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山東新華製藥股份有限公司

Shandong Xinhua Pharmaceutical Company Limited

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

(Stock Code: 00719)

2023 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) and directors (“**Directors**”) of Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) hereby announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”). The following financial information has been prepared in accordance with China Accounting Standards for Business Enterprises (“**CASBE**”) as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

This announcement is published in Chinese and English. If there are any discrepancies between the Chinese version and the English version, the Chinese version shall prevail.

I. COMPANY INFORMATION

Chinese name:	山東新華製藥股份有限公司
English name:	SHANDONG XINHUA PHARMACEUTICAL COMPANY LIMITED
Legal representative:	Mr. He Tongqing
Secretary to the Board:	Mr. Cao Changqiu
Telephone number:	86-533-2196024
Facsimile number:	86-533-2287508
E-mail address of the Secretary to the Board:	cqcao@xhzy.com
Registered address:	Chemical Industry Area of Zibo Hi-tech Industry Development Zone, Zibo City, Shandong Province, the People's Republic of China (the “ PRC ”)
Office address:	No. 1 Lutai Ave., Hi-tech Industry Development Zone, Zibo City, Shandong Province, the PRC
Postal code:	255086

Website: <http://www.xhzy.com>

E-mail address: xhzy@xhzy.com

PRC newspaper for information disclosure: Securities Times

PRC website for the publication of the interim report: <http://www.cninfo.com.cn>

Listing information:

H Shares: Listed on The Stock Exchange of Hong Kong Limited (the “SEHK”)

Stock short name: Shandong Xinhua

Stock code: 00719

A Shares: Shenzhen Stock Exchange

Stock short name: Xinhua Pharm

Stock code: 000756

II. SUMMARY OF PRINCIPAL FINANCIAL DATA (PREPARED IN ACCORDANCE WITH CASBE)

Unit: Renminbi Yuan (“RMB”)

Item	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	Change as compared to the same period last year
Operating revenue	4,672,269,049.13	3,664,294,993.33	27.51%
Total profits	331,945,812.26	235,316,728.47	41.06%
Income tax expense	56,265,379.99	36,812,855.18	52.84%
Net profits	275,680,432.27	198,503,873.29	38.88%
Minority interest in profit and loss	5,873,274.42	4,114,317.17	42.75%
Net profits attributable to shareholders of listed company	269,807,157.85	194,389,556.12	38.80%
Net profits attributable to shareholders of listed company after deduction of non-recurring profit and loss	252,506,003.03	173,046,252.17	45.92%
Net cash flow from operating activities	20,131,070.66	194,801,492.76	(89.67%)
Basic earnings per share	0.40	0.30	33.33%
Diluted earnings per share	0.39	0.30	30.00%
Return on equity	6.27%	5.23%	Increased by 1.04 percentage points
Item	As at 30 June 2023 (unaudited)	As at 31 December 2022 (the “End of Last Year”) (audited)	Change as compared to the End of Last Year
Total assets	8,075,584,581.73	8,265,131,332.13	(2.29%)
Total liabilities	3,525,405,717.37	3,915,226,169.32	(9.96%)
Minority shareholders’ equity	219,364,092.24	223,444,771.86	(1.83%)
Total net assets attributable to the shareholders of listed company	4,330,814,772.12	4,126,460,390.95	4.95%

III. CHANGES IN SHARE CAPITAL STRUCTURE AND INFORMATION ON SHAREHOLDERS

1. Share capital structure

Unit: shares

Item Class of shares	30 June 2023		1 January 2023	
	Number of shares	Percentage of the total share capital (%)	Number of shares	Percentage of the total share capital (%)
1. Total number of conditional tradable shares	38,676,675	5.73	38,294,533	5.72
State-owned shares	-	-	-	-
Shares owned by domestic legal persons	37,091,988	5.50	37,091,988	5.54
Conditional tradable shares owned by senior management (A Shares)	1,584,687	0.23	1,202,545	0.18
Others	-	-	-	-
2. Total number of unconditional tradable shares	636,006,160	94.27	631,332,702	94.28
Renminbi-denominated ordinary shares (A Shares)	441,006,160	65.37	436,332,702	65.16
Overseas listed foreign shares (H Shares)	195,000,000	28.90	195,000,000	29.12
3. Total number of shares	674,682,835	100.00	669,627,235	100.00

Note:

Share options exercisable under the third exercise period of the Company's 2018 A-share stock option incentive plan were exercised in two tranches, resulting in the issuance of 4,260,300 shares on 11 January 2023 and issuance of 795,300 shares on 9 May 2023.

2. Shareholders' information

- (1) As at 30 June 2023, the Company had on record a total of 110,533 shareholders (the "Shareholders"), including 36 holders of H Shares and 110,497 holders of A Shares.

(2) As at 30 June 2023, details of the ten largest Shareholders that held the Company's shares were as follows:

Unit: share

Name of Shareholders	Nature of Shareholders	% of total issued share capital	Number of shares held as at the end of the Reporting Period	Class of shares
華魯控股集團有限公司 (Hualu Holdings Group Co. Ltd.) ⁽ⁱ⁾ (“HHC”)	State-owned	30.36	204,864,092	RMB-denominated ordinary shares
香港中央結算(代理人)有限公司 HKSCC Nominees Limited	H Shares	28.66	193,334,127	Overseas listed foreign shares
華魯投資發展有限公司 Hualu Investment Development Co., Ltd (“Hualu Investment”)	State-owned	5.50	37,091,988	RMB-denominated ordinary shares
方威 Fang Wei	Natural person in the territory	1.07	7,213,386	RMB-denominated ordinary shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.50	3,394,277	RMB-denominated ordinary shares
於海濤 Yu Haitao	Natural person in the territory	0.21	1,385,400	RMB-denominated ordinary shares
鄭旭 Zheng Xu	Natural person in the territory	0.16	1,086,700	RMB-denominated ordinary shares
廖軍祥 Liao Junxiang	Natural person in the territory	0.13	850,000	RMB-denominated ordinary shares
張秋 Zhang Qiu	Natural person in the territory	0.07	473,500	RMB-denominated ordinary shares
王品海 Wang Pinhai	Natural person in the territory	0.07	472,100	RMB-denominated ordinary shares

(3) As at 30 June 2023, the ten largest Shareholders of the unconditional tradable shares of the Company were as follows:

Unit: share

Name of Shareholders	Nature of Shareholder	% of total issued share capital	Number of unconditional listed shares as at the end of the Reporting Period	Class of shares
華魯控股集團有限公司 HHC ⁽ⁱ⁾	State-owned	30.36	204,864,092	RMB-denominated ordinary shares
香港中央結算(代理人)有限公司 HKSCC Nominees Limited	H Shares	28.66	193,334,127	Overseas listed foreign shares
方威 Fang Wei	Natural person in the territory	1.07	7,213,386	RMB-denominated ordinary shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.50	3,394,277	RMB-denominated ordinary shares
於海濤 Yu Haitao	Natural person in the territory	0.21	1,385,400	RMB-denominated ordinary shares
鄭旭 Zheng Xu	Natural person in the territory	0.16	1,086,700	RMB-denominated ordinary shares
廖軍祥 Liao Junxiang	Natural person in the territory	0.13	850,000	RMB-denominated ordinary shares
張秋 Zhang Qiu	Natural person in the territory	0.07	473,500	RMB-denominated ordinary shares
王品海 Wang Pinhai	Natural person in the territory	0.07	472,100	RMB-denominated ordinary shares
王香配 Wang Xiangpei	Natural person in the territory	0.07	460,000	RMB-denominated ordinary shares

Notes:

- (i) Such figure excludes the 37,091,988 A Shares held by Hualu Investment, a direct wholly owned subsidiary of HHC. As of 30 June 2023, each of Hualu Investment and Well Bring Limited (“**Well Bring**”) is a direct wholly owned subsidiary and an indirect wholly owned subsidiary of HHC, respectively. Hualu Investment owns 37,091,988 A Shares of the Company, representing approximately 5.50% of the issued share capital of the Company. Well Bring owns 20,827,800 H Shares of the Company (being overseas listed foreign shares), representing approximately 3.09% of the issued share capital of the Company, the legal title of which are deposited into the clearing system of the SEHK and held by HKSCC Nominees Limited.
 - (ii) The following is a description of association relationship and party acting in concert in relation to the above Shareholders under applicable PRC laws and regulations: Except for Hualu Investment which is a subsidiary of HHC, to the best of their knowledge, the Directors are not aware as to whether there is any association relationship (as defined in the Rules Governing Listing of Stocks On Shenzhen Stock Exchange) amongst the remaining of the abovementioned Shareholders, nor are any of them persons acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies (“**Administration Measures for Takeover**”) issued by the China Securities Regulatory Commission (the “**CSRC**”). In addition, the Directors are not aware of any association amongst the Shareholders of H Shares of the Company or if any of them are persons acting in concert as defined in the Administration Measures for Takeover. The Directors are not aware of any association amongst the abovementioned Shareholders of unconditional tradable shares of the Company, or any association between the Shareholders of unconditional tradable shares and the other Shareholders, or that any of them are persons acting in concert as defined in the Administration Measures for Takeover.
 - (iii) Save as disclosed above, the only domestic Shareholders directly holding more than 5% of the total issued shares of the Company are HHC and Hualu Investment.
 - (iv) Save as disclosed above and so far as the Directors are aware, as at 30 June 2023, no other person (other than the Directors, supervisors of the Company (the “**Supervisors**”), chief executive (if applicable) or members of senior management of the Company (the “**Senior Management**”) had an interest or short position in the Company’s shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“**SFO**”) and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial Shareholder (as defined in the Listing Rules) of the Company.
- 3. No change of controlling Shareholder (as defined under the Listing Rules) of the Company during the Reporting Period**

There was no change in the controlling Shareholder and actual controller of the Company during the Reporting Period.

