing receivables, contract assets and lease receivables are measured based on different stages. A 12-month ECL provision is recognised for financial instruments in Stage 1, that have not had a significant increase in credit risk since initial recognition, lifetime ECL provision is recognised for financial instruments in Stage 2, that have had a significant increase in credit risk without credit impairment since initial recognition, and lifetime ECL provision is recognised for financial instruments in Stage 3, that have had a credit impairment since initial recognition.

For the financial instruments with low credit risks as at the statement of financial position date, the Group assumes there is no significant increase in credit risk since initial recognition. The Group determined them as the financial instruments in Stage 1 and recognises the 12-month ECL.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before net of expected credit loss provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (net of expected credit loss provision).

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (9) Financial instruments (continued)

(a) *Financial assets (continued)*

(ii) Impairment (continued)

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

Group 1	Account receivables
Group 2	Notes receivables – bank acceptance notes
Group 3	Notes receivables – trade acceptance notes
Group 4	Receivables financing
Group 5	Compensation receivable from suppliers
Group 6	Guarantees (including deposits)
Group 7	Other receivables
Group 8	Amount due from subsidiaries

For accounts receivables, notes receivables and receivables financing resulting from transactions of daily operations such as sales of goods and provision of services on grouping basis, the Group considers the historical credit loss experience, current situations and forecasts of economic conditions to measure the ECL based on exposure at default and lifetime ECL ratio.

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

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

(iii) Derecognition

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (9) Financial instruments (continued)

#### (b) *Financial liability*

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

The financial liabilities of the Group are mainly measured at amortised cost, including notes payables, accounts payables, other payables, borrowings, debentures payable and long-term payables, etc. The financial liability is measured at its fair value minus transaction costs at initial recognition and subsequently measured at effective interest rate method. Financial liability with maturity within one year (inclusive) is presented in current liability. Financial liability with maturity more than one year but is due within 1 year (inclusive) at the statement of financial position 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 statement of financial position 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 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (10) Inventories

(a) *Classification*

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

(b) *Costing of inventories*

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

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

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

(d) *The Group adopts the perpetual inventory system.*

(e) *Amortisation method of turnover materials*

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (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.

#### (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.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (11) Long-term equity investments (continued)

(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 recognizing 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 recognizing the expected losses and the provisions. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, other comprehensive income, and profit distribution, the Group records its proportionate share directly into capital surplus. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee.

The unrealised profit or loss arising from the intra-group transactions amongst the Group and its investees is eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment income of the Company's financial statements is recognised. When preparing the consolidated financial statements, for unrealised gains or losses attributable to the Group on downstream transactions from the Group to investees on investment or sale of assets, the Group eliminates the transactions on the Company's financial statements, eliminates the unrealised revenues and costs or gains or losses on disposal of assets attributable to the Group, and adjust the investment income accordingly. For unrealised gains or losses attributable to the Group on upstream transactions from investees to the Group on investment or sale of assets, the Group eliminates the transactions on the Company's financial statements, eliminates the unrealised gains or losses attributable to the Group in the carrying amount of the related assets, and adjust the carrying amount of long-term equity investments accordingly. 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 2023

(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 ceases the use of the equity method, the Group shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any movements of equity are transferred to investment income in the period with the exception of net profit or loss, other comprehensive income and retained earnings shared by investees when the equity method is terminated. For a portion of long-term equity investment accounted for using the equity method by the Group, the relevant other comprehensive income under equity method previously is determined as if the relevant assets or liabilities are derecognised directly by the Group 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 2023  
(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. 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 statement of financial position date.

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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. Fixed assets injected by the state-owned shareholder during the restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

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

(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)).*

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (13) Fixed assets (continued)

#### (d) Disposal of fixed assets

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

### (14) Construction in progress

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

### (15) Borrowing costs

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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.

### (17) Intangible assets

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

#### (a) Land use rights

Land use rights are amortised on the straight-line basis over the useful lives of 30-50 years. The land use right is amortized evenly. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (17) Intangible assets (continued)

(b) *Business network*

Business network recognized in business combination is measured at fair value at the acquisition date. Business network is amortised using the straight-line method over its estimated useful lives of 5-20 years.

(c) *Brands and trademarks*

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

(d) *Outsourcing in-licenses*

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

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

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

In-licenses with finite useful life are amortised using the straight-line basis over the commercial lives of the underlying products (usually no more than 20 years), commencing from the date when the products are put into commercial production.

(e) *Know-how*

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

(f) *Patent rights*

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

(g) *Software*

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (17) Intangible assets (continued)

(h) *Periodical review of useful life and amortization method*

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

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

(i) *Research and development*

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

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

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

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

(j) *Impairment of intangible assets*

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(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 right-of-use assets, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

### (19) Impairment of long-term assets

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

Goodwill and indefinite-lived intangible assets 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 2023

(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 2023  
(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 statement of financial position date are classified as employee benefits payable.

### (21) Profit distribution

Proposed cash 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 2023

(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 statement of financial position date and adjusted to reflect the best estimate for the current period.

Loss provision for financial guarantee contracts and provision for loan commitments as determined based on the ECL model are recognised as provisions.

The provisions expected to be settled within one year since the statement of financial position date are classified as current liabilities.

### (23) Revenue recognition

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

#### (a) Sales of goods

Sales are recognised when the products have been shipped to the specific location in accordance with the sales contract and the customers have inspected and accepted the products. The sales are made with a credit term varied by customers' credit risk characteristics, which is consistent with market practices. Advance received from customers due from the obligation of transfer goods is presented as contract liabilities in the statements of financial position.

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (23) Revenue recognition (continued)

#### (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 statement of financial position date, the Group reassesses the stage of completion so as to better reflect the changes in obligation performance.

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

### (24) Government grants

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

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

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

Government grants related to assets are 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 in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss 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 2023

(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 statement of financial position 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 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (26) Lease

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

#### *The Group as the lessee*

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (26) Lease (continued)

*The Group as the lessee (continued)*

For the rent concessions agreed on existing lease contracts as a direct result of permitted conditions, the Group applies the practical expedient and records the undiscounted concessions in profit or loss when the agreement is reached to discharge the original payment obligation with corresponding adjustment to lease liabilities.

*The Group as the lessor*

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

(a) *Operating leases*

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

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

(b) *Finance lease*

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

### (27) Share-based payment

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (27) Share-based payment (continued)

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

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

### (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 statements of financial position.

A discontinued operation is a component of the Group that either has been disposed of or has been 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.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 2 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

### (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.

### (30) Critical accounting estimates and judgements

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

#### (a) *Critical accounting judgements and key assumptions*

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

##### (i) Useful life of fixed assets

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(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 judgements and key assumptions (continued)*

(ii) Useful lives of business network

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

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

(iii) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups or groups of asset groups is the higher of fair value less the cost of disposal and the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4(21)).

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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 judgements and key assumptions (continued)*

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion, selling expense and related tax. For inventories with expiration management, management determined the provision for inventory based on the level of inventories close to expiration date taking into consideration of good return arrangement with suppliers and estimated probability of selling. 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 statement of financial position date.

(v) Measurement of expected credit loss

The loss allowances for trade receivables are based on assumptions about risk of default and expected credit loss rates. The Group determines the expected credit loss rates based on the probability of default and default loss rate. The Group makes judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

When considering forward-looking information, the Group takes into account different macroeconomic scenarios. The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of expected credit losses, including the risk of economic downturn, external market environment, technological environment, Gross Domestic Product ("GDP") and Consumer Price Index ("CPI"), etc. The key macroeconomic parameters are set differently in "favourable", "benchmark" and "unfavourable" economic scenario. For the mostly used parameter, GDP, the parameters are set to 6.25%, 4.90% and 2.75% respectively. The Group monitors and reviews assumptions related to the calculation of expected credit losses on a regular basis. For the six months ended 30 June 2023, the Group had considered the uncertainties arising from different macroeconomic scenarios and updated relevant assumptions and parameters accordingly.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(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 judgements and key assumptions (continued)*

(vi) Current and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. 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.

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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

When the Group classifies the stages of financial instruments into different stages, its criteria for significant increase in credit risk and credit-impaired are as follows:

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 2023  
(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 (a)	Taxable income	16.5%, 25%, 30%
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	3%, 5%, 6%, 9%, 10%, 13%
City maintenance and construction tax	The payment amount of VAT and consumption tax	1%, 5%, 7%

- (a) Pursuant to the provisions including 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] No. 54) and the 'Announcement on Extending the Implementation Period of Certain Preferential Tax Policies' (Cai Shui [2021] No. 6) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2023, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

(2) Preferential tax rate policy and approval documents

### *Enterprise income tax*

The actual income tax rate applicable to the Company was 25% for the six months ended 30 June 2023 and 30 June 2022.

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

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (continued)

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

#### *Enterprise income tax (continued)*

The subsidiaries, Shanghai Jinhe Bio-Pharmaceutical Co.,Ltd., Shanghai Zhongxi Pharmaceutical Co., Ltd., Shanghai Zhongxi Sunve Pharmaceutical Co.,Ltd., Shanghai Zhonghua Pharmaceutical Nantong Co.,Ltd., Shanghai Zhonghua Pharmaceutical Co.,Ltd., SPH Shenxiang Health Pharmaceutical Co., Ltd., Shanghai Xingling Sci.&Tech. Pharmaceutical Co., Ltd., Zhejiang Jiuxu Pharmaceutical Co.,Ltd. Shanghai Lei Yun Shang Pharmaceutical Co., Ltd., Gansu Xinyi Tiansen Pharmaceutical Co.,Ltd., Shandong Sine Pharmaceutical Co., Ltd, Shanghai Harvest Pharmaceutical Co.,Ltd., Shanghai Sine Pharmaceutical Laboratories Co., Ltd., Shanghai Sine Jinzhu Pharmacy Co., Ltd. Shanghai Sine Tianping Pharmaceutical Co.,Ltd.,Shanghai Sine Wanxiang Pharmaceuticals Co., Ltd. Shanghai Sine Yan'an Pharmaceutical Co., Ltd., Tianjin Jinjin Pharmaceutical Co.,Ltd., Shanghai SPH New ASIA Pharmaceutical Co., Ltd., Shanghai New Asiatic Medicine Industry Minhang Co., Ltd., Liaoning Medya Pharmaceutical. Co., Ltd., Shanghai Haichang Medical Plastic Factory, Hislink (Beijing) Information Technology Co., Ltd., Liaoning SPH Good Nurse Pharmaceutical(Group) Co.,Ltd., Xiamen Traditional Chinese Medicine Co., Ltd. SPH Dongying (Jiangsu) Pharmaceutical Co., Ltd., Chiatai Qingchunbao Pharmaceuticals Co., Ltd., Hangzhou HuQingYuTang Pharmaceutical Co., Ltd., Qingdao Shanghai Pharmaceutical Growful Pharmaceutical Co., Ltd., SPH Kony (Changzhou) Co., Ltd., Oval Technologies Inc, Techpool Bio-Pharma Co., Ltd., Shanghai No.1 Biochemical Pharmaceutical Co., Ltd., Shanghai Ziyuan Pharmaceutical Co., Ltd., SPH Changzhou Pharmaceutical Factory Co., Ltd.,Nantong Changyou Pharmaceutical Technology Co., Ltd, SPH (benxi) North Pharmaceutical 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 2023 was 15%.

The subsidiaries, SPH Keyuan Xinhai Pharmaceutical Enshi Co., Ltd., SPH Ke Yuan Xinhai Pharmaceutical Tongliao Co., Ltd., SPH Cardinal Health (Sichuan) Pharmaceutical Co., Ltd., SPH Cardinal Health (Chongqing) Pharmaceutical Co., Ltd., Chongqing SPH Qinglong Pharmaceutical Co.,Ltd., Chongqing Tianbao Pharmaceutical Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd., Chifeng Mysun Pharmaceutical Co., Ltd., Shanghai Pharmaceutical Holding Yunnan Co., Ltd., Inner Mongolia Keyuan Xinhai Pharmaceutical Pharmaceutical Co., Ltd. Shanghai Pharmaceutical Holding Chongqing Medical Instrument Co., Ltd., Shanghai Pharmaceutical Holding Yunan (Chongqing) Pharmaceutical Co., Ltd. were recognised by relevant local tax authorities as Encouraging Enterprises in the western region. For handling preferential policies of enterprise income tax (Guo Jia Shui Wu Zong Ju [2018] 23) issued by the State Administration of Taxation, the companies above enjoyed a preferential CIT rate of 15% for the six months ended 30 June 2023.

The subsidiary, SPH Keyuan Xinhai Hainan Co., Ltd. was recognised as an enterprise in the encouraged industry category of Hainan Free Trade Port. According to the Notice on Preferential Policies on Enterprise Income Tax for Hainan Free Trade Port (Cai Shui [2020] No. 31) issued by the State Administration of Taxation, the corporate income tax rate applicable to the company is 15% for the six months ended 30 June 2023.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (continued)

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

#### *Enterprise income tax (continued)*

The subsidiaries, SPH (Dali) Chinese Yew Biology Co., Ltd., Sichuan Shangyao Shendu Traditional Chinese Medicine Co., Ltd., Shanghai Huapu Traditional Chinese Medicine Tablet Co., Ltd. were 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 2023 with the exemption from enterprise income tax.

The subsidiaries, Shanghai Qiyi Dental Equipment Co., Ltd., Shanghai Shangyi Kangge Medical Equipment Co., Ltd., Shanghai Dental Materials Factory Changshu Branch, Shanghai Wuzhou Medical Treatment Equipment Wholesale Department, Shanghai Leishuofentang TCM Outpatient Department Co., Ltd., Shanghai Leiyunshang Nanxiang Medicine Co., Ltd., SPH Huayu (Linyi) Traditional Chinese Medicine Resource Co. Ltd., Shandong SPH Traditional Chinese Medicine Tablets Co., Ltd., Shanghai Xinde Traditional Chinese Medicine Company, SPH Keyuan Health Pharmacy (Luoyang) Co., Ltd. Shanxi SPH Medical Instruments Co., Ltd., SPH Keyuan Xinhai Shengyun Yi'an Pharmaceutical Co., Ltd., SPH Keyuan (Heilongjiang) Pharmacy Limited, Beijing Xinhai Keyuan Pharmacies Co., Ltd., Beijing Heanchangtai Drug Store Co., Ltd., Jilin SPH Keyuan Pharmacy Limited, SPH Keyuan Pharmacy Jilin Co., Ltd., SPH Keyuan Xinhai (Jilin) Medical Equipment Co., Ltd., Keyuan Pharmacy Jilin City Co., Ltd. SPH Keyuan Xinhai (Beijing) Biological Products Co., Ltd., Beijing Xinhai Chengkang Pharmacy Limited, SPH Keyuan Health Pharmacy (Henan) Co., Ltd. Shanxi Shangyao Pharmacy Co., Ltd., Shanghai Pharmaceutical Keyuan Pharmacy (Hainan) Co., Ltd., Shanghai Pharmaceutical Keyuan Pharmacy Shijiazhuang Co., Ltd., Qingdao Yanhuang Yiyi Culture Communication Co., Ltd., Liaoning SPH Technology Development Co., Ltd., Shanghai Minhang District Medicinal Materials Pharmaceutical Co., Ltd., SPH Xinte Pharmacy Co., Ltd., Ningbo Cishui Pharmacy Co., Ltd., Ningbo Haishu Xinzhi Medicine Retail Co., Ltd., Pingdu SPH Pharmacy Co., Ltd., Shanghai Yueyi Huashi Yutiancheng Clinic Co., Ltd., Shanghai Huashi Western Pharmacy Co., Ltd., Shanghai Huashi Yimeijian Pharmacy Co., Ltd., Shanghai Huafen Cosmetics Co., Ltd., Shanghai Huashi North Pharmacy Co., Ltd., Shanghai Leiyunshang Wuxing Tcm Clinic Co., Ltd., Shanghai Leiyunshang Pingshun TCM Clinic Co., Ltd., Shanghai Yutiancheng Pharmaceutical Chain Co., Ltd., Shanghai Yunhu Pharmaceutical Chain Operation Co., Ltd., Shangyao (Hangzhou) Medical Instrument Co., Ltd., Shanghai Pharmaceutical Tongshan (Shenyang) Pharmacy Chain Co., Ltd., Shanghai Pharmaceutical Tongshan (Panjin) Pharmacy Co., Ltd., Shanghai Pharmaceutical (Liaoning) Medical Instrument Co., Ltd. are identified as micro and small enterprises. In accordance with the announcement on further implementing Preferential Income Tax Policy for Small and Micro Enterprises and Individual Business (SAT Announcement [2022] NO.13), Announcement of the Ministry of Finance and the State Administration of Taxation on Clarifying the Policies on Reduction and Exemption of Value-added Tax and Other Policies for Value-added Tax Small-Scale Taxpayers (SAT Announcement [2023] NO.1) and Announcement on Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Industrial and Commercial Households (SAT Announcement [2023] NO.6), the above companies, the sales of which per month is below RMB0.10 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 25%, with the applicable enterprise income tax rate of 20%.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Cash at bank and on hand

	30 June 2023	31 December 2022
Cash on hand	4,909,826.86	5,257,740.96
Cash at bank	25,451,376,687.53	20,611,935,516.50
Financial company deposits	3,232,049,793.33	3,916,698,048.36
Others	2,649,030,825.90	2,867,504,662.61
	<b>31,337,367,133.62</b>	27,401,395,968.43
Including: cash at bank and on hand overseas	<b>973,297,044.94</b>	713,212,994.19

As at 30 June 2023, there was no restricted cash at bank and on hand in the cash at bank of the Group (31 December 2022: Nil); other cash balances of RMB1,705,793,938.13 were pledged as collateral by the Group for the purpose of bank acceptance notes (31 December 2022: RMB1,575,631,959.74); other cash balances of RMB31,993,786.68 were pledged as collateral by the Group for the purpose of letters of credit (31 December 2022: RMB47,581,074.67); other cash balances of RMB740,000,000.00 were time deposits due over three months (31 December 2022: RMB1,081,341,000.00); other restricted cash balances were RMB171,243,101.09 (31 December 2022: RMB162,950,628.20).

### (2) Financial assets held for trading

	30 June 2023	31 December 2022
Structured deposit	11,438,602,447.67	9,613,554,659.84

### (3) Derivative financial assets and derivative financial liabilities

	30 June 2023	31 December 2022
Derivative financial assets		
– forward foreign exchange contract (i)	3,436,387.25	4,820,057.40
Derivative financial liabilities		
– forward foreign exchange contract (i)	1,257,403.45	1,569,907.10

(i) As at 30 June 2023 and 31 December 2022, the derivatives financial assets and derivative financial liabilities were mainly forward foreign exchange contracts held by the Group.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (4) Notes receivables

	30 June 2023	31 December 2022
Bank acceptance notes	<b>969,548,882.23</b>	1,303,310,018.04
Trade acceptance notes	<b>450,196,523.34</b>	506,739,521.68
Less: Provision for bad debts	<b>(10,537,599.74)</b>	(10,465,128.17)
	<b>1,409,207,805.83</b>	1,799,584,411.55

- (a) As at 30 June 2023, notes receivable endorsed or discounted but unmatured for the Group were listed as follows:

	Not Derecognised
Bank acceptance notes	<b>434,910,478.07</b>
Trade acceptance notes	<b>139,488,685.13</b>
	<b>574,399,163.20</b>

For the six months ended 30 June 2023, insignificant portion of the trade acceptance notes were endorsed or discounted and not derecognised by the Group, which thereby categorised the balance of trade acceptance notes receivable as financial assets at amortised cost. Bank acceptance notes are grouped based on bank types, credit level etc. for management. For bank acceptance notes increased in the current year and are not derecognised, they are categorised financial assets at amortised cost to hold for collection of the contractual cash flows.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (4) Notes receivables (continued)

(b) *Provision for bad debts*

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

- (i) As at 30 June 2023, the Group's notes receivables are all in the first stage and had no notes receivable for which the related provision for bad debts was provided on the individual basis.
- (ii) As at 30 June 2023, notes receivable for which the related provision for bad debts were provided on the grouping basis were analysed as follows:

Group – Bank acceptance notes:

As at 30 June 2023, the Group measured the provision for bad debts of notes receivables based on the lifetime expected credit losses, and the related amount was RMB8,246,248.36 (31 December 2022: RMB5,641,014.86).

Group – Trade acceptance notes:

As at 30 June 2023, the Group measured the provision for bad debts of notes receivables based on the lifetime expected credit losses, and the related amount was RMB2,291,351.38 (31 December 2022: RMB4,824,113.31).

- (iii) As at 30 June 2023, the Group had no notes receivable written off.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (5) Accounts receivables

	30 June 2023	31 December 2022
Accounts receivables	<b>79,749,845,705.20</b>	68,774,584,380.90
Less: Provision for bad debts	<b>(2,335,334,027.00)</b>	(2,014,730,430.45)
	<b>77,414,511,678.20</b>	66,759,853,950.45

Retail sales at the Group's medicine and pharmaceutical chain stores are usually made in cash or by debit or credit cards. For medicine and pharmaceutical distribution and manufacturing business segments, credit periods usually within 360 days are granted to customers depending on customers' credit quality.

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

	30 June 2023	31 December 2022
Within 1 year	<b>76,370,329,105.71</b>	66,016,263,778.32
1-2 years	<b>2,204,746,863.45</b>	1,699,867,768.66
Above 2 years	<b>1,174,769,736.04</b>	1,058,452,833.92
	<b>79,749,845,705.20</b>	68,774,584,380.90

(b) As at 30 June 2023, the top five accounts receivables based on the balance of the debtors are summarized and analysed as follows:

	Account Balance	Amount of bad debt provision	% of total balance
Total top five accounts receivables	<b>4,250,171,927.22</b>	<b>(52,899,081.00)</b>	<b>5.33%</b>

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

For the six months ended 30 June 2023, the Group carried out factoring without recourse to a few accounts receivables. As at 30 June 2023, the balance of accounts receivables that was derecognised due to factoring without resource was RMB5,757,171,120.35 (31 December 2022: RMB4,554,994,982.20). The provision for bad debts was RMB23,107,124.51 (31 December 2022: RMB16,530,433.15), and related expenses were RMB67,588,226.97 (31 December 2022: RMB58,950,359.84).

