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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)

2022 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 2022 (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. Zhang Daiming
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 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)	Change as compared to the same period last year
Operating income	3,664,294,993.33	3,551,043,752.95	3.19%
Total profits	235,316,728.47	260,359,756.30	(9.62%)
Income tax expense	36,812,855.18	51,043,087.07	(27.88%)
Net profits	198,503,873.29	209,316,669.23	(5.17%)
Minority interest income	4,114,317.17	9,234,315.68	(55.45%)
Net profits attributable to shareholders of listed company	194,389,556.12	200,082,353.55	(2.85%)
Net profits attributable to shareholders of listed company after deduction of non-recurring profit and loss	173,046,252.17	185,863,658.77	(6.90%)
Net cash flow from operating activities	194,801,492.76	165,101,447.08	17.99%
Basic earnings per share	0.30	0.32	(6.25)
Diluted earnings per share	0.30	0.32	(6.25)
Return on equity	5.23%	6.00%	Decreased by 0.77 percentage points
Item	As at 30 June 2022 (unaudited)	As at 31 December 2021 (the “End of Last Year”) (audited)	Change as compared to the End of Last Year
Total assets	7,946,216,424.52	7,332,033,657.98	8.38%
Total liabilities	3,874,926,203.14	3,680,888,823.85	5.27%
Minority shareholders’ equity	194,904,887.13	183,203,266.68	6.39%
Total net assets attributable to the shareholders of listed company	3,876,385,334.25	3,467,941,567.45	11.78%

III. CHANGES IN SHARE CAPITAL STRUCTURE AND INFORMATION ON SHAREHOLDERS

1. Share capital structure

Unit: shares

Item	30 June 2022		1 January 2022	
	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	38,294,515	5.719	615,952	0.098
State-owned shares	-	-	-	-
Shares owned by domestic legal persons	37,091,988	5.539	-	-
Conditional tradable shares owned by senior management (A Shares)	1,202,527	0.180	615,952	0.098
Others	-	-	-	-
2. Total number of unconditional tradable shares	631,332,720	94.281	626,751,495	99.902
Renminbi-denominated ordinary shares (A Shares)	436,332,720	65.161	431,751,495	68.820
Overseas listed foreign shares (H Shares)	195,000,000	29.121	195,000,000	31.082
3. Total number of shares	669,627,235	100.00	627,367,447	100.00

Note:

1.The second exercise period of the 2018 A-share stock option Incentive plan was completed on January 13, 2022, and the number of exercised shares was 5.1678 million.

2.On April 13, 2022, 37,091,988 non-public A-shares of the Company were listed on the Shenzhen Stock Exchange.

2. Shareholders' information

(1) As at 30 June 2022, the Company had on record a total of 107,371 shareholders (the "Shareholders"), including 42 holders of H Shares and 107,329 holders of A Shares.

(2) As at 30 June 2022, details of the ten largest Shareholders that held the Company's shares were as follows:

Unit: share

Name of Shareholders	Nature of Shareholders	% of the total 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	30.59	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	28.86	193,248,627	Overseas listed foreign shares
華魯投資發展有限公司 Hualu Investment Development Co., Ltd (“Hualu Investment”)	State-owned	6.16	41,235,156	RMB-denominated ordinary shares
巨能資本管理有限公司－山東聚贏產業基金合夥企業(有限合夥) Ju Neng Capital Management Company Limited – Shandong JuYing Industrial Fund Partnership (Limited Partnership)	Fund	2.48	16,614,176	RMB-denominated ordinary shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.39	2,609,667	RMB-denominated ordinary shares
郭朝暉 Guo Zhaohui	Natural person in the territory	0.16	1,079,700	RMB-denominated ordinary shares
劉科全 Liu Kequan	Natural person in the territory	0.16	1,070,000	RMB-denominated ordinary shares
趙桂梅 Zhao Guimei	Natural person in the territory	0.14	953,104	RMB-denominated ordinary shares
鄭幸福 Zheng Xingfu	Natural person in the territory	0.12	775,240	RMB-denominated ordinary shares
周碧雲 Zhou Biyun	Natural person in the territory	0.11	731,330	RMB-denominated ordinary shares

(3) As at 30 June 2022, the ten largest Shareholders of the unconditional tradable shares of the Company were as follows:

Unit: share

Name of Shareholders	Nature of Shareholders	% of the total 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	30.59	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	28.86	193,248,627	Overseas listed foreign shares
巨能資本管理有限公司－山東聚贏產業基金合夥企業(有限合夥) Ju Neng Capital Management Company Limited – Shandong JuYing Industrial Fund Partnership (Limited Partnership)	Fund	2.48	16,614,176	RMB-denominated ordinary shares
華魯投資發展有限公司 Hualu Investment	State-owned	0.62	4,143,168	RMB-denominated ordinary shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.39	2,609,667	RMB-denominated ordinary shares
郭朝暉 Guo Zhaohui	Natural person in the territory	0.16	1,079,700	RMB-denominated ordinary shares
劉科全 Liu Kequan	Natural person in the territory	0.16	1,070,000	RMB-denominated ordinary shares
趙桂梅 Zhao Guimei	Natural person in the territory	0.14	953,104	RMB-denominated ordinary shares
鄭幸福 Zheng Xingfu	Natural person in the territory	0.12	775,240	RMB-denominated ordinary shares
周碧雲 Zhou Biyun	Natural person in the territory	0.11	731,330	RMB-denominated ordinary shares

Notes:

- i. Such figure excludes the 41,235,156 A Shares held by Hualu Investment, a direct wholly owned subsidiary of HHC. As of 30 June 2022, 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. Well Bring owns 20,827,800 H Shares of the Company (being overseas listed foreign shares), representing approximately 3.11% of the issued share capital of the Company. Hualu Investment owns 41,235,156 A Shares of the Company, representing approximately 6.16% of the issued share capital of the Company.
- ii. The following is a description of any 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 if any of them is a person 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 whether there is any association amongst the Shareholders of H Shares of the Company or if any of them is a person acting in concert as defined in the Administration Measures for Takeover. The Directors are not aware of whether there is any association amongst the other above-mentioned Shareholders of unconditional tradable shares of the Company, or any association between the other Shareholders of unconditional tradable shares and the other Shareholders, or if any of them is a person 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 2022, 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 (Chapter 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.

4. Non-public issuance of A Shares

References are made to the circular of the Company dated 31 May 2021 and the announcements and overseas regulatory announcements dated 14 April 2021, 27 April 2021, 30 June 2022, 19 July 2021, 2 August 2021, 13 August 2021, 16 August 2021, 26 January 2022, 22 February 2022, 7 March 2022, 23 March 2022, 1 April 2022 and 7 April 2022 respectively, among others, details of the non-public issuance of A Shares.

On 7 April 2022, the Company has completed the non-public issuance of A Shares (involving the issue and allotment to, and subscription by, Hualu Investment of 37,091,988 A Shares) following completion of relevant registration and depositary procedures with the China Securities Depository and Clearing Co., Ltd. Shenzhen branch.

Upon completion of the non-public issuance of A Shares, the total number of issued and outstanding Shares of the Company increased from 632,535,247 Shares to 669,627,235 Shares, and the total number of A Shares of the Company increased from 437,535,247 Shares to 474,627,235 Shares.

As of the date of this announcement, net proceeds of RMB 244 million raised from the non-public issuance of A Shares have been fully used, of which RMB 114 million was used to repay interest-bearing liabilities and RMB 130 million was used to supplement working capital.

