

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2021 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 2021 (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 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Change as compared to the same period last year
Operating income	3,551,043,752.95	3,285,772,716.57	8.07%
Total profits	260,359,756.30	231,016,986.90	12.70%
Income tax expense	51,043,087.07	42,980,002.53	18.76%
Net profits	209,316,669.23	188,036,984.37	11.32%
Minority interest income	9,234,315.68	15,725,122.80	(41.28%)
Net profits attributable to shareholders of listed company	200,082,353.55	172,311,861.57	16.12%
Net profits attributable to shareholders of listed company after deduction of non-recurring profit and loss	185,863,658.77	154,280,634.28	20.47%
Net cash flow from operating activities	165,101,447.08	200,601,673.34	(17.70%)
Basic earnings per share	0.32	0.28	14.29%
Diluted earnings per share	0.32	0.28	14.29%
Return on equity	6.00%	5.68%	Increased by 0.32 percentage points

Item	As at 30 June 2021 (unaudited)	As at 31 December 2020 (the “End of Last Year”) (audited)	Change as compared to the End of Last Year
Total assets	7,271,501,429.27	7,092,952,190.04	2.52%
Total liabilities	3,747,286,649.76	3,701,662,448.12	1.23%
Minority shareholders’ equity	194,021,885.73	167,495,922.67	15.84%
Total net assets attributable to the shareholders of listed company	3,330,192,893.78	3,223,793,819.25	3.30%

III. CHANGES IN SHARE CAPITAL STRUCTURE AND INFORMATION ON SHAREHOLDERS

1. Share capital structure

Unit: shares

Item	30 June 2021		1 January 2021	
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	615,952	0.098	11,602	0.002
State-owned shares	-	-	-	-
Shares owned by domestic legal persons	-	-	-	-
Conditional tradable shares owned by senior management (A Shares)	615,952	0.098	11,602	0.002
Others	-	-	-	-
2. Total number of unconditional tradable shares	626,751,495	99.902	621,847,845	99.998
Renminbi-denominated ordinary shares (A Shares)	431,751,495	68.820	426,847,845	68.640
Overseas listed foreign shares (H Shares)	195,000,000	31.082	195,000,000	31.358
3. Total number of shares	627,367,447	100.00	621,859,447	100.00

Note: The first exercise period of the 2018 A-share stock option Incentive plan was completed on January 19, 2021, and the number of exercised shares was 5.508 million.

2. Shareholders' information

- (1) As at 30 June 2021, the Company had on record a total of 32,152 shareholders (the "Shareholders"), including 46 holders of H Shares and 32,106 holders of A Shares.
- (2) As at 30 June 2021, 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	32.65	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	30.77	193,048,227	Overseas listed foreign shares
上海馳泰資產管理有限公司－淄博馳泰誠運證券投資合夥企業（有限合夥） Shanghai Chitai Asset Management Co., Ltd. - Zibo Chitai Chengyun Securities Investment Partnership (Limited Partnership)	Fund	4.71	29,563,016	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	3.72	23,310,176	RMB-denominated ordinary shares
華魯投資發展有限公司 Hualu Investment Development Co., Ltd (“Hualu Investment”)	State-owned	0.66	4,143,168	RMB-denominated ordinary shares
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	Share Ownership Scheme	0.64	4,042,592	RMB-denominated ordinary shares
林穗賢 Lin Suixian	Natural person in the territory	0.64	3,996,554	RMB-denominated ordinary shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.33	2,060,121	RMB-denominated ordinary shares
劉理彬 Liu Libin	Natural person in the territory	0.27	1,714,267	RMB-denominated ordinary shares
杜文生 Du Wensheng	Natural person in the territory	0.24	1,500,000	RMB-denominated ordinary shares

(3) As at 30 June 2021, 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	32.65	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	30.77	193,048,227	Overseas listed foreign shares
上海馳泰資產管理有限公司－淄博馳泰誠運證券投資合夥企業（有限合夥） Shanghai Chitai Asset Management Co., Ltd. - Zibo Chitai Chengyun Securities Investment Partnership (Limited Partnership)	Fund	4.71	29,563,016	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	3.72	23,310,176	RMB-denominated ordinary shares
華魯投資發展有限公司 Hualu Investment	State-owned	0.66	4,143,168	RMB-denominated ordinary shares
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	Share Ownership Scheme	0.64	4,042,592	RMB-denominated ordinary shares
林穗賢 Lin Suixian	Natural person in the territory	0.64	3,996,554	RMB-denominated ordinary shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.33	2,060,121	RMB-denominated ordinary shares
劉理彬 Liu Libin	Natural person in the territory	0.27	1,714,267	RMB-denominated ordinary shares
杜文生 Du Wensheng	Natural person in the territory	0.24	1,500,000	RMB-denominated ordinary shares

Notes:

- i. Such figure excludes the 4,143,168 A Shares held by Hualu Investment, a direct wholly owned subsidiary of HHC. As of 30 June 2021, 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 3.32% of the issued share capital of the Company. Hualu Investment owns 4,143,168 A Shares of the Company, representing approximately 0.66% 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 Shareholder directly holding more than 5% of the total issued shares of the Company is HHC.
- iv. Save as disclosed above and so far as the Directors are aware, as at 30 June 2021, 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

The shareholders of the Company considered and approved on 30 June 2021 the relevant resolutions regarding the non-public issuance of A Shares of the Company (the “**Proposed A Share Issue**”). The A Shares will be issued to a specific target through non-public issuance, which will be implemented during the validity period of the approval from the CSRC. The target subscriber of the non-public issuance of the A Shares shall be Hualu Investment. The shares are domestically-listed and RMB-denominated ordinary shares (A Shares) with a par value of RMB1.00 per share at an adjusted issue price of RMB6.74 per A Share, totaling 37,091,988 A Shares. The final issue size shall be subject to the approval of the issuance by the CSRC. There was no issue for cash of equity securities by the Company during the Reporting Period.

For further details, please refer to the announcement of the Company dated 14 April 2021 concerning the Proposed A Share Issue; the announcement of the Company dated 27 April 2021 concerning the approval of the Proposed A Share Issue by HHC; the poll results announcement of the Company dated 30 June 2021 concerning, among others, the passing of the resolutions of the annual general meeting, the A Shareholders’ class meeting, and the H Shareholders’ class meeting of the Company on 30 June 2021 in relation to, *inter alia*, approval of the Proposed A Share; the announcement of the Company dated 19 July 2021 concerning the acceptance by the CSRC of the Company’s application in relation to the Proposed A Shares Issue; the announcement of the Company dated 2 August 2021 concerning the receipt of the “Notice regarding First Feedback Comments on the Review by the China Securities Regulatory Commission of Administrative Permission Items” (the “**Feedback**”), the announcement dated 13 August 2021 concerning the adjustment to issue price and number of shares to be issued under the Proposed A Share Issue; the announcement of the Company dated 16 August 2021 concerning the Company’s reply to the Feedback; and the circular of the Company dated 31 May 2021 concerning, among others, details of the Proposed A Share Issue.

