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）

2019 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") and directors ("**Directors**") of Shandong Xinhua Pharmaceutical Company Limited (the "**Company**") hereby announce the unaudited results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (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 of the Company: 山東新華製藥股份有限公司

English Name of the Company: 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 of the Company: http://www.xhzy.com

E-mail Address of the Company: xhzy@xhzy.com

PRC newspaper for information disclosure: Securities Times

Website designated by the China Securities Regulatory Commission (the "**CSRC**") for the publication of the interim report:

http://www.cninfo.com.cn

Listing Information:

H Shares: 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 2019 (unaudited)**	**Six months ended 30 June 2018 (unaudited)**	**Change as compared to the same period last year**
Operating income	3,099,899,621.95	2,687,680,140.23	15.34%
Total profits	196,820,708.40	163,340,602.00	20.50%
Income tax expense	36,048,980.47	29,495,994.75	22.22%
Net profits	160,771,727.93	133,844,607.25	20.12%
Minority interest income	13,297,712.76	10,480,791.91	26.88%
Net profit attributable to shareholders of listed company	147,474,015.17	123,363,815.34	19.54%
Net profit attributable to shareholders of listed company after deduction of non-recurring profit and loss	135,785,046.70	120,200,530.53	12.97%
Net cash flow from operating activities	151,855,922.52	136,331,240.88	11.39%
Basic earnings per share	0.24	0.20	20.00%
Diluted earnings per share	0.24	0.20	20.00%
Return on equity	5.31%	4.90%	Increased by 0.41 percentage points

	As at 30 June 2019 (unaudited)	**As at 31 December 2018 (the "End of Last Year") (audited)**	**Change as compared to the End of Last Year**
Total assets	6,096,275,041.08	5,916,156,319.63	3.04%
Total liabilities	3,161,684,485.28	3,119,603,287.55	1.35%
Minority shareholders' equity	121,173,400.54	109,304,714.07	10.86%
Total net assets attributable to the shareholders of listed company	2,813,417,155.26	2,687,248,318.01	4.70%

Note: The Company implemented a capital reserve fund to allot 3 shares for every 10 shares held by all Shareholders (as defined hereinafter) in 2018, and re-presented the basic earnings per share and diluted earnings per share for the previous year.

III. CHANGES IN SHARE CAPITAL STRUCTURE AND INFORMATION ON SHAREHOLDERS

1. Share capital structure

	30 June 2019		1 January 2019	
Class of shares	**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	27,364,370	4.400	27,364,370	4.400
State-owned shares	-	-	-	-
Shares owned by domestic legal persons	27,352,768	4.398	27,352,768	4.398
Conditional tradable shares owned by senior management (A shares)	11,602	0.002	11,602	0.002
Others	-	-	-	-
2. Total number of unconditional tradable shares	594,495,077	95.600	594,495,077	95.600
Renminbi-denominated ordinary shares (A shares)	399,495,077	64.242	399,495,077	64.242
Overseas listed foreign shares (H shares)	195,000,000	31.358	195,000,000	31.358
3. Total number of shares	621,859,447	100.00	621,859,447	100.00

2. Shareholders information

(1) As at 30 June 2019， the Company had on record a total of 32,849 shareholders (the "Shareholders"), including 45 holders of H Shares and 32,804 holders of A Shares.

(2) As at 30 June 2019, the ten largest Shareholders were as follows:

Unit: share

Name of Shareholders	Nature of Shareholders	% of the total share capital	Number of shares held
華魯控股集團有限公司 (Hualu Holdings Group Co. Ltd.*) (i) ("**HHGC**")	State-owned shares	32.94	204,864,092

香港中央結算（代理人）有限公司 HKSCC Nominees Limited	Others	31.13	193,599,877
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)	Others	3.75	23,310,176
齊魯證券資管－民生銀行－齊魯民生2號集合資產管理計畫 Qilu Securities Asset Management -- Minsheng Bank -- Qilu Minsheng No.2 Collective Asset Management Plan	Others	0.80	4,977,072
黃佩玲 Ms. Huang Peiling	Others	0.79	4,901,956
全國社保基金一零七組合 National Social Security Fund 107 Portfolio	Others	0.69	4,302,177
山東新華製藥股份有限公司－第一期員工持股計劃 Shandong Xinhua Pharmaceutical Company Limited– Phase I of Employee Stock Ownership Scheme	Others	0.65	4,042,592
香港中央結算有限公司 HKSCC　Limited	Others	0.47	2,948,044
林穗賢 Mr. Lin Suixian	Others	0.43	2,658,174
華魯投資發展有限公司 Hualu Investment Development Co.Ltd	Others	0.30	1,840,270

(3) As at 30 June 2019 the ten largest Shareholders of the unconditional tradable shares of the Company were as follows:

Unit: share

Name of Shareholders	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 HHGC [i]	204,864,092	RMB-denominated ordinary shares
香港中央結算（代理人）有限公司 HKSCC Nominees Limited	193,599,877	Overseas listed foreign shares
齊魯證券資管－民生銀行－齊魯民生2號集合資產管理計畫 Qilu Securities Asset Management -- Minsheng Bank -- Qilu Minsheng No.2 Collective Asset Management Plan	4,977,072	RMB-denominated ordinary shares
黃佩玲 Ms. Huang Peiling	4,901,956	RMB-denominated ordinary shares
全國社保基金一零七組合 National Social Security Fund 107 Portfolio	4,302,177	RMB-denominated ordinary shares
香港中央結算有限公司 HKSCC Limited	2,948,044	RMB-denominated ordinary shares
林穗賢 Mr. Lin Suixian	2,658,174	RMB-denominated ordinary shares
華魯投資發展有限公司 Hualu Investment Development Co.Ltd	1,840,270	RMB-denominated ordinary shares
劉炳俊 Mr. Liu Bingjun	1,500,000	RMB-denominated ordinary shares
劉福娟 Ms. Liu Fujuan	1,458,990	RMB-denominated ordinary shares

Notes:

i. Such figure excludes the A shares indirectly held by Hualu Investment Development Co. Ltd, a directly wholly owned subsidiary of HHGC. As of 30 June 2019, Hualu Investment Development Co. Ltd and Well Bring Limited ("Well Bring") are a wholly owned subsidiary and an indirectly wholly owned subsidiary of HHGC, respectively. Well Bring owns 17,791,800 H shares of the Company (being overseas listed foreign shares), representing approximately 2.86% of the issued share capital of the Company. Hualu Investment Development Co. Ltd owns 1,840,270 A shares of the Company, representing approximately 0.30% of the issued share capital of the Company.

ii. The following is a description of any association relationship or concerted actions of the other above Shareholders under the applicable PRC laws and regulations: Except for Hualu investment Development Co.Ltd which is a subsidiary of Hualu Holdings, 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 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 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 of the Company or if any of them is a person acting in concert as defined in the Administration Measures for Takeover.

iii. Save as disclosed, the only domestic Shareholder directly holding more than 5% of the total issued shares of the Company is HHGC.

iv. Save as disclosed above and so far as the Directors are aware, as at 30 June 2019 no other person (other than the Directors, supervisors of the Company (the "**Supervisors**"), chief executive (if any) or members of senior management of the Company) 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. The change of controlling Shareholder (as defined under the Listing Rules) of the Company during the Reporting Period.

