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Company Information	2
Key Financial Data and Financial Indicators	
prepared in accordance with CASBE	3
Changes in Share Capital Structure and Information on Shareholders	6
Directors, Supervisors, Senior Officers and Staff	10
Chairman's Statement	18
Management Discussion and Analysis	23
Important Matters	32
Corporate Governance	46
Financial Report	48
Documents Available for Inspection	220

## Important

The board of directors ("Board"), the supervisory committee ("Supervisory Committee"), the directors ("Directors"), the supervisors ("Supervisors") and the senior management ("Senior Management") of Shandong Xinhua Pharmaceutical Company Limited (the "Company") hereby confirm that there are no false representations, misleading statements or material omissions contained in this interim report ("Report") and they, jointly and severally, accept the responsibility for the truthfulness, accuracy and completeness of the contents of this Report.

The financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2024 (the "Reporting Period") has not been audited.

Pursuant to the authorization of the 2023 Annual General Meeting, the Board formulated the half-year dividend plan for 2024 as follows: a half-year dividend of RMB0.25 per 10 Shares for 2024 will be paid to all Shareholders based on the latest total issued share capital of the Company of 682,407,635 shares. No bonus shares will be paid out, or no capitalization from capital reserves has been implemented. In the event that, prior to the implementation of the Company's half-year dividend plan for 2024, the total issued share capital of the Company changes due to the exercise of share options concerning Shares or the listing or issuance of new Shares due to refinancing actions of the Company, the distribution plan will be adjusted accordingly under the principle that the distribution amount per Share shall remain unchanged.

The chairman (Mr. He Tongqing), financial controller (Mr. Hou Ning) and the chief of financial department (Mr. He Xiaohong) of the Company hereby declare that the financial report of the Company for the Reporting Period is true, accurate and complete.

This Report has been published in both Chinese and English. In the event of any discrepancy between two versions, the Chinese version shall prevail.

## 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 ("the Company")
Legal Representative	: Mr. He Tongqing
Secretary to the Board	: Mr. Cao Changqiu
Telephone Number	: 86-533-2196024
Facsimile Number	: 86-533-2287508
E-mail Address of the Secretary to the Board	: cqcao@thebanskoball.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	:
E-mail Address of the Company	: xhzy@thebanskoball.com
PRC newspaper for information disclosure	: Securities Times
PRC Website for the publication of the interim report	: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

### 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

## Key Financial Data and Financial Indicators prepared in accordance with CASBE

Unit: Renminbi Yuan ("RMB")

Item	Six months ended 30 June 2024 (unaudited)	Six months ended 30 June 2023 (unaudited)	Change as compared to the same period last year
Operating revenue	4,732,481,467.24	4,672,269,049.13	1.29%
Total profits	303,363,837.69	331,945,812.26	(8.61%)
Income tax expense	30,597,489.83	56,265,379.99	(45.62%)
Net profits	272,766,347.86	275,680,432.27	(1.06%)
Minority interest income	7,361,930.18	5,873,274.42	25.35%
Net profits attributable to shareholders of listed company	265,404,417.68	269,807,157.85	(1.63%)
Net profits attributable to shareholders of listed company after deduction of non-recurring profit and loss	249,366,401.77	252,506,003.03	(1.24%)
Net cash flow from operating activities	77,401,054.87	20,131,070.66	284.49%
Basic earnings per share (yuan/share)	0.39	0.40	(2.50%)
Diluted earnings per share (yuan/share)	0.38	0.39	(2.56%)
Return on equity	5.58%	6.27%	Decreased by 0.69 percentage points

Item	As at 30 June 2024 (unaudited)	As at 31 December 2023 (the "End of Last Year") (audited)	Change as compared to the End of Last Year
Total assets	8,733,859,124.56	8,286,166,330.90	5.40%
Total liabilities	3,759,211,551.82	3,510,413,044.14	7.09%
Minority shareholders' equity	220,581,628.17	222,649,417.20	(0.93%)
Total net assets attributable to the shareholders of listed company	4,754,065,944.57	4,553,103,869.56	4.41%

## Key Financial Data and Financial Indicators prepared in accordance with CASBE

### After deduction of Non-recurring profit and loss items and amounts

Unit: RMB Yuan

Non-recurring profit and loss items	Amount	Note (if applicable)
Profit or loss from disposal of non-current assets (including written-off of provisions for assets impairment)	(389,287.11)	Disposal of fixed assets
Government subsidies recognized in the current profit and loss, (excluding government subsidies that are closely related to the normal operation of the company, comply with national policies and regulations, enjoy in accordance with established standards, and have a continuous impact on the company's profit and loss)	12,099,280.60	Received and amortized as government subsidies recognized into the current period
In addition to the effective hedging business related to the normal operation of the company, the profit or loss of fair value changes arising from the holding of financial assets and financial liabilities by non-financial enterprises and the loss or gain arising from the disposal of financial assets and financial liabilities	8,182,200.00	Investment bonus and revenue from other equity interests instruments
Non-operating income and expenditure other than the above items	(2,576,601.84)	
Less: Income tax effect	1,193,541.63	
Minority interests (after tax)	84,034.11	
Total	<u>16,038,015.91</u>	

### Items measured at fair value

Unit: RMB Yuan

Items	Amount as at 1 January 2024	Profit or loss from change in fair value	Cumulative Change of fair value recorded in equity	Provision impairment	Amount as at 30 June 2024
Financial assets:					
1. Investment in other equity instruments	182,797,067.30	-	139,808,198.99	-	215,705,552.11
2. Accounts receivable financing	240,274,709.86	-	-	-	265,906,217.22
Subtotal of financial assets	<u>423,071,777.16</u>	<u>-</u>	<u>139,808,198.99</u>	<u>-</u>	<u>481,611,769.33</u>

## Key Financial Data and Financial Indicators prepared in accordance with CASBE

### Other comprehensive income items

Unit: RMB Yuan

Items	Six months ended 30 June 2024	Six months ended 30 June 2023
1. Change in fair value of investment in other equity instruments	32,908,484.81	13,541,735.93
Less: Income tax impact arising from investment in other equity instruments	4,936,272.73	2,031,260.39
Net profit or loss carried from amounts previously recognized in other comprehensive income	—	—
Subtotal	27,972,212.08	11,510,475.54
2. Conversion difference of financial statements in foreign currency	(645,305.69)	2,362,531.33
Less: net profit or loss carried from amounts incurred by disposal of foreign operation	—	—
Subtotal	(645,305.69)	2,362,531.33
Total	27,326,906.39	13,873,006.87

# Changes In Share Capital Structure And Information On Shareholders

## 1. SHARE CAPITAL STRUCTURE

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

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

# Changes In Share Capital Structure And Information On Shareholders

## 2. SHAREHOLDERS INFORMATION

- (1) As at 30 June 2024, the Company had on record a total of 86,475 shareholders (the "Shareholders"), including 39 holders of H Shares and 86,436 holders of A Shares.
- (2) As at 30 June 2024, the ten largest Shareholders 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.) <sup>(*)</sup>	State-owned	30.02	204,864,092	RMB-denominated ordinary shares
香港中央結算(代理人)有限公司 HKSCC Nominees Limited	H Shares	28.33	193,314,147	Overseas listed foreign shares
華魯投資發展有限公司 Hualu Investment Development Co., Ltd. (*Hualu Investment*)	State-owned	5.44	37,091,988	RMB-denominated ordinary shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.32	2,203,601	RMB-denominated ordinary shares
于海濤 Yu Haitao	Natural person in the territory	0.20	1,385,400	RMB-denominated ordinary shares
招商銀行股份有限公司 - 南方中證1000交易型開放式指數證券投資基金 China Merchants Bank Co., LTD-Southern China Securities 1000 exchange-type open Index securities Investment Fund	Others	0.19	1,278,100	RMB-denominated ordinary shares
胡魁 Hu Kui	Natural person in the territory	0.12	820,500	RMB-denominated ordinary shares
申萬宏源證券有限公司 Shenwan Hongyuan Securities Co.,Ltd	State-owned	0.11	742,255	RMB-denominated ordinary shares
招商銀行股份有限公司 - 華夏中證1000交易型開放式指數證券投資基金 China Merchants Bank Co., LTD-Huaxia China Securities 1000 exchange-type open Index securities Investment Fund	Others	0.11	731,900	RMB-denominated ordinary shares
呂永宏 Lv Yonghong	Natural person in the territory	0.09	646,800	RMB-denominated ordinary shares



## Changes In Share Capital Structure And Information On Shareholders

- (3) As at 30 June 2024 the ten largest Shareholders of the unconditional tradable shares of the Company were as follows:

*Unit: share*

Name of Shareholders	Nature of 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 <sup>(i)</sup>	State-owned	30.02	204,864,092	RMB-denominated ordinary shares
香港中央結算(代理人)有限公司 HKSCC Nominees Limited	H Shares	28.33	193,314,147	Overseas listed foreign shares
香港中央結算有限公司 HKSCC Limited	Overseas Legal Person	0.32	2,203,601	RMB-denominated ordinary shares
于海濤 Yu Haitao	Natural person in the territory	0.20	1,385,400	RMB-denominated ordinary shares
招商銀行股份有限公司 - 南方中證1000交易型開放式指數證券投資基金 China Merchants Bank Co., LTD-Southern China Securities 1000 exchange-type open Index securities Investment Fund	Others	0.19	1,278,100	RMB-denominated ordinary shares
胡魁 Hu Kui	Natural person in the territory	0.12	820,500	RMB-denominated ordinary shares
申萬宏源證券有限公司 Shenwan Hongyuan Securities Co.,Ltd	State-owned	0.11	742,255	RMB-denominated ordinary shares
招商銀行股份有限公司 - 華夏中證1000交易型開放式指數證券投資基金 China Merchants Bank Co., LTD-Huaxia China Securities 1000 exchange-type open Index securities Investment Fund	Others	0.11	731,900	RMB-denominated ordinary shares
呂永宏 Lv Yonghong	Natural person in the territory	0.09	646,800	RMB-denominated ordinary shares
吳傳良 Wu Chuanliang	Natural person in the territory	0.09	630,400	RMB-denominated ordinary shares

*Notes:*

- i. Such figure excludes the 37,091,988 A Shares held by Hualu Investment, a direct wholly owned subsidiary of HHC. Hualu Investment is a direct wholly owned subsidiary of HHC and Well Bring Limited ("Well Bring") is directly wholly-owned by China Shandong Group Limited (華魯集團有限公司) which is in turn held as to 99.75% by HHC. As of 30 June 2024, Hualu Investment owns 37,091,988 A Shares of the Company, representing approximately 5.44% of the issued share capital of the Company. Well Bring owns 20,827,800 H Shares of the Company (being overseas listed foreign shares), representing approximately 3.05% of the issued share capital of the Company, the legal title of which are deposited into the clearing system of the SEHK and held by HKSCC Nominees Limited.

## Changes In Share Capital Structure And Information On Shareholders

- 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 and Hualu Investment.
- iv. Changes in the shares of the top 10 shareholders participating in margin trading: In addition to holding 100 shares of the Company through the ordinary securities account, Yu Haitao also held 1,385,300 shares of the Company through the customer credit transaction Guarantee securities account of Huatai Securities Co., Ltd. (1,385,300 shares at the beginning of the Reporting Period), and actually held 1,385,400 shares in total.
- v. Save as disclosed above and so far as the Directors are aware, as at 30 June 2024, no other person (other than the Directors, supervisors of the Company (the "Supervisors"), chief executive (if applicable) or members of senior management of the Company (the "Senior Management") had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong ("SFO") and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial Shareholder (as defined in the Listing Rules) of the Company.

### 3. CHANGE OF CONTROLLING SHAREHOLDER (AS DEFINED UNDER THE LISTING RULES) OF THE COMPANY DURING THE REPORTING PERIOD.

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

## Directors, Supervisors, Senior Officers and Staff

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 2024	Approximate percentage of shareholding in total issued A Shares as at 30 June 2024 (%)	Approximate percentage of shareholding in total issued Shares as at 30 June 2024 (%)	Number of Shares as at 1 January 2024
<b>Directors:</b>					
Mr. He Tongqing	Chairman	291,950	0.0599	0.0428	183,150
Mr. Xu Wenhui	Executive Director, General Manager	242,000	0.0497	0.0355	133,200
Mr. Xu Lie	Non-executive Director	291,950	0.0599	0.0428	183,150
Mr. Zhang Chengyong	Non-executive Director	Nil	-	-	Nil
Mr. Hou Ning	Executive Director, Financial Controller	328,800	0.0675	0.0482	220,000
Mr. Pan Guangcheng	Independent non-executive Director	Nil	-	-	Nil
Mr. Zhu Jianwei	Independent non-executive Director	Nil	-	-	Nil
Mr. Ling Peixue	Independent non-executive Director	Nil	-	-	Nil
Ms. Cheung Ching Ching, Daisy	Independent non-executive Director	Nil	-	-	Nil
<b>Supervisors:</b>					
Mr. Liu Chengtong	Chairman of Supervisory Committee	Nil	-	-	Nil
Mr. Tao Zhichao	Independent Supervisor	Nil	-	-	Nil
Ms. Hu Yanhua	Employee Supervisor	Nil	-	-	Nil
Mr. Wang Jianping	Employee Supervisor	Nil	-	-	Nil
Mr. Xiao Fangyu	Independent Supervisor	Nil	-	-	Nil
<b>Other Senior Management:</b>					
Mr. Zheng Zhonghui	Deputy General Manager	291,950	0.0599	0.0428	183,150
Mr. Wei Changsheng	Deputy General Manager	242,000	0.0497	0.0355	133,200
Mr. Liu Xuesong	Deputy General Manager	91,100	0.0187	0.0133	23,100
Mr. Kou Zuxing	Deputy General Manager	74,100	0.0152	0.0109	23,100
Mr. Cao Changqiu	Secretary to the Board	201,200	0.0413	0.0295	133,200
Total		<u>2,055,050</u>	<u>0.4216</u>	<u>0.3011</u>	<u>1,215,250</u>

### Notes:

- All interests in the Shares of the Company owned by the Directors, Supervisors and Senior Management of the Company are long position in A Shares.
- The increase in shareholding of the Shares held by Directors and Senior Management resulted from the exercise of share options under the first exercise period of the initial grant of the 2021 A-share stock option incentive plan of the Company.
- So far as the Directors, the Senior Management and Supervisors are aware, save as disclosed above, as at 30 June 2024, no Director, Senior Management and Supervisor had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the SFO (Chapter 571 of the Laws of Hong Kong)) which was required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short position which any such Director, Senior Management or Supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules.

## Directors, Supervisors, Senior Officers and Staff

### CHANGE OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

There was no change of Directors, Supervisors and other Senior Management during the Reporting Period.

### POSITION HELD IN THE HOLDING COMPANY

Name	Name of the Shareholding Company	Position	Beginning date	Termination date	Remuneration received from shareholder
Mr. Liu Chengtong	HHC	General manager of investment and development department, department head of legal affairs and general counsel	17 May 2019	–	Yes
Mr. Zhang Chengyong	HHC	Director of capital operation	23 May 2016	–	No

# Directors, Supervisors, Senior Officers and Staff

## REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process for remuneration of Directors, Supervisors and Senior Management	The Directors' and the Supervisors' remuneration are subject to the approval in the general meetings of the Company, whereas the remuneration of the Senior Management is subject to the approval of the Board.
Basis for determining the remuneration of Directors, Supervisors and Senior Management	The remuneration of Directors, Supervisors and other Senior Management is determined with reference to state policies, the Company's financial standing, personal performance and the general remuneration standard of society.
Payment of remuneration to Directors, Supervisors and Senior Management	RMB2,011,825.00 was paid during this Reporting Period, the exercised share options amount to RMB6,390,878.00.

### Staff and remuneration information (As of 30 June 2024)

Staff remuneration of the Group (the Company and its subsidiaries) was determined with reference to state policies, the Company's operation condition during the relevant period and the general remuneration level of society.

As at 30 June 2024, the number of staff employed by the Group was 7,064, and the total amount of their salaries and wages for the half year was RMB410,054,000.

The number of retired staff with cost bearable by the Company was zero during the Reporting Period.

During the Reporting Period, the Company did not distribute any bonus.

The Group's staff can be categorised by their areas of work as follows:

Area of Work	Number of Staff
Production	3,873
Engineering & Technical	643
Administration	289
Finance	92
Product R&D	553
Procurement	55
Sales	940
Quality inspection	619
Total	7,064

## Directors, Supervisors, Senior Officers and Staff

The Group's staff can be categorised by their education level as follows:

Education level by category	Number of Staff
Universities or above	1,893
Tertiary institutions other than universities	2,328
Intermediate institutions and technical schools	2,254
Senior high schools or below	589
Total	7,064

The Company formulated and implemented staff education and training plan in 2024. In the first half of 2024, 46 company-level training programs were carried out, with 2,321 employees attended the training, including Xinhua Lecture Hall series training courses, youth workers safety skills and knowledge improvement training, training of professional environmental protection knowledge, training of professional quality knowledge, production equipment and special facilities training and other aspects. The Company actively enriched the content of its training and innovated the forms of training to further enhance the results of training.

The Company's 2018 A Share Option Incentive Plan has been implemented in May 2023.

### The details of the implementation and impact of the Company's 2021 A Share Option Incentive Plan are as follows:

On 31 December 2021, the 2021 A Share Option Incentive Plan was approved by the 2021 first extraordinary general meeting, the 2021 second class meeting of the shareholders of A shares and the 2021 second class meeting of the shareholders of H shares of the Company. On the same day, the tenth session of the Board and the 2021 seventh extraordinary meeting of the Company were also held to approve the initial granting of 23.15 million share options to 196 eligible grantees. 1.75 million share options shall be granted under the reserved grant.

The exercise price of the share options granted was determined to be RMB7.96 per A share. The date of grant was 31 December 2021. The share options shall have vesting period of 24 months, 36 months and 48 months from the date of grant respectively.

## Directors, Supervisors, Senior Officers and Staff

On 23 December 2022, the Company held the fourth extraordinary meeting of the 10th Board of Directors in 2022 and the first extraordinary meeting of the 10th Board of Supervisors in 2022 respectively, deliberating and passing the Motion on granting reserved stock options to incentive objects. In accordance with the approval and authorization of the 2021 first extraordinary general meeting, the 2021 second class meeting of the shareholders of A shares and the 2021 second class meeting of the shareholders of H shares of the Company, the Board of Directors determined that the grant date of this stock option reservation grant is 26 December 2022, and 1.75 million reserved stock options will be granted to 35 eligible grantees.

The exercise price of the reserved share options granted was determined to be RMB37.53 per A share. The share options shall have vesting period of 24 months, 36 months and 48 months from the date of grant respectively.