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Changes of Directors, Supervisors and Senior Management and the number of shares of the Company (“Shares”) held by them were as follows:

Unit: share

Name	Position	Number of Shares as at 30 June 2022	Number of Shares as at 1 January 2022
Directors:			
Mr. Zhang Daiming	Chairman	216,470(note 2)	117,470(note 2) 174,888 (note 3)
Mr. Du Deping	Executive Director, General Manager	180,900(note 4)	151,568 (note 3) 91,800 (note 4)
Mr. Xu Lie	Non-executive Director	147,400(note 4)	81,614 (note 3) 74,800(note 4)
Mr. He Tongqing	Executive Director, Deputy General Manager	147,400(note 4)	116,592 (note 3) 74,800(note 4)
Mr. Cong Kechun	Non-executive Director	Nil	Nil
Mr. Pan Guangcheng	Independent non-executive Director	Nil	Nil
Mr. Zhu Jianwei	Independent non-executive Director	Nil	Nil
Mr. Lo Wah Wai	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	34,977 (note 3)
Mr. Wang Jianping	Employee Supervisor	Nil	Nil
Mr. Xiao Fangyu	Independent Supervisor	Nil	Nil
Other Senior Management:			
Mr. Wang Xiaolong	Deputy General Manager	147,400(note 4)	81,614 (note 3) 74,800(note 4)
Mr. Du Deqing	Deputy General Manager	147,400(note 4)	81,614 (note 3) 74,800(note 4)
Mr. Hou Ning	Financial Controller	147,400(note 4)	116,592 (note 3) 74,800(note 4)
Mr. Zheng Zhonghui	Deputy General Manager	147,400(note 4)	23,318 (note 3) 74,800(note 4)
Mr. Wei Changsheng	Deputy General Manager	107,200(note 4)	34,977(note 3) 54,400(note 4)
Mr. Xu Wenhui	Deputy General Manager	107,200(note 4)	46,636(note 3) 54,400(note 4)
Mr. Cao Changqiu	Secretary to the Board	107,200(note 4)	2,331 (note 3) 54,400(note 4)
Total		1,603,370	1,767,991

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. Mr. Zhang Daiming personally and initially holds 117,470 A Shares (among them 102,000 Shares were issued pursuant to first exercise of options under the 2018 A-share stock option incentive plan). During the Reporting Period, 99,000 additional shares were issued pursuant to second phase of the 2018 A-share stock option incentive plan. By the end of the Reporting Period, he held a total of 216,470 A shares.
- iii. The relevant Shares are held under the Employee Share Ownership Scheme of the Company of which the relevant person is a participant. The total reduction of the Shares is completed on May 12, 2022, as detailed in the overseas regulatory announcement dated May 12, 2022.
- iv. The relevant Shares were issued pursuant to the 2018 A-share stock option incentive plan.
- v. So far as the Directors, the Senior Management and Supervisors are aware, save as disclosed above, as at 30 June 2022, 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 operation results of the Company for the first half of the year 2022.

In the first half of the year 2022, the operating income of the Group prepared under the CASBE was RMB 3,664,295,000, representing an increase of 3.19% as compared with the same period last year. The Group recorded its net profits attributable to the Shareholders as RMB 194,390,000, representing a decrease of 2.85% as compared with the same period last year.

The Board did not recommend the declaration of any interim dividends for the first half of the year 2022.

BUSINESS REVIEW

In the first half of the year, the Group overcame the impact of adverse factors, such as the pandemic, fluctuations in the international market, rising raw material prices and intensified market competition, and seize the opportunities of market exploration, organized production scientifically, increased R&D efforts, and actively promoted project construction. Therefore, the enterprise maintained a stable momentum of growth.

1. Protecting the market demand and playing a leading role in marketing

In response to the pandemic control requirements, practical measures were taken to increase the production of key best-selling products and new products in the first half of the year, which strongly guaranteed the market demand.

The leading APIs varieties maintained market stability, and the market share was further increased. The revenue from the Group's exports reached USD181 million, representing a year-on-year increase of 3.63%. Fish oil products achieved the transformation and upgrade from intermediate EPA70 to high purity EPA98.

Ten great strategic pharmaceutical preparations achieved sales growth of 14% year on year. International preparations processing and preparations export sales increased by 17.31% year on year. The construction of the second production line of the Madopar project was completed, and the annual production capacity reached 1 billion tablets. 12 preparations products were registered in 15 countries along the way of the "Belt and Road Initiative".

In the first half of the year, the sales of medical intermediate of Xinhua Shouguang increased by 31.3% year on year.

In the first half of the year, Xinhua Health Technology Co., Ltd. overcame the impact of the pandemic and other factors, and accelerated the business layout of the Internet health platform and cross-border e-commerce, achieving a year-on-year sales growth of 15.56%.

2. New achievements in science and technology innovation

In the first half of the year, we obtained 5 new product approvals, 2 consistency evaluation approvals, 2 APIs document and 3 authorized patents. The research and development of key innovative drugs, such as OAB-14, an innovative anti-AD drug, was carried out in an orderly manner. Xinhua Gaomi obtained approval documents for 10 varieties (a total of 12 symbols). Shandong Xinhua Pharmaceutical Chemical Industry Design Co., Ltd. (“**Pharmaceutical Chemical Industry Design Company**”) was approved as the first batch of the “small and medium technology-based enterprises” and provincial “specialized and new” SMEs in Shandong. Construction of Phase 1 of Gene and Cell Engineering Center has commenced. An academician Yang Baofeng was appointed as the chief scientist of the Company’ s major innovative drugs. We completed 15 technical and quality tackling projects and implemented 19 energy technology improvement projects.

3. Orderly advancement of key construction projects

The research and development platform for injection project and GMP renovation project have been completed and are in the process of applying for the GMP certificate; the main construction of the plant has been completed for Tongxin Pharmaceutical’ s “chain strengthening” project; the civil construction and equipment bidding for Xinhua Shouguang’ s featured APIs project has been completed; the main construction of the plant has been completed for Xinhua Gaomi’ s high-end pet feed project; The project approval procedures of Isobutyl benzene have been completed and is in the process of project design and site levelling.

4. Achieving stage results in capital operation and equity incentive

The non-public issuance of A shares in 2021 was successfully completed; the 2018 A-share stock option incentive plan in the second exercise period was completed; the initial grant of the Company’ s 2021 A-share stock option incentive plan was completed; the stock option incentive plan for technology-based enterprises of Pharmaceutical Chemical Industry Design Company was approved for implementation, and the mixed-ownership reform was successfully completed.

5. Continuous deepening and strengthening of basic management

Strict implementing pandemic prevention and control measures, the Company maintained zero infection. The “lifeline” engineering was under stable operation, with no average or above safety and environmental protection quality accidents occurring throughout the year. Sevelamer carbonate tablets passed US FDA remote BE review with zero defect, Modern Pharmaceutical International Cooperation Centre successfully passed EU audit and obtained EU GMP certificate. 2 products obtained EU CEP certificate and 9 products completed DMF registration. The Company was awarded A class enterprise of veterinary medicine in Shandong province. The Company was the first company in the national chemical pharmaceutical industry awarded the title of “Model Enterprises of Green Supply Chain Management” , and was awarded the Two integration of outstanding enterprises of Shandong Province in 2021.

PROSPECTS

Affected by the international situation and the pandemic, the raw material medicine products of the Group will encounter more fierce market competition in the second half of the year. However, the Group will also take practical and effective measures to make sure the export remains generally stable. With a more rapid development of the featured raw material medicine, the market share of the strategic preparations products continued to increase, the preparations collaboration projects were implemented, and commercialized production was rapidly promoted. The new growth point of the enterprise is being formed, unleashing continuous development potential.