On 3 April 2019 the controlling Shareholder of the Company was changed from Shandong Xinhua Pharmaceutical Group Company Limited ("**SXPGC**") to HHGC. The ultimate controller of the Company remains unchanged and remains the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") of Shandong province. For details, please refer to the announcement published on HKExnews website (https://www.hkexnews.hk/) and Juchao website (http://www.cninfo.com.cn) on and before 8 April 2019.

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:

Name	Position	Number of Shares as at 30 June 2019	Number of Shares as at 1 January 2019
Directors:			
Mr. Zhang Daiming	Chairman	15,470 (note 2) 174,888 (note 3)	15,470 174,888
Mr. Ren Fulong	Non-executive Director	58,296 (note 3)	58,296
Mr. Du Deping	Executive Director, General Manager	151,568 (note 3)	151,568
Mr. Xu Lie	Non-executive Director	81,614 (note 3)	81,614
Mr. Zhao Bin	Non-executive Director (resigned with effect from 29 January 2019)	Nil	Nil
Mr. Du Guanhua	Independent non-executive Director	Nil	Nil
Mr. Li Wenming	Independent non-executive Director	Nil	Nil
Mr. Lo Wah Wai	Independent non-executive Director	Nil	Nil
Supervisors:			
Mr. Li Tianzhong	Chairman of Supervisory Committee	93,272 (note 3)	93,272
Mr. Tao Zhichao	Independent Supervisor	Nil	Nil
Ms. Hu Yanhua	Employee Supervisor	34,977 (note 3)	34,977
Mr. Wang Jianping	Employee Supervisor	Nil	Nil
Mr. Xiao Fangyu	Independent Supervisor	Nil	Nil
Other Senior Management:			
Mr. Wang Xiaolong	Deputy General Manager	81,614 (note 3)	81,614
Mr. Dou Xuejie	Deputy General Manager	34,977 (note 3)	34,977
Mr. Du Deqing	Deputy General Manager	81,614 (note 3)	81,614
Mr. He Tongqing	Deputy General Manager	116,592 (note 3)	116,592
Mr. Hou Ning	Financial Controller	116,592 (note 3)	116,592
Mr. Zheng Zhonghui	Deputy General Manager	23,318 (note 3)	23,318
Mr. Cao Changqiu	Secretary to the Board	2,331 (note 3)	2,331
Total		1,067,122 (note 3)	1,067,122

Notes:

(1) 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.

(2) Mr. Zhang Daiming personally holds 15,470 A Shares.

(3) The relevant shares held by the Employee Share Ownership Scheme of the Company of which the relevant person is a participant.

（4）So far as the Directors, the senior management and Supervisors are aware, as at 30 June 2019, no Director, Senior Management or 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 the operation results of the Company for the first half year of 2019.

In the first half year of 2019, the operating income of the Company and its subsidiaries prepared under the CASBE was RMB3,099,900,000, representing an increase of 15.34% as compared with the same period last year. The Group recorded its profit attributable to the Shareholders as RMB147,474,000, representing an increase of 19.54% as compared with the same period last year.

The Board did not recommend the declaration of any interim dividends for the first half year of 2019.

Business Review

In the first half of 2019, the Group strived to overcome the effect of various factors such as fierce market competition, make improvement in technology, accelerate replacement of old growth drivers with new ones and project construction, and take effective measures for market development, thereby maintaining a good development trend of production and operation.

1. Obtaining significant results in marketing

By seizing the development opportunity of bulk drugs markets, we secured steady rise in selling prices of leading APIs and steadily improved our market shares. We took active measures to develop featured bulk drugs market, thus obtaining significant results.

We took effective measures for marketing of preparations, and focused on the cultivation of new strategic varieties. In the first half of the year, total sales revenue of ten major strategic varieties recorded a year-on-year increase of 33.6%, among which, sales revenue of ShuTaiDe (Rabeprazole Sodium Enteric-coated Tablets) recorded a year-on-year increase of 22.07%, and sales revenue of JiaHeLuo (Glimepiride Tablets) recorded a year-on-year increase of 27.33%.

We progressively developed cross-border business and deployed new retail business. In the first half of the year, sales volume of e-commerce business recorded a year-on-year increase of 29.68%.

2. Obtaining important achievements in technological R&D

In the first half of the year, the Company passed the technical evaluation of the NMPA, and obtained the approval from New Drug Application (NDA) for its Fasudil hydrochloride and its injection. The Company also obtained one approval for Investigational New Drug (IND) and six Approval Document Numbers of Veterinary Drugs.

Glimepiride Tablets of two specifications passed consistency evaluation and application information for 10 products has been submitted to the Center for Drug Evaluation (CDE), NMPA for approval, which represented that the consistency evaluation work of the Company entered the harvest time.

"Construction and Scaled Development of Green Preparation System of Caffeine based on

Critical Technology of Industrialization" was awarded the Second Prize for 2018 Scientific and Technological Progress of Shandong Province. In the first half of the year, the Company was granted authorization of 10 patents. The Company was announced as the "Model Enterprise of Technological Innovation in Shandong Province", and was appraised as the advanced work unit for talents of Shandong.

3. Successful progress of major project construction

Phase one of the International Cooperation Center for Modern Pharmacy Project has successfully passed domestic GMP certification and the British MHRA certification, and the Company has obtained qualification for the access to EU high-end markets. In respect of phase two of the International Cooperation Center, purification and renovation have been completed with equipment being installed currently. High-end New Pharmaceutical Preparations Industrialization Project, a provincial key construction project, has already commenced in June.

International Cooperation Center for Modern Pharmacy has been included in the list of pilot demonstration projects for "Modern Competitive Industrial Cluster + Artificial Intelligence" of Shandong Province.

4. Accelerating the implementation of international strategies

In the first half of the year, export volume of products of the Group recorded a year-on-year increase of over 20%. The Company was pleased to receive an award of the honorary title of "Top 100 Enterprises of Export of Shandong Province 2018".

Zibo Xinhua-Perrigo Pharmaceutical Company Limited, a joint venture with an annual export of 5 billion tablets, has successfully passed the on-site audit of the MHRA.

5. Continuous improvement on basic management

On-site management of the Company was further improved to a new level and lifeline engineering remained stable. In the first half of the year, security condition remained stable, while environmental emissions remained stable and met relevant standards.