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

The Directors, Supervisors and Senior Management and the number of shares of the Company (“Shares”) held by them on the date so indicated were as follows:

Unit: share

Notes:

Name	Position	Number of Shares as at 30 June 2023	Number of Shares as at 1 January 2023
Directors:			
Mr. He Tongqing	Chairman	183,150	110,550
Mr. Xu Wenhui	Executive Director, General Manager	133,200	80,400
Mr. Xu Lie	Non-executive Director	183,150	110,550
Mr. Hou Ning	Executive Director, Financial Controller	220,000	147,400
Mr. Cong Kechun	Non-executive Director	0	0
Mr. Pan Guangcheng	Independent non-executive Director	0	0
Mr. Zhu Jianwei	Independent non-executive Director	0	0
Mr. Lo Wah Wai	Independent non-executive Director	0	0
Mr. Ling Peixue	Independent non-executive Director (Resigned on 26 July 2023)	0	0
Supervisors:			
Mr. Liu Chengtong	Chairman of Supervisory Committee	0	0
Mr. Tao Zhichao	Independent Supervisor	0	0
Ms. Hu Yanhua	Employee Supervisor	0	0
Mr. Wang Jianping	Employee Supervisor	0	0
Mr. Xiao Fangyu	Independent Supervisor	0	0
Other Senior Management:			
Mr. Zheng Zhonghui	Deputy General Manager	183,150	110,550
Mr. Wei Changsheng	Deputy General Manager	133,200	80,400
Mr. Liu Xuesong	Deputy General Manager	23,100	0
Mr. Kou Zuxing	Deputy General Manager	23,100	0
Mr. Cao Changqiu	Secretary to the Board	133,200	80,400
Total		1,215,250	720,250

Notes:

- (i) All interests in the securities of the Company owned by the Directors, Supervisors and Senior Management of the Company are long position in A Shares.
- (ii) The increase in shareholding of the Shares held by Directors and Senior Management resulted from the exercise of share options under the 2018 A-share stock option incentive plan.
- (iii) So far as the Directors, the Senior Management and Supervisors are aware, save as disclosed above, as at 30 June 2023, no Director, Senior Management and Supervisor had any interest or short position in the shares, underlying shares and /or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the SFO (Chapter 571 of the Laws of Hong Kong)) which was required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short position which any such Director, Senior Management or Supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

V. CHAIRMAN'S STATEMENT

To all Shareholders:

We hereby report to the Shareholders on the operational results of the Company for the first half of the year 2023.

In the first half of the year 2023, the operating revenue of the Group prepared under the CASBE was RMB4,672,269,000, representing an increase of 27.51% as compared with the same period last year. The Group recorded its net profits attributable to the Shareholders of RMB269,807,000, representing an increase of 38.80% as compared with the same period last year.

The Board did not recommend the declaration of any interim dividend for the first half of the year 2023.

BUSINESS REVIEW

In the first half of the year, the Group overcame impacts brought by various unfavorable factors (such as sluggish market demand, intense market competition and production planning challenges), and was able to successfully complete interim target objectives through achieving innovative breakthroughs and acceleration of various key tasks through collective and concerted efforts.

1. Stabilizing the market and seizing opportunities with multiple breakthroughs in various sectors

We made great efforts to overcome unprecedented difficulties in the global markets, played a leading role in the exportation of raw materials for pharmaceuticals, and sustained stable external sales. At the same time, we fully leveraged on our Company's comprehensive advantage in the domestic raw materials market, promoted differentiated sales strategies, and achieved a year-on-year growth of 78.49% in the domestic sales of raw materials in the first half of the year.

We seized market opportunities and adhered unwaveringly to the development of major product categories and the cultivation of strategic product categories. In the first half of the year, the sales volume of industrial preparations increased by 48.66% year-on-year, and the sales volume of preparation processing and export businesses increased by 93.97% year-on-year.

Xinhua Medical Trade (新華醫貿商業) successfully obtained the modern medicine logistics qualification certification, laying a solid foundation for accelerating the implementation of breakthrough measures. Xinhua Health (新华健康) focused on its two core businesses, pharmaceuticals and non-pharmaceuticals, to build an "Internet medical health" closed-loop service ecosystem and a one-stop comprehensive industry chain service system, achieving rapid development on multiple fronts. In the first half of the year, the sales of commercials segment achieved rapid growth.

2. Accelerating the launch of new products and the development of new projects, boosting momentum

In the first half of the year, seven new products were launched, including five preparation products such as ibuprofen suspension, one active pharmaceutical ingredient, namely Alogliptin Benzoate, and one health product of zinc vitamin C effervescent tablet.

The four key projects, including the DCB project and the Methyldopa project have completed civil construction and started equipment installation.

3. **Accelerating the pace of technological innovation and achieving a new record in the number of approved patents**

In the first half of the year, ten drug production licenses and six veterinary drug licenses have been obtained, and Phase I clinical trial licenses were obtained for innovative drugs such as the OAB-14. The Group has obtained a record number of approved patents.

In addition, 22 patents (including 8 invention patents) have been authorised during the first half of the year. One of the Group's project won the first prize of the Shandong Chemical Industry Association Science and Technology Progress Award (山東化學化工學會科技進步獎一等獎), and another project was nominated for the China Grand Award for Industry (中國工業大獎提名獎). XinCat Pharmaceutical and Gaomi Company were recognized as the first batch of "Specialized, Fine, Unique and Innovative Small and Medium-sized Enterprises (專精特新中小企業)" in Shandong Province in 2023. XinCat Pharmaceutical was recognized as a specialized and new small and medium-sized enterprise in Shandong Province in 2023, and the Pharmaceutical Chemical Industry Design Company was recognized as a "Science And Technology Small And Medium-sized Enterprise" in Shandong Province (科技型中小企業).

4. **Strengthening our foundation, implementing reforms and building momentum for development**

We maintained a stable situation and outlook, with no general or more serious safety, environmental, or quality incidents recorded during the first half of the year.

We expedited our development in informationization , and the Company was recognized as an Intelligent Manufacturing Benchmark Enterprise for 2022 in the Shandong Province (2022 年度山東省智能製造標杆企業) and an Excellent Enterprise of Fusing Informationization with Industrialization for 2022 (2022 年兩化融合優秀企業).

We promoted internal reforms and established five new departments, including the Preparation International Trade Department and the Animal Health Trade Department. We also strengthened the functions of our procurement center and increased efforts in achieving open and centralized procurement. Public recruitment was implemented for 14 positions. Three system reform plans were formulated and implemented, and the economic responsibility system was further revised and improved, especially with the introduction of the "Management Measures for Incentives in the Full Lifecycle of New Products" and the "Management Measures for Major Scientific and Technological Innovation".

PROSPECTS

Looking ahead, enterprises are expected to face even more critical development challenges and more pressing tasks. Due to the continuous appreciation of the U.S. dollar and the high interest rates maintained by the U.S. Federal Reserve, international market demand continues to be sluggish, and purchasing power has declined. Domestic consumption recovery fell short of expectations, and more products have been included in centralized procurement due to cost control measures of medical insurance, increasing the pressure on the price reduction of pharmaceutical products. Domestic enterprises are facing serious overcapacity and serious involution, and the Company's pace of development and profitability may face severe challenges in the second half of the year.

In light of the above, the Group will actively focus on the following key aspects in the second half of the year:

1. Sustain and consolidate market share and accelerate with market-driving forces

We shall fully leverage the advantages of diversified and differentiated specifications of active pharmaceutical ingredients to gain access to customers, seize orders, and compete for market share. Through actively cultivating the market for characteristic active pharmaceutical ingredients and balancing exports and domestic sales, we strive to achieve over-fulfillment of annual targets.

We target to utilize the advantages of integrated active pharmaceutical ingredients and preparations, focus on the market development of large varieties and strategic varieties of formulations, and increase the promotion of new preparation products. At the same time, we will need to stabilize and secure the operation of CMO projects with companies such as Bayer, Roche, and to accelerate the implementation of new projects.

In respect of chemical and pharmaceutical intermediates, we shall firstly reduce costs and ensure quality to provide a strong backing for active pharmaceutical ingredients, secondly pay attention to the market development of key chemical and pharmaceutical intermediates to enhance development capabilities, and thirdly strive to achieve stable production in Tongxin Pharmaceutical and enhance the overall competitiveness of the hormone industry chain.

Taking the opportunity of modern pharmaceutical logistics certification, we will expand vertically (to upstream industrial enterprises and downstream pharmacy terminal businesses) and horizontally (to areas such as brand operation, modern logistics) to boost development and increase profitability. Xinhua Health will further integrate hospital and grassroots medical resources, accelerate the growth of the Xinhua-system medical ecosystem, speed up the development of self-owned brands such as healthcare and medical beauty, integrate high-quality resources from multiple fields, and achieve breakthroughs in development barriers.

2. Accelerate technological innovation and continuously enhance development momentum

We strive to obtain six production licenses for new preparation products, one production license for active pharmaceutical ingredients, two clinical trial licenses for products, and two consistency evaluation licenses in the second half of the year.

We shall make efforts to obtain preliminary results for the Phase I clinical trial of the major innovative drug OAB-14.

3. Boost the development of key projects and fully capitalise on our development potential

We shall implement regulations (such as the “Assessment and Management Measures for Innovative Breakthrough Development Projects” and the “Management Measures for Green Channels for New Drug Research and Development and Industrialization”), consummate our “123” development strategy and execute the fulfilment of our “three upgrades, two breakthroughs, and one reduction” requirement. In particular, we shall focus on technical quality control of key products, reduce cost of products, enhance competitiveness, and accelerate the progress of innovative projects for breakthrough.

We shall also accelerate the development of key projects and strive to put them into operation as soon as possible.

4. Strengthen management, control risks, and continuously enhance core development

Aiming for the acceleration of the implementation of safety, environmental protection, and technological projects, we shall improve our information management capabilities with the utilization of four new technologies to enhance vitality, ensuring that no general or more serious safety, environmental, or quality incidents will occur throughout the year.