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 2021	Number of Shares as at 1 January 2021
Directors:			
Mr. Zhang Daiming	Chairman	117,470(note 2)	15,470
		174,888 (note 3)	174,888
Mr. Du Deping	Executive Director,	151,568 (note 3)	
	General Manager	91,800 (note 4)	151,568
Mr. Xu Lie	Non-executive Director	81,614 (note 3)	
		74,800(note 4)	81,614
Mr. He Tongqing	Executive Director, Deputy	116,592 (note 3)	
	General Manager	74,800(note 4)	116,592
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	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)	
		74,800(note 4)	81,614
Mr. Du Deqing	Deputy General Manager	81,614 (note 3)	
		74,800(note 4)	81,614
Mr. Hou Ning	Financial Controller	116,592 (note 3)	
		74,800(note 4)	116,592
Mr. Zheng Zhonghui	Deputy General Manager	23,318 (note 3)	
		74,800(note 4)	23,318
Mr. Wei Changsheng	Deputy General Manager	34,977(note 3)	
		54,400(note 4)	34,977
Mr. Xu Wenhui	Deputy General Manager	46,636(note 3)	
		54,400(note 4)	46,636
Mr. Cao Changqiu	Secretary to the Board	2,331 (note 3)	
		54,400(note 4)	2,331
Total		1,767,991	962,191

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 holds 117,470 A Shares (among them 102,000 Shares were issued pursuant to first exercise of options under the stock option incentive plan).
- iii. The relevant Shares are held under the Employee Share Ownership Scheme of the Company of which the relevant person is a participant.
- iv. The relevant Shares were issued pursuant to the first exercise of options under the 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 2021, 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 2021.

In the first half of the year 2021, the operating income of the Group prepared under the CASBE was RMB3,551,044,000, representing an increase of 8.07% as compared with the same period last year. The Group recorded its net profits attributable to the Shareholders as RMB200,082,000, representing an increase of 16.12% 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 2021.

BUSINESS REVIEW

In the first half of the year, the Group overcame the impact of adverse factors, such as the global pandemic and fluctuations in the international market, exchange rate changes, rising raw material prices and intensified market competition, and worked together to capture opportunities. Therefore, we continued to maintain a good momentum of growth and its major operating indicators hit a record high.

1. Capturing market opportunities and achieving new breakthroughs in business operation

The Group vigorously promoted its internationalization strategy. To actively respond to rapid changes in the global economy and foreign trade, the Group seized market opportunities, fully exploiting its enterprising advantage in providing comprehensive services, and actively explored the international market for its traditional leading products. As the same time, the export sales volume of featured bulk drugs, namely polycarbophil calcium, EPA, carbidopa and hormone products increased by 25%, 86%, 373% and 216.8% respectively, while we commenced the export of sevelamer with an export volume of 4.2 tonnes. Solid preparations of 760 million tablets were exported to the UK and European markets, representing a year-on-year increase of 26.05%. 42.5 million ANDA ibuprofen tablets were officially exported to the US market, and Roche Madopar cooperation project officially commenced commercial production.

The Group stepped up its efforts in developing the domestic market, seized the opportunity arising from the recovery of the domestic bulk drugs market, and achieved a sales revenue of RMB461 million, representing a year-on-year increase of 17.44%, of which the sales volume of carbasalate calcium, a new veterinary drug product, reached 546 tonnes, representing a year-on-year increase of 50% respectively, and domestic sales of carbidopa achieved a zero breakthrough.

The Group actively promoted its preparations strategy, strengthened internal reform as well as the proactivity and creativity of its front-line marketing personnel. The Group's preparations products sales revenue amounted to RMB824 million, representing a year-on-year increase of 12.36%, of which the sales volume of the top ten strategic preparations recorded a year-on-year increase of 32.5%. Sales of branded generic drugs achieved a relatively rapid growth, while ibuprofen tablets won the bid for the fourth batch of national centralized procurement, with a total sales revenue of RMB29.73 million in the first half of the year, representing a year-on-year increase of 90.5%.

The Group empowered Shandong Xinhua Health Technology Co., Ltd with a brand new system and mechanism, continued to promote brand alliance strategy, actively cultivated its own brand and market ecosystem, and promoted the characteristic Internet + Healthcare services of Xinhua. The Group accelerated the layout of two-way cross-border business in the Belt and Road and the RECP Free Trade Zone, and e-commerce business maintained stable development.

2. Implementing the Big Research and Development (“R&D”) Strategy and new momentum has emerged in scientific research

The Group continuously increased its investment in R&D, with RMB164 million invested in R&D in the first half of the year, representing a year-on-year increase of 10.28%.

In the first half of the year, the Group obtained 6 drug (document) approvals including for irbesartan. The completion of Sino-U.S. bilateral report on raw materials and preparations of sevelamer carbonate has been done. Currently, 10 products are pending review at CDE. Key innovative drugs such as OAB-14, a jointly-developed anti-dementia drug, are in good progress.

Xinhua Pharm and XinCat Pharmaceutical were successfully approved as high-tech enterprises in Shandong Province. The Group obtained 8 licensed patents in the first half of the year and one project was awarded the third prize of Science and Technology Progress of Shandong Province.

In the first half of the year, the Group completed the launch of several research centers and signed agreements with China Pharmaceutical University, to jointly establish a joint research center for innovative drugs and high-end preparations and a major public safety and emergency drug R&D innovation center. The Group cooperated with Australian Academician Rose and Academician Zhen Chongli, to establish the international center for nanoscale drug research, and signed an agreement with Beijing Institute of Technology to jointly build an employment practice base.

In the first half of the year, the Group signed a contract with 1 external academician and introduced 117 employees with a bachelor’s degree or above, including 60 with a master’s degree or above. The Group was listed as the first unit of Zibo City to carry out evaluation of special technicians.

3. Promoting precise management and project construction presented new horizons

Ibuprofen technical renovation project will soon commence trial production. The new injection project has entered into the final stage, and purification renovation and equipment installation will soon be completed.

The installation of equipment for the veterinary drugs project of Xinhua Pharmaceutical (Gaomi) Co., Ltd. has been completed, and the design of high-end pet medication project has begun.

Shouguang Company’s bulk drugs project has commenced construction, and the registration for the newly-established esterification project of Shandong Tongxin Pharmaceutical Co., Ltd. (“**Tongxin Pharmaceutical**”) has been completed, which is preparing for commencement of construction.

4. Strengthening basic management to enhance the comprehensive competitiveness of the enterprise

In the first half of the year, the Group’s lifeline project remained stable, successfully passed various provincial and municipal safety and environmental protection professional inspections, passed 78 on-site quality checks by its customers, and completed the international registration of five products.

