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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)

2024 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 2024 (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 ”)
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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 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)	Change as compared to the same period last year
Operating revenue	4,732,481,467.24	4,672,269,049.13	1.29%
Total profits	303,363,837.69	331,945,812.26	(8.61%)
Income tax expense	30,597,489.83	56,265,379.99	(45.62%)
Net profits	272,766,347.86	275,680,432.27	(1.06%)
Minority interest in profit and loss	7,361,930.18	5,873,274.42	25.35%
Net profits attributable to shareholders of listed company	265,404,417.68	269,807,157.85	(1.63%)
Net profits attributable to shareholders of listed company after deduction of non-recurring profit and loss	249,366,401.77	252,506,003.03	(1.24%)
Net cash flow from operating activities	77,401,054.87	20,131,070.66	284.49%
Basic earnings per share	0.39	0.40	(2.50%)
Diluted earnings per share	0.38	0.39	(2.56%)
Return on equity	5.58%	6.27%	Decreased by 0.69 percentage points
Item	As at 30 June 2024 (unaudited)	As at 31 December 2023 (the “End of Last Year”) (audited)	Change as compared to the End of Last Year
Total assets	8,733,859,124.56	8,286,166,330.90	5.40%
Total liabilities	3,759,211,551.82	3,510,413,044.14	7.09%
Minority shareholders’ equity	220,581,628.17	222,649,417.20	(0.93%)
Total net assets attributable to the shareholders of listed company	4,754,065,944.57	4,553,103,869.56	4.41%

III. CHANGES IN SHARE CAPITAL STRUCTURE AND INFORMATION ON SHAREHOLDERS

1. Share capital structure

Unit: shares

Item Class of shares	30 June 2024		1 January 2024	
	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	38,633,274	5.66	38,561,452	5.72
State-owned shares	-	-	-	-
Shares owned by domestic legal persons	37,091,988	5.44	37,091,988	5.50
Conditional tradable shares owned by senior management (A Shares)	1,541,286	0.22	1,469,464	0.22
Others	-	-	-	-
2. Total number of unconditional tradable shares	643,774,361	94.34	636,121,383	94.28
Renminbi-denominated ordinary shares (A Shares)	448,774,361	65.76	441,121,383	65.38
Overseas listed foreign shares (H Shares)	195,000,000	28.58	195,000,000	28.90
3. Total number of shares	682,407,635	100.00	674,682,835	100.00

Note:

Share options exercisable under the first exercise period of the initial grant of the Company's 2021 A-share stock option incentive plan resulted in the issuance of 7,724,800 shares on 15 January 2024.

2. Shareholders' information

- (1) As at 30 June 2024, the Company had on record a total of 86,475 shareholders (the "Shareholders"), including 39 holders of H Shares and 86,436 holders of A Shares.

(2) As at 30 June 2024, 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	30.02	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	28.33	193,314,147	Overseas listed foreign shares
華魯投資發展有限公司 Hualu Investment Development Co., Ltd (“Hualu Investment”)	State-owned	5.44	37,091,988	RMB-denominated ordinary shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.32	2,203,601	RMB-denominated ordinary shares
於海濤 Yu Haitao	Natural person in the territory	0.20	1,385,400	RMB-denominated ordinary shares
招商銀行股份有限公司－南方中證1000交易 型開放式指數證券投資基金 China Merchants Bank Co., LTD-Southern China Securities 1000 exchange-type open Index securities Investment Fund	Others	0.19	1,278,100	RMB-denominated ordinary shares
胡魁 Hu Kui	Natural person in the territory	0.12	820,500	RMB-denominated ordinary shares
申萬宏源證券有限公司 Shenwan Hongyuan Securities Co.,Ltd	State-owned	0.11	742,255	RMB-denominated ordinary shares
招商銀行股份有限公司－華夏中證1000交易 型開放式指數證券投資基金 China Merchants Bank Co., LTD-Huaxia China Securities 1000 exchange-type open Index securities Investment Fund	Others	0.11	731,900	RMB-denominated ordinary shares
呂永宏 Lv Yonghong	Natural person in the territory	0.09	646,800	RMB-denominated ordinary shares

(3) As at 30 June 2024, 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	30.02	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	28.33	193,314,147	Overseas listed foreign shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.32	2,203,601	RMB-denominated ordinary shares
於海濤 Yu Haitao	Natural person in the territory	0.20	1,385,400	RMB-denominated ordinary shares
招商銀行股份有限公司－南方中證1000交易型開放式指數證券投資基金 China Merchants Bank Co., LTD-Southern China Securities 1000 exchange-type open Index securities Investment Fund	Others	0.19	1,278,100	RMB-denominated ordinary shares
胡魁 Hu Kui	Natural person in the territory	0.12	820,500	RMB-denominated ordinary shares
申萬宏源證券有限公司 Shenwan Hongyuan Securities Co.,Ltd	State-owned	0.11	742,255	RMB-denominated ordinary shares
招商銀行股份有限公司－華夏中證1000交易型開放式指數證券投資基金 China Merchants Bank Co., LTD-Huaxia China Securities 1000 exchange-type open Index securities Investment Fund	Others	0.11	731,900	RMB-denominated ordinary shares
呂永宏 Lv Yonghong	Natural person in the territory	0.09	646,800	RMB-denominated ordinary shares
吳傳良 Wu Chuangliang	Natural person in the territory	0.09	630,400	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. Hualu Investment is a direct wholly owned subsidiary of HHC and Well Bring Limited ("Well Bring") is directly wholly-owned by China Shandong Group Limited (華魯集團有限公司) which is in turn held as to 99.75% by HHC. As of 30 June 2024, Hualu Investment owns 37,091,988 A Shares of the Company, representing approximately 5.44% 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 3.05% 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 2024, 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. 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 2024	Number of Shares as at 1 January 2024
Directors:			
Mr. He Tongqing	Chairman	291,950	183,150
Mr. Xu Wenhui	Executive Director, General Manager	242,000	133,200
Mr. Xu Lie	Non-executive Director	291,950	183,150
Mr. Zhang Chengyong	Non-executive Director	Nil	Nil
Mr. Hou Ning	Executive Director, Financial Controller	328,800	220,000
Mr. Pan Guangcheng	Independent non-executive Director	Nil	Nil
Mr. Zhu Jianwei	Independent non-executive Director	Nil	Nil
Mr. Ling Peixue	Independent non-executive Director	Nil	Nil
Ms. Cheung Ching Ching, Daisy	Independent non-executive Director	Nil	Nil
Supervisors:			
Mr. Liu Chengtong	Chairman of Supervisory Committee	Nil	Nil
Mr. Tao Zhichao	Independent Supervisor	Nil	Nil
Ms. Hu Yanhua	Employee Supervisor	Nil	Nil
Mr. Wang Jianping	Employee Supervisor	Nil	Nil
Mr. Xiao Fangyu	Independent Supervisor	Nil	Nil
Other Senior Management:			
Mr. Zheng Zhonghui	Deputy General Manager	291,950	183,150
Mr. Wei Changsheng	Deputy General Manager	242,000	133,200
Mr. Liu Xuesong	Deputy General Manager	91,100	23,100
Mr. Kou Zuxing	Deputy General Manager	74,100	23,100
Mr. Cao Changqiu	Secretary to the Board	201,200	133,200
Total		2,055,050	1,215,250

Notes:

- (i) All interests in the Shares 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 first exercise period of the initial grant of the 2021 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 2024, 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 C3 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 2024.