In the first half of the year, No. 2 factory of the Company successfully passed on-site audit of the FDA; International Cooperation Center for Modern Pharmacy passed on-site inspection of the MHRA; 5 products passed GMP certification; Shandong Xinhua Medical Trade Company Limited passed GSP certification and passed 69 audits and certifications.

In the first half of the year, the Company's energy consumption per RMB10,000 turnover recorded a year-on-year decrease of 4.51%. Xinhua Pharmaceutical (Shouguang) Company Limited passed the acceptance inspection of the first batch of provincial key supervision points. The Company was appraised as the National Model Enterprise of Harmonious Labour Relations.

Prospects

In the second half of the year, the Group will be exposed to complicated and ever-changing market environment with increasing uncertainties, which will have adverse impact on the production organization of bulk drugs and the marketing of preparations. Accordingly, we will focus on the following tasks in the second half of the year:

1. Fully utilizing our advantages and highlighting market development

We will continue to increase input in the market exploration for leading APIs in order to gain market shares. We will accelerate market promotion for new and featured bulk drugs and strive to cultivate economic growth points.

We will pay close attention to changes in national policies, utilize competitive edge, properly implement synergetic development of bulk drugs and preparations, and accelerate the cultivation of strategic preparation products and "brand general drug" market. We will implement "one strategy for one product" in respect of strategic preparation products, and make great efforts to cultivate product groups exceeding RMB100 million.

We will accelerate the development of new operation type and new model of e-commerce, consolidate in-depth cooperation with e-commerce platforms, expand scope of agency, accelerate the development of cross-border e-commerce and new retail, and proactively deploy Internet-based pharmaceutical business.

2. Accelerating technological innovation and strengthening development momentum

We will continue to increase investment in the R&D of new products and consistency evaluation, accelerate the R&D of key new products, and actively facilitate ANDA registration.

We will, by utilizing innovative platforms including multi-function workshop, accelerate the progress of industrialization of new products, to turn it into the new momentum and new engine for the Company to accelerate structure adjustment.

3. Advancing the international strategies and accelerating structural upgrading.

By taking the opportunity of phase one of the International Cooperation Center passing British MHRA audit, we will advance existing key international cooperative projects and commence commercial production as soon as practicable. We will properly organize the production of products under international cooperation. We will accelerate the implementation of more projects, realize commercial supply as soon as practicable, and achieve rapid development of international preparations.

4. Continuous improvement on the construction of lifeline engineering.

We will continue to properly carry out fundamental work including safety education and training, safety specific inspection, rectification of hidden hazards and emergency drill, and consolidate safety infrastructure construction, to ensure the completion of annual safety objectives.

We will properly implement key environmental protection projects such as CWO, RTO and MVR, and properly carry out environmental protection work by focusing on reduction from the source, process control, standardized management and acceleration of disposal.

We will strengthen on-site and process regulation, continue to properly organize activities aiming to improve technical quality of all staff members, strive to improve product quality, and enhance our ability to solve technical quality related problems, in order to secure successful passing of various certifications and audits.

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 profit of the Group is mainly attributable to its principal operations.

Analysis of financial situation and operating result in accordance with CASBE

Total assets of the Group as at 30 June 2019 were approximately RMB6,096,275,000, representing an increase of 3.01% as compared with the beginning of the year. The increase in total assets was mainly due to profits from operation in the Reporting Period. As at 30 June 2019, total liabilities were approximately RMB3,161,684,000, representing an increase of 1.28% as compared with the beginning of the year.

As at 30 June 2019, total equity attributable to the Shareholders of the Company was approximately RMB2,813,417,000, increasing by 4.70% as compared with the beginning of the year. The increase was mainly attributable to the business profits generated in the Reporting Period.

As at 30 June 2019, accounts receivable of the group were RMB 594,976,000, increasing by 73.85% as compared with the beginning of the year, mainly because of the expansion of scale of sale and that some of the payments for the sale have yet not fallen due during the Reporting Period.

As at 30 June 2019, the Group's other current assets were RMB34,839,000, representing a decrease of 52.73% over the beginning of the year. The decrease was mainly due to the decrease of the income tax and added-value tax withholding at the end of the Reporting Period.

As at 30 June 2019, the long-term equity investments of the group were RMB 83,269,000, increasing by 324.96% as compared with the beginning of the year, mainly because 30% equity of the joint venture Cansheng Pharmaceutical (Zibo) co., Ltd. was obtained during the Reporting Period.

As at 30 June 2019, the projects in progress of the Group was RMB464,512,000, representing an increase of 83.45% compared with the beginning of the year. The increase was mainly due to the investment in the second phase of the International Cooperation Center for Modern Medicine and other engineering projects during this Reporting Period.

As at 30 June 2019, the short-term borrowing of the Group was RMB340,000,000, representing an increase of 44.68% compared with the beginning of the year. Non-current liabilities due within one year was RMB364,536,000, representing a decrease of 39.97% compared with the beginning of the year. Long-term loans were RMB660,680,000, representing an increase of 26.41% compared with the beginning of the year. Long-term payables were RMB49,715,000, representing a decrease of 32.98% compared with the beginning of the year. The main reason for the change is to repay the loan due in this Reporting Period and adjust the financing structure.

As at 30 June 2019, the taxes and dues payable of the Group were RMB32,772,000, representing an increase of 38.73% compared with the beginning of the year. The main reason for the increase was the significant increase in value-added tax and income tax payable at the end of the Reporting Period.

As at 30 June 2019, the other payable of the Group were RMB432,007,000, representing an increase of 51.11% compared with the beginning of the year. The main reason for the increase is that cash dividends for 2018 at the end of this report have not been paid.

As at 30 June 2019, the Group's deferred income tax liabilities was RMB40,484,000, representing an increase of 31.09% from the beginning of the year. The main reason for the increase was the impact of changes in the fair value of other equity instruments.

Operating profit of the Group amounted to RMB199,456,000, increasing by RMB20.06% as compared with the same period last year. Total profits of the Group amounted to RMB196,821,000, increasing by RMB20.50% as compared with the same period last year. Net profit attributable to Shareholders of parent company amounted to RMB147,474,000, increasing by RMB19.54% as compared with the same period last year. The main reason for the increase is that the company seized the development opportunities of the bulk drug and preparation sector and realize the rise of product sales and prices.

The Group’s sales expense amounted to RMB446,285,000 for the first half of 2019, representing an increase of approximately 32.77% as compared with the same period last year, and the increase was mainly attributable to increase in market development efforts, market development and terminal sales costs.

The Group’s administration expenses amounted to RMB143,870,000 for the first half of 2019, representing an increase of approximately 27.66% as compared with the same period last year, and the increase was mainly attributable to the increase of employee's compensations and depreciation expenses.