To this end, the principal work of the Group in the second half of 2022 are as follows:

1.Strengthening production security, lowering the cost by all means and controlling the expenses

The Group will actively develop and implement the emergency plans, especially security, environmentally friendly and protection and control of the pandemic, take into full consideration of all kinds of constraining factors to secure the demand of the market, lower the purchasing and manufacturing costs by all means, seriously keep the budgets and eliminate the extra-budget expenses.

2.Accelerating the R&D of production and technological improvement

In the second half of the year, the Group will continue to accelerate the consistency evaluation and the R&D of new products; submit the application for the OAB-14 clinical experiment (phase I), and launch LXH-2201 clinical experiment (phase II); complete the construction of Center for Cell and Genetic Engineering; accelerate the promotion and application of automation, intelligent new products and new equipment, and complete the annual key projects of technological quality, energy saving and automation; accelerate the commercial production of the new products, and 7 new products, including irbesartan and irbesartan hydrochlorothiazide tablets, will be launched in the market in the second half of the year.

3.Accelerating the construction of the key projects and realizing the sufficient production and efficiency

The Group will strive for “strengthening and replenishing the supply chain” project of Tongxin Pharmaceutical to fulfill the conditions for trial operation by the end of October.

Xinhua Shouguang Pharmaceutical’ s featured raw material drug project completed purification construction and equipment installation. The DCB project commenced civil construction in July, and the BHB project commenced construction in August.

The high-end pet feed project of Xinhua Gaomi Pharmaceutical has fulfilled the conditions for industrialization.

The main body of the plant of the off-site isobutyl benzene project commenced construction.

4.Reinforcing the basic management and keeping the bottom line of the prevention and control of the pandemic and the lifeline engineering

The Group will continue to promote the in-site management of 7S/CTPM and enhance the in-site management level.

The Group will make greater investment in security measures and environmental measures, implement the AR panoramic control at high point and production system management “one map” project in the production area, and further enhance the intelligence and informatization level of management.

The Group will strengthen the training and emergency drills to improve the safety awareness and emergency response capability of all staff, strictly keep the bottom line of the prevention and control of the pandemic and the lifeline engineering.

The Group will strengthen the credit management, especially the management risk prevention.

Save as disclosed above, there were no significant events or material changes affecting the Company and its subsidiaries during the Reporting Period.

Chairman
Zhang Daiming
30 August 2022

VI. MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the development, manufacture 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 2022 (unaudited)		As at 31 December 2021 (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	1,110,709,989.56	13.98%	744,662,302.34	10.16%	3.82%	-
Accounts receivable	863,208,487.96	10.86%	658,568,486.25	8.98%	1.88%	-
Contract assets	753,265.38	0.01%	438,975.00	0.01%	0.00%	-
Inventories	1,035,132,189.71	13.03%	1,027,539,968.72	14.01%	(0.98%)	-
Investment real estate	43,640,031.53	0.55%	45,765,654.05	0.62%	(0.07%)	-
Long-term equity investment	59,316,725.91	0.75%	56,707,310.33	0.77%	(0.02%)	-
Fixed assets	3,402,810,310.20	42.82%	3,195,112,176.64	43.58%	(0.76%)	-
Projects under construction	446,676,123.84	5.62%	562,958,944.42	7.68%	(2.06%)	-
Right-of-use assets	6,979,439.09	0.09%	7,653,187.24	0.10%	(0.01%)	-
Short-term borrowing	369,070,137.26	4.64%	269,455,217.71	3.68%	0.96%	-
Contract liability	97,386,566.85	1.23%	100,398,224.66	1.37%	(0.14%)	-
Long-term borrowings	371,426,336.06	4.67%	346,196,870.64	4.72%	(0.05%)	-
Lease liabilities	4,245,651.49	0.05%	4,279,227.67	0.06%	(0.01%)	-

Analysis of major changes of items

Unit: RMB Yuan

Items	As at 30 June 2022 (unaudited)	As at 31 December 2021 (the “End of Last Year”) (audited)	Change as compared to the End of Last Year	Description of changes
Monetary funds	1,110,709,989.56	744,662,302.34	49.16%	(1)
Notes receivable	27,911,442.92	41,020,264.41	(31.96%)	(2)
Accounts receivable	863,208,487.96	658,568,486.25	31.07%	(3)
Other receivable	27,084,050.57	17,415,074.81	55.52%	(4)
Other current assets	28,691,988.01	44,593,999.38	(35.66%)	(5)
Other non-current assets	3,935,683.33	14,226,403.74	(72.34%)	(6)
Short-term borrowing	369,070,137.26	269,455,217.71	36.97%	(7)
Notes payable	546,071,657.77	405,071,920.42	34.81%	(8)
Employee compensation payable	35,966,609.10	69,867,115.71	(48.52%)	(9)
Taxes and dues payable	40,528,356.22	28,245,018.24	43.49%	(10)
Non-current liabilities due within one year	937,612,319.70	423,824,473.80	121.23%	(11)
Other current liabilities	30,058,465.82	45,594,586.86	(34.07%)	(12)
Capital reserve	958,220,095.23	677,941,287.82	41.34%	(13)

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

(1)The increase of monetary funds was mainly due to the net proceeds of RMB 244 million raised by the non-public issuance of A Shares in this Reporting Period.

(2)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.

(3)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.

(4)The increase in other receivable from the end of the previous year is mainly due to the increase in dividends receivable at the end of the report.

(5)The decrease of other current assets was mainly due to reduction of the prepaid income tax and value-added tax allowance at the end of the Reporting Period.

(6)The decrease in other non-current assets compared with the end of the previous year is mainly due to the marketing authorization granted for Irbesartan hydrochlorothiazide tablets during the current reporting period and the decrease in the prepayment for outsourced patented technologies.

(7)The main reason for the rise in short-term borrowing was to reduce financing costs and optimize the debt structure during the Reporting Period.

(8)The increase in notes payable was mainly due to an increase in bank acceptances payable during the Reporting Period.

(9)The decrease in employee compensation payable from the end of the previous year is mainly due to a decrease in employee compensation outstanding at the end of the Reporting Period.

(10)The increase in taxes and dues payable is mainly due to the increase in value-added tax at the end of the Reporting Period.

(11)The increase of non-current liabilities due within one year compared with the end of the previous year is mainly due to the transfer of long-term payables to non-current liabilities due within one year during the Reporting Period.

(12)The decrease in other current liabilities from the end of the prior year was primarily due to a decrease in bank acceptances that were not terminated for recognition at the end of the Reporting Period.

(13)The increase in capital reserves compared with the end of the previous year is mainly due to the increase in the premium of non-public issuance of A Shares in the Reporting Period.

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

Unit: RMB Yuan

Items	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)	Change as compared to the same period last year	Description of changes
Operating revenue	3,664,294,993.33	3,551,043,752.95	3.19%	
Operating costs	2,711,527,456.90	2,511,033,846.02	7.98%	
Selling expenses	294,558,596.18	358,406,776.11	(17.81%)	
Administration expenses	203,112,746.43	169,041,206.93	20.16%	
Financial expenses	14,502,630.16	26,568,776.18	(45.41%)	(1)
Other incomes	15,753,419.00	11,588,356.99	35.94%	(2)
Investment income	10,527,231.58	7,096,471.59	48.34%	(3)
Credit impairment loss (losses to be listed with brackets)	(2,032,673.39)	(4,756,660.63)	(57.27%)	(4)
Gains from asset disposal (losses to be listed with brackets)	2,454,007.49	67,760.57	3,521.59%	(5)
Income tax expenses	36,812,855.18	51,043,087.07	(27.88%)	
Research input	164,668,702.95	163,835,401.81	0.51%	

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

- (1) 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.
- (2) The year-over-year increase in other incomes was mainly due to an increase in government grants received during the Reporting Period.
- (3) The year-over-year increase in investment income was mainly due to an increase in investment income to associates during the Reporting Period.
- (4) The year-over-year decrease in credit impairment loss was primarily due to a decrease in the receivable bad debt loss accrued during the Reporting Period.
- (5) The year-over-year increase in gains from asset disposal was mainly due to the increase in income from disposal of fixed assets during the Reporting Period.