In the first half of the year 2024, the operating revenue of the Group prepared under the CASBE was RMB4,732,481,000, representing an increase of 1.29% as compared with the same period last year. The Group recorded its net profits attributable to the Shareholders of RMB265,404,000, representing a decrease of 1.63% as compared with the same period last year.

Pursuant to the authorization of the 2023 Annual General Meeting, the Board of Directors of the Company has formulated the half-year dividend plan for 2024 as follows: a half-year dividend of RMB0.25(tax-inclusive) per 10 shares for 2024 will be paid to all shareholders based on the latest total issued share capital of the Company of 682,407,635 shares. No bonus shares will be paid out, or no capitalization from capital reserves has been implemented.

BUSINESS REVIEW

2024 is a crucial year for the Group to accelerate innovative breakthroughs. The Group has been actively addressing unfavorable factors, such as the sustained sluggish market demand and intense competition and comprehensively accelerating transformation and upgrading efforts to cultivate core competitiveness. In the first half of the year, the Group made steady progress in various key initiatives, maintaining a positive development trend in production and operation.

1. Accelerating the launch of new products and fostering the cultivation of new momentum

In the first half of the year, seven of our new preparation products such as Apixaban tablets were launched on the market. Twelve of our new products such as Levamlodipine Besylate tablets has also been scheduled for launch and will be accelerated according to our plans.

The sales of our new preparation products and specialty active pharmaceutical ingredients have made significant progress and maintained a positive development trend.

2. Strengthening market control and stabilizing marketing strategy

Building upon the stable foundation of the key bulk drugs market, we strengthened our cultivation of preparation products in major domestic sales markets and achieved a breakthrough in terms of internationalization. In the first half of the year, six of our preparation products generated domestic sales revenue exceeding RMB50 million, with two of our products winning bids in successive centralized drug procurement in respect of 13-province alliance. Our Ibuprofen tablets made their debut in the U.S. and German markets in the form of bottled OTC drugs and were approved to enter the New Zealand market. Our Sevelamer Carbonate tablets were approved to enter the Hungarian market and received the first batch of commercial orders. Further, our newly introduced preparation cooperation project will soon commence the stage of commercial production.

3. Accelerating technological innovation and bolstering future development momentum

In the first half of the year, we obtained 14 new product licenses and six consistency evaluation licenses. One of our major innovative drug, OAB-14, for treating Alzheimer’s disease has completed its Phase I clinical trial study (data being compiled). Another innovative drug has completed its preclinical study and is in the process of applying for clinical trials. We have also initiated efficacy evaluation for other two innovative drugs.

18 patents (including 12 invention patents) have been approved. Our Ibuprofen bulk drug has been listed as the single-category winner in the eighth batch participants in the national manufacturing industry. Our project titled “*High-quality Ibuprofen Preparation and Large-scale Production Project Based on Industrial Basic Technology Innovation*” won the first prize for technological progress in Shandong Province. Our Company has also been designated as Shandong Engineering Research Center for Neurodegenerative Diseases. Separately, our Company was appraised as a national-level intellectual property priority enterprise and selected for inclusion in the *Shandong Patent Industrialization Enterprise Cultivation Model Library*.

4. Boosting the development of key projects and stimulating the vitality of innovation breakthroughs

A series of projects for the strengthening or supplementing of our supply chain have successfully been brought into operation. Trial production has also commenced in respect of our specialty active pharmaceutical ingredients multifunctional center project.

We developed an innovative breakthrough roadmap for 2024 which involved the identification of 91 innovative breakthrough projects. Our working mechanisms for R&D and production transformation of green channels are in full swing, which contributed to the launch of new products.

5. Continuously promoting reform and strengthening internal incentives

We vigorously promoted “three rises and three reductions”. Costs of raw materials and power procurement decreased by RMB68.06 million in the first half of the year.

We strengthened performance assessments to unlock the potential of our talented staff, and established the Preparation Products Performance Promotion Department, the Pharmaceutical Business Department and the New Drug Business Department. Incentive measures, such as a full lifecycle innovation incentive program, has been introduced. One of our staff has been approved to receive special subsidies from the State Council, three staff has been recognized as leading talents in the industry of Taishan, Shandong and two staff have been named as chief technicians in Shandong, and the Company was honored as a talent-leading enterprise in Shandong Province.

6. Reinforcing the basic management and laying a firm foundation for development

The Company initiated the dual carbon strategy implementation plan. Our No. 2 factory passed the FDA site audit with zero defects and successfully passed on-site audits by Brazil and that of the Health Department of Canada and.

We formulated and implemented the *Compliance Management Measures* and the *Compliance Management Work System Construction and Implementation Plan*, initiating the integration of risk, internal control, and compliance; bolstered work concerning the establishment of our treasury and enhanced our tax compliance management system.

PROSPECTS

Our business is encountering a challenging international market environment characterized by prolonged low demand and diminishing purchasing power. Domestically, companies are grappling with overcapacity, intense market competition, and a decline in demand. It is expected that the growth trajectory and profitability of the Group will be rigorously tested 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. Exert full efforts to accelerate the cultivation of new products and the exploration of new markets and speed up the building up of momentum for driving new developments

We will further strengthen our working mechanisms for R&D and transformation of green channels, accelerate the development of new products, and procure breakthroughs in new preparation products throughout the year. We will speed up the international and domestic market development of specialty active pharmaceutical ingredients such as EPA98 and Sevelamer Carbonate.

We will leverage our cornerstone role in large varieties. We will persistently cultivate strategic varieties of formulations, and strive to achieve sales volume exceeding RMB100 million for the year in respect of six of our large variety formulations. We will seize market opportunities for developing into active pharmaceutical ingredients markets in South America, Southeast Asia, the Middle East and Africa. We will strengthen commercial channels, enhance terminal and logistics control, accelerate the development of proprietary brands, and maintain positive development momentum in the commercial sector.