By strengthening internal control, compliance, risk control, and internal audit work, we shall further strengthen control over the use of “three funds”, strengthen control over funds and credit, tighten the control over major risk sources, early warning and prevention, and emergency response to ensure the healthy development of the Company.

Chairman
He Tongqing
24 August 2023

VI. MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the development, manufacturing and sale of chemical bulk drugs, preparations, medical intermediates and other products. The Group's profits are mainly attributable to its principal operations.

Analysis of financial conditions and operating results in accordance with CASBE

1. Analysis of Assets and Liabilities

Assets and liabilities constituting changes

Unit: RMB Yuan

Item	As at 30 June 2023 (unaudited)		As at 31 December 2022 (the "End of Last Year") (audited)		Percentage increase or decrease	Description of changes
	Amounts	Proportion of total assets	Amounts	Proportion of total assets		
Monetary funds	979,173,294.29	12.13%	1,158,741,565.90	14.02%	(1.89%)	-
Accounts receivable	993,356,927.32	12.30%	761,259,339.93	9.21%	3.09%	-
Contract assets	1,782,427.90	0.02%	1,721,856.82	0.02%	-	-
Inventories	1,010,804,447.12	12.52%	1,211,987,048.39	14.66%	(2.14%)	-
Investment real estate	34,875,521.12	0.43%	48,354,011.36	0.59%	(0.16%)	-
Long-term equity investment	57,275,078.26	0.71%	57,154,487.58	0.69%	0.02%	-
Fixed assets	3,271,442,816.64	40.51%	3,447,888,663.48	41.72%	(1.21%)	-
Projects under construction	705,962,107.58	8.74%	545,894,979.10	6.60%	2.14%	-
Right-of-use assets	5,387,376.18	0.07%	6,681,708.67	0.08%	(0.01%)	-
Short-term borrowing	243,494,933.55	3.02%	118,023,275.00	1.43%	1.59%	-
Contract liability	95,400,657.92	1.18%	593,261,005.51	7.18%	(6.00%)	-
Long-term borrowings	804,985,266.90	9.97%	545,655,801.48	6.60%	3.37%	-
Lease liabilities	2,073,041.41	0.03%	2,715,480.67	0.03%	-	-

Analysis of major changes of items

Unit: RMB Yuan

Items	As at 30 June 2023 (unaudited)	As at 31 December 2022 (the "End of Last Year") (audited)	Change as compared to the End of Last Year	Description of changes (Note ref.)
Notes receivable	7,595,862.25	17,895,124.18	(57.55%)	(1)
Accounts receivable	993,356,927.32	761,259,339.93	30.49%	(2)
Prepayments	30,354,723.43	52,149,890.91	(41.79%)	(3)
Other non-current assets	80,530,857.86	21,492,373.85	274.70%	(4)
Short-term borrowing	243,494,933.55	118,023,275.00	106.31%	
Non-current liabilities due within one year	284,338,656.80	717,461,309.60	(60.37%)	(5)
Long-term loans	804,985,266.90	545,655,801.48	47.53%	
Contract liabilities	95,400,657.92	593,261,005.51	(83.92%)	(6)
Other current liabilities	14,208,834.74	85,809,692.93	(83.44%)	
Other payables	570,679,759.59	424,961,296.31	34.29%	(7)
Deferred income tax liabilities	102,833,288.81	66,435,062.14	54.79%	(8)

Reasons for the change of more than 30% as the end of last year:

- (1) The decrease in notes receivable from the end of the prior year was mainly due to a decrease in bank acceptances that were not terminated for recognition at the end of the Reporting Period.
- (2) The increase of accounts receivable was mainly due to the expanded scale of sales and that payments for part of the sales business had not yet been due during the Reporting Period.
- (3) The decrease in prepayment compared with the end of the previous year was mainly due to the decrease in prepayment due to the stable supply of raw materials during the Reporting Period.
- (4) The increase in other non-current assets compared with the end of the previous year was mainly due to the increase in the prepayment for outsourced patented technologies and the purchase of office estate for the Pharmaceutical Chemical Industry Design Company at the end of the Reporting Period.
- (5) The main reason for the change in short-term borrowing, non-current liabilities due within one year and long-term loans was to reduce financing costs and further optimize the debt structure during the Reporting Period.
- (6) The main reason for the decrease in contract liabilities and other current liabilities compared with the end of the previous year was that the Company fulfilled its contractual obligations during the Reporting Period and received less advance payment from customers.
- (7) The main reason for the increase in other payables compared with the end of the previous year is that the Company's 2022 final dividend payment has not been paid out as at the end of the Reporting Period.
- (8) The increase in deferred income tax liabilities compared to the end of the previous year was mainly due to the increase in the company's profit during the Reporting Period, the decrease in deferred income tax assets recognized by deductible losses, resulting in a decrease in the amount of deferred income tax assets offset deferred income tax liabilities, which affected the increase in deferred income tax liabilities shown in net.

2. Analysis of major changes in income statement items and research input

Unit: RMB Yuan

Items	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	Change as compared to the same period last year	Description of changes (Note ref.)
Operating revenue	4,672,269,049.13	3,664,294,993.33	27.51%	-
Operating costs	3,281,046,254.21	2,711,527,456.90	21.00%	-
Selling expenses	487,038,936.17	294,558,596.18	65.35%	(1)
Administration expenses	246,316,699.21	203,112,746.43	21.27%	-
Financial expenses	1,341,987.35	14,502,630.16	(90.75%)	(2)
Income tax expenses	56,265,379.99	36,812,855.18	52.84%	(3)
Research and Development ("R&D") input	225,778,632.69	164,668,702.95	37.11%	(4)
R&D expenses	235,529,909.24	168,567,402.10	39.72%	
Taxes and surcharges	60,476,643.03	31,613,472.22	91.30%	(5)
Credit impairment loss	(3,477,647.35)	(2,032,673.39)	71.09%	(6)
Assets impairment loss	(44,340,776.07)	(29,349,965.64)	51.08%	(7)
Gains from asset disposal	1,274,182.44	2,454,007.49	(48.08%)	(8)
Operating profits	333,956,283.28	237,764,708.38	40.46%	
Total profits	331,945,812.26	235,316,728.47	41.06%	(9)
Net profits	275,680,432.27	198,503,873.29	38.88%	
Net profits which belongs to shareholders of parent company	269,807,157.85	194,389,556.12	38.80%	

Reasons for the change of more than 30% over the same period:

- (1) The main reason for the year-over-year increase in selling expenses was that the Company increased its market development efforts and expanded the sales scale during the Reporting Period.
- (2) The year-over-year decrease in financial expenses was mainly due to the optimization of the Company's financing structure during the Reporting Period, lower interest expense and higher exchange gains.
- (3) The main reason for the increase in income tax expense over the same period in the previous year was mainly due to the year-on-year increase of total profit during the Reporting Period.
- (4) The main reason for the increase in R&D input and R&D expenses over the same period in the previous year was that the Company continued to promote scientific and technological innovation and continued to increase R&D investment during the Reporting Period.
- (5) The increase in taxes and surcharges over the same period in the previous year was mainly due to the land value-added tax paid by the company during the reporting period, which affected the year-on-year increase in taxes and surcharges.

- (6) The year-over-year increase in credit impairment loss was primarily due to an increase in the receivable bad debt loss accrued during the Reporting Period.
- (7) The year-over-year increase in assets impairment loss was primarily due to an increase in the provision for impairment of inventories during the Reporting Period.
- (8) The year-over-year decrease in gains from asset disposal was mainly due to the decrease in income from disposal of fixed assets during the Reporting Period.
- (9) The increase in operating profit, total profit, net profit and net profit attributable to the shareholders of the parent company over the same period in the previous year was mainly due to the Company seizing market opportunities and expanding the scale of its sales during the Reporting Period. At the same time, the Company was conscientious on self-preservation, strengthened its management and was focused on reducing costs and increasing efficiency.

3. Analysis of significant changes in cash flow statement items

Items	Unit: RMB Yuan			
	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	Change as compared to the same period last year	Description of changes (Note ref.)
Net cash flow generated from operating activities	20,131,070.66	194,801,492.76	(89.67%)	(1)
Net cash flow generated from investing activities	(112,746,724.47)	(115,450,914.87)	(2.34%)	-
Net cash flow generated from financing activities	(65,369,861.68)	271,566,681.96	(124.07%)	(2)
Net increase in cash and cash equivalents	(156,464,600.78)	361,491,631.08	(143.28%)	(3)

Reasons for the change of more than 30% over the same period:

- (1) The net cash flow generated from operating activities decreased from the same period in the previous year mainly due to the receipt of payment in advance from customers at the end of the preceding year and the fulfillment of contractual obligations during the Reporting Period. Further, the scale of our sales expanded during this Reporting Period although payment deadlines in connection with part of the relevant sales were not due.
- (2) The decrease in net cash flow from financing activities compared with the same period in the previous year was mainly due to the Company's receipt of RMB244 million from the non-public offering of A-shares in the same period in the previous year.
- (3) The key reasons for year-over-year decrease in net increase in cash and cash equivalents are as set forth under (1) and (2) above.