The Group’s research and development expense amounted to RMB132,437,000 for the first half of 2019, representing an increase of approximately 53.76% as compared with the same period last year, and the main reason for the increase is that the Company has strengthened the progress of science and technology, and the fact that research and development investment continues to increase.

The Group’s financial expenses amounted to RMB26,892,000 for the first half of 2019, representing a increase of approximately 34.20% as compared with the same period last year, and the increase was mainly attributable to the decrease in exchange gains.

The Group’s other income amounted to RMB16,084,000 for the first half of 2019, representing an increase of approximately RMB10,872,000 as compared with the same period last year, and the main reason for the increase is increase in government subsidies received and amortized during the Reporting Period.

The Group’s impairment losses amounted to RMB8,838,000 for the first half of 2019, representing an increase of approximately RMB5,140,000 as compared with the same period last year, and the increase was mainly attributable to the increase of impairment losses.

For the first half of 2019, net cash outflow from investment activities of the Group was RMB216,025,000, representing an increase by RMB96,902,000 as compared with the same period last year. The main reason was the increase of the investment in the second phase of the International Cooperation Center for Modern Medicine and other engineering projects during this Reporting Period.

For the first half of 2019, net cash outflow from financing activities of the Group was RMB49,736,000, increase by RMB172,775,000 as compared with the same period last year. The reason for the increase was that the Company actively reduced the leverage, adjusted the debt structure and reduced the interest-bearing debt scale during this Reporting Period.

The Group's main business classified by industry, product and geographical location in accordance with CASBE is as follow (RMB):

	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	1,392,041,059.08	909,050,048.72	34.70%	18.62%	6.67%	Increased by 7.32 percentage points
Preparations	1,404,184,796.94	958,314,014.10	31.75%	18.73%	22.40%	Decreased by 2.05 percentage points
Medical intermediates and other products	303,673,765.93	259,337,229.41	14.60%	（8.39%）	（14.64%）	Increased by 6.26 percentage points
Total	3,099,899,621.95	2,126,701,292.23	31.39%	15.34%	9.68%	Increased by 3.53 percentage points
By product						
Antipyretic and analgesic active pharmaceutical ingredients	1,392,041,059.08	909,050,048.72	34.70%	18.62%	6.67%	Increased by 7.32 percentage points
Tablet, injection, capsule etc.	1,404,184,796.94	958,314,014.10	31.75%	18.73%	22.40%	Decreased by 2.05 percentage points
Medical intermediates and others	303,673,765.93	259,337,229.41	14.60%	（8.39%）	（14.64%）	Increased by 6.26 percentage points

Total	3,099,899,621.95	2,126,701,292.23	31.39%	15.34%	9.68%	Increased by 3.53 percentage points
By geographical location						
PRC(including Hong Kong)	2,037,284,202.18	1,377,068,175.63	32.41%	8.53%	5.41%	Increased by 2.00 percentage points
Americas	469,230,381.82	320,073,665.82	31.79%	15.97%	(0.81%)	Increased by 11.54percentage points
Europe	200,826,232.76	145,696,251.75	27.45%	33.18%	32.17%	Increased by 0.55 percentage points
Others	392,558,805.19	283,863,199.03	27.69%	53.90%	42.21%	Increased by 5.95 percentage points
Total	3,099,899,621.95	2,126,701,292.23	31.39%	15.34%	9.68%	Increased by 3.53 percentage points

An analysis of profit as compared to 2018 was as follows:

Items	**Amount （RMB Yuan）**		**Percentage of the total profit (%)**	
	Six months ended 30 June 2019	**2018**	**Six months ended 30 June 2019**	**2018**
Operating profits	199,455,920.41	337,313,909.75	101.34	103.76
Net non-operating income	(2,635,212.01)	(12,238,051.58)	(1.34)	(3.76)
Total profits	196,820,708.40	325,075,858.17	100.00	100.00

There is no significant change in the composition of profits in the Reporting Period as compared to the same period last year.

Liquidity and analysis of financial resources and capital structure

As at 30 June 2019, the current ratio was 101.71%, the quick ratio was 67.14%, the turnover rate of account receivables (annualised revenue/average trade and bill receivables×100%) and the rate of inventory turnover (annualised operating costs/average inventories×100%) were 1,323.03%and 490.45% respectively.

The current ratio and the quick ratio differed from the end of the previous year, mainly because the loan structure changed during the Reporting Period, and the non-current debt due within one year decreased while the long-term loan increased.The Group's working capital need did not show significant seasonal fluctuation.

The main sources of funds for the Group were loans and operating profits. As at 30 June 2019, the Group's total borrowing was RMB1,407,048,000. The amount of cash the Group had on hand and in bank amounted to RMB661,965,000 (including deposits for, *inter alia*, bank acceptance bills of RMB96,829,000). The group's Banks are in good credit condition and have sufficient bank credit line available.

As at 30 June 2019, the Company and Shandong Zibo Xincat Pharmaceutical Co., Ltd., a subsidiary of the Company, charged the monetary capital of RMB75,009,000 and RMB21,820,000 to the bank for arrangement of bank acceptance bill respectively. Besides, the Company's fixed asset of RMB108,926,000 worth was charged as security for loans,the Company's right-of-use assets was RMB1,908,000. Save as disclosed, the Group did not have other assets restricted.

On 20 December 2018, the Company acquired 30% equity interest of Sinochem DSM (Zibo) Co.(Now it is renamed as "cansheng pharmaceutical (zibo) co., LTD."), Ltd. with a listing price of RMB63,030,660 and entered into an equity transfer agreement with SXPGC. On 20 February 2019, the above transactions were considered and approved at the extraordinary general meeting of the Company.Equity payments were made on 25 February 2019.

Save as disclosed, the Group did not have any material investment, acquisitions or any disposal of assets during the Reporting Period.

The breakdown of the performance results of the Group is listed in the section headed "Analysis of financial situation and operating result in accordance with CASBE".

As at 30 June 2019, the number of employees of the Group was 6,240. The total salaries for employees in the first half of 2019 amounted to RMB264,438,000.

As at 30 June 2019, the asset-liability ratio of the Group was 51.86% (total liabilities / total assets ×100%).

The current bank deposits of the Company will mainly be used as working capital for construction projects and production operation of the Company.

The assets and liabilities of the Group were mainly recorded in Renminbi. For the first half year of 2019, the revenue from the Group's exports was approximately US$155,225,000, which exposed the Group to the risks associated with the fluctuation of exchange rate. Therefore, the Group has taken the following measures to lower the risks from the fluctuation of exchange rates: (1) the Group has increased export prices; (2) when entering into material export contracts, the Group has made arrangements with overseas customers that the risks associated with the fluctuation in exchange rates shall be borne by both parties if the fluctuation exceeds the range agreed by both parties.