2. Build an internationally competitive industrial supply chain and accelerate the construction of three world-class bases

We will bring completed projects into operation and expedite the progress of key projects in the pipeline to ensure timely completion of construction tasks.

Centering around the construction of three world-class bases, we will effectively implement the innovative breakthrough roadmap for 2024, and further refine new projects and measures to ensure timely completion.

Taking into account the research on the “15th Five-Year Plan”, we will reassess the status of the Company with an international perspective and formulate industry and product development plans for the near, medium, and long term.

3. Accelerate technological innovation and expedite the transformation of achievements

In the second half of the year, we will strive to obtain at least 10 licenses for new domestic products, at least two consistency evaluation licenses, approval for two active pharmaceutical ingredients through the US DMF review, and approval for one preparation through the US ANDA. We aim to initiate clinical studies for two innovative drugs in Phase II, and complete pre-clinical applications for one innovative drug. We will develop a strategic plan for new drug R&D in the “15th Five-Year Plan”, further enhancing and improving the Company’s medium and long-term R&D layout.

We will fully leverage the role of green channel mechanism for new product transformation, accelerate the transformation of new products, and ensure the launch of no fewer than 20 new products on the market throughout the year.

4. Accelerate corporate reform and leverage collective resources

We will build a multi-level career development channel for our employees to establish a career development path with high expectations, strong incentives, clear goals and clear path.

We will further enhance organizational integration efficiency, effectively implement full lifecycle technology innovation incentives, accelerate the launch of new products in the market, and expedite the Company's innovation breakthroughs.

5. Strengthen basic management and ensure safe development

We will secure the passing of site audits by the drug administration in Germany and PMDA in Japan. We will also work towards ensuring the stability of core projects and to ensure that no general or above accidents would occur during the year.

We will accelerate the establishment of our treasury management system, promote the integration of risk, internal control, and compliance, and ensure the safe development of the Company.

Chairman
He Tongqing
22 August 2024

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 2024 (unaudited)		As at 31 December 2023 (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	996,332,270.24	11.41%	918,334,462.29	11.08%	0.33%	-
Accounts receivable	1,022,661,555.32	11.71%	699,877,948.91	8.45%	3.26%	-
Contract assets	678,211.26	0.01%	819,429.40	0.01%	0.00%	-
Inventories	1,191,617,251.27	13.64%	1,312,983,676.75	15.85%	(2.21%)	-
Investment real estate	33,411,820.38	0.38%	33,908,633.73	0.41%	(0.03%)	-
Long-term equity investment	59,906,504.83	0.69%	58,572,098.00	0.71%	(0.02%)	-
Fixed assets	3,476,847,498.18	39.81%	3,325,944,627.93	40.14%	(0.33%)	-
Projects under construction	671,137,450.24	7.68%	730,545,057.96	8.82%	(1.14%)	-
Right-of-use assets	3,386,775.98	0.04%	4,324,321.34	0.05%	(0.01%)	-
Short-term borrowing	378,399,398.19	4.33%	283,958,677.68	3.43%	0.90%	-
Contract liability	85,029,547.40	0.97%	149,135,948.62	1.80%	(0.83%)	-
Long-term borrowings	912,190,889.20	10.44%	799,400,000.00	9.65%	0.79%	-
Lease liabilities	1,164,135.29	0.01%	1,578,792.87	0.02%	(0.01%)	-

Analysis of major changes of items

Unit: RMB Yuan

Items	As at 30 June 2024 (unaudited)	As at 31 December 2023 (the "End of Last Year") (audited)	Change as compared to the End of Last Year	Description of changes (Note ref.)
Notes receivable	11,120,887.78	8,191,109.23	35.77%	(1)
Accounts receivable	1,022,661,555.32	699,877,948.91	46.12%	(2)
Other accounts receivable	17,036,147.69	9,336,085.40	82.48%	(3)
Deferred income tax assets	16,358,940.91	23,478,171.11	(30.32%)	(4)
Contract liabilities	85,029,547.40	149,135,948.62	(42.99%)	(5)
Other current liabilities	15,821,060.13	22,930,593.51	(31.00%)	(5)
Payroll payable	45,175,159.34	123,985,296.73	(63.56%)	(6)
Other payables	734,847,955.33	435,525,634.82	68.73%	(7)
Short-term borrowing	378,399,398.19	283,958,677.68	33.26%	(8)
Non-current liabilities due within one year	110,571,244.26	273,755,184.03	(59.61%)	(8)
Special reserve	6,505,475.15	3,392,612.67	91.75%	(9)

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

- (1) The increase in notes receivable from the end of the previous year was mainly due to an increase in bank acceptances that were not terminated for recognition at the end of the Reporting Period.
- (2) The increase in accounts receivable was mainly due to the expanded scale of sales and certain payments involved had not yet been due during the Reporting Period.
- (3) The main reason for the increase in other accounts receivables compared with the end of the previous year is that dividends receivable have not been received at the end of this Reporting Period.
- (4) The main reason for the decline in deferred income tax assets compared with the end of the previous year is that the Company made profits in the Reporting Period and the deferred income tax assets recognized as deductible losses decreased.
- (5) 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.
- (6) The main reason for the decrease in the payroll payable compared with the end of the previous year is that the payroll accrued at the end of the previous year were paid in the Reporting Period.
- (7) The main reason for the increase in other payables compared with the end of the previous year is that the Company's 2023 final dividend has not yet been paid and will be paid out in July 2024 in accordance with the dividend distribution plan.
- (8) The main reason for the change in short-term borrowing and non-current liabilities due within one year was to reduce financing costs and further optimize the debt structure during the Reporting Period.
- (9) The main reason for the increase in special reserves compared with the end of the previous year is that the provision of production safety expenses during the Reporting Period affected the increase in special reserves.

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

Unit: RMB Yuan

Items	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)	Change as compared to the same period last year	Description of changes (Note ref.)
Operating revenue	4,732,481,467.24	4,672,269,049.13	1.29%	-
Operating costs	3,547,931,805.24	3,281,046,254.21	8.13%	-
Taxes and surcharges	36,899,978.55	60,476,643.03	(38.98%)	(1)
Selling expenses	403,565,129.41	487,038,936.17	(17.14%)	-
Administration expenses	181,073,486.83	246,316,699.21	(26.49%)	-
Financial expenses	1,617,907.90	1,341,987.35	20.56%	-
Other income	35,032,548.75	11,695,552.06	199.54%	(2)
Credit impairment loss	(8,193,415.41)	(3,477,647.35)	135.60%	(3)
Income tax expenses	30,597,489.83	56,265,379.99	(45.62%)	(4)
Research and Development input	231,912,142.60	225,778,632.69	2.72%	-

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

- (1) The decrease in taxes and surcharges compared with the same period in the previous year was mainly due to the land value-added tax paid by the company during the same period in the previous year, which affected the taxes and surcharges.
- (2) The main reason for the increase in other income compared with the same period in the previous year is that the Company enjoyed the preferential policy of value-added tax deduction for advanced manufacturing enterprises during the Reporting Period.
- (3) The year-over-year increase in credit impairment loss was primarily due to an increase in provision for bad debts in receivables accrued during the Reporting Period.
- (4) The main reason for the decrease in income tax expense compared with the same period in the previous year was mainly due to the deduction of tax benefits policy for research and development expenses during the Reporting Period.