The Group accelerated automation, intelligence enhancement and digital transformation. The building of ultra-integrated cloud data center project was completed. The contract management and print control integrated platform project progressed as scheduled. The combustible gas video big data intelligent management platform and intelligent electricity safety inspection are in progress. The Modern Medicine Center for International Cooperation was recognized as the smart workshop of Zibo City, excellent project of integration of information technology and industrialization, and typical application scenario of digital transformation of provincial SASAC.

The Group vigorously promoted process optimization and technological progress, and completed 15 technical quality projects in the first half of the year, saving RMB16.34 million in raw materials and power consumption.

5. Carrying out capital operation in an orderly manner to enhance corporate influence

At the beginning of the year, phase I of the 2018 equity incentive scheme of Xinhua Pharm was completed.

In the first half of the year, an agreement was signed with Hubei Gongtong Pharmaceutical Co., Ltd. to establish Tongxin Pharmaceutical with a capital contribution of RMB120 million. The esterification project with a production capacity of 500 tonnes/year will soon commence construction.

The non-public issuance of A Shares was initiated in the second quarter and the due diligence by intermediaries has been completed. The relevant resolution has been successfully passed at the general meeting, and the SFC has accepted the application for additional issuance and other relevant information.

PROSPECTS

For some time in the future, the pandemic will continue to affect the world. The international freight rates will continue to run high, and exchange rates will continue to fluctuate, putting greater pressure on the export of company products. The high price of bulk commodities makes it difficult to increase the price of pharmaceutical products with a lagging cycle, causing an impact on the improvement of the company's profitability.

Despite the various difficulties facing the enterprise in its development, the Group will still take practical measures to ensure the overall stability of product exports. As the Group's characteristic APIs maintain rapid development, the market share of strategic formulations continues to increase, international cooperation projects for formulations and commercial production are rapidly advancing, and new growth points for the Company are taking shape. It is believed that the Group will be able to overcome numerous difficulties and maintain a strong momentum for development.

To this end, the principal work of the Group in the second half of 2021 are as follows:

1. Seize opportunities and strive for market initiative

The Group will coordinate the international and domestic markets, the overall market resources of intermediates, APIs and preparations, and implement a proactive price strategy to ensure the stability of the bulk API market.

The Group will highlight the market promotion of multiple series of specialty products including EPA series, hormone series and polymer drugs, and continuously increase the development of the veterinary drug market, so as to achieve rapid development of specialty products and accelerate the formation of new growth points for APIs. Meanwhile, the Group will put more efforts into developing emerging markets including the "Belt and Road" and countries along the route, strengthen marketing capabilities, and make every effort to speed up product registration to achieve new market sales growth.

The Group will exploit the Company's strong and advanced preparation production capacity and brand quality advantages. In terms of the domestic preparations, we will seize the opportunity of centralized procurement and medical reform to actively seek changes and respond, and implement "one policy for one product" for large varieties of quality generic drugs to seek increment with a focus on the ten major development strategies and large varieties. While capturing the development of international preparations, on the basis of introducing more cooperation projects and steadily expanding entrusted processing, we will accelerate the commercialized production of existing cooperation projects by taking the high-end market as a breakthrough, and rapidly expand the export scale of our own-brand preparations, forming a new scene in which the development of preparations complements each other, with mutual progression and positive development both internationally and domestically.

While maintaining the steady growth of each business segment of Shandong Xinhua Health Technology Co., Ltd., we will accelerate our strategic cooperation with the Medical Insurance Bureau and the "Internet + Medical (Medicine)" field, and build more public hospitals to establish a new Internet medical ecosystem. At the same time, we will accelerate the development of two-way cross-border businesses and integrate high-quality resources, so as to expand and strengthen the international cooperation in the health sector to ensure new breakthroughs in sales throughout the year.

2. Make scientific decisions and accelerate project construction

Through the construction of the project and taking advantage of raw materials, key technologies and core markets as the core of the chain, the Group will extend the industrial chain upstream and downstream to cultivate derivative products of the industrial chain, so as to realize a strong chain and supplementary chain, and further expands its advantages of scale, the ancillary advantages of the industry chain and the leading advantages in costs.

On the basis of consolidating the advantages of the existing industry chain, the Group will further strengthen the industry chain of ibuprofen, EPA series, dopa series, polymer medicine series and hormone series, so as to strengthen the competitiveness and vigorously develop series of health products.

3. Dare to compete and accelerate the advancement of science and technology

The Group will accelerate the development and consistency evaluation of new products, and strive to obtain 4 more consistency evaluation approvals in the second half of the year, 2 key new product approvals, and 12 drug production approvals throughout the year.

The Group will continue to carry out mass rationalization proposed activities and technical quality tackling activities, strengthen production process research and optimize production control and production processes. At the same time, we will implement key technical quality research projects to further improve the quality.

The Group will complete the certification of the "integration of industrialization" system, so as to ensure the completion of 45 automation and continuous transformation projects throughout the year, and accelerate the construction of digital workshops. The Group will also coordinate the Company's ERP, OA, energy online management system, video monitoring management system, equipment management system, etc., so as to accelerate the formation of a comprehensive data management and control platform for enterprise management, and accelerate the realization of digital transformation and upgrading.

We will accelerate the transformation of new products, strengthen technological progress, reduce manufacturing costs, so as to accelerate the transformation of scientific and technological achievements into new growth points for enterprise development.

4. Consolidate basic management and strengthen the lifeline project

To ensure that the lifeline project is foolproof, we will continue to deepen the promotion of 7S management and CTPM management to improve the standard of on-site management. We will speed up the implementation of security measures, environmental measures and technical measures, and use new technologies, new materials and new equipment to improve guarantee capabilities and standards, continuously improve intrinsic safety, environmental protection source governance, and product quality. We will continue to strengthen the lifeline awareness education of all employees, improve the quality and skills of all employees, strengthen training, drills and the rectification of hidden dangers to ensure the stability of the lifeline project.

On the premise of maintaining reasonable inventory and capital occupation, the Group will make overall arrangements for the production plans of key products, seasonal products and new products and strive to overcome the impact of various constraints to maintain high-level stable production and precise production, expand emergency production capacity, respond in a timely manner, and ensure market demand.

5. Speed up the pace of reform and stimulate the vitality of enterprise development

We will accelerate the work of each node of the non-public issuance of A Shares, and strive to complete the additional issuance of A Shares as soon as possible.

We will implement mid- and long-term incentive plans in eligible subsidiaries in due course.

We will strengthen market capitalization management, strengthen communication with investors and analysts to further enhance market confidence.

We will optimize and deepen the “six-specific” management, and actively promote three system reforms of the Company.

We will advance the reform of the personnel structure and improve the post withdrawal mechanism. Those who are capable will be promoted while those who are less capable will be laid off. Employees who do not have outstanding performance and fail to complete their tasks will resign on their own accord, so as to promote the improvement of labor productivity per capita and profitability per capita.