The Group's main operations classified by industry, product and geographical location in accordance with CASBE are as follows (RMB):

Items	Operating revenue	Operating costs	Gross profit rate	Change in operating revenue as compared to the same period last year	Change in operating costs as compared to the same period last year	Change in gross profit rate as compared to the same period last year
By industry						
Chemical bulk drugs	1,877,968,283.62	1,133,816,909.43	39.63%	25.43%	9.40%	Increased by 8.86 percentage points
Preparations	2,088,817,413.85	1,488,959,678.66	28.72%	28.46%	20.65%	Increased by 4.62 percentage points
Medical intermediates and other products	705,483,351.66	658,269,666.12	6.69%	30.37%	49.26%	Increased by 11.81 percentage points
Total	4,672,269,049.13	3,281,046,254.21	29.78%	27.51%	21.00%	Increased by 3.78 percentage points
By product						
Antipyretic and analgesic active pharmaceutical ingredients	1,877,968,283.62	1,133,816,909.43	39.63%	25.43%	9.40%	Increased by 8.86 percentage points
Preparations such as tablets, injections, capsules etc.	2,088,817,413.85	1,488,959,678.66	28.72%	28.46%	20.65%	Increased by 4.62 percentage points
Medical intermediates and others	705,483,351.66	658,269,666.12	6.69%	30.37%	49.26%	Increased by 11.81 percentage points
Total	4,672,269,049.13	3,281,046,254.21	29.78%	27.51%	21.00%	Increased by 3.78 percentage points
By geographical location						
PRC (including Hong Kong)	3,457,024,444.49	2,367,938,865.61	31.50%	41.67%	40.89%	Increased by 0.38 percentage points
Americas	405,303,329.38	308,309,175.73	23.93%	(4.11%)	(14.43%)	Increased by 9.17 percentage points
Europe	610,610,779.84	443,784,114.80	27.32%	13.92%	0.26%	Increased by 9.89 percentage points
Others	199,330,495.42	161,014,098.07	19.22%	(24.90%)	(29.35%)	Increased by 5.08 percentage points
Total	4,672,269,049.13	3,281,046,254.21	29.78%	27.51%	21.00%	Increased by 3.78 percentage points
By sales model						
Direct selling	1,882,967,078.19	1,326,660,741.57	29.54%	12.72%	4.20%	Increased by 5.75 percentage points
Distribution selling	2,789,301,970.94	1,954,385,512.64	29.93%	39.90%	35.87%	Increased by 2.07 percentage points
Total	4,672,269,049.13	3,281,046,254.21	29.78%	27.51%	21.00%	Increased by 3.78 percentage points

Analysis of profit composition as compared to 2022 is as follows:

Items	Amount (RMB Yuan)		Percentage of the total profit (%)	
	Six months ended 30 June 2023	2022	Six months ended 30 June 2023	2022
Operating profits	333,956,283.28	476,706,533.91	100.61	101.05
Net non-operating revenue	(2,010,471.02)	(4,932,183.30)	(0.61)	(1.05)
Total profits	331,945,812.26	471,774,350.61	100.00	100.00

There was no significant change in the profit composition in the Reporting Period compared to the same period in the previous year.

Liquidity and analysis of financial resources and capital structure

As at 30 June 2023, the Group's (i) current ratio was 130.33%; (ii) the quick ratio was 89.61%; and (iii) the turnover rate of accounts receivable (calculated as annualised operating revenue / average net accounts receivable ×100%) and the rate of inventory turnover (calculated as annualised operating costs / average net inventories×100%) were 1,065.14% and 590.44% respectively.

The current ratio and the quick ratio increased from the end of the previous year respectively, primarily because of the decrease in current liabilities as at the end of the Reporting Period. The Group's working capital need did not show significant seasonal fluctuation.

The Group's main sources of funds were loans and operating profits. As at 30 June 2023, the Group's total borrowing was RMB1,329,244,000. As at 30 June 2023, the Group's monetary funds amounted to RMB979,173,000. The Group is in good credit condition and has sufficient bank credit line available to meet the demand for working capital.

As at 30 June 2023, (i) the Company and its subsidiary pledged the monetary funds of RMB88,157,000 and RMB20,369,000 respectively to the bank as deposit for bank acceptance; (ii) a Company's subsidiary recorded housing loan deposit in the amount of RMB677,000 and prepayment in connection with regulated advanced home sales in the amount of RMB13,774,000; (iii) the Company's performance guarantee deposit amounted to RMB1,001,000; (iv) a Company's subsidiary will use an amount of RMB896,000 as wage guarantee for migrant workers; (v) notes receivable in the amount of RMB5,481,000 of the Company and its subsidiaries have not been terminated for recognition; and (vi) the right-of-use assets of the Company in the amount of RMB5,387,000 does not belong to the Group. Save as disclosed, the Group did not have other secured assets.

The Group did not have any material investment, acquisitions or any disposals of assets during the Reporting Period.

The breakdown of the Group's results is set out in the section headed "Analysis of financial conditions and operating results in accordance with CASBE".

As at 30 June 2023, the number of the Group's employees was 6,839. The total employee salaries in the first half of 2023 amounted to RMB406,537,000.

As at 30 June 2023, the Group's asset-liability ratio was 43.66% (total liabilities / total assets ×100%).

The Group's current bank deposits will mainly be used as working capital for project construction, production and operation.

As at 30 June 2023, the Group had a gross gearing ratio (i.e., gross liabilities divided by adjusted capital) of 30.69%, and a net gearing ratio (i.e., net liabilities divided by adjusted capital) of 8.08%. For this purpose, "gross liabilities" is defined as total borrowings and "net liabilities" is defined as total borrowings less cash and cash equivalents, and "adjusted capital" is defined as all components of equity attributable to Shareholders, other than designated reserves.

The Group's assets and liabilities were recorded in Renminbi. In the first half of 2023, the Group's export revenue was USD173,736,000, which exposed the Group to the risks associated with exchange rate fluctuations. Therefore, the Group has taken the following major measures to lower the risks of exchange rate fluctuations: (1) the Group has increased export prices to reduce the risks of exchange rate fluctuations; (2) when entering into material export contracts, the Group has made arrangements in advance with parties that the risks associated with fluctuations in exchange rates shall be borne by both parties if the fluctuations exceed the range mutually agreed; and (3) the Group will pay close attention to changes in exchange rates, settle foreign exchange in a timely manner, and properly control the scale of foreign currency assets and liabilities.

VII. IMPORTANT MATTERS

Save as disclosed herein:

1. The Company has generally complied with PRC regulatory documents concerning corporate governance applicable to listed companies.
2. The Plan for Profit Distribution for Year 2022 has been approved at the annual general meeting of the Company for year 2022.
3. During the Reporting Period and the six months ended 30 June 2022, the Board has not recommended any interim dividends or interim conversion of capital reserves into share capital.
4. The Group was not involved in any material litigation or arbitration, whether pending or threatened during the Reporting Period.
5. Save as disclosed under the section headed “Liquidity and analysis of financial resources and capital structure”, the Group did not have any material acquisitions or disposals of assets or mergers during the Reporting Period.
6. During the Reporting Period, the Company did not have nor entered into any trust, escrow or contracting arrangements concerning the assets of the Company or that of other companies. During the Reporting Period, the Company leased assets with a value of RMB5,387,000 from other companies; and other companies leased assets in the amount of RMB34,876,000 from the Company.
7. The independent opinion and directions of the independent non-executive Directors in respect of the use of funds from related parties and status of external guarantees are as follows:

During the Reporting Period, there was no appropriation of the Company’s funds for non-operating uses by the controlling Shareholder and other related parties.

The Company did not provide any guarantee in favour of the controlling Shareholder, non-legal entities or individuals, and did not prejudicial the interests of the Company and its Shareholders (in particular the minority Shareholders). As of 30 June 2023, the Company did not provide any external guarantee in connection with overdue debt and the Company did not have any liability arising from any guarantee as a result of the default of a guaranteed party.

8. Disclosures that the Company or Shareholders holding more than 5% of the total number of issued shares has/have committed to make:

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term for undertaking	Particulars on the performance
Undertaking made on initial public offering or refinancing	HHC	Other	<ol style="list-style-type: none"> 1. Within six months before the price determination date for the non-public issuance of A Shares of the Company (the announcement date of the resolution of the second extraordinary meeting of the 10th session of the Board of Directors of the Company in 2021), HHC and its concert parties shall not reduce their shareholding in the Company. 2. HHC does not have any plan for the reduction its shareholding in the Company within six months after the completion of the non-public issuance of A Shares from the price determination date for the non-public issuance of A Shares. 3. HHC undertakes to strictly comply with the laws and regulations including the Securities Law of the People's Republic of China, Management Measures on Takeover of Listed Companies and the relevant regulations of the stock exchanges of the places where the shares of HHC are listed in connection with any reduction in its shares and to perform relevant information disclosure obligations concerning any changes in rights and interests. 4. If HHC violates the above-mentioned commitment and reduced its shareholding, HHC undertakes that all the proceeds from the reduction shall be owned by the Company and HHC shall bear all legal liabilities and consequences arising therefrom. 	9 August 2021	Long-term	In progress
	HHC	Business competition	<ol style="list-style-type: none"> 1. There is no business competition between HHC and other enterprises controlled by HHC and the Company. 2. At all times when HHC is the controlling shareholder of the Company, HHC shall take necessary and possible measures in accordance with the law to avoid business or activities that are in competition or in conflict with the interest of the principal business of the Company, and shall procure other enterprises controlled by HHC to avoid business or activities that are in competition and conflict of interest with the principal business of the Company. 3. When HHC and other enterprises controlled by HHC intend to carry out new business, investment and research that may compete with the principal business of the Company, HHC shall promptly notify the Company, and the Company will have priority to develop and participate in the project. HHC shall use best endeavors to ensure that the terms of relevant transactions are fair and reasonable and on normal commercial terms with independent third parties. HHC has the ability to fulfill the above commitments. The letter of commitment took effect from the time it was signed by HHC and shall remain valid during the period when HHC has control over the Company. 	9 August 2021	Long-term	In progress