3. Analysis of significant changes in cash flow statement items

Unit: RMB Yuan

Items	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)	Change as compared to the same period last year	Description of changes
Net cash flow generated from operating activities	194,801,492.76	165,101,447.08	17.99%	
Net cash flow generated from investing activities	(115,450,914.87)	(104,001,628.28)	11.01%	
Net cash flow generated from financing activities	271,566,681.96	38,850,695.37	599.00%	(1)
Net increase in cash and cash equivalents	361,491,631.08	98,149,083.00	268.31%	(2)

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

- (1) The year-over-year decrease in net cash inflow from financing activities was mainly due to the Company's net proceeds of RMB 244 million raised from the non-public issuance of A Shares during the Reporting Period;
- (2) The year-over-year increase in net increase in cash and cash equivalents was mainly due to a year-over-year increase in net cash inflow from operating activities and financing activities during the Reporting Period.

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

Items	Operating income	Operating costs	Gross profit rate	Change in operating income 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	1,497,165,394.76	1,036,436,906.25	30.77%	(2.33%)	(1.16%)	Decreased by 0.82 percentage points
Preparations	1,626,006,825.59	1,234,081,647.26	24.10%	9.28%	20.97%	Decreased by 7.34 percentage points
Medical intermediates and other products	541,122,772.98	441,008,903.39	18.50%	2.06%	(0.29%)	Increased by 1.92 percentage points
Total	3,664,294,993.33	2,711,527,456.90	26.00%	3.19%	7.98%	Decreased by 3.29 percentage points
By product						
Antipyretic and analgesic active pharmaceutical ingredients	1,497,165,394.76	1,036,436,906.25	30.77%	(2.33%)	(1.16%)	Decreased by 0.82 percentage points
Preparations such as tablets, injections, capsules etc.	1,626,006,825.59	1,234,081,647.26	24.10%	9.28%	20.97%	Decreased by 7.34 percentage points
Medical intermediates and others	541,122,772.98	441,008,903.39	18.50%	2.06%	(0.29%)	Increased by 1.92 percentage points
Total	3,664,294,993.33	2,711,527,456.90	26.00%	3.19%	7.98%	Decreased by 3.29 percentage points
By geographical location						
PRC(including Hong Kong)	2,440,184,029.96	1,680,727,995.60	31.12%	1.20%	6.36%	Decreased by 3.34 percentage points
Americas	422,674,624.81	360,294,127.42	14.76%	(0.31%)	8.00%	Decreased by 6.56 percentage points
Europe	536,017,786.79	442,611,233.76	17.43%	5.05%	6.26%	Decreased by 0.94 percentage points
Others	265,418,551.77	227,894,100.12	14.14%	29.16%	26.18%	Increased by 2.03 percentage points
Total	3,664,294,993.33	2,711,527,456.90	26.00%	3.19%	7.98%	Decreased by 3.29 percentage points
By sales model						
Direct selling	1,670,478,738.33	1,273,125,994.74	23.79%	1.50%	(2.18%)	Increased by 2.87 percentage points
Distribution selling	1,993,816,255.00	1,438,401,462.16	27.86%	4.65%	18.92%	Decreased by 8.65 percentage points
Total	3,664,294,993.33	2,711,527,456.90	26.00%	3.19%	7.98%	Decreased by 3.29 percentage points

Analysis of profit composition as compared to 2021 is as follows:

Items	Amount (RMB Yuan)		Percentage of the total profit (%)	
	Six months ended 30 June 2022	2021	Six months ended 30 June 2022	2021
Operating profits	237,764,708.38	425,590,536.88	101.04	101.03
Net non-operating income	(2,447,979.91)	(4,357,216.96)	(1.04)	(1.03)
Total profits	235,316,728.47	421,233,319.92	100.00	100.00

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

Liquidity and analysis of financial resources and capital structure

As at 30 June 2022, the Group's current ratio was 100.03%; the quick ratio was 68.54%; the turnover rate of accounts receivable (annualised operating revenue/average net accounts receivable×100%) and the rate of inventory turnover (annualised operating costs/average net inventories×100%) were 963.16%and 525.83% respectively.

The current ratio and the quick ratio decreased from the end of the previous year respectively, primarily because of the increase in current liabilities caused by the transfer of long-term payable to non-current liabilities due within one year during 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 2022, the Group's total borrowing was RMB1,669,497,000. As at 30 June 2022, the Group's monetary funds amounted to RMB1,110,710,000. The Group is in good credit condition and has sufficient bank credit line available to meet the demand for working capital at any time.

As at 30 June 2022, the Company's subsidiary Xinhua Pharmaceutical (Shou'guang) Co., Ltd., had a wage deposit of RMB586,000 for migrant workers. The Company and Shandong Zibo XinCat Pharmaceutical Co., Ltd., Shandong Xinhua Health Technology, the Company's subsidiary, pledged the monetary funds of RMB130,684,000 and RMB5,710,000, RMB380,000 respectively to the bank for arrangement of bank acceptance bills. The company's performance guarantee deposit is RMB15,467,000. Besides, the ownership of the Company's fixed assets of RMB62,086,000 and the right-of-use assets of RMB6,979,000 does not belong to the Group. Notes receivable of RMB23,788,000 by the Company and its subsidiaries have not been terminated for recognition. Save as disclosed, the Group did not have other assets mortgaged.

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 2022, the number of the Group's employees was 6,540. The total employee salaries in the first half of 2022 amounted to RMB345,249,000.

As at 30 June 2022, the Group's asset-liability ratio was 48.76% (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 2022, the Group had a gross gearing ratio (ie, gross liabilities divided by adjusted capital) of 43.07%, and a net gearing ratio (ie, net liabilities divided by adjusted capital) of 14.42%. 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 2022, the Group’s export revenue was USD180,851,000, 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 the relevant PRC regulatory documents in respect of corporate governance applicable to listed companies.
2. The Plan for Profit Distribution for Year 2021 has been approved at the Annual General Meeting for year 2021.
3. During the Reporting Period and the six months ended 30 June 2021, 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. In the Reporting Period, there was no trust or subcontracting of assets between the Company and other companies. During the Reporting Period, the Company leased assets of RMB6,979,000 from other companies; and the other companies leased assets of RMB43,640,000 from the Company.
7. The specific illustration and independent opinions of the independent non-executive Directors in respect of the use of funds by related parties and external guarantee provided 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 guarantee in favour of the controlling Shareholder, non-legal entities or individuals, and this was not prejudicial to the interests of the Company and its Shareholders, in particular the minority Shareholders. As of 30 June 2022, there was no overdue debt of which the Company has made external guarantee and the Company had no liability arising from any guarantee due to 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	<p>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 do not reduce their shares in the Company;</p> <p>2. There is no plan for reduction in shares of 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;</p> <p>3. HHC undertakes to reduce its shares and perform the information disclosure obligations involved in the changes in rights and interests in strict accordance with the laws and regulations such as 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;</p> <p>4. If HHC violates the above-mentioned commitment and reduced its shares, 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.</p>	9 August 2021	Long-term	In progress
	HHC	Horizontal competition	<p>1. There is no horizontal competition between HHC and other enterprises controlled by HHC and the Company;</p> <p>2. During the period of being the controlling shareholder of the Company, HHC shall take necessary and possible measures in accordance with the law to avoid business or activities that have horizontal competition and conflict of interest with the main business of the Company, and urge other enterprises controlled by HHC to avoid business or activities that have horizontal competition and conflict of interest with the main business of the Company;</p> <p>3. When HHC and other enterprises controlled by HHC intend to carry out new business, investment and research that may compete horizontally with the main business of the Company, HHC shall promptly notify the Company, and the Company will have priority in development and priority to participate in the project. HHC will try its best to make the price of relevant transactions on the basis of fair and reasonable and normal commercial transactions with independent third parties. HHC has the ability to fulfill the above commitments. This letter of commitment shall take effect immediately after being signed by HHC and shall remain valid during the period when HHC has control over the Company.</p>	9 August 2021	Long-term	In progress