Chairman
Zhang Daiming
27 August 2021

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 2021 (unaudited)		As at 31 December 2020 (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	948,751,542.45	13.05%	855,770,803.34	12.07%	0.98%	-
Accounts receivable	823,760,793.14	11.33%	379,909,305.44	5.36%	5.97%	-
Inventories	844,467,098.24	11.61%	1,124,364,262.39	15.85%	(4.24%)	-
Investment real estate	47,891,276.57	0.66%	50,016,899.09	0.71%	(0.05%)	-
Long-term equity investment	58,392,290.58	0.80%	57,795,818.99	0.81%	(0.01%)	-
Fixed assets	3,031,574,143.37	41.69%	3,117,313,128.81	43.95%	(2.26%)	-
Projects under construction	568,190,833.24	7.81%	416,989,876.51	5.88%	1.93%	-
Right-of-use assets	3,765,143.77	0.05%	4,549,357.11	0.06%	(0.01%)	-
Short-term borrowing	331,073,689.08	4.55%	200,420,484.28	2.83%	1.72%	-
Contract liability	165,919,106.40	2.28%	377,793,225.44	5.33%	(3.05%)	-
Long-term borrowings	367,967,405.22	5.06%	462,737,939.80	6.52%	(1.46%)	-
Lease liabilities	1,689,225.17	0.02%	1,762,899.65	0.02%	0.00%	-

Analysis of major changes of items

Unit: RMB Yuan

Items	As at 30 June 2021 (unaudited)	As at 31 December 2020 (the “End of Last Year”) (audited)	Change as compared to the End of Last Year	Description of changes
Accounts receivable	823,760,793.14	379,909,305.44	116.83%	(1)
Other current assets	35,455,443.33	114,067,003.20	(68.92%)	(2)
Projects under construction	568,190,833.24	416,989,876.51	36.26%	(3)
Total assets	7,271,501,429.27	7,092,952,190.04	2.52%	
Short-term borrowing	331,073,689.08	200,420,484.28	65.19%	(4)
Notes payable	377,549,872.73	289,972,897.58	30.20%	(5)
Contract liability	165,919,106.40	377,793,225.44	(56.08%)	(6)
Taxes and dues payable	32,246,964.89	23,061,985.11	39.83%	(7)
Other current liabilities	13,113,720.71	32,721,948.43	(59.92%)	(6)
Total liabilities	3,747,286,649.76	3,701,662,448.12	1.23%	
Total equity attributable to the shareholders of parent company	3,330,192,893.78	3,223,793,819.25	3.30%	

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

- (1) 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.
- (2) 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.
- (3) The main reason for the increase of the projects under construction was the continuous investment in high-end new medical preparation industrialization injection workshop and other projects during the Reporting Period.
- (4) The main reason for the rise in short-term borrowing was to reduce financing costs and optimize the debt structure during the Reporting Period.
- (5) The increase in notes payable was mainly due to an increase in bank acceptances payable during the Reporting Period.
- (6) The decrease in contractual liabilities and other current liabilities was mainly due to the timely performance of contractual obligations during the Reporting Period and the decrease in advance payments under contracts.
- (7) The increase in taxes and dues payable is mainly due to the increase in income tax payable and value-added tax at the end of the Reporting Period.

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

Unit: RMB Yuan

Items	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Change as compared to the same period last year	Description of changes
Operating revenue	3,551,043,752.95	3,285,772,716.57	8.07%	
Operating costs	2,511,033,846.02	2,363,827,869.47	6.23%	
Selling expenses	358,406,776.11	326,650,283.59	9.72%	
Administration expenses	169,041,206.93	155,101,017.99	8.99%	
Financial expenses	26,568,776.18	30,153,925.95	(11.89%)	
Investment income	7,096,471.59	3,754,745.13	89.00%	(1)
Credit impairment loss(losses to be listed with brackets)	(4,756,660.63)	(1,431,451.78)	232.30%	(2)
Assets impairment loss(losses to be listed with brackets)	(34,950,730.05)	(5,369,396.50)	550.92%	(3)
Income tax expenses	51,043,087.07	42,980,002.53	18.76%	
Research input	163,835,401.81	148,558,090.65	10.28%	

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

- (1) The main reason for the year-on-year increase in investment income is the increase in investment income of associated corporations obtained during the Reporting Period.
- (2) The credit impairment loss increased year over year mainly due to the increase in bad debt provisions for accounts receivable and other accounts receivables set aside during the Reporting Period.
- (3) The main reason for the year-on-year increase in asset impairment losses is the increase in inventory falling price reserves set aside during the current Reporting Period.

3. Analysis of significant changes in cash flow statement items

Unit: RMB Yuan

Items	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)	Change as compared to the same period last year	Description of changes
Net cash flow generated from operating activities	165,101,447.08	200,601,673.34	(17.70%)	
Net cash flow generated from investing activities	(104,001,628.28)	(106,496,215.94)	(2.34%)	
Net cash flow generated from financing activities	38,850,695.37	294,170,661.32	(86.79%)	(1)
Net increase in cash and cash equivalents	98,149,083.00	388,315,275.04	(74.72%)	(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 acquisition of a controlling shareholder loan of RMB 600,000 in the same period last year.
- (2) The year-over-year decrease in net increase in cash and cash equivalents was mainly due to a year-over-year decrease in net cash inflow from 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	1,532,854,894.06	1,048,579,120.29	31.59%	(0.40%)	3.77%	Decreased by 2.75 percentage points
Preparations	1,487,975,516.03	1,020,141,030.82	31.44%	10.65%	2.63%	Increased by 5.36 percentage points
Medical intermediates and other products	530,213,342.86	442,313,694.91	16.58%	31.87%	23.10%	Increased by 5.95 percentage points
Total	3,551,043,752.95	2,511,033,846.02	29.29%	8.07%	6.23%	Increased by 1.23 percentage points
By product						
Antipyretic and analgesic active pharmaceutical ingredients	1,532,854,894.06	1,048,579,120.29	31.59%	(0.40%)	3.77%	Decreased by 2.75 percentage points
Preparations such as tablets, injections, capsules etc.	1,487,975,516.03	1,020,141,030.82	31.44%	10.65%	2.63%	Increased by 5.36 percentage points
Medical intermediates and others	530,213,342.86	442,313,694.91	16.58%	31.87%	23.10%	Increased by 5.95 percentage points
Total	3,551,043,752.95	2,511,033,846.02	29.29%	8.07%	6.23%	Increased by 1.23 percentage points
By geographical location						
PRC(including Hong Kong)	2,411,287,478.75	1,580,254,064.67	34.46%	23.75%	15.52%	Increased by 4.67 percentage points
Americas	424,001,453.81	333,620,941.23	21.32%	(19.42%)	(15.39%)	Decreased by 3.74 percentage points
Europe	510,266,545.20	416,548,870.06	18.37%	(7.25)	2.47%	Decreased by 7.74 percentage points
Others	205,488,275.19	180,609,970.06	12.11%	(21.26%)	(7.40%)	Decreased by 13.15 percentage points
Total	3,551,043,752.95	2,511,033,846.02	29.29%	8.07%	6.23%	Increased by 1.23 percentage points

Analysis of profit composition as compared to 2020 is as follows:

Items	Amount (RMB Yuan)		Percentage of the total profit (%)	
	Six months ended 30 June 2021	2020	Six months ended 30 June 2021	2020
Operating profits	263,189,820.50	422,485,470.27	101.09	102.64
Net non-operating income	(2,830,064.20)	(10,847,489.52)	(1.09)	(2.64)
Total profits	260,359,756.30	411,637,980.75	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 2021, the Group's current ratio was 113.60%; the quick ratio was 79.92%; 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 1,180.07% and 510.16% respectively.