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 2018 has been approved at the Annual General Meeting for year 2018.

3. For this Reporting Period and the six months ended 30 June 2018, the Board has not recommended any interim dividend or interim conversion of any capital reserve into share capital.

4. The Group was not involved in any material litigation or arbitration, whether pending or threatened during the Reporting Period.

5. There was no material purchase or disposal of assets or assets reorganisation of the Company during the Reporting Period and no such incident took place before the Reporting Period and carried over onto the Reporting Period.

6. During the Reporting Period, there was no material entrustment, subcontracting or lease of assets between the Company and other companies.

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 onto uses other than its operation by the controlling shareholder and other related parties.

   There were no guarantees provided in favour of any controlling Shareholders, non-legal entities or individuals which were prejudicial to the interests of the Company and its Shareholders, in particular the minority Shareholders of the Company. As of 30 June 2019, there was no overdue debt of which the Company has made foreign guarantees 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: Nil

9. Purchase, Sales and Redemption of shares:

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

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)

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**	**Accounting classifications**	**Share source**
601601	China Pacific Insurance	7,000,000.00	0.06%	182,550,000.00	-	34,340,000.00	Investment in other equity instruments	Acquisition
601328	BANKCOMM	14,225,318.00	0.01%	50,301,504.00	-	2,305,485.60	Investment in other equity instruments	Acquisition
Total		**21,225,318.00**	**-**	**232,851,504.00**	**-**	**36,645,485.60**		

12. There was no penalty or remedial actions imposed on the Company during this Reporting Period.

13. There were no research, communication or interview activities organised in respect of the Company during the Reporting Period.

14. Changes in accounting policies

Content and reason of accounting policy change	Approval	Remarks
On 7 December 2018, the Ministry of Finance of PRC released in Cai Kuai【2018】No.35 "Accounting Standards for Business Enterprises (“**ASBE**”) No.21 – Leases" (hereinafter referred to as “**New Lease Standard**”), requiring corporations to adopt the New Lease Standard since 1 January 2019. In the preparation of the first quarter and interim financial statements of 2019, the group has implemented the relevant accounting standards and dealt with them in accordance with the relevant transitional requirements.	The relevant accounting policy changes were approved by the seventh meeting of the ninth Board of Directors of the Company on April 23 2019.	Note 1
On April 30 2019, the ministry of finance issued the notice on revising and issuing the 2019 annual financial statement format of general enterprises (financial accounting (2019) no. 6) (hereinafter referred to as the "new financial statement format"), which revised the financial statement format of general enterprises.In the preparation of interim financial statements of 2019, the group has implemented the relevant accounting standards and dealt with them in accordance with the relevant transitional requirements.	The relevant accounting policy changes were approved by the eighth meeting of the ninth Board of Directors of the Company on August 19 2019.	Note 2

Note:

1)Enforcement of New Lease Standard:

The Group has made adjustments to meet the requirements of the New Lease Standard: the Company will adjust the amount of retained earnings and other related items in financial statements at the beginning of the first year of the first execution according to the cumulative impact of the first implementation of the New Lease Standard, without adjusting the comparable period information.

The main adjustments to the implementation of the New Lease Standard are as follows:

Consolidated Statements

Report item	Book value as of December 31 2018 in accordance with the original leasing standards	Book value as of January 1 2019 in accordance with the New Lease Standard
Right-of-use assets	-	2,232,117.00
Non-current liabilities due within one year	-	611,583.91
Lease liabilities	-	1,620,533.09

Parent Company's Statements

Report item	Book value as of December 31 2018 in accordance with the original leasing standards	Book value as of January 1 2019 in accordance with the New Lease Standard
Right-of-use assets	-	1,516,217.37
Non-current liabilities due within one year	-	484,044.54
Lease liabilities	-	1,032,172.83

2）Adjustment of new financial statement format:

On April 30 2019, the Ministry of Finance issued the Notice on Revising and Issuing the 2019 Annual Financial Statement Fformat of General Enterprises (Financial Accounting (2019) no. 6) (hereinafter referred to as the "new financial statement format"), which revised the financial statement format of general enterprises. The retroactive restatement of the group's financial statements caused by the change in the format of the new financial statements has significantly affected the items and amounts of the statements on December 31 2018 as follows:

Consolidated Statements

Item and amount of original report		Item and amount of new report	
Notes receivable and accounts receivable	478,454,671.43	Accounts receivable	342,233,818.03
		Receivables financing	136,220,853.40
Notes payable and accounts payable	889,606,620.75	Notes payable	426,876,630.26
		Accounts payable	462,729,990.49
Other current liabilities	17,211,380.00	Other current liabilities	-
Deferred incomes	128,295,859.52	Deferred incomes	145,507,239.52

Parent Company's Statements

Item and amount of original report		Item and amount of new report	
Notes receivable and accounts receivable	350,310,234.29	Accounts receivable	334,767,282.65
		Receivables financing	15,542,951.64
Notes payable and accounts payable	729,706,582.84	Notes payable	413,234,812.17
		Accounts payable	316,471,770.67
Other current liabilities	17,211,380.00	Other current liabilities	-
Deferred incomes	127,933,359.52	Deferred incomes	145,144,739.52

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 Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Company has in place 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 2019.

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 2019 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 2018 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 they did not have any non-compliance with the Model Code.

IX. FINANCIAL REPORTS PREPARED IN ACCORDANCE WITH CASBE

Consolidated Balance Sheet

Unit: RMB Yuan

Assets	*Notes*	30 June 2019 (unaudited)	31 December 2018 (audited)
Current assets:			
Monetary funds		661,965,007.87	778,423,353.71
Notes receivable		-	136,220,853.40
Accounts receivable	*3*	594,975,618.09	342,233,818.03
Receivables financing		167,305,049.25	-
Prepayments		35,024,858.70	31,786,512.35
Other accounts receivable	*4*	26,307,416.57	35,077,815.17
Inventories		782,749,002.44	951,723,324.21
Other current assets		34,839,392.37	73,699,758.87
Total current assets		**2,303,166,345.29**	**2,349,165,435.74**
Non-current assets:			
Long-term equity investment		83,268,724.88	19,594,473.83
Other equity instrument investment		232,851,504.00	189,739,168.00
Investment real estate		77,190,088.99	69,365,706.41
Fixed assets		2,544,976,268.05	2,631,152,561.89
Projects under construction		464,511,861.12	253,211,929.16
Usufruct assets		1,908,442.92	-
Intangible assets		357,083,301.19	332,703,937.68
Deferred income tax assets		31,318,504.64	22,246,103.11
Other non-current assets		-	48,977,003.81
Total non-current assets		**3,793,108,695.79**	**3,566,990,883.89**
Total assets		**6,096,275,041.08**	**5,916,156,319.63**