	HHC	Other	<p>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;</p> <p>2. From the date of issuance of this 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 this undertaking cannot meet the requirements of the state and securities regulations, it promises to issue an undertaking in accordance with the latest regulations of the state and securities regulatory authorities;</p> <p>3. HHC undertakes to take the 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.</p>	14 April 2021	Long-term	In progress
	HHC	Commitment on industry competition, related transactions and capital occupation	<p>1. HHC will not use the voting rights of its shares in the Company to manipulate the general meeting of shareholders of the Company, or 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. Or engage in any conduct prejudicial to the interests of the Company and shareholders holding less than 5% of the Company's shares.</p> <p>2. HHC and other companies, enterprises and entities controlled by HHC shall follow the principles of equality, voluntality, equivalence and compensation when conducting transactions with the Company and its controlled subsidiaries, ensure the fairness and fairness of transactions, and safeguard the legitimate rights and interests of the Company. 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, the Company shall perform corresponding deliberation procedures and make timely disclosure.</p>	25 June 2021	Long-term	In progress

	The Company	Other	<p>1. From 1 January 2018 to the date of issuance of this 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>7. The Company will strictly comply with the above undertakings and agree to bear the legal responsibility for breach of the undertakings.</p>	20 December 2021	Long-term	In progress
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	The Company	Other	<p>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.</p> <p>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 arrangement for the properties in accordance with the specific implementation plan of the talent apartment plan.</p> <p>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.</p>	24 December 2021	Long-term	In progress
	Xinhua Real Estate	Other	<p>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.</p> <p>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.</p> <p>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.</p>	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	<p>1. I undertake not to transfer benefits to other entities or individuals at nil consideration or on unfair terms, nor otherwise damage the interests of the Company;</p> <p>2. I undertake to restrain my duty consumption;</p> <p>3. I undertake not to use the assets of the Company for investment and consumption activities unrelated to the performance of my duties;</p> <p>4. I 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;</p> <p>5. If the Company implements equity incentives in the future, I undertake that the exercise conditions of the equity incentives will be linked to the implementation of the Company's remedial measures for returns;</p> <p>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, I undertake to make specific commitments in accordance with the latest requirements of the State and securities regulatory authorities at that time; and</p> <p>7. As one of the responsible parties for the remedial measures, if I violate or refuse to perform the undertakings, I 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.</p>	14 July 2021	Long-term	In progress
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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 (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%	117,650,000.00	5,000,000.00	(15,257,500.00)
601328	BANKCOMM	14,225,318.00	0.01%	40,931,616.00	2,917,816.00	2,584,938.40
Total		21,225,318.00		158,581,616.00	7,917,816.00	(12,672,561.60)

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 21 January 2022 and 26 April 2022 on <http://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 2022.

15. On 13 January 2022, 5.1678 million stock options that can be exercised during the second exercise period of the Company's A share stock option incentive plan in 2018 have been registered and listed for circulation. For details, please refer to the overseas regulatory announcement of the Company dated 10 January 2022 and announcement on the website (www.cninfo.com.cn) on and before 11 January 2022.

16. 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. 15 (Finance and Accounting [2021] No. 35) (hereinafter referred to as "Interpretation No. 15") in December 2021.</p> <p>Interpretation No. 15 clarifies the accounting treatment for the external sales of the products or by-products produced by the enterprise before the fixed assets reach the intended usable state or during the research and development process (hereinafter referred to as "trial operation sales"). In case of trial operation sales, the enterprise shall, in accordance with the provisions of accounting standards for Business Enterprises No. 14 - revenue and accounting standards for Business Enterprises No. 1 - inventory, separately account for the revenue and costs related to trial operation sales and record them into the current profit and loss. The net amount of the revenue related to trial operation sales after offsetting the relevant costs shall not be used to offset the cost of fixed assets or R & D expenditure. The relevant products or by-products produced by the trial run shall be recognized as inventories if they meet the requirements of accounting standards for Business Enterprises No. 1 - inventories before being sold to the outside, and shall be recognized as relevant assets if they meet the relevant asset recognition conditions in other relevant accounting standards for business enterprises. The relevant accounting treatment provisions for trial operation sales shall be implemented from January 1, 2022, and the financial statements shall be retroactively adjusted and compared.</p> <p>Interpretation No. 15 clarifies the judgment on onerous contract (hereinafter referred to as "onerous contract"). When judging a onerous contract, the cost of performing the contract includes the incremental cost of performing the contract and the allocation amount of other costs directly related to performing the contract. The relevant accounting treatment provisions for onerous contracts will come into effect on January 1, 2022. The cumulative impact adjustment is implemented for the first time in the year beginning retained earnings and other relevant financial statement items in the Interpretation No. 15. The comparative financial statement data in the previous period will not be adjusted.</p>	<p>Relevant accounting policy changes were approved at the 8th meeting of the 10th Board of the Company on August 30, 2022</p>	<p>Changes in relevant accounting policies have no significant impact on the Group's financial statements.</p>

17. Events after the Reporting Period: On 1 July 2022, Mr. Du Deping, the director and general manager of the Company, resigned from all his positions in the Company due to work arrangements, as detailed in the announcement dated 1 July 2022.

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.

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 including the unaudited interim accounts for the six months ended 30 June 2022.

The audit committee agreed to the accounting standards, principles and methods adopted by the Group for the unaudited interim accounts for the six months ended 30 June 2022 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 three independent non-executive Directors including one with financial management expertise, of whom the biographical details were set out in the 2021 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

Assets	Notes	30 June 2022 (unaudited)	31 December 2021 (audited)
Current assets:			
Monetary funds		1,110,709,989.56	744,662,302.34
Notes receivable		27,911,442.92	41,020,264.41
Accounts receivable	3	863,208,487.96	658,568,486.25
Receivables financing		155,632,869.37	170,428,238.83
Prepayments		38,801,728.48	49,290,996.14
Other accounts receivable	4	27,084,050.57	17,415,074.81
Including: Dividends receivable		7,917,816.00	-
Inventories		1,035,132,189.71	1,027,539,968.72
Contact assets		753,265.38	438,975.00
Other current assets		28,691,988.01	44,593,999.38
Total current assets		3,287,926,011.96	2,753,958,305.88
Non-current assets:			
Long-term equity investment		59,316,725.91	56,707,310.33
Other equity instrument investment		188,581,616.00	203,490,512.00
Investment real estate		43,640,031.53	45,765,654.05
Fixed assets		3,402,810,310.20	3,195,112,176.64
Projects under construction		446,676,123.84	562,958,944.42
Right-of-use assets		6,979,439.09	7,653,187.24
Intangible assets		480,910,593.41	466,451,490.95
Long-term unamortized expenses		9,199,490.11	10,540,928.51
Deferred income tax assets		16,240,399.14	15,168,744.22
Other non-current assets		3,935,683.33	14,226,403.74
Total non-current assets		4,658,290,412.56	4,578,075,352.10
Total assets		7,946,216,424.52	7,332,033,657.98