As at 2 January 2024, the first vesting period for the Company's 2021 A-share stock option incentive plan to grant share options to the grantees expired, one of the grantees of the Company's Incentive Plan resigned due to job changes, one of the grantees of the Company's Incentive Plan left due to personal reasons. According to the provisions of the Incentive Plan, such person is no longer an eligible grantee, and the total of 430,000 share options granted but not yet exercised were canceled. Accordingly, in January 2024, the total number of grantees under the Company's 2021 A-share stock option incentive plan has been adjusted from 196 to 194, the number of options granted has been adjusted from 23,150,000 to 22,720,000, and 430,000 share options have been cancelled.

The Company issued ordinary A shares in the Company to the eligible grantees in January 2024. During the first exercise period of share options, there were 194 eligible grantees in total and the number of exercised share options amounted to 7,724,800, with an adjusted exercise price of RMB7.61 per share option.

Summary of the movements of share options of the Company during the six months ended 30 June 2024 in relation to the 2021 A Share Option Incentive Plan:

Grantees	Position	Number	Outstanding share options as at		No. of share options granted during the Reporting Period	No. of share options vested during Reporting Period	No. of share options exercised during Reporting Period	No. of share options cancelled during Reporting Period	No. of exercisable share options at end of Reporting Period	No. of unvested share options at end of Reporting Period
			Vesting period	Exercise period						
			(Note 3)	(Note 4)	(Note 2)	(Note 4 and 5)	(Note 4 and 5)	Period	Period	Period
He Tongqing	Chairman	320,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	108,800	108,800	0	211,200	211,200
Xu Wenhui	Executive Director & General Manager	320,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	108,800	108,800	0	211,200	211,200
Xu Lie	Non-executive Director	320,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	108,800	108,800	0	211,200	211,200
Hou Ning	Executive Director & Financial Controller	320,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	108,800	108,800	0	211,200	211,200
Zheng Zhonghui	Deputy General Manager	320,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	108,800	108,800	0	211,200	211,200
Wei Changsheng	Deputy General Manager	320,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	108,800	108,800	0	211,200	211,200
Liu Xuesong	Deputy General Manager	200,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	68,000	68,000	0	132,000	132,000
Kou Zuxing	Deputy General Manager	150,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	51,000	51,000	0	99,000	99,000
Cao Changqiu	Secretary to the Board	200,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	68,000	68,000	0	132,000	132,000
Subtotal		2,470,000			0	839,800	839,800	0	1,630,200	1,630,200
Other staff members		20,680,000	31/12/23 – 31/12/25	01/01/24 – 31/12/26	0	6,885,000	6,885,000	430,000	13,365,000	13,365,000
		1,750,000	26/12/24 – 26/12/26	27/12/24 – 26/12/27	0	0	0	0	1,750,000	1,750,000
Total		24,900,000			0	7,724,800	7,724,800	430,000	16,745,200	16,745,200

# Directors, Supervisors, Senior Officers and Staff

Notes:

- The unvested share options under the 2021 A Share Option Incentive Plan at the beginning and end of the Reporting Period were granted on 31 December 2021 with an exercise price of RMB7.96 per A share. The Company selected the Black-Scholes Model to calculate the fair value of share options under the Reserved Grant, the specific calculating methods and results of fair value of each share option are as follows:

Parameters	Explanation for parameters
Price of underlying share	RMB11.19 per share (the price on the date 31 December 2021 of grant)
Exercise price	RMB7.96 per share option
Expected term of share options	3.5 years, representing "the weighted average expected term" under the Black-Scholes Model
Risk-free interest rate	2.46%, the selected time interval is the yield of the Treasury bond with a maturity of nearly 3 years
Expected volatility	44.98%, the selected time interval is the volatility of the Company for the past 3.5 years (Note (a))
Expected dividend yield	0% (Note (b))

*Note (a):* The calculation method of expected volatility is to select the daily logarithmic return rate of the Company for the period from 1 July 2018 to 31 December 2021. The Company will divide the specified interval into several sample intervals according to the aforesaid period, and then calculate the annualized value of the average return standard deviation of the specified period.

*Note (b):* When there is a dividend payment, the exercise price will be adjusted pursuant to the Share Option Incentive Plan. According to the parameter requirements of the Black-Scholes model, the dividend rate will be 0% when the exercise price is adjusted.

The calculation results of the value of the share options are subject to a number of assumptions of the parameters used in this section and the limitation of the model adopted, therefore the estimated value of the share options may be subjective and uncertain. It is calculated that the fair value of the 23.15 million share options at the date of first grant was RMB5.31 per A share. The total cost reserved for grant under this incentive plan is RMB122.9264 million, and the amortization of stock option costs from 2022 to 2025 is shown in the following table:

Unit: RMB10'000

The costs of share options	2022	2023	2024	2025
12,292.64	4,456.08	4,456.08	2,366.33	1,014.14

The costs of share options incurred as a result of this incentive plan will be charged to recurring profit or loss. The above impact on the Company's financial status and operating results is only calculated data, and the final results shall be subject to the annual audit report issued by the accounting firm.



## Directors, Supervisors, Senior Officers and Staff

2. 1.75 million share options were granted under the 2021 A Share Option Incentive Plan during the Reporting Period on 26 December 2022 to certain employee participants with an exercise price of RMB37.53 per A share. The Company selected the Black-Scholes Model to calculate the fair value of share options under the Reserved Grant, the specific calculating methods and results of fair value of each share option are as follows:

Parameters	Explanation for parameters
Price of underlying share	RMB38.01 per share (the price on the date 26 December 2022 of grant)
Exercise price	RMB37.53 per share option
Expected term of share options	3.5 years, representing "the weighted average expected term" under the Black-Scholes Model
Risk-free interest rate	2.47%, the selected time interval is the yield of the Treasury bond with a maturity of nearly 3 years before the date of grant
Expected volatility	54.71%, the selected time interval is the volatility of the Company for the past 3.5 years (Note (a))
Expected dividend yield	0% (Note (b))

*Note (a):* The calculation method of expected volatility is to select the daily logarithmic return rate of the Company for the period from 27 June 2019 to 26 December 2022. The Company will divide the specified interval into several sample intervals according to the aforesaid period, and then calculate the annualized value of the average return standard deviation of the specified period.

*Note (b):* When there is a dividend payment, the exercise price will be adjusted pursuant to the Share Option Incentive Plan. According to the parameter requirements of the Black-Scholes model, the dividend rate will be 0% when the exercise price is adjusted.

The calculation results of the value of the share options are subject to a number of assumptions of the parameters used in this section and the limitation of the model adopted, therefore the estimated value of the share options may be subjective and uncertain. It is calculated that the fair value of the 1.75 million share options at the date of reserved grant was RMB16.02 per A share. The total cost reserved for grant under this incentive plan is RMB28.0351 million, and the amortization of share option costs from 2022 to 2026 is shown in the following table:

*Unit: RMB10'000*

The costs of share options	2022	2023	2024	2025	2026
2,803.51	84.69	1,016.27	976.56	513.98	212.02

The costs of share options incurred as a result of this incentive plan will be charged to recurring profit or loss. The above impact on the Company's financial status and operating results is only calculated data, and the final results shall be subject to the annual audit report issued by the accounting firm.

The closing price of A share of the Company on the Shenzhen Stock Exchange on the last trading day (i.e. 23 December 2022) before the grant of the share options on 26 December 2022 was RMB36.17 per A share. The exercise of share options is subject to various conditions, including but not limited to the meeting or ascertaining of certain performance targets, details of which are set out in the circular of the Company dated 15 December 2021.

## Directors, Supervisors, Senior Officers and Staff

3. All of the share options under the 2021 A Share Option Incentive Plan have vesting periods of 24 months, 36 months and 48 months from the date of grant respectively.
4. The share options under the 2021 A Share Option Incentive Plan are exercisable in three tranches from expiry of 24 months from the date of the grant:
  - (a) 34% the options granted may be exercised during the first exercise period, commencing from the first trading day after the expiry of the 24th month from the date of grant, and ending on the last trading day of the 36th month from the date of grant.
  - (b) 33% the options granted may be exercised during the second exercise period, commencing from the first trading day after the expiry of the 36th month from the date of grant, and ending on the last trading day of the 48th month from the date of grant; and
  - (c) 33% the options granted may be exercised during the third exercise period, commencing from the first trading day after the expiry of the 48th month from the date of grant, and ending on the last trading day of the 60th month from the date of grant.
5. There was no individual participant with options granted or to be granted in excess of 1% of the total issued share capital of the Company and there was no related entity participant or service provider with options granted or to be granted in any 12-month period exceeding 0.1% of the issued share capital of the Company. The weighted average closing price of A share of the Company on the Shenzhen Stock Exchange immediately before the date of the share options were exercised were RMB19.34 (12 January 2024) per A share.
6. No share options under the 2021 A Share Option Incentive Plan had lapsed during the Reporting Period.

At the date of this report, the Company had 16,745,200 share options outstanding under the Incentive Plan, which represented approximately 3.44% and 2.45% of the Company's A shares and the Company's shares in issue as at the date of this report.

As of the end of the Reporting Period, all share options have been granted and there is no further options available for grant pursuant to 2021 A Share Option Incentive Plan.

The accounting policies for 2018 A Share Option Incentive Plan and the 2021 A Share Option Incentive Plan are in accordance with the relevant requirements of "Enterprise Accounting Standard No. 11 –Share-based Payments" under the PRC GAAP. On each balance sheet date during the vesting period, the Company will ascertain the number of share options that are expected to be vested based on the latest information such as the change in the number of people who are entitled to exercise the options, the completion of performance indicators, the number of share options that are expected to be exercisable. Based on the fair value on the date of grant of share options, the Company will recognise the services obtained in the vesting period as relevant costs or expenses and capital reserves.

For further details of the Share Option Incentive Plan of the Company, please refer to the section headed "REPORT OF THE BOARD OF DIRECTORS – 3. Others – 2018 A Share Option Incentive Plan and 2021 A Share Option Incentive Plan" in the 2023 Annual Report of the Company.

# Chairman's Statement

## To all Shareholders:

We hereby report to the Shareholders on the operational results of the Company for the first half of the year 2024.

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

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

## BUSINESS REVIEW

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

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

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

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

## 2. Strengthening market control and stabilizing marketing strategy

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

## 3. Accelerating technological innovation and bolstering future development momentum

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

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

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

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

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

# Chairman's Statement

## 5. Continuously promoting reform and strengthening internal incentives

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

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

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

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

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

## PROSPECTS

Our business is encountering a challenging international market environment characterized by prolonged low demand and diminishing purchasing power. Domestically, companies are grappling with overcapacity, intense market competition, and a decline in demand. It is expected that the growth trajectory and profitability of the Group will be rigorously tested in the second half of the year.

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

### 1. Exert full efforts to accelerate the cultivation of new products and the exploration of new markets and speed up the building up of momentum for driving new developments

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

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

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

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

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

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

# Chairman's Statement

## 3. Accelerate technological innovation and expedite the transformation of achievements

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

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

## 4. Accelerate corporate reform and leverage collective resources

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

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

## 5. Strengthen basic management and ensure safe development

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

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

*Chairman*  
**He Tongqing**  
22 August 2024

# 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

### 1. Analysis of Assets and Liabilities

#### *Assets and Liabilities constituting changes*

Unit: RMB Yuan

Item	As at 30 June 2024 (unaudited)		As at 31 December 2023 (the "End of Last Year") (audited)		Percentage increase or decrease	Description of changes
	Amounts	Proportion of total assets	Amounts	Proportion of total assets		
Monetary funds	996,332,270.24	11.41%	918,334,462.29	11.08%	0.33%	-
Accounts receivable	1,022,661,555.32	11.71%	699,877,948.91	8.45%	3.26%	-
Contract assets	678,211.26	0.01%	819,429.40	0.01%	0.00%	-
Inventories	1,191,617,251.27	13.64%	1,312,983,676.75	15.85%	(2.21%)	-
Investment real estate	33,411,820.38	0.38%	33,908,633.73	0.41%	(0.03%)	-
Long-term equity investment	59,906,504.83	0.69%	58,572,098.00	0.71%	(0.02%)	-
Fixed assets	3,476,847,498.18	39.81%	3,325,944,627.93	40.14%	(0.33%)	-
Projects under construction	671,137,450.24	7.68%	730,545,057.96	8.82%	(1.14%)	-
Right-of-use assets	3,386,775.98	0.04%	4,324,321.34	0.05%	(0.01%)	-
Short-term borrowing	378,399,398.19	4.33%	283,958,677.68	3.43%	0.90%	-
Contract liability	85,029,547.40	0.97%	149,135,948.62	1.80%	(0.83%)	-
Long-term borrowings	912,190,889.20	10.44%	799,400,000.00	9.65%	0.79%	-
Lease liabilities	1,164,135.29	0.01%	1,578,792.87	0.02%	(0.01%)	-



# Management Discussion and Analysis

## Analysis of major changes of items

Unit: RMB Yuan

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

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

- (1) The increase in notes receivable from the end of the previous year was mainly due to an increase in bank acceptances that were not terminated for recognition at the end of the Reporting Period.
- (2) The increase in accounts receivable was mainly due to the expanded scale of sales and certain payments involved had not yet been due during the Reporting Period.
- (3) The main reason for the increase in other accounts receivables compared with the end of the previous year is that dividends receivable have not been received at the end of this Reporting Period.
- (4) The main reason for the decline in deferred income tax assets compared with the end of the previous year is that the Company made profits in the Reporting Period and the deferred income tax assets recognized as deductible losses decreased.
- (5) The main reason for the decrease in contract liabilities and other current liabilities compared with the end of the previous year was that the Company fulfilled its contractual obligations during the Reporting Period and received less advance payment from customers.

# Management Discussion and Analysis

- (6) The main reason for the decrease in the payroll payable compared with the end of the previous year is that the payroll accrued at the end of the previous year were paid in the Reporting Period.
- (7) The main reason for the increase in other payables compared with the end of the previous year is that the Company's 2023 final dividend has not yet been paid and will be paid out in July 2024 in accordance with the dividend distribution plan.
- (8) The main reason for the change in short-term borrowing and non-current liabilities due within one year was to reduce financing costs and further optimize the debt structure during the Reporting Period.
- (9) The main reason for the increase in special reserves compared with the end of the previous year is that the provision of production safety expenses during the Reporting Period affected the increase in special reserves.

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

Unit: RMB Yuan

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

# Management Discussion and Analysis

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

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

## 3. Analysis of significant changes in cash flow statement items

Unit: RMB Yuan

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

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

- (1) The net cash flow generated from operating activities increased from the same period in the previous year mainly due to the expansion of sales scale and the increase in collection during the Reporting Period.
- (2) The increase in net cash flow from financing activities compared with the same period in the previous year was mainly due to the Company's payment of RMB400 million of loans from Hualu Holding Group Co., Ltd.
- (3) The key reasons for the year-over-year net increase in cash and cash equivalents are as set forth under (1) and (2) above.

# Management Discussion and Analysis

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

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

# Management Discussion and Analysis

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

Items	Amount (RMB Yuan)		Percentage of the total profit (%)	
	Six months ended 30 June 2024	2023	Six months ended 30 June 2024	2023
Operating profits	<b>307,569,985.06</b>	534,582,011.61	<b>101.39</b>	100.36
Net non-operating revenue	<b>(4,206,147.37)</b>	(1,896,286.59)	<b>(1.39)</b>	(0.36)
Total profits	<b><u>303,363,837.69</u></b>	<u>532,685,725.02</u>	<b><u>100.00</u></b>	<u>100.00</u>

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 UNDER THE LISTING RULES PUBLISHED BY THE SEHK

As at 30 June 2024, the Group's (i) current ratio was 139.21%; (ii) the quick ratio was 93.62%; and (iii) the turnover rate of accounts receivable (calculated as annualized operating revenue/average net accounts receivable  $\times$  100%) and the rate of inventory turnover (calculated as annualized operating costs/average net inventories  $\times$  100%) were 1,098.95% and 566.63% respectively.

The current ratio and the quick ratio increased from the end of the previous year respectively, mainly due to the fact that while our current assets increased during the Reporting Period, the scale of our current liabilities had been reasonably controlled and the liability structure had been actively adjusted. The Group's working capital need did not show significant seasonal fluctuation.

The Group's main sources of funds were loans and operating profits. As at 30 June 2024, the Group's total borrowing was RMB1,398,743,000. As at 30 June 2024, the Group's monetary funds amounted to RMB996,332,000. The Group is in good credit condition and has sufficient bank credit line available to meet the demand for working capital.

As at 30 June 2024, (i) the Company and its subsidiary pledged monetary funds in the amount of RMB130,415,000 as deposit for bank acceptance; (ii) a Company's subsidiary recorded housing loan deposit in the amount of RMB677,000 and prepayment in connection with regulated advanced home sales in the amount of RMB13,774,000; (iii) a Company's subsidiary will use an amount of RMB555,000 as wage guarantee for migrant workers; and (iv) notes receivable in the amount of RMB8,711,000 of the Company and its subsidiaries have not been terminated for recognition. Save as disclosed, the Group did not have other secured assets.

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

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

## Management Discussion and Analysis

As at 30 June 2024, the number of the Group's employees was 7,064. The total employee salaries in the first half of 2024 amounted to RMB410,054,000.

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

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

As at 30 June 2024, the Group had a gross gearing ratio (i.e., gross liabilities divided by adjusted capital) of 29.42%, and a net gearing ratio (i.e., net liabilities divided by adjusted capital) of 8.46%. For this purpose, "gross liabilities" is defined as total borrowings and "net liabilities" is defined as total borrowings less cash and cash equivalents, and "adjusted capital" is defined as all components of equity attributable to Shareholders, other than designated reserves.

The Group's assets and liabilities were recorded in Renminbi. In the first half of 2024, the Group's export revenue was USD159,406,000, which exposed the Group to the risks associated with exchange rate fluctuations. Therefore, the Group has taken the following major measures to lower the risks of exchange rate fluctuations: (1) the Group will fully consider the impact of exchange rate fluctuations when signing sales contracts for export business, and reasonably set the settlement price; (2) the Group will promote cross-border RMB settlement and increase the proportion of RMB settlement in export business; and (3) the Group will pay close attention to changes in exchange rates, settle foreign exchange in a timely manner, and properly control the scale of foreign currency assets and liabilities.

## OPERATIONS AND RESULTS ANALYSIS OF PRINCIPAL SUBSIDIARIES AND COMPANIES IN WHICH THE COMPANY HAS INTEREST

*Unit: RMB Thousand Yuan*

Company Name	Company Type	Primary Service	Registered Capital	Total Assets	Net assets	Operating revenues	Operating Profits	Net profits
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	Subsidiary	Production and sales of chemical products	230,000	1,010,184	652,649	517,074	16,560	15,245

The total registered capital of Xinhua Pharmaceutical (Shouguang) Company Limited is RMB230,000,000, and the Company holds 100% of its equity interest. This subsidiary is mainly engaged in producing and selling chemical products. As at 30 June 2024, the total assets of the subsidiary were RMB1,010,184,000, and net assets were RMB652,649,000. In the first half of 2024, the operating revenue was RMB517,074,000, representing a decrease of 7.66% as compared with the same period last year. The net profits of the company were RMB15,245,000, representing a decrease of 41.75% as compared with the same period last year. The decrease in operating revenue and net profit was mainly due to the intense market competition during the reporting period, resulting in lower product prices.