3. Analysis of significant changes in cash flow statement items

Unit: RMB Yuan

Items	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)	Change as compared to the same period last year	Description of changes (Note ref.)
Net cash flow generated from operating activities	77,401,054.87	20,131,070.66	284.49%	(1)
Net cash flow generated from investing activities	(96,628,089.24)	(112,746,724.47)	14.30%	-
Net cash flow generated from financing activities	76,657,016.10	(65,369,861.68)	217.27%	(2)
Net increase in cash and cash equivalents	69,237,444.48	(156,464,600.78)	144.25%	(3)

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

- (1) The net cash flow generated from operating activities increased from the same period in the previous year mainly due to the expansion of sales scale and the increase in collection during the Reporting Period.
- (2) The increase in net cash flow from financing activities compared with the same period in the previous year was mainly due to the Company's payment of RMB400 million of loans from Hualu Holding Group Co., Ltd.
- (3) The key reasons for the year-over-year 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	1,547,528,345.16	1,000,611,722.71	35.34%	(17.60%)	(11.75%)	Decreased by 4.29 percentage points
Preparations	2,261,818,403.94	1,645,196,746.51	27.26%	8.28%	10.49%	Decreased by 1.46 percentage points
Medical intermediates and other products	923,134,718.14	902,123,336.02	2.28%	30.85%	37.04%	Decreased by 4.41 percentage points
Total	4,732,481,467.24	3,547,931,805.24	25.03%	1.29%	8.13%	Decreased by 4.75 percentage points

By product						
Antipyretic and analgesic active pharmaceutical ingredients	1,547,528,345.16	1,000,611,722.71	35.34%	(17.60%)	(11.75%)	Decreased by 4.29 percentage points
Preparations such as tablets, injections, capsules etc.	2,261,818,403.94	1,645,196,746.51	27.26%	8.28%	10.49%	Decreased by 1.46 percentage points
Medical intermediates and others	923,134,718.14	902,123,336.02	2.28%	30.85%	37.04%	Decreased by 4.41 percentage points
Total	4,732,481,467.24	3,547,931,805.24	25.03%	1.29%	8.13%	Decreased by 4.75 percentage points
By geographical location						
PRC (including Hong Kong)	3,582,137,106.82	2,633,324,033.59	26.49%	3.62%	11.21%	Decreased by 5.01 percentage points
Americas	433,631,066.33	345,091,112.68	20.42%	6.99%	11.93%	Decreased by 3.51 percentage points
Europe	503,052,523.96	378,926,803.92	24.67%	(17.61%)	(14.61%)	Decreased by 2.65 percentage points
Others	213,660,770.13	190,589,855.05	10.80%	7.19%	18.37%	Decreased by 8.42 percentage points
Total	4,732,481,467.24	3,547,931,805.24	25.03%	1.29%	8.13%	Decreased by 4.75 percentage points
By sales model						
Direct selling	1,554,657,976.43	1,147,124,410.68	26.21%	(17.44%)	(13.53%)	Decreased by 3.33 percentage points
Distribution selling	3,177,823,490.81	2,400,807,394.56	24.45%	13.93%	22.84%	Decreased by 5.48 percentage points
Total	4,732,481,467.24	3,547,931,805.24	25.03%	1.29%	8.13%	Decreased by 4.75 percentage points

Analysis of profit composition as compared to 2023 is as follows:

Items	Amount (RMB Yuan)		Percentage of the total profit (%)	
	Six months ended 30 June 2024 (unaudited)	2023 (audited)	Six months ended 30 June 2024 (unaudited)	2023 (audited)
Operating profits	307,569,985.06	534,582,011.61	101.39	100.36
Net non-operating revenue	(4,206,147.37)	(1,896,286.59)	(1.39)	(0.36)
Total profits	303,363,837.69	532,685,725.02	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 2024, the Group's (i) current ratio was 139.21%; (ii) the quick ratio was 93.62%; and (iii) the turnover rate of accounts receivable (calculated as annualized operating revenue / average net accounts receivable \times 100%) and the rate of inventory turnover (calculated as annualized operating costs / average net inventories \times 100%) were 1,098.95% and 566.63% respectively.

The current ratio and the quick ratio increased from the end of the previous year respectively, mainly due to the fact that while our current assets increased during the Reporting Period, the scale of our current liabilities had been reasonably controlled and the liability structure had been actively adjusted. 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 2024, the Group's total borrowing was RMB1,398,743,000. As at 30 June 2024, the Group's monetary funds amounted to RMB996,332,000. 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 2024, (i) the Company and its subsidiary pledged the monetary funds in the amount of RMB130,415,000 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) a Company's subsidiary will use an amount of RMB555,000 as wage guarantee for migrant workers; and (iv) notes receivable in the amount of RMB8,711,000 of the Company and its subsidiaries have not been terminated for recognition. 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 2024, the number of the Group's employees was 7,064. The total employee salaries in the first half of 2024 amounted to RMB410,054,000.

As at 30 June 2024, the Group's asset-liability ratio (i.e., total liabilities / total assets \times 100%) was 43.04%.

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

As at 30 June 2024, the Group had a gross gearing ratio (i.e., gross liabilities divided by adjusted capital) of 29.42%, and a net gearing ratio (i.e., net liabilities divided by adjusted capital) of 8.46%. 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 2024, the Group's export revenue was USD159,406,000, 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 will fully consider the impact of exchange rate fluctuations when signing sales contracts for export business, and reasonably set the settlement price; (2) the Group will promote crossborder RMB settlement and increase the proportion of RMB settlement in export business; 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 2023 has been approved at the annual general meeting of the Company for the year 2023.
3. Pursuant to the authorization of the 2023 Annual General Meeting, the Board formulated the half-year dividend plan for 2024 as follows: a half-year dividend of RMB0.25 per 10 Shares for 2024 will be paid to all Shareholders based on the latest total issued share capital of the Company of 682,407,635 shares. No bonus shares will be paid out, or no capitalization from capital reserves has been implemented. In the event that, prior to the implementation of the Company's half-year dividend plan for 2024, the total issued share capital of the Company changes due to the exercise of share options concerning Shares or the listing or issuance of new Shares due to refinancing actions of the Company, the distribution plan will be adjusted accordingly under the principle that the distribution amount per Share shall remain unchanged.