Consolidated Balance Sheet (Continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	*Notes*	30 June 2019 (unaudited)	31 December 2018 (audited)
Current liabilities:			
Short-term borrowing		340,000,000.00	235,000,000.00
Notes payable		327,473,084.02	426,876,630.26
Accounts payable	*5*	511,017,852.94	462,729,990.49
Contract liability		199,003,298.81	228,622,058.30
Payroll payable	*6*	57,736,915.64	73,456,646.80
Taxes and dues payable		32,772,247.74	23,623,090.44
Other payables		432,006,553.26	285,887,587.92
Including：Interest payable		5,883,024.67	3,020,508.89
Dividends payable		67,496,544.23	5,310,599.53
Non-current liabilities due within one year		364,535,741.66	606,637,247.96
Other current liabilities		-	17,211,380.00
Total current liabilities		**2,264,545,694.07**	**2,360,044,632.17**
Non-current liabilities:			
Long-term borrowings		660,679,890.02	522,643,436.60
Lease liabilities		1,668,161.74	-
Long-term payables		49,715,334.80	74,174,473.69
Deferred income		141,030,312.02	128,295,859.52
Deferred income tax liabilities		40,483,592.63	30,883,385.57
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		**897,138,791.21**	**759,558,655.38**
Total liabilities		**3,161,684,485.28**	**3,119,603,287.55**
Shareholders' equity:			
Capital Stock		621,859,447.00	621,859,447.00
Capital reserve	*7*	626,998,003.30	622,815,654.30
Less: Treasury stock		-	-

Other comprehensive income	*8*	179,343,488.82	142,645,071.04
Surplus reserve		256,110,049.68	256,110,049.68
Undistributed profits	*9*	1,129,106,166.46	1,043,818,095.99
Total of equity assigned to the shareholders of parent company		2,813,417,155.26	2,687,248,318.01
Minority shareholders' equities		121,173,400.54	109,304,714.07
Total of shareholders' equity		**2,934,590,555.80**	**2,796,553,032.08**
Total of liabilities and shareholder's equity		**6,096,275,041.08**	**5,916,156,319.63**

Consolidated Income Statement

Unit: RMB Yuan

Item	*Notes*	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
I. Gross revenue	*10*	3,099,899,621.95	2,687,680,140.23
Including: Operating revenue		3,099,899,621.95	2,687,680,140.23
II. Total operating costs		2,906,938,728.21	2,524,424,132.76
Including: Operating costs	*10*	2,126,701,292.23	1,938,956,276.43
Taxes and surcharges	*11*	30,752,678.44	30,449,981.00
Selling expenses		446,285,237.44	336,144,937.35
Administration expenses		143,869,850.53	112,700,479.79
R&D cost		132,437,445.25	86,133,750.67
Financial expenses		26,892,224.32	20,038,707.52
Including: Interest expense		27,953,824.54	26,822,807.00
Interest income		1,855,332.89	1,550,160.56
Add: Other income		16,083,994.50	5,212,300.00
Investment income (losses to be listed with brackets)		515,231.31	807,270.99
Including: Return on investment on joint ventures and joint ventures (losses to be listed		515,231.31	-

with brackets）			
Income from fair value changes(losses to be listed with brackets）		-	-
Credit Impairment Loss(losses to be listed with brackets)		（1,590,062.98）	-
Assets impairment loss (losses to be listed with brackets)	*12*	（8,837,908.34）	（3,697,535.57）
Gains from asset disposal (losses to be listed with brackets)		323,772.18	555,591.93
III. Operating profits (losses to be listed with brackets)		199,455,920.41	166,133,634.82
Add: non-operating income		1,520,708.01	1,232,885.38
Less: non-operating expenditure		4,155,920.02	4,025,918.20
IV. Total profits (total loss to be listed with brackets)		196,820,708.40	163,340,602.00
Less: income tax expense	*13*	36,048,980.47	29,495,994.75
V. Net profits (net loss to be listed with brackets)		160,771,727.93	133,844,607.25
（I）According to operation continuity		160,771,727.93	133,844,607.25
1. Net profit from continued operations (net losses to be listed in brackets)		160,771,727.93	133,844,607.25
2. Net profit from discontinued operations (net losses to be listed in brackets)		-	-
（II） According to ownership		160,771,727.93	133,844,607.25
1. Net profit attributable to shareholders of parent company		147,474,015.17	123,363,815.34
2. Minority interest income or loss		13,297,712.76	10,480,791.91
VI. Net amount of other comprehensive income after tax		36,712,253.53	（43,570,110.67）
Net amount of other comprehensive income after tax attributable to the shareholders of parent company		36,698,417.78	（43,644,327.00）
（I）Other comprehensive income not subject to reclassification to profit or loss		36,645,485.60	（43,956,070.40）
Changes in fair value of other equity		36,645,485.60	（43,956,070.40）

instruments investment			
（II）Other comprehensive income to be reclassified to profit or loss		52,932.18	311,743.40
Conversion difference of foreign currency statement		52,932.18	311,743.40
Net amount of other consolidated income after tax attributable to the minority shareholders		13,835.75	74,216.33
VII. Total comprehensive income		197,483,981.46	90,274,496.58
Total comprehensive income attributable to the shareholders of parent company		184,172,432.95	79,719,488.34
Total comprehensive income attributable to the minority shareholders		13,311,548.51	10,555,008.24
VIII. Earnings per share:	*14*		
(I) Basic earnings per share		0.24	0.20
(II) Diluted earnings per share		0.24	0.20

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 of Hong Kong Exchanges and Clearing Limited. **(HKEX)** and the Company's accounting policies and accounting estimates.

Going concern

The Group has evaluated the continuing of operation for 12 months from the end of the current Reporting Period and has not found any item 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 abovementioned segments is as below.