The current ratio and the quick ratio increased from the end of the previous year respectively, primarily because of the increase in accounts receivable 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 2021, the Group's total borrowing was RMB1,734,486,000. As at 30 June 2021, the Group's monetary funds amounted to RMB948,752,000. 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 2021, the Company's subsidiary Xinhua (Zibo) Real Estate Co., Ltd., had a mortgage deposit of RMB689,000 and received in advance regulated payments of RMB41,320,000 for property sales. The Company's subsidiary Xinhua Pharmaceutical (Shou'guang) Co., Ltd., had a wage deposit of RMB243,000 for migrant workers, and the Company's subsidiary Shandong Xinhua Pharmaceutical Import and Export Co., LTD. has a letter of credit deposit of RMB300,000. The Company and Shandong Zibo XinCat Pharmaceutical Co., Ltd., the Company's subsidiary, pledged the monetary funds of RMB76,877,000 and RMB8,610,000 respectively to the bank for arrangement of bank acceptance bills. Besides, the ownership of the Company's fixed assets of RMB84,466,000 and the right-of-use assets of RMB3,765,000 does not belong to the Group. Save as disclosed, the Group did not have other assets mortgaged.

On 13 April 2021, the Company and the relevant investors jointly invested to establish Tongxin Pharmaceutical. As of 30 June 2021, the Company had actually invested RMB 21,600,000, with a shareholding ratio of 60%. As at 30 June 2021, the total assets of Tongxin Pharmaceutical was RMB44,202,000, and the Shareholders' equity was RMB36,000,000. Tongxin Pharmaceutical is still in the period of preparation and has not had any actual business operations, which has not had a significant impact on the overall production, operation and performance of the Group.

Save as disclosed, 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 2021, the number of the Group's employees was 6,365. The total employee salaries in the first half of 2021 amounted to RMB317,569,000.

As at 30 June 2021, the Group's asset-liability ratio was 51.53% (total liabilities / total assets $\times$ 100%).

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

As at 30 June 2021, the Group had a gross gearing ratio (ie, gross liabilities divided by adjusted capital) of 52.11%, and a net gearing ratio (ie, net liabilities divided by adjusted capital) of 23.62%. 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 2021, the Group's export revenue was USD174,508,000, 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.

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 2020 has been approved at the Annual General Meeting for year 2020.
3. During the Reporting Period and the six months ended 30 June 2020, 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 RMB3,765,000 from other companies; and the other companies leased assets of RMB47,891,000 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 2021, 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	1. Within six months before the price determination date for the non-public issue 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; 2. There is no plan for reduction in shares of the Company within six months after the completion of the non-public issue from the price determination date for the non-public issue; 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; 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.	9 August 2021	Long-term	In progress
	HHC	Horizontal competition	1. There is no horizontal competition between HHC and other enterprises controlled by HHC and the Company; 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; 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.	9 August 2021	Long-term	In progress

	HHC	Other	1. HHC undertakes not to act beyond its powers to interfere with the Company's operating and management activities or misappropriate the Company's interests; 2. From the date of issuance of this undertaking to the completion of the Company's non-public issue, 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; 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.	14 April 2021	Long-term	In progress
--	-----	-------	---	---------------	-----------	-------------

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%	144,850,000.00	6,500,000.00	(40,077,500.00)
601328	BANKCOMM	14,225,318.00	0.01%	40,274,080.00	-	2,934,254.40
Total		21,225,318.00		185,124,080.00	6,500,000.00	(37,143,245.60)

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 2 April 2021 and 21 April 2021 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 2021.
15. On 19 January 2021, 5.508 million stock options that can be exercised during the first 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 14 January 2021 and announcement on the website (www.cninfo.com.cn) on and before 15 January 2021.
16. Events after the Reporting Period: save as disclosed in this report, there were no significant events or material changes after the Reporting Period up to the date of this report.

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 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 2021.

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 2021 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 2020 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 2021 (unaudited)	31 December 2020 (audited)
Current assets:			
Monetary funds		948,751,542.45	855,770,803.34
Accounts receivable	3	823,760,793.14	379,909,305.44
Receivables financing		121,307,768.19	138,638,879.69
Prepayments		48,581,811.00	48,957,684.70
Other accounts receivable	4	26,107,597.06	25,163,102.98
Inventories		844,467,098.24	1,124,364,262.39
Other current assets		35,455,443.33	114,067,003.20
Total current assets		2,848,432,053.41	2,686,871,041.74
Non-current assets:			
Long-term equity investment		58,392,290.58	57,795,818.99
Other equity instrument investment		215,124,080.00	258,822,016.00
Investment real estate		47,891,276.57	50,016,899.09
Fixed assets		3,031,574,143.37	3,117,313,128.81
Projects under construction		568,190,833.24	416,989,876.51
Right-of-use assets		3,765,143.77	4,549,357.11
Intangible assets		454,184,928.13	449,247,076.67
Long-term unamortized expenses		10,683,642.86	11,916,370.88
Deferred income tax assets		21,589,688.26	23,517,396.65
Other non-current assets		11,673,349.08	15,913,207.59
Total non-current assets		4,423,069,375.86	4,406,081,148.30
Total assets		7,271,501,429.27	7,092,952,190.04

Consolidated Balance Sheet (Continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	Notes	30 June 2021(unaudited)	31 December 2020(audited)
Current liabilities:			
Short-term borrowing		331,073,689.08	200,420,484.28
Notes payable		377,549,872.73	289,972,897.58
Accounts payable	5	528,004,297.96	452,930,287.37
Contract liability		165,919,106.40	377,793,225.44
Payroll payable	6	66,163,204.58	86,354,297.27
Taxes and dues payable		32,246,964.89	23,061,985.11
Other payables		566,113,918.72	495,166,878.89
Including: Dividends payable		99,415,716.58	5,310,599.53
Non-current liabilities due within one year		427,183,642.00	422,617,238.22
Other current liabilities		13,113,720.71	32,721,948.43
Total current liabilities		2,507,368,417.07	2,381,039,242.59
Non-current liabilities:			
Long-term borrowings		367,967,405.22	462,737,939.80
Lease liabilities		1,689,225.17	1,762,899.65
Long-term payables		640,367,868.30	638,556,123.79
Deferred income		141,472,015.97	144,690,236.46
Deferred income tax liabilities		84,860,218.03	69,314,505.83
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		1,239,918,232.69	1,320,623,205.53
Total liabilities		3,747,286,649.76	3,701,662,448.12
Shareholders' equity:			
Capital Stock		627,367,447.00	621,859,447.00
Capital reserve	7	675,415,853.85	644,906,623.85
Other comprehensive income	8	136,650,978.19	174,171,424.84
Special reserve		4,964,429.97	3,039,375.29
Surplus reserve		302,535,302.27	302,535,302.27
Undistributed profits	9	1,583,258,882.50	1,477,281,646.00
Total equity attributable to the shareholders of parent company		3,330,192,893.78	3,223,793,819.25
Minority shareholders' equity		194,021,885.73	167,495,922.67
Total shareholders' equity		3,524,214,779.51	3,391,289,741.92
Total of liabilities and shareholders' equity		7,271,501,429.27	7,092,952,190.04