During the six months ended 30 June 2023, the Board did not recommend 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 Group did not have nor entered into any trust, escrow or contracting arrangements concerning the assets of the Group or that of other companies. During the Reporting Period, the Group leased assets with a value of RMB3,387,000 from other companies; and other companies leased assets in the amount of RMB33,412,000 from the Group.
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 prejudice the interests of the Company and its Shareholders (in particular the minority Shareholders). As of 30 June 2024, 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 shall be 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” developed by Xinhua (Zibo) Real Estate Co., Ltd.* (hereinafter referred to as “Xinhua Real Estate”), neither the Company nor any of its subsidiaries within the scope of its consolidated statements had engaged 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” developed by Xinhua Real Estate as apartments for its experts and talents. Xinhua Real Estate canceled its qualification certificate as a 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 apartments for its experts and talents 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 shall 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” 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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*Xinhua (Zibo) Real Estate Co., Ltd. is now renamed Ronghua (Zibo) Property Services Co., Ltd.

9. Purchase, sale and redemption of shares:

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%	139,300,000.00	5,100,000.00	17,340,000.00
601328	BANKCOMM	14,225,318.00	0.01%	61,397,424.00	3,082,200.00	12,086,333.60
Total		21,225,318.00		200,697,424.00	8,182,200.00	29,426,333.60

12. There was no penalty or remedial action imposed on the Group during the Reporting Period.
13. Please refer to the Company's announcements dated 30 April 2024 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 2024.
15. On 15 January 2024, 7.7248 million stock options that can be exercised during the first exercise period of the initial grant of the Company's A share stock option incentive plan in 2021 have been registered and listed for circulation respectively. For details, please refer to the overseas regulatory announcement of the Company dated 9 January 2024, and announcement on the website (www.cninfo.com.cn) on and before 10 January 2024.
16. During the Reporting Period, there was no forfeited contribution (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) under the defined contribution plans of the Group which may be used by the Group to reduce the existing level of contributions.
17. There are no prior period adjustments due to correction of material errors in relation to the financial results of the Group during the Reporting Period.
18. 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.

19. Changes in accounting policies

Contents and reasons of accounting policy changes	Approval processes	Notes
<p>The Ministry of Finance issued the interpretation of accounting standards for Business Enterprises No. 17 (hereinafter referred to as "Interpretation No. 17") on 25 October 2023.</p> <p>Interpretation No. 17 provides for "Separation of current and non-current liabilities," "Disclosure of supplier financing arrangements," and "Accounting treatment of sale and leaseback transactions," with effect from 1 January 2024. In accordance with the requirements of Interpretation No. 17, the Company changes its current accounting policies accordingly.</p>	<p>Relevant accounting policy changes were approved at the third meeting of the 11th Board of the Company on 25 April 2024.</p>	<p>Changes in relevant accounting policies have no significant impact on the Group's financial statements.</p>

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 C1 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, accounting treatments, 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 2024.

The audit committee agreed to the accounting standards, accounting treatments, principles and methods adopted by the Group for the unaudited interim accounts and results for the six months ended 30 June 2024 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 female member with financial management expertise, of whom the biographical details were set out in the 2023 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 2023
(audited)

Assets	Notes	30 June 2024 (unaudited)	31 December 2023 (audited)
Current assets:			
Monetary funds		996,332,270.24	918,334,462.29
Notes receivable		11,120,887.78	8,191,109.23
Accounts receivable	3	1,022,661,555.32	699,877,948.91
Receivables financing		265,906,217.22	240,274,709.86
Prepayments		45,819,042.36	35,369,251.02
Other accounts receivable	4	17,036,147.69	9,336,085.40
Including: Dividends receivable		8,182,200.00	-
Inventories		1,191,617,251.27	1,312,983,676.75
Contact assets		678,211.26	819,429.40
Other current assets		87,493,485.66	89,146,943.15
Total current assets		3,638,665,068.80	3,314,333,616.01
Non-current assets:			
Long-term equity investment		59,906,504.83	58,572,098.00
Other equity instrument investment		215,705,552.11	182,797,067.30
Investment real estate		33,411,820.38	33,908,633.73
Fixed assets		3,476,847,498.18	3,325,944,627.93
Projects under construction		671,137,450.24	730,545,057.96
Right-of-use assets		3,386,775.98	4,324,321.34
Intangible assets		476,518,757.01	494,937,199.11
Long-term unamortized expenses		12,582,786.47	14,462,413.51
Deferred income tax assets		16,358,940.91	23,478,171.11
Other non-current assets		129,337,969.65	102,863,124.90
Total non-current assets		5,095,194,055.76	4,971,832,714.89
Total assets		8,733,859,124.56	8,286,166,330.90

Consolidated Balance Sheet (Continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	Notes	30 June 2024 (unaudited)	31 December 2023 (audited)
Current liabilities:			
Short-term borrowing		378,399,398.19	283,958,677.68
Notes payable		549,535,177.32	511,430,531.37
Accounts payable	5	670,408,897.94	666,412,933.67
Contract liability		85,029,547.40	149,135,948.62
Payroll payable	6	45,175,159.34	123,985,296.73
Taxes and dues payable		23,929,921.49	18,865,677.96
Other payables		734,847,955.33	435,525,634.82
Including: Dividends payable		184,894,508.28	15,290,599.53
Non-current liabilities due within one year		110,571,244.26	273,755,184.03
Other current liabilities		15,821,060.13	22,930,593.51
Total current liabilities		2,613,718,361.40	2,486,000,478.39
Non-current liabilities:			
Long-term borrowings		912,190,889.20	799,400,000.00
Lease liabilities		1,164,135.29	1,578,792.87
Long-term payables		21,500,000.00	20,000,000.00
Deferred income		91,523,472.20	100,666,757.92
Deferred income tax liabilities		115,553,193.73	99,205,514.96
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		1,145,493,190.42	1,024,412,565.75
Total liabilities		3,759,211,551.82	3,510,413,044.14
Shareholders' equity:			
Capital Stock		682,407,635.00	674,682,835.00
Capital reserve	7	1,122,731,950.76	1,055,010,870.76
Other comprehensive income	8	141,218,826.42	113,618,002.82
Special reserve		6,505,475.15	3,392,612.67
Surplus reserve		400,960,654.39	400,960,654.39
Undistributed profits	9	2,400,241,402.85	2,305,438,893.92
Total equity attributable to the shareholders of parent company		4,754,065,944.57	4,553,103,869.56
Minority shareholders' equity		220,581,628.17	222,649,417.20
Total shareholders' equity		4,974,647,572.74	4,775,753,286.76
Total of liabilities and shareholders' equity		8,733,859,124.56	8,286,166,330.90