	HHC	Other	<ol style="list-style-type: none"> 1. HHC undertakes not to act beyond its powers to interfere with the Company's operating and management activities or misappropriate the Company's interests. 2. From the date of issuance of the undertaking to the completion of the Company's non-public issuance of A Shares, if the State and securities regulatory authorities make other new regulatory requirements on measures for listed companies to compensate the diluted current returns, and the undertaking cannot meet the requirements of the State and securities regulations, HHC promises to issue an undertaking in accordance with the latest regulations of the State and securities regulatory authorities. 3. HHC undertakes to take relevant measures to compensate for the diluted current returns formulated by the Company and fulfill this undertaking. If any loss is caused to the Company or investors due to the breach of this undertaking or the refusal to fulfill this undertaking, HHC is willing to assume the corresponding liability and compensate the losses in accordance with the law. 	14 April 2021	Long-term	In progress
	HHC	Commitment on industry competition, related transactions and capital occupation	<ol style="list-style-type: none"> 1. HHC shall not use the voting rights attached to its shares in the Company to manipulate the general meeting of shareholders of the Company; nor instruct the Company or its directors, supervisors or senior management personnel to cause the Company to provide or accept funds, commodities, services or other assets on unfair terms; nor engage in any conduct prejudicial to the interests of the Company and shareholders holding less than 5% of the Company's shares. 2. HHC and other companies, enterprises and entities controlled by HHC shall follow the principles of equality, altruism, fair value and fair compensation when conducting transactions with the Company and its controlled subsidiaries, ensure the fairness of transactions, and safeguard the legitimate rights and interests of the Company. The Company shall perform deliberation procedures and make timely disclosure in accordance with laws, administrative regulations, relevant provisions of China Securities Regulatory Commission and domestic stock exchanges, and the Company's articles of association in effect at that time. 	25 June 2021	Long-term	In progress

	The Company	Other	<ol style="list-style-type: none"> 1. From 1 January 2018 to the date of issuance of the undertaking: except for the “Jinding Huajun” items developed by Xinhua (Zibo) Real Estate Co., Ltd. (hereinafter referred to as “Xinhua Real Estate”), the Company and its subsidiaries within the scope of the consolidated statements do not have any other entities engaged in real estate development and operation. 2. Subject to the government’s land supply and other issues, in 2019, the Party Committee of the Company resolved to reserve no more than 80 houses of the “Jinding Huajun” items developed by Xinhua Real Estate as the Company’s expert apartments and talent apartments. Xinhua Real Estate canceled its qualification certificate for real estate development enterprise on 29 June 2021, and its business scope changed on 5 July 2021 which no longer included real estate development and operation business. On 1 August 2021, the executive directors of Xinhua Real Estate resolved to approve the remaining units of the completed properties to be used as the Company’s expert apartments and talent apartments in accordance with the preliminary planning, and no longer be sold to external parties. On 16 December 2021, the general manager office of the Company resolved to approve the specific use plan. The Company and its subsidiaries will not use the commodity housing pre-sale permit to engage in the pre-sale and sale of properties and other related businesses. 3. Upon completion of the above clearance work, the Company and the enterprises controlled by the Company will no longer apply for the relevant business qualifications for real estate development and operation, and will no longer engage in real estate development and operation business in the future. 4. Upon implementation of subsequent procedural matters, Xinhua Real Estate will focus on the management of self-owned real estate properties, or initiate liquidation and cancellation procedures to ensure that it will no longer engage in real estate development and operation business. 5. The Company will use the proceeds from the issuance in strict compliance with laws and regulations and the requirements of regulatory authorities, and will not use the proceeds from the issuance for real estate development and operation. 6. If relevant laws and regulations or regulatory authorities have other requirements for the Company to clean up the real estate development and operation business, the Company will strictly comply with relevant regulations and requirements. 7. The Company will strictly comply with the above undertakings and agree to bear the legal responsibility for breach of the undertakings. 	20 December 2021	Long-term	In progress
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	The Company	Other	<ol style="list-style-type: none"> 1. The Company will urge Xinhua Real Estate to proceed with the building ownership registration of the “Jinding Huajun” items to ensure that Xinhua Real Estate will assist and cooperate with the purchaser to complete the building ownership registration in strict accordance with the provisions of the commodity housing sale and purchase contract. 2. In the event that the sold-out houses of the “Jinding Huajun” items are returned, Xinhua Real Estate will change such houses into self-owning in accordance with the preliminary planning and internal resolution, which will be included in the Company’s expert and talent apartment plan and will not be sold to external parties. The Company will make supplemental arrangements for the properties in accordance with the specific implementation plan of the talent apartment plan. 3. In the event of future controversies or disputes in relation to the “Jinding Huajun” items, the Company will urge Xinhua Real Estate to properly handle the disputes in accordance with the provisions of relevant laws and regulations and the agreement of the commodity housing sale and purchase contract, and assist Xinhua Real Estate in implementing the relevant risk response mechanism. 	24 December 2021	Long-term	In progress
	Xinhua Real Estate	Other	<ol style="list-style-type: none"> 1. Xinhua Real Estate is actively promoting the building ownership registration of the “Jinding Huajun” items, without illegal impediment to obtain the building ownership certificate. Xinhua Real Estate will strictly comply with the provisions of the commodity housing sale and purchase contract, assist and cooperate with the purchaser in the registration of the transfer of building ownership. 2. In the event that the sold-out houses of the “Jinding Huajun” items are returned, Xinhua Real Estate will transfer such houses to self-owning according to the preliminary planning and internal resolution, which will be included in the Xinhua Real Estate’s expert and talent apartment plan and will not be sold to external parties. 3. In the event of future disputes or disputes in relation to the “Jinding Huajun” items, Xinhua Real Estate will properly handle the disputes in accordance with the provisions of relevant laws and regulations and the agreement of the commodity housing sale and purchase contract. Xinhua Real Estate has formulated relevant risk response mechanism, including but not limited to setting up internal risk control specialists, and promptly reporting controversies or disputes to take specific countermeasures when they occur or may occur, and if necessary, Xinhua Real Estate will engage professional external agencies to assist in the handling. 	24 December 2021	Long-term	In progress

	Zhang Daiming Du Deping Xu Lie He Tongqing Cong Kechun Pan Guangcheng Zhu Jianwei Lo Wah Wai Wang Xiaolong Du Deqing Hou Ning Zheng Zhouhui Wei Changsheng Xu Wenhui Cao Changqiu	Other	<ol style="list-style-type: none"> 1. Undertake not to transfer benefits received to other entities or individuals at nil consideration or on unfair terms, nor otherwise damage the interests of the Company. 2. Undertake to restrain his/her consumption and expenditures in discharge of duties. 3. Undertake not to use the assets of the Company for investment and consumption activities unrelated to the performance of his/her duties. 4. Undertake that the remuneration system formulated by the Board or the Remuneration Committee will be linked to the implementation of the Company's remedial measures for diluted current returns. 5. If the Company implements equity incentives in the future, undertake that the exercise conditions of the equity incentives will be linked to the implementation of the Company's remedial measures for returns. 6. (From the date of this undertaking to the completion of the non-public issuance of A Shares of the Company, if the State and securities regulatory authorities impose other new regulatory requirements on the remedial measures for the dilution of immediate returns by listed companies, and this undertaking fails to meet such requirements of the State and securities regulatory authorities) undertake to make specific commitments in accordance with the latest requirements of the State and securities regulatory authorities at that time. 7. As one of the responsible parties for the remedial measures, if violate or refuse to perform the undertakings, agree that the State or securities regulatory authorities shall impose relevant penalties or take relevant regulatory measures on me in accordance with the relevant regulations and rules formulated or issued by them. 	14 July 2021	Long-term	In progress
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9. Purchase, sale and redemption of shares:

Save as aforesaid, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the Reporting Period.

10. Entrusted management of funds

During the Reporting Period, the Company has not proceeded with any entrusted management of funds. There was no entrusted management of funds that was made before the Reporting Period and was carried over to the Reporting Period.

11. Information on the equity interest in financial institutions (in RMB Yuan):

Stock Code	Stock short name	Initial investment amount	Proportion of equity interest in investee	Book value at the end of the Reporting Period	Profit/loss over the Reporting Period	Change in shareholder's equity over the Reporting Period
601601	China Pacific Insurance	7,000,000.00	0.05%	129,900,000.00	5,100,000.00	6,205,000.00
601328	BANKCOMM	14,225,318.00	0.01%	47,671,360.00	3,065,761.60	7,405,499.20
Total		21,225,318.00		177,571,360.00	8,165,761.60	13,610,499.20

12. There was no penalty or remedial action imposed on the Company during the Reporting Period.
13. Please refer to the Company's announcements dated 26 April 2023 on the website (www.cninfo.com.cn) for the details of research, communication and interview activities during the Reporting Period.
14. The Group had no material contingent liabilities as at 30 June 2023.
15. On 11 January 2023 and 9 May 2023, 5.1678 million and 0.7953 million stock options that can be exercised during the third exercise period of the Company's A share stock option incentive plan in 2018 have been registered and listed for circulation respectively. For details, please refer to the overseas regulatory announcement of the Company dated 6 January 2023 and 3 May 2023, and announcement on the website (www.cninfo.com.cn) on and before 9 January 2023 and 4 May 2023.
16. Events after the Reporting Period: On 26 July 2023, Mr. Ling Pwixue, an independent non-executive Director of the Company, resigned from all his positions in the Company to devote more time to other matters, as detailed in the announcement on the website (www.cninfo.com.cn) dated 27 July 2023.
17. Save as disclosed in this announcement, there were no other significant events or material changes affecting the Company and its subsidiaries after the Reporting Period up to the date of this announcement.
18. Changes in Accounting Policies

Contents and reasons of accounting policy changes	Approval processes	Notes
The Ministry of Finance issued the interpretation of accounting standards for Business Enterprises No. 16 (Finance and Accounting [2022] No. 31) (hereinafter referred to as "Interpretation No. 16") on 30 November 2022. Interpretation No. 16 clarifies "Accounting treatment regarding the non-application of initial recognition exemption to deferred income tax related to assets and liabilities arising from individual transactions" (effective January 1, 2023), "Accounting Treatment regarding the income tax impact of dividends related to financial instruments classified by the Issuer as equity instruments" (effective as of the date of publication), and "Accounting Treatment regarding the fact that the Enterprise will be settled in cash Accounting Treatment of Stock Payments settled with equity (effective as of the date of publication).	Relevant accounting policy changes were approved at the 11th meeting of the 10th Board of the Company on 20 April 2023.	Changes in relevant accounting policies have no significant impact on the Group's financial statements.