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (5) Accounts receivables (continued)

(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 2023, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Accounts balance	Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Accounts receivable 1	121,103,445.32	100.00%	(121,103,445.32)	Through assessment, provision on an individual basis
Accounts receivable 2	32,217,861.48	100.00%	(32,217,861.48)	Through assessment, provision on an individual basis
Accounts receivable 3	31,916,220.45	100.00%	(31,916,220.45)	Through assessment, provision on an individual basis
Accounts receivable 4	11,546,794.10	100.00%	(11,546,794.10)	Through assessment, provision on an individual basis
Others	226,460,387.69	100.00%	(226,460,387.69)	Through assessment, provision on an individual basis
	<b>423,244,709.04</b>		<b>(423,244,709.04)</b>	

As at 31 December 2022, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Accounts balance	Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Accounts receivable 1	121,103,445.32	100.00%	(121,103,445.32)	Through assessment, provision on an individual basis
Accounts receivable 2	32,217,861.48	100.00%	(32,217,861.48)	Through assessment, provision on an individual basis
Accounts receivable 3	31,916,220.45	100.00%	(31,916,220.45)	Through assessment, provision on an individual basis
Accounts receivable 4	11,546,794.10	100.00%	(11,546,794.10)	Through assessment, provision on an individual basis
Others	239,309,184.30	100.00%	(239,309,184.30)	Through assessment, provision on an individual basis
	<b>436,093,505.65</b>		<b>(436,093,505.65)</b>	

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (5) Accounts receivables (continued)

(d) Provision for bad debts (continued)

(ii) As at 30 June 2023 and 31 December 2022, the aging analysis of accounts receivables on grouping basis is as follows:

	30 June 2023		
	Accounts balance	Provision for bad debts	
	Amount	Expected credit loss rate throughout the lifetime	Amount
Within 6 months	63,980,613,468.46	0.49%	(312,614,642.72)
6 – 12 months	12,373,650,984.65	2.69%	(332,437,000.89)
1 – 2 years	2,191,534,700.08	22.19%	(486,235,831.38)
Above 2 years	780,801,842.97	100.00%	(780,801,842.97)
	<b>79,326,600,996.16</b>		<b>(1,912,089,317.96)</b>

  

	31 December 2022		
	Accounts balance	Provision for bad debts	
	Amount	Expected credit loss rate throughout the lifetime	Amount
Within 6 months	55,343,835,021.98	0.47%	(261,901,871.13)
6 – 12 months	10,655,012,986.05	2.62%	(279,435,795.89)
1 – 2 years	1,671,623,974.41	22.09%	(369,280,364.97)
Above 2 years	668,018,892.81	100.00%	(668,018,892.81)
	<b>68,338,490,875.25</b>		<b>(1,578,636,924.80)</b>

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (5) Accounts receivables (continued)

(d) Provision for bad debts (continued)

- (iii) For the six months ended 30 June 2023, the provision for bad debts on an individual basis amounted to RMB11,246,126.80 (for the six months ended 30 June 2022: RMB3,718,111.70). The provision for bad debts on an individual basis amounted to RMB24,094,923.41 (for the six months ended 30 June 2022: RMB7,995,603.93) was collected or reversed, and the relevant balance was RMB24,094,923.41 (for the six months ended 30 June 2022: RMB7,995,603.93). The amounts collected or reversed were as follows:

	Reasons for reversal/collection	Basis and appropriateness for determining the original provision for bad debts	Amount of reversal/collection	Collection method
Accounts receivable 1	Collection in the current period	Through assessment, provision on an individual basis	5,429,946.51	Cash
Accounts receivable 2	Collection in the current period	Through assessment, provision on an individual basis	4,054,325.21	Cash
Accounts receivable 2	Collection in the current period	Through assessment, provision on an individual basis	3,100,000.00	Cash
Others	Collection in the current period	Through assessment, provision on an individual basis	11,510,651.69	Cash
			<b>24,094,923.41</b>	

- (e) For the six months ended 30 June 2023, no accounts receivables was written off by the Group.

### (6) Receivables financing

	30 June 2023	31 December 2022
Bank acceptance notes	<b>1,562,015,687.90</b>	1,627,386,138.71

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.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (6) Receivables financing (continued)

As at 30 June 2023, the Group measured the provision for bad debts based on the lifetime expected credit losses, and the related amount was RMB6,823,370.15 (31 December 2022: RMB7,633,278.59). The Group believes that its credit risk characteristics of bank acceptance notes are similar, and there is no provision for bad debts on an individual basis of bank acceptance notes. In addition, 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 2023, except for those shown in notes receivables(Note 4(4)), notes receivables endorsed or discounted but unmatured were 2,749,265,766.52 and are all derecognised:

	Derecognised
Bank acceptance notes	<b>2,749,265,766.52</b>

### (7) Advances to suppliers

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

	30 June 2023		31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<b>3,614,435,498.82</b>	<b>98.74%</b>	3,797,016,905.05	98.18%
Above 1 year	<b>45,952,350.47</b>	<b>1.26%</b>	70,565,793.52	1.82%
	<b>3,660,387,849.29</b>	<b>100.00%</b>	3,867,582,698.57	100.00%

As at 30 June 2023, advances to suppliers aged over 1 year were RMB45,952,350.47 (31 December 2022: RMB70,565,793.52), which were mainly advances of raw materials.

(b) As at 30 June 2023, the top five advances to suppliers based on the balance of the debtors are summarised and analysed as follows:

	Amount	% of total balance
Total top five advances to suppliers	<b>363,705,424.56</b>	<b>9.94%</b>

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (8) Other receivables

	30 June 2023	31 December 2022
Compensation receivable from suppliers	<b>1,598,382,667.83</b>	1,133,691,130.84
Guarantees (including deposits)	<b>907,203,645.60</b>	803,671,452.23
Receivables from enterprises	<b>253,099,972.46</b>	380,375,569.12
Reserves	<b>74,261,160.04</b>	58,115,897.52
Dividends receivable	<b>496,999,970.49</b>	54,661,017.74
Others	<b>1,026,620,963.89</b>	949,317,636.82
	<b>4,356,568,380.31</b>	3,379,832,704.27
Less: Provision for bad debts	<b>(827,757,516.45)</b>	(805,018,563.21)
	<b>3,528,810,863.86</b>	2,574,814,141.06

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

	30 June 2023	31 December 2022
Within 1 year	<b>3,180,196,276.47</b>	2,181,720,924.43
1-2 years	<b>211,574,524.25</b>	272,197,726.50
Above 2 years	<b>964,797,579.59</b>	925,914,053.34
	<b>4,356,568,380.31</b>	3,379,832,704.27

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (8) Other receivables (continued)

(b) As at 30 June 2023, the analysis of provision for bad debts for individual other receivables is as follows:

	Accounts balance	The third stage – Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Other receivable 1	120,000,000.00	100.00%	(120,000,000.00)	Unable to collect
Other receivable 2	41,505,667.38	100.00%	(41,505,667.38)	Unable to collect
Other receivable 3	35,854,813.00	100.00%	(35,854,813.00)	Unable to collect
Other receivable 4	34,033,754.45	100.00%	(34,033,754.45)	Unable to collect
Others	290,723,360.14	100.00%	(290,723,360.14)	Unable to collect
	<b>522,117,594.97</b>		<b>(522,117,594.97)</b>	

As at 31 December 2022, the analysis of provision for bad debts for individual other receivables is as follows:

	Accounts balance	The third stage – Expected credit loss rate throughout the lifetime	Provision for bad debts	Reasons
Other receivable 1	120,000,000.00	100.00%	(120,000,000.00)	Unable to collect
Other receivable 2	41,505,667.38	100.00%	(41,505,667.38)	Unable to collect
Other receivable 3	34,033,754.45	100.00%	(34,033,754.45)	Unable to collect
Other receivable 4	33,375,018.03	100.00%	(33,375,018.03)	Unable to collect
Others	255,716,434.32	100.00%	(255,716,434.32)	Unable to collect
	<b>484,630,874.18</b>		<b>(484,630,874.18)</b>	

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (8) Other receivables (continued)

(c) As at 30 June 2023 and at 31 December 2022, the analysis of bad debt provisions of other receivables on grouping basis is as follows:

	30 June 2023			31 December 2022		
	Accounts balance	Provision for bad debts		Accounts balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
The first stage – Expected credit loss rate within the next 12 months on grouping basis						
Compensation receivable from suppliers	1,556,056,460.72	(13,515,072.32)	0.87%	1,088,022,216.03	(10,601,531.08)	0.97%
Guarantees (including deposits)	893,801,369.79	(13,273,494.86)	1.49%	800,017,364.10	(14,800,399.15)	1.85%
Receivables from enterprises	74,438,849.23	(476,371.81)	0.64%	239,072,890.55	(789,328.15)	0.33%
Reserves	71,889,852.53	(1,181,004.04)	1.64%	56,941,580.17	(844,329.29)	1.48%
Dividends receivable	496,999,970.49	(1,439,081.11)	0.29%	54,661,017.74	(263,772.53)	0.48%
Others	466,040,526.60	(9,461,552.68)	2.03%	366,620,663.89	(10,084,784.95)	2.75%
	<b>3,559,227,029.36</b>	<b>(39,346,576.82)</b>		<b>2,605,335,732.48</b>	<b>(37,384,145.15)</b>	
The third stage – Expected credit loss rate throughout the lifetime on grouping basis						
Compensation receivable from suppliers	42,326,207.11	(41,583,706.96)	98.25%	45,668,914.81	(45,004,876.16)	98.55%
Receivables from enterprises	25,409,960.68	(25,280,170.79)	99.49%	23,906,329.02	(23,749,699.22)	99.34%
Others	207,487,588.19	(199,429,466.91)	96.12%	220,290,853.78	(214,248,968.50)	97.26%
	<b>275,223,755.98</b>	<b>(266,293,344.66)</b>		<b>289,866,097.61</b>	<b>(283,003,543.88)</b>	

As at 30 June 2023 and 31 December 2022, the Group has no other receivables in second stage.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (8) Other receivables (continued)

- (d) For the six months ended 30 June 2023, RMB845,740.41 and RMB20,776,521.57 were made separately 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 from the first stage to the third stage made to the ECL due to the changes of loss rate in the current period.

For the six months ended 30 June 2023, the Group had reversal of provision for bad debts on an individual basis of RMB500,000.00, and the relevant balance was RMB500,000.00.

	Reasons for reversal/collection	Basis and appropriateness for determining the original provision for bad debts	Amount of reversal/collection	Collection method
Other receivable 1	Collection in the current period	Through assessment, provision on an individual basis	500,000.00	Cash

- (e) For the six months ended 30 June 2023, no other receivables was written off by the Group.
- (f) As at 30 June 2023, the top five receivables based on the balance of the debtors are summarized and analysed as follows:

	Nature	Balance	Aging	% of total balance	Provision for bad debts
Other receivable 1	Dividends	385,400,802.55	Within 1 year	8.85%	(1,040,582.17)
Other receivable 2	Others	120,000,000.00	Above 5 years	2.75%	(120,000,000.00)
Other receivable 3	Dividends	88,101,330.00	Within 1 year	2.02%	(237,873.59)
Other receivable 4	Compensation receivable from suppliers	78,980,825.88	Within 1 year	1.81%	(549,602.31)
Other receivable 5	Compensation receivable from suppliers	71,520,985.39	Within 1 year	1.64%	(321,051.41)
		744,003,943.82		17.07%	(122,149,109.48)

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (9) Inventories

(a) The inventory is classified as follows:

	30 June 2023			31 December 2022		
	Accounts balance	Provision for decline in the value of inventories		Accounts balance	Provision for decline in the value of inventories	
		Carrying amount			Carrying amount	
Raw materials	1,989,097,037.47	(125,681,107.64)	1,863,415,929.83	2,248,273,586.04	(120,150,132.64)	2,128,123,453.40
Turnover materials	71,963,155.08	-	71,963,155.08	58,529,181.11	-	58,529,181.11
Work in progress	866,304,521.57	(26,556,511.42)	839,748,010.15	1,048,801,510.29	(21,024,219.48)	1,027,777,290.81
Finished goods	31,226,074,894.10	(878,036,208.25)	30,348,038,685.85	32,201,741,889.39	(977,101,002.43)	31,224,640,886.96
Consumable biological assets	23,302,745.84	-	23,302,745.84	21,145,952.74	-	21,145,952.74
	<b>34,176,742,354.06</b>	<b>(1,030,273,827.31)</b>	<b>33,146,468,526.75</b>	<b>35,578,492,119.57</b>	<b>(1,118,275,354.55)</b>	<b>34,460,216,765.02</b>

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

	31 December 2022	Provision/ (reversal) in the current period	Decrease in the current period	30 June 2023
Raw materials	120,150,132.64	5,539,263.63	(8,288.63)	<b>125,681,107.64</b>
Work in progress	21,024,219.48	5,532,291.94	-	<b>26,556,511.42</b>
Finished goods	977,101,002.43	(91,600,059.90)	(7,464,734.28)	<b>878,036,208.25</b>
	1,118,275,354.55	(80,528,504.33)	(7,473,022.91)	<b>1,030,273,827.31</b>

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (10) Other current assets

	30 June 2023	31 December 2022
Taxes prepaid and to be deducted	<b>839,922,727.22</b>	940,146,082.64
Input VAT to be certified	<b>284,352,367.24</b>	277,895,837.13
	<b>1,124,275,094.46</b>	1,218,041,919.77

### (11) Other equity instrument investments

	30 June 2023	31 December 2022
Non-tradable equity instrument investments (i)	<b>56,382,940.45</b>	101,487,525.55

	30 June 2023	31 December 2022
Non-tradable equity instrument investments		
Listed shares		
– Tianda Pharmaceuticals Limited ("Tianda Pharma")	<b>56,382,940.45</b>	101,487,525.55

	30 June 2023	31 December 2022
Tianda Pharma		
– Cost	<b>87,851,852.85</b>	87,851,852.85
– Accumulated changes in fair value	<b>(31,468,912.40)</b>	13,635,672.70
	<b>56,382,940.45</b>	101,487,525.55

- (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.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (12) Other non-current financial assets

	30 June 2023	31 December 2022
Equity instrument investments		
– Listed common shares (a)	<b>261,491,329.71</b>	259,956,657.68
– Unlisted common shares (b)	<b>1,906,639,577.99</b>	1,883,083,458.72
	<b>2,168,130,907.70</b>	2,143,040,116.40

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

	30 June 2023	31 December 2022
(a) Listed common shares		
– Cost	<b>341,026,577.16</b>	356,895,977.16
– Accumulated changes in fair value	<b>(71,504,630.94)</b>	(84,306,662.18)
– Accumulated differences on translation of foreign currency financial statements	<b>(8,030,616.51)</b>	(12,632,657.30)
	<b>261,491,329.71</b>	259,956,657.68
(b) Unlisted common shares		
– Cost	<b>1,704,351,014.16</b>	1,704,351,014.16
– Accumulated changes in fair value	<b>202,288,563.83</b>	178,732,444.56
	<b>1,906,639,577.99</b>	1,883,083,458.72

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (13) Long-term receivables

	30 June 2023	31 December 2022
Cost –		
Deposits receivable (Note) -total amount	<b>248,342,882.73</b>	257,134,608.10
Medical equipment receivable – total amount	<b>119,195,001.85</b>	152,096,738.34
Receivables from enterprises – total amount	<b>54,086,200.00</b>	54,086,200.00
Less: Provision for bad debts	<b>(4,361,540.11)</b>	(4,936,711.55)
Unrealised finance income	<b>(59,764,238.49)</b>	(60,461,089.58)
Current portion of long-term receivables	<b>(156,639,693.53)</b>	(185,619,908.99)
	<b>200,858,612.45</b>	212,299,836.32

Note: the amounts are deposits with over one year of collection period that the Group pays. As at 30 June 2023 and 31 December 2022, long-term receivables of the Group were all in the first stage.

### (14) Long-term equity investments

	30 June 2023	31 December 2022
Joint ventures (a)	<b>2,036,086,652.49</b>	2,240,931,226.42
Associates (b)	<b>6,556,849,759.58</b>	7,006,273,726.71
Less: Provision for impairment of long-term equity investments	<b>(14,561,350.94)</b>	(14,561,350.94)
	<b>8,578,375,061.13</b>	9,232,643,602.19

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (14) Long-term equity investments (continued)

#### (a) Joint ventures

	Changes during the current period							30 June 2023	Impairment balance
	Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI adjustment	Other equity changes	Cash dividends declared	Provision for impairment		
31 December 2022	1,309,290,703.86	-	(21,984,234.96)	-	-	-	-	48,292,167.84	-
SPH-BIOCAD(HK) Limited	-	-	-	-	-	-	-	-	1,335,598,636.74
Jiangxi Nanhua Medicines Co., Ltd	371,861,432.43	-	15,331,356.84	-	-	-	-	(1,666,898.35)	-
Shanghai Hutchison Pharmaceutical Co., Ltd.	492,233,933.68	-	239,589,775.53	-	-	(481,933,186.23)	-	657,512.20	-
Zhejiang Shengqiao Jizhou biopharmaceutical Co., Ltd	38,256,979.07	-	(3,340,065.28)	-	-	-	-	-	-
Others	29,288,177.38	-	134,998.48	-	-	-	-	-	(1,747,365.36)
	2,240,931,226.42	-	229,725,830.61	-	-	(481,933,186.23)	-	47,282,781.69	(1,747,365.36)

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

#### (b) Associates

	Changes during the current period							30 June 2023	Impairment balance
	Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI adjustment	Other equity changes	Cash dividends declared	Provision for impairment		
31 December 2022	1,422,104,768.12	-	40,228,203.04	-	-	-	-	(556,803.04)	-
Shanghai Roche Pharmaceuticals Ltd.	-	-	-	-	-	-	-	-	1,461,776,168.12
Shanghai Pharma Health Commerce Co., Ltd	1,410,470,639.68	-	(7,493,571.68)	-	-	-	-	183,740.80	-
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (ii)	460,900,272.71	-	13,879,126.82	(21,818.84)	10,223,094.20	(14,709,979.20)	-	-	1,403,154,808.80
Shanghai Industrial Group Finance Co., Ltd.	413,435,013.72	-	4,034,400.00	-	-	-	-	-	470,270,695.69
Shanghai Lianyi Investment Center (limited Partnership)	346,701,733.31	-	5,151,643.56	-	-	(5,300,987.43)	-	-	417,463,413.72
Beijing Lanxin Pharmaceutical Co., Ltd.	264,340,946.02	-	36,204,129.64	-	-	(21,000,000.00)	-	-	346,552,389.44
Shanghai Tsumura Pharmaceuticals Co., Ltd.	227,940,669.20	-	7,579,050.81	-	-	(1,931,200.00)	-	-	279,545,075.66
SINO-AMERICAN Shanghai Squibb Pharmaceutical Ltd.	226,957,900.40	-	45,888,361.72	-	-	(88,101,330.00)	-	553,688.22	-
	2,265,957,900.40	-	45,888,361.72	-	-	(88,101,330.00)	-	553,688.22	(1,747,365.36)

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (14) Long-term equity investments (continued)

(b) Associates (continued)

	31 December 2022	Changes during the current period							30 June 2023	Impairment balance	
		Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI adjustment	Other equity changes	Cash dividends declared	Provision for impairment			Others
Hangzhou Huijing Yutang Pharmaceutical Co., Ltd.	152,802,710.64	-	-	8,920,019.98	-	-	-	-	-	161,722,730.62	-
Shanghai Biacco Sine Pharmaceutical Co., Ltd.	146,878,082.12	-	-	16,172,595.86	-	-	-	-	(828,531.78)	161,222,146.20	-
Shangshi Commercial Factoring Co., Ltd.	159,722,784.90	-	-	4,357.14	-	-	-	-	-	159,727,142.04	-
Chengdu Wesler Biomedical Co., Ltd.	134,516,503.88	-	-	(6,514,728.94)	-	-	-	-	-	128,001,774.94	-
Shanghai Ajinomoto Amino Acid Co., Ltd.	120,812,041.40	-	-	4,982,774.57	-	-	-	-	-	125,794,815.97	-
Shanghai Good Health Capital LLP	118,792,074.53	-	-	(1,309,104.69)	-	-	-	-	-	117,482,969.84	-
Shanghai Industrial Biomedical Venture Capital Fund LLP	98,160,185.64	-	-	841,114.26	-	-	-	-	-	99,001,299.90	-
West China Precision Medicine Industrial Innovation Center	97,930,058.20	-	-	(719,733.09)	-	-	-	-	-	97,210,325.11	-
Shanghai Huijiong Medicine Research Co., Ltd.	106,819,543.85	-	-	(11,795,650.05)	-	-	-	-	-	95,023,893.80	-
Shanghai Shangyao Kangyuan biopharmaceutical Co., Ltd	498,728,280.24	-	-	(430,548,446.11)	-	-	-	-	-	68,179,834.13	-
Shanghai Leiyu Sheng Northern Area Medicine General Co., Ltd.	63,460,846.68	-	-	1,458,666.99	-	(2,433,200.00)	-	-	-	62,486,313.67	-
Chongqing Pharmaceuticals Shanghai Medicine Sales Co., Ltd.	56,877,750.79	-	-	2,038,905.99	-	(1,979,600.00)	-	-	-	56,937,056.78	-
Shanghai Huashi Pharmaceutical Storage & Transportation Co., Ltd.	56,316,619.05	-	-	(646.44)	-	-	-	-	-	56,315,972.61	-
A.M.Pappas Life Science Venture V.P	60,496,368.07	-	-	(8,067,537.41)	-	-	-	-	-	52,428,830.66	-
Shanghai Xunqiao Biotechnology Co., Ltd.	62,048,135.73	-	-	(10,320,428.86)	-	-	-	-	-	51,727,706.87	-
Sichuan Greentech Biotechnology Co., Ltd	51,350,407.40	-	-	46,919.90	-	-	-	-	-	51,397,327.30	-
Shanghai Chest Medical Instruments Co., Ltd	47,327,495.74	-	-	2,323,208.21	-	-	-	-	-	49,650,703.95	-
Oncernal Therapeutics, Inc. (iii)	57,020,447.41	-	-	(8,308,033.83)	-	(26,663,614.24)	-	-	847,743.73	22,896,543.07	-
Shanghai Sine Promod Pharmaceutical Co., Ltd.	21,775,901.56	-	-	(410,927.40)	-	-	-	-	-	21,364,974.16	-
Other investments	122,585,545.72	-	-	494,160.46	-	-	-	(2,560,000.00)	-	120,519,706.18	(12,813,985.58)
	7,006,273,726.71	-	-	(295,145,169.55)	(21,818.84)	(16,440,520.04)	(138,016,296.63)	-	199,837.93	6,556,849,759.58	(12,813,985.58)

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (14) Long-term equity investments (continued)

(b) Associates (continued)

- (i) Related information of equity in the associates is set forth in Note 5(2).
- (ii) Shanghai Fudan-Zhangjiang Bio-pharmaceuticals Co., Ltd is a domestic and Hong Kong listed company. As at 30 June 2023, the market value of the equity investments amounted to RMB1,378,261,548.14.
- (iii) ONCTERNAL THERAPEUTICS, INC. is listed on NASDAQ. As at 30 June 2023, the market value of the equity investments amounted to RMB8,521,404.04.

### (15) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2022	471,359,790.23	25,835,071.05	497,194,861.28
Transfer to fixed assets	(123,639.26)	–	(123,639.26)
Translation difference	119,643.82	–	119,643.82
30 June 2023	471,355,794.79	25,835,071.05	497,190,865.84
Accumulated depreciation			
31 December 2022	(244,260,875.74)	(6,518,525.22)	(250,779,400.96)
Depreciation	(5,818,406.22)	(512,015.58)	(6,330,421.80)
Transfer to fixed assets	35,468.96	–	35,468.96
Translation difference	(59,464.73)	–	(59,464.73)
30 June 2023	(250,103,277.73)	(7,030,540.80)	(257,133,818.53)
Closing net book amount			
30 June 2023	221,252,517.06	18,804,530.25	240,057,047.31
31 December 2022	227,098,914.49	19,316,545.83	246,415,460.32

For the six months ended 30 June 2023, the depreciation and amortisation of investment properties amounted to RMB6,330,421.80 (for the six months ended 30 June 2022: RMB6,418,650.05).