Consolidated Income Statement

Unit: RMB Yuan

Item	Notes	Six months ended 30 June	
		2021	2020
I. Gross revenue	10	3,551,043,752.95	3,285,772,716.57
Including: Operating revenue		3,551,043,752.95	3,285,772,716.57
II. Total operating costs		3,266,899,130.92	3,065,966,315.61
Including: Operating costs	10	2,511,033,846.02	2,363,827,869.47
Taxes and surcharges	11	31,591,207.92	33,066,486.57
Selling expenses		358,406,776.11	326,650,283.59
Administration expenses		169,041,206.93	155,101,017.99
R&D cost		170,257,317.76	157,166,732.04
Financial expenses		26,568,776.18	30,153,925.95
Including: Interest expenses		27,119,915.02	31,476,188.17
Interest income		4,147,801.53	2,101,311.70
Add: Other income		11,588,356.99	16,171,604.82
Investment income (losses to be listed with brackets)		7,096,471.59	3,754,745.13
Including: Investment return from associated corporations and joint ventures (losses to be listed with brackets)		596,471.59	(2,245,254.87)
Credit impairment loss (losses to be listed with brackets)		(4,756,660.63)	(1,431,451.78)
Assets impairment loss (losses to be listed with brackets)	12	(34,950,730.05)	(5,369,396.50)
Gains from asset disposal (losses to be listed with brackets)		67,760.57	(210,969.28)
III. Operating profits (losses to be listed with brackets)		263,189,820.50	232,720,933.35
Add: non-operating income		763,855.47	774,125.65
Less: non-operating expenditure		3,593,919.67	2,478,072.10
IV. Total profits (total loss to be listed with brackets)		260,359,756.30	231,016,986.90
Less: income tax expenses	13	51,043,087.07	42,980,002.53
V. Net profits (net loss to be listed with brackets)		209,316,669.23	188,036,984.37
(I) According to operation continuity			
1. Net profits from continued		209,316,669.23	188,036,984.37
2. Net profits from discontinued		-	-
(II) According to ownership			
1. Net profits attributable to shareholders of parent company		200,082,353.55	172,311,861.57
2. Minority interest income or loss		9,234,315.68	15,725,122.80
VI. Net amount of other comprehensive income after tax		(37,628,799.27)	(47,811,421.41)
Net amount of other comprehensive income after tax attributable to the shareholders of parent company		(37,520,446.65)	(47,961,843.74)
(I) Other comprehensive income not subject to reclassification into profit or loss		(37,143,245.60)	(48,500,660.00)
Changes in fair value of other equity instruments investment		(37,143,245.60)	(48,500,660.00)
(II) Other comprehensive income to be reclassified into profit or loss		(377,201.05)	538,816.26
Conversion difference of foreign currency statement		(377,201.05)	538,816.26
Net amount of other comprehensive income after tax attributable to the		(108,352.62)	150,422.33
VII. Total comprehensive income		171,687,869.96	140,225,562.96
Total comprehensive income attributable to the shareholders of parent company		162,561,906.90	124,350,017.83
Total comprehensive income attributable to the minority shareholders		9,125,963.06	15,875,545.13
VIII. Earnings per share:	14		
(I) Basic earnings per share		0.32	0.28
(II) Diluted earnings per share		0.32	0.28

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 abovementioned segments is as below.

(b) Segment information for six months ended 30 June 2021 and six months ended 30 June 2020 are as follows (unaudited):

Six months ended 30 June 2021 (unaudited)

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
Cost elimination	144,198,058.07	364,152,899.76	298,404,350.53	-	(806,755,308.36)	-
Expenses for the period	238,764,925.56	424,543,689.81	60,965,461.61	-	-	724,274,076.98
Total operating profit (total loss)	-	-	-	273,989,086.39	(10,799,265.89)	263,189,820.50
Total assets	3,620,898,935.24	2,723,868,343.51	1,450,356,275.80	1,354,612,147.32	(1,878,234,272.60)	7,271,501,429.27
Total liabilities	1,135,349,737.34	1,229,379,688.67	626,402,536.30	1,918,696,604.78	(1,162,541,917.33)	3,747,286,649.76

Six months ended 30 June 2020(unaudited)

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating income	1,546,337,290.98	1,748,653,348.89	813,936,041.31	-	(823,153,964.61)	3,285,772,716.57
Include: Revenue from external customers	1,538,952,813.09	1,344,752,815.46	402,067,088.02	-	-	3,285,772,716.57
Inter-segment transaction income	7,384,477.89	403,900,533.43	411,868,953.29	-	(823,153,964.61)	-
Operating costs	1,090,990,352.94	1,342,526,321.81	707,419,460.75	-	(777,108,266.03)	2,363,827,869.47
Cost elimination	80,460,588.96	348,549,379.04	348,098,298.03	-	(777,108,266.03)	-
Expenses for the period	262,908,856.51	347,224,563.22	58,938,539.84	-	-	669,071,959.57
Total operating profit (loss)	-	-	-	324,003,415.14	(91,282,481.79)	232,720,933.35
Total assets	3,388,513,614.78	2,551,174,989.18	1,462,457,191.66	1,476,954,850.26	(1,786,148,455.84)	7,092,952,190.04
Total liabilities	1,138,234,242.41	1,147,025,114.98	738,740,914.23	1,766,732,663.46	(1,089,070,486.96)	3,701,662,448.12

3. Accounts receivable

Item	<u>30 June 2021</u>	<u>31 December 2020</u>
	RMB Yuan(unaudited)	RMB Yuan(audited)
Accounts receivable	885,719,927.56	438,687,034.94
Less: provision for bad debts for accounts receivable	<u>61,959,134.42</u>	<u>58,777,729.50</u>
Total	<u><u>823,760,793.14</u></u>	<u><u>379,909,305.44</u></u>

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

Account age	<u>30 June 2021</u>	<u>31 December 2019</u>
	RMB Yuan(unaudited)	RMB Yuan(audited)
0-1 year (including 1 year)	823,046,593.44	379,852,721.87
Over 1 year to 2 years (including 2 years)	708,199.70	50,583.57
Over 2 year to 3 years (including 3 years)	<u>6,000.00</u>	<u>6,000.00</u>
Total	<u><u>823,760,793.14</u></u>	<u><u>379,909,305.44</u></u>