# Management Discussion and Analysis

## DIVIDEND DISTRIBUTION DURING THE REPORTING PERIOD

Pursuant to the authorization of the 2023 Annual General Meeting, the Board formulated the half-year dividend plan for 2024 as follows: a half-year dividend of RMB0.25 per 10 Shares for 2024 will be paid to all Shareholders based on the latest total issued share capital of the Company of 682,407,635 shares. No bonus shares will be paid out, or no capitalization from capital reserves has been implemented. In the event that, prior to the implementation of the Company's half-year dividend plan for 2024, the total issued share capital of the Company changes due to the exercise of share options concerning Shares or the listing or issuance of new Shares due to refinancing actions of the Company, the distribution plan will be adjusted accordingly under the principle that the distribution amount per Share shall remain unchanged. (2023 interim dividend: Nil).

## PRINCIPAL RISKS FACED BY THE COMPANY AND RESPONSE MEASURES

- (1) Risks associated with industry policy changes: As the pharmaceutical industry is highly regulated and China is deepening the reform of healthcare system with relevant policies and regulations gradually being formulated and improved. The introduction of policies may have impact on the research and development, production and sales of the Group to various extent, for example, factors including the adjustments to the Medical Insurance Catalogue, the promotion of Consistency Evaluation and lowering of the bid price may have certain impact on the Group.

Response measures: The Group will pay close attention to and study relevant industry policies to catch up with the changing trends of the industry on a timely basis, in order to regulate its production and management, strengthen its core competitiveness and actively respond to industry policy changes.

- (2) Risks associated with research and development of new drugs: Generally speaking, the development of drugs has to undergo preclinical studies, clinical registry application, clinical trials approval, clinical trials, production registration filing, on-site assessment, production approval, etc., which involve many processes and lengthy period of time, therefore the approvals are uncertain and there is a risk in the research and development. Also, it is uncertain whether effective sales could be established in the market after the product is successfully developed.

Response measures: The Group will further optimise the innovative R&D system by introducing and cultivating high-end talents, continuously improving the R&D level, optimising the R&D structure with the focus placed on promoting the research and development of key products under research. Meanwhile, the Group will strengthen the secondary development of key products, improve the craftsmanship level and reduce production costs, thereby enhancing the competitiveness of products.

## Management Discussion and Analysis

- (3) Risk associated with lower price: After the drug product has been approved for launching on the market, it has to go through medical insurance approval and tendering to gain market access, which makes the pharmaceutical enterprises facing greater downward pressure on drug prices. Meanwhile, due to the industry policies such as macroeconomics, market competition, medical insurance budget, the drop may be exposed to the risk of a further price drop.

Response measures: Firstly, the Group will pay close attention to the development of the tenders to flexibly respond to it and adjust the tender plan. Secondly, the Group will conduct clinical studies on some of the key products after their launch on the market to strengthen their market competitiveness. Thirdly, the Group will continue to innovate and develop drugs of urgent clinical need with high added value, further develop the product under production with market potential, and optimise the layout of products to ensure the substantiality of the Company.

- (4) Risk associated with supply and price fluctuation of raw materials: Raw materials such as chemical raw materials, supplemental materials, and packaging materials, etc. have been affected by various factors such as macroeconomics, monetary policy, environmental management, natural disasters, etc., which may lead to limited or significant fluctuation in pricing, which would affect the profitability of the Group to a certain extent.

Response measures: On the one hand, the Group will strengthen monitoring and analysis of the market, reasonably arrange inventory and procurement cycle to reduce risks. On the other hand, the Group will make proactive efforts to realise technology breakthroughs and effective cost reduction.

- (5) Environmental risk: A certain amount of sewage, wasted gas and wasted residue will be generated during the production of API. With the improvement of environmental protection supervision by national and local environmental protection authority and the enhancement of social environmental protection awareness, the environmental protection requirements for API manufacturers are becoming higher and higher, and the cost of environmental protection are continuously increasing. Many pharmaceutical companies are even faced with the problems of production suspension and production limit.

Response measures: The Group has always been in strict compliance with the requirements of national environmental policies and regulations, and will continue to increase investment in environmental protection and promote the upgrading and transformation of environmental protection facilities. The Group actively carries out safety and environmental protection training and education, strengthen internal control standards, strengthen the monitoring of key sewage discharge points, reduce the environmental risks, and match the emissions policy.



# 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 2023 has been approved at the Annual General Meeting for the Year 2023.
3. Pursuant to the authorization of the 2023 Annual General Meeting, the Board formulated the half-year dividend plan for 2024 as follows: a half-year dividend of RMB0.25 per 10 Shares for 2024 will be paid to all Shareholders based on the latest total issued share capital of the Company of 682,407,635 shares. No bonus shares will be paid out, or no capitalization from capital reserves has been implemented. In the event that, prior to the implementation of the Company's half-year dividend plan for 2024, the total issued share capital of the Company changes due to the exercise of share options concerning Shares or the listing or issuance of new Shares due to refinancing actions of the Company, the distribution plan will be adjusted accordingly under the principle that the distribution amount per Share shall remain unchanged.

During the six months ended 30 June 2023, the Board did not recommend any interim dividends or interim conversion of capital reserves into share capital.

4. The Group was not involved in any material litigation or arbitration, whether pending or threatened during the Reporting Period.
5. Save as disclosed under the section headed "Liquidity and analysis of financial resources and capital structure", the Group did not have any material acquisitions or disposals of assets or mergers during the Reporting Period. During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.
6. Material related party transactions:  
  
Related Party transactions conducted during the Reporting Period are set out in Note XII Related Parties and Related Parties transactions to the Financial Statements of this Report compiled in accordance with CASBE.
7. In the Reporting Period, there was no trust or subcontracting of assets between the Group and other companies. During the Reporting Period, the Group leased assets of RMB3,387,000 from other companies; and the other companies leased assets of RMB33,412,000 from the Group.
8. 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 2024, 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.

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

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

# Important Matters

## 9. Disclosures that the Company or Shareholders holding more than 5% of the total number of issued Shares has/ have committed to make: (Continued)

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

## 9. Disclosures concerning undertakings that the Company or Shareholders holding more than 5% of the total number of issued Shares has/have committed to make: (Continued)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term for undertaking	Particulars on the performance
	The Company	Other	<ol style="list-style-type: none"> <li>From 1 January 2018 to the date of issuance of the undertaking: except for the "Jinding Huajun" developed by Xinhua (Zibo) Real Estate Co., Ltd." (hereinafter referred to as "Xinhua Real Estate"), neither the Company nor any of its subsidiaries within the scope of its consolidated statements had engaged in real estate development and operation.</li> <li>Subject to the government's land supply and other issues, in 2019, the Party Committee of the Company resolved to reserve no more than 80 houses of the "Jinding Huajun" developed by Xinhua Real Estate as apartments for its experts and talents. Xinhua Real Estate canceled its qualification certificate as a real estate development enterprise on 29 June 2021, and its business scope changed on 5 July 2021 which no longer included real estate development and operation business. On 1 August 2021, the executive directors of Xinhua Real Estate resolved to approve the remaining units of the completed properties to be used as apartments for its experts and talents in accordance with the preliminary planning, and no longer be sold to external parties. On 16 December 2021, the general manager office of the Company resolved to approve the specific use plan. The Company and its subsidiaries will not use the commodity housing pre-sale permit to engage in the pre-sale and sale of properties and other related businesses.</li> <li>Upon completion of the above clearance work, the Company and the enterprises controlled by the Company will no longer apply for the relevant business qualifications for real estate development and operation, and will no longer engage in real estate development and operation business in the future.</li> <li>Upon implementation of subsequent procedural matters, Xinhua Real Estate will focus on the management of self-owned real estate properties, or initiate liquidation and cancellation procedures to ensure that it will no longer engage in real estate development and operation business.</li> <li>The Company shall use the proceeds from the issuance in strict compliance with laws and regulations and the requirements of regulatory authorities, and shall not use the proceeds from the issuance for real estate development and operation.</li> <li>If relevant laws and regulations or regulatory authorities have other requirements for the Company to clean up the real estate development and operation business, the Company will strictly comply with relevant regulations and requirements.</li> <li>The Company will strictly comply with the above undertakings and agree to bear the legal responsibility for breach of the undertakings.</li> </ol>	20 December 2021	Long-term	In progress

# Important Matters

## 9. Disclosures concerning undertakings that the Company or Shareholders holding more than 5% of the total number of issued Shares has/have committed to make: (Continued)

Undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Undertaking date	Term for undertaking	Particulars on the performance
	The Company	Other	<ol style="list-style-type: none"> <li>The Company will urge Xinhua Real Estate to proceed with the building ownership registration of the "Jinding Huajun" to ensure that Xinhua Real Estate will assist and cooperate with the purchaser to complete the building ownership registration in strict accordance with the provisions of the commodity housing sale and purchase contract.</li> <li>In the event that the sold-out houses of the "Jinding Huajun" items are returned, Xinhua Real Estate will change such houses into self-owning in accordance with the preliminary planning and internal resolution, which will be included in the Company's expert and talent apartment plan and will not be sold to external parties. The Company will make supplemental arrangements for the properties in accordance with the specific implementation plan of the talent apartment plan.</li> <li>In the event of future controversies or disputes in relation to the "Jinding Huajun" items, the Company will urge Xinhua Real Estate to properly handle the disputes in accordance with the provisions of relevant laws and regulations and the agreement of the commodity housing sale and purchase contract, and assist Xinhua Real Estate in implementing the relevant risk response mechanism.</li> </ol>	24 December 2021	Long-term	In progress
	Xinhua (Zibo) Real Estate Co., Ltd.	Other	<ol style="list-style-type: none"> <li>Xinhua Real Estate is actively promoting the building ownership registration of the "Jinding Huajun" items, without illegal impediment to obtain the building ownership certificate. Xinhua Real Estate will strictly comply with the provisions of the commodity housing sale and purchase contract, assist and cooperate with the purchaser in the registration of the transfer of building ownership.</li> <li>In the event that the sold-out houses of the "Jinding Huajun" items are returned, Xinhua Real Estate will transfer such houses to self-owning according to the preliminary planning and internal resolution, which will be included in the Xinhua Real Estate's expert and talent apartment plan and will not be sold to external parties.</li> <li>In the event of future disputes or disputes in relation to the "Jinding Huajun" items, Xinhua Real Estate will properly handle the disputes in accordance with the provisions of relevant laws and regulations and the agreement of the commodity housing sale and purchase contract. Xinhua Real Estate has formulated relevant risk response mechanism, including but not limited to setting up internal risk control specialists, and promptly reporting controversies or disputes to take specific countermeasures when they occur or may occur, and if necessary, Xinhua Real Estate will engage professional external agencies to assist in the handling.</li> </ol>	24 December 2021	Long-term	In progress

## 9. Disclosures concerning undertakings that the Company or Shareholders holding more than 5% of the total number of issued Shares has/have committed to make: (Continued)

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

\* Xinhua (Zibo) Real Estate Co., Ltd. is now renamed Ronghua (Zibo) Property Services Co., Ltd.

## 10. Purchase, Sales 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.

## 11. 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.

## Important Matters

### 12. 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
601601	China Pacific Insurance	7,000,000.00	0.05%	139,300,000.00	5,100,000.00	17,340,000.00
601328	BANKCOMM	14,225,318.00	0.01%	61,397,424.00	3,082,200.00	12,086,333.60
Total		21,225,318.00		200,697,424.00	8,182,200.00	29,426,333.60

### 13. There were no penalty or remedial actions imposed on the Company during this Reporting Period.

### 14. Performance of other social responsibilities

The Company, Xinhua-Perrigo, a holding subsidiary, and Xinhua Pharmaceutical (Shouguang) Shandong Xinhua Wanbo Chemical Industry Co., Ltd and are on the List of Key Pollutant-discharging Units announced by the Ministry of Environmental Protection.

Name of Company or Subsidiary	Names of Key Pollutants and Special Types of Pollutants	Discharge Mode	Number of Discharge Outlets	Distribution of Discharge Outlets	Discharge Concentration	Implemented Standards for Discharge of Pollutants	Total Amount of Discharge	Approved Total Amount of Discharge	Excessive Discharge
Shandong Xinhua Pharmaceutical Company Limited	Wastewater: chemical oxygen demand, ammonia nitrogen.	Continuous wastewater discharge	3	Main wastewater outlet of No. 1 factory; wastewater outlet of No. 2; wastewater outfall of headquarters.	COD concentration less than 400 mg/L; ammonia nitrogen concentration less than 30 mg/L.	Wastewater: COD concentration less than 500 mg/L; ammonia nitrogen concentration less than 45 mg/L.	No. 1 factory: total amount of COD 137.5 tons/year; total amount of ammonia nitrogen 5.483 tons/year; No.2 factory: total amount of COD 65.89 tons/year; total amount of ammonia nitrogen 3.746 tons/year; Headquarters: total amount of COD 9.06 tons/year; total amount of ammonia Nitrogen 0.551 tons/year.	No. 1 factory: 835 tons/year of COD; 75.15 tons/year of ammonia nitrogen. No.2 factory: 994.5 tons/year of COD; 89.51 tons/year of ammonia Nitrogen; Headquarters: 480 tons/year of COD; 43 tons/year of ammonia Nitrogen.	None

# Important Matters

## 14. Performance of other social responsibilities (Continued)

Name of Company or Subsidiary	Names of Key Pollutants and Special Types of Pollutants	Discharge Mode	Number of Discharge Outlets	Distribution of Discharge Outlets	Discharge Concentration	Implemented Standards for Discharge of Pollutants	Total Amount of Discharge	Approved Total Amount of Discharge	Excessive Discharge
Shandong Xinhua Pharmaceutical Company Limited	Exhaust gas: volatile organic compound (VOCs), sulfur dioxide, nitrogen oxide, particulate matter.	Exhaust gas emission at interval	Please refer to appendix of the emission permit.	No. 1 factory, No. 2 factory, and other industrial parks.	VOCs concentration less than 40 mg/m <sup>3</sup> ; sulfur dioxide concentration less than 40 mg/m <sup>3</sup> ; nitrogen oxide concentration less than 80 mg/m <sup>3</sup> ; particulate matter concentration less than 8 mg/m <sup>3</sup> .	Exhaust gas: VOCs concentration less than 60 mg/m <sup>3</sup> ; sulfur dioxide concentration less than 50 mg/m <sup>3</sup> ; nitrogen oxide concentration less than 100 mg/m <sup>3</sup> ; particulate matter concentration less than 10 mg/m <sup>3</sup> .	No. 1 factory: total amount Of VOCs 5.9749 tons; total amount of sulfur dioxide 0.0814 tons; total amount of nitrogen oxide 0.682 tons; total amount of particulate matter 0.0121 tons. No.2 factory: total amount of VOCs 9.6015 tons; total amount of sulfur dioxide 0.0036 tons; total amount of nitrogen oxide 0.104 tons; total amount of particulate matter 0.0968 tons.	No. 1 factory: total amount of VOCs 41.98 tons/year; total amount of sulfur dioxide 4.38 tons/year; total amount of nitrogen oxide 6.58 tons/year; total amount of particulate matter 2.62 tons/year. No.2 factory: total amount of VOCs 60.19 tons/year; total amount of sulfur dioxide 6.93 tons/year; total amount of nitrogen oxide 36.06 tons/year; total amount of particulate matter 7.1 tons/year.	None
Zibo Xinhua- Perrigo Pharmaceutical Company Limited	Wastewater: chemical oxygen Demand, ammonia Nitrogen etc.	Continuous wastewater discharge	1	After treatment, Wastewater discharged into the sewage treatment plant of the No. 1 factory from the Department of Environmental Protection of Shandong Xinhua Pharmaceutical Company Limited.	COD concentration less than 300 mg/L; ammonia nitrogen less than 3.0 mg/L; total phosphate less than 1.0 mg/L; total nitrogen less than 25 mg/L.	Wastewater: COD concentration less than or equal to 500 mg/L; ammonia nitrogen less than 45 mg/L; total phosphate less than 8 mg/L; total nitrogen less than 70 mg/L.	Total amount of COD less than 20 tons/year; total phosphate less than 0.1 tons/year; total nitrogen less than 4 tons/year. ammonia nitrogen 1 ton/year.	90 tons/year of COD; 8.1 tons/year of ammonia nitrogen.	None
Zibo Xinhua- Perrigo Pharmaceutical Company Limited	Exhaust gas: volatile organic compound (VOCs) etc.	Exhaust gas emission at interval	Please refer to appendix of the emission permit.	Factory area for raw material; preparation production base.	VOCs concentration less than 20 mg/m <sup>3</sup> .	Exhaust gas: VOC concentration less than 60 mg/m <sup>3</sup> .	Total amount of VOC less than 1 tons/year.	15 tons/year of VOC.	None



# Important Matters

## 14. Performance of other social responsibilities (Continued)

Name of Company or Subsidiary	Names of Key Pollutants and Special Types of Pollutants	Discharge Mode	Number of Discharge Outlets	Distribution of Discharge Outlets	Discharge Concentration	Implemented Standards for Discharge of Pollutants	Total Amount of Discharge	Approved Total Amount of Discharge	Excessive Discharge
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	Wastewater: chemical oxygen demand, ammonia Nitrogen	Continuous discharge	1	Main wastewater outlet.	COD less than 500 mg/L; ammonia nitrogen less than 45 mg/L; total phosphate less than 8 mg/L; total nitrogen less than 70mg/L.	COD 500 mg/L; ammonia nitrogen 45 mg/L; total phosphate 8 mg/L; total nitrogen 70 mg/L.	Total amount of COD less Than 111 ton/half a year, ammonia nitrogen less than 1.5 ton/half a year. total nitrogen less than 19.1 ton/half a year.	COD concentration 282.78 tons/ year, ammonia nitrogen 25.45 tons/year. total nitrogen 39.58 tons/year.	None
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	Exhaust outlets :sulfur dioxide, nitrogen oxide, NMHC, etc..	Discharge at Interval	20	Pyrazolone: 3; Ziurea: 2; DK workshop: 5; chloropropionyl Chloride: 1; sulfuric Acid: 3; sewage Treatment: 3; RTO:1; Diacetone:2.	Sulfur dioxide less than 50 mg/m <sup>3</sup> ; nitrogen oxide less than 100 mg/m <sup>3</sup> ; particulate matter less than 10 mg/m <sup>3</sup> ; NMHC less than 60 mg/m <sup>3</sup> .	Sulfur dioxide less than 50 mg/m <sup>3</sup> ; nitrogen oxide less than 100 mg/m <sup>3</sup> ; particulate matter less than 10 mg/m <sup>3</sup> ; NMHC less than 60 mg/m <sup>3</sup> .	Total amount of sulfur dioxide less than 1.01 tons/ half a year; nitrogen oxide less than 0.88 tons/half a year; particulate matter less than 0.23 tons/half a year; NMHC less than 7.06 tons/half a year.	Total amount of sulfur dioxide 31.38 tons/half a year; nitrogen oxide 62.14 tons/half a year; particulate matter 9.57 tons/half a year; NMHC 89.79 tons/half a year.	None

## 14. Performance of other social responsibilities (Continued)

### ***Construction and operation of pollution prevention & treatment facilities***

#### ***(1) Waste water treatment***

The Company has in place three sewage treatment facilities with treatment capacity of 12,000 tons/day. Xinhua-Pewigo has in place one sewage treatment facility with treatment capacity of 500 tons/day. Shouguang Company has in place six sewage treatment facilities with treatment capacities of 3,000 tons/day. Such sewage treatment facilities can all fully meet the requirement of consistently reaching the wastewater discharge standards.