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (16) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Total
<b>Cost</b>						
31 December 2022	10,512,136,174.06	6,561,700,657.02	424,056,672.78	1,210,391,441.83	929,085,121.93	19,637,370,067.62
Increase in the current period						
Addition	798,293.90	93,976,303.80	11,670,328.03	39,189,748.47	26,633,233.61	172,267,907.81
Transfers from construction in progress	34,191,150.80	101,278,665.82	502,575.23	25,379,517.87	6,286,692.27	167,638,601.99
Business combinations involving enterprises not under common control	–	2,206,980.55	507,789.12	135,730.93	797,070.21	3,647,570.81
Transfers from investment properties	123,639.26	–	–	–	–	123,639.26
Translation difference	133,884.10	186,535.13	(104,620.09)	56,925.50	(349,658.83)	(76,934.19)
Decrease in the current period						
Disposal	(14,667,679.01)	(21,331,050.36)	(15,002,682.94)	(13,736,405.54)	(10,065,588.73)	(74,803,406.58)
Disposal of subsidiaries	(910,415.74)	(1,148,358.64)	(87,279.09)	(285,872.70)	–	(2,431,926.17)
30 June 2023	10,531,805,047.37	6,736,869,733.32	421,542,783.04	1,261,131,086.36	952,386,870.46	19,903,735,520.55
<b>Accumulated depreciation</b>						
31 December 2022	(3,008,505,162.23)	(3,244,936,774.83)	(308,113,266.93)	(812,955,364.47)	(610,467,908.02)	(7,984,978,476.48)
Increase in the current period						
Depreciation charge	(163,843,808.06)	(255,300,662.48)	(17,458,406.18)	(66,973,736.56)	(44,688,378.47)	(548,264,991.75)
Transfers from investment properties	(35,468.96)	–	–	–	–	(35,468.96)
Translation difference	(59,909.30)	(252,841.72)	10,243.11	(18,078.84)	71,035.49	(249,551.26)
Decrease in the current period						
Disposals	9,695,192.88	17,589,005.22	13,250,351.77	12,028,729.70	9,320,009.79	61,883,289.36
Disposal of subsidiaries	864,894.95	1,090,940.71	82,915.14	271,579.07	–	2,310,329.87
30 June 2023	(3,161,884,260.72)	(3,481,810,333.10)	(312,228,163.09)	(867,646,871.10)	(645,765,241.21)	(8,469,334,869.22)
<b>Accumulated impairment</b>						
31 December 2022	(42,107,191.41)	(45,410,205.05)	(956,699.83)	(22,432,216.33)	(2,195,841.52)	(113,102,154.14)
Increase in the current year						
Impairment charge	(5,416,640.34)	(8,465,487.06)	(72,320.10)	(474,670.33)	–	(14,429,117.83)
Decrease in the current year						
Disposal	–	452,579.47	28,580.50	5,284.56	13,134.85	499,579.38
30 June 2023	(47,523,831.75)	(53,423,112.64)	(1,000,439.43)	(22,901,602.10)	(2,182,706.67)	(127,031,692.59)
<b>Carrying amount</b>						
30 June 2023	7,322,396,954.90	3,201,636,287.58	108,314,180.52	370,582,613.16	304,438,922.58	11,307,368,958.74
31 December 2022	7,461,523,820.42	3,271,353,677.14	114,986,706.02	375,003,861.03	316,421,372.39	11,539,289,437.00

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (16) Fixed assets (continued)

As at 30 June 2023, buildings, machinery and equipment with a carrying amount of RMB139,416,761.63 (a cost of RMB218,720,893.59) and 270,285.13 square metres of land use rights (a cost of RMB531,514,420.74, a carrying amount of RMB501,638,665.75) (Note 4(20)) were pledged as collateral for short-term borrowings of RMB250,800,000.00 (Note 4(26)(a)), and long-term borrowings of RMB478,301,205.53 (Note 4(36)(a)).

As at 31 December 2022, buildings, machinery and equipment with a carrying amount of RMB196,577,371.63 (a cost of RMB366,933,152.37) and 295,477.63 square metres of land use rights (a cost of RMB388,592,688.22, a carrying amount of RMB369,999,785.41) (Note 4(20)) were pledged as collateral for short-term borrowings of RMB348,100,000.00 (Note 4(26)(a)), and long-term borrowings of RMB297,939,788.82 (Note 4(36)(a)).

For the six months ended 30 June 2023, depreciation charged to fixed assets amounted to RMB548,264,991.75 (for the six months ended 30 June 2022: RMB536,625,882.08), of which RMB237,419,059.53, RMB78,053,810.90, RMB166,245,353.44 and RMB66,546,767.88 (for the six months ended 30 June 2022: RMB232,280,620.48, RMB103,693,540.96, RMB151,406,101.42 and RMB49,245,619.22) were charged to cost of sales, selling expenses, general and administrative expenses and research and development expenses respectively.

For the six months ended 30 June 2023, the costs of fixed assets transferred from construction in progress amounted to RMB167,638,601.99 (for the six months ended 30 June 2022: RMB121,648,045.82).

(a) *Temporarily idle fixed assets*

As at 30 June 2023, the Group had no material temporarily idle fixed assets (31 December 2022: Nil).

(b) Fixed assets with pending certificates of ownership:

	Carrying amount	Reasons for not obtaining certificates of ownership yet
Buildings	156,027,669.99	Still in the process

### (17) Construction in progress

	30 June 2023			31 December 2022		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Construction in progress	3,474,552,840.50	(3,097,748.84)	3,471,455,091.66	2,780,460,842.89	(3,097,748.84)	2,777,363,094.05

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (17) Construction in progress (continued)

#### (a) Changes in major construction projects

Names	Budget '0000	31 December 2022	Increase in the current period	Transfer to fixed assets	Other decrease in the current period	30 June 2023	% of Project Budget progress	Accumulative amount of capitalised borrowing costs	Capitalised borrowing costs in the current period	Capitalisation rate in the current period	Sources of funds
Shanghai Pharma Biopharmaceutical											
Industry Base Construction Project	278,848.09	490,700,993.81	80,662,896.13	-	-	571,363,889.94	20.49%	20.49%	-	-	Self-owned funds
Building Installation of Northern Pharmaceuticals Phase II Project	51,661.00	253,723,490.80	1,307,193.86	-	-	255,030,684.66	95.62%	95.62%	-	-	Self-owned funds
Suide Road Phase II Project of Shanghai Pharmaceutical Logistics Center	84,921.25	133,954,771.98	111,395,695.92	(2,259,343.40)	-	243,091,124.50	28.89%	28.89%	-	-	Self-owned funds
Shandong Xinyi API, Tablet and Supporting Facilities Construction Project	36,421.00	135,599,329.56	92,879,534.99	-	-	228,478,864.55	62.73%	62.73%	-	-	Self-owned funds
Shanghai Pharmaceutical Group Changzhou Pharmaceutical Business Center	60,575.00	137,564,320.27	75,260,056.86	-	-	212,824,377.13	35.13%	35.13%	-	-	Self-owned funds
Shanghai Pharmaceutical Xinyi Jiangchang West Road New Construction Project	76,799.00	123,002,922.69	62,513,874.17	-	-	185,516,796.86	24.16%	24.16%	-	-	Self-owned funds
Shanghai Traditional Chinese Medicine Chinese herbal medicine deep processing project	19,985.00	168,937,377.22	7,285,558.09	-	(682,247.61)	175,540,687.70	98.19%	98.19%	-	-	Self-owned funds
SPH No.1 Biochemical and Pharmaceutical Jinshan Green Pharmaceutical Quality Base	42,120.00	107,381,027.04	33,538,225.86	-	-	140,919,252.90	33.46%	33.46%	-	-	Self-owned funds
Shanghai Medical Instruments Co., Ltd. Baoshan Production Base Renovation Project	13,572.09	91,874,978.67	17,525,958.55	-	-	109,400,937.22	80.61%	80.61%	-	-	Self-owned funds
SPH No.1 Biochemical and Pharmaceutical elevated Warehouse Project	19,039.20	88,958,088.07	2,437,839.96	-	-	91,395,928.03	48.00%	48.00%	-	-	Self-owned funds
SPH Lingang Phase I Project	56,988.00	37,098,060.37	50,657,867.30	-	-	87,755,927.67	15.40%	15.40%	-	-	Self-owned funds
Shanghai Traditional Chinese Medicine Technical Project of TCM Granule	8,635.61	76,295,940.81	6,820,918.71	-	-	83,116,859.52	96.25%	96.25%	-	-	Self-owned funds
Shanghai Pharmaceutical Xinyi Microecological Innovation Drug Transformation Center and Industrialization Project	19,675.00	250,556.60	52,658,041.48	-	-	52,908,598.08	26.89%	26.89%	-	-	Self-owned funds
SPH Huaxi Logistics Center Phase I Project	27,426.00	33,359,649.03	747,386.37	-	-	34,107,035.40	12.44%	12.44%	-	-	Self-owned funds
Others		901,759,335.97	371,374,319.77	(165,379,258.59)	(104,652,520.81)	1,003,101,876.34			-	-	
		2,780,460,842.89	967,065,368.02	(167,638,601.99)	(105,334,768.42)	3,474,552,840.50			-	-	

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (17) Construction in progress (continued)

(b) Provision for impairment of construction in progress

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Others	(3,097,748.84)	–	–	<b>(3,097,748.84)</b>

(c) As at 30 June 2023, the progress of the construction in progress in the Group was estimated by the proportion of expenditures incurred to budgeted amount.

### (18) Bearer biological assets

	Mature biological assets	Immature biological assets	Total
Cost			
31 December 2022	436,052,402.09	4,650,833.85	440,703,235.94
Increase in the current period	–	–	–
30 June 2023	436,052,402.09	4,650,833.85	440,703,235.94
Accumulated depreciation			
31 December 2022	(45,218,518.43)	–	(45,218,518.43)
Depreciation charge	(1,943,152.35)	–	(1,943,152.35)
30 June 2023	(47,161,670.78)	–	(47,161,670.78)
Accumulated impairment			
31 December 2022	(258,292,956.76)	–	(258,292,956.76)
Impairment charge	–	–	–
30 June 2023	(258,292,956.76)	–	(258,292,956.76)
Carrying amount			
30 June 2023	130,597,774.55	4,650,833.85	135,248,608.40
31 December 2022	132,540,926.90	4,650,833.85	137,191,760.75

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (19) Right-of-use assets

	Buildings	Machinery and equipment	Total
Cost			
31 December 2022	4,214,036,249.35	22,554,117.97	4,236,590,367.32
Increase in the current period			
New lease contracts	394,474,522.62	–	394,474,522.62
Translation difference	5,456,399.98	–	5,456,399.98
Decrease in the current period			
Changes in leases	(154,131,108.15)	(2,473,485.83)	(156,604,593.98)
30 June 2023	4,459,836,063.80	20,080,632.14	4,479,916,695.94
Accumulated depreciation			
31 December 2022	(2,342,945,085.49)	(5,063,329.24)	(2,348,008,414.73)
Increase in the current period			
Depreciation charge	(328,185,656.89)	(6,143,468.26)	(334,329,125.15)
Translation difference	(2,890,379.61)	–	(2,890,379.61)
Decrease in the current period			
Changes in leases	143,030,451.16	2,473,485.83	145,503,936.99
30 June 2023	(2,530,990,670.83)	(8,733,311.67)	(2,539,723,982.50)
Accumulated impairment			
31 December 2022	(19,922,029.94)	–	(19,922,029.94)
Changes in leases	1,483,251.46	–	1,483,251.46
30 June 2023	(18,438,778.48)	–	(18,438,778.48)
Carrying amount			
30 June 2023	1,910,406,614.49	11,347,320.47	1,921,753,934.96
31 December 2022	1,851,169,133.92	17,490,788.73	1,868,659,922.65

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (20) Intangible assets

	Land use rights	Business network	Trademarks and brands	Proprietary technology and patents	Software and Others	Total
Cost						
31 December 2022	4,694,289,728.78	2,353,121,748.78	634,322,589.79	1,045,254,660.21	767,636,107.23	9,494,624,834.79
Increase in the current period						
Purchase	-	-	-	27,811,371.01	18,055,247.86	45,866,618.87
Transfer from R&D expenditures	-	-	-	20,419,602.77	-	20,419,602.77
Business combinations involving enterprises not under common control	-	-	-	-	754,694.14	754,694.14
Transfer from construction in progress	13,395,200.00	-	-	-	22,890,974.88	36,286,174.88
Translation difference	-	763,471.12	9,500,928.17	2,939,834.63	184,390.68	13,388,624.60
Decrease in the current period						
Disposals	(11,201,500.00)	(13,700,000.00)	-	(9,424,905.70)	(3,467,780.65)	(37,794,186.35)
30 June 2023	4,696,483,428.78	2,340,185,219.90	643,823,517.96	1,087,000,562.92	806,053,634.14	9,573,546,363.70
Accumulated amortisation						
31 December 2022	(578,306,299.90)	(1,423,851,974.23)	(43,605,212.65)	(450,222,241.20)	(551,539,361.18)	(3,047,525,089.16)
Increase in the current period						
Amortization charge	(53,479,322.92)	(79,332,676.83)	(3,364,291.75)	(24,358,509.72)	(55,543,896.46)	(216,078,697.68)
Translation difference	-	(433,628.17)	(73,362.49)	(525,585.83)	(159,500.20)	(1,192,076.69)
Decrease in the current period						
Disposals	1,725,170.20	10,845,833.33	-	-	2,440,210.24	15,011,213.77
30 June 2023	(630,060,452.62)	(1,492,772,445.90)	(47,042,866.89)	(475,106,336.75)	(604,802,547.60)	(3,249,784,649.76)
Accumulated impairment						
31 December 2022	(16,650,838.77)	(2,854,166.67)	(29,508,388.00)	(151,583,377.04)	(2,363,020.71)	(202,959,791.19)
Increase in the current year						
Translation difference	-	-	(534,604.00)	(2,614,612.00)	-	(3,149,216.00)
Decrease in the current year						
Disposals	-	2,854,166.67	-	-	-	2,854,166.67
30 June 2023	(16,650,838.77)	-	(30,042,992.00)	(154,197,989.04)	(2,363,020.71)	(203,254,840.52)
Carrying amount						
30 June 2023	4,049,772,137.39	847,412,774.00	566,737,659.07	457,696,237.13	198,888,065.83	6,120,506,873.42
31 December 2022	4,099,332,590.11	926,415,607.88	561,208,989.14	443,449,041.97	213,733,725.34	6,244,139,954.44

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (20) Intangible assets (continued)

For the six months ended 30 June 2023, the amortization of intangible assets amounted to RMB216,078,697.68 (for the six months ended 30 June 2022: RMB225,148,241.66).

As at 30 June 2023, certificates of ownership for land use rights with a carrying amount of RMB789,533.70 (a cost of RMB3,340,802.00) (31 December 2022: a carrying amount of RMB836,789.40 (a cost of RMB3,340,802.00)) were still in progress.

As at 30 June 2023, 270,285.13 square meters of land use rights (a cost of RMB531,514,420.74, a carrying amount of RMB501,638,665.75) and buildings, machinery and equipment with a carrying amount of RMB139,416,761.63 (a cost of RMB218,720,893.59) (Note 4(16)) were pledged as collateral for short-term borrowings of RMB250,800,000.00 (Note 4(26)(a)), long-term borrowings of RMB478,301,205.53 (Note 4(36)(a)).

As at 31 December 2022, 295,477.63 square metres of land use rights (a cost of RMB388,592,688.22, a carrying amount of RMB369,999,785.41) and buildings, machinery and equipment with a carrying amount of RMB196,577,371.63 (a cost of RMB366,933,152.37) (Note 4(16)) were pledged as collateral for short-term borrowings of RMB348,100,000.00 (Note 4(26)(a)), and long-term borrowings of RMB297,939,788.82 (Note 4(36)(a)).

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

	31 December 2022	Decrease in the current period		Amount recognised as intangible assets	30 June 2023
		Increase in the current period	Amount recognised in profit or loss		
R&D project	342,605,253.63	1,068,042,874.83	(1,026,309,891.55)	(20,419,602.77)	<b>363,918,634.14</b>

For the six months ended 30 June 2023, the R&D expenditures of the Group were RMB1,068,042,874.83 (for the six months ended 30 June 2022: RMB860,903,683.84) in total, of which, RMB1,026,309,891.55 (for the six months ended 30 June 2022: RMB809,672,103.19) was recognised in profit or loss, RMB2,217,462.46 (for the six months ended 30 June 2022: RMB: RMB642,672.63) was recognised as intangible assets, and RMB39,515,520.82 (for the six months ended 30 June 2022: RMB50,588,908.02) was included in the ending balance of the development costs.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (21) Goodwill

	31 December 2022	Increase in the current period	Decrease in the current period	Others	30 June 2023
Goodwill –					
Shanghai Pharmaceutical Co., Ltd.'s subsidiaries (i)	3,630,609,223.53	48,983,532.39	–	–	3,679,592,755.92
China Health System Ltd. and its subsidiaries	2,869,596,124.06	–	–	–	2,869,596,124.06
Shanghai Pharmaceuticals (HK) Investment Limited's subsidiaries	2,543,895,939.53	–	–	–	2,543,895,939.53
TECHPOOL Bio-Pharma Co., Ltd and its subsidiaries	1,399,888,707.64	–	–	–	1,399,888,707.64
Zeus Investment Limited and its subsidiaries	983,905,833.57	–	–	17,825,439.81	1,001,731,273.38
Big Global Limited and its subsidiaries	445,109,447.21	–	–	–	445,109,447.21
Shanghai Traditional Chinese Medicine Co., Ltd.'s subsidiaries	322,265,997.71	–	–	–	322,265,997.71
Liaoning International Pharmaceutical Trading Co., Ltd. and its subsidiaries	230,431,952.94	–	–	–	230,431,952.94
Star Fountain Global Ltd. and its subsidiaries	188,057,733.96	–	–	–	188,057,733.96
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.'s subsidiaries	159,340,834.18	–	–	–	159,340,834.18
Shanghai Medical Instruments Co., Ltd. and its subsidiaries	138,131,837.94	–	–	–	138,131,837.94
SPH Kony (Changzhou) Co., Ltd.	107,285,726.91	–	–	–	107,285,726.91
Others	157,094,963.30	–	–	–	157,094,963.30
	13,175,614,322.48	48,983,532.39	–	17,825,439.81	13,242,423,294.68
Less: Provision for impairment (a) –					
Zeus Investment Limited and its subsidiaries	(896,038,474.32)	–	–	(16,233,545.28)	(912,272,019.60)
Big Global Limited and its subsidiary	(445,109,447.21)	–	–	–	(445,109,447.21)
Star Fountain Global Ltd. and its subsidiaries	(188,057,733.96)	–	–	–	(188,057,733.96)
Shanghai Pharmaceutical Co., Ltd.'s subsidiaries	(5,644,782.47)	–	–	–	(5,644,782.47)
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.'s subsidiaries	(122,808,233.97)	–	–	–	(122,808,233.97)
Shanghai Traditional Chinese Medicine Co., Ltd.'s subsidiaries	(72,109,261.31)	–	–	–	(72,109,261.31)
Others	(109,919,763.76)	–	–	–	(109,919,763.76)
	(1,839,687,697.00)	–	–	(16,233,545.28)	(1,855,921,242.28)
	11,335,926,625.48	48,983,532.39	–	1,591,894.53	11,386,502,052.40

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (21) Goodwill (continued)

#### (a) Impairment

The Group's goodwill was allocated to the asset groups and groups of asset groups at acquisition date. For the six months ended 20 June 2023, goodwill allocated to the asset groups or groups of asset groups is summarised by operating segments (Note 6) as follows:

	30 June 2023		31 December 2022	
	Carrying amount	Provision for impairment	Carrying amount	Provision for impairment
Production– TECHPOOL Bio-Pharma Co., Ltd and its subsidiaries	1,399,888,707.64	–	1,399,888,707.64	–
Zeus Investment Limited and its subsidiaries	1,001,731,273.38	(912,272,019.60)	983,905,833.57	(896,038,474.32)
Big Global Limited and its subsidiary	445,109,447.21	(445,109,447.21)	445,109,447.21	(445,109,447.21)
Star Fountain Global Ltd. and its subsidiaries	188,057,733.96	(188,057,733.96)	188,057,733.96	(188,057,733.96)
Chongqing SPH Huiyuan Pharmaceutical Co., Ltd. and its subsidiaries	164,543,389.88	–	164,543,389.88	–
Shanghai Medical Instruments Co.,Ltd. and its subsidiaries	138,131,837.94	–	138,131,837.94	–
Others	480,983,128.32	(222,851,133.60)	480,983,128.32	(222,851,133.60)
	<b>3,818,445,518.33</b>	<b>(1,768,290,334.37)</b>	3,800,620,078.52	(1,752,056,789.09)

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (21) Goodwill (continued)

(a) Impairment (continued)

	30 June 2023		31 December 2022	
	Carrying amount	Provision for impairment	Carrying amount	Provision for impairment
Distribution– Distribution business of Shanghai Pharmaceutical Co., Ltd and Cardinal Health (L) Co., Ltd.	6,011,612,943.42	–	5,962,629,411.03	–
Distribution business of China Health System Ltd. and Liaoning International Pharmaceutical Trading Co., Ltd.	3,100,028,077.00	–	3,100,028,077.00	–
Others	75,432,707.05	(75,432,707.05)	75,432,707.05	(75,432,707.05)
	9,187,073,727.47	(75,432,707.05)	9,138,090,195.08	(75,432,707.05)
Retail and others	236,904,048.88	(12,198,200.86)	236,904,048.88	(12,198,200.86)
	13,242,423,294.68	(1,855,921,242.28)	13,175,614,322.48	(1,839,687,697.00)

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (21) Goodwill (continued)

#### (a) Impairment (continued)

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

	Production	Distribution
Growth rates within budget period	5%~25%	7%~11%
Growth rates beyond budget period	1%~2%	2%
Gross margin rates	8%~76%	7%~8%
Discount rates before tax	12%~16%	13%~14%

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

### (22) Long-term prepaid expenses

	31 December 2022	Increase in the current period	Amortisation in the current period	Others	30 June 2023
Improvement and maintenance expenditures of right-of-use assets	350,769,719.23	18,829,469.66	(26,754,971.96)	(136,915.17)	<b>342,707,301.76</b>
Others	111,668,833.68	135,373,598.44	(72,675,319.94)	(9,370.27)	<b>174,357,741.91</b>
	462,438,552.91	154,203,068.10	(99,430,291.90)	(146,285.44)	<b>517,065,043.67</b>

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (23) Deferred tax assets and deferred tax liabilities

(a) *Deferred tax assets before offset*

	30 June 2023		31 December 2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment	3,283,566,756.23	773,288,513.19	3,095,355,206.81	730,148,184.87
Accrued expenses	1,981,220,311.24	478,383,670.91	1,777,787,197.53	429,890,062.83
Lease Liabilities	1,922,043,203.61	472,530,946.89	1,854,516,727.17	455,677,081.49
Elimination of intra-group unrealised profit	952,315,224.57	211,336,494.56	809,113,376.04	186,983,887.53
Changes in fair value of other non-current financial assets	73,336,820.42	18,334,205.11	101,938,493.06	25,484,623.27
Deferred income	1,844,651,289.13	322,007,788.45	1,900,377,723.23	330,824,300.47
Others	324,399,513.27	66,691,255.08	330,321,215.76	67,067,651.65
	<b>10,381,533,118.47</b>	<b>2,342,572,874.19</b>	9,869,409,939.60	2,226,075,792.11
Including:				
Expected to be recovered within one year (inclusive)		1,462,822,863.12		1,342,427,669.34
Expected to be recovered after one year		879,750,011.07		883,648,122.77
		<b>2,342,572,874.19</b>		2,226,075,792.11

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (23) Deferred tax assets and deferred tax liabilities (continued)

(b) *Deferred tax liabilities before offset*

	30 June 2023		31 December 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Differences between the fair value of the identifiable net assets and the carrying amount of the acquiree entity arising from business combinations not under common control	2,425,039,497.68	612,203,311.65	2,524,776,446.86	635,491,232.71
Right-of-use assets	1,921,753,934.96	472,531,455.28	1,868,659,922.65	459,584,559.02
Investment income arising from disposal of subsidiaries	980,645,182.13	245,161,295.52	987,961,013.01	246,990,253.24
Relocation allowances	1,376,551,362.27	206,482,704.34	1,376,551,362.27	206,482,704.34
Fixed assets depreciation	861,685,985.59	129,795,286.26	896,331,917.08	135,009,305.76
Changes in fair value of other non-current financial assets	176,127,059.83	44,031,764.96	157,901,285.02	39,475,321.26
Others	75,555,334.25	18,744,251.49	70,568,020.61	17,550,874.85
	<b>7,817,358,356.71</b>	<b>1,728,950,069.50</b>	7,882,749,967.50	1,740,584,251.18
Including:				
Expected to be recovered within one year (inclusive)		255,821,899.99		232,354,525.15
Expected to be recovered after one year		1,473,128,169.51		1,508,229,726.03
		<b>1,728,950,069.50</b>		1,740,584,251.18