4. Other accounts receivable

Item	<u>30 June 2021</u>	<u>31 December 2020</u>
	RMB Yuan	RMB Yuan
	(unaudited)	(audited)
Other accounts receivable	42,861,823.24	40,342,073.45
Less: provision for bad debts of other accounts receivable	<u>16,754,226.18</u>	<u>15,178,970.47</u>
Total	<u>26,107,597.06</u>	<u>25,163,102.98</u>

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

Account age	<u>30 June 2021</u>	<u>31 December 2020</u>
	RMB Yuan	RMB Yuan
	(unaudited)	(audited)
0-1 year (including 1 year)	7,703,621.62	9,944,396.57
Over 1 year to 2 years (including 2 years)	8,403,415.44	5,141,067.20
Over 2 years to 3 years (including 3 years)	<u>10,000,560.00</u>	<u>10,077,639.21</u>
Total	<u>26,107,597.06</u>	<u>25,163,102.98</u>

5. Accounts payable

Item	<u>30 June 2021</u>	<u>31 December 2020</u>
	RMB Yuan	RMB Yuan
	(unaudited)	(audited)
Payment for goods	<u>528,004,297.96</u>	<u>452,930,287.37</u>
Total	<u>528,004,297.96</u>	<u>452,930,287.37</u>

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

Account age	<u>30 June 2021</u>	<u>31 December 2020</u>
	RMB Yuan	RMB Yuan
	(unaudited)	(audited)
0-1 year (including 1 year)	517,045,460.86	437,538,282.67
Over 1 year to 2 years (including 2 years)	5,549,513.35	7,324,446.46
Over 2 years to 3 years (including 3 years)	495,905.85	2,458,059.36
Over 3 years	<u>4,913,417.90</u>	<u>5,609,498.88</u>
Total	<u>528,004,297.96</u>	<u>452,930,287.37</u>

6. Payroll payable

(1) Classification of payroll payable

Item		Increase during	Decrease during	
	31 December 2020	the first half of	the first half of	30 June 2021
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Short-term remuneration	86,354,297.27	368,929,873.15	389,120,965.84	66,163,204.58
Post-employment welfare - Defined contribution plan	-	39,908,157.47	39,908,157.47	-
Dismissal welfare	-	-	-	-
Total	<u>86,354,297.27</u>	<u>408,838,030.62</u>	<u>429,029,123.31</u>	<u>66,163,204.58</u>

(2) Short-term remuneration

Item		Increase during	Decrease during	
	31 December 2020	the first half of	the first half of	30 June 2021
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Salaries, bonuses, allowances and	81,884,970.32	296,960,905.20	317,568,523.83	61,277,351.69
Employee welfare expenses	-	12,138,201.56	12,069,001.56	69,200.00
Social insurance premiums	-	21,116,543.13	21,116,543.13	-
Including: Medical insurance premiums	-	19,045,322.09	19,045,322.09	-
Work-related injury insurance premiums	-	2,071,221.04	2,071,221.04	-
Housing provident fund	-	22,521,736.68	22,521,736.68	-
Labour union expenditure &	4,305,326.95	6,681,213.59	6,215,805.89	4,770,734.65
Labour costs	<u>164,000.00</u>	<u>9,511,272.99</u>	<u>9,629,354.75</u>	<u>45,918.24</u>
Total	<u>86,354,297.27</u>	<u>368,929,873.15</u>	<u>389,120,965.84</u>	<u>66,163,204.58</u>

(3) Defined contribution plan

Item		Increase during	Decrease during	
	<u>31 December 2020</u>	<u>the first half of 2021</u>	<u>the first half of 2021</u>	<u>30 June 2021</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Basic endowment insurance	-	38,245,898.58	38,245,898.58	-
Unemployment insurance premium	-	1,662,258.89	1,662,258.89	-
Total	-	39,908,157.47	39,908,157.47	-

7. Capital reserve

Item		Increase during	Decrease during	
	<u>31 December 2020</u>	<u>the first half of 2021</u>	<u>the first half of 2021</u>	<u>30 June 2021</u>
	RMB Yuan (audited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)	RMB Yuan (unaudited)
Capital stock premium*	450,353,719.23	34,063,580.00	-	484,417,299.23
Other capital reserves**	194,552,904.62	4,291,150.00	7,845,500.00	190,998,554.62
Total	644,906,623.85	38,354,730.00	7,845,500.00	675,415,853.85

*The change of Capital stock premium in this period is the effect of the first exercise of the equity incentive plan.

**The increase of other capital reserves in the current period is RMB 2,214,150.00 for equity instrument consideration in the waiting period according to the company's equity incentive plan, and RMB 2,077,000.00 for funds transferred from the central budget; the decrease of RMB 7,845,500.00 in the current period is the capital premium transferred from the first exercise condition of the stock option incentive plan in the Reporting Period.

8. Other comprehensive income

Item	Other comprehensive income under income statement for the six months ended 30 June 2021 (unaudited)						
	31 December 2020	Amount before the current income tax	Less: Amount Included in other comprehensive income in previous period and carried over into profit and loss in current period	Less: income tax expenses	After-tax amount attributable to the parent company	After-tax amount attributable to minority shareholders	30 June 2021
	RMB Yuan (audited)	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan (unaudited)
(1) Other comprehensive incomes that cannot be reclassified into loss or profit	176,457,193.30	(43,697,936.00)	-	(6,554,690.40)	(37,143,245.60)	-	139,313,947.70
Including: Changes in the fair value of other equity instruments investment	176,457,193.30	(43,697,936.00)	-	(6,554,690.40)	(37,143,245.60)	-	139,313,947.70
(2) Other comprehensive income to be reclassified into profit or loss	(2,285,768.46)	(377,201.05)	-	-	(377,201.05)	-	(2,662,969.51)
Including: Translation difference of foreign currency financial statement	(2,285,768.46)	(377,201.05)	-	-	(377,201.05)	-	(2,662,969.51)
Total of other comprehensive income	<u>174,171,424.84</u>	<u>(44,075,137.05)</u>	<u>-</u>	<u>(6,554,690.40)</u>	<u>(37,520,446.65)</u>	<u>-</u>	<u>136,650,978.19</u>

9. Undistributed profits

Item	Six months ended 30 June 2021	Six months ended 30 June 2020
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Ending balance of previous year	1,477,281,646.00	1,250,630,948.35
Add: Beginning adjustment for undistributed profits	-	-
Including: Change of consolidation scope under common control	-	-
Beginning balance of the current period	1,477,281,646.00	1,250,630,948.35
Add: Net profits attributable to the parent company's shareholders in the current period	200,082,353.55	172,311,861.57
Less: Appropriation of statutory surplus reserve	-	-
Appropriation of discretionary surplus reserve	-	-
Appropriation of provision for general risks	-	-
Common stock dividends payable	94,105,117.05	74,623,133.64
Others	-	1,114,320.88
Ending balance of current period	<u>1,583,258,882.50</u>	<u>1,347,205,355.40</u>