The wastewater produced by each production workshop is first pretreated by specified facilities at the workplaces: the Company separate, recycle and reuse organic substances from waste water rich in organic substances through methods like absorption and filtration, separation by extraction and evaporative fractionation; recycle ammonia nitrogen from wastewater rich in ammonia nitrogen through stripping process, recycle inorganic salts from highly saline wastewater by means of MVR and CWO. Then the wastewater after pretreatment is discharged into the wastewater collection tank (pool) of the workplaces, where the wastewater will be monitored and sampled by the Company's environmental protection unit. If the sampled wastewater reaches the internal control indicators of the Company, and they will be transported to sewage treatment systems of No. 1 factory and No. 2 factory for biochemical treatment, after which the wastewater will be discharged into the water purification plant of Everbright Water (Zibo) Limited.

The two outlets of the Company were equipped with standardised online monitoring facilities, which are operated by authorized qualified entities. Online monitoring data of wastewater discharge will be uploaded real-time to the Environmental Automatic Monitoring and Control System of Shandong Province and will be published.

The wastewater generated by Xinhua Perrigo is firstly collected and pretreated by specialised facilities in production processes: wastewater with high content of organics realizes a separation between organics and aqueous phase through evaporation fractionation and other methods to recycle the organics. High salt Wastewater with high content of salt recovers inorganic salts through MVR method. After flowing into the Xinhua Perrigo's high-concentration wastewater pool, the pretreated production wastewater then enters water-collecting well though special conveying pipelines. After mixing with sanitary sewage, it then enters the Xinhua Perrigo's sewage treatment system for biochemical treatment. The general outlet of the Company is equipped with standardised online monitoring facilities, which are operated and maintained by authorized qualified three party. Online monitoring data of wastewater discharge will be uploaded real-time to the Environmental Automatic Monitoring and Control System of Zibo City. After a qualified monitoring by Xinhua Pharmaceutical it is then discharged into the sewage treatment plant of the No.1 factory of the Company.

# Important Matters

## 14. Performance of other social responsibilities (Continued)

### ***Construction and operation of pollution prevention & treatment facilities (Continued)***

#### *(1) Waste water treatment (Continued)*

The wastewater generated by production workshops of Shouguang company was pretreated by special facilities in production processes firstly: COD and ammonia nitrogen are removed from wastewater with high content of COD and salt through high-temperature wet oxidation and salt is then removed through MVR evaporation. Then the production wastewater enters sewage treatment system. Wastewater with high content of ammonia nitrogen and salt produces by products of desalination and ammonia-nitrogen reduction through MVR evaporation. Pre-treated production wastewater enters the gathering tank (pool) of each workshop separately. After it meets Xinhua Shouguang's internal control target through environmental monitoring and sampling of the Xinhua Shouguang, the sewage treatment center of the Company will open the inlet valve of production wastewater to transport to its biochemical wastewater treatment system and finally discharge into Shouguang Huayuan Water Co., Ltd.

Shouguang company has installed a standard online monitoring facility at its main wastewater outlet and entrusted qualified units to operate the facility. The online monitoring data of wastewater discharge is uploaded to Weifang Environmental Monitoring Center in real time and will be published on a regular way. Weifang Bureau of Ecological Environment is in charge of the implementation of online real-time management.

Wanbo Chemical has established sewage storage facilities with the storage capacity of 300m<sup>3</sup>, and has entered into a sewage treatment agreement with Xinhua Pharmaceutical, allowing the sewage of Wanbo Chemical to enter the treatment center of Xinhua Pharmaceutical for treatment.

#### *(2) Waste gas control and treatment*

We mainly apply source point control:

First, we have adopted "double pipe" technology to rid of foul smell of chemical raw materials arising from products loading, unloading, and transporting.

Second, the Company turns part of the exhausting in the reaction process into closed circulation to prevent gas emissions.

Third, we have applied such technologies as resin adsorption/resolving, condensation recovery, membrane separation and other technologies to recycle organic solvent in the exhaust gas.

Fourth, we use water absorption, alkali absorption or joint absorption and other technologies to recover soluble medium in the exhaust gas.

### 14. Performance of other social responsibilities *(Continued)*

#### ***Construction and operation of pollution prevention & treatment facilities (Continued)***

##### *(2) Waste gas control and treatment(Continued)*

Fifth, we use LDAR technology to monitor seven categories of components including various kinds of containers and pipes that can produce leakage points of VOC easily, and we will repair leakage points where VOC leak exceeds a certain concentration so as to control the pollution of dynamic or static seal points to the environment.

Sixth, we the Company uses important exhaust gas treatment facilities like VOC monitor and VOC warning monitor for factory boundary, to monitor the chemical odor in real time and achieve dynamic monitoring of the results of waste gas treatment.

Seventh, the Company uses RTO, sewage treatment plant waste gas and part of the workshop organic waste gas to conduct RTO incineration treatment.

Part of the waste gas from Wanbo Chemical is pre treated by condensation, absorption, and other methods in the factory area, and then transported to Xinhua Pharmaceutical's RTO treatment system through pipelines for unified disposal and standard discharge; Part of the exhaust gas is pre treated in the workshop and collected centrally in the TO furnace system for disposal, meeting emission standards.

The Company entrusted Shandong Neolithic Testing Co., Ltd. and Shandong Huicheng Environmental Protection Technology Co., Ltd., the independent third party, to conduct exhaust emission test on its No. 1 factory, No. 2 factory, and other industrial parks, and they were up to standard.

Xinhua Perrigo entrusted Shandong Xinhua Engineering Project Consulting Co., Ltd., one independent third parties, to conduct exhaust emission test of the Company, and it was up to standard. Shouguang entrusted Shandong Weike Testing Co., Ltd. and Weifang Jinrun physical and chemical Testing Co., Ltd., two independent third parties, to test the exhaust outlets of workshops on a regular basis, and they were up to standard. Wanbo Chemical has entrusted Shandong Huicheng Environmental Protection Technology Co., Ltd. to regularly conduct organized and unorganized exhaust gas testing in accordance with the provisions of pollutant Discharge Permit, and they were up to standard.

# Important Matters

## 14. Performance of other social responsibilities (Continued)

### ***Construction and operation of pollution prevention & treatment facilities (Continued)***

#### ***(3) Hazardous Wastes Treatment***

The Company has set up standardized hazardous waste temporary storage warehouses in the No. 1 factory and No. 2 factory. In accordance with the requirements of the Procedures of Joint Management of Hazardous Wastes Transfer in Zibo City (《淄博市危險廢物轉移聯單管理工作程序》), strictly implement transfer processing system and transfer plan approval system, entrust qualified units for legal and compliance disposal.

Xinhua Perrigo has set up standardized hazardous waste storage warehouses, strictly implemented relevant laws and regulations on hazardous waste, and strengthened standardized management of hazardous waste. As required by the "Transfer Manifest Management Procedures of Hazardous Waste in Zibo City", Xinhua Perrigo strictly implements a transfer processing system and transfer plan approval system and transports hazardous waste to qualified units for entrusted disposal.

The hazardous waste treatment of Shouguang company: The first method is building its own incineration facility to dispose ketene dimer residue by itself; the second method is that the company, strictly implements transfer manifest system and transfer plan approval system in accordance with the requirements for the storage and transfer of hazardous waste and transports some of its hazardous waste to qualified units for entrusted disposal.

Wanbo Chemical strictly in accordance with the solid waste and sewage permit requirements, compiled annual hazardous waste management plan, and built a hazardous waste warehouse according to the standards as required to strengthen the standardized management of hazardous waste. As required by the "Transfer Manifest Management Procedures of Hazardous Waste in Zibo City (Shandong Province)", Wanbo Chemical strictly implements the transfer processing system and transfer plan approval system and transports hazardous waste to qualified units for entrusted disposal.

All construction projects of the Company and its subsidiaries have passed environmental impact assessments and other environmental administrative licenses.

The Company and its subsidiaries have formulated the "Emergency Response Plan for Environmental Emergencies", which includes six parts: comprehensive emergency plan for sudden environmental incidents, special emergency plan for fire and explosion accidents, emergency plan for material leakage accidents, special emergency plan for hazardous waste and disposal plan for environmental emergency site.

The Company has separately formulated the "Self-monitoring Plan of No. 1 Factory", the "Self-monitoring Plan of No. 2 Factory" and the "Soil and groundwater self-monitoring programme". For details, see the open end of the National Emission Permit Management Information Platform. Xinhua Perrigo, Shouguang company and Xinhua Wanbo have formulated their respective "Self-monitoring Plan".

14. Performance of other social responsibilities (*Continued*)

***Construction and operation of pollution prevention & treatment facilities (Continued)***

(3) *Hazardous Wastes Treatment (Continued)*

The company's wastewater discharge outlet does not directly discharge into natural water bodies, so the wastewater discharge monitoring standard shall implement the value agreed in the contract of the partner; The local standard of Shandong Province is the Regional Comprehensive Emission Standard for Air Pollutants (DB37/2376-2019).

The system passed the environment management system certification of China Certification Center in 2000, and passed the reassessment and review of the environment management system in 2003, 2006, 2009, 2012, 2015 and 2017 respectively. In 2019, 2020, 2021, 2022 and 2023 its environment management system passed the certification of two new- version systems of environment and quality.

**Environmental protection investment and payment of environmental protection tax:**

In the half year of 2024, the Group invested RMB10,434,5400 in environmental protection and paid RMB111,600 in environmental protection tax.

**Administrative penalties due to environmental problems during the reporting period:**

Xinhua Pharmaceutical, Shouguang Company, Xinhua Perrigo, Wanbo Chemical no administrative penalties due to environmental problems during the reporting period.

15. Please refer to the Company's announcements dated 30 April 2024 on <http://www.cninfo.com.cn> for the details of research, communication and interview activities during the Reporting Period.
16. The Group had no material contingent liabilities as at 30 June 2024.
17. On 15 January 2024, 7.7248 million stock options stock options that can be exercised during the first exercise period of the Company's A share stock option incentive plan in 2021 have been registered and listed for circulation. For details, please refer to the overseas regulatory announcement of the Company dated 9 January 2024 and announcement on the website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on and before 10 January 2024.
18. During the Reporting Period, there was no forfeited contribution (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) under the defined contribution plans of the Group which may be used by the Group to reduce the existing level of contributions.
19. There are no prior period adjustments due to correction of material errors in relation to the financial results of the Group during the Reporting Period.
20. Except on disclosed herein, as of the date of this report, the Company did not have any future plans for material investments or capital assets, material acquisition and disposal of subsidiary, associates or joint ventures in the coming year.
21. During the reporting period, the changes in accounting policies and estimates of the Group are detailed in Financial Report III. 35 Significant Accounting Policies and Estimates.

# Corporate Governance

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors confirmed that the Company was in compliance with the Corporate Governance Code (the “Code”) and has not deviated from the Code during the Reporting Period. The Code includes the provisions contained in Part 2 of Appendix C1 to the Listing Rules.

## AUDIT COMMITTEE

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

The audit committee along with the management of the Company has reviewed the accounting standards, accounting treatments, principles and methods adopted by the Group, and considered matters regarding auditing, internal control and financial reporting; the audit committee has reviewed the unaudited interim accounts and results for the six months ended 30 June 2024.

The audit committee agreed to the accounting standards, accounting treatments, principles and methods adopted by the Group for the unaudited interim accounts and results for the six months ended 30 June 2024 and that sufficient disclosures have been made.

## REMUNERATION AND EXAMINATION COMMITTEE

During the Reporting Period, there are no material matters relating to share schemes mentioned in Chapter 17 of the Listing Rules that were reviewed and/or approved by the Remuneration Committee and the Company did not have matters relating to any grants of options or awards to the Directors or Senior Management of the Company as set out in Rule 17.03(F) and Rules 17.06B(7) and (8) of the Listing Rules.

## INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four independent non-executive Directors including one female member with financial management expertise, of whom the biographical details were set out in the 2023 Annual Report of the Company.

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

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

### **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the six months ended 30 June 2024.



# Consolidated Balance Sheet

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Balance at the end of the period	Balance at the beginning of the period
<b>Current assets:</b>			
Monetary funds	V.1	996,332,270.24	918,334,462.29
Notes receivable	V.2	11,120,887.78	8,191,109.23
Accounts receivable	V.3	1,022,661,555.32	699,877,948.91
Accounts receivable financing	V.5	265,906,217.22	240,274,709.86
Prepayments	V.7	45,819,042.36	35,369,251.02
Other receivables	V.6	17,036,147.69	9,336,085.40
Including: Interest receivable	V.6.1		
Dividends receivable	V.6.2	8,182,200.00	—
Inventories	V.8	1,191,617,251.27	1,312,983,676.75
Contract assets	V.4	678,211.26	819,429.40
Other current assets	V.9	87,493,485.66	89,146,943.15
<b>Total current assets</b>		<b>3,638,665,068.80</b>	<b>3,314,333,616.01</b>
<b>Non-current assets:</b>			
Long-term equity investments	V.11	59,906,504.83	58,572,098.00
Other equity instrument investments	V.10	215,705,552.11	182,797,067.30
Investment properties	V.12	33,411,820.38	33,908,633.73
Fixed assets	V.13	3,476,847,498.18	3,325,944,627.93
Construction in progress	V.14	671,137,450.24	730,545,057.96
Right-of-use asset	V.15	3,386,775.98	4,324,321.34
Intangible assets	V.16	476,518,757.01	494,937,199.11
Goodwill	V.17		
Long-term deferred expenses	V.18	12,582,786.47	14,462,413.51
Deferred income tax assets	V.19	16,358,940.91	23,478,171.11
Other non-current assets	V.20	129,337,969.65	102,863,124.90
<b>Total non-current assets</b>		<b>5,095,194,055.76</b>	<b>4,971,832,714.89</b>
<b>Total assets</b>		<b>8,733,859,124.56</b>	<b>8,286,166,330.90</b>

# Consolidated Balance Sheet (Continued)

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Balance at the end of the period	Balance at the beginning of the period
<b>Current liabilities:</b>			
Short-term borrowings	V.22	378,399,398.19	283,958,677.68
Notes payable	V.23	549,535,177.32	511,430,531.37
Accounts payable	V.24	670,408,897.94	666,412,933.67
Contract liabilities	V.26	85,029,547.40	149,135,948.62
Payroll payable	V.27	45,175,159.34	123,985,296.73
Taxes payable	V.28	23,929,921.49	18,865,677.96
Other payables	V.25	734,847,955.33	435,525,634.82
Including: Interest payable	V.25.1		
Dividends payable	V.25.2	184,894,508.28	15,290,599.53
Non-current liabilities due within one year	V.29	110,571,244.26	273,755,184.03
Other current liabilities	V.30	15,821,060.13	22,930,593.51
<b>Total current liabilities</b>		<b>2,613,718,361.40</b>	<b>2,486,000,478.39</b>
<b>Non-current liabilities:</b>			
Long-term loans	V.31	912,190,889.20	799,400,000.00
Lease liabilities	V.32	1,164,135.29	1,578,792.87
Long-term payables	V.33	21,500,000.00	20,000,000.00
Deferred incomes	V.34	91,523,472.20	100,666,757.92
Deferred income tax liabilities	V.19	115,553,193.73	99,205,514.96
Other non-current liabilities	V.35	3,561,500.00	3,561,500.00
<b>Total non-current liabilities</b>		<b>1,145,493,190.42</b>	<b>1,024,412,565.75</b>
<b>Total liabilities</b>		<b>3,759,211,551.82</b>	<b>3,510,413,044.14</b>
<b>Shareholders' equity:</b>			
Capital stock	V.36	682,407,635.00	674,682,835.00
Capital reserve	V.37	1,122,731,950.76	1,055,010,870.76
Other comprehensive income	V.38	141,218,826.42	113,618,002.82
Special reserve	V.39	6,505,475.15	3,392,612.67
Surplus reserve	V.40	400,960,654.39	400,960,654.39
Undistributed profits	V.41	2,400,241,402.85	2,305,438,893.92
<b>Total equity attributable to the shareholders of parent company</b>		<b>4,754,065,944.57</b>	<b>4,553,103,869.56</b>
Minority shareholders' interests		220,581,628.17	222,649,417.20
<b>Total shareholders' equity</b>		<b>4,974,647,572.74</b>	<b>4,775,753,286.76</b>
<b>Total liabilities and shareholder's equity</b>		<b>8,733,859,124.56</b>	<b>8,286,166,330.90</b>

# Parent Company's Balance Sheet

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Balance at the end of the period	Balance at the beginning of the year
<b>Current assets:</b>			
Monetary funds		678,570,805.21	619,963,214.67
Notes receivable		1,444,023.09	424,227.70
Accounts receivable	XVII.1	692,959,718.03	581,298,660.65
Accounts receivable financing		162,332,253.96	117,635,662.29
Prepayments		26,337,459.80	29,888,129.88
Other receivables	XVII.2	344,140,226.33	328,523,374.62
Including: Interest receivable	XVII.2.1		
Dividends receivable	XVII.2.2	8,182,200.00	
Inventories		700,071,329.27	809,695,235.49
Other current assets		41,036,708.29	44,612,931.19
<b>Total current assets</b>		<b>2,646,892,523.98</b>	<b>2,532,041,436.49</b>
<b>Non-current assets:</b>			
Long-term equity investments	XVII.3	804,112,897.46	802,548,501.27
Other equity instrument investments		215,705,552.11	182,797,067.30
Investment properties		55,794,099.74	58,252,230.86
Fixed assets		2,721,784,410.32	2,547,011,919.98
Construction in progress		243,599,352.95	359,871,461.68
Right-of-use asset		3,473,800.63	3,582,585.66
Intangible assets		307,155,287.41	322,734,371.61
Long-term deferred expenses		10,549,582.90	12,636,700.12
Other non-current assets		103,707,783.38	78,679,082.60
<b>Total non-current assets</b>		<b>4,465,882,766.90</b>	<b>4,368,113,921.08</b>
<b>Total assets</b>		<b>7,112,775,290.88</b>	<b>6,900,155,357.57</b>