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (23) Deferred tax assets and deferred tax liabilities (continued)

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

	30 June 2023	31 December 2022
Deductible losses	<b>7,193,764,427.66</b>	6,488,570,580.04

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

	30 June 2023	31 December 2022
2023	<b>595,648,943.23</b>	686,821,545.75
2024	<b>862,419,107.71</b>	923,443,934.39
2025	<b>1,115,387,890.95</b>	1,177,784,457.88
2026	<b>1,758,105,296.06</b>	1,820,990,427.80
2027	<b>1,403,293,951.42</b>	1,490,609,019.74
2028	<b>800,351,911.75</b>	82,078,197.96
2029 and after	<b>658,557,326.54</b>	306,842,996.52
	<b>7,193,764,427.66</b>	6,488,570,580.04

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

	30 June 2023		31 December 2022	
	Offsetting amount	Amount after offset	Offsetting amount	Amount after offset
Deferred tax assets	<b>(743,366,500.54)</b>	<b>1,599,206,373.65</b>	(691,346,798.43)	1,534,728,993.68
Deferred tax liabilities	<b>743,366,500.54</b>	<b>985,583,568.96</b>	691,346,798.43	1,049,237,452.75

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (24) Asset impairment

	31 December 2022	Increase in the current period	Reverse in the current period	Others	30 June 2023
Provision for bad debts of notes receivables	10,465,128.17	10,537,599.74	(10,465,128.17)	–	<b>10,537,599.74</b>
Including: Provision for bad debts on individual basis	–	–	–	–	–
Provision for bad debts on grouping basis	10,465,128.17	10,537,599.74	(10,465,128.17)	–	<b>10,537,599.74</b>
Provision for bad debts of accounts receivables	2,014,730,430.45	340,601,692.32	(24,094,923.41)	4,096,827.64	<b>2,335,334,027.00</b>
Including: Provision for bad debts on individual basis	436,093,505.65	11,246,126.80	(24,094,923.41)	–	<b>423,244,709.04</b>
Provision for bad debts on grouping basis	1,578,636,924.80	329,355,565.52	–	4,096,827.64	<b>1,912,089,317.96</b>
Provisions for bad debts of receivables financing	7,633,278.59	6,823,370.15	(7,633,278.59)	–	<b>6,823,370.15</b>
Provision for bad debts of other receivables	805,018,563.21	21,622,261.98	(500,000.00)	1,616,691.26	<b>827,757,516.45</b>
Provision for impairment of long-term receivables	4,936,711.55	–	(575,171.44)	–	<b>4,361,540.11</b>
Subtotal	2,842,784,111.97	379,584,924.19	(43,268,501.61)	5,713,518.90	<b>3,184,814,053.45</b>
Provision for decline in the value of inventories	1,118,275,354.55	–	(80,528,504.33)	(7,473,022.91)	<b>1,030,273,827.31</b>
Provision for impairment of long-term equity investment	14,561,350.94	–	–	–	<b>14,561,350.94</b>
Provision for impairment of fixed assets	113,102,154.14	14,429,117.83	–	(499,579.38)	<b>127,031,692.59</b>
Provision for impairment of construction in progress	3,097,748.84	–	–	–	<b>3,097,748.84</b>
Provision for impairment of intangible assets	202,959,791.19	–	–	295,049.33	<b>203,254,840.52</b>
Provision for impairment of goodwill	1,839,687,697.00	–	–	16,233,545.28	<b>1,855,921,242.28</b>
Provision for impairment of right-of-use assets	19,922,029.94	–	–	(1,483,251.46)	<b>18,438,778.48</b>
Provision for impairment of long-term prepaid expenses	2,179,075.47	–	–	–	<b>2,179,075.47</b>
Provision for impairment of bearer biological assets	258,292,956.76	–	–	–	<b>258,292,956.76</b>
Subtotal	3,572,078,158.83	14,429,117.83	(80,528,504.33)	7,072,740.86	<b>3,513,051,513.19</b>
	6,414,862,270.80	394,014,042.02	(123,797,005.94)	12,786,259.76	<b>6,697,865,566.64</b>

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (25) Other non-current assets

	30 June 2023	31 December 2022
Prepayment for construction costs	<b>232,629,145.12</b>	219,934,953.80
Others	<b>236,522,384.90</b>	223,865,789.99
	<b>469,151,530.02</b>	443,800,743.79

### (26) Short-term borrowings

	30 June 2023	31 December 2022
Mortgaged (a)	<b>250,800,000.00</b>	348,100,000.00
Pledged (b)	<b>1,023,616,172.34</b>	1,155,280,052.88
Guaranteed (c)	<b>282,880,436.34</b>	227,784,134.97
Credit	<b>32,094,416,255.63</b>	25,961,398,906.77
Interest accrued	<b>72,695,058.29</b>	58,025,462.25
	<b>33,724,407,922.60</b>	27,750,588,556.87

- (a) As at 30 June 2023, short-term borrowings of RMB250,800,000.00 and long-term borrowings of RMB478,301,205.53 (Note 4(36)(a)) were secured by buildings, and machinery and equipment (Note 4(16)) with a carrying amount of RMB139,416,761.63 (a cost of RMB218,720,893.59), and 270,285.13 square metres of land use rights (a cost of RMB531,514,420.74, a carrying amount of RMB501,638,665.75) (Note 4(20));

As at 31 December 2022, short-term borrowings of RMB348,100,000.00 and long-term borrowings of RMB297,939,788.82 (Note 4(36)(a)) were secured by buildings, and machinery and equipment (Note 4(16)) with a carrying amount of RMB196,577,371.63 (a cost of RMB366,933,152.37), and 295,477.63 square metres of land use rights (a cost of RMB388,592,688.22, a carrying amount of RMB369,999,785.41) (Note 4(20));

- (b) As at 30 June 2023, pledged bank borrowings of RMB1,023,616,172.34 were secured by accounts receivables with a carrying amount of RMB755,347,581.63 and bank acceptance notes with a carrying amount of RMB236,032,143.60 (Note 4(4)) and trade acceptance notes with a carrying amount of RMB139,147,625.53 (Note 4(4));

As at 31 December 2022, pledged bank borrowings of RMB1,155,280,052.88 were secured by accounts receivables with a carrying amount of RMB701,553,525.04 and bank acceptance notes with a carrying amount of RMB300,807,806.24 (Note 4(4)) and trade acceptance notes with a carrying amount of RMB170,505,127.40 (Note 4(4));

- (c) As at 30 June 2023, guaranteed borrowings of RMB282,880,436.34 (31 December 2022: RMB227,784,134.97) were mainly secured by the minority shareholders of subsidiaries of the Group.

- (d) As at 30 June 2023, the range of interest rate of short-term borrowings was 1.50% to 5.75% (31 December 2022: 1.50% to 4.70%).

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (27) Notes payables

	30 June 2023	31 December 2022
Trade acceptance	<b>730,073,544.12</b>	599,332,497.28
Bank acceptance	<b>5,383,004,173.33</b>	5,362,391,166.21
	<b>6,113,077,717.45</b>	5,961,723,663.49

### (28) Accounts payables

	30 June 2023	31 December 2022
Purchase payable	<b>50,051,071,687.46</b>	45,603,805,328.17

(i) As at 30 June 2023, accounts payables aged over one year were RMB2,034,123,638.92 (31 December 2022: RMB2,436,589,508.92).

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

	30 June 2023	31 December 2022
Within 1 year	<b>48,016,948,048.54</b>	43,167,215,819.25
1-2 years	<b>903,058,654.35</b>	1,336,005,508.45
Above 2 years	<b>1,131,064,984.57</b>	1,100,584,000.47
	<b>50,051,071,687.46</b>	45,603,805,328.17

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (29) Contract liabilities

	30 June 2023	31 December 2022
Advance received from customers	<b>1,437,890,005.81</b>	2,242,823,457.63

For the six months ended 30 June 2023, contract liabilities included in the period beginning with carrying amount of RMB2,176,295,499.41 (for the six months ended 30 June 2022: RMB1,175,224,347.56) were transferred to revenue, all of which were income from sales of goods.

### (30) Employee benefits payable

	30 June 2023	31 December 2022
Short-term employee benefits payable (a)	<b>1,379,815,946.60</b>	1,542,964,975.04
Defined contribution plans payable (b)	<b>28,584,514.18</b>	33,154,651.29
Termination benefits payable (c)	<b>4,878,181.71</b>	4,368,526.66
	<b>1,413,278,642.49</b>	1,580,488,152.99

#### (a) Short-term employee benefits payable

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Wages and salaries, bonus, allowances and subsidies	1,341,068,826.02	3,790,884,434.22	(3,957,554,035.92)	<b>1,174,399,224.32</b>
Staff welfare	–	148,103,163.48	(148,103,163.48)	–
Social security contributions	18,426,655.54	217,925,186.30	(221,222,078.42)	<b>15,129,763.42</b>
Including: Medical insurance	17,256,895.98	203,255,793.87	(206,358,585.71)	<b>14,154,104.14</b>
Work injury insurance	402,609.55	10,150,281.73	(9,994,340.17)	<b>558,551.11</b>
Maternity insurance	767,150.01	4,519,110.70	(4,869,152.54)	<b>417,108.17</b>
Housing funds	5,530,067.46	216,148,178.14	(216,907,258.52)	<b>4,770,987.08</b>
Labour union funds and employee education funds	52,716,967.04	69,708,307.86	(47,105,140.46)	<b>75,320,134.44</b>
Others	125,222,458.98	32,744,582.71	(47,771,204.35)	<b>110,195,837.34</b>
	1,542,964,975.04	4,475,513,852.71	(4,638,662,881.15)	<b>1,379,815,946.60</b>

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (30) Employee benefits payable (continued)

(b) Defined contribution plans payable

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Basic pensions	32,073,345.93	383,089,702.09	(387,672,670.97)	<b>27,490,377.05</b>
Unemployment insurance	1,081,305.36	11,829,221.29	(11,816,389.52)	<b>1,094,137.13</b>
	33,154,651.29	394,918,923.38	(399,489,060.49)	<b>28,584,514.18</b>

(c) Termination benefits payable

	30 June 2023	31 December 2022
Termination benefits payable (current portion)	<b>4,878,181.71</b>	4,368,526.66

### (31) Taxes payable

	30 June 2023	31 December 2022
Enterprise income tax payable	<b>823,995,200.88</b>	781,362,182.64
Unpaid VAT	<b>293,268,530.83</b>	485,284,539.78
City maintenance and construction tax payable	<b>37,122,714.43</b>	38,281,010.65
Withholding of personal income tax for employees	<b>34,465,380.83</b>	34,692,313.76
Educational surcharge payable	<b>27,919,382.40</b>	29,405,854.38
Property tax payable	<b>19,120,492.69</b>	16,833,270.25
Others	<b>59,462,915.03</b>	54,964,246.73
	<b>1,295,354,617.09</b>	1,440,823,418.19

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (32) Other payables

	30 June 2023	31 December 2022
Accrued expenses	<b>9,428,670,530.11</b>	7,368,374,863.87
Deposits and guarantees payable	<b>2,749,642,917.97</b>	2,718,233,818.31
Dividends payable to minority shareholders	<b>2,598,880,233.16</b>	373,125,954.77
Accounts received from other companies	<b>2,237,633,428.86</b>	3,267,586,187.96
Payables for equity acquisition	<b>623,298,582.79</b>	661,779,365.34
Engineering equipment expenses payable	<b>450,769,773.89</b>	540,307,567.99
Others	<b>1,783,879,541.75</b>	1,545,448,136.89
	<b>19,872,775,008.53</b>	16,474,855,895.13

(a) As at 30 June 2023, other payables aged over one year were RMB3,770,770,619.33 (31 December 2022: RMB3,660,548,464.41).

### (33) Provisions

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Pending litigations	18,235,700.93	691,600.00	–	<b>18,927,300.93</b>
Others	5,743,197.09	1,584,912.22	–	<b>7,328,109.31</b>
	23,978,898.02	2,276,512.22	–	<b>26,255,410.24</b>

### (34) Current portion of non-current liabilities

	30 June 2023	31 December 2022
Current portion of long-term borrowings (Note 4(36))	<b>3,612,724,576.70</b>	2,648,734,849.49
Current portion of lease liabilities (Note 4(37))	<b>602,079,502.74</b>	580,679,136.35
Current portion of long-term payables (Note 4(38))	<b>20,021,010.58</b>	20,019,116.37
	<b>4,234,825,090.02</b>	3,249,433,102.21

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (35) Other current liabilities

	30 June 2023	31 December 2022
Super & Short-term Commercial Paper ("SCP")	<b>6,017,599,726.03</b>	6,060,361,643.84
Output tax to be recognized	<b>178,033,729.97</b>	324,572,904.16
	<b>6,195,633,456.00</b>	6,384,934,548.00

(a) Details of the SCP are as follows:

	31 December 2022	Issue for the period	Interest accrued	Amortisation of discount	Repayment for the period	30 June 2023
2022 SCP stage 3	3,036,328,767.13	-	7,726,027.39	-	(3,044,054,794.52)	-
2022 SCP stage 5	3,024,032,876.71	-	2,515,068.50	-	(3,026,547,945.21)	-
2023 SCP stage 1	-	2,999,608,333.33	16,533,698.63	391,666.67	(3,016,533,698.63)	-
2023 SCP stage 2	-	2,999,495,833.33	20,984,383.56	504,166.67	(3,020,984,383.56)	-
2023 SCP stage 3	-	2,999,542,500.00	14,609,589.04	457,500.00	-	<b>3,014,609,589.04</b>
2023 SCP stage 4	-	2,998,883,333.33	2,990,136.99	1,116,666.67	-	<b>3,002,990,136.99</b>
	6,060,361,643.84	11,997,529,999.99	65,358,904.11	2,470,000.01	(12,108,120,821.92)	<b>6,017,599,726.03</b>

	Face value	Issuing date	Debenture maturity	Issuing amount	Coupon rate
2023 SCP stage 1	3,000,000,000.00	13 January 2023	94 days	2,999,608,333.33	2.14%
2023 SCP stage 2	3,000,000,000.00	14 February 2023	121 days	2,999,495,833.33	2.11%
2023 SCP stage 3	3,000,000,000.00	12 April 2023	183 days	2,999,542,500.00	2.25%
2023 SCP stage 4	3,000,000,000.00	13 June 2023	268 days	2,998,883,333.33	2.14%

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (36) Long-term borrowings

	30 June 2023	31 December 2022
Mortgaged (a)	<b>478,301,205.53</b>	297,939,788.82
Credit	<b>9,763,576,790.92</b>	8,375,034,720.06
Pledged (b)	<b>220,818,220.77</b>	225,871,295.77
Guaranteed (c)	<b>10,000,000.00</b>	–
Interest accrued	<b>9,990,918.68</b>	9,688,415.16
	<b>10,482,687,135.90</b>	8,908,534,219.81
Less: Current portion of long-term borrowings		
Mortgaged (a)	–	–
Credit	<b>(3,515,240,001.80)</b>	(2,601,000,000.00)
Pledged (b)	<b>(87,493,656.22)</b>	(38,220,597.24)
Interest accrued	<b>(9,990,918.68)</b>	(9,514,252.25)
	<b>(3,612,724,576.70)</b>	(2,648,734,849.49)
	<b>6,869,962,559.20</b>	6,259,799,370.32

- (a) As at 30 June 2023, short-term borrowings of RMB250,800,000.00 (Note 4(26)(a)) and long-term borrowings of RMB478,301,205.53 were secured by buildings, and machinery and equipment (Note 4(16)) with a carrying amount of RMB139,416,761.63 (a cost of RMB218,720,893.59), and 270,285.13 square metres of land use rights (a cost of RMB531,514,420.74, a carrying amount of RMB501,638,665.75) (Note 4(20));

As at 31 December 2022, short-term borrowings of RMB348,100,000.00 (Note 4(26)(a)) and long-term borrowings of RMB297,939,788.82 were secured by buildings, and machinery and equipment with a carrying amount of RMB196,577,371.63 (a cost of RMB366,933,152.37) (Note 4(16)), and 295,477.63 square meters of land use rights (a cost of RMB388,592,688.22, a carrying amount of RMB369,999,785.41) (Note 4(20)).

- (b) As at 30 June 2023, pledged bank borrowings of RMB59,847,628.00 and current portion of long-term borrowings RMB82,143,296.94 (Note 4(34)) were secured by account receivables with a carrying amount of RMB141,990,924.94 (Note 4(5)). Pledged bank borrowings of RMB73,476,936.55 and current portion of long-term borrowings of RMB5,350,359.28 (Note 4(34)) were secured by shares of subsidiaries of the Group.

As at 31 December 2022, pledged bank borrowings of RMB113,997,532.00 and current portion of long-term borrowings RMB27,993,620.94 (Note 4(34)) were secured by account receivables with a carrying amount of RMB141,991,152.94. Pledged bank borrowings of RMB73,653,166.53 and current portion of long-term borrowings of RMB10,226,976.30 (Note 4(34)) were secured by shares of subsidiaries of the Group.

- (c) As at 30 June 2023, guaranteed borrowings of RMB10,000,000.00 (31 December 2022: Nil) were mainly secured by the minority shareholders of subsidiaries of the Group.
- (d) As at 30 June 2023, the range of interest rate of long-term borrowings was 2.20% to 5.00% (31 December 2022: 2.35% to 5.62%).

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (37) Lease liabilities

	30 June 2023	31 December 2022
Lease liabilities	<b>1,924,390,488.45</b>	1,882,290,216.25
Less: Current portion of non-current liabilities (Note4 (34))	<b>(602,079,502.74)</b>	(580,679,136.35)
	<b>1,322,310,985.71</b>	1,301,611,079.90

(a) As at 30 June 2023 and 31 December 2022, future cash outflows to which the Group was potentially exposed that were not included in the lease liabilities comprise the following:

- (i) As at 30 June 2023, there are no payments for leases not yet commenced to which the Group was committed (31 December 2022: Nil).
- (ii) As at 30 June 2023, the minimum rental payable in the future for contracts of short-term leases and low-value asset leases which adopt the practical expedient according to the new leasing standard amounted to RMB126,760,081.41 and RMB1,037,701.91 respectively (31 December 2022: RMB174,992,055.97 and RMB819,252.69 respectively) which would be due within one year.

### (38) Long-term payables

	30 June 2023	31 December 2022
Long-term payables for acquisition of subsidiaries	<b>19,523,166.13</b>	19,523,166.13
Payables for forest use rights	<b>8,626,578.15</b>	8,491,874.12
	<b>28,149,744.28</b>	28,015,040.25
Less: Current portion of long-term payables (Note4 (34))	<b>(20,021,010.58)</b>	(20,019,116.37)
	<b>8,128,733.70</b>	7,995,923.88

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (39) Deferred income

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023	Reasons
Compensation for demolition and construction	67,837,059.52	–	(326,886.00)	<b>67,510,173.52</b>	Relocation and demolition
Scientific research funds and financial subsidy (a)	466,743,990.96	62,418,007.54	(33,914,720.88)	<b>495,247,277.62</b>	Others
<b>Total</b>	<b>534,581,050.48</b>	<b>62,418,007.54</b>	<b>(34,241,606.88)</b>	<b>562,757,451.14</b>	

#### (a) Government grants

	31 December 2022	Increase in the current period	Amount included in other income	30 June 2023	Asset related/ Income related
Scientific research funds and other allowance	466,743,990.96	62,418,007.54	(33,914,720.88)	<b>495,247,277.62</b>	Asset related/ Income related

The government grants recognised in profit or loss 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	33,914,720.88	Other income

### (40) Long-term employee benefits payable

	30 June 2023	31 December 2022
Termination benefits payable	<b>43,663,590.80</b>	43,280,484.76
Less: To be paid within one year (Note 4(30)(c))	<b>(4,878,181.71)</b>	(4,368,526.66)
	<b>38,785,409.09</b>	38,911,958.10

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (41) Other non-current liabilities

	30 June 2023	31 December 2022
Medical reserve funds	<b>130,762,062.31</b>	131,787,555.63
Share repurchase payable	<b>69,251,366.25</b>	69,251,366.25
Others	<b>21,858,854.01</b>	24,249,756.41
	<b>221,872,282.57</b>	225,288,678.29

### (42) Share capital

	31 December 2022	Change in the current period				30 June 2023
		Issue new shares	Unlock non-tradable shares	Others	Subtotal	
Shares subject to trading restriction – Ordinary shares denominated in RMB	852,708,396.00	–	–	–	–	<b>852,708,396.00</b>
Shares not subject to trading restriction – Ordinary shares denominated in RMB	1,925,765,072.00	5,666,352.00	–	–	5,666,352.00	<b>1,931,431,424.00</b>
Foreign shares listed overseas	919,072,704.00	–	–	–	–	<b>919,072,704.00</b>
	2,844,837,776.00	5,666,352.00	–	–	5,666,352.00	<b>2,850,504,128.00</b>
	3,697,546,172.00	5,666,352.00	–	–	5,666,352.00	<b>3,703,212,524.00</b>

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (42) Share capital (continued)

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (43) Capital surplus

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Share premium (a)	29,331,688,434.18	132,769,747.73	(19,111,722.98)	<b>29,445,346,458.93</b>
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (b)	316,625,156.93	10,223,094.20	(26,663,614.24)	<b>300,184,636.89</b>
Share-based payment (c)	80,214,210.71	2,526,453.55	(33,680,306.91)	<b>49,060,357.35</b>
Others	(630,424,030.95)	–	–	<b>(630,424,030.95)</b>
	29,098,103,770.87	145,519,295.48	(79,455,644.13)	<b>29,164,167,422.22</b>

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

(a) For the six months ended 30 June 2023, the increase of the capital surplus was mainly the difference between the funds raised less the total par value of shares issued according to the share-based payment plan, and the decrease of the capital surplus was mainly the difference between the consideration paid in transaction of the Group and its minority shareholders and identifiable net assets of the subsidiaries based on continuous calculation from the acquisition date at proportion of shareholding after transaction.

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

(b) For the six months ended 30 June 2023 and six months ended 30 June 2022, changes 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.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (43) Capital surplus (continued)

(c) *Share-based payment*

(i) Summary

According to the 2019 Stock Option Incentive Plan of Shanghai Pharmaceuticals Holding Co., Ltd. ("Incentive Plan") approved by the resolution of the 2019 first extraordinary shareholders' meeting held on 18 December 2019, the Company would grant stock options to its directors, senior management, middle management and core technical and business backbones ("incentive recipients"), and it was estimated that approximately 28,420,000.00 stock options would be granted. On 19 December 2019, 25,680,000.00 stock options were granted for the first time ("First Granting").

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

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

Pursuant to the Announcement on Adjusting the List of Incentive Objects and the Quantity of Options in the 2019 A-Share Stock Option Incentive Plan and Cancelling of Part of Options approved by resolutions of the 36th meeting of the 7th Board of Directors held on 9 January 2023, the Company adjusted a total of 22,735,520.00 stock options First Granting, and a total of 2,290,000.00 stock options Reserved Granting.

Pursuant to the Announcement on Cancellation of Expired and Unexercised Stock Options of the first exercise period First Granting of the Company's 2019 A-share Stock Option Incentive Plan approved by resolutions of the 37th meeting of the 7th Board of Directors held on 30 March 2023, the Company cancelled a total of 4,324,659.00 expired and unexercised stock options of the first exercise period First Granting.