Consolidated Balance Sheet (Continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	Notes	30 June 2022 (unaudited)	31 December 2021 (audited)
Current liabilities:			
Short-term borrowing		369,070,137.26	269,455,217.71
Notes payable		546,071,657.77	405,071,920.42
Accounts payable	5	653,711,782.53	661,319,556.79
Contract liability		97,386,566.85	100,398,224.66
Payroll payable	6	35,966,609.10	69,867,115.71
Taxes and dues payable		40,528,356.22	28,245,018.24
Other payables		576,441,895.17	498,104,257.01
Including: Dividends payable		130,704,684.78	20,280,599.53
Non-current liabilities due within one year		937,612,319.70	423,824,473.80
Other current liabilities		30,058,465.82	45,594,586.86
Total current liabilities		3,286,847,790.42	2,501,880,371.20
Non-current liabilities:			
Long-term borrowings		371,426,336.06	346,196,870.64
Lease liabilities		4,245,651.49	4,279,227.67
Long-term payables		-	627,201,117.02
Deferred income		123,969,954.12	132,164,134.63
Deferred income tax liabilities		84,874,971.05	65,605,602.69
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		588,078,412.72	1,179,008,452.65
Total liabilities		3,874,926,203.14	3,680,888,823.85
Shareholders' equity:			
Capital Stock		669,627,235.00	627,367,447.00
Capital reserve	7	958,220,095.23	677,941,287.82
Other comprehensive income	8	115,892,534.30	126,254,375.09
Special reserve		4,439,671.64	2,118,130.33
Surplus reserve		325,192,624.19	325,192,624.19
Undistributed profits	9	1,803,013,173.89	1,709,067,703.02
Total equity attributable to the shareholders of parent company		3,876,385,334.25	3,467,941,567.45
Minority shareholders' equity		194,904,887.13	183,203,266.68
Total shareholders' equity		4,071,290,221.38	3,651,144,834.13
Total of liabilities and shareholders' equity		7,946,216,424.52	7,332,033,657.98

Consolidated Income Statement

Unit: RMB Yuan

Item	Notes	Six months ended 30 June	
		2021	2020
I. Gross revenue	10	3,664,294,993.33	3,551,043,752.95
Including: Operating revenue		3,664,294,993.33	3,551,043,752.95
II. Total operating costs		3,423,882,303.99	3,266,899,130.92
Including: Operating costs	10	2,711,527,456.90	2,511,033,846.02
Taxes and surcharges	11	31,613,472.22	31,591,207.92
Selling expenses		294,558,596.18	358,406,776.11
Administration expenses		203,112,746.43	169,041,206.93
R&D cost		168,567,402.10	170,257,317.76
Financial expenses		14,502,630.16	26,568,776.18
Including: Interest expenses		24,376,640.19	27,119,915.02
Interest income		3,646,699.81	4,147,801.53
Add: Other income		15,753,419.00	11,588,356.99
Investment income (losses to be listed with brackets)		10,527,231.58	7,096,471.59
Including: Investment return from associated corporations and joint ventures (losses to be listed with brackets)		2,609,415.58	596,471.59
Credit impairment loss (losses to be listed with brackets)		(2,032,673.39)	(4,756,660.63)
Assets impairment loss (losses to be listed with brackets)	12	(29,349,965.64)	(34,950,730.05)
Gains from asset disposal (losses to be listed with brackets)		2,454,007.49	67,760.57
III. Operating profits (losses to be listed with brackets)		237,764,708.38	263,189,820.50
Add: non-operating income		687,434.68	763,855.47
Less: non-operating expenditure		3,135,414.59	3,593,919.67
IV. Total profits (total loss to be listed with brackets)		235,316,728.47	260,359,756.30
Less: income tax expenses	13	36,812,855.18	51,043,087.07
V. Net profits (net loss to be listed with brackets)		198,503,873.29	209,316,669.23
(I) According to operation continuity			
1. Net profits from continued		198,503,873.29	209,316,669.23
2. Net profits from discontinued		-	-
(II) According to ownership			
1. Net profits attributable to shareholders of parent company		194,389,556.12	200,082,353.55
2. Minority interest income or loss		4,114,317.17	9,234,315.68
VI. Net amount of other comprehensive income after tax		(9,701,604.53)	(37,628,799.27)
Net amount of other comprehensive income after tax attributable to the shareholders of parent company		(10,361,840.79)	(37,520,446.65)
(I) Other comprehensive income not subject to reclassification into profit or loss		(12,672,561.60)	(37,143,245.60)
Changes in fair value of other equity instruments investment		(12,672,561.60)	(37,143,245.60)
(II) Other comprehensive income to be reclassified into profit or loss		2,310,720.81	(377,201.05)
Conversion difference of foreign currency statement		2,310,720.81	(377,201.05)
Net amount of other comprehensive income after tax attributable to the		660,236.26	(108,352.62)
VII. Total comprehensive income		188,802,268.76	171,687,869.96
Total comprehensive income attributable to the shareholders of parent company		184,027,715.33	162,561,906.90
Total comprehensive income attributable to the minority shareholders		4,774,553.43	9,125,963.06
VIII. Earnings per share:	14		
(I) Basic earnings per share		0.30	0.32
(II) Diluted earnings per share		0.30	0.32

SUMMARY NOTES TO THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CASBE

NOTES:

1. Preparation basis of the financial statements

Preparation basis

On a going-concern basis, the financial statements of the Company have been prepared 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 as below.

(b) Segment information for six months ended 30 June 2022 and six months ended 30 June 2021 are as follows (unaudited):

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

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating income	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	(51,610,844.04)	5,791,569.06	237,764,708.38
Total assets	3,132,548,989.63	3,005,552,737.70	1,374,618,801.14	1,890,471,636.60	(1,456,975,740.55)	7,946,216,424.52
Total liabilities	1,215,953,268.96	1,104,102,904.57	385,951,536.65	1,894,817,925.80	(725,899,432.84)	3,874,926,203.14

Six months ended 30 June 2021(unaudited) and As at 31 December 2021(audited)

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating income	1,630,328,299.38	1,854,677,116.80	868,039,630.32	-	(802,001,293.55)	3,551,043,752.95
Include : Revenue from external customers	1,532,854,894.06	1,487,975,516.03	530,213,342.86	-	-	3,551,043,752.95
Inter-segment transaction income	97,473,405.32	366,701,600.77	337,826,287.46	-	(802,001,293.55)	-
Operating costs	1,192,777,178.36	1,384,293,930.58	740,718,045.44	-	(806,755,308.36)	2,511,033,846.02
Include : External transaction cost	1,048,579,120.29	1,020,141,030.82	442,313,694.91	-	-	2,511,033,846.02
Inter segment transaction cost	144,198,058.07	364,152,899.76	298,404,350.53	-	(806,755,308.36)	-
Expenses for the period	172,902,406.34	420,270,522.54	35,213,002.21	95,888,145.89	-	724,274,076.98
Total operating profit(total loss)	226,453,668.85	23,706,382.38	85,868,813.95	(77,593,059.49)	4,754,014.81	263,189,820.50
Total assets	3,543,101,155.16	2,886,519,632.57	1,419,383,451.55	1,441,986,803.83	(1,958,957,385.13)	7,332,033,657.98
Total liabilities	1,222,822,706.48	1,366,867,456.40	596,543,664.64	1,735,790,825.82	(1,241,135,829.49)	3,680,888,823.85

3. Accounts receivable

Item	<u>30 June 2022</u>	<u>31 December 2021</u>
	RMB Yuan(unaudited)	RMB Yuan(audited)
Accounts receivable	890,690,332.26	683,949,853.43
Less: provision for bad debts for accounts receivable	<u>27,481,844.30</u>	<u>25,381,367.18</u>
Total	<u>863,208,487.96</u>	<u>658,568,486.25</u>