# Parent Company's Balance Sheet (Continued)

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Balance at the end of the period	Balance at the beginning of the year
<b>Current liabilities:</b>			
Short-term borrowings		274,872,509.29	209,156,990.15
Notes payable		529,234,120.07	515,107,190.16
Accounts payable		440,107,037.90	491,987,667.27
Contract liabilities		36,759,083.59	43,504,629.84
Payroll payable		26,123,417.24	98,917,528.14
Taxes payable		6,974,732.35	7,259,284.11
Other payables		486,890,399.51	325,081,168.42
Including: Dividends payable		175,912,508.28	5,310,599.53
Non-current liabilities due within one year		108,313,907.37	271,176,898.13
Other current liabilities		1,657,984.98	4,215,796.40
<b>Total current liabilities</b>		<b>1,910,933,192.30</b>	<b>1,966,407,152.62</b>
<b>Non-current liabilities:</b>			
Long-term loans		886,190,889.20	772,400,000.00
Lease liabilities		2,253,806.24	2,464,281.07
Long-term payables		21,500,000.00	20,000,000.00
Deferred incomes		89,654,128.81	98,634,428.20
Deferred income tax liabilities		101,345,189.31	84,264,078.38
Other non-current liabilities		3,561,500.00	3,561,500.00
<b>Total non-current liabilities</b>		<b>1,104,505,513.56</b>	<b>981,324,287.65</b>
<b>Total liabilities</b>		<b>3,015,438,705.86</b>	<b>2,947,731,440.27</b>
<b>Shareholders' equity:</b>			
Capital stock		682,407,635.00	674,682,835.00
Capital reserve		1,180,034,503.38	1,112,313,423.38
Other comprehensive income		139,808,198.99	111,835,986.91
Special reserve		1,971,226.36	
Surplus reserve		394,706,667.32	394,706,667.32
Undistributed profits		1,698,408,353.97	1,658,885,004.69
<b>Total shareholders' equity</b>		<b>4,097,336,585.02</b>	<b>3,952,423,917.30</b>
<b>Total liabilities and shareholder's equity</b>		<b>7,112,775,290.88</b>	<b>6,900,155,357.57</b>

# Consolidated Income Statement

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Amount of current period	Amount of previous period
<b>I. Gross revenue</b>		<b>4,732,481,467.24</b>	4,672,269,049.13
Including: Operating revenue	V.42	<b>4,732,481,467.24</b>	4,672,269,049.13
<b>II. Total operating cost</b>		<b>4,414,193,942.13</b>	4,311,750,429.21
Including: Operating cost	V.42	<b>3,547,931,805.24</b>	3,281,046,254.21
Taxes and surcharges	V.43	<b>36,899,978.55</b>	60,476,643.03
Selling expenses	V.44	<b>403,565,129.41</b>	487,038,936.17
Administration expenses	V.45	<b>181,073,486.83</b>	246,316,699.21
Research and development expense	V.46	<b>243,105,634.20</b>	235,529,909.24
Financial expenses	V.47	<b>1,617,907.90</b>	1,341,987.35
Including: Interest expenses		<b>17,868,283.95</b>	21,488,813.56
Interest income		<b>4,581,339.55</b>	6,731,842.63
Add: Other income	V.48	<b>35,032,548.75</b>	11,695,552.06
Investment incomes (losses to be listed with "-")	V.49	<b>9,516,606.83</b>	8,286,352.28
Including: Incomes from investment into affiliates and joint ventures		<b>1,334,406.83</b>	120,590.68
Credit impairment loss(losses to be listed with "-")	V.50	<b>-8,193,415.41</b>	-3,477,647.35
Asset impairment loss (losses to be listed with "-")	V.51	<b>-48,313,538.64</b>	-44,340,776.07
Gains from asset disposals (losses to be listed with "-")	V.52	<b>1,240,258.42</b>	1,274,182.44
<b>III. Operating profit (losses to be listed with "-")</b>		<b>307,569,985.06</b>	333,956,283.28
Add: Non-Operating revenue	V.53	<b>326,560.85</b>	632,015.65
Less: Non-operating expenditure	V.54	<b>4,532,708.22</b>	2,642,486.67
<b>IV. Total profits (total loss to be listed with "-")</b>		<b>303,363,837.69</b>	331,945,812.26
Less: Income tax expense	V.55	<b>30,597,489.83</b>	56,265,379.99
<b>V. Net profit (net loss to be listed with "-")</b>		<b>272,766,347.86</b>	275,680,432.27
(I) By operation continuity			
(1) Net profit from continued operations (listed with "-" for net loss)		<b>272,766,347.86</b>	275,680,432.27
(2) Net profit from discontinued operations (listed with "-" for net loss)			
(II) By ownership			
(1) Net profit attributable to shareholders of parent company(listed with "-" for net loss)		<b>265,404,417.68</b>	269,807,157.85
(2) Minority interest in profit or loss (listed with "-" for net loss)		<b>7,361,930.18</b>	5,873,274.42

# Consolidated Income Statement (Continued)

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Amount of current period	Amount of previous period
<b>VI. Net after-tax other comprehensive income</b>	V.38	<b>27,326,906.39</b>	13,873,006.87
Net after-tax other comprehensive income attributable to the owners of the parent company		<b>27,600,823.60</b>	13,346,960.91
(I) Other comprehensive income not subject to reclassification to profit or loss	V.38	<b>27,972,212.08</b>	11,510,475.54
1. change in fair value of other equity instrument investments	V.38	<b>27,972,212.08</b>	11,510,475.54
(II) Other comprehensive income to be reclassified to profit or loss in future	V.38	<b>-371,388.48</b>	1,836,485.37
1. Conversion difference of foreign currency statement	V.38	<b>-371,388.48</b>	1,836,485.37
Net after-tax other comprehensive income attributable to minority shareholders		<b>-273,917.21</b>	526,045.96
<b>VII. Total comprehensive income</b>		<b>300,093,254.25</b>	289,553,439.14
Total comprehensive income attributable to the shareholders of parent company		<b>293,005,241.28</b>	283,154,118.76
Total comprehensive income attributable to the minority shareholders		<b>7,088,012.97</b>	6,399,320.38
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share	V.62	<b>0.39</b>	0.40
(II) Diluted earnings per share	V.62	<b>0.38</b>	0.39

# Parent Company's Income Statement

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Amount of current period	Amount of previous period
<b>I. Gross revenue</b>	XVII.4	<b>2,083,676,630.73</b>	2,474,920,495.39
Less: Operating cost	XVII.4	<b>1,530,068,826.36</b>	1,655,828,518.37
Taxes and surcharges		<b>21,323,905.22</b>	27,646,632.59
Selling expenses		<b>16,899,062.58</b>	34,054,566.32
Administration expenses		<b>115,840,752.71</b>	178,639,129.12
Research and development expense		<b>187,205,774.78</b>	186,037,994.31
Financial expenses		<b>394,189.85</b>	1,688,843.56
Including: Interest expenses		<b>16,316,032.51</b>	20,394,576.25
Interest income		<b>3,430,685.20</b>	5,215,302.77
Add: Other income		<b>24,304,395.69</b>	11,102,958.72
Investment incomes (losses to be listed with "-")	XVII.5	<b>18,534,606.83</b>	22,806,352.28
Including: Incomes from investment into affiliates and joint ventures		<b>1,334,406.83</b>	120,590.68
Credit impairment loss(losses to be listed with "-")		<b>-2,759,257.30</b>	-2,413,790.36
Asset impairment loss (losses to be listed with "-")		<b>-28,724,758.93</b>	-32,041,770.40
Gains from asset disposals (losses to be listed with "-")		<b>1,092,715.09</b>	520,089.31
<b>II. Operating profit (losses to be listed with "-")</b>		<b>224,391,820.61</b>	390,998,650.67
Add: Non-operating revenue		<b>124,464.01</b>	260,382.95
Less: Non-operating expenditure		<b>2,246,188.39</b>	1,578,471.15
<b>III. Total profits (total loss to be listed with "-")</b>		<b>222,270,096.23</b>	389,680,562.47
Less: Income tax expense		<b>12,144,838.20</b>	43,086,898.68
<b>IV. Net profit (net loss to be listed with "-")</b>		<b>210,125,258.03</b>	346,593,663.79
(I) Net profit from continued operations (listed with "-" for net loss)		<b>210,125,258.03</b>	346,593,663.79
(II) Net profit from discontinued operations (listed with "-" for net loss)			
<b>V. Net after-tax other comprehensive income</b>		<b>27,972,212.08</b>	11,510,475.54
(I) Other comprehensive income not subject to reclassification to profit or loss		<b>27,972,212.08</b>	11,510,475.54
1. Change in fair value of other equity instrument investments		<b>27,972,212.08</b>	11,510,475.54
(II) Other comprehensive income to be reclassified to profit or loss in future			
1. Conversion difference of foreign currency statement			
<b>VI. Total comprehensive income</b>		<b>238,097,470.11</b>	358,104,139.33
<b>VII. Earnings per share:</b>			
(I) Basic earnings per share			
(II) Diluted earnings per share			

# Consolidated Cash Flow Statement

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Amount of current period	Amount of previous period
<b>I. Cash flow from operating activities:</b>			
Cash received from sale of goods or rendering services		4,050,156,477.81	3,707,223,079.63
Refunds of taxes and levies		57,609,594.54	40,197,606.85
Other cash received from operating-related activities	V、 57	22,048,688.73	32,566,512.66
<b>Subtotal of cash inflows from operating activities</b>		<b>4,129,814,761.08</b>	<b>3,779,987,199.14</b>
Cash paid for goods purchased and labor services received		2,918,643,588.20	2,445,747,105.90
Cash paid to and for employees		560,833,836.97	556,738,596.74
Cash paid for taxes and surcharges		141,581,373.11	218,257,736.69
Other cash paid related to operating activities	V、 57	431,354,907.93	539,112,689.15
<b>Subtotal of cash outflows from operating activities</b>		<b>4,052,413,706.21</b>	<b>3,759,856,128.48</b>
<b>Net cash flow from investing activities</b>		<b>77,401,054.87</b>	<b>20,131,070.66</b>
<b>II. Cash flow generated from investing activities:</b>			
Cash received from returns on investments			5,100,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		518,488.00	2,054,138.44
Other cash received from investing activities	V、 57		
<b>Subtotal of cash inflows from investing activities</b>		<b>518,488.00</b>	<b>7,154,138.44</b>
Cash paid for acquisitions of fixed assets, intangible assets and long-term assets		97,146,577.24	119,900,862.91
Other cash paid from investing activities	V、 57		
<b>Subtotal of cash outflow from investing activities</b>		<b>97,146,577.24</b>	<b>119,900,862.91</b>
<b>Net cash flow from investing activities</b>		<b>-96,628,089.24</b>	<b>-112,746,724.47</b>



# Consolidated Cash Flow Statement (Continued)

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Amount of current period	Amount of previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		58,785,728.00	6,018,012.00
Including: cash received from subsidiaries' receipt of investment from minority shareholders			
Cash received from loans		599,257,852.93	756,317,994.30
Other cash received related to financing activities	V、57	1,500,000.00	
<b>Subtotal of cash inflows from financing activities</b>		<b>659,543,580.93</b>	<b>762,336,006.30</b>
Cash paid for repayment of debts		554,605,977.07	403,970,534.58
Cash paid for distributing dividends and profits or paying interest		27,563,937.31	22,175,105.05
Including: dividends and profits paid to minority shareholders by subsidiaries		9,980,000.00	500,000.00
Other cash paid related to financing activities	V、57	716,650.45	401,560,228.35
<b>Subtotal of cash outflows from financing activities</b>		<b>582,886,564.83</b>	<b>827,705,867.98</b>
<b>Net cash flows from financing activities</b>		<b>76,657,016.10</b>	<b>-65,369,861.68</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>11,807,462.75</b>	<b>1,520,914.71</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>69,237,444.48</b>	<b>-156,464,600.78</b>
Add: Cash and cash equivalents at the beginning of the period		781,684,254.87	1,010,764,347.51
<b>VI. Cash and cash equivalents at the end of the period</b>		<b>850,921,699.35</b>	<b>854,299,746.73</b>

# Parent Company Cash Flow Statement

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Amount of current period	Amount of previous period
<b>I. Cash flow from operating activities:</b>			
Cash received from sale of goods or rendering services		1,593,653,032.07	1,761,577,419.88
Refunds of taxes and levies		41,741,757.71	27,345,182.90
Other cash received from operating-related activities		10,148,195.09	31,740,192.40
<b>Subtotal of cash inflows from operating activities</b>		<b>1,645,542,984.87</b>	<b>1,820,662,795.18</b>
Cash paid for goods purchased and labor services received		1,015,606,843.97	1,026,433,746.23
Cash paid to and for employees		343,891,496.86	347,067,524.55
Cash paid for taxes and surcharges		39,630,213.70	70,836,069.66
Other cash paid related to operating activities		186,143,005.93	378,698,313.93
<b>Subtotal of cash outflows from operating activities</b>		<b>1,585,271,560.46</b>	<b>1,823,035,654.37</b>
<b>Net cash flow from investing activities</b>		<b>60,271,424.41</b>	<b>-2,372,859.19</b>
<b>II. Cash flow generated from investing activities:</b>			
Cash received from returns on investments		9,018,000.00	19,620,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		363,250.00	632,536.00
<b>Subtotal of cash inflows from investing activities</b>		<b>9,381,250.00</b>	<b>20,252,536.00</b>
Cash paid for acquisitions of fixed assets, intangible assets and long-term assets		86,443,356.14	82,603,566.59
Cash paid for acquisitions of investments			
Other cash paid related to investing activities			
<b>Subtotal of cash outflow from investing activities</b>		<b>86,443,356.14</b>	<b>82,603,566.59</b>
<b>Net cash flow from investing activities</b>		<b>-77,062,106.14</b>	<b>-62,351,030.59</b>

# Parent Company Cash Flow Statement (Continued)

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Item	Notes	Amount of current period	Amount of previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions		58,785,728.00	6,018,012.00
Cash received from loans		480,757,852.93	682,817,994.30
Other cash received related to financing activities		1,500,000.00	
<b>Subtotal of cash inflows from financing activities</b>		<b>541,043,580.93</b>	<b>688,836,006.30</b>
Cash paid for repayment of debts		463,968,977.07	372,770,534.58
Cash paid for distributing dividends and profits or paying interest		16,415,827.58	20,652,949.48
Other cash paid related to financing activities			400,000,000.00
<b>Subtotal of cash outflows from financing activities</b>		<b>480,384,804.65</b>	<b>793,423,484.06</b>
<b>Net cash flows from financing activities</b>		<b>60,658,776.28</b>	<b>-104,587,477.76</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>11,564,260.05</b>	<b>1,357,500.92</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>55,432,354.60</b>	<b>-167,953,866.62</b>
Add: Cash and cash equivalents at the beginning of the period		517,980,930.97	765,159,252.90
<b>VI. Cash and cash equivalents at the end of the period</b>		<b>573,413,285.57</b>	<b>597,205,386.28</b>

# Consolidated Statement of Changes in Shareholder's Equity

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Six months ended 30 June 2024														
Item	Equity assigned to the shareholders of parent company												Minority shareholders' equity	Total shareholder's equity
	Capital stock	Preferred stock	Other equity instrument Perpetual bond	Others	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal	
I. Balance at the end of last period	674,682,835.00				1,055,010,870.76		113,618,002.82	3,392,612.67	400,960,654.39		2,305,438,893.92		4,553,103,869.56	4,775,753,286.76
II. Balance at the beginning of current period	674,682,835.00				1,055,010,870.76		113,618,002.82	3,392,612.67	400,960,654.39		2,305,438,893.92		4,553,103,869.56	4,775,753,286.76
III. current period increase/decrease (decrease to be listed with "-")	7,724,800.00				67,721,080.00		27,600,823.60	3,112,862.48			94,802,508.93		200,962,075.01	198,894,285.98
(I) Total comprehensive income							27,600,823.60				265,404,417.68		293,005,241.28	300,093,254.25
(II) Invested and decreased capital of shareholders	7,724,800.00				67,721,080.00								75,445,880.00	75,272,078.00
1. Shareholder's contribution of capital	7,724,800.00				51,060,928.00								58,785,728.00	58,611,926.00
2. Amount of share-based payment recognized as share holder's interest					16,660,152.00								16,660,152.00	16,660,152.00
(III) Profit distribution											-170,601,908.75		-170,601,908.75	-179,583,908.75
1. Distribution to shareholders											-170,601,908.75		-170,601,908.75	-179,583,908.75
(IV) Special reserve								3,112,862.48					3,112,862.48	3,112,862.48
1. Appropriation in current period								8,253,315.24					8,253,315.24	8,253,315.24
2. Amount used in current period								5,140,452.76					5,140,452.76	5,140,452.76
IV. Balance at end of current period	682,407,635.00				1,122,731,950.76		141,218,826.42	6,505,475.15	400,960,654.39		2,400,241,402.85		4,754,065,944.57	4,974,647,572.74

Six months ended 30 June 2023														
Item	Equity assigned to the shareholders of parent company												Minority shareholders' equity	Total shareholder's equity
	Capital stock	Preferred stock	Other equity instrument Perpetual bond	Others	Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal	
I. Balance at the end of last period	669,627,235.00				998,144,589.65		112,126,734.41	1,551,906.40	356,955,596.10		1,988,054,329.39		4,126,460,390.95	4,349,905,162.81
II. Balance at the beginning of current period	669,627,235.00				998,144,589.65		112,126,734.41	1,551,906.40	356,955,596.10		1,988,054,329.39		4,126,460,390.95	4,349,905,162.81
III. current period increase/decrease (decrease to be listed with "-")	5,055,600.00				49,909,747.92		13,346,960.91	1,171,481.49			134,870,590.85		204,354,381.17	200,273,701.55
(I) Total comprehensive income							13,346,960.91				269,807,157.85		283,154,118.76	289,553,439.14
(II) Invested and decreased capital of shareholders	5,055,600.00				49,909,747.92								54,965,347.92	54,965,347.92
1. Shareholder's contribution of capital	5,055,600.00				29,726,928.00								34,782,528.00	34,782,528.00
2. Amount of share-based payment recognized as share holder's interest					20,182,819.92								20,182,819.92	20,182,819.92
(III) Profit distribution											-134,936,567.00		-134,936,567.00	-145,416,567.00
1. Distribution to shareholders											-134,936,567.00		-134,936,567.00	-145,416,567.00
(IV) Special reserve								1,171,481.49					1,171,481.49	1,171,481.49
1. Appropriation in current period								11,913,622.94					11,913,622.94	11,913,622.94
2. Amount used in current period								10,742,141.45					10,742,141.45	10,742,141.45
(V) Other	674,682,835.00				1,048,054,337.57		125,473,695.32	2,723,387.89	356,955,596.10		2,122,924,920.24		4,330,814,772.12	4,550,178,864.36
IV. Balance at end of current period	669,627,235.00				998,144,589.65		112,126,734.41	1,551,906.40	356,955,596.10		1,988,054,329.39		4,126,460,390.95	4,349,905,162.81