Consolidated Income Statement

Unit: RMB Yuan

Six months ended 30 June

Item	Notes	2024(unaudited)	2023(unaudited)
I. Gross revenue	10	4,732,481,467.24	4,672,269,049.13
Including: Operating revenue		4,732,481,467.24	4,672,269,049.13
II. Total operating costs		4,414,193,942.13	4,311,750,429.21
Including: Operating costs	10	3,547,931,805.24	3,281,046,254.21
Taxes and surcharges	11	36,899,978.55	60,476,643.03
Selling expenses		403,565,129.41	487,038,936.17
Administration expenses		181,073,486.83	246,316,699.21
R&D cost		243,105,634.20	235,529,909.24
Financial expenses		1,617,907.90	1,341,987.35
Including: Interest expenses		17,868,283.95	21,488,813.56
Interest income		4,581,339.55	6,731,842.63
Add: Other income		35,032,548.75	11,695,552.06
Investment income (losses to be listed with brackets)		9,516,606.83	8,286,352.28
Including: Investment return from associated corporations and joint ventures (losses to be listed with brackets)		1,334,406.83	120,590.68
Credit impairment loss (losses to be listed with brackets)		(8,193,415.41)	(3,477,647.35)
Assets impairment loss (losses to be listed with brackets)	12	(48,313,538.64)	(44,340,776.07)
Gains from asset disposal (losses to be listed with brackets)		1,240,258.42	1,274,182.44
III. Operating profits (losses to be listed with brackets)		307,569,985.06	333,956,283.28
Add: non-operating revenue		326,560.85	632,015.65
Less: non-operating expenditure		4,532,708.22	2,642,486.67
IV. Total profits (total loss to be listed with brackets)		303,363,837.69	331,945,812.26
Less: income tax expenses	13	30,597,489.83	56,265,379.99
V. Net profits (net loss to be listed with brackets)		272,766,347.86	275,680,432.27
(I) According to operation continuity			
1. Net profits from continued operations (net losses to be listed in brackets)		272,766,347.86	275,680,432.27
2. Net profits from discontinued operations (net losses to be listed in brackets)		-	-
(II) According to ownership			
1. Net profits attributable to shareholders of parent company		265,404,417.68	269,807,157.85
2. Minority interest in profit or loss		7,361,930.18	5,873,274.42
VI. Net amount of other comprehensive income after tax		27,326,906.39	13,873,006.87
Net amount of other comprehensive income after tax attributable to the shareholders of parent company		27,600,823.60	13,346,960.91
(I) Other comprehensive income not subject to reclassification into profit or loss		27,972,212.08	11,510,475.54
Changes in fair value of other equity instruments investment		27,972,212.08	11,510,475.54
(II) Other comprehensive income to be reclassified into profit or loss		(371,388.48)	1,836,485.37
Conversion difference of foreign currency statement		(371,388.48)	1,836,485.37
Net amount of other comprehensive income after tax attributable to the minority shareholders		(273,917.21)	526,045.96
VII. Total comprehensive income		300,093,254.25	289,553,439.14
Total comprehensive income attributable to the shareholders of parent company		293,005,241.28	283,154,118.76
Total comprehensive income attributable to the minority shareholders		7,088,012.97	6,399,320.38
VIII. Earnings per share:	14		
(I) Basic earnings per share		0.39	0.40
(II) Diluted earnings per share		0.38	0.39

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* (2023 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 organization, 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 2024 and six months ended 30 June 2023 are as follows (unaudited):

Six months ended 30 June 2024 and As at 30 June 2024(unaudited)

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating revenue	1,552,557,230.09	2,770,441,232.69	1,376,146,170.73	-	(966,663,166.27)	4,732,481,467.24
Include : Revenue from external customers	1,547,528,345.16	2,261,818,403.94	923,134,718.14	-	-	4,732,481,467.24
Inter-segment transaction income	5,028,884.93	508,622,828.75	453,011,452.59	-	(966,663,166.27)	-
Operating costs	1,087,037,699.67	2,165,425,585.82	1,272,806,817.02	-	(977,338,297.27)	3,547,931,805.24
Include : External transaction cost	1,000,611,722.71	1,645,196,746.51	902,123,336.02	-	-	3,547,931,805.24
Inter segment transaction cost	86,425,976.96	520,228,839.31	370,683,481.00	-	(977,338,297.27)	-
Expenses for the period	172,171,316.90	479,650,641.84	46,088,506.81	132,026,467.43	(574,774.64)	829,362,158.34
Total operating profit(total loss)	335,196,130.30	99,726,666.35	(45,946,903.34)	(78,506,707.25)	(2,899,201.00)	307,569,985.06
Total assets	3,509,643,695.31	3,464,003,618.24	1,755,970,444.25	1,842,887,432.27	(1,838,646,065.51)	8,733,859,124.56
Total liabilities	1,047,051,969.01	1,384,625,083.68	563,586,503.79	1,825,713,377.89	(1,061,765,382.55)	3,759,211,551.82

Six months ended 30 June 2023(unaudited) and As at 31 December 2023(audited)

Unit: RMB Yuan

Item	Chemical bulk		Medical	Unallocated	Offset	Total
	drugs	Preparations	intermediate and other products			
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	3,484,765,515.61	3,336,987,383.20	1,583,039,228.18	1,723,703,425.95	(1,842,329,222.04)	8,286,166,330.90
Total liabilities	1,208,657,267.65	1,418,676,176.95	456,517,555.79	1,479,609,887.61	(1,053,047,843.86)	3,510,413,044.14

3. Accounts receivable

Item	<u>30 June 2024</u>		<u>31 December 2023</u>	
	RMB	Yuan(unaudited)	RMB	Yuan(audited)
Accounts receivable		1,061,799,785.54		731,221,860.99
Less: provision for bad debts for accounts receivable		<u>39,138,230.22</u>		<u>31,343,912.08</u>
Total		<u>1,022,661,555.32</u>		<u>699,877,948.91</u>

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

Account age	<u>30 June 2024</u>		<u>31 December 2023</u>	
	RMB	Yuan(unaudited)	RMB	Yuan(audited)
0-1 year (including 1 year)		1,009,918,015.99		692,974,529.25
Over 1 year to 2 years (including 2 years)		<u>12,743,539.33</u>		<u>6,903,419.66</u>
Total		<u>1,022,661,555.32</u>		<u>699,877,948.91</u>

4. Other accounts receivable

Item	<u>30 June 2024</u>	<u>31 December 2023</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
Other accounts receivable	26,596,144.81	18,505,213.19
Less: provision for bad debts of other accounts receivable	<u>9,559,997.12</u>	<u>9,169,127.79</u>
Total	<u>17,036,147.69</u>	<u>9,336,085.40</u>