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (43) Capital surplus (continued)

#### (c) Share-based payment (continued)

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

	Six months ended 30 June 2023	Six months ended 30 June 2022
Number of outstanding stock options issued at the beginning of the period	<b>23,158,066.00</b>	28,330,000.00
Number of stock options granted in the current period	–	–
Number of stock options exercised in the current period	<b>(5,666,352.00)</b>	(1,698,200.00)
Number of stock options expired in the current period	<b>(5,287,259.00)</b>	(2,341,880.00)
Number of outstanding stock options issued at the end of the period	<b>12,204,455.00</b>	24,289,920.00
Share-based payment expenses in the current period	<b>2,526,453.55</b>	10,922,309.48
Accumulated share-based payment expenses	<b>91,825,137.60</b>	78,228,861.80

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

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

	Reserved Granting	First Granting
Exercise price of stock options	RMB20.16	RMB18.41
Current price of the underlying stocks	RMB19.00	RMB18.08
Estimated volatility of the share price	28.65% ~ 32.18%	29.14% ~ 34.76%
Estimated dividend yields	2.03%	1.72%
Risk-free interest rate	2.92% ~ 3.06%	2.75% ~ 2.95%
Validity period of options	The validity period of options is from the registration date of granting to the date of exercise or cancellation of all options in each batch and shall not exceed 5 years.	

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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 statements of financial position		Other comprehensive income for the six months ended 30 June 2023 income statement					
	31 December 2022	Converted from OCI into retained earnings	30 June 2023	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	13,635,672.70	-	(31,468,912.40)	(45,104,585.10)	-	-	(45,104,585.10)	-
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	(571,770.70)	-	(593,589.54)	(21,818.84)	-	-	(21,818.84)	-
Effective part of profit and loss of cash flow hedging	11,837,636.72	-	10,746,487.67	(1,091,149.05)	-	-	(1,091,149.05)	-
Provision for impairment of receivables financing	5,372,868.99	-	4,658,141.41	(809,908.44)	-	125,146.54	(714,727.58)	29,965.68
Differences arising from translation of foreign currency financial statements	(401,598,071.63)	-	(481,583,037.56)	(75,946,945.56)	-	-	(79,984,965.93)	4,038,020.37
	(371,323,663.92)	-	(498,240,910.42)	(122,974,406.99)	-	125,146.54	(126,917,246.50)	4,067,986.05

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(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 statements of financial position		Other comprehensive income for the six months ended 30 June 2022 income statement					
	31 December 2021	Converted from OCI into retained earnings	30 June 2022	Amount before income tax	Less: other comprehensive income transferred out this period	Less: income tax expense	Attributable to the Company after tax	Attributable to minority shareholders
Other comprehensive income items which will not be reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified to profit and loss								
Changes in fair value of other equity instrument investments	(14,459,439.68)	-	(35,793,822.46)	(21,334,382.78)	-	-	(21,334,382.78)	-
Other comprehensive income items which will be reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	(336,899.65)	-	(480,988.68)	(144,089.03)	-	-	(144,089.03)	-
Effective part of profit and loss of cash flow hedging	11,147,712.98	-	9,331,335.66	(1,816,377.32)	-	-	(1,816,377.32)	-
Provision for impairment of receivables financing	2,373,068.10	-	4,746,526.88	2,431,985.55	-	(246,448.26)	2,373,458.78	(187,921.49)
Differences arising from translation of foreign currency financial statements	(143,118,647.94)	-	(284,566,386.82)	(145,424,236.23)	-	-	(141,447,738.88)	(3,976,497.35)
	(144,394,206.19)	-	(306,763,335.42)	(166,287,099.81)	-	(246,448.26)	(162,369,129.23)	(4,164,418.84)

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (45) Surplus reserve

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Statutory surplus reserve	2,041,044,143.60	–	–	<b>2,041,044,143.60</b>
Discretionary surplus reserve	117,763,127.56	–	–	<b>117,763,127.56</b>
	2,158,807,271.16	–	–	<b>2,158,807,271.16</b>

  

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

### (46) Undistributed profits

	Six months ended 30 June 2023	Six months ended 30 June 2022
Undistributed profits at the beginning of the period	<b>32,479,872,339.12</b>	28,598,598,034.67
Add: net profit attributable to shareholders of the Company	<b>2,609,821,842.28</b>	3,695,606,535.71
Less: Dividends declared (a)	<b>(2,258,992,103.23)</b>	(1,552,494,013.56)
Undistributed profits at the end of the period	<b>32,830,702,078.17</b>	30,741,710,556.82

- (a) On 29 June 2023, through consideration and approval at the Company's Annual General Meeting of year 2022, based on the total share capital on the date of equity distribution registration, cash dividends of RMB0.61 per share(including tax) were distributed to all shareholders at RMB2,258,992,103.23.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(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 2023	Six months ended 30 June 2022
Main operations revenue	<b>132,101,736,566.16</b>	111,321,711,417.40
Other operations revenue	<b>490,420,757.21</b>	385,752,910.24
	<b>132,592,157,323.37</b>	111,707,464,327.64

  

	Six months ended 30 June 2023	Six months ended 30 June 2022
Main operations cost	<b>115,272,219,053.02</b>	96,484,688,636.77
Other operations cost	<b>261,273,077.88</b>	193,790,194.32
	<b>115,533,492,130.90</b>	96,678,478,831.09

#### (a) Main operations revenue and main operations cost

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
Domestic sales	<b>130,346,500,316.64</b>	<b>114,072,517,854.35</b>	109,805,493,890.15	95,497,407,345.83
Foreign sales	<b>1,755,236,249.52</b>	<b>1,199,701,198.67</b>	1,516,217,527.25	987,281,290.94
	<b>132,101,736,566.16</b>	<b>115,272,219,053.02</b>	111,321,711,417.40	96,484,688,636.77

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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 analysed by industry as follows:

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Main operations revenue	Main operations cost	Main operations revenue	Main operations cost
Production	14,698,720,305.14	5,659,975,566.84	13,049,728,473.61	5,363,233,961.78
Distribution	118,825,641,794.17	111,527,670,875.15	99,156,536,947.52	92,127,471,136.40
Retail	4,261,796,082.26	3,752,513,861.37	3,530,625,092.45	3,093,261,086.10
Others	94,981,899.96	76,698,280.36	58,871,626.55	44,737,530.22
Elimination	(5,779,403,515.37)	(5,744,639,530.70)	(4,474,050,722.73)	(4,144,015,077.73)
	<b>132,101,736,566.16</b>	<b>115,272,219,053.02</b>	111,321,711,417.40	96,484,688,636.77

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

### (48) Taxes and surcharges

	Six months ended	Six months ended	
	30 June 2023	30 June 2022	Tax base
City maintenance and construction tax	136,946,583.26	152,178,434.19	Please refer to Note 3 (1)
Education surcharges	108,245,730.80	115,221,475.65	
Stamp duty	66,977,077.85	56,618,521.35	
Real estate tax	47,078,717.20	35,031,527.87	
Land use tax	12,514,819.10	10,607,645.23	
Others	5,409,972.46	4,793,039.48	
	<b>377,172,900.67</b>	374,450,643.77	

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (49) Selling expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Promotion and advertising costs	<b>3,820,669,807.21</b>	3,331,855,615.00
Employee benefits expenses	<b>2,168,156,597.81</b>	1,933,128,962.48
Travelling and meeting expenses	<b>599,591,176.67</b>	516,783,126.52
Amortisation of right-of-use assets	<b>162,009,530.57</b>	167,098,278.14
Office expenses	<b>106,825,858.39</b>	88,216,844.91
Rental fees	<b>95,781,559.71</b>	89,026,367.21
Amortisation of intangible assets	<b>92,374,053.13</b>	101,745,686.89
Depreciation of fixed assets	<b>78,053,810.90</b>	103,693,540.96
Others	<b>609,413,098.35</b>	462,949,803.27
	<b>7,732,875,492.74</b>	6,794,498,225.38

### (50) General and administrative expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Employee benefits expenses	<b>1,612,831,075.62</b>	1,341,205,209.25
Depreciation of fixed assets	<b>166,245,353.44</b>	151,406,101.42
Travelling and meeting expenses	<b>124,052,573.07</b>	74,663,454.47
Amortisation of right-of-use assets	<b>99,076,248.29</b>	105,883,547.28
Amortisation of intangible assets	<b>62,743,370.92</b>	66,900,879.92
Maintenance expenses	<b>56,570,979.81</b>	40,582,424.93
Office expenses	<b>54,773,287.40</b>	45,482,439.69
Rental fees	<b>45,239,223.74</b>	43,146,210.41
Others	<b>541,205,254.50</b>	452,416,723.95
	<b>2,762,737,366.79</b>	2,321,686,991.32

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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 2023	Six months ended 30 June 2022
Employee benefits expenses	<b>368,323,725.71</b>	331,449,768.08
Technical development expenses	<b>263,593,305.44</b>	198,722,776.09
Materials consumption fee	<b>126,626,688.32</b>	90,052,333.62
Depreciation and amortisation	<b>82,691,340.31</b>	60,586,181.07
Test fees	<b>64,386,788.95</b>	31,513,202.61
Right-of-use assets amortisation	<b>16,175,451.40</b>	18,823,502.04
Others	<b>104,512,591.42</b>	78,524,339.68
	<b>1,026,309,891.55</b>	809,672,103.19

### (52) Finance expenses-net

	Six months ended 30 June 2023	Six months ended 30 June 2022
Loan interest expenses (i)	<b>850,608,114.14</b>	691,677,794.68
Debenture interest expenses	<b>67,613,416.71</b>	98,611,703.26
Lease liabilities interest expenses	<b>44,239,729.93</b>	47,047,917.16
	<b>962,461,260.78</b>	837,337,415.10
Less: Interest income	<b>(212,569,528.64)</b>	(216,796,397.04)
Exchange gains or losses	<b>(19,540,292.67)</b>	(10,636,877.16)
Others	<b>42,868,307.31</b>	39,009,857.87
	<b>773,219,746.78</b>	648,913,998.77

- (i) The Group recognised the cash obtained from the discount of notes receivables that did not satisfy the derecognition criteria as short-term borrowings (Note 4(26)), calculated the interest expense according to the effective interest rate method and included it in the loan interest expenses.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 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 2023	Six months ended 30 June 2022
Raw materials, merchandise and consumables used	<b>112,129,650,832.81</b>	95,096,028,034.81
Changes in inventories of finished goods and work in progress	<b>1,211,898,970.63</b>	(622,379,099.85)
Employee benefits expenses	<b>4,879,316,485.36</b>	4,292,199,437.53
Promotion and advertising costs	<b>3,820,669,807.21</b>	3,331,855,615.00
Travelling and meeting expenses	<b>748,462,728.77</b>	603,384,061.02
Transportation costs	<b>632,937,990.72</b>	504,749,271.02
Depreciation of fixed assets	<b>548,264,991.75</b>	536,625,882.08
Amortisation of right-of-use assets	<b>334,329,125.15</b>	360,372,349.44
Energy and utilities	<b>264,880,965.05</b>	222,953,558.40
Regular maintenance expenses of fixed assets (i)	<b>250,609,991.78</b>	159,888,425.07
Amortisation of intangible assets	<b>188,936,714.96</b>	200,454,651.32
Office expenses	<b>170,934,484.76</b>	140,576,105.84
Rental fees (ii)	<b>169,532,224.13</b>	152,317,776.44
Others	<b>1,704,989,568.90</b>	1,625,310,082.86
	<b>127,055,414,881.98</b>	106,604,336,150.98

- (i) For the daily maintenance and repair expenses of fixed assets that do not meet the criteria of capitalization, the Group includes the costs related to the production and processing of inventories in the costs of inventories and recognised as cost of sales accordingly, and includes the costs related to the research and development department, the administrative department and the sales department in research and development expenses, general and administrative expenses and selling and distribution expenses, respectively.
- (ii) The Group directly recognised the lease payments of short-term lease and low value lease into profit or loss for the current year. For the six months ended 30 June 2023, the amount was RMB169,532,224.13 (For the six months ended 30 June 2022: RMB152,317,776.44).

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (54) Asset impairment reversals

	Six months ended 30 June 2023	Six months ended 30 June 2022
Impairment loss reversal for inventory	<b>80,528,504.33</b>	39,449,430.51
Impairment loss for fixed assets	<b>(14,429,117.83)</b>	–
	<b>66,099,386.50</b>	39,449,430.51

### (55) Credit impairment losses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Impairment (reversal)/loss of notes receivables	<b>72,471.57</b>	878,313.33
Impairment loss of accounts receivables	<b>316,506,768.91</b>	220,298,125.92
Impairment (reversal)/loss of receivables financing	<b>(809,908.44)</b>	2,431,985.55
Impairment loss/(reversal) of other receivables	<b>21,122,261.98</b>	(5,549,222.57)
Impairment reversal of long-term receivables	<b>(575,171.44)</b>	(366,801.09)
	<b>336,316,422.58</b>	217,692,401.14

### (56) Other income

	Six months ended 30 June 2023	Six months ended 30 June 2022	Asset related/ Income related
Government grants and tax refunds	<b>303,786,596.62</b>	89,085,091.83	Asset/Income related
R&D project subsidies	<b>55,471,792.08</b>	38,282,040.80	Asset/Income related
Others	<b>11,097,338.22</b>	8,499,525.00	Asset/Income related
	<b>370,355,726.92</b>	135,866,657.63	

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (57) Investment (loss)/income

	Six months ended 30 June 2023	Six months ended 30 June 2022
Long-term equity investment (loss)/income calculated by equity method	<b>(65,419,338.94)</b>	377,554,964.67
Dividend income gained when other non-current financial assets are held	<b>51,000.00</b>	–
Investment loss on disposal of long-term equity investments	<b>(113,346.30)</b>	(4,289,289.34)
Loss from derecognition of receivables financing	<b>(32,321,426.92)</b>	(25,650,366.09)
Loss on derecognition of financial assets at amortised cost	<b>(101,189,251.80)</b>	(38,368,985.78)
	<b>(198,992,363.96)</b>	309,246,323.46

- (i) For the six months ended 30 June 2023, the Group factored and derecognised a few accounts receivable. The loss included in investment income was RMB101,189,251.80 (for the six months ended 30 June 2022: RMB38,368,985.78).

### (58) Gains arising from changes in fair value

	Six months ended 30 June 2023	Six months ended 30 June 2022
Structural deposits	<b>159,399,906.90</b>	41,675,677.46
Other non-current financial assets	<b>37,442,477.55</b>	(16,284,331.37)
	<b>196,842,384.45</b>	25,391,346.09

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (59) Gains on disposals of assets

	Six months ended 30 June 2023	Six months ended 30 June 2022	Amount classified to non-recurring profit or loss for the Six months ended 30 June 2023
Gains on disposal of fixed assets and intangible assets	<b>66,093,395.12</b>	1,422,724,587.58	66,093,395.12
Others	<b>7,652,331.48</b>	4,455,076.59	7,652,331.48
	<b>73,745,726.60</b>	1,427,179,664.17	73,745,726.60

### (60) Non-operating income

	Six months ended 30 June 2023	Six months ended 30 June 2022	Amount classified to non-recurring profit or loss for the Six months ended 30 June 2023
Penalty and compensation from suppliers	<b>2,996,973.39</b>	226,633.55	2,996,973.39
Others	<b>15,108,633.59</b>	9,775,060.79	15,108,633.59
	<b>18,105,606.98</b>	10,001,694.34	18,105,606.98

### (61) Non-operating expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022	Amount classified to non-recurring profit or loss for the Six months ended 30 June 2023
Donation	<b>27,083,613.67</b>	15,933,422.03	27,083,613.67
Penalty and litigation expenses	<b>8,579,570.74</b>	30,007,104.05	8,579,570.74
Relocating loss and others	<b>6,734,149.05</b>	5,302,771.62	6,734,149.05
	<b>42,397,333.46</b>	51,243,297.70	42,397,333.46

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (62) Income tax expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Current income tax calculated according to tax law and related regulations	<b>1,247,637,529.31</b>	1,079,400,804.77
Deferred income tax	<b>(130,846,043.90)</b>	114,342,716.46
	<b>1,116,791,485.41</b>	1,193,743,521.23

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 2023	Six months ended 30 June 2022
Total profit	<b>4,533,792,505.39</b>	5,757,962,951.48
Income tax expenses calculated at applicable tax rate	<b>1,133,448,126.33</b>	1,439,490,737.87
Effect of favourable tax rates	<b>(221,793,478.35)</b>	(293,576,870.18)
Loss/(Income) not subject to tax	<b>15,885,837.61</b>	(93,974,658.34)
Costs, expenses and losses not deductible for tax purposes	<b>113,883,426.87</b>	78,282,819.28
Additional deduction	<b>(100,930,888.95)</b>	(94,000,448.54)
Utilisation of previously tax losses not recognised as deferred tax assets	<b>(18,827,902.38)</b>	(19,838,259.66)
Tax losses for which no deferred income tax asset was recognised	<b>195,126,364.28</b>	177,360,200.80
Income tax expenses	<b>1,116,791,485.41</b>	1,193,743,521.23

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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 net profit attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding.

	Six months ended 30 June 2023	Six months ended 30 June 2022
Consolidated net profit attributable to ordinary shareholders of the Company	<b>2,609,821,842.28</b>	3,695,606,535.71
Weighted average numbers of ordinary shares outstanding	<b>3,699,303,699.17</b>	3,269,007,816.00
Basic earnings per share	<b>0.71</b>	1.13

(b) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary share by the adjusted weighted average numbers of ordinary shares outstanding. For the six months ended 30 June 2023, the potentially diluted common stock of the Company is the stock option granted in 2019 and 2020 (for the six months ended 30 June 2022: the potentially diluted common stock of the Company is the stock option granted in 2019).

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

	Six months ended 30 June 2023	Six months ended 30 June 2022
Deposits, guarantees, current accounts and advances	<b>1,288,878,032.23</b>	514,782,464.48
Specific funds and government grants	<b>400,350,596.09</b>	152,561,466.45
Interest income	<b>210,093,033.43</b>	200,511,601.47
Other non-operating income	<b>16,996,817.06</b>	8,507,325.56
Others	<b>11,673,420.88</b>	8,938,393.25
	<b>1,927,991,899.69</b>	885,301,251.21

#### (b) Cash paid relating to other operating activities

	Six months ended 30 June 2023	Six months ended 30 June 2022
Daily expenses	<b>5,502,853,695.33</b>	5,051,828,867.76
Payments for current accounts and advances	<b>675,863,181.48</b>	1,049,036,307.73
Bank charge	<b>40,269,020.05</b>	33,421,496.36
Non-operating expenses	<b>29,343,926.76</b>	22,127,548.74
Others	<b>24,067,157.61</b>	5,250,168.43
	<b>6,272,396,981.23</b>	6,161,664,389.02

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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)

(c) Cash received relating to other investing activities

	Six months ended 30 June 2023	Six months ended 30 June 2022
Withdrawal of time deposits due over three months	722,225,154.79	466,223,899.99
Demolition compensation	100,000,000.00	–
Withdrawal of notes pledge	7,896,882.86	75,429,708.39
Others	–	9,559,211.48
	<b>830,122,037.65</b>	551,212,819.86

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2023	Six months ended 30 June 2022
Increase of time deposits due over three months	370,000,000.00	209,341,000.00
Loan to associates	35,731,800.00	–
Notes pledge	7,430,000.00	–
Net cash outflow from disposal of subsidiaries	3,738,520.26	–
Demolition expenses	–	218,173,778.90
Capital increase in associates	–	127,678,680.00
Others	1,572.51	5,100,000.00
	<b>416,901,892.77</b>	560,293,458.90

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(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 2023	Six months ended 30 June 2022
Subsidiaries borrowed from their minority shareholders	75,290,000.00	129,000,439.48
Related party transactions	–	150,000,000.00
Others	337,140.23	6,752,296.23
	<b>75,627,140.23</b>	285,752,735.71

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2023	Six months ended 30 June 2022
Refund from subsidiaries to their minority shareholders	953,623,199.36	107,045,963.16
Repayment for lease liabilities	373,745,631.96	357,167,359.75
Acquisition of minority shares in a subsidiary	38,721,592.00	–
Repayment of related party transactions	–	1,000,000,000.00
Return of non-public issuance pledge	–	130,000,000.00
	<b>1,366,090,423.32</b>	1,594,213,322.91

For the six months ended 30 June 2023, total cash outflows for leases paid by the Group amounted to RMB543,277,856.09 (As at 30 June 2022: RMB509,485,136.19), 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 2023

(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 2023	Six months ended 30 June 2022
Net profit	<b>3,417,001,019.98</b>	4,564,219,430.25
Add: Reversal for asset impairment	<b>(66,099,386.50)</b>	(39,449,430.51)
Credit impairment provision	<b>336,316,422.58</b>	217,692,401.14
Amortisation of right-of-use assets	<b>334,329,125.15</b>	360,372,349.44
Depreciation of fixed assets and investment properties	<b>554,595,413.55</b>	543,044,532.13
Amortisation of intangible assets	<b>188,936,714.96</b>	200,454,651.32
Amortisation of long-term prepaid expenses	<b>99,430,291.90</b>	85,136,528.84
Depreciation of bearer biological assets	<b>1,943,152.35</b>	4,674,695.52
Gain on disposal of fixed assets, intangible assets and other long-term assets	<b>(73,745,726.60)</b>	(1,427,179,664.17)
Profit arising from changes in fair value	<b>(196,842,384.45)</b>	(25,391,346.09)
Finance expenses	<b>963,410,193.84</b>	838,326,090.43
Investment income	<b>65,481,685.24</b>	(373,265,675.33)
Increase in deferred tax assets	<b>(63,856,309.30)</b>	(65,961,077.03)
(Decrease)/increase in deferred tax liabilities	<b>(66,602,557.83)</b>	180,550,241.75
Decrease/(increase) in inventories	<b>1,457,633,256.60</b>	(597,243,822.46)
Increase in operating receivables	<b>(10,544,239,123.58)</b>	(8,098,163,984.59)
Increase in operating payables	<b>5,230,732,160.03</b>	3,076,003,018.87
Net cash flows from/(used in) operating activities	<b>1,638,423,947.92</b>	(556,181,060.49)

Net increase in cash and cash equivalents

	Six months ended 30 June 2023	Six months ended 30 June 2022
Cash and cash equivalents at the end of the period	<b>28,688,336,307.72</b>	24,480,504,417.38
Less: Cash and cash equivalents at the beginning of the period	<b>(24,533,891,305.82)</b>	(20,137,500,219.76)
Net increase in cash and cash equivalents	<b>4,154,445,001.90</b>	4,343,004,197.62

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(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 or disposal of subsidiaries  
(i) Acquisition of subsidiaries

	Six months ended 30 June 2023
Cash and cash equivalents paid for company combination this period	149,000,000.00
Less: Cash and cash equivalents held by the subsidiaries on the date of purchase	(34,016,534.98)
Add: Cash and cash equivalents paid for company combination in the earlier stage Including: Jiangsu Runtian Biochemical Medicine Co., Ltd.	36,000,000.00 36,000,000.00
Net cash outflow for acquiring the subsidiaries	150,983,465.02
Price of acquiring the subsidiaries for the six months ended 30 June 2023 SPH Hunan Pharmaceutical Biologics Co.,Ltd	149,000,000.00
Price of acquiring the subsidiaries in the earlier stage Jiangsu Runtian Biochemical Medicine Co., Ltd.	360,000,000.00

Net assets of subsidiaries at acquisition date

	Six months ended 30 June 2023
Current assets	772,505,706.54
Non – current assets	12,412,943.85
Current liabilities	(583,395,077.96)
Non – current liabilities	(5,412,851.62)
	196,110,720.81