VIII. CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors confirmed that the Company was in compliance with the Corporate Governance Code (the “Code”) and has not deviated from the Code during the Reporting Period. The Code includes the provisions contained in Part 2 of Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee under the Board in accordance with Rule 3.21 of the Listing Rules.

The audit committee along with the management of the Company has reviewed the accounting standards, principles and methods adopted by the Group, and considered matters regarding auditing, internal control and financial reporting; the audit committee has reviewed the unaudited interim accounts and results for the six months ended 30 June 2023.

The audit committee agreed to the accounting standards, principles and methods adopted by the Group for the unaudited interim accounts and results for the six months ended 30 June 2023 and that sufficient disclosures have been made.

INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four independent non-executive Directors including one with financial management expertise, of whom the biographical details were set out in the 2022 Annual Report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)

During the Reporting Period, the Company has adopted a code of conduct regarding transactions by Directors on terms no less exacting than the required standards set out in the Model Code. After having made specific enquiries to the Directors and the Supervisors, the Company confirms that during the Reporting Period, all Directors and Supervisors have complied with the required standard set out in the Model Code in relation to securities transactions and there were no instances of non-compliance with the Model Code.

IX. FINANCIAL REPORTS PREPARED IN ACCORDANCE WITH CASBE

Consolidated Balance Sheet

Unit: RMB Yuan
31 December 2022
(audited)

Assets	Notes	30 June 2023 (unaudited)	31 December 2022 (audited)
Current assets:			
Monetary funds		979,173,294.29	1,158,741,565.90
Notes receivable		7,595,862.25	17,895,124.18
Accounts receivable	3	993,356,927.32	761,259,339.93
Receivables financing		163,211,566.07	189,752,210.65
Prepayments		30,354,723.43	52,149,890.91
Other accounts receivable	4	9,909,964.59	12,654,317.25
Including: Dividends receivable		3,065,761.60	-
Inventories		1,010,804,447.12	1,211,987,048.39
Contact assets		1,782,427.90	1,721,856.82
Other current assets		39,000,092.41	50,798,073.85
Total current assets		3,235,189,305.38	3,456,959,427.88
Non-current assets:			
Long-term equity investment		57,275,078.26	57,154,487.58
Other equity instrument investment		195,570,891.95	182,029,156.02
Investment real estate		34,875,521.12	48,354,011.36
Fixed assets		3,271,442,816.64	3,447,888,663.48
Projects under construction		705,962,107.58	545,894,979.10
Right-of-use assets		5,387,376.18	6,681,708.67
Intangible assets		463,364,575.68	474,106,784.61
Long-term unamortized expenses		7,224,226.52	8,607,826.50
Deferred income tax assets		18,761,824.56	15,961,913.08
Other non-current assets		80,530,857.86	21,492,373.85
Total non-current assets		4,840,395,276.35	4,808,171,904.25
Total assets		8,075,584,581.73	8,265,131,332.13

Consolidated Balance Sheet (Continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	Notes	30 June 2023 (unaudited)	31 December 2022 (audited)
Current liabilities:			
Short-term borrowing		243,494,933.55	118,023,275.00
Notes payable		472,357,160.33	491,024,582.02
Accounts payable	5	677,938,237.15	599,055,763.12
Contract liability		95,400,657.92	593,261,005.51
Payroll payable	6	91,359,103.01	95,171,404.13
Taxes and dues payable		32,441,793.52	33,717,210.48
Other payables		570,679,759.59	424,961,296.31
Including: Dividends payable		150,227,166.53	5,310,599.53
Non-current liabilities due within one year		284,338,656.80	717,461,309.60
Other current liabilities		14,208,834.74	85,809,692.93
Total current liabilities		2,482,219,136.61	3,158,485,539.10
Non-current liabilities:			
Long-term borrowings		804,985,266.90	545,655,801.48
Lease liabilities		2,073,041.41	2,715,480.67
Long-term payables		20,000,000.00	20,000,000.00
Deferred income		109,733,483.64	118,372,785.93
Deferred income tax liabilities		102,833,288.81	66,435,062.14
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		1,043,186,580.76	756,740,630.22
Total liabilities		3,525,405,717.37	3,915,226,169.32
Shareholders' equity:			
Capital Stock		674,682,835.00	669,627,235.00
Capital reserve	7	1,048,054,337.57	998,144,589.65
Other comprehensive income	8	125,473,695.32	112,126,734.41
Special reserve		2,723,387.89	1,551,906.40
Surplus reserve		356,955,596.10	356,955,596.10
Undistributed profits	9	2,122,924,920.24	1,988,054,329.39
Total equity attributable to the shareholders of parent company		4,330,814,772.12	4,126,460,390.95
Minority shareholders' equity		219,364,092.24	223,444,771.86
Total shareholders' equity		4,550,178,864.36	4,349,905,162.81
Total of liabilities and shareholders' equity		8,075,584,581.73	8,265,131,332.13

Consolidated Income Statement

Unit: RMB Yuan

Six months ended 30 June

Item	Notes	2023(unaudited)	2022(unaudited)
I. Gross revenue	10	4,672,269,049.13	3,664,294,993.33
Including: Operating revenue		4,672,269,049.13	3,664,294,993.33
II. Total operating costs		4,311,750,429.21	3,423,882,303.99
Including: Operating costs	10	3,281,046,254.21	2,711,527,456.90
Taxes and surcharges	11	60,476,643.03	31,613,472.22
Selling expenses		487,038,936.17	294,558,596.18
Administration expenses		246,316,699.21	203,112,746.43
R&D cost		235,529,909.24	168,567,402.10
Financial expenses		1,341,987.35	14,502,630.16
Including: Interest expenses		21,488,813.56	24,376,640.19
Interest income		6,731,842.63	3,646,699.81
Add: Other income		11,695,552.06	15,753,419.00
Investment income (losses to be listed with brackets)		8,286,352.28	10,527,231.58
Including: Investment return from associated corporations and joint ventures (losses to be listed with brackets)		120,590.68	2,609,415.58
Credit impairment loss (losses to be listed with brackets)		(3,477,647.35)	(2,032,673.39)
Assets impairment loss (losses to be listed with brackets)	12	(44,340,776.07)	(29,349,965.64)
Gains from asset disposal (losses to be listed with brackets)		1,274,182.44	2,454,007.49
III. Operating profits (losses to be listed with brackets)		333,956,283.28	237,764,708.38
Add: non-operating revenue		632,015.65	687,434.68
Less: non-operating expenditure		2,642,486.67	3,135,414.59
IV. Total profits (total loss to be listed with brackets)		331,945,812.26	235,316,728.47
Less: income tax expenses	13	56,265,379.99	36,812,855.18
V. Net profits (net loss to be listed with brackets)		275,680,432.27	198,503,873.29
(I) According to operation continuity			
1. Net profits from continued		275,680,432.27	198,503,873.29
2. Net profits from discontinued		-	-
(II) According to ownership			
1. Net profits attributable to shareholders of parent company		269,807,157.85	194,389,556.12
2. Minority interest in profit or loss		5,873,274.42	4,114,317.17
VI. Net amount of other comprehensive income after tax		13,873,006.87	(9,701,604.53)
Net amount of other comprehensive income after tax attributable to the shareholders of parent company		13,346,960.91	(10,361,840.79)
(I) Other comprehensive income not subject to reclassification into profit or loss		11,510,475.54	(12,672,561.60)
Changes in fair value of other equity instruments investment		11,510,475.54	(12,672,561.60)
(II) Other comprehensive income to be reclassified into profit or loss		1,836,485.37	2,310,720.81
Conversion difference of foreign currency statement		1,836,485.37	2,310,720.81
Net amount of other comprehensive income after tax attributable to the		526,045.96	660,236.26
VII. Total comprehensive income		289,553,439.14	188,802,268.76
Total comprehensive income attributable to the shareholders of parent company		283,154,118.76	184,027,715.33
Total comprehensive income attributable to the minority shareholders		6,399,320.38	4,774,553.43
VIII. Earnings per share:	14		
(I) Basic earnings per share		0.40	0.30
(II) Diluted earnings per share		0.39	0.30

SUMMARY NOTES TO THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CASBE

NOTES:

1. Preparation basis of the financial statements

Preparation basis

The financial statements of the Company have been prepared on a going-concern basis, based on transactions and items that have actually occurred and in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, and other relevant regulations (hereinafter referred to as “ASBE”), and the disclosure requirements stipulated under the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Rules on Financial Reporting* (2014 revised) issued by the China Securities Regulatory Commission and related provisions, relevant disclosures required by the Hong Kong Companies Ordinance and the Listing Rules, and the Company’s accounting policies and accounting estimates.

Going concern

The Group has evaluated its ability to continue operating for 12 months from the end of the Reporting Period and has not found any matter or situation raising significant doubts of its ability to operate as a going concern. Accordingly, the financial statements are prepared on a going concern basis.

2. Segment information

(a) Description of segments

The Group determines business segments based on the structure of internal organisation, management requirements and internal reporting system and determines reporting segments for disclosure purposes based on business segments. Business segment refers to each different business unit within the Group which satisfies the following conditions: (1) the business unit should be able to generate income and incur expenses in its regular operation; (2) the management of the Group would be able to evaluate the operating results of such business unit at regular intervals so as to decide resources allocation and conduct performance evaluation; (3) the Company would be able to obtain the relevant accounting information of such business unit, such as financial position, operating results and cash flow. If two or more business units share similar economic characteristics and meet certain conditions, these business segments would be merged into one business segment.

The Group’s reporting segments are as follows:

Chemical bulk drugs	Development, production and sales of chemical bulk drugs
Preparations	Development, production and sales of preparations (e.g. tablets and injections)
Medical intermediate and other products	Production and sales of medical intermediate and other products

Information regarding the above mentioned segments is set out below.