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

Account age	<u>30 June 2024</u>	<u>31 December 2023</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
0-1 year (including 1 year)	15,992,593.38	8,101,054.40
Over 1 year to 2 years (including 2 years)	785,064.22	1,107,906.39
Over 2 years to 3 years (including 3 years)	<u>258,490.09</u>	<u>127,124.61</u>
Total	<u>17,036,147.69</u>	<u>9,336,085.40</u>

5. Accounts payable

Item	<u>30 June 2024</u>	<u>31 December 2023</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
Payment for goods	<u>670,408,897.94</u>	<u>666,412,933.67</u>
Total	<u>670,408,897.94</u>	<u>666,412,933.67</u>

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

Account age	<u>30 June 2024</u>	<u>31 December 2023</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
0-1 year (including 1 year)	648,547,691.86	641,287,656.05
Over 1 year to 2 years (including 2 years)	10,828,211.91	12,438,049.71
Over 2 years to 3 years (including 3 years)	2,196,744.55	3,000,798.37
Over 3 years	<u>8,836,249.62</u>	<u>9,686,429.54</u>
Total	<u>670,408,897.94</u>	<u>666,412,933.67</u>

6. Payroll payable

(1) Classification of payroll payable

Item	<u>31 December 2023</u>	<u>Increase during the first half of 2024</u>	<u>Decrease during the first half of 2024</u>	<u>30 June 2024</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Short-term remuneration	123,985,296.73	424,182,473.17	502,992,610.56	45,175,159.34
Post-employment welfare - Defined contribution plan	-	<u>57,841,226.41</u>	<u>57,841,226.41</u>	-
Total	<u>123,985,296.73</u>	<u>482,023,699.58</u>	<u>560,833,836.97</u>	<u>45,175,159.34</u>

(2) Short-term remuneration

Item	<u>31 December 2023</u>	<u>Increase during the first half of 2024</u>	<u>Decrease during the first half of 2024</u>	<u>30 June 2024</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Salaries, bonuses, allowances and subsidies	119,937,930.26	330,367,490.31	410,054,134.01	40,251,286.56
Employee welfare expenses	-	15,430,246.95	15,430,246.95	-
Social insurance premiums	-	30,850,406.25	30,850,406.25	-
Including: Medical insurance premiums	-	27,748,924.54	27,748,924.54	-
Work-related injury insurance premiums	-	3,101,481.71	3,101,481.71	-
Housing provident fund	-	26,516,034.60	26,516,034.60	-
Labour union expenditure & personnel education fund	4,037,866.47	7,501,042.75	6,615,036.44	4,923,872.78
Labour costs	<u>9,500.00</u>	<u>13,517,252.31</u>	<u>13,526,752.31</u>	-
Total	<u>123,985,296.73</u>	<u>424,182,473.17</u>	<u>502,992,610.56</u>	<u>45,175,159.34</u>

(3) Defined contribution plan

Item	<u>31 December 2023</u>	<u>Increase during the first half of 2024</u>	<u>Decrease during the first half of 2024</u>	<u>30 June 2024</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Basic endowment insurance	-	55,427,340.42	55,427,340.42	-
Unemployment insurance premium	-	2,413,885.99	2,413,885.99	-
Total	<u>-</u>	<u>57,841,226.41</u>	<u>57,841,226.41</u>	<u>-</u>

7. Capital reserve

Item	<u>31 December 2023</u>	<u>Increase during the first half of 2024</u>	<u>Decrease during the first half of 2024</u>	<u>30 June 2024</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Capital stock premium*	753,829,272.64	92,079,628.00	-	845,908,900.64
Other capital reserves**	<u>301,181,598.12</u>	<u>16,660,152.00</u>	<u>41,018,700.00</u>	<u>276,823,050.12</u>
Total	<u>1,055,010,870.76</u>	<u>108,739,780.00</u>	<u>41,018,700.00</u>	<u>1,122,731,950.76</u>

*The capital stock premium increased by RMB92,079,628.00 in this period, of which the increase of RMB51,060,928.00 was due to the exercise of 7.7248 million stock options under the first exercise period of the initial grant of the 2021 A-share stock option incentive plan and the increase of RMB41,018,700.00 is due to the premium of other capital reserves converted into capital stock premium after the exercise of stock options.

**The increase in other capital reserves of RMB16,660,152.00 in the current period was attributable to the expense of accrual of the equity instrument in accordance with the Company's 2021 A-share stock option incentive plan. The decrease of RMB41,018,700.00 in other capital reserves for the current period was attributable to the result of other capital reserves converted into capital stock premium following the exercise of stock options.

8. Other comprehensive income

Item	Other comprehensive income under income statement for the six months ended 30 June 2024 (unaudited)						30 June 2024 RMB Yuan (unaudited)
	31 December 2023 RMB Yuan (audited)	Amount before the current income tax RMB Yuan	Less: Amount Included in other comprehensive income in previous period and carried over into profit and loss in current period RMB Yuan	Less: income tax expenses RMB Yuan	After-tax amount attributable to the parent company RMB Yuan	After-tax amount attributable to minority shareholders RMB Yuan	
(1) Other comprehensive incomes that cannot be reclassified into loss or profit	111,835,986.91	32,908,484.81	-	4,936,272.73	27,972,212.08	-	139,808,198.99
Including: Changes in the fair value of other equity instruments investment	111,835,986.91	32,908,484.81	-	4,936,272.73	27,972,212.08	-	139,808,198.99
(2) Other comprehensive income to be reclassified into profit or loss	1,782,015.91	(371,388.48)	-	-	(371,388.48)	(273,917.21)	1,410,627.43
Including: Translation difference of foreign currency financial statement	1,782,015.91	(371,388.48)	-	-	(371,388.48)	(273,917.21)	1,410,627.43
Total of other comprehensive income	<u>113,618,002.82</u>	<u>32,537,096.33</u>	<u>-</u>	<u>4,936,272.73</u>	<u>27,600,823.60</u>	<u>(273,917.21)</u>	<u>141,218,826.42</u>

9. Undistributed profits

Item	<u>Six months ended 30 June 2024</u>	<u>Six months ended 30 June 2023</u>
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Ending balance of previous year	2,305,438,893.92	1,988,054,329.39
Beginning balance of the current period	2,305,438,893.92	1,988,054,329.39
Add: Net profits attributable to the parent company's shareholders in the current period	265,404,417.68	269,807,157.85
Less: Common stock dividends payable	170,601,908.75	134,936,567.00
Ending balance of current period	<u>2,400,241,402.85</u>	<u>2,122,924,920.24</u>