# Notes to the Financial Statements

For the six months ended 30 June 2023

(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 or disposal of subsidiaries (continued)

(ii) Disposal of subsidiaries

	Six months ended 30 June 2023
Cash and cash equivalents generated from disposal of subsidiaries this year	5,607,780.38
Less: Cash and cash equivalents held by the subsidiaries on the date of disposal	(9,346,300.64)
Net cash inflow for disposal of the subsidiaries	(3,738,520.26)
Price for disposal of the subsidiaries for six months ended 30 June 2023 Shanghai SPH Sine Pharmaceutical Jiufu Co., Ltd.	5,607,780.38

Net assets of subsidiaries at disposal date

	Six months ended 30 June 2023
Current assets	9,346,300.64
Non – current assets	121,596.30
Current liabilities	–
Non – current liabilities	–
	9,467,896.94

(c) Cash and cash equivalents

	30 June 2023	31 December 2022
Cash	28,688,336,307.72	24,533,891,305.82
Including: Cash on hand	4,909,826.86	5,257,740.96
Cash at bank that can be readily drawn on demand	28,683,426,480.86	24,528,633,564.86
Cash and cash equivalents at the end of the period	28,688,336,307.72	24,533,891,305.82

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (66) Foreign currency items

	30 June 2023		
	Foreign currency balance	Exchange rate	RMB balance
Cash at bank and on hand —			
USD	53,283,540.92	7.2258	385,016,209.98
HKD	3,465,836.98	0.9220	3,195,501.70
AUD	4,760,520.49	4.7992	22,846,689.94
EUR	977,981.26	7.8771	7,703,656.18
Others	451,670,676.56	—	26,375,443.80
			445,137,501.60
Accounts receivables—			
USD	26,348,294.86	7.2258	190,387,509.00
HKD	3,045,096.54	0.9220	2,807,579.01
AUD	9,121,980.69	4.7992	43,778,209.73
NZD	11,958,932.60	4.4003	52,622,891.12
EUR	1,917,013.66	7.8771	15,100,508.30
Others	2,577,342,291.25	—	33,956,575.07
			338,653,272.23
Other receivables—			
USD	1,197,914.37	7.2258	8,655,889.65
HKD	4,743,757.75	0.9220	4,373,744.65
EUR	138,497.76	7.8771	1,090,960.71
Others	80,804,667.53	—	995,366.22
			15,115,961.23

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (66) Foreign currency items (continued)

	30 June 2023		
	Foreign currency balance	Exchange rate	RMB balance
Short-term borrowings—			
USD	2,100,000.00	7.2258	15,174,180.00
NZD	2,809,539.25	4.4003	12,362,815.56
EUR	55,052.83	7.8771	433,656.65
			27,970,652.21
Accounts payables—			
USD	15,535,610.54	7.2258	112,257,214.64
HKD	2,869,862.43	0.9220	2,646,013.16
AUD	3,824,881.22	4.7992	18,356,369.95
NZD	13,170,120.63	4.4162	58,161,886.73
EUR	5,275,172.95	7.8771	41,553,064.84
			232,974,549.32
Other payables—			
USD	8,427,172.39	7.2258	60,893,062.26
HKD	54,492,733.99	0.9220	50,242,300.74
AUD	61,693,293.88	4.7992	296,078,455.99
NZD	9,736,314.47	4.4162	42,997,511.96
EUR	54,208.97	7.8771	427,009.48
Others	1,706,341,970.53	—	20,646,737.84
			471,285,078.27

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### (66) Foreign currency items (continued)

	30 June 2023		
	Foreign currency balance	Exchange rate	RMB balance
Current portion of long-term borrowings—			
USD	320,757,433.86	7.2258	2,317,729,065.59
EUR	171,428.48	7.8771	1,350,359.28
			2,319,079,424.87
Current portion of lease liabilities—			
USD	549,912.50	7.2258	3,973,557.74
HKD	6,911,630.26	0.9220	6,372,523.10
AUD	429,582.47	4.7992	2,061,652.19
NZD	3,893,698.00	4.4003	17,133,439.31
Others	1,167,073.00	—	237,382.65
			29,778,554.99
Long-term borrowings—			
NZD	55,101,082.95	4.4003	242,461,295.30
EUR	187,497.50	7.8771	1,476,936.56
			243,938,231.86
Lease liabilities—			
USD	668,762.72	7.2258	4,832,345.66
HKD	1,580,831.38	0.9220	1,457,526.53
AUD	1,087,344.87	4.7992	5,218,385.50
NZD	34,029,062.00	4.4003	149,738,081.52
Others	1,767,935.99	—	359,598.18
			161,605,937.39

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER SUBJECTS

### (1) Equity in significant subsidiaries

(a) The structure of the Group

Name of significant subsidiaries	Place of operation	Place of registration	Principal activities	Issued and paid up capital/ registered capital	Share proportion		Acquisition method
					Direct	Indirect	
Shanghai Pharmaceutical Co., Ltd. (上海藥控有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	5,000,000,000	100.00%	-	Subsidiaries established through establishment or investment
SPH Keyuan Xinhai Pharmaceutical Co., Ltd. (上海科園信海醫藥有限公司)	Beijing	Haikou	Distribution of pharmaceutical products	1,300,000,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
China International Pharmaceutical (Holdings) Limited (中國國際醫藥控股)有限公司	Hong Kong	Hong Kong	Distribution of pharmaceutical products	22,508,000	100.00%	-	Subsidiaries established through establishment or investment
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd. (上海上藥信誼藥廠有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	1,191,611,000	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd. (上海上藥第一生化藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	225,000,000	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhongyi Sunve Pharmaceutical Co., Ltd. (上海中西三維藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	545,800,000	65.13%	34.87%	Subsidiaries established through establishment or investment
Shanghai SPH New Asiatic Pharmaceutical Co., Ltd. (上海上藥新亞藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	1,052,429,000	96.90%	-	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Changzhou Pharmaceutical Co., Ltd. (上海藥業常州藥業股份有限公司)	Changzhou	Changzhou	Pharmaceutical products manufacture and trading	157,580,506	57.36%	18.53%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Traditional Chinese Medicine Co., Ltd. (上海市藥材有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	1,476,070,000	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhonghua Pharmaceutical Co., Ltd. (上海中華藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	93,642,000	100.00%	-	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Qingdao Growful Pharmaceutical Co., Ltd. (上海醫藥集團青島國風藥業股份有限公司)	Qingdao	Qingdao	Pharmaceutical products manufacture and trading	93,000,000	67.52%	-	Subsidiaries obtained through business combinations involving enterprises under common control
Chiatai Qingchunbao Pharmaceutical Co., Ltd. (正大青春寶藥業有限公司)	Huzhou	Huzhou	Pharmaceutical products manufacture and trading	128,500,000	20.00%	55.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Hangzhou Huqingyutang Pharmaceutical Co., Ltd. (杭州胡慶鈺堂藥業有限公司)	Hangzhou	Hangzhou	Pharmaceutical products manufacture and trading	135,000,000	-	51.01%	Subsidiaries obtained through business combinations involving enterprises under common control

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 5 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 registration	Principal activities	Issued and paid up capital/ registered capital	Share proportion		Acquisition method
					Direct	Indirect	
Xiamen Traditional Chinese Medicine Co., Ltd. (廈門中藥廠有限公司)	Xiamen	Xiamen	Pharmaceutical products manufacture and trading	200,000,000	–	61.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Liaoning SPH Herbapecex Pharmaceutical (Group) Co., Ltd. (遼寧上藥好護士藥業集團) 有限責任公司	Benxi	Benxi	Pharmaceutical products manufacture and trading	102,000,000	55.00%	–	Subsidiaries obtained through business combinations involving enterprises under common control
SHANGHAI SUNVE BIO-TECH CO LTD. (上海三維生物技術有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	USD 15,343,300	–	100.00%	Subsidiaries established through establishment or investment
TECHPOOL Bio-Pharma Co., Ltd. (廣東沃普生化醫藥股份有限公司)	Guangzhou	Guangzhou	Pharmaceutical products manufacture and trading	100,000,000	39.28%	27.86%	Subsidiaries obtained through business combinations involving enterprises not under common control
Zeus Investment Limited	Hong Kong	Hong Kong	Investment holding practices	AUD 319,208,250	–	59.61%	Subsidiaries established through establishment or investment
Shanghai Medical Instruments Co., Ltd. (上海醫療器械股份有限公司)	Shanghai	Shanghai	Medical instruments manufacture and trading	327,000,000	99.21%	0.79%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Kony (Changzhou) Co., Ltd. (上藥康麗(常州)藥業有限公司)	Changzhou	Changzhou	Pharmaceutical products manufacture and trading	14,946,380	100.00%	–	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai Lei Yun Shang Pharmaceutical Co., Ltd. (上海雷允上藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	465,070,000	–	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Tianping Pharmaceutical Company Ltd. (上海信誼天平藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	154,700,000	–	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
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	50,000,000	–	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Sine Wanxiang Pharmaceutical Co., Ltd. (上海信誼萬象藥業股份有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	100,000,000	–	89.92%	Subsidiaries obtained through business combinations involving enterprises under common control
SHANDONG SINE PHARMACEUTICAL CO LTD (山東信誼製藥有限公司)	Dezhou	Dezhou	Pharmaceutical products manufacture and trading	177,406,159	–	67.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai New Asiatic Medicine Industry Minhang Co., Ltd. (上海新亞藥業閩行有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	57,500,000	–	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 5 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 registration	Principal activities	Issued and paid up capital/ registered capital	Share proportion		Acquisition method
					Direct	Indirect	
Liaoning Meiya Pharmaceutical Co., Ltd. (遼寧美亞製藥有限公司)	Fushun	Fushun	Pharmaceutical products manufacture and trading	300,000,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Shanghai Zhongxi Pharmaceutical Co., Ltd. (上海上藥中西製藥有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	148,200,000	-	90.00%	Subsidiaries established through establishment or investment
Shanghai Huoyu Pharmaceutical Co., Ltd. (上海上藥華宇製藥有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	270,060,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Shenxiang Health Pharmaceutical Co., Ltd. (上海上藥神象健康藥業有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	150,000,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH Xing Ling Sci.&Tech. Pharmaceutical Co., Ltd. (上海上藥杏靈科技藥業股份有限公司)	Shanghai	Shanghai	Pharmaceutical products manufacture and trading	80,000,000	-	86.31%	Subsidiaries obtained through business combinations involving enterprises under common control
Zhejiang Jiuxu Pharmaceutical Co., Ltd. (浙江上藥九旭藥業有限公司)	Jinhua	Jinhua	Pharmaceutical products manufacture and trading	25,000,000	-	51.00%	Subsidiaries obtained through business combinations involving enterprises under common control
Changzhou Pharmaceutical Factory Co., Ltd. (常州製藥廠有限公司)	Changzhou	Changzhou	Pharmaceutical products manufacture and trading	108,000,000	-	77.78%	Subsidiaries obtained through business combinations involving enterprises not under common control
Chifeng Aike Pharmaceutical Technology Co., Ltd. (赤峰艾克製藥科技股份有限公司)	Chifeng	Chifeng	Pharmaceutical products manufacture and trading	40,900,000	-	58.19%	Subsidiaries obtained through business combinations involving enterprises under common control
SPH (benxi) North Pharmaceutical Co., Ltd. (上海醫藥集團(本溪)北方藥業有限公司)	Benxi	Benxi	Research and development, manufacture and distribution of medicine	380,000,000	100.00%	-	Subsidiaries established through establishment or investment
Zhejiang Shanghai Xixin Pharma Co., Ltd. (浙江上藥新欣醫藥有限公司)	Hangzhou	Hangzhou	Distribution of pharmaceutical products	37,880,000	-	67.00%	Subsidiaries established through establishment or investment
Ningbo Pharmaceutical Co., Ltd. (上藥控股寧波醫藥股份有限公司)	Ningbo	Ningbo	Distribution of pharmaceutical products	250,000,000	-	63.61%	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai Pharmaceutical Shanhe Wuxi Co., Ltd. (上海控股江蘇醫藥股份有限公司)	Wuxi	Wuxi	Distribution of pharmaceutical products	119,224,505	-	98.11%	Subsidiaries obtained through business combinations involving enterprises not under common control
Guang Zhou Z.S.Y Pharmaceutical Co., Ltd. (上藥控股廣東有限公司)	Guangzhou	Guangzhou	Distribution of pharmaceutical products	76,880,000	-	82.59%	Subsidiaries obtained through business combinations involving enterprises not under common control

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 5 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 registration	Principal activities	Issued and paid up capital/ registered capital	Share proportion		Acquisition method
					Direct	Indirect	
SPH Shan Dong Pharmaceutical Co., Ltd. (上藥控股山東有限公司)	Jinan	Jinan	Distribution of pharmaceutical products	200,000,000	-	75.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Fujian Pharmaceutical Co., Ltd. (福建省醫藥有限公司) (Note 1)	Fuzhou	Fuzhou	Distribution of pharmaceutical products	109,716,000	-	49.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Cardinal Health (Shanghai) Pharmaceutical Co., Ltd. (上藥康德藥上海醫藥有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	98,634,700	-	100.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. (上藥華西(四川)醫藥有限公司)	Chengdu	Chengdu	Distribution of pharmaceutical products	36,734,700	-	51.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai Huashi P. CO., LTD. (上海華氏大藥房有限公司)	Shanghai	Shanghai	Distribution of pharmaceutical products	350,000,000	-	100.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Shanghai Pharmaceutical Holding Yunnan Co., Ltd. (上藥控股雲南有限公司)	Kunming	Kunming	Distribution of pharmaceutical products	53,333,333	-	70.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
SPH Keyuan Xinhai Pharmaceutical Hubei Co., Ltd. (上藥科園信海醫藥湖北有限公司)	Wuhan	Wuhan	Distribution of pharmaceutical products	100,000,000	-	60.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
SPH Keyuan Xinhai Pharmaceutical Shanxi Co., Ltd. (上藥科園信海醫藥山西有限公司)	Xi'an	Xi'an	Distribution of pharmaceutical products	100,000,000	-	85.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
Henan Kangxin Pharmaceutical Co., Ltd. (上藥科園信海河南醫藥有限公司)	Zhengzhou	Zhengzhou	Distribution of pharmaceutical products	100,000,000	-	70.00%	Subsidiaries obtained through business combinations involving enterprises not under common control
China Medical Foreign Trading Liao Ning Co., Ltd. (遼寧省醫藥對外貿易有限公司)	Shenyang	Shenyang	Distribution of pharmaceutical products	282,012,500	53.86%	-	Subsidiaries obtained through business combinations involving enterprises not under common control

Note 1: The Company's directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of the subsidiary although its equity interests in it were not greater than 50%, after considering the facts that the majority of the executive directors of these subsidiaries were representatives of the Group.

Note 2: Except SPH Changzhou Pharmaceutical Co., Ltd., SPH Qingdao Growful Pharmaceutical Co., Ltd., TECHPOOL Bio-Pharma Co., Ltd., Shanghai Sine Wanxiang Pharmaceutical Co., Ltd., SPH Xing Ling Sci.&Tech. Pharmaceutical Co., Ltd., Chifeng Aike Pharmaceutical Technology Co., Ltd, Ningbo Pharmaceutical Co., Ltd. and Shanghai Pharmaceutical Shanhe Wuxi Co., Ltd., whose corporate category is incorporated company by shares, all of the above mentioned subsidiaries are limited liability companies.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 5 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	Comprehensive income attributable to minority interests for the six months ended 30 June 2023	Dividends distributed to minority interests for the six months ended 30 June 2023 (i)	Minority interests on 30 June 2023
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	24.11%	93,420,280.12	22,260,000.00	1,123,931,797.78
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd and its subsidiaries	49.00%	17,990,909.55	-	1,118,017,942.39

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

	30 June 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries (i)	3,726,239,712.86	1,499,097,432.15	5,225,337,145.01	(2,198,686,535.76)	(88,148,743.75)	(2,286,835,279.51)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd and its subsidiaries (ii)	2,649,713,923.70	460,634,440.72	3,110,348,364.42	(769,473,848.02)	(73,903,740.35)	(843,377,588.37)

	31 December 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,522,057,581.62	1,410,327,050.23	4,932,384,631.85	(2,131,211,667.03)	(36,670,431.67)	(2,167,882,098.70)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd. and its subsidiaries	2,458,588,770.27	484,146,465.26	2,942,735,235.53	(628,693,632.57)	(83,981,545.16)	(712,675,177.73)

(i) As at and for the six months ended 31 December 2023, the Company's equity and net comprehensive income to minority interests presented in the consolidated statements of financial position were approximately RMB547,448,936.63 and RMB60,748,656.07.

(ii) As at and for the six months ended 31 December 2023, the Company's equity and net comprehensive loss to minority interests presented in the consolidated statements of financial position were approximately RMB14,122,082.60 and RMB175,012.91.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER SUBJECTS (continued)

### (1) Equity in significant subsidiaries (continued)

(b) Subsidiaries with significant minority interests (continued)

	Six months ended 30 June 2023			
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	3,326,036,583.03	196,259,332.36	196,259,332.36	(218,705,160.21)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd and its subsidiaries	2,021,171,512.70	36,886,365.29	36,898,298.24	(124,791,873.73)
Six months ended 30 June 2022				
	Revenue	Net profit	Total comprehensive income	Net cash flows from operating activities
SPH Changzhou Pharmaceutical Co., Ltd. and its subsidiaries	2,974,931,874.24	111,860,141.61	111,799,290.14	(86,414,467.81)
SPH Huaxi (Sichuan) Pharmaceutical Co., Ltd and its subsidiaries	1,735,729,575.55	42,884,419.60	42,884,419.60	26,853,224.30

### (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. (中美上海施貴實製藥有限公司)	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 2023

(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER SUBJECTS (continued)

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

(b) Summarised financial information of significant joint ventures

	30 June 2023 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.	31 December 2022 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.
Current assets	1,639,802	1,481,305
Including: Cash and cash equivalents	329,799	234,886
Non-current assets	544,680	565,854
<b>Total assets</b>	<b>2,184,482</b>	2,047,159
Current liabilities	1,185,660	1,030,381
Non-current liabilities	497,578	32,311
<b>Total liabilities</b>	<b>1,683,238</b>	1,062,692
Minority interests	–	–
Equity attributable to shareholders of the company	501,244	984,467
Share of net assets in proportion of shareholdings (i)	250,622	492,234
Carrying amount of investments in joint ventures	250,622	492,234
Fair value of the investment in joint ventures with quoted price	<b>Not applicable</b>	Not applicable

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER SUBJECTS (continued)

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

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

	Six months ended 30 June 2023 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.	Six months ended 30 June 2022 RMB'000 Shanghai Hutchison Pharmaceutical Co., Ltd.
Revenue	1,616,499	1,361,975
Finance (expense)/income	(4,606)	3,312
Income tax expenses	(94,779)	(71,419)
Net profit	480,483	428,601
Other comprehensive income	–	–
<b>Total comprehensive income</b>	<b>480,483</b>	428,601
Dividends declared by the joint ventures to the Group	481,853	150,000

- (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 2023

(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER SUBJECTS (continued)

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

(c) Summarized financial information of significant associates

	30 June 2023		31 December 2022	
	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	6,494,812	934,724	7,877,338	1,081,057
Non-current assets	2,277,555	482,996	2,501,362	533,746
<b>Total assets</b>	<b>8,772,367</b>	<b>1,417,720</b>	10,378,700	1,614,803
Current liabilities	3,845,278	798,963	5,068,548	857,104
Non-current liabilities	54,501	761	569,803	1,173
<b>Total liabilities</b>	<b>3,899,779</b>	<b>799,724</b>	5,638,351	858,277
Minority interests	-	-	-	-
Equity attributable to shareholders of the company	4,872,588	617,996	4,740,349	756,526
Share of net assets in proportion of shareholdings (i)	1,461,776	185,399	1,422,105	226,958
Carrying amount of investments in associate	1,461,776	185,399	1,422,105	226,958
Fair value of the investment in associates with quoted price	Not applicable	Not applicable	Not applicable	Not applicable

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 5 EQUITY IN OTHER SUBJECTS (continued)

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

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

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	RMB'000		RMB'000	
	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Shanghai Roche Pharmaceutical Co., Ltd.	Sino-American Shanghai Squibb Pharmaceuticals Ltd.
Revenue	4,556,498	950,661	5,773,312	1,065,900
Net profit	132,238	155,140	274,290	185,431
Other comprehensive income	-	-	-	-
Total comprehensive income	132,238	155,140	274,290	185,431
Dividends declared by the associates to the Group	-	88,101	-	-

- (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 2023

(All amounts in RMB Yuan unless otherwise stated)

## 5 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 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Joint ventures –		
Carrying amount of investments in total	1,785,465	1,728,998
Aggregate of the following items in proportion		
Net profit (i)	(9,858)	4,918
Other comprehensive income (i)	–	–
<b>Total comprehensive income</b>	<b>(9,858)</b>	<b>4,918</b>
Associates –		
Carrying amount of investments in total	4,909,675	5,653,464
Aggregate of the following items in proportion		
Net profit (i)	(381,362)	21,413
Other comprehensive loss (i)	(22)	(144)
<b>Total comprehensive income</b>	<b>(381,384)</b>	<b>21,269</b>

- (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 2023  
(All amounts in RMB Yuan unless otherwise stated)*

## 6 SEGMENT INFORMATION

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

The Group identified 4 reportable segments as follows:

- Pharmaceutical business (Production segment), which is mainly engaged in research and development, manufacturing and sale of a broad range of pharmaceutical and healthcare products;
- Distribution and supply chain solutions (Distribution segment), which is mainly engaged in distribution, warehousing, and other value-added pharmaceutical supply chain solutions and related services to pharmaceutical manufacturers and dispensers;
- Pharmaceutical retail (Retail segment), which is mainly engaged in operation of a network of retail pharmacy stores; and
- Other business operations (Others), which is mainly engaged in other business.