(b) Segment information for six months ended 30 June 2023 and six months ended 30 June 2022 are as follows (unaudited):

Six months ended 30 June 2023 and As at 30 June 2023(unaudited)

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating revenue	1,890,916,478.91	2,640,597,362.55	1,221,210,851.33	-	(1,080,455,643.66)	4,672,269,049.13
Include : Revenue from external customers	1,877,968,283.62	2,088,817,413.85	705,483,351.66	-	-	4,672,269,049.13
Inter-segment transaction income	12,948,195.29	551,779,948.70	515,727,499.67	-	(1,080,455,643.66)	-
Operating costs	1,243,295,623.03	1,998,997,756.51	1,107,038,764.81	-	(1,068,285,890.14)	3,281,046,254.21
Include : External transaction cost	1,133,816,909.43	1,488,959,678.66	658,269,666.12	-	-	3,281,046,254.21
Inter segment transaction cost	109,478,713.60	510,038,077.85	448,769,098.69	-	(1,068,285,890.14)	-
Expenses for the period	241,903,221.39	553,585,515.65	47,092,292.25	128,492,740.65	(846,237.97)	970,227,531.97
Total operating profit(total loss)	453,490,543.07	13,596,029.34	(30,104,329.45)	(93,990,836.31)	(9,035,123.37)	333,956,283.28
Total assets	3,483,608,322.23	3,224,388,123.79	1,556,819,313.99	1,798,328,306.93	(1,987,559,485.21)	8,075,584,581.73
Total liabilities	1,161,793,519.49	1,404,473,837.43	461,605,459.26	1,597,847,803.69	(1,100,314,902.50)	3,525,405,717.37

Six months ended 30 June 2022(unaudited) and As at 31 December 2022(audited)

Unit: RMB Yuan

Item	Medical			Unallocated	Offset	Total
	Chemical bulk drugs	Preparations	intermediate and other products			
Operating revenue	1,504,758,646.97	1,944,479,034.50	1,043,063,473.99	-	(828,006,162.13)	3,664,294,993.33
Include : Revenue from external customers	1,497,165,394.76	1,626,006,825.59	541,122,772.98	-	-	3,664,294,993.33
Inter-segment transaction income	7,593,252.21	318,472,208.91	501,940,701.01	-	(828,006,162.13)	-
Operating costs	1,077,592,473.71	1,575,819,471.02	882,682,756.90	-	(824,567,244.73)	2,711,527,456.90
Include : External transaction cost	1,036,436,906.25	1,234,081,647.26	441,008,903.39	-	-	2,711,527,456.90
Inter segment transaction cost	41,155,567.46	341,737,823.76	441,673,853.51	-	(824,567,244.73)	-
Expenses for the period	184,979,085.45	372,209,602.40	45,661,192.39	77,891,494.63	-	680,741,374.87
Total operating profit(total loss)	210,162,769.73	(34,302,265.49)	107,723,479.14	(51,610,844.06)	5,791,569.06	237,764,708.38
Total assets	3,469,362,973.23	3,330,198,552.51	1,488,141,390.66	1,942,386,619.75	(1,964,958,204.02)	8,265,131,332.13
Total liabilities	1,395,009,935.12	1,753,244,959.38	437,337,729.23	1,510,359,815.08	(1,180,726,269.49)	3,915,226,169.32

3. Accounts receivable

Item	30 June 2023		31 December 2022	
	RMB	Yuan(unaudited)	RMB	Yuan(audited)
Accounts receivable		1,018,003,254.48		782,049,783.85
Less: provision for bad debts for accounts receivable		<u>24,646,327.16</u>		<u>20,790,443.92</u>
Total		<u>993,356,927.32</u>		<u>761,259,339.93</u>

Ageing analysis of accounts receivable based on transaction date is as follows:

Account age	30 June 2023		31 December 2022	
	RMB	Yuan(unaudited)	RMB	Yuan(audited)
0-1 year (including 1 year)		986,791,208.58		754,273,549.80
Over 1 year to 2 years (including 2 years)		6,565,718.74		6,984,814.16
Over 2 year to 3 years (including 3 years)		<u>-</u>		<u>975.97</u>
Total		<u>993,356,927.32</u>		<u>761,259,339.93</u>

4. Other accounts receivable

Item	<u>30 June 2023</u>	<u>31 December 2022</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
Other accounts receivable	18,965,276.66	22,029,115.15
Less: provision for bad debts of other accounts receivable	<u>9,055,312.07</u>	<u>9,374,797.90</u>
Total	<u>9,909,964.59</u>	<u>12,654,317.25</u>

Ageing analysis of other receivables based on transaction date is as follows:

Account age	<u>30 June 2023</u>	<u>31 December 2022</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
0-1 year (including 1 year)	9,354,551.00	12,009,767.87
Over 1 year to 2 years (including 2 years)	466,960.39	451,907.38
Over 2 years to 3 years (including 3 years)	<u>88,453.20</u>	<u>192,642.00</u>
Total	<u>9,909,964.59</u>	<u>12,654,317.25</u>

5. Accounts payable

Item	<u>30 June 2023</u>	<u>31 December 2022</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
Payment for goods	<u>677,938,237.15</u>	<u>599,055,763.12</u>
Total	<u>677,938,237.15</u>	<u>599,055,763.12</u>

Ageing analysis of accounts payable based on transaction date is as follows:

Account age	<u>30 June 2023</u>	<u>31 December 2022</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
0-1 year (including 1 year)	659,409,120.16	572,436,889.19
Over 1 year to 2 years (including 2 years)	7,959,240.64	15,230,740.10
Over 2 years to 3 years (including 3 years)	3,678,491.98	3,393,501.61
Over 3 years	<u>6,891,384.37</u>	<u>7,994,632.22</u>
Total	<u>677,938,237.15</u>	<u>599,055,763.12</u>

6. Payroll payable

(1) Classification of payroll payable

Item	<u>31 December 2022</u>	<u>Increase during the first half of 2023</u>	<u>Decrease during the first half of 2023</u>	<u>30 June 2023</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Short-term remuneration	95,171,404.13	500,961,723.31	504,774,024.43	91,359,103.01
Post-employment welfare - Defined contribution plan	-	<u>51,691,572.31</u>	<u>51,691,572.31</u>	-
Total	<u>95,171,404.13</u>	<u>552,653,295.62</u>	<u>556,465,596.74</u>	<u>91,359,103.01</u>

(2) Short-term remuneration

Item	<u>31 December 2022</u>	<u>Increase during the first half of 2023</u>	<u>Decrease during the first half of 2023</u>	<u>30 June 2023</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Salaries, bonuses, allowances and subsidies	91,088,681.57	401,834,177.12	406,537,494.18	86,385,364.51
Employee welfare expenses	-	17,756,846.46	17,756,846.46	-
Social insurance premiums	-	27,214,818.99	27,214,818.99	-
Including: Medical insurance premiums	-	24,539,828.98	24,539,828.98	-
Work-related injury insurance premiums	-	2,674,990.01	2,674,990.01	-
Housing provident fund	-	26,769,305.50	26,769,305.50	-
Labour union expenditure & personnel education fund	4,068,722.56	7,803,418.19	6,913,402.25	4,958,738.50
Labour costs	<u>14,000.00</u>	<u>19,583,157.05</u>	<u>19,582,157.05</u>	<u>15,000.00</u>
Total	<u>95,171,404.13</u>	<u>500,961,723.31</u>	<u>504,774,024.43</u>	<u>91,359,103.01</u>

(3) Defined contribution plan

Item	<u>31 December 2022</u>	<u>Increase during the first half of 2023</u>	<u>Decrease during the first half of 2023</u>	<u>30 June 2023</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Basic endowment insurance	-	49,531,327.13	49,531,327.13	-
Unemployment insurance premium	-	<u>2,160,245.18</u>	<u>2,160,245.18</u>	-
Total	<u>-</u>	<u>51,691,572.31</u>	<u>51,691,572.31</u>	<u>-</u>

7. Capital reserve

Item	<u>31 December 2022</u>	<u>Increase during the first half of 2023</u>	<u>Decrease during the first half of 2023</u>	<u>30 June 2023</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Capital stock premium*	724,102,344.64	29,726,928.00	-	753,829,272.64
Other capital reserves**	<u>274,042,245.01</u>	<u>27,361,771.92</u>	<u>7,178,952.00</u>	<u>294,225,064.93</u>
Total	<u>998,144,589.65</u>	<u>57,088,699.92</u>	<u>7,178,952.00</u>	<u>1,048,054,337.57</u>

*The increase in capital stock premium of RMB29,726,928.00 in this period was due to the exercise of stock options on 5,055,600 shares of capital stock premium.

**The increase in other capital reserves of RMB27,361,771.92 in the current period was attributable to the expense of accrual of the equity instrument in accordance with the Company's 2021 equity incentive plan. The decrease of RMB7,178,952.00 in other capital reserves for the current period was attributable to the expense recognized during the waiting period following the exercise of stock options as a write-off of other capital reserves.