10. Operating revenue and costs

(1) Operating revenue and costs

Item	<u>Six months ended 30 June 2024</u>		<u>Six months ended 30 June 2023</u>	
	RMB Yuan (unaudited)		RMB Yuan (unaudited)	
	Revenue	Cost	Revenue	Cost
Main operation	4,656,597,533.24	3,467,660,690.93	4,595,163,474.83	3,201,149,392.15
Other operation	<u>75,883,934.00</u>	<u>80,271,114.31</u>	<u>77,105,574.30</u>	<u>79,896,862.06</u>
Total	<u>4,732,481,467.24</u>	<u>3,547,931,805.24</u>	<u>4,672,269,049.13</u>	<u>3,281,046,254.21</u>

(2) Revenue from contracts

Unit: RMB Yuan

Classification of contract	<u>Six months ended 30 June</u> <u>2024</u>	<u>Six months ended 30</u> <u>June 2024</u>
Commodity type	Operating revenue (unaudited)	Operating costs (unaudited)
Among : Chemical bulk drugs	1,547,528,345.16	1,000,611,722.71
Preparations	2,261,818,403.94	1,645,196,746.51
Medical intermediate and other products	<u>923,134,718.14</u>	<u>902,123,336.02</u>
Classification by operating regions		
Among : China (including Hong Kong)	3,582,137,106.82	2,633,324,033.59
Americas	433,631,066.33	345,091,112.68
Europe	503,052,523.96	378,926,803.92
Others	<u>213,660,770.13</u>	<u>190,589,855.05</u>
Classification by contract performance obligation		
Among : Recognition of revenue at a certain point in time	4,690,684,499.57	3,520,387,023.93
Recognition of revenue within a certain period	36,738,571.11	24,868,970.65
Rental income	<u>5,058,396.56</u>	<u>2,675,810.66</u>
Classification by sales model		
Among : Direct selling model	1,554,657,976.43	1,147,124,410.68
Distribution model	<u>3,177,823,490.81</u>	<u>2,400,807,394.56</u>
Total	<u><u>4,732,481,467.24</u></u>	<u><u>3,547,931,805.24</u></u>

(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 remaining 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 RMB85,029,547.40, and of this amount RMB70,589,755.73 is expected to be recognized within the next 1 year.

- (5) The recognized income of the current period includes the amount of RMB133,434,354.10 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 2024	June 2023
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
City maintenance and construction tax	11,149,498.31	15,848,299.80
Property tax	9,882,353.38	9,102,013.26
Educational surcharges	8,005,188.95	11,405,928.38
Land use tax	4,692,143.75	4,321,187.45
Stamp duty	3,136,133.74	2,970,015.34
Vehicle and vessel use tax	34,660.42	35,417.80
Land value increment tax	-	16,793,781.00
Total	<u>36,899,978.55</u>	<u>60,476,643.03</u>

12. Assets impairment loss

Item	Six months ended 30 June 2024	Six months ended 30 June 2023
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Inventory impairment loss	211,281.86	(304.38)
Impairment loss of contract assets	<u>(48,524,820.50)</u>	<u>(44,340,471.69)</u>
Total	<u>(48,313,538.64)</u>	<u>(44,340,776.07)</u>

13. Income tax expenses

(1) Income tax expenses

Item	Six months ended 30 June 2024	Six months ended 30 June 2023
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
The current income tax calculated in accordance with the tax law and related regulations	11,979,103.13	21,841,448.06
-PRC enterprise income tax	11,979,078.01	21,841,448.06
-Hong Kong profits tax China	25.12	-
Deferred income tax expenses	18,530,636.24	31,567,054.80
Lesser (Excess) amount in prior years	<u>87,750.46</u>	<u>2,856,877.13</u>
Total	<u>30,597,489.83</u>	<u>56,265,379.99</u>

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

Item	Six months ended 30 June 2024
	RMB Yuan (unaudited)
Total consolidated profits for the current period	303,363,837.69
Income tax expenses calculated in accordance with statutory /applicable tax rate	45,504,575.66
Effect of different tax rate applicable to subsidiaries	6,892,710.32
Effect of adjusting income tax for the previous period	87,750.46
Effect of non-taxable income	(1,427,491.02)
Effect of using deductible losses from previously unrecognized deferred tax assets	(396,380.28)
Effect of deductible temporary difference or deductible loss of the unrecognized deferred income tax assets in the current year	225,867.39
Additional deductible expenses	<u>(20,289,542.70)</u>
Income tax expenses	<u>30,597,489.83</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, RMB265,404,417.68(the same period in 2023: RMB269,807,157.85) by the weighted average of outstanding ordinary shares issued by the Company of 681,813,420.00 shares (the same period in 2023:674,306,582.00 shares).

Item	Six months ended 30	Six months ended 30
	June 2024	June 2023
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Net profits attributable to shareholders of the parent company	265,404,417.68	269,807,157.85
Weighted average of outstanding ordinary shares issued by the Company	681,813,420.00	674,306,582.00
Basic earnings per share	0.39	0.40

(2) Diluted earnings per share

Diluted earnings per share is defined as net profit attributable to the shareholders of the parent company of RMB265,404,417.68 (the same period in 2023: RMB269,807,157.85) divided by the adjusted weighted average of the outstanding common shares of the Company of 691,232,723.00 (the same period in 2023: 693,318,857.00 shares).

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

Item	Six months ended 30 June	Six months ended 30 June
	2024	2023
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Net profit attributable to shareholders of the parent company	265,404,417.68	269,807,157.85
A weighted average of the company's outstanding common shares	681,813,420.00	674,306,582.00
Dilutive potential ordinary share	9,419,303.00	19,012,275.00
Adjusted weighted average of the company's outstanding common shares	691,232,723.00	693,318,857.00
Diluted earnings per share	0.38	0.39

15. Dividends

The Board has recommended an interim dividend of RMB0.25(tax-inclusive) per 10 shares in the issued share capital of the Company for the six months ended 30 June 2024(the same period in 2023: nil).

Item	2024	2023
Dividends recognised as distribution in the current financial statements during the year:		
2022 final dividend: RMB 0.20 per share	-	134,936,567.00
2023 final dividend: RMB 0.25 per share*	170,601,908.75	-
Total	170,601,908.75	134,936,567.00

*The 2023 final dividend was paid in late July 2024.

X. DOCUMENTS AVAILABLE FOR INSPECTION AND PLACE FOR INSPECTION

(1) DOCUMENTS AVAILABLE FOR INSPECTION

- (i) The Company's 2024 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

22 August 2024, 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. Ling Peixue
Ms. Cheung Ching Ching, Daisy

Non-executive Directors:

Mr. Xu Lie
Mr. Zhang Chengyong

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.