# Parent Company Statement of Changes in Shareholder's Equity

June 30, 2024

Prepared by: Shandong Xinhua Pharmaceutical Company Limited

Unit: RMB

Six months ended 30 June 2024												
		Other equity instrument				Less:	Other					Total of shareholder's equity
Item	Capital stock	Preferred stock	Perpetual bond	Others	Capital surplus	Treasury stock	comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	
I. Balance at the end of last period	674,682,835.00				1,112,313,423.38		111,835,986.91		394,706,667.32	1,658,885,004.69		3,952,423,917.30
II. Balance at the beginning of current period	674,682,835.00				1,112,313,423.38		111,835,986.91		394,706,667.32	1,658,885,004.69		3,952,423,917.30
III. current period increase/decrease (decrease to be listed with "-.")	7,724,800.00				67,721,080.00		27,972,212.08	1,971,226.36		39,523,349.28		144,912,667.72
(I) Total comprehensive income							27,972,212.08			210,125,258.0		238,097,470.11
(II) Invested and decreased capital of shareholders	7,724,800.00				67,721,080.00							75,445,880.00
1. Shareholder's contribution of capital	7,724,800.00				51,060,928.00							58,785,728.00
2. Amount of share-based payment recognized as share holder's interest					16,660,152.00							16,660,152.00
(III) Profit distribution										-170,601,908.75		-170,601,908.75
1. Distribution to shareholders										-170,601,908.75		-170,601,908.75
(IV) Special reserve								1,971,226.36				1,971,226.36
1. Appropriation in current period								6,834,604.20		6,834,604.20		6,834,604.20
2. Amount used in current period								4,863,377.84				4,863,377.84
IV. Balance at end of current period	682,407,635.00				1,180,034,503.38		139,808,198.99	1,971,226.36	394,706,667.32	1,698,408,353.97		4,097,336,585.02
Six months ended 30 June 2023												
		Other equity instrument				Less:	Other					Total of shareholder's equity
Item	Capital stock	Preferred stock	Perpatual bond	Others	Capital surplus	Treasury stock	comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Others	
I. Balance at the end of last period	669,627,235.00				1,055,447,142.27		111,183,262.32		350,701,609.03	1,397,776,047.04		3,584,735,295.66
II. Balance at the beginning of current period	669,627,235.00				1,055,447,142.27		111,183,262.32		350,701,609.03	1,397,776,047.04		3,584,735,295.66
III. current period increase/decrease (decrease to be listed with "-.")	5,055,600.00				49,909,747.92		11,510,475.54	56,144.76		211,657,096.79		278,189,065.01
(I) Total comprehensive income							11,510,475.54			346,593,663.79		358,104,139.33
(II) Invested and decreased capital of shareholders	5,055,600.00				49,909,747.92							54,965,347.92
1. Shareholder's contribution of capital	5,055,600.00				29,726,928.00							34,782,528.00
2. Amount of share-based payment recognized as share holder's interest					20,182,819.92							20,182,819.92
(III) Profit distribution										-134,936,567.00		-134,936,567.00
1. Distribution to shareholders										-134,936,567.00		-134,936,567.00
(IV) Special reserve								56,144.76				56,144.76
1. Appropriation in current period								6,708,975.26				6,708,975.26
2. Amount used in current period								6,652,830.50				6,652,830.50
IV. Balance at end of current period	674,682,835.00				1,105,356,890.19		122,693,737.86	56,144.76	350,701,609.03	1,609,433,143.83		3,862,924,360.67

# Notes to the Interim Financial Statements

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

## I. COMPANY PROFILE

Shandong Xinhua Pharmaceutical Co., Ltd. (hereinafter referred to as "the Company", and collectively referred to as "the Group" when containing subsidiaries) was established in 1993 by the restructuring of Shandong Xinhua Pharmaceutical Factory. The Company offered H shares of the People's Republic of China to the public in Hong Kong in December 1996, and offered A share of the People's Republic of China to the public in Shenzhen in July 1997. The Company was transformed into a foreign invested joint stock company after being approved by the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China in November 1998. In September 2001, the Company was approved the issuance of 30 million shares of common stock of A shares, while reducing the holding of 3 million shares of state-owned shares. After the change, the registered capital of the company was RMB457,312,830.00.

The Company was approved to issue 21,040,591 RMB A-shares to 2 specific investors in September 2017, with an issue price of RMB11.15 and an additional registered capital of RMB21,040,591.00.

The Company implemented the 2017 annual dividend scheme in July 2018, with capital reserve converted into share capital of 143,506,026 shares. After the transfer of capital, the total share capital of the Company was 621,859,447 shares. The registered capital of the Company was RMB621,859,447.00.

On 28 December 2020, according to the provisions of the 2018 A-share stock option incentive plan (Draft), the first waiting period for granting stock options to incentive objects expired. The company issued A-share common shares to the incentive objects. In the first exercise period of stock options, 184 incentive objects actually exercised, and the number of stock options exercised was 5.508 million. The listing and circulation date of the exercise shares: January 19, 2021. After the exercise, the additional registered capital is RMB5,508,000.00.

On 28 December 2021, according to the provisions of the 2018 A-share stock option incentive plan (Draft), the second waiting period for granting stock options to incentive objects expired. The company issued A-share common shares to the incentive objects. In the second exercise period of stock options, 178 incentive objects actually exercised, and the number of stock options exercised was 5.1678 million. The listing and circulation date of the exercise shares: 13 January 2022. After the exercise, the additional registered capital is RMB5,167,800.00.

In March 2022, the Company was approved to issue 37,091,988 RMB-A shares to one specific investor at an issue price of RMB6.74 and an additional registered capital of RMB37,091,988.00.

On 28 December 2022, according to the provisions of the 2018 A-share stock option incentive plan (Draft), the third waiting period for granting stock options to incentive objects expired. The company issued A-share common shares to the incentive objects. In the third exercise period of stock options, 173 incentive objects actually exercised, and the number of stock options exercised was 5.0556 million. The incentive targets are divided into two rounds of exercise, with the first round of exercise of stocks listed and circulating on 11 January 2023, after the completion of the exercise, the newly added registered capital of RMB4,260,300.00; The listing and circulation date of the second exercise of the exercise shares: 9 May 2023, after the completion of the exercise, the new registered capital of RMB795,300.00, the total new registered capital of RMB5,055,600.00.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

On 2 January 2024, in accordance with the relevant provisions of the 2021 A-share Stock Option Incentive Plan (Draft), the first waiting period for granting stock options to incentive objects for the first time has expired. The company has issued its A-share common stock to incentive objects in a targeted manner, and a total of 194 incentive objects have actually exercised their stock options during the first exercise period, with 7.7248 million stock options exercised. The listing and circulation date of the exercise stock is 15 January 2024. After the completion of this exercise, the newly added registered capital is RMB7,724,800.00, and the changed registered capital is RMB682,407,635.00.

As of 30 December 2024, 2024, the registered capital of the Company was RMB682,407,635.00, and the capital structure was as follows:

Class of Shares	Quantity of Shares	Proportion to Total Share Capital (%)
I. Subtotal of tradable shares with restricted sale conditions	38,633,274	5.66
A share with restricted sale conditions	38,633,274	5.66
Including: Domestic legal person shareholding	37,091,988	5.44
Executive shares of A share with restricted sale conditions	1,541,286	0.22
II. Subtotal of tradable shares without restricted sale conditions	643,774,361	94.34
RMB common stocks (A share)	448,774,361	65.76
Overseas listed foreign shares (H share)	195,000,000	28.58
III. Total number of shares	682,407,635	100.00

The parent company of the company is Hualu Holdings Co., Ltd, and the ultimate holding company is the State-owned Assets Supervision and Administration Commission of ShanDong Province. Both companies are registered in China.

The company belongs to the pharmaceutical manufacturing industry. Our main business is engaged in the development, manufacturing, and sales of chemical raw materials, formulations, and chemical products; The main products include "Xinhua Brand" antipyretic and analgesic drugs, cardiovascular and cerebrovascular drugs, anti-infective drugs, and central nervous system drugs.

The controlling shareholder of the Company is Hualu Holdings Co., Ltd. (hereinafter referred to as "Hualu Holdings"). The general meeting of shareholders is the Company's authority, which is entitled to exercise the Company's business policy, financing, investment, profit distribution and other resolution rights of significant events according to the law. The board of directors is responsible to the general meeting of shareholders, and shall exercise the business decision-making right of the Company in accordance with law; the managers are responsible for organizing the implementation of resolution matters of the general meeting of shareholders and the board of directors and managing the production and operation of the Company.

The Company is registered in Chemical Industry Zone, High-tech Industrial Development Zone, Zibo City, Shandong Province. The office address is No. 1 Lutai Avenue, High-tech Industry Development Zone, Zibo City, Shandong.

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

## II. PREPARATION BASIS OF FINANCIAL STATEMENTS

### 1. Preparation basis

The financial statements of the Group are prepared based on actual transactions and events, in accordance with the Enterprise Accounting Standards and their application guidelines, interpretations, and other relevant regulations issued by the Ministry of Finance (hereinafter referred to as the "Enterprise Accounting Standards"), the China Securities Regulatory Commission's (hereinafter referred to as the "CSRC") "Rules for the Disclosure of Information by Companies Issuing Securities to the Public No. 15 – General Provisions on Financial Reporting" (revised in 2023) and relevant regulations, as well as the relevant disclosures required by the Hong Kong Companies Ordinance and the Listing Rules/GEM Listing Rules of the Hong Kong Stock Exchange, and based on the accounting policies and estimates described in Note III "Important Accounting Policies and Accounting Estimates".

### 2. Going concern

The Group assessed the ability of going concern for the 12 months since the end of the reporting period, and did not find any significant matters and circumstances which caused a significant doubt on the ability of going concern. Accordingly, the financial statements are prepared on a going concern basis.

## III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The specific accounting policies and estimates formulated by the Group based on the actual production and operation characteristics include business cycle, recognition and measurement of bad debt reserves for accounts receivable, measurement of issued inventory, classification and depreciation methods of fixed assets, amortization of intangible assets, capitalization conditions for research and development expenses, revenue recognition and measurement, etc.

### 1. Declaration on compliance with ASBE

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the financial position of the Company and the Group, as well as the operating results and cash flow.

### 2. Accounting period

The accounting period runs from January 1 to December 31 of Gregorian calendar.

### 3. Period of operating cycle

The operating cycle of the Company is 12 months, which is used as the dividing standard of liquidity of asset and liability.



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 4. Recording currency

Recording currency of the Company and its domestic subsidiaries is RMB, and that of foreign subsidiaries is local currency.

The currency adopted by the Group for preparation of the financial statements is RMB.

## 5. Determining method and selecting basis of importance criterion

The Group prepares and discloses financial statements in accordance with the materiality principle. The matters disclosed in the notes to this financial statement involve the judgment of the materiality standard and the determination method and selection basis of the materiality standard are as follows:

Disclosure Matters Involving the Judgement of Importance Standards	The Disclosure Position of this Matter in the Notes to this Financial Statement	Method and Selection Basis for Determining the Importance Standard
Receivables for significant single provision for bad debts	V.3	A single amount of more than 5 million yuan
Accounts receivable in the Current Period bad debts provision recovery or reversal of the amount is important	V.3	A single amount of more than 5 million yuan
Significant receivables written off/debt investments written off/ other debt investments written off for the period	V.3	A single amount of more than 5 million yuan
Significant capitalized R&D projects/outourced research projects	VI	A single amount of more than 50 million yuan
Significant investment activities	V.57	A single amount of more than 50 million yuan
Significant non-wholly owned subsidiary/joint venture	VIII.3	The net profit of a single subject accounts for more than 10% of the items related to the group's consolidated statements
Important contingencies/future events/other important events	XIV	The amount exceeds 10% of the net profit

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

### 6. Accounting treatment for the merger of enterprises under the same control and non-under the same control

#### (1) *Merger of enterprises under the same control*

The enterprises participating in the merger are subject to the final control of the same party or the same multiple parties before and after the merger, and the control is not temporary, which is the merger of enterprises under the same control.

The assets and liabilities acquired by the Group as a merging party in the business combination under the same control are measured at the carrying amount of the merged party in the consolidated statements of the ultimate controller on the date of consolidation. The difference between the book value of the net assets obtained and the book value of the consolidated consideration paid (or the total par value of the issued shares) shall be adjusted to the capital reserve; If the capital reserve is insufficient to offset the offset, the retained earnings shall be adjusted.

#### (2) *Merger of enterprises not under the same control*

If the parties involved in the merger are not under the ultimate control of the same party or the same multiple parties before and after the merger, it is an enterprise merger under the same control.

The identifiable assets, liabilities and contingent liabilities of the acquiree acquired by the Group as a purchaser in a business combination not under common control are measured at fair value at the acquisition date. The difference between the cost of the merger and the fair value share of the identifiable net assets of the acquiree obtained in the merger shall be recognized as goodwill; If the cost of the merger is less than the fair value share of the identifiable net assets of the acquiree obtained in the merger, the fair value of the identifiable assets, liabilities and contingent liabilities obtained in the merger, as well as the cost of the merger, shall be reviewed first, and if the merger cost is still less than the fair value share of the identifiable net assets of the acquiree obtained in the merger, the difference shall be included in the non-operating income of the Current Period of the merger.

### 7. Controlled judgment criteria and preparation method of consolidated financial statements

The scope of consolidation of the Group's consolidated financial statements is determined on the basis of control, including the company and all subsidiaries under the control of the company. The standard of the Group's judgement and control is that the group has the power to the invested party, enjoys variable returns by participating in the relevant activities of the invested party, and has the ability to use the power to influence the amount of return on the invested party.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

During preparation of consolidated financial statements, in the event that the accounting policies or accounting period adopted by subsidiaries are not in line with that of the Company, necessary adjustments shall be made to the financial statements of subsidiaries according to the accounting policy and accounting period of the Company.

The impact of internal transactions between the Company and its subsidiaries and between them on the consolidated financial statements is offset at the time of consolidation. The share of the owner's equity of the subsidiary that does not belong to the parent company and the share of the net profit or loss for the Current Period, other comprehensive income and total comprehensive income attributable to minority interests are respectively listed in the consolidated financial statements under the item "minority interests, minority shareholders' profit and loss, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders".

For the subsidiary acquired in the business merger under common control, its business performance and cash flow are included in the consolidated financial statements from the beginning of the Current Period of the merger. When preparing comparative consolidated financial statements, the financial statements of the subsidiary shall be adjusted on the basis of the fair value of various identifiable assets, liabilities and contingent liabilities determined on the date of purchase.

The Group partially disposes of the long-term equity investment in the subsidiary without losing control. In the consolidated financial statements, the disposal price and the disposal of the long-term equity investment correspond to the difference between the net asset share continuously calculated by the subsidiary from the date of purchase or the date of consolidation, and adjust the capital premium or equity premium, capital reserve. If the reserve is insufficient to offset, the retained income shall be adjusted.

If the Group loses control of the invested party due to the disposal of part of the equity investment and other reasons, when preparing the consolidated financial statements, the remaining equity shall be remeasured according to its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity, minus the difference between the shares that should enjoy the net assets continuously calculated by the original subsidiary from the date of purchase or the date of the merger according to the proportion of the original shareholding, shall be included in the investment profit and loss in the Current Period of loss of control, and the goodwill shall be reduced. Other comprehensive income related to the equity investment of the original subsidiary is converted into the current investment profit and loss when the control is lost.

If the Group disposes of the equity investment in the subsidiary step by step through multiple transactions until the loss of control, if the transactions for the disposal of the equity investment in the subsidiary until the loss of control are package transactions, each transaction shall be accounted for as one transaction for the disposal of the subsidiary and the loss of control; However, the difference between the share of the net assets of the subsidiary corresponding to the disposal price and the disposal investment before the loss of control is recognized as other comprehensive income in the consolidated financial statements, and when the control is lost, it is transferred to the current investment profit and loss of control. If the equity investment in the subsidiary is disposed of step by step through multiple transactions until the control is lost, and it is not a package transaction, each transaction shall be accounted for separately according to whether the control is lost.

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

## 8. Classification of joint venture arrangements and accounting treatment methods for joint operation

The group's joint venture arrangement include conduct joint operation and joint venture. Conduct joint operation refers to the joint venture arrangement in which the joint venture party owns the relevant assets of the arrangement and assumes the liabilities related to the arrangement. A joint venture is a joint venture arrangement in which the parties to the joint venture only have rights to the net assets of the arrangement.

For joint operation projects, the Group, as a joint venturer, recognizes the assets and liabilities held separately, as well as the assets held and liabilities assumed by shares, and recognizes the relevant income and expenses separately or on a share basis according to the relevant agreement. The purchase or sale of assets that does not constitute a business transaction with a joint operation, only the part of the profit or loss arising from the transaction attributable to the other participants in the joint operation shall be recognized.

## 9. Cash and cash equivalents

Cash shown in the cash flow statement of the Group refers to the cash on hand and deposits that are available for payment at any time. Cash equivalent in the cash flow statement refers to the investments which have a holding period of not more than 3 months, and are of strong liquidity and readily convertible to known amounts of cash with low risk of value change.

## 10. Calculation of foreign currency business and foreign currency financial statements

### **(1) Foreign currency transactions**

When the Group's foreign currency transactions are initially recognized, the foreign currency amount is converted to the bookkeeping currency amount using the spot rate on the first day of the month in which the transaction takes place. At the balance sheet date, foreign currency monetary items are converted into bookkeeping currency using the spot exchange rate at the balance sheet date, and the conversion difference resulting is directly recognized in the current profit or loss, except for the exchange difference arising from special foreign currency borrowings borrowed for the purchase, construction or production of assets eligible for capitalization. Foreign currency non-monetary items measured at historical cost are still converted at the spot exchange rate on the date of the transaction without changing their RMB amounts. Non-monetary items of foreign currency measured at fair value shall be converted using the spot exchange rate on the date of determination of fair value. The difference between the amount of the bookkeeping standard currency and the amount of the original bookkeeping standard currency after conversion shall be treated as fair value changes (including exchange rate changes) and recorded in the current profit or loss. The capital invested in foreign currency by the investor shall be converted at the spot rate on the date of the transaction, and there are no differences in the translation of foreign currency capital between the capital invested in foreign currency and the amount of the bookkeeping standard currency of the corresponding monetary item.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## **(2) Calculation of foreign currency financial statements**

In the preparation of the consolidated financial statements, the Group converts the financial statements of overseas operations into RMB, among which: the assets and liabilities in the foreign currency balance sheet are translated at the spot exchange rate at the balance sheet date; Owners' equity items, except "undistributed profit", are translated at the spot exchange rate at the time of occurrence of the business; The income and expense items in the income statement are translated at the spot exchange rate on the date of occurrence of the transaction. The translation difference in foreign currency statements resulting from the above translation is shown in other comprehensive income items. Foreign currency cash flows are translated using the spot exchange rate at the date of occurrence of the cash flows. The impact of exchange rate changes on cash and cash equivalents is presented separately in the statement of cash flows.