8. Other comprehensive income

Item	Other comprehensive income under income statement for the six months ended 30 June 2023 (unaudited)						
	<u>31 December 2022</u> RMB Yuan (audited)	<u>Amount before the current income tax</u> RMB Yuan	<u>Less: Amount Included in other comprehensive income in previous period and carried over into profit and loss in current period</u> RMB Yuan	<u>Less: income tax expenses</u> RMB Yuan	<u>After-tax amount attributable to the parent company</u> RMB Yuan	<u>After-tax amount attributable to minority shareholders</u> RMB Yuan	<u>30 June 2023</u> RMB Yuan (unaudited)
(1) Other comprehensive incomes that cannot be reclassified into loss or profit	111,183,262.32	13,541,735.93	-	2,031,260.39	11,510,475.54	-	122,693,737.86
Including: Changes in the fair value of other equity instruments investment	111,183,262.32	13,541,735.93	-	2,031,260.39	11,510,475.54	-	122,693,737.86
(2) Other comprehensive income to be reclassified into profit or loss	943,472.09	-	-	-	1,836,485.37	526,045.96	2,779,957.46
Including: Translation difference of foreign currency financial statement	943,472.09	-	-	-	1,836,485.37	526,045.96	2,779,957.46
Total of other comprehensive income	<u>112,126,734.41</u>	<u>13,541,735.93</u>	<u>-</u>	<u>2,031,260.39</u>	<u>13,346,960.91</u>	<u>526,045.96</u>	<u>125,473,695.32</u>

9. Undistributed profits

Item	<u>Six months ended 30 June 2023</u>	<u>Six months ended 30 June 2022</u>
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Ending balance of previous year	1,988,054,329.39	1,709,067,703.02
Beginning balance of the current period	1,988,054,329.39	1,709,067,703.02
Add: Net profits attributable to the parent company's shareholders in the current period	269,807,157.85	194,389,556.12
Less: Common stock dividends payable	134,936,567.00	100,444,085.25
Ending balance of current period	<u>2,122,924,920.24</u>	<u>1,803,013,173.89</u>

10. Operating revenue and costs

(1) Operating revenue and costs

Item	<u>Six months ended 30 June 2023</u>		<u>Six months ended 30 June 2022</u>	
	RMB Yuan (unaudited)		RMB Yuan (unaudited)	
	Revenue	Cost	Revenue	Cost
Main operation	4,595,163,474.83	3,201,149,392.15	3,541,962,738.63	2,607,853,424.40
Other operation	<u>77,105,574.30</u>	<u>79,896,862.06</u>	<u>122,332,254.70</u>	<u>103,674,032.50</u>
Total	<u>4,672,269,049.13</u>	<u>3,281,046,254.21</u>	<u>3,664,294,993.33</u>	<u>2,711,527,456.90</u>

(2) Revenue from contracts

Classification of contract				Unit: RMB Yuan
	Chemical bulk drugs	Preparations	Medical Intermediates and other products	Total
Commodity type				
Among :				
Chemical bulk drugs	1,877,968,283.62	-	-	1,877,968,283.62
Preparations	-	2,088,817,413.85	-	2,088,817,413.85
Medical intermediates and other products	-	-	705,483,351.66	705,483,351.66
Total	<u>1,877,968,283.62</u>	<u>2,088,817,413.85</u>	<u>705,483,351.66</u>	<u>4,672,269,049.13</u>
Classification by operating regions				
Where :				
China (including Hong Kong)	931,782,229.46	1,889,953,567.38	635,288,647.65	3,457,024,444.49
Americas	374,865,579.97	9,338,067.86	21,099,681.55	405,303,329.38
Europe	386,869,175.28	189,396,168.85	34,345,435.71	610,610,779.84
Others	184,451,298.91	129,609.76	14,749,586.75	199,330,495.42
Total	<u>1,877,968,283.62</u>	<u>2,088,817,413.85</u>	<u>705,483,351.66</u>	<u>4,672,269,049.13</u>
Classification by contract performance obligation				
Among :				
Recognition of revenue at a certain point in time	1,877,968,283.62	2,088,817,413.85	670,556,100.61	4,637,341,798.08
Recognition of revenue within a certain period	-	-	32,652,712.82	32,652,712.82
Rental income	-	-	2,274,538.23	2,274,538.23
Total	<u>1,877,968,283.62</u>	<u>2,088,817,413.85</u>	<u>705,483,351.66</u>	<u>4,672,269,049.13</u>

Note: The company's sales model can be divided into direct selling model and distribution model, in which the operating revenue of direct selling model was RMB1,882,967,078.19 and that of distribution model was RMB2,789,301,970.94.

(3) Information related to performance of contractual obligations

According to the contractual stipulations, the Group, being the principal responsible party, fulfills its obligations to supply goods in a timely manner in accordance with the categories and standards demanded by the customers. For sales contracts within the PRC, when the Group delivers the goods to the customer or the carrier, the contractual obligation is deemed to be fulfilled when the customer takes control of the relevant goods; for sales contracts outside the PRC territory, the contractual obligation is fulfilled when the goods are issued and shipped at the port of shipment and the customer takes control over the relevant goods.

The payment terms of different customers and products are different. Some sales of the Group are carried out in the form of advance receipts, while the rest of the sales are granted with a credit period of a certain duration.

(4) Information related to the transaction price allocated to residual performance obligations

At the end of the Reporting Period, the amount of revenue where contracts were signed but unfulfilled or with uncompleted performance obligation was RMB95,400,657.92, and of this amount RMB82,205,642.49 is expected to be recognized within the next 1 year.

(5) The recognized income of the current period includes the amount of RMB579,725,734.39 which has been included in the contractual liabilities at the end of the previous year.

11. Taxes and surcharges

Item	Six months ended 30	Six months ended 30
	June 2023	June 2022
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
City maintenance and construction tax	15,848,299.80	9,170,861.92
Property tax	9,102,013.26	9,310,858.21
Educational surcharges	11,405,928.38	6,543,300.69
Land use tax	4,321,187.45	4,125,083.54
Stamp duty	2,970,015.34	2,412,647.01
Vehicle and vessel use tax	35,417.80	32,676.86
Land value increment tax and other taxes	<u>16,793,781.00</u>	<u>18,043.99</u>
Total	<u>60,476,643.03</u>	<u>31,613,472.22</u>

12. Assets impairment loss

Item	Six months ended 30 June 2023	Six months ended 30 June 2022
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Inventory impairment loss	(304.38)	(572,123.07)
Impairment loss of contract assets	<u>(44,340,471.69)</u>	<u>(28,777,842.57)</u>
Total	<u>(44,340,776.07)</u>	<u>(29,349,965.64)</u>

13. Income tax expenses

(1) Income tax expenses

Item	Six months ended 30 June 2023 RMB Yuan (unaudited)	Six months ended 30 June 2022 RMB Yuan (unaudited)
The current income tax calculated in accordance with the tax law and related regulations	21,841,448.06	13,643,007.10
-PRC enterprise income tax	21,841,448.06	13,489,549.93
-Dutch corporation tax	-	153,457.17
Deferred income tax expenses	31,567,054.80	20,434,047.84
Lesser (Excess) amount in prior years	<u>2,856,877.13</u>	<u>2,735,800.24</u>
Total	<u>56,265,379.99</u>	<u>36,812,855.18</u>

(2) Adjustment process between accounting profits and income tax expenses

Item	Six months ended 30 June 2023 RMB Yuan (unaudited)
Total consolidated profits for the current period	331,945,812.26
Income tax expenses calculated in accordance with statutory /applicable tax rate	49,791,871.84
Effect of different tax rate applicable to subsidiaries	4,984,920.66
Effect of the income tax of the previous period	2,856,877.13
Effect of non-taxable income	(1,242,952.84)
Effect of using deductible losses from previously unrecognized deferred tax assets	<u>(125,336.80)</u>
Income tax expenses	<u>56,265,379.99</u>

14. Earnings per share

(1) Basic earnings per share

The basic earnings per share was calculated by dividing the net profit attributable to the shareholders of the parent company, RMB269,807,157.85(2022: RMB194,389,556.12) by the weighted average of outstanding ordinary shares issued by the Company of 674,306,582.00 shares (2022: 650,219,941.00 shares).

Item	Six months ended 30	Six months ended 30
	June 2023	June 2022
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Net profits attributable to shareholders of the parent company	269,807,157.85	194,389,556.12
Weighted average of outstanding ordinary shares issued by the Company	674,306,582.00	650,219,941.00
Basic earnings per share	0.40	0.30

(2) Diluted earnings per share

Diluted earnings per share is defined as net profit attributable to the shareholders of the parent company of RMB269,807,157.85 (2022: RMB194,389,556.12) divided by the adjusted weighted average of the outstanding common shares of the Company of 693,318,857.00 (2022: 658,552,036.00 shares).

The specific calculation of diluted earnings per share is as follows:

Item	Six months ended 30 June	Six months ended 30 June
	2023	2022
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Net profit attributable to shareholders of the parent company	269,807,157.85	194,389,556.12
A weighted average of the company's outstanding common shares	674,306,582.00	650,219,941.00
Dilutive potential ordinary share	19,012,275.00	8,332,095.00
Adjusted weighted average of the company's outstanding common shares	693,318,857.00	658,552,036.00
Diluted earnings per share	0.39	0.30

15. Dividends

The Board of the Company did not recommend payment of an interim dividend for the six months ended 30 June 2022 (2021: nil).

Item	2023	2022
Dividends recognised as distribution in the current financial statements during the year:		
2021 final dividend: RMB 0.15 per share	-	100,444,085.25
2022 final dividend: RMB 0.20 per share*	134,936,567.00	-
Total	134,936,567.00	100,444,085.25

*The 2022 final dividend was paid in late July 2023.

X. DOCUMENTS AVAILABLE FOR INSPECTION AND PLACE FOR INSPECTION

(1) DOCUMENTS AVAILABLE FOR INSPECTION

- (i) The Company's 2023 interim results announcement signed by the chairman of the Board.
- (ii) Financial reports signed and stamped by the legal representative, the financial controller and the manager of the finance department of the Company.

(2) PLACE FOR INSPECTION

Office of the secretary to the Board of the Company.

By Order of the Board
Shandong Xinhua Pharmaceutical Company Limited
He Tongqing
Chairman

24 August 2023, Zibo, PRC

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. He Tongqing (Chairman)

Mr. Xu Wenhui

Mr. Hou Ning

Independent Non-executive Directors:

Mr. Pan Guangcheng

Mr. Zhu Jianwei

Mr. Lo Wah Wai

Non-executive Directors:

Mr. Xu Lie

Mr. Cong Kechun

In this announcement, the English names of the PRC entities or individuals are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.