Inter-segment transfer prices are measured by reference to selling prices to third parties. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 6 SEGMENT INFORMATION (continued)

(1) Segment information as at 30 June 2023 and for the six months ended 30 June 2023 is as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
Revenue	14,698,720,305.14	118,825,641,794.17	4,261,796,082.26	693,465,162.76	(5,887,466,020.96)	132,592,157,323.37
Including: External revenue	11,902,285,347.08	116,087,308,871.40	4,236,485,370.45	366,077,734.44	-	132,592,157,323.37
Inter-segment revenue	2,796,434,958.06	2,738,332,922.77	25,310,711.81	327,387,428.32	(5,887,466,020.96)	-
Less: Cost of sales	(5,659,975,566.84)	(111,527,670,875.15)	(3,752,513,861.37)	(407,405,835.52)	5,814,074,007.98	(115,533,492,130.90)
Taxes and surcharges	(152,750,464.06)	(206,873,036.81)	(8,209,232.87)	(9,340,166.93)	-	(377,172,900.67)
Selling expenses	(5,118,807,937.73)	(2,281,310,108.59)	(357,598,177.09)	(42,673,202.67)	67,513,933.34	(7,732,875,492.74)
General and administrative expenses	(1,128,118,224.49)	(1,309,248,907.10)	(115,373,298.50)	(217,027,408.18)	7,030,471.48	(2,762,737,366.79)
Research and development expenses	(1,026,309,891.55)	-	-	-	-	(1,026,309,891.55)
Segment profit	1,612,758,220.47	3,500,538,866.52	28,101,512.43	17,018,549.46	1,152,391.84	5,159,569,540.72
Unallocated:						
Finance expenses-net						(773,219,746.78)
Asset impairment reversals						66,099,386.50
Credit impairment losses						(336,316,422.58)
Add: Losses arising from changes in fair value						196,842,384.45
Investment income						(198,992,363.96)
Other income						370,355,726.92
Gains on disposals of assets						73,745,726.60
Operating profit						4,558,084,231.87
Depreciation and amortisation	545,574,825.49	518,226,922.72	70,521,836.00	72,053,096.42	-	1,206,376,680.63
Capital expenditures	771,543,271.28	274,040,445.49	7,858,636.47	229,950,306.43	-	1,283,392,659.67
Investment in associates-net	3,542,434,888.77	1,779,559,551.90	1,548,689.70	1,220,492,643.63	-	6,544,035,774.00
Investment in joint ventures-net	1,643,777,149.51	390,562,137.62	-	-	-	2,034,339,287.13
Other assets	44,094,216,656.70	148,558,813,008.63	2,960,325,417.33	66,666,905,791.84	(59,140,137,470.82)	203,140,123,403.68
Unallocated: Deferred tax assets						1,599,206,373.65
Total assets						213,317,704,838.46
Liabilities	17,956,719,521.17	108,671,204,153.99	2,415,588,957.38	30,613,898,839.76	(27,091,762,290.63)	132,565,649,181.67
Unallocated: Deferred tax liabilities						985,583,568.96
Income tax payable						823,995,200.88
Total liabilities						134,375,227,951.51

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 6 SEGMENT INFORMATION (continued)

(2) Segment information as at 31 December 2022 and for the six months ended 30 June 2022 is as follows:

	Production segment	Distribution segment	Retail segment	Others	Elimination	Total
Revenue	13,049,728,473.60	99,156,536,947.52	3,530,625,092.45	559,260,217.39	(4,588,686,403.32)	111,707,464,327.64
Including: External revenue	11,052,129,356.07	96,889,591,490.16	3,521,726,544.31	244,016,937.10	-	111,707,464,327.64
Inter-segment revenue	1,997,599,117.53	2,266,945,457.36	8,898,548.14	315,243,280.29	(4,588,686,403.32)	-
Less: Cost of sales	(5,363,233,961.78)	(92,127,471,136.40)	(3,093,261,086.10)	(335,700,745.02)	4,241,188,098.21	(96,678,478,831.09)
Taxes and surcharges	(138,100,179.82)	(219,368,936.04)	(7,625,911.76)	(9,355,616.15)	-	(374,450,643.77)
Selling expenses	(4,566,553,503.98)	(1,886,758,303.68)	(325,116,664.67)	(57,601,817.42)	41,532,064.37	(6,794,498,225.38)
General and administrative expenses	(935,541,508.08)	(1,093,182,871.13)	(127,385,444.38)	(178,264,933.17)	12,687,765.44	(2,321,686,991.32)
Research and development expenses	(809,672,103.19)	-	-	-	-	(809,672,103.19)
Segment profit	1,236,627,216.75	3,829,755,700.27	(22,764,014.46)	(21,662,894.37)	(293,278,475.30)	4,728,677,532.89
Unallocated:						
Finance expenses-net						(648,913,998.77)
Asset impairment reversals						39,449,430.51
Credit impairment losses						(217,692,401.14)
Add: Losses arising from changes in fair value						25,391,346.09
Investment income						309,246,323.46
Other income						135,866,657.63
Gains on disposals of assets						1,427,179,664.17
Operating profit						5,799,204,554.84
Depreciation and amortisation	428,213,716.43	560,699,903.13	80,415,159.41	124,353,978.28	-	1,193,682,757.25
Capital expenditures	427,016,088.05	216,631,235.83	13,557,116.08	276,340,262.20	-	933,544,702.16
Investment in associates-net	3,987,055,471.33	1,781,735,036.32	1,714,525.50	1,222,954,707.96	-	6,993,459,741.11
Investment in joint ventures -net	1,861,915,122.38	377,268,738.70	-	-	-	2,239,183,861.08
Other assets	43,835,430,654.86	135,011,503,072.97	2,904,345,605.52	56,934,545,695.29	(51,318,296,125.56)	187,367,528,903.08
Unallocated: Deferred tax assets						1,534,728,993.68
Total assets						198,134,901,498.95
Liabilities	19,397,187,447.11	97,881,548,359.37	2,330,511,132.75	18,002,568,470.72	(19,309,964,603.82)	118,301,850,806.13
Unallocated: Deferred tax liabilities						1,049,237,452.75
Income tax payable						781,362,182.64
Total liabilities						120,132,450,441.52

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) The parent company

#### (a) General information of the parent company

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

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

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

	31 December 2022	Increase in the current period	Decrease in the current period	30 June 2023
Shanghai Pharma Group	3,158,720,000.00	–	–	<b>3,158,720,000.00</b>

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

	30 June 2023		31 December 2022	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
Shanghai Pharma Group	<b>19.35%</b>	<b>19.35%</b>	19.38%	19.38%

### (2) Significant subsidiaries

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### (3) Joint ventures and associates

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

	Relationship with the Group
Shanghai Huaren Pharmaceutical Co., Ltd. (上海華仁醫藥有限公司)	Associate

### (4) Other related parties

	Relationship with the Group
Yunnan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司)	Shareholder with more than 5% of the Company's shares
SIIC International Investment Co., Ltd. (上實國際投資有限公司)	Controlled by Shanghai Shangshi
Shanghai Tandong Enterprise Consulting Service Co., Ltd. (上海潭東企業諮詢服務有限公司)	Controlled by Shanghai Shangshi
Shanghai Indu-Land Property Co., Ltd. (上海英達萊物業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Yingdai Property Co., Ltd. (上海英達萊置業有限公司)	Controlled by Shanghai Pharma Group
Shanghai Overseas United Investment Co., Ltd. (上海海外聯合投資股份有限公司)	Controlled by Shanghai Pharma Group
Wing Fat Printing Limited and its subsidiaries (永發印務有限公司及其子公司)	Controlled by Shanghai Pharma Group

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (5) Related party transactions

Except for the items disclosed in other items of the financial statements, other related party transactions of the Group include:

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

Purchase of goods and services:

Related party	Related transaction	Pricing policies	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Shanghai Roche Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	771,855.64	884,979.75
Yunnan Baiyao Group Co., Ltd and its subsidiaries	Purchase of goods	By negotiation	228,849.18	67,139.96
Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	201,751.46	163,545.21
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	Purchase of goods	By negotiation	144,881.94	196,071.65
Shanghai Pharma Health Commerce Co., Ltd.'s subsidiaries	Purchase of goods	By negotiation	95,796.26	69,471.66
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Purchase of goods	By negotiation	74,902.42	76,510.07
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Purchase of goods	By negotiation	51,419.07	26,286.70
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	Purchase of goods	By negotiation	32,777.67	35,831.87
Wing Fat Printing Limited and its subsidiaries	Purchase of goods	By negotiation	26,785.91	21,772.23
Others	Purchase of goods and services	By negotiation	56,230.08	44,134.83
			<b>1,685,249.63</b>	1,585,743.93

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 7 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 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	Sales of goods	By negotiation	2,098,330.80	1,751,886.83
Shanghai Pharma Health Commerce Co.,Ltd.'s subsidiaries	Sales of goods	By negotiation	543,207.02	185,346.45
Yunnan Baiyao Group Co., Ltd and its subsidiaries	Sales of goods	By negotiation	307,157.85	145,179.88
Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	Sales of goods	By negotiation	39,779.84	36,565.36
Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	Sales of goods	By negotiation	56,370.96	36,057.75
Shanghai Hutchison Pharmaceutical Co., Ltd	Sales of goods	By negotiation	51,614.43	35,308.40
Others	Sales of goods and vender of services	By negotiation	94,208.31	18,700.70
			<b>3,190,669.21</b>	2,209,045.37

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### (5) Related party transactions (continued)

(b) Lease

The rental income recognised by the Group as the lessor:

Lessee	Leased asset	Rental income recognised during six months ended 30 June 2023 RMB'000	Rental income recognised during six months ended 30 June 2022 RMB'000
Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	Building	3,752.31	5,250.24
Shanghai Yingdalai Property Co., Ltd.	Building	2,403.45	2,403.45
		<b>6,155.76</b>	7,653.69

The Group is the lessee:

Lessor	Leased asset	Lease payable recognised during Six months ended 30 June 2023 RMB'000	Lease payable recognised during Six months ended 30 June 2022 RMB'000
Shanghai Yingdalai Property Co., Ltd	Building	7,759.14	–
Shanghai Pharma Group	Building	6,003.71	14,772.55
Shanghai Indu-Land Property Co., Ltd	Building	5,219.80	8,225.76
		<b>18,982.65</b>	22,998.31

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

Lessor	Leased asset	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Shanghai Pharma Group	Building	2,128.28	3,786.66

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### (5) Related party transactions (continued)

(b) *Lease (continued)*

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

Lessor	Leased asset	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Shanghai Pharma Group	Building	824.77	1,348.19

(c) *R&D expenditures*

	Pricing policies	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Shanghai Huiyong Medicine Research Co., Ltd.	By negotiation	–	471.70

(d) *Assets acquisition*

Related party	Related transaction	Pricing policies	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	Assets acquisition	By negotiation	3,575.09	–

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### (5) Related party transactions (continued)

(e) *Guarantee*

The Group is the Guarantor

Guaranteed party	Guarantee amount RMB'000	Starting date	Ending date	Completed or not
Chongqing Medicines Pharma Sales Co., Ltd.	614.21	2022.9.19	2023.3.19	Yes
Chongqing Medicines Pharma Sales Co., Ltd.	2,559.95	2022.9.26	2023.3.26	Yes
Chongqing Medicines Pharma Sales Co., Ltd.	6,616.11	2022.10.24	2023.1.24	Yes
Chongqing Medicines Pharma Sales Co., Ltd.	289.07	2022.10.24	2023.4.24	Yes
Chongqing Medicines Pharma Sales Co., Ltd.	5,224.88	2022.12.20	2023.3.20	Yes
Chongqing Medicines Pharma Sales Co., Ltd.	2,669.90	2022.12.20	2023.6.20	Yes
Chongqing Medicines Pharma Sales Co., Ltd.	400.30	2022.10.24	2023.4.24	Yes
Chongqing Medicines Pharma Sales Co., Ltd.	33.88	2022.12.6	2023.3.6	Yes
Chongqing Medicines Pharma Sales Co., Ltd.	5,029.58	2023.2.22	2023.5.22	Yes
Chongqing Medicines Pharma Sales Co., Ltd.	70.31	2023.2.22	2023.8.22	No
Chongqing Medicines Pharma Sales Co., Ltd.	6,793.30	2023.6.16	2023.12.12	No
	30,301.49			

(f) *Key management compensation*

	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Salary, bonus and other compensation	<b>23,102.74</b>	20,983.47
Stock options	<b>614.78</b>	1,248.26
	<b>23,717.52</b>	22,231.73

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### (5) Related party transactions (continued)

(g) Interest

Interest income

	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	9,918.23	2,570.52

Interest expense

	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	54,239.52	47,201.00

(h) Derecognition on accounts receivables and financing receivables

	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Shanghai Industrial Group Finance Co., Ltd.	514.42	304.32

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### (5) Related party transactions (continued)

#### (i) Deposits and borrowings

		Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Net (decrease)/increase of the deposit balance	Shanghai Industrial Group Finance Co., Ltd.	<b>(683,899.74)</b>	60,267.91
Loan received from related parties	Shanghai Industrial Group Finance Co., Ltd.	<b>2,083,029.77</b>	1,415,329.99
Loan repayment to related parties	Shanghai Industrial Group Finance Co., Ltd.	<b>1,151,080.00</b>	1,031,250.00
Repayment received from related parties	Shanghai Huaren Pharmaceutical Co., Ltd.	–	566.04

#### (j) Discount of bank acceptance notes

		Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Discount amount	Shanghai Industrial Group Finance Co., Ltd.	<b>42,350.70</b>	29,964.52

#### (k) Bank acceptance notes issued

		Six months ended 30 June 2023	Six months ended 30 June 2022
Issued amount	Shanghai Industrial Group Finance Co., Ltd.	<b>37,350.70</b>	29,964.52

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

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

		30 June 2023		31 December 2022	
		Accounts balance RMB'000	Provision for bad debts RMB'000	Accounts balance RMB'000	Provision for bad debts RMB'000
Accounts receivables due from:	Jiangxi Nanhua Medicines Co., Ltd and its subsidiaries.	839,495.75	2,178.82	628,336.86	1,557.57
	Yunnan Baiyao Group Co.,Ltd and its subsidiaries	77,578.41	448.99	75,013.51	511.03
	Shanghai Pharma Health Commerce Co.,Ltd.'s subsidiaries	60,919.59	188.93	115,797.01	362.77
	Chongqing Medicines Shanghai Pharma Sales Co., Ltd.	18,132.88	2,265.65	10,529.87	2,259.74
	Shanghai Hutchison Pharmaceutical Co., Ltd.	14,916.00	61.47	–	–
	Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries.	3,620.91	477.68	23,556.05	685.44
	Others	15,355.34	822.33	15,492.29	670.65
		<b>1,030,018.88</b>	<b>6,443.87</b>	868,725.59	6,047.20

		30 June 2023 RMB'000	31 December 2022 RMB'000
Receivables financing	Yunnan Baiyao Group Co., Ltd.	–	2,690.48

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

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

		30 June 2023		31 December 2022	
		Accounts balance	Provision for bad debts	Accounts balance	Provision for bad debts
		RMB'000	RMB'000	RMB'000	RMB'000
Other receivables due from	Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries.	385,400.80	1,040.58	–	–
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	88,106.52	237.92	47,973.16	129.53
	Shanghai Shangyao kangxnuo biopharmaceutical Co., Ltd	35,854.81	35,854.81	–	–
	Shanghai Roche Pharmaceutical Co., Ltd.	20,141.71	425.86	15,942.37	396.43
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	14,709.98	26.38	–	–
	Others	29,754.52	4,774.63	29,964.79	5,157.44
		<b>573,968.34</b>	<b>42,360.18</b>	93,880.32	5,683.40

		30 June 2023	31 December 2022
		RMB'000	RMB'000
Prepayments due from:	Yunnan Baiyao Group Co.,Ltd and its subsidiaries	32,436.64	50,540.96
	Beijing Lianxin Pharmaceutical Co., Ltd.	13,071.00	–
	Shanghai Huayu Saffron Planting Professional Cooperative	4,658.07	–
	Shanghai Hutchison Pharmaceutical Co., Ltd. and its subsidiaries	454.61	10,231.67
	Others	346.69	1,561.63
		<b>50,967.01</b>	62,334.26

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

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

		30 June 2023 RMB'000	31 December 2022 RMB'000
Accounts payables due to:	Shanghai Roche Pharmaceutical Co., Ltd.	166,704.43	181,737.94
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	76,458.91	58,171.07
	Yunnan Baiyao Group Co.,Ltd and its subsidiaries	41,323.09	21,814.93
	Shanghai Bracco Sine Pharmaceutical Corp., Ltd.	32,604.48	4,848.91
	Shanghai Pharma Health Commerce Co., Ltd.'s subsidiaries	27,241.41	18,515.77
	Wing Fat Printing Limited and its subsidiaries	20,606.59	20,308.79
	Sino-American Shanghai Squibb Pharmaceuticals Ltd.	20,585.79	19,634.99
	Shanghai Hutchison Pharmaceutical Co., Ltd and its subsidiaries	19,824.66	34,136.66
	Shanghai Leiyunshang Pharmaceutical North District Co., Ltd and its subsidiaries	12,119.86	20,104.70
	Shanghai Shiyu Urban Construction Management Co., Ltd	1,815.00	1,815.00
	Others	26,683.84	42,089.73
		<b>445,968.06</b>	423,178.49
Notes payables:	Yunnan Baiyao Group Co., Ltd. and its subsidiaries	25,263.81	13,772.51
Other payables due to:	SPH-BIOCAD(HK) Limited	1,235,322.38	1,190,667.64
	Shanghai Pharma Group	443,074.78	8,224.65
	Yunnan Baiyao Group Co.,Ltd	406,032.35	–
	Shanghai Shangshi (Group) Co., Ltd.	194,089.10	58,790.00
	SIIC International Investment Company Limited	130,381.22	–
	Shanghai Tandong Enterprise Consulting Service Co., Ltd.	114,070.00	–
	Others	12,891.55	15,282.26
		<b>2,535,861.38</b>	1,272,964.55

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

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

		30 June 2023 RMB'000	31 December 2022 RMB'000
Other non-current liabilities:	Shanghai Biomedical Industry Equity Investment Fund Partnership (L.P.)	49,199.91	49,199.91
Contract liabilities:	Shanghai Pharma Health Commerce Co.,Ltd.'s subsidiaries	5,489.78	174.89
	Shanghai Xunyao Biotechnology Co., Ltd.	2,348.84	–
	Yunnan Baiyao Group Co.,Ltd	1,537.11	
	Zhejiang Shangyao Jiuzhou Biopharmaceutical Co., Ltd.	–	13,283.02
	Others	1,080.94	2,009.50
		<b>10,456.67</b>	15,467.41
Lease liabilities:	Shanghai Pharma Group	35,504.97	4,766.79
Current borrowings:	Shanghai Industrial Group Finance Co., Ltd.	3,281,140.92	2,349,191.15
Cash at bank:	Shanghai Industrial Group Finance Co., Ltd.	3,235,784.86	3,919,684.60

## 8 CONTINGENCIES

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

The Group has no significant pending litigation or arbitration.

### (2) Contingent liabilities arising from debt guarantees provided for other units and their financial impacts

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 9 COMMITMENTS

### (1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the statements of financial position as at the statement of financial position date are as follows:

	30 June 2023	31 December 2022
Buildings, machinery and equipment	1,733,312,282.52	1,502,491,154.10

## 10 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no significant issue to be disclosed after the statement of financial position date.

## 11 OPERATING LEASE RECEIVABLE AFTER THE STATEMENT OF FINANCIAL POSITION DATE

As the lessor, the undiscounted cash amount of the lease receivable after the statement of financial position date is summarized as follows:

	30 June 2023	31 December 2022
Within 1 year	28,593,703.10	31,703,246.95
1-2 years	22,632,244.45	27,151,386.49
2-5 years	26,086,374.42	33,460,180.56
Above 5 years	15,727,422.73	17,327,422.73
	93,039,744.70	109,642,236.73

## 12 FINANCIAL INSTRUMENTS AND RISKS

The Group's activities expose it to a variety of financial risks: market risk (primarily including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND RISKS (continued)

### (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 2023 and 31 December 2022 as follows:

	30 June 2023		
	USD and HKD	Others	Total
Financial assets denominated in foreign currency –			
Cash at bank and on hand	298,143,434.41	25,611,077.11	323,754,511.52
Accounts receivables	185,512,690.07	3,967,858.01	189,480,548.08
	483,656,124.48	29,578,935.12	513,235,059.60
Financial liabilities denominated in foreign currency –			
Accounts payables	83,773,830.94	9,236,917.07	93,010,748.01
Long-term borrowings	–	2,827,295.84	2,827,295.84
	83,773,830.94	12,064,212.91	95,838,043.85

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND RISKS (continued)

### (1) Market risk (continued)

#### (a) Foreign exchange risk (continued)

	31 December 2022		
	USD and HKD	Others	Total
Financial assets denominated in foreign currency –			
Cash at bank and on hand	138,291,627.36	3,546,958.19	141,838,585.55
Accounts receivables	27,665,881.57	5,669,983.61	33,335,865.18
	165,957,508.93	9,216,941.80	175,174,450.73
Financial liabilities denominated in foreign currency –			
Accounts payables	109,252,007.33	6,524,049.87	115,776,057.20
Long-term borrowings	–	1,653,166.53	1,653,166.53
	109,252,007.33	8,177,216.40	117,429,223.73

As at 30 June 2023, for various financial assets and liabilities denominated in USD and HKD in the Group, if the USD and HKD strengthens/weakens by 5% against the RMB while holding all other variables constant, the Group's profit before income tax for the year would have been lower/higher by approximately RMB19,994,114.68 (31 December 2022: higher/lower by approximately RMB2,835,275.08).

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND RISKS (continued)

### (1) Market risk (continued)

#### (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 2023, the Group's short-term, long-term within one year and long-term interest-bearing borrowings were mainly with floating rates, amounting to RMB3,750,116,564.04 (31 December 2022: RMB4,323,075,441.13).

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 2023 and 30 June 2022, the Group did not enter into any interest rate swap agreements.

As at 30 June 2023, if interest rates on the floating rate borrowings rise/fall by 10% while holding all other variables constant, the Group's profit before tax would decrease/increase by approximately RMB8,578,981.61 (31 December 2022: approximately RMB21,258,039.29).

#### (c) Other price risk

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

As at 30 June 2023, if the price of above financial assets rise/fall by 10% while holding all other variables constant, the Group's profit before tax would increase/decrease by approximately RMB216,813,090.77 (31 December 2022: approximately RMB214,304,011.64), increase/decrease other comprehensive income approximately RMB5,638,294.05 (31 December 2022: approximately RMB10,148,752.56).

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND RISKS (continued)

### (2) Credit risk

The Group's credit risk mainly arises from cash at bank, notes receivables, accounts receivables, other receivables, receivables financing, long-term receivables etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks with higher credit ratings. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivables, accounts receivables, other receivables, receivables financing, and long-term receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 30 June 2023, the Group has no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2022: Nil).