## 11. Financial instruments

### **(1) Confirmation and termination of financial instruments**

When the Group becomes a party of a financial instrument contract, the Group recognizes a financial asset or a liability.

A financial asset (or part of a financial asset, or part of a group of similar financial assets) is terminated for resale from its account and balance sheet if the following conditions are met: **t** the right to receive cash flows from the financial asset expires; **u** The transfer of the right to receive cash flows of financial assets, or the obligation to pay the full amount of cash flows received in a timely manner to a third party under the "pass-through agreement"; And substantially transfers virtually all of the risks and rewards in ownership of the financial asset, or relinquishes control of the financial asset although substantially neither transfers nor retains virtually all of the risks and rewards in ownership of the financial asset.

If the liability for a financial liability has been fulfilled, revoked or expired, the financial liability is recognized for termination. If an existing financial liability is replaced by another financial liability of the same creditor on substantially different terms, or if the terms of an existing liability are substantially modified in almost all cases, such replacement or modification is treated as termination of recognition of the original liability and recognition of the new liability, and the difference is recognized in current profit or loss.

To buy and sell financial assets in a conventional manner, and to recognize and terminate recognition by trading day accounting.

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

## **(2) Financial assets division and measurement method**

At the time of initial recognition, the financial assets of the Group are classified into financial assets measured at amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, and financial assets measured at fair value and whose changes are included in current profit or loss based on the Group's business model of managing financial assets and contractual cash flow characteristics of financial assets. All affected related financial assets are reclassified if and only if the Group changes its business model for managing financial assets.

In determining the business model, the Group considers the way in which the company evaluates and reports the performance of financial assets to key managers, the risks affecting the performance of financial assets and the way in which they are managed, and the way in which the relevant business managers are remunerated. In assessing whether the target is to collect contract cash flows, the Group needs to make an analytical judgment on the reasons, timing, frequency and value of the sale of the financial assets before the maturity date.

In determining the contract cash flow characteristics, the Group is required to determine whether the contract cash flow is only the payment of principal and interest based on the outstanding principal, including the assessment of the time value of money correction, is required to determine whether there is a significant difference compared to the baseline cash flow/For financial assets containing prepayment characteristics, Need to determine whether the fair value of prepayment features is very small).

Financial assets are measured at fair value at the time of initial recognition, but accounts receivable or notes receivable arising from the sale of goods or provision of services, etc., do not contain a significant financing component or do not take into account the financing component of no more than one year, the initial measurement is based on the transaction price.

For financial assets that are measured at fair value and whose changes are included in current profit or loss, the related transaction costs are directly included in current profit or loss, and the related transaction costs of other categories of financial assets are included in their initial recognized amounts.

The subsequent measurement of financial assets depends on their classification:

### **1) Financial assets measured at amortized cost**

A financial asset is classified as a financial asset measured at amortized cost if it simultaneously meets the following conditions: The business model of managing the financial asset is aimed at collecting contract cash flows. The contractual terms of the financial asset provide that the cash flow generated on a particular date is only the payment of the principal amount and the interest based on the outstanding principal amount. The Group's financial assets classified in this category specifically include: monetary funds, accounts receivable, notes receivable, other receivables, debt investments, etc.

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

2) *Investments in debt instruments that are measured at fair value and whose changes are included in other comprehensive income*

If a financial asset meets the following conditions at the same time, it is classified as a financial asset measured at fair value and its changes are included in other comprehensive income: **■** The business model of managing the financial asset aims at both collecting contract cash flows and selling the financial asset. **■** The contractual terms of the financial asset provide that the cash flow generated on a particular date is only the payment of the principal amount and the interest based on the outstanding principal amount. Such financial assets use the effective interest rate method to recognize interest income. Except for interest income, impairment loss and exchange difference recognized as profit or loss for the period, the remaining fair value changes are recognized as other comprehensive income. Upon termination of recognition of financial assets, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in current profit or loss. The Group's financial assets classified in this category specifically include: receivables financing.

3) *Investments in equity instruments measured at fair value and whose changes are included in other comprehensive income*

The Group irrevocably elects to designate certain investments in non-trading equity instruments as financial assets measured at fair value and whose changes are included in other comprehensive income, and such designation, once made, cannot be revoked. The Group recognizes only the relevant dividend income (except the dividend income explicitly recovered as part of the cost of investment) in profit and loss for the Current Period, and the subsequent changes in fair value are recognized in other comprehensive income, and no impairment provision is required. When financial assets are discontinued, accumulated gains or losses previously recognized in other comprehensive income are transferred out of other comprehensive income and recognized in retained earnings. The Group's financial assets in this category are investments in other equity instruments.

4) *Financial assets measured at fair value and whose changes are recorded in profit or loss for the period*

In addition to the above financial assets classified at amortized cost and financial assets classified at fair value and whose changes are recognized in other comprehensive income, the Group classifies them as financial assets measured at fair value and whose changes are recognized in profit or loss for the Current Period. Such financial assets are initially measured at fair value and all changes in fair value are recognized in profit or loss for the period, except in relation to hedge accounting. The Group's financial assets in this category mainly include: trading financial assets.

Where the contingent consideration recognized by the Group in a business combination not under the same control constitutes a financial asset, the financial asset is classified as a financial asset measured at fair value and whose changes are recognized in profit or loss for the Current Period.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

### **(3) Classification, recognition basis and measurement method of financial liabilities**

With the exception of financial guarantee contracts issued, loan commitments at below-market interest rates and financial liabilities arising from non-compliance with the conditions for the termination of recognition of financial assets transferred or continued involvement in the transferred financial assets, the Group's financial liabilities are classified as: Financial liabilities that are measured at fair value and whose changes are recorded in profit or loss for the Current Period, and financial liabilities that are measured at amortized cost. For financial liabilities measured at fair value and whose changes are included in current profit or loss, the related transaction expenses are directly included in current profit or loss, and the related transaction expenses of financial liabilities measured at amortized cost are included in their initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

#### **1) Financial liabilities measured at amortized cost**

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

#### **2) Financial liabilities measured at fair value and whose changes are recognized in profit or loss for the period**

Financial liabilities (including derivatives that are financial liabilities) that are measured at fair value and whose changes are recognized in current profit or loss, including trading financial liabilities and financial liabilities that are initially recognized as being measured at fair value and whose changes are recognized in current profit or loss, such financial liabilities are subsequently measured at fair value (except in relation to hedge accounting), all changes in fair value are recognized in profit or loss for the period. For financial liabilities designated as measured at fair value and whose changes are recognized in profit or loss for the Current Period, subsequent measurements are made at fair value, except for changes in fair value caused by changes in the Group's own credit risk, which are recognized in other comprehensive income, other changes in fair value are recognized in profit or loss for the Current Period; The Group recognizes all fair value changes (including the amount affected by changes in its own credit risk) in profit or loss if the inclusion of changes in fair value caused by changes in its own credit risk in other comprehensive income would cause or widen the accounting mismatch in profit or loss for the Current Period.



## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

The Group designates financial liabilities as financial liabilities at fair value through profit or loss at the time of initial measurement only if one of the following conditions is met: **t** accounting mismatches can be eliminated or significantly reduced, **u** the official written document of risk management or investment strategy has stated that the financial instrument portfolio is managed, evaluated and reported to key managers on the basis of fair value, **v** a hybrid instrument containing one or more embedded derivatives, unless the embedded derivatives do not materially alter the cash flows of the hybrid instruments or the embedded derivatives should clearly not be separated from the relevant hybrid instruments, and **w** contain embedded derivatives that are subject to spin-off but cannot be measured separately at the time of acquisition or at a subsequent balance sheet date.

### **(4) Impairment of financial instruments**

On the basis of expected credit losses, the Group carries out impairment treatment and recognizes loss provisions for financial assets measured at amortized cost, debt investments at fair value through other comprehensive income, contractual assets, lease receivables, loan commitments and financial guarantee contracts.

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under contracts and all cash flows expected to be received by the Group discounted at the original effective interest rate, that's the present value of all cash shortfalls. The Group reflects the following elements when considering the measurement method of expected credit loss: **t** the amount of unbiased probability-weighted average determined by evaluating a range of possible outcomes, **u** the time value of money, and **v** reasonable and evidence-based information about past events, current conditions, and future economic conditions that are available at the balance sheet date at no unnecessary additional cost or at the balance sheet date.

The Group assesses the expected credit losses of financial instruments on a single and portfolio basis, and when assessed on a portfolio basis, the Group classifies financial instruments into different groups based on common credit risk characteristics. The common credit risk characteristics adopted by the Group include: type of financial instrument, credit risk rating, geographical location of the debtor, industry of the debtor, overdue information, aging of receivables, etc.

The Group's assessment of the impairment of financial instruments and contract assets using the expected credit loss model requires significant judgment and estimation, taking into account all reasonable and evidence-based information, including forward-looking information. In making these judgments and estimates, the Group inferred the expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the provision for impairment, and the provision for impairment may not be equal to the actual amount of impairment losses in the future.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

### 1) *Impairment test methods for receivables and contract assets*

For accounts receivable, notes receivable, receivable financing, contract assets and other receivables without major financing components formed by daily business activities such as the sale of commodities and the provision of labor services, the Group uses simplified measurement methods to measure the loss according to the expected credit loss amount equivalent to the entire survival period.

The Group recognized the receivables with an amount of more than RMB5.00 million as a single significant amount of receivables. The Group conducts a separate impairment test for individual receivables with significant amounts.

For accounts receivable, in addition to determining the credit loss of a single item with a significant amount and credit impairment, the expected credit loss is usually calculated on the basis of the combination of common credit risk characteristics, considering the elements that should be reflected in the expected credit loss measurement method, and referring to the historical credit loss experience, to prepare a comparison table of accounts receivable overdue days/accounts receivable aging and default loss rate. If the credit risk characteristics of a customer are significantly different from those of other customers in the portfolio, or if the credit risk characteristics of the customer changes significantly, for example, if the customer has serious financial difficulties, and the expected credit loss rate of the customer's receivables is significantly higher than the expected credit loss rate of the customer's aging and overdue range, the Group will make a separate provision for losses on the accounts receivable from the customer.

**t** The combination category of accounts receivable (and contract assets) and the basis for determining it

The Group groups accounts receivable (and contract assets) according to the age, nature of payments, credit risk exposure, historical payment collection, etc., according to the similarity and correlation of credit risk characteristics. For accounts receivable (and contract assets), the Group's judgment of the age of accounts and whether it is a related party within the scope of consolidation is the main factors influencing its credit risk, therefore, the Group assesses its expected credit loss on the basis of the aging portfolio and the portfolio of related parties within the scope of consolidation (excluding bad debts).

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

Accounts Receivable (and contract assets) – Aging Portfolio of aging and expected credit loss ratio over the life:

Age of Accounts	Expected Credit Loss Rate (%)
Within 1 year	0.50–1.50
1–2 years	20.00–66.00
2–3 years	60.00–100.00
More than 3 years	100.00

- The combination category of notes receivable and the basis for determining it

The Group divides the acceptor credit risk of notes receivable into different combinations based on the common risk characteristics, and determines the accounting estimation policy for expected credit losses: The Company calculates the expected credit loss by referring to the historical credit loss experience, combining the current situation and the forecast of future economic conditions, based on the default risk exposure, aging and expected credit loss rate over the whole life. A loss provision is made for the recognition of expected loss rates against the Group's accounts receivable policy.

Table of expected credit loss rates over the entire life of notes receivable portfolio:

Age of Accounts	Expected Credit Loss Rate (%)
Within 1 year	0.50–1.00
1–2 years	20.00–50.00
2–3 years	60.00–100.00
More than 3 years	100.00

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

### 2) *The impairment test method of creditor's rights investment, other creditor's rights investment, loan commitment and financial guarantee contract*

With the exception of financial assets (such as debt investments, other debt investments), loan commitments and financial guarantee contracts for which the simplified measurement method is adopted above, the Group adopts the general method (three-stage method) for the provision of expected credit losses. At each balance sheet date, the Group assesses whether its credit risk has increased significantly since the initial recognition, and if the credit risk has not increased significantly since the initial recognition, in the first stage, the Group measures the loss provision at an amount equivalent to the expected credit loss over the next 12 months and calculates interest income based on the carrying balance and effective interest rate; If the credit risk has increased significantly since the initial recognition but no credit impairment has occurred, in the second stage, the Group measures the loss provision at an amount equivalent to the expected credit loss over the entire duration and calculates interest income based on the carrying balance and effective interest rate; If credit impairment occurs after initial recognition, in the third stage, the Group measures the loss provision at an amount equivalent to the expected credit loss over the entire duration and calculates interest income at amortized costs and effective interest rates. For financial instruments with only low credit risk at the balance sheet date, the Group assumes that their credit risk has not increased significantly since initial recognition.

The whole life expected credit loss refers to the expected credit loss caused by all possible default events during the whole expected life of the financial instrument. Expected credit losses over the next 12 months are expected credit losses resulting from defaults on financial instruments that may occur within 12 months after the balance sheet date (or if the expected duration of the financial instrument is less than 12 months, it is the expected duration) and are part of the overall expected credit losses over the life of the financial instrument.

For the Group's disclosure of the criteria for judging a significant increase in credit risk and the definition of assets that have suffered credit impairment, see Note X, 1.

### (5) *Confirmation basis and measurement method of financial asset transfer*

In a financial asset transfer transaction, the Group has transferred almost all the risks and rewards in the ownership of the financial asset to the transfer-in party, and the recognition of the financial asset is terminated; If almost all risks and rewards in the ownership of the financial asset are retained, the recognition of the financial asset shall not be terminated; Where it neither transfers nor retains virtually all risks and rewards in the ownership of the financial asset, relinquishes control of the financial asset, terminates recognition of the financial asset and recognizes the resulting assets and liabilities, and does not relinquish control of the financial asset, recognizes the relevant financial asset to the extent that it continues to be involved in the transferred financial asset, and recognizes the relevant liabilities accordingly.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

If the overall transfer of the financial asset meets the conditions for termination of recognition, the difference between the carrying value of the transferred financial asset at the date of termination of recognition and the sum of the consideration received as a result of the transfer and the amount (The financial assets involved in the transfer meet the following conditions: **■** The Group's business model of managing the financial assets is aimed at both collecting contract cash flows and selling the financial assets; **■** The contractual terms of the financial asset provide that the cash flow generated on a particular date is only the payment of the principal amount and the interest based on the outstanding principal amount) corresponding to the termination of recognition in the accrued amount of the fair value change originally directly included in other comprehensive income is recognized in the current profit or loss.

If the partial transfer of financial assets meets the conditions for termination of recognition, the overall book value of the transferred financial assets shall be apportioned between the terminated part and the unterminated part according to their relative fair value. The sum of the consideration received as a result of the transfer and the amount (The financial assets involved in the transfer meet the following conditions: **■** The Group's business model of managing the financial assets is aimed at both collecting contract cash flows and selling the financial assets; **■** The contractual terms of the financial asset provide that the cash flow generated on a particular date is only the payment of the principal amount and the interest based on the outstanding principal amount) corresponding to the portion of the termination of recognition in the accrued amount of the change in fair value that should be apportioned to the portion of the termination of recognition originally included in other comprehensive income shall be included in the current profit or loss, and the difference between the apportioned overall carrying value of the aforementioned financial assets shall be recognized.

If the transferred financial assets continue to be involved by providing financial guarantees, the assets that continue to be involved in the formed assets shall be confirmed according to the lower of the book value of the financial assets and the amount of financial guarantee. The amount of financial guarantee refers to the maximum amount of consideration received that will be required to be repaid.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

### **(6) The distinction between financial liabilities and equity instruments and related treatment methods**

The Group distinguishes between financial liabilities and equity instruments on the basis of the following principles: **t** If the Group cannot unconditionally avoid the delivery of cash or other financial assets to fulfill a contractual obligation, the contractual obligation meets the definition of a financial liability. Some financial instruments, while not explicitly containing terms and conditions for the obligation to deliver cash or other financial assets, may indirectly create contractual obligations through other terms and conditions. **u** If a financial instrument is to be settled or can be settled with the Group's own equity instrument, it is necessary to consider whether the Group's own equity instrument used to settle the instrument is to be used as a substitute for cash or other financial assets, or to enable the holder of the instrument to enjoy the remaining interest in the issuer's assets after deducting all liabilities. If the former, the instrument is a financial liability of the issuer; If the latter, the instrument is an equity instrument of the issuer. In some cases, a contract for a financial instrument provides that the Group is required to settle or may use its own equity instruments to settle such financial instruments, where the amount of the contractual rights or contractual obligations is equal to the number of its own equity instruments available or to be delivered multiplied by its fair value at settlement. The contract is classified as a financial liability whether the amount of the contractual right or obligation is fixed or is based in whole or in part on changes in variables (such as interest rates, the price of a commodity or the price of a financial instrument) other than the market price of the Group's own equity instruments.

In classifying financial instruments (or their components) in the consolidated statements, the Group takes into account all terms and conditions agreed between Group members and holders of financial instruments. If the Group as a whole has an obligation to deliver cash, other financial assets or otherwise settle the instrument in a manner that results in the instrument becoming a financial liability, the instrument shall be classified as a financial liability.

The Group classifies these financial instruments or their components as financial assets, financial liabilities or equity instruments at initial recognition based on the contractual terms of the issued preferred shares and perpetual bonds and the economic substance reflected therein, combined with the definitions of financial assets, financial liabilities and equity instruments.

Where financial instruments or their components are financial liabilities, related interest, dividends (or dividends), gains or losses, as well as gains or losses arising from redemptions or refinancing, are recognised by the Group in profit or loss for the period.

When financial instruments or their components are equity instruments, the Group treats them as changes in equity when they are issued (including refinancing), repurchased, sold or cancelled, and does not recognize changes in the fair value of equity instruments.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## **(7) Derivative financial instrument**

The Group uses derivative financial instruments such as foreign exchange forward contracts, commodity forward contracts and interest rate swaps to hedge exchange rate risk, commodity price risk and interest rate risk respectively. Derivative financial instruments are initially measured at their fair value on the date the derivative transaction contract is signed, and are subsequently measured at their fair value. A derivative instrument with a positive fair value is recognized as an asset and a negative fair value is recognized as a liability.