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

Account age	<u>30 June 2022</u>	<u>31 December 2021</u>
	RMB Yuan(unaudited)	RMB Yuan(audited)
0-1 year (including 1 year)	858,802,754.03	656,376,822.58
Over 1 year to 2 years (including 2 years)	<u>4,405,733.93</u>	<u>2,191,663.67</u>
Total	<u>863,208,487.96</u>	<u>658,568,486.25</u>

4. Other accounts receivable

Item	<u>30 June 2022</u>	<u>31 December 2021</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
Other accounts receivable	37,040,778.45	27,374,653.50
<i>Less: provision for bad debts of other accounts receivable</i>	<u>9,956,727.88</u>	<u>9,959,578.69</u>
Total	<u>27,084,050.57</u>	<u>17,415,074.81</u>

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

Account age	<u>30 June 2022</u>	<u>31 December 2021</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
0-1 year (including 1 year)	18,492,865.65	8,688,634.99
Over 1 year to 2 years (including 2 years)	504,434.92	3,701,479.82
Over 2 years to 3 years (including 3 years)	<u>8,086,750.00</u>	<u>5,024,960.00</u>
Total	<u>27,084,050.57</u>	<u>17,415,074.81</u>

5. Accounts payable

Item	<u>30 June 2022</u>	<u>31 December 2021</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
Payment for goods	<u>653,711,782.53</u>	<u>661,319,556.79</u>
Total	<u>653,711,782.53</u>	<u>661,319,556.79</u>

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

Account age	<u>30 June 2022</u>	<u>31 December 2021</u>
	RMB Yuan (unaudited)	RMB Yuan (audited)
0-1 year (including 1 year)	640,114,455.59	640,981,010.15
Over 1 year to 2 years (including 2 years)	7,074,683.39	10,779,933.67
Over 2 years to 3 years (including 3 years)	1,666,789.39	2,905,775.64
Over 3 years	<u>4,855,854.16</u>	<u>6,652,837.33</u>
Total	<u>653,711,782.53</u>	<u>661,319,556.79</u>

6. Payroll payable

(1) Classification of payroll payable

Item	<u>31 December 2021</u>	<u>Increase during the first half of 2022</u>	<u>Decrease during the first half of 2022</u>	<u>30 June 2022</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Short-term remuneration	69,867,115.71	395,054,499.12	428,955,005.73	35,966,609.10
Post-employment welfare - Defined contribution plan	-	44,488,059.49	44,488,059.49	-
Total	<u>69,867,115.71</u>	<u>439,542,558.61</u>	<u>473,443,065.22</u>	<u>35,966,609.10</u>

(2) Short-term remuneration

Item	<u>31 December 2021</u>	<u>Increase during the first half of 2022</u>	<u>Decrease during the first half of 2022</u>	<u>30 June 2022</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Salaries, bonuses, allowances and subsidies	65,905,710.16	310,294,649.54	345,248,825.85	30,951,533.85
Employee welfare expenses	-	16,174,893.65	16,174,893.65	-
Social insurance premiums	-	23,723,762.27	23,723,762.27	-
Including: Medical insurance premiums	-	21,442,954.84	21,442,954.84	-
Work-related injury insurance premiums	-	2,280,807.43	2,280,807.43	-
Housing provident fund	-	24,272,921.20	24,272,921.20	-
Labour union expenditure & personnel education fund	3,961,405.55	6,260,281.96	5,241,612.26	4,980,075.25
Labour costs	-	14,011,641.10	13,976,641.10	35,000.00
Other short-term remuneration	-	316,349.40	316,349.40	-
Total	<u>69,867,115.71</u>	<u>395,054,499.12</u>	<u>428,955,005.73</u>	<u>35,966,609.10</u>

(3) Defined contribution plan

Item	<u>31 December 2021</u>	<u>Increase during the first half of 2022</u>	<u>Decrease during the first half of 2022</u>	<u>30 June 2022</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Basic endowment insurance	-	42,625,343.78	42,625,343.78	-
Unemployment insurance premium	-	<u>1,862,715.71</u>	<u>1,862,715.71</u>	-
Total	<u>-</u>	<u>44,488,059.49</u>	<u>44,488,059.49</u>	<u>-</u>

7. Capital reserve

Item	<u>31 December 2021</u>	<u>Increase during the first half of 2022</u>	<u>Decrease during the first half of 2022</u>	<u>30 June 2022</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Capital stock premium*	484,393,159.23	232,370,909.41	-	716,764,068.64
Other capital reserves**	<u>193,548,128.59</u>	<u>47,907,898.00</u>	-	<u>241,456,026.59</u>
Total	<u>677,941,287.82</u>	<u>280,278,807.41</u>	<u>-</u>	<u>958,220,095.23</u>

*The capital stock premium increased by RMB232,370,909.41 in this period, of which RMB23,823,558.00 was caused by the exercise of stock options of the company, RMB207,274,422.21 was caused by the non-public offering of shares of the company, and RMB1,272,929.20 was caused by the absorption of minority shareholders by the subsidiary Shandong Xinhua Pharmaceutical Design Institute Co., LTD.

**The increase of other capital reserves in the current period is RMB 23,197,698.00 for the equity instrument of the waiting period and RMB 24,710,200.00 for the fund conversion of ibuprofen continuous synthesis technology renovation projects according to the company's equity incentive plan.

8. Other comprehensive income

Item	Other comprehensive income under income statement for the six months ended 30 June 2022 (unaudited)						
	<u>31 December 2021</u>	<u>Amount before the current income tax</u>	<u>Less:</u> <u>Amount Included in other comprehensive income in previous period and carried over into profit and loss in current period</u>	<u>Less: income tax expenses</u>	<u>After-tax amount attributable to the parent company</u>	<u>After-tax amount attributable to minority shareholders</u>	<u>30 June 2022</u>
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
	(audited)						(unaudited)
(1) Other comprehensive incomes that cannot be reclassified into loss or profit	129,425,414.90	(14,908,896.00)	-	(2,236,334.40)	(12,672,561.60)	-	116,752,853.30
Including: Changes in the fair value of other equity instruments investment	129,425,414.90	(14,908,896.00)	-	(2,236,334.40)	(12,672,561.60)	-	116,752,853.30
(2) Other comprehensive income to be reclassified into profit or loss	(3,171,039.81)	2,310,720.81	-	-	2,310,720.81	660,236.26	(860,319.00)
Including: Translation difference of foreign currency financial statement	(3,171,039.81)	2,310,720.81	-	-	2,310,720.81	660,236.26	(860,319.00)
Total of other comprehensive income	<u>126,254,375.09</u>	<u>(12,598,175.19)</u>	<u>-</u>	<u>(2,236,334.40)</u>	<u>(10,361,840.79)</u>	<u>660,236.26</u>	<u>115,892,534.30</u>

9. Undistributed profits

Item	<u>Six months ended 30 June 2022</u>	<u>Six months ended 30 June 2021</u>
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Ending balance of previous year	1,709,067,703.02	1,477,281,646.00
Beginning balance of the current period	1,709,067,703.02	1,477,281,646.00
Add: Net profits attributable to the parent company's shareholders in the current period	194,389,556.12	200,082,353.55
Less: Common stock dividends payable	100,444,085.25	94,105,117.05
Ending balance of current period	<u>1,803,013,173.89</u>	<u>1,583,258,882.50</u>