### (3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND RISKS (continued)

### (3) Liquidity risk (continued)

As at the statement of financial position date, the financial liabilities of the Group at the statement of financial position date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2023				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	33,724,407,922.60	-	-	-	33,724,407,922.60
Derivative financial liabilities	1,257,403.45	-	-	-	1,257,403.45
Notes payables	6,113,077,717.45	-	-	-	6,113,077,717.45
Accounts payables	50,051,071,687.46	-	-	-	50,051,071,687.46
Other payables	19,872,775,008.53	-	-	-	19,872,775,008.53
Current portion of long-term payables	20,021,010.58	-	-	-	20,021,010.58
Current portion of long-term borrowings	3,612,724,576.70	-	-	-	3,612,724,576.70
Current portion of lease liabilities	758,643,892.59	-	-	-	758,643,892.59
Other current liabilities	6,017,599,726.03	-	-	-	6,017,599,726.03
Long-term borrowings	-	2,745,283,512.65	3,471,600,000.00	653,079,046.55	6,869,962,559.20
Lease liabilities	-	526,395,440.79	808,353,932.75	419,157,747.28	1,753,907,120.82
Long-term payables	-	591,818.70	1,787,666.10	48,264,440.95	50,643,925.75
Other non-current liabilities	-	-	69,251,366.25	-	69,251,366.25
Loan interest	609,606,853.67	87,069,564.41	116,297,492.20	169,986,881.62	982,960,791.90
	120,781,185,799.06	3,359,340,336.55	4,467,290,457.30	1,290,488,116.40	129,898,304,709.31

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND RISKS (continued)

### (3) Liquidity risk (continued)

	31 December 2022				Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	
Short-term borrowings	27,750,588,556.87	-	-	-	27,750,588,556.87
Derivative financial liabilities	1,569,907.10	-	-	-	1,569,907.10
Notes payables	5,961,723,663.49	-	-	-	5,961,723,663.49
Accounts payables	45,603,805,328.17	-	-	-	45,603,805,328.17
Other payables	16,474,855,895.13	-	-	-	16,474,855,895.13
Current portion of long-term payables	20,019,116.37	-	-	-	20,019,116.37
Current portion of long-term borrowings	2,648,734,849.49	-	-	-	2,648,734,849.49
Current portion of lease liabilities	673,682,585.58	-	-	-	673,682,585.58
Other current liabilities	6,060,361,643.84	-	-	-	6,060,361,643.84
Other non-current liabilities	-	-	69,251,366.25	-	69,251,366.25
Long-term borrowings	-	5,660,844,087.68	72,000,000.00	526,955,282.64	6,259,799,370.32
Lease liabilities	-	506,342,222.78	647,209,754.87	522,665,962.85	1,676,217,940.50
Long-term payables	-	589,955.83	1,782,081.06	48,288,705.31	50,660,742.20
Loan interest	756,069,825.90	147,202,484.96	52,826,884.22	125,427,924.99	1,081,527,120.07
	105,951,411,371.94	6,314,978,751.25	843,070,086.40	1,223,337,875.79	114,332,798,085.38

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENTS AND RISKS (continued)

### (3) Liquidity risk (continued)

As at the statement of financial position 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 2023					Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years		
Guarantees	6,863,603.96	–	–	–	6,863,603.96	

  

	31 December 2022					Total
	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years		
Guarantees	18,408,290.36	–	–	–	18,408,290.36	

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

	30 June 2023		31 December 2022	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	37,337,132,499.30	6,017,599,726.03	30,399,323,406.36	6,060,361,643.84
1 to 2 years	2,745,283,512.65	–	5,660,844,087.68	–
2 to 5 years	3,471,600,000.00	–	72,000,000.00	–
Above 5 years	653,079,046.55	–	526,955,282.64	–
	44,207,095,058.50	6,017,599,726.03	36,659,122,776.68	6,060,361,643.84

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATES

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

As at 30 June 2023, 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	–	3,436,387.25	–	3,436,387.25
Financial assets held for sell	–	–	11,438,602,447.67	11,438,602,447.67
Receivables financing—				
Notes receivables	–	–	1,562,015,687.90	1,562,015,687.90
Other non-current financial assets	261,491,329.71	–	1,906,639,577.99	2,168,130,907.70
Other equity instrument				
investments	56,382,940.45	–	–	56,382,940.45
<b>Total financial assets</b>	<b>317,874,270.16</b>	<b>3,436,387.25</b>	<b>14,907,257,713.56</b>	<b>15,228,568,370.97</b>

As at 30 June 2023, 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	–	1,257,403.45	–	1,257,403.45
Other non-current liabilities	–	–	69,251,366.25	69,251,366.25
<b>Total</b>	<b>–</b>	<b>1,257,403.45</b>	<b>69,251,366.25</b>	<b>70,508,769.70</b>

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATES (continued)

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

As at 31 December 2022, 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	–	4,820,057.40	–	4,820,057.40
Financial assets held for trading	–	–	9,613,554,659.84	9,613,554,659.84
Receivables financing—				
Notes receivables	–	–	1,627,386,138.71	1,627,386,138.71
Other non-current financial assets	259,956,657.68	–	1,883,083,458.72	2,143,040,116.40
Other equity instrument investments	101,487,525.55	–	–	101,487,525.55
<b>Total financial assets</b>	<b>361,444,183.23</b>	<b>4,820,057.40</b>	<b>13,124,024,257.27</b>	<b>13,490,288,497.90</b>

As at 31 December 2022, 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	–	1,569,907.10	–	1,569,907.10
Other non-current liabilities	–	–	69,251,366.25	69,251,366.25
<b>Total</b>	<b>–</b>	<b>1,569,907.10</b>	<b>69,251,366.25</b>	<b>70,821,273.35</b>

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There was no transfer between Level 1 and Level 2 for the current period.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATES (continued)

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

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.

The changes in Level 3 assets and liabilities are as follows:

	31 December 2022	Purchase	Disposal	Transfer into Level 3	Transfer out of Level 3	Gain or loss for the current period		30 June 2023	Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 30 June 2023 – gains or losses on changes in fair value
						Gain or loss recognised in profit or loss	Gain or loss recognised in other comprehensive income		
Financial assets									
held for sell	9,613,554,659.84	14,326,650,000.00	(12,661,002,119.07)	–	–	159,399,906.90	–	<b>11,438,602,447.67</b>	<b>111,952,447.67</b>
Receivables									
financing	1,627,386,138.71	4,283,868,747.80	(4,349,239,198.61)	–	–	(32,321,426.92)	32,321,426.92	<b>1,562,015,687.90</b>	–
Other non-current									
financial assets	1,883,083,458.72	–	–	–	–	23,556,119.27	–	<b>1,906,639,577.99</b>	<b>23,556,119.27</b>
Other non-current									
liabilities	(69,251,366.25)	–	–	–	–	–	–	<b>(69,251,366.25)</b>	–
<b>Total financial assets</b>	<b>13,054,772,891.02</b>	<b>18,610,518,747.80</b>	<b>(17,010,241,317.68)</b>	<b>–</b>	<b>–</b>	<b>150,634,599.25</b>	<b>32,321,426.92</b>	<b>14,838,006,347.31</b>	<b>135,508,566.94</b>

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

	Fair value as at 30 June 2023	Valuation technique	Inputs			
			Name	Scope	Relationship with fair value	Observable/ Unobservable
Financial assets held for sell	<b>11,438,602,447.67</b>	DCF	expected return	2.75%-3.45%	Positive	Unobservable
Receivables financing	<b>1,562,015,687.90</b>	DCF	estimated discount rate	2.6190%-2.7570%	Negative	Unobservable
Other non-current financial assets	<b>1,906,639,577.99</b>	Market method	EV/EBIT, EV/S, etc.	0.32-18.13	Positive	Unobservable
Other non-current liabilities	<b>69,251,366.25</b>	Equity value distribution method	Stock volatility	32.3001-48.1242	Positive	Unobservable

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 13 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 2023	Valuation technique	Observable inputs	
			Name	Scope/weighted average
Assets				
Derivative financial assets— Forward foreign exchange contract	<b>3,436,387.25</b>	Market approach	Exchange rate	AUDNZD: 0.8768-0.90765
Liabilities				
Derivative financial assets— Forward foreign exchange contract	<b>1,257,403.45</b>	Market approach	Exchange rate	AUDUSD: 0.6438-0.7139

	Fair value as at 31 December 2022	Valuation technique	Observable inputs	
			Name	Scope/weighted average
Assets				
Derivative financial assets— Forward foreign exchange contract	4,820,057.40	Market approach	Exchange rate	AUDNZD: 0.8768-0.9303
Liabilities				
Derivative financial assets— Forward foreign exchange contract	1,569,907.10	Market approach	Exchange rate	AUDUSD: 0.64614-0.68076

### (2) Assets measured at fair value on a non-recurring basis

The Group's assets measured at fair value on a non-recurring basis are the assets of acquiree at the acquisition date under business combinations involving enterprises not under common control.

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 13 FAIR VALUE ESTIMATES (continued)

### (3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include notes receivables, accounts receivables, other receivables, long-term receivables, short-term borrowings, accounts payables, other payables, other current liabilities, long-term payables, long-term borrowings, current portion of long-term borrowings, current portion of debentures payable and lease liabilities etc.

As at 30 June 2023 and 31 December 2022, the carrying amount of long-term receivables and non-current borrowings is a reasonable approximation of their fair value. The fair value of long-term receivables, long-term payables, long-term borrowings, debentures payable and lease liabilities is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

## 14 CAPITAL MANAGEMENT

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

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

Total capital is calculated as "equity" as shown in the consolidated statements of financial position 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 statements 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 2023 and 31 December 2022, the Group's gearing ratios are as follows:

	30 June 2023	31 December 2022
Gearing ratio	23.13%	20.70%

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

### (1) Accounts receivables

	30 June 2023	31 December 2022
Accounts receivables	<b>119,851,808.14</b>	119,851,808.14
Less: Provision for bad debts	<b>(119,851,808.14)</b>	(119,851,808.14)
	–	–

(a) The aging analysis of accounts receivables based on the date of entry is as follows:

	30 June 2023	31 December 2022
Above three years	<b>119,851,808.14</b>	119,851,808.14

(b) As at 30 June 2023, the top five accounts receivables based on the balance of the debtors are summarized and analysed as follows:

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### (1) Accounts receivables (continued)

(c) As at 30 June 2023, the analysis of provision for bad debts for individual accounts receivables is as follows:

	Accounts balance	Lifetime ECL rate	Provision for bad debts	Reasons
Accounts receivable 1	11,546,794.10	100.00%	(11,546,794.10)	Through assessment, provision on an individual basis
Accounts receivable 2	10,013,149.47	100.00%	(10,013,149.47)	Through assessment, provision on an individual basis
Accounts receivable 3	8,634,602.83	100.00%	(8,634,602.83)	Through assessment, provision on an individual basis
Accounts receivable 4	5,546,970.95	100.00%	(5,546,970.95)	Through assessment, provision on an individual basis
Others	84,110,290.79	100.00%	(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 2023

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### (2) Other receivables

	30 June 2023	31 December 2022
Amount due from subsidiaries	14,918,142,946.41	13,756,523,454.09
Guarantees (including deposits)	5,468,097.91	5,510,666.16
Dividends receivable	873,097,087.21	845,782,588.47
Interests receivable	79,477,123.87	79,349,916.90
Receivables from enterprises	–	179,287.00
Others	257,141,035.97	257,141,035.97
	<b>16,133,326,291.37</b>	14,944,486,948.59
Less: provision for bad debts	<b>(300,704,269.31)</b>	(296,897,145.36)
	<b>15,832,622,022.06</b>	14,647,589,803.23

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

	30 June 2023	31 December 2022
Within 1 year	9,713,453,334.14	10,578,231,399.16
1-2 years	4,523,259,751.43	2,235,129,033.70
2-3 years	690,554,244.94	995,907,642.19
Above 3 years	1,206,058,960.86	1,135,218,873.54
	<b>16,133,326,291.37</b>	14,944,486,948.59

(b) As at 30 June 2023, the analysis of provision for bad debts for individual other receivables is as follows:

	Accounts balance	Stage 3 – lifetime ECL rate	Provision for bad debts	Reasons
Other receivable 1	120,000,000.00	100.00%	(120,000,000.00)	Unable to collect
Other receivable 2	33,375,018.03	100.00%	(33,375,018.03)	Unable to collect
Other receivable 3	26,030,686.00	100.00%	(26,030,686.00)	Unable to collect
Other receivable 4	22,000,000.00	100.00%	(22,000,000.00)	Unable to collect
Others	55,735,331.94	100.00%	(55,735,331.94)	Unable to collect
	<b>257,141,035.97</b>		<b>(257,141,035.97)</b>	

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### (2) Other receivables (continued)

(c) As at 30 June 2023, the analysis of bad debt provisions of other receivables on grouping basis is as follows:

	30 June 2023			31 December 2022		
	Accounts balance	Provision for bad debts		Accounts balance	Provision for bad debts	
	Amount	Amount	% of total balance	Amount	Amount	% of total balance
Stage 1 – 12-month ECL rate in groups						
Amount due from subsidiaries	14,918,142,946.41	(40,877,503.47)	0.27%	13,756,523,454.09	(37,142,613.34)	0.27%
Guarantees (including deposits)	5,468,097.91	(113,779.51)	2.08%	5,510,666.16	(109,848.33)	1.99%
Receivables from enterprises	-	-	-	179,287.00	(5,789.97)	3.23%
Dividends receivable	873,097,087.21	(2,357,362.13)	0.27%	845,782,588.47	(2,283,612.99)	0.27%
Interests receivable	79,477,123.87	(214,588.23)	0.27%	79,349,916.90	(214,244.76)	0.27%
	<b>15,876,185,255.40</b>	<b>(43,563,233.34)</b>		14,687,345,912.62	(39,756,109.39)	

As at 30 June 2023 and 31 December 2022, the Company has no other receivables in Stage 2.

### (3) Long-term equity investments

	30 June 2023	31 December 2022
Subsidiaries (a)	<b>26,755,497,705.12</b>	25,282,535,986.65
Associates (b)	<b>2,307,163,023.40</b>	2,331,620,349.69
Joint ventures (c)	<b>34,916,913.79</b>	38,256,979.07
	<b>29,097,577,642.31</b>	27,652,413,315.41
Less: Provision for impairment of long-term equity investments	<b>(5,667,665.87)</b>	(5,667,665.87)
	<b>29,091,909,976.44</b>	27,646,745,649.54

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 2023

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### (3) Long-term equity investments (continued)

#### (a) Subsidiaries

	31 December 2022	Changes during the period			30 June 2023	Impairment balance	Cash dividends declared in the current period
		Increase in investment	Decrease in investment	Provision for impairment			
SIC Medical Science and Technology (Group) Limited and its subsidiaries	7,167,148,348.41	-	-	-	7,164,724,703.78	-	6,000,000.00
Shanghai Pharmaceutical Co., Ltd. and its subsidiaries	4,784,755,922.87	-	-	-	4,784,472,330.39	-	635,600,000.00
Shanghai Pharmaceuticals (HK) Investment Limited	2,162,120,167.06	1,045,470,000.00	-	-	3,207,590,167.06	-	-
Shanghai Traditional Chinese Medicine Co., Ltd.	1,896,114,897.89	-	-	-	1,896,020,800.72	-	-
Shanghai SPH Sine Pharmaceutical Laboratories Co., Ltd.	1,418,484,919.73	-	-	-	1,418,974,943.96	-	-
Shanghai SPH New Asiatic Pharmaceutical Co., Ltd.	1,225,988,774.63	-	-	-	1,225,809,639.25	-	8,769,450.00
Shanghai Shangyao Biomedical Co., Ltd.	1,092,343,515.07	7,870,000.00	-	-	1,100,213,515.07	-	-
China Medical Foreign Trading Liao Ning Co., Ltd.	558,601,296.99	38,721,592.00	-	-	597,322,888.99	-	-
Shanghai Zhongxi Sunve Pharmaceutical Co., Ltd.	513,163,788.69	-	-	-	513,272,759.10	-	184,539,342.00
TECHPOOL Bio-Pharma Co., Ltd.	492,439,114.63	-	-	-	492,589,113.31	-	-
Shanghai Medical Instruments Co., Ltd.	406,716,915.20	-	-	-	406,385,837.63	-	-
SPH (benxi) North Pharmaceutical Co., Ltd.	380,000,000.00	-	-	-	380,000,000.00	-	-
Shanghai Pharmaceutical (USA), Inc.	332,358,434.95	34,979,500.00	-	-	367,354,836.21	-	-
Shanghai SPH No.1 Biochemical and Pharmaceutical Co., Ltd.	326,156,713.44	-	-	-	326,234,106.31	-	197,840,000.00
Shanghai Biomedical Frontier Industry Innovation Center Co., Ltd.	-	312,500,000.00	-	-	312,500,000.00	-	-
Shanghai SPH Jiaolian Medical Science and Technology Co., Ltd.	305,281,972.64	-	-	-	305,298,873.90	-	-
SPH Qingdao Growful Pharmaceutical Co., Ltd.	259,554,066.34	-	-	-	259,720,471.82	-	-
SPH Changzhou Pharmaceutical Co., Ltd.	207,402,673.01	-	-	-	207,544,221.06	-	-
Shanghai Industrial United Group Pharmaceutical Co., Ltd.	167,500,000.00	-	-	-	167,500,000.00	-	-
Shanghai Zhonghua Pharmaceutical Co., Ltd.	100,983,665.48	-	-	-	100,982,890.02	-	1,750,000.00
Shanghai Shangyao Ruier Pharmaceutical Co., Ltd.	100,458,205.55	-	-	-	100,485,670.10	-	-
Shanghai Shangyao Innovative Pharmaceutical Technology Co., Ltd.	81,235,938.45	19,398,500.00	-	-	101,344,932.58	-	-
Liaoning SPH Good Nurse Pharmaceutical(Group) Co., Ltd.	82,500,000.00	-	-	-	85,675,535.26	-	-
SPH Industrial Marketing Management Co., Ltd.	-	5,800,000.00	-	-	5,800,000.00	-	-
Others	1,221,226,655.62	6,700,000.00	-	(247,187.02)	1,227,679,468.60	-	300,042,500.00
	25,282,535,986.65	1,471,439,592.00	-	1,522,126.47	26,755,497,705.12	-	1,334,541,292.00

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### (3) Long-term equity investments (continued)

#### (b) Associates

	Changes during the period							Impairment balance		
	31 December 2022	Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI adjustment	Other equity changes	Cash dividends declared		Provision for impairment	Others
Shanghai Industrial Group Finance Co., Ltd.	413,435,013.72	-	-	4,034,400.00	-	-	-	-	-	417,469,413.72
Shanghai Liany Investment Center (limited Partnership)	346,701,733.31	-	-	5,151,643.56	-	-	(5,300,987.43)	-	-	346,552,389.44
Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	302,159,777.89	-	-	9,218,532.46	(14,492.10)	10,761,033.58	(9,770,499.20)	-	-	312,394,352.63
Sino-American Shanghai Squibb Pharmaceuticals Ltd.	226,957,900.40	-	-	46,542,049.94	-	-	(88,101,330.00)	-	-	185,398,620.34
Shangshi Commercial Factoring Co., Ltd.	159,722,784.90	-	-	4,357.14	-	-	-	-	-	159,727,142.04
Chengdu Wesker Biomedical Co., Ltd.	134,516,503.88	-	-	(6,514,728.94)	-	-	-	-	-	128,001,774.94
Shanghai Ajinomoto Amino Acid Co., Ltd.	120,812,041.40	-	-	4,982,774.57	-	-	-	-	-	125,794,815.97
Shanghai Good Health Capital LLP	118,792,074.53	-	-	(1,309,104.69)	-	-	-	-	-	117,482,969.84
Hangzhou Huqing Yutang Pharmaceutical Co., Ltd.	106,762,039.55	-	-	3,049,010.78	-	-	-	-	-	109,811,050.33
Shanghai Industrial Biomedical Venture Capital Fund LLP	98,160,185.64	-	-	841,114.26	-	-	-	-	-	99,001,299.90
Chengdu Huaxi Precision Medicine Industry Innovation Center Co., Ltd	97,930,058.20	-	-	(719,733.09)	-	-	-	-	-	97,210,325.11
Sichuan Greentech Bio-technology Co., Ltd	51,350,407.40	-	-	46,919.90	-	-	-	-	-	51,397,327.30
Shanghai Chest Medical Instruments Co., Ltd	47,327,495.74	-	-	2,323,208.21	-	-	-	-	-	49,650,703.95
Shanghai Pharma Health Commerce Co., Ltd.	49,547,437.63	-	-	(537,654.87)	-	-	-	-	-	49,009,782.76
Shanghai Biomedical Industry Equity Investment Fund Management Co., Ltd.	17,438,149.95	-	-	2,195,662.94	-	-	-	-	-	19,633,812.89
Others	40,006,745.55	-	-	(1,339,503.31)	-	-	-	-	-	38,667,242.24
	2,331,620,349.69	-	-	67,968,948.86	(14,492.10)	10,761,033.58	(103,172,816.63)	-	-	2,307,163,023.40

#### (c) Joint ventures

	Changes during the period							Impairment balance		
	31 December 2022	Increase in investment	Decrease in investment	Share of net profit or loss using the equity method	OCI adjustment	Other equity changes	Cash dividends declared		Provision for impairment	Others
Zhejiang Shangjiao Juizhou Biopharmaceutical Co., Ltd.	38,256,979.07	-	-	(3,340,065.28)	-	-	-	-	-	34,916,913.79

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### (4) Capital surplus

	31 December 2022	Increase for the period	Decrease for the period	30 June 2023
Share premium	32,269,977,480.72	132,769,747.73	–	<b>32,402,747,228.45</b>
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	215,133,594.85	10,761,033.58	–	<b>225,894,628.43</b>
Share-based payment	80,214,210.71	2,526,453.55	(33,680,306.91)	<b>49,060,357.35</b>
Others	(289,656,947.52)	–	–	<b>(289,656,947.52)</b>
	<b>32,275,668,338.76</b>	<b>146,057,234.86</b>	<b>(33,680,306.91)</b>	<b>32,388,045,266.71</b>

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

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### (5) Other Comprehensive income

	Other comprehensive income in the statements of financial position		Other comprehensive income for six months ended 30 June 2023 income statement				
	31 December 2022	Converted from OCI into retained earnings	30 June 2023	Amount before income tax	Less: other comprehensive income transferred out this period	Less: income tax expense	Amount after tax
Other comprehensive income items which will be reclassified to profit or loss							
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	(302,235.46)	-	(316,727.56)	(14,492.10)	-	-	(14,492.10)

	Other comprehensive income in the statements of financial position		Other comprehensive income for six months ended 30 June 2022 income statement				
	31 December 2021	Converted from OCI into retained earnings	30 June 2022	Amount before income tax	Less: other comprehensive income transferred out this period	Less: income tax expense	Amount after tax
Other comprehensive income items which will be reclassified to profit or loss							
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified to profit and loss	(146,268.20)	-	(241,951.22)	(95,683.02)	-	-	(95,683.02)

### (6) Undistributed profits

	Six months ended 30 June 2023	Six months ended 30 June 2022
Undistributed profits at the beginning of the period	3,000,421,926.62	3,055,823,875.26
Add: net profit of the Company	1,326,414,851.68	874,892,763.16
Less: dividends declared	(2,258,992,103.23)	(1,552,494,013.56)
Undistributed profits at the end of period	2,067,844,675.07	2,378,222,624.86

# Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### (7) Revenue and cost of sales

	Six months ended 30 June 2023	Six months ended 30 June 2022
Main operations revenue	–	–
Other operations revenue (a)	<b>27,220,414.86</b>	1,336,075.48
	<b>27,220,414.86</b>	1,336,075.48

	Six months ended 30 June 2023	Six months ended 30 June 2022
Main operations cost	–	–
Other operations cost (a)	<b>26,678,682.78</b>	152,986.29
	<b>26,678,682.78</b>	152,986.29

(a) Other operations revenue and cost of sales

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Other operations revenue	Other operations cost	Other operations revenue	Other operations cost
Technology transfer, research and development service	<b>26,678,682.78</b>	<b>26,678,682.78</b>	1,132,075.48	152,986.29
Management service	<b>541,732.08</b>	–	204,000.00	–
	<b>27,220,414.86</b>	<b>26,678,682.78</b>	1,336,075.48	152,986.29

# Notes to the Financial Statements

For the six months ended 30 June 2023  
(All amounts in RMB Yuan unless otherwise stated)

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

### (8) Investment income

	Six months ended 30 June 2023	Six months ended 30 June 2022
Long-term equity investment income calculated by cost method	<b>1,334,541,292.00</b>	967,613,771.19
Long-term equity investment income calculated by equity method	<b>64,628,883.58</b>	39,321,711.88
Interest income from internal loans	<b>114,046,603.55</b>	139,190,849.52
Others	<b>335,000.00</b>	–
	<b>1,513,551,779.13</b>	1,146,126,332.59

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 2023

(All amounts in RMB Yuan unless otherwise stated)

## 1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

	Six months ended 30 June 2023	Six months ended 30 June 2022
Gains from disposal of non-current assets	<b>73,632,380.30</b>	1,422,890,374.83
Government grants recognised in profits (Except closely related with the enterprise's businesses and the normed or quantitative government grants at national uniform standard)	<b>235,285,309.06</b>	124,039,817.90
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	<b>196,842,384.45</b>	25,391,346.09
Reversal of provision for bad debts for receivables on individual basis	<b>24,594,923.41</b>	16,967,331.93
Non-operating income and expenses other than the above	<b>(24,291,726.48)</b>	(41,241,603.36)
	<b>506,063,270.74</b>	1,548,047,267.39
Impact of income tax expense	<b>(63,379,704.41)</b>	(233,469,993.71)
Impact on the minority interests, net of tax	<b>(32,163,897.31)</b>	(299,759,987.54)
	<b>410,519,669.02</b>	1,014,817,286.14

### 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 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022
Net profit attributable to ordinary shareholders of the Company	<b>3.82</b>	6.36	<b>0.71</b>	1.13	<b>0.71</b>	1.13
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	<b>3.22</b>	4.61	<b>0.59</b>	0.82	<b>0.59</b>	0.82

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