(b) Segment information for six months ended 30 June 2019 and six months ended 30 June 2018 are as follows (unaudited):

Six months ended 30 June 2019 (unaudited)

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating income	1,397,106,920.39	1,694,090,841.77	641,404,080.39	-	（632,702,220.60）	3,099,899,621.95
Include : Revenue from external customers	1,392,041,059.08	1,404,184,796.94	303,673,765.93	-	-	3,099,899,621.95
Inter-segment transaction income	5,065,861.31	289,906,044.83	337,730,314.46	-	（632,702,220.60）	-
Operating costs	912,110,339.13	1,234,990,827.49	553,655,361.45	-	（574,055,235.84）	2,126,701,292.23
Cost elimination	3,060,290.41	276,676,813.39	294,318,132.04	-	（574,055,235.84）	-
Expenses for the period	229,321,443.56	472,022,102.10	48,141,211.88	-	-	749,484,757.54
Total operating profit（loss）	-	-	-	259,282,717.76	（59,826,797.35）	199,455,920.41
Total assets	3,289,755,180.06	1,557,136,740.99	1,120,868,901.05	1,737,310,170.68	（1,608,795,951.70）	6,096,275,041.08
Total liabilities	1,041,336,993.17	1,076,651,424.13	433,516,857.55	1,576,357,247.52	（966,178,037.09）	3,161,684,485.28

Six months ended 30 June 2018 (unaudited)

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating income	1,174,096,899.50	1,399,266,611.39	657,258,672.89	-	（542,942,043.55）	2,687,680,140.23
Include: Revenue from external customers	1,173,577,615.67	1,182,629,382.39	331,473,142.17	-	-	2,687,680,140.23
Inter-segment transaction income	519,283.83	216,637,229.00	325,785,530.72	-	（542,942,043.55）	-
Operating costs	876,824,143.23	979,008,681.44	597,680,574.50	-	（514,557,122.74）	1,938,956,276.43
Cost elimination	24,616,838.39	196,071,738.81	293,868,545.54	-	（514,557,122.74）	-
Expenses for the period	182,220,959.33	340,259,814.64	32,537,101.36	-	-	555,017,875.33
Total operating profit（loss）	-	-	-	214,108,489.77	（47,974,854.95）	166,133,634.82
Total assets	3,077,522,426.57	1,611,530,491.91	1,146,540,174.31	1,467,018,836.33	（1,386,455,609.49）	5,916,156,319.63
Total liabilities	982,219,926.13	864,380,883.48	581,145,189.75	1,483,719,431.27	（791,862,143.08）	3,119,603,287.55

3.Accounts receivable

	30 June 2019	1 January 2019
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Accounts receivable	656,675,157.50	400,860,741.73
Less: provision for bad debts for accounts receivable	61,699,539.41	58,626,923.70
	594,975,618.09	**342,233,818.03**

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

	30 June 2019	1 January 2019
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
0-1 year (including 1 year)	590,626,648.73	340,660,102.81
Over 1 year to 2 years (including 2 years)	4,348,969.36	1,573,715.22
Total	**594,975,618.09**	**342,233,818.03**

4.Other accounts receivable

	30 June 2019	1 January 2019
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Other accounts receivable	45,131,687.64	55,384,638.97
Less: provision for bad debts of other accounts receivable	18,824,271.07	20,306,823.80
	26,307,416.57	**35,077,815.17**

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

	30 June 2019	1 January 2019
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
0-1 year (including 1 year)	17,725,167.59	16,688,135.84
Over 1 year to 2 years (including 2 years)	8,540,088.98	8,289,955.33
Over 2 years to 3 years (including 3 years)	42,160.00	10,099,724.00
Total	**26,307,416.57**	**35,077,815.17**

5.Accounts payable

	30 June 2019	1 January 2019
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Accounts payable	511,017,852.94	462,729,990.49
	511,017,852.94	**462,729,990.49**

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

	30 June 2019	1 January 2019
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
0-1 year (including 1 year)	496,765,683.90	446,818,566.36
Over 1 year to 2 years (including 2 years)	9,140,034.34	9,746,960.70
Over 2 years to 3 years (including 3 years)	1,481,255.18	1,828,043.43
Over 3 years	3,630,879.52	4,336,420.00
Total	**511,017,852.94**	**462,729,990.49**

6.Payroll payable

(1) Classification of payroll payable

	1 January 2019	Increase during the first half of 2019	Decrease during The first half of 2019	30 June 2019
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Short-term remuneration	73,456,646.80	313,282,695.88	329,002,427.04	57,736,915.64

Post-employment welfare - Defined contribution plan	-	31,449,598.98	31,449,598.98	-
Dismissal welfare	-	25,000.00	25,000.00	-
Total	**73,456,646.80**	**344,757,294.86**	**360,477,026.02**	**57,736,915.64**

(2) Short-term remuneration

	1 January 2019	Increase during the first half of 2019	Decrease during The first half of 2019	30 June 2019
	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Salary, bonus, allowance and subsidy	70,344,769.75	248,166,692.96	264,437,632.77	54,073,829.94
Employee welfare expenses	-	8,763,258.37	8,763,258.37	-
Social insurance premiums	-	15,469,583.64	15,469,583.64	-
Including: Medical insurance premiums	-	12,233,136.99	12,233,136.99	-
Work-related injury insurance premiums	-	1,504,456.14	1,504,456.14	-
Maternity insurance premium	-	1,731,990.51	1,731,990.51	-
Housing provident fund	-	15,530,521.02	15,534,291.42	(3,770.40)
Labour union expenditure & personnel education fund	3,111,877.05	5,477,577.60	4,922,598.55	3,666,856.10
Labour costs	-	19,875,062.29	19,875,062.29	-
Total	**73,456,646.80**	**313,282,695.88**	**329,002,427.04**	**57,736,915.64**

(3) Defined contribution plan

	1 January 2019	Increase during the first half of 2019	Decrease during the first half of 2019	30 June 2019
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Basic endowment insurance	-	30,235,872.99	30,235,872.99	-
Unemployment insurance premium	-	1,213,725.99	1,213,725.99	-
Total	**-**	**31,449,598.98**	**31,449,598.98**	**-**

7.Capital reserve

	1 January 2019	Increase during the first half of 2019	Decrease during the first half of 2019	30 June 2019
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Capital stock premium	456,047,816.39	-	-	456,047,816.39
Other capital reserves	166,767,837.91	4,182,349.00	-	170,950,186.91
Total	**622,815,654.30**	**4,182,349.00**	**-**	**626,998,003.30**

8.Other comprehensive income

	Amount incurred in six months ended 30 June 2019 (unaudited)						
	1 January 2019	Incurred pre-tax amount	Less: Amount included into other comprehensive incomes in previous period and carried over into profits and loss in current period	Less: income tax expense	After-tax amount attributable to the parent company	After-tax amount attributable to minority shareholders	30 June 2019
	RMB Yuan (unaudited)	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan (unaudited)
(1) Other comprehensive incomes that cannot be reclassified into losses or profits	143,236,772.50	43,112,336.00	-	6,466,850.40	36,645,485.60	-	179,882,258.10
Changes in the fair value of other equity instruments investment	143,236,772.50	43,112,336.00	-	6,466,850.40	36,645,485.60	-	179,882,258.10
(2) Other comprehensive income to be reclassifie	（591,701.46）	52,932.18	-	-	52,932.18	13,835.75	（538,769.28）

d to profit or loss							
Translation difference of foreign currency financial statement	（591,701.46）	52,932.18	-	-	52,932.18	13,835.75	（538,769.28）
Total other comprehensive incomes	**142,645,071.04**	**43,165,268.18**	-	**6,466,850.40**	**36,698,417.78**	**13,835.75**	**179,343,488.82**