10. Operating income and costs

(1) Operating revenue and costs

Item	<u>Six months ended 30 June 2022</u>		<u>Six months ended 30 June 2021</u>	
	RMB Yuan (unaudited)		RMB Yuan (unaudited)	
	Revenue	Cost	Revenue	Cost
Main operation	3,541,962,738.63	2,607,853,424.40	3,498,614,624.23	2,443,852,643.07
Other operation	<u>122,332,254.70</u>	<u>103,674,032.50</u>	<u>52,429,128.72</u>	<u>67,181,202.95</u>
Total	<u>3,664,294,993.33</u>	<u>2,711,527,456.90</u>	<u>3,551,043,752.95</u>	<u>2,511,033,846.02</u>

(2) Revenue from contracts

Unit: RMB Yuan

Classification of contract	Chemical bulk drugs	Preparations	Medical Intermediates and other products	Total
Commodity type				
Among:				
Chemical bulk drugs	1,497,165,394.76	-	-	1,497,165,394.76
Preparations	-	1,626,006,825.59	-	1,626,006,825.59
Medical intermediates and other products	-	-	541,122,772.98	541,122,772.98
Total	<u>1,497,165,394.76</u>	<u>1,626,006,825.59</u>	<u>541,122,772.98</u>	<u>3,664,294,993.33</u>
Classification by operating regions				
Where:				
China (including Hong Kong)	583,767,015.64	1,490,928,097.82	365,488,916.50	2,440,184,029.96
Americas	368,452,167.20	12,279,181.54	41,943,276.07	422,674,624.81
Europe	312,018,046.47	121,229,309.64	102,770,430.68	536,017,786.79
Others	<u>232,928,165.45</u>	<u>1,570,236.59</u>	<u>30,920,149.73</u>	<u>265,418,551.77</u>
Total	<u>1,497,165,394.76</u>	<u>1,626,006,825.59</u>	<u>541,122,772.98</u>	<u>3,664,294,993.33</u>
Classification by contract performance obligation				
Among :				
Recognition of revenue at a certain point in time	1,497,165,394.76	1,626,006,825.59	508,604,042.28	3,631,776,262.63
Recognition of revenue within a certain period	-	-	26,875,104.95	26,875,104.95
Rental income	-	-	<u>5,643,625.75</u>	<u>5,643,625.75</u>
Total	<u>1,497,165,394.76</u>	<u>1,626,006,825.59</u>	<u>541,122,772.98</u>	<u>3,664,294,993.33</u>

Note: The company's sales model can be divided into direct selling model and distribution model, in which the operating income of direct selling model is RMB1,670,478,738.33 and that of distribution model is RMB1,993,816,255.00.

(3) Information related to performance of contractual obligations

According to the stipulations in contracts, the Group, being the main responsible person, fulfills its supply obligations in accordance with the categories and standards required by the customers. For sales contracts in China, when the Group delivers the goods to the customer or the carrier, the contractual obligation is deemed to be fulfilled, and the customer obtains control of the relevant goods; for overseas sales contracts in China, the contractual obligation is fulfilled when the goods are issued and shipped at the port of shipment and the customer has 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 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 RMB 97,386,566.85, and of this amount RMB 80,991,688.87 is expected to be recognized within the next 1 year.

(5) The income amount including the book value of the contract liabilities recognized by the Group from January to June 2022 is RMB 84,743,624.93.

11. Taxes and surcharges

Item	Six months ended 30	Six months ended 30
	June 2022	June 2021
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
City maintenance and construction tax	9,170,861.92	8,500,464.15
Educational surcharges	6,543,300.69	6,071,202.51
Property tax	9,310,858.21	8,377,157.51
Land use tax	4,125,083.54	4,986,410.90
Vehicle and vessel use tax	32,676.86	38,380.44
Stamp duty	2,412,647.01	635,527.89
Land value increment tax	-	2,970,025.85
Other taxes	18,043.99	12,038.67
Total	<u>31,613,472.22</u>	<u>31,591,207.92</u>

12. Assets impairment loss

Item	<u>Six months ended 30 June 2022</u>	<u>Six months ended 30 June 2021</u>
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Inventory impairment loss	(28,777,842.57)	(34,950,730.05)
Impairment loss of contract assets	<u>(572,123.07)</u>	<u>-</u>
Total	<u>(29,349,965.64)</u>	<u>(34,950,730.05)</u>

13. Income tax expenses

(1) Income tax expenses

Item	<u>Six months ended 30 June 2022</u>	<u>Six months ended 30 June 2021</u>
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
The current income tax calculated in accordance with the tax law and related regulations	13,643,007.10	23,797,149.64
-PRC enterprise income tax	13,489,549.93	23,797,149.64
-Hong Kong profits tax return	-	-
-USA federal and state tax	-	-
-Dutch corporation tax	153,457.17	-
Deferred income tax expenses	20,434,047.84	24,028,110.99
Lesser (Excess) amount in prior years	<u>2,735,800.24</u>	<u>3,217,826.44</u>
Total	<u>36,812,855.18</u>	<u>51,043,087.07</u>

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

Item	Six months ended 30 June 2022	
	RMB Yuan (unaudited)	
Total consolidated profits for the current period	235,316,728.47	
Income tax expenses calculated in accordance with statutory /applicable tax rate	33,764,929.67	
Effect of different tax rate applicable to subsidiaries	681,252.32	
Effect of the income tax of the previous period	2,735,800.24	
Effect of non-taxable income	(1,579,084.74)	
Effect of using deductible losses from previously unrecognized deferred tax assets	(173,755.81)	
Effect of deductible temporary difference or deductible loss of the unrecognized deferred income tax assets in the current year	<u>1,383,713.50</u>	
Income tax expenses	<u><u>36,812,855.18</u></u>	

14. Earnings per share

(1) Basic earnings per share

The basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the parent company, RMB 194,389,556.12 (2021: RMB 200,082,353.55), by the weighted average of outstanding ordinary shares issued by the Company of 650,219,941.00 shares (2021: 626,819,690.09 shares).

Item	Six months ended 30 June 2022	Six months ended 30 June 2021
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Net profits attributable to shareholders of the parent company	194,389,556.12	200,082,353.55
Weighted average of outstanding ordinary shares issued by the Company	650,219,941.00	626,819,690.09
Basic earnings per share	0.30	0.32

(2) Diluted earnings per share

Diluted earnings per share is defined as net profit attributable to the shareholders of the parent company of RMB 194,389,556.12 (2021: RMB 200,082,353.55), divided by the adjusted weighted average of the outstanding common shares of the Company of 658,552,036.00 (2021: 629,699,946.13 shares).

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

Item	Six months ended 30 June 2022	Six months ended 30 June 2021
	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Net profit attributable to shareholders of the parent company	194,389,556.12	200,082,353.55
A weighted average of the company's outstanding common shares	650,219,941.00	626,819,690.09
Dilutive potential ordinary share	8,332,095.00	2,880,256.04
Adjusted weighted average of the company's outstanding common shares	658,552,036.00	629,699,946.13
Diluted earnings per share	0.30	0.32

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	2022	2021
Dividends recognised as distribution in the current financial statements during the year:		
2020 final dividend: RMB 0.15 per share	-	94,105,117.05
2021 final dividend: RMB 0.15 per share	<u>100,444,085.25</u>	<u>-</u>
Total	<u>100,444,085.25</u>	<u>94,105,117.05</u>

X. DOCUMENTS AVAILABLE FOR INSPECTION AND PLACE FOR INSPECTION

(1) DOCUMENTS AVAILABLE FOR INSPECTION

- i. The Company's 2022 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

Zhang Daiming

Chairman

30 August 2022, Zibo, PRC

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

Executive Directors:

Mr. Zhang Daiming (Chairman)

Mr. He Tongqing

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.