10. Operating income and costs

(1) Operating revenue and costs

Item	Six months ended 30 June 2021		Six months ended 30 June 2020	
	RMB Yuan		RMB Yuan	
	(unaudited)		(unaudited)	
	Revenue	Cost	Revenue	Cost
Main operation	3,498,614,624.23	2,443,852,643.07	3,259,378,950.67	2,315,358,600.32
Other operation	<u>52,429,128.72</u>	<u>67,181,202.95</u>	<u>26,393,765.90</u>	<u>48,469,269.15</u>
Total	<u>3,551,043,752.95</u>	<u>2,511,033,846.02</u>	<u>3,285,772,716.57</u>	<u>2,363,827,869.47</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	1,532,854,894.06	-	-	1,532,854,894.06
Preparations	-	1,487,975,516.03	-	1,487,975,516.03
Medical intermediates and other products	-	-	530,213,342.86	530,213,342.86
Total	<u>1,532,854,894.06</u>	<u>1,487,975,516.03</u>	<u>530,213,342.86</u>	<u>3,551,043,752.95</u>
Classification by operating regions				
Where :				
China (including Hong Kong)	586,048,538.79	1,405,182,012.92	420,056,927.04	2,411,287,478.75
Americas	378,917,987.63	16,905,953.64	28,177,512.54	424,001,453.81
Europe	379,488,425.39	65,887,549.47	64,890,570.34	510,266,545.20
Others	188,399,942.25	-	17,088,332.94	205,488,275.19
Total	<u>1,532,854,894.06</u>	<u>1,487,975,516.03</u>	<u>530,213,342.86</u>	<u>3,551,043,752.95</u>
Classification by contract performance obligation				
Among :				
Recognition of revenue at a certain point in time	1,532,854,894.06	1,487,975,516.03	526,907,222.05	3,547,737,632.14
Recognition of revenue within a certain period	-	-	-	-
Rental income	-	-	3,306,120.81	3,306,120.81
Total	<u>1,532,854,894.06</u>	<u>1,487,975,516.03</u>	<u>530,213,342.86</u>	<u>3,551,043,752.95</u>

(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 165,919,106.40, and of this amount RMB 110,091,931.25 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 2021 is RMB304,506,334.69.

11. Taxes and surcharges

Item	Six months ended 30 June 2021	Six months ended 30 June 2020
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
City maintenance and construction tax	8,500,464.15	9,570,399.08
Land use tax	4,986,410.90	7,493,337.04
Property tax	8,377,157.51	7,916,671.97
Educational surcharges	6,071,202.51	6,785,994.38
Stamp duty	635,527.89	584,953.36
Local water conservancy fund	12,038.67	678,599.38
Vehicle and vessel use tax	38,380.44	36,531.36
Land value increment tax	2,970,025.85	-
Total	<u>31,591,207.92</u>	<u>33,066,486.57</u>

12. Assets impairment loss

Item	<u>Six months ended 30 June 2021</u>	<u>Six months ended 30 June 2020</u>
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Inventory impairment loss	<u>(34,950,730.05)</u>	<u>(5,369,396.50)</u>
Total	<u>(34,950,730.05)</u>	<u>(5,369,396.50)</u>

13. Income tax expenses

(1) Income tax expenses

Item	<u>Six months ended 30 June 2021</u>	<u>Six months ended 30 June 2020</u>
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
The current income tax calculated in accordance with the tax law and related regulations	23,797,149.64	42,006,507.14
-PRC enterprise income tax	23,797,149.64	40,874,511.91
-Hong Kong profits tax return	-	-
-USA federal and state tax	-	28,835.47
-Dutch corporation tax	-	1,103,159.76
-Deferred income tax expenses	24,028,110.99	652,761.48
Lesser (Excess) amount in prior years	<u>3,217,826.44</u>	<u>320,733.91</u>
Total	<u>51,043,087.07</u>	<u>42,980,002.53</u>

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

Item	Six months ended 30 June 2021	
	RMB Yuan	
	(unaudited)	
Total consolidated profits for the current period	260,359,756.30	
Income tax expenses calculated in accordance with statutory /applicable tax rate	39,053,963.45	
Effect of different tax rate applicable to subsidiaries	11,276,134.48	
Effect of the income tax of the previous period	3,217,826.44	
Effect of non-assessable income	(1,064,470.74)	
Effect of non-deductible costs, expenses and losses	117,256.40	
Effect of using deductible losses from previously unrecognized deferred tax assets	<u>(1,557,622.96)</u>	
Income tax expenses	<u><u>51,043,087.07</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 200,082,353.55 (2020: RMB 172,311,861.57), by the weighted average of outstanding ordinary shares issued by the Company, 626,819,690.09 shares (2020: 621,859,447.00 shares).

Item	Six months ended 30 June 2021	Six months ended 30 June 2020
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Net profits attributable to shareholders of the parent company	200,082,353.55	172,311,861.57
Weighted average of outstanding ordinary shares issued by the Company	626,819,690.09	621,859,447.00
Basic earnings per share	0.32	0.28

(2) Diluted earnings per share

Diluted earnings per share is defined as net profit attributable to the shareholders of the parent company of RMB200,082,353.55 (2020: RMB 172,311,861.57), divided by the adjusted weighted average of the outstanding common shares of the Company of 629,699,946.13 (2020: 626,106,637.83 shares) .

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

Item	Six months ended 30 June 2021	Six months ended 30 June 2020
	RMB Yuan	RMB Yuan
	(unaudited)	(unaudited)
Net profit attributable to shareholders of the parent company	200,082,353.55	172,311,861.57
A weighted average of the company's outstanding common shares	626,819,690.09	621,859,447.00
Dilutive potential ordinary share	2,880,256.04	4,247,190.83
Adjusted weighted average of the company's outstanding common shares	629,699,946.13	626,106,637.83
Diluted earnings per share	0.32	0.28

15. Dividends

The Board of the Company did not recommend payment of an interim dividend for the six months ended 30 June 2021 (2020: nil).

Item	2021	2020
Dividends recognised as distribution in the current financial statements during the year:		
2019 final dividend: RMB 0.12 per share	-	74,623,133.64
2020 final dividend: RMB 0.15 per share	94,105,117.05	-
Total	94,105,117.05	74,623,133.64

X. DOCUMENTS AVAILABLE FOR INSPECTION AND PLACE FOR INSPECTION

(1) DOCUMENTS AVAILABLE FOR INSPECTION

- i. The Company's 2021 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

29 August 2021, Zibo, PRC

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

Executive Directors:

Mr. Zhang Daiming (Chairman)

Mr. Du Deping

Mr. He Tongqing

Non-executive Directors:

Mr. Xu Lie

Mr. Cong Kechun

Independent Non-executive Directors:

Mr. Pan Guangcheng

Mr. Zhu Jianwei

Mr. Lo Wah Wai

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.