9.Undistributed profits

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Ending balance of previous year	1,043,818,095.99	838,325,395.51
Add: Beginning adjustment for undistributed profit	-	-
Including: Change of consolidation scope under common control	-	-
Beginning balance of the current period	1,043,818,095.99	838,325,395.51
Add: Net profits attributable to the parent company's shareholders in the current period	147,474,015.17	123,363,815.34
Less: Appropriation of legal surplus reserve	-	-
Appropriation of discretionary surplus reserves	-	-
Appropriation of provision for general risk	-	-
Common stock dividends payable	62,185,944.70	23,917,671.05
Others	-	（187,652.06）
Ending balance of current period	**1,129,106,166.46**	**937,959,191.86**

10.Operating income and costs

(1) Operating revenues and costs

Item	Six months ended 30 June 2019(unaudited)		Six months ended 30 June 2018(unaudited)	
	Revenue	**Cost**	**Revenue**	**Cost**
Main operation	3,065,577,798.41	2,084,909,858.05	2,651,269,692.33	1,895,226,738.33
Other operation	34,321,823.54	41,791,434.18	36,410,447.90	43,729,538.10
Total	**3,099,899,621.95**	**2,126,701,292.23**	**2,687,680,140.23**	**1,938,956,276.43**

(2) Revenues from contracts

Classification of contract	Chemical bulk drugs	Preparations	Medical Intermediates and other products	Total
Commodity type				
Among：				
Chemical bulk drugs	1,392,041,059.08	-	-	1,392,041,059.08
Preparations	-	1,404,184,796.94	-	1,404,184,796.94
Medical Intermediates and other products	-	-	303,673,765.93	303,673,765.93
Total	**1,392,041,059.08**	**1,404,184,796.94**	**303,673,765.93**	**3,099,899,621.95**
Classification by regions of the income source				
Where：	429,707,921.54	1,367,859,424.87	239,716,855.77	2,037,284,202.18

Classification of contract	**Chemical bulk drugs**	**Preparations**	**Medical Intermediates and other products**	**Total**
China (including Hong Kong)				
Americas	432,529,973.95	-	36,700,407.87	469,230,381.82
Europe	143,656,400.93	36,325,372.07	20,844,459.76	200,826,232.76
Others	386,146,762.66	-	6,412,042.53	392,558,805.19
Total	**1,392,041,059.08**	**1,404,184,796.94**	**303,673,765.93**	**3,099,899,621.95**
Classification by contract performance obligation				
Among :				
Recognition of revenue at a certain point in time	1,392,041,059.08	1,404,184,796.94	303,673,765.93	3,099,899,621.95
Recognition of revenue within a certain period	-	-	-	-
Total	**1,392,041,059.08**	**1,404,184,796.94**	**303,673,765.93**	**3,099,899,621.95**

(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 contract 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 is 180,938,101.73 yuan, and of this amount 142,566,652.55 yuan is expected to be recognized in 2019; 38,371,449.18 yuan is expected to be recognized in 2020.

11.Taxes and surcharges

Item	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
City maintenance and construction tax	10,440,483.50	8,586,436.71
Educational surcharges	7,457,488.20	6,133,169.07
Local water conservancy fund	744,838.81	609,177.18
House property tax	7,285,965.29	6,000,312.87
Land use tax	4,302,978.64	7,813,116.52
Stamp duty	482,504.80	1,209,530.55
Other tax	38,419.20	98,238.10
Total	**30,752,678.44**	**30,449,981.00**

12. Assets impairment loss

Item	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Bad debt losses	-	（1,121,753.58）
Inventory impairment loss	（8,837,908.34）	（2,575,781.99）
Total	**（8,837,908.34）**	**（3,697,535.57）**

13.Income tax expenses

(1) Income tax expenses

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
The current income tax calculated in accordance with the tax law and related regulations	41,597,093.69	24,252,917.55
-PRC enterprise income tax	41,472,908.97	24,252,917.55
-Hong Kong profits tax return	-	-
-USA federal and state tax	124,184.72	-
-Dutch corporation tax	-	-
-Deferred income tax expense	（5,939,044.87）	3,840,081.50
Excess (lesser) amount in prior years	390,931.65	1,402,995.70
Total	**36,048,980.47**	**29,495,994.75**

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

	Six months ended 30 June 2019
	RMB
	(unaudited)
Total consolidated profit for the current period	196,820,708.40
Income tax expense calculated in accordance with legal/applicable tax rate	29,523,106.26
Effect of different tax rate applicable to subsidiaries	6,212,227.26

Effect of adjustments to previous years income tax	390,931.65
Effect of non-assessable income	（77,284.70）
Effect of non-deductible cost, expenses and loss	-
Effect of utilising deductible loss of the unrecognised deferred income tax assets in the preceding period	-
Deductible temporary difference or effect of deductible loss of unrecognised deferred income assets in the current period	-
Additional deductions	-
Others	-
Income tax expense	**36,048,980.47**

14.Earnings per share

The calculation of the basic earnings per share is based on the Group's profit for the Reporting Period attributable to the owners of the Company of RMB147,474,015.17(2018: RMB 123,363,815.34) and based on the weighted average of 621,859,447 shares (2018: 478,353,421 shares)in issue during the Reporting Period.

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Consolidated net profit attributable to shareholders of ordinary shares of the parent company	147,474,015.17	123,363,815.34
Weighted average of outstanding ordinary shares of the parent company	621,859,447.00	478,353,421.00
Basic earnings per share	0.24	0.20

Basic earnings per share and diluted earnings per share for the six months ended 30 June 2019 and that for the six months ended 30 June 2018 are the same as there were no dilutive events existed during both periods.

15.Dividends

The board of the Directors of the Company did not recommend payment of an interim dividend for the six months ended 30 June 2019(2018: nil).

	2019	2018
	RMB Yuan	RMB Yuan
Dividends recognised as distribution in the current financial statements during the year:		
2017 final dividend: RMB 0.05 per share	-	23,917,671.05
2018 final dividend: RMB 0.10 per share	62,185,944.70	-
	62,185,944.70	23,917,671.05

X. DOCUMENTS AVAILABLE FOR INSPECTION AND PLACE FOR INSPECTION

(1) DOCUMENTS AVAILABLE FOR INSPECTION

i. The Company's 2019 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

19 August 2019, Zibo, PRC

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

Executive Directors:	Independent Non-executive Directors:
Mr. Zhang Daiming (Chairman)	Mr. Li Wenming
Mr. Du Deping	Mr. Du Guanhua
	Mr. Lo Wah Wai

Non-executive Directors:

Mr. Ren Fulong

Mr. Xu Lie

**for identification purpose only*