Except in connection with hedge accounting, gains or losses arising from changes in the fair value of derivatives are recognized directly in profit or loss for the period.

## **(8) Offset of financial assets and financial liabilities**

The Group's financial assets and financial liabilities are shown separately in the balance sheet and are not offset against each other. However, if the following conditions are met at the same time, the net amount after mutual offset is shown in the balance sheet: **t** The Group has a legal right to offset the recognized amount, and such legal right is currently enforceable; **u** The Group plans to settle on a net basis or at the same time realize the financial asset and settle the financial liability.

## **12. Inventories**

The inventories of the Group mainly include raw materials, low value consumables, products in process, commodities in stock, and goods shipped in transit.

Inventory is initially measured at cost. Inventory costs include purchasing costs, processing costs and other costs. Inventories are kept on a perpetual basis, taken or issued, and their actual cost is determined using the weighted average method. Low-value consumables are amortized using the one-time resale method.

At the balance sheet date, inventories are priced at the lower of cost or net realizable value. If the cost of the inventory is higher than its net realizable value, a provision is made for the decline in the price of the inventory and it is included in the current profit or loss. Net realizable value is the amount of the estimated selling price of inventory in daily activities less the estimated costs to be incurred at completion, estimated selling expenses and related taxes. A reserve for inventory declines is made for those parts of the inventory whose cost is not expected to be recovered due to damage, total or partial obsolescence, or sales prices below cost.

The Group's inventory commodities and bulk raw materials are provided for inventory decline according to a single inventory item. In determining its net realizable value, the inventory of commodities directly for sale, such as goods in stock, goods issued, products in process and materials used for sale, shall be determined by the estimated selling price of the inventory less the estimated selling expenses and relevant taxes; Inventories of materials held for production purposes are determined by the estimated selling price of the finished goods produced, less the estimated costs to be incurred up to completion, estimated selling expenses and applicable taxes.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 13. Contract assets and contract liabilities

### (1) *Contract assets*

Contract assets refer to the rights to receive consideration for the transfer of goods by the Group to its customers, and that right depends on factors other than the passage of time. If the Group sells two commodities that can be clearly distinguished to its customers, under which condition the Group has the right to collect money because one of the goods has been delivered, while the collection of money also depends on the delivery of the other commodity, the Group regards this right to collect money as the contractual assets.

The determination method and accounting treatment method of expected credit losses of contract assets are detailed in Notes III.11 Financial Instruments above.

### (2) *Contract liabilities*

Contractual liabilities reflect the Group's obligation to transfer goods to customers for consideration received or receivable from customers. Where the customer has paid the contractual consideration before the Group transfers the goods to the customer or the Group has obtained the right to receive the contractual consideration unconditionally, the contract liability shall be recognized according to the amount received or receivable at the earlier of the actual payment made by the customer and the amount due and payable.

## 14. Assets related to contract costs

### (1) *Method for determining the amount of assets related to contract costs*

The Group's assets related to contract costs include contract performance costs and contract acquisition costs. Based on their liquidity, contract performance costs are reported separately in inventory and other non-current assets, and contract acquisition costs are reported separately in other current assets and other non-current assets.

Contract performance cost, that is, the cost incurred by the Group to perform the contract, is recognized as an asset if it does not fall within the scope of relevant accounting standards such as inventory, fixed assets or intangible assets and meets the following conditions: The costs are directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs expressly borne by the customer, and other costs incurred solely as a result of the contract; This cost increases the Group's future resources to meet its performance obligations; This cost is expected to be recovered.



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

Contract acquisition costs, which are the incremental costs incurred by the Group to acquire contracts that are expected to be recovered, are recognized as contract acquisition costs as an asset. If the amortization period of the asset does not exceed one year, the Group chooses to recognize the simplified treatment of the Current Period profit or loss when it occurs. Incremental costs refer to costs (such as sales commissions, etc.) that would not have been incurred if the Group had not obtained the contract. Other expenses incurred by the Group in obtaining contracts other than incremental costs expected to be recovered (such as travel expenses, etc., which would have been incurred whether or not the contracts were awarded) are recognized in current profit or loss when incurred, except those expressly incurred by the customer.

## **(2) Amortization of assets related to contract costs**

The Group's assets related to contract costs shall be amortized on the basis same as the basis of revenue recognition of the goods related to the assets, and shall be recognized in Current Period profits or losses.

## **(3) Impairment of assets related to contract costs**

If the carrying value of the Group's assets related to the contract cost is higher than the following two differences, the Group will exceed part of the impairment provision and recognize the asset impairment loss: 1. The remaining consideration that the enterprise is expected to obtain due to the transfer of the commodities related to the asset; 2. Estimate the costs to be incurred for the transfer of the relevant goods.

## 15. Long-term equity investments

The Group's long-term equity investments are mainly investments in subsidiaries, investments in associates and equity investments in joint ventures.

### **(1) Judgment of significant influence and common control**

Equity investments in which the Group has a significant impact on the investee are investments in associates. Significant influence means that the Group has the right to participate in decision-making on the financial and operational policies of the investee, but does not control or jointly control with other parties the formulation of such policies. When the Company directly or indirectly owns more than 20% but less than 50% of the voting rights of the investee, it is generally considered to have a significant impact on the investee, unless there is clear evidence that the Group cannot participate in the production and operation decisions of the investee or form control over the investee.

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
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An equity investment in which the Group, together with other partners, exercises joint control over the investee and has rights over the net assets of the investee is an investment in a joint venture. Joint control refers to the common control of an arrangement in accordance with the relevant agreement, and the relevant activities of the arrangement must be agreed upon by the participants who share control. The Group judges joint control on the basis that all participants or combinations of participants collectively control the arrangement and that decisions relating to the activities of the arrangement must be made with the unanimous consent of those participants who collectively control the arrangement.

## **(2) Accounting treatment methods**

The Group initially measures long-term equity investments acquired at the initial investment cost.

For a long-term equity investment obtained through a business combination under the same control, the initial investment cost of the long-term equity investment shall be the share of the book value of the net assets of the merged party acquired in the consolidated statements of the ultimate controlling party on the merger date. If the book value of the merged party's net assets on the merger date is negative, the cost of long-term equity investment is determined at zero.

Long-term equity investments obtained through business combinations not under the same control, with the cost of the merger as the initial investment cost; If a business combination under different control is realized step by step through multiple transactions and does not belong to a package transaction, the sum of the book value of the original equity investment plus the cost of the new investment is taken as the initial investment cost calculated according to the cost method.

In addition to the long-term equity investment formed by the enterprise merger, the long-term equity investment obtained by paying cash shall be regarded as the initial investment cost according to the actual purchase price paid and the expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment; For long-term equity investments obtained from the issuance of equity securities, the fair value of the issuance of equity securities shall be taken as the investment cost.

The Group's investments in subsidiaries are accounted for using the cost method in individual financial statements. When using the cost method, long-term equity investments are priced at the cost of the initial investment. When making additional investments, the book value of long-term equity investment costs shall be increased based on the fair value of the additional investment payment costs and the related transaction expenses incurred. The cash dividends or profits declared and distributed by the investee shall be recognized as current investment income according to the amount to be enjoyed.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

The Group adopts the equity method to account for investments in joint ventures and associated enterprises. When using the equity method, if the initial investment cost of a long-term equity investment exceeds the share of the fair value of the identifiable net assets of the invested entity that should be enjoyed at the time of investment, the book value of the long-term equity investment shall not be adjusted; If the initial investment cost of a long-term equity investment is less than the share of the fair value of the identifiable net assets of the invested entity that should be enjoyed at the time of investment, the difference increase the book value of the long-term equity investment and included in the current profit and loss of the investment.

The subsequent measurement of long-term equity investments accounted for by the equity method increases or decreases the carrying amount of long-term equity investments during the holding period with the changes in the owner's equity of the investee units. Among them, when recognizing the share of the investee's net profit or loss, based on the fair value of the investee's identifiable assets at the time of investment, in accordance with the Group's accounting policies and accounting periods, and offsetting the unrealized internal transaction gains and losses arising from transactions that do not constitute business with associates and joint ventures, the part of the internal trading losses attributable to the investment enterprise shall be recognized in full and the net profit of the investee shall be adjusted and recognized. The Group recognizes that the net loss incurred by the investee is limited to the carrying amount of the long-term equity investment and other long-term equity that substantially constitutes a net investment in the investee to be written down to zero, unless the Group has the obligation to bear additional losses.

If a long-term equity investment is disposed of, the difference between the book value and the actual purchase price shall be included in the current investment income.

For long-term equity investments accounted for using the equity method, the relevant other comprehensive income accounted for using the original equity method should be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the invested entity when the equity method is terminated. The owner's equity recognized due to changes in owner's equity of the invested entity other than net profit and loss, other comprehensive income, and profit distribution should be fully transferred to the current investment income when the equity method is terminated.

If, due to the disposal of part of the equity investment and other reasons, the common control or significant influence of the invested unit is lost, the remaining equity after disposal shall be accounted for in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Finance and Accounting [2017] No. 7). The difference between the fair value and the carrying value of the remaining equity at the date of loss of common control or material impact is included in current profit or loss.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

If the disposal of part of the long-term equity investment has lost control of the investee, and the remaining equity after disposal can exercise common control or exert significant influence on the investee, it shall be calculated according to the equity method, and the difference between the book value of the disposal equity and the disposal consideration shall be included in the investment income, and the remaining equity shall be adjusted by the equity method when it is deemed to be self-acquired. If the remaining equity after disposal cannot jointly control or exert significant influence on the investee, accounting treatment shall be applied to Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Finance and Accounting [2017] No. 7), and the difference between the book value of the disposed equity and the consideration for disposal shall be included in the investment income. The difference between the fair value and the carrying value of the remaining equity at the date of loss of control is included in current profit or loss.

If the Group's transactions from step-by-step disposal of equity to loss of control do not belong to a package deal, each transaction will be accounted for separately. For "package transactions", each transaction is treated as a disposal of a subsidiary and loss of control transaction for accounting purposes. However, before the loss of control, the difference between the disposal price of each transaction and the book value of the long-term equity investment corresponding to the disposed equity is recognized as other comprehensive income, and when the loss of control occurs, it is further transferred to the Current Period's profit and loss.

### 16. Investment properties

The Group's investment real estate refers to real estate held for the purpose of earning rent or capital appreciation, or both, including leased land use rights and leased buildings. Adopt cost model measurement.

The Group's investment properties are depreciated or amortized using the average life method. The estimated useful life, net salvage value rates and annual depreciation (amortization) rates of all types of investment real estate are as follows:

Category	Depreciation Period (year)	Expected Residual Rate (%)	Annual Depreciation Rate (%)
Land use right	40–50	0	2.00–2.50
Premises and buildings	20	5	4.75

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 17. Fixed assets

The fixed assets of the Group refer to tangible assets held for the production of goods, provision of services, rental or operation and management with a term of more than one year.

At the same time, the economic benefits associated with the fixed asset are likely to flow to the Group and are recognized when their costs can be measured reliably. The fixed assets of the Group include: buildings, machinery and equipment, transport equipment, electronic equipment and others.

The Group depreciates all fixed assets except those that have been fully depreciated and are still in use. The average years method is adopted in the calculation of depreciation. The Group's fixed assets are classified by estimated net salvage value rate of 5%, depreciation life and annual depreciation rate as follows:

Category	Period of Depreciation	Annual Rate of Depreciation
	(Year)	(%)
Premises and buildings	20	4.75
Machinery equipment	10	9.50
Transportation equipment	5	19.00
Electronic equipment and others	5	19.00

At the end of each year, the Group reviews and makes appropriate adjustments to the estimated useful life, estimated net salvage value and depreciation method of fixed assets, and if any changes are treated as changes in accounting estimates.

## 18. Projects under construction

The cost of construction in progress is determined based on actual project expenses, including necessary project expenses incurred during the construction period, borrowing costs that should be capitalized before the project reaches its intended usable state, and other related expenses.

The construction under construction shall be carried forward to the fixed assets at the estimated value according to the project budget, construction cost or actual cost of the project from the date when it reaches the intended serviceable state, and depreciation shall be calculated starting from the following month. The difference in the original value of fixed assets shall be adjusted after the completion of the final accounting procedures.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

The construction under construction shall be transferred to fixed assets when it reaches the predetermined usable state, and the criteria are as follows:

Items	Criteria for Carrying Forward Fixed Assets
Houses and buildings	The main construction works and supporting works have been substantially completed, the construction project meets the predetermined design requirements and is completed by the relevant departments.
Machinery and equipment	Related equipment and other supporting facilities have been installed; The equipment can maintain normal and stable operation for a period of time after debugging; Production equipment can produce qualified products in a stable period of time; The equipment has been accepted by asset managers and users.

## 19. Borrowing costs

The Group capitalizes the borrowing costs incurred that can be directly attributable to the construction or production of assets eligible for capitalization and includes them in the relevant asset costs, while other borrowing costs are included in current profit or loss. Assets eligible for capitalization identified by the Group include borrowing costs for fixed assets, investment real estate and inventories that require more than one year of purchase, construction or production activities to reach the intended usable or saleable state. Capitalization occurs when the asset expenditure has been incurred, the borrowing costs have been incurred, and the purchase, construction, or production activities necessary to bring the asset to its intended usable or saleable state have begun; When the purchase, construction or production of assets eligible for capitalization reaches a predetermined useable or saleable state, capitalization is discontinued. Subsequent borrowing costs are included in current profit or loss.

If the assets eligible for capitalization are abnormally interrupted in the process of purchase or construction or production, and the interruption time exceeds 3 consecutive months, the capitalization of borrowing costs is suspended until the purchase or construction of the assets or production activities are restarted.

In each accounting period during the capitalization period, the Group recognizes the capitalized amount of borrowing expenses in accordance with the following methods: In the case of borrowing special loans, the amount is determined according to the interest expense actually incurred in the Current Period, after deducting the interest income obtained from the deposit of the borrowed funds which have not yet been used in the bank or the investment income obtained from the temporary investment; Where the general loan is occupied, it shall be determined by multiplying the weighted average of the accumulated asset expenditure exceeding the special loan by the capitalization rate of the general loan occupied, wherein the capitalization rate shall be determined by calculating the weighted average interest rate of the general loan.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 20. Intangible assets

Intangible assets of the Group, including land use rights, software use rights and non-patented technologies, are measured at the actual cost at the time of acquisition. Intangible assets purchased are measured at the actual cost of the price actually paid and other related expenses. The actual cost of the intangible asset invested by the investor shall be determined according to the value stipulated in the investment contract or agreement, but if the value stipulated in the contract or agreement is unfair, the actual cost shall be determined according to the fair value; However, intangible assets owned by the acquiree and not recognized in its financial statements acquired in a merger under different controls are recognized at fair value during initial recognition.

### **(1) Service life and the basis for its determination, estimate, amortization method or review procedure**

The right to the use of the land shall be amortized on an average basis according to the period of grant from the date of grant; The Group's software use rights and non-patented technologies are amortized equally in stages according to the shortest among the expected service life, the benefit life stipulated in the contract and the effective life stipulated by law. Among them, the land use right is amortized according to the benefit transfer period, and the software use right is amortized according to the expected benefit period of 5 years. Amortization amounts are included in the cost of the relevant assets and current profit or loss according to the beneficiaries. The estimated useful life and amortization method of intangible assets with limited useful life are reviewed and treated as accounting estimate changes if they are changed. In each accounting period, the estimated useful life of intangible assets with uncertain useful life is reviewed and, where there is evidence that the useful life of the intangible asset is limited, its useful life is estimated and amortized over the estimated useful life.

### **(2) The scope of research and development expenditures and related accounting treatment**

The Group's research and development expenditure includes the compensation of research and development personnel, direct input costs, depreciation and amortized expenses, design costs, equipment commissioning costs, commissioned external research and development costs, and other expenses.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

The Group's internal research and development project expenditure is divided into research phase expenditure and development phase expenditure according to its nature and whether the R&D activities will eventually form intangible assets with great uncertainty. Drug research and development refers to the research stage of drug research and development before entering the clinical trial stage, and the development stage refers to the period from the start of clinical trial to the receipt of drug registration approval. Expenditures incurred during the research phase are included in current profit or loss when incurred; Expenditures in the development phase are capitalized if the following conditions are met: The Group assesses that it is technically feasible to complete the intangible asset so that it can be used or sold; The Group has the intention to complete the intangible asset and use or sell it; The Group has sufficient technical, financial and other resources to complete the development of the intangible asset and has the ability to use or sell the intangible asset; Expenditures attributable to the development phase of the intangible asset can be reliably measured. Expenditures in the development phase that do not meet the above conditions are recognized in the current profit or loss when incurred. Normally, the capitalization conditions are satisfied when the Group obtains approval for a Phase III clinical trial and subsequent development phase expenditures are capitalized.

## 21. Impairment of long-term assets

At each balance sheet date, the Group checks long-term equity investments, investment real estate measured by the cost model, fixed assets, construction in progress, use rights assets, intangible assets with defined useful life and other items. When there are signs of impairment, it indicates that the assets may have suffered impairment, and the Group will conduct impairment tests. For goodwill, intangible assets with uncertain benefit life, and development expenditures that have not yet reached the intended usable state, impairment tests are conducted at the end of each year, regardless of whether there are signs of impairment.

### **(1) Impairment of non-current assets other than financial assets (other than goodwill)**

In conducting the impairment test, the Group determines the recoverable amount based on the higher of the net amount of the asset's fair value less disposal charges and the present value of the asset's expected future cash flows. After the impairment test, if the carrying value of the asset exceeds its recoverable amount, the difference is recognized as an impairment loss.

The Group estimates the recoverable amount of a single asset on the basis of a single asset, and if it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs. The determination of the asset group is based on whether the main cash inflow generated by the asset group is independent of other assets or the cash inflow of the asset group.

The net of fair value less disposal charges is determined by reference to the sale agreement price or observable market price of a similar asset in a fair transaction, less the incremental cost directly attributable to the disposal of the asset. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or group of assets and select an appropriate discount rate to determine the present value of future cash flows.



# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

## **(2) Impairment of goodwill**

The Group allocates the carrying amount of the goodwill formed by the business combination to the relevant asset group in a reasonable manner from the date of acquisition, and if it is difficult to allocate it to the relevant asset group, it is allocated to the relevant asset group combination. When conducting impairment tests on the related asset group or asset group combination containing goodwill, if there are signs of impairment in the asset group or asset group combination related to goodwill, the impairment test shall first be conducted on the asset group or asset group combination excluding goodwill, and the recoverable amount shall be calculated and compared with the relevant carrying value to recognize the corresponding impairment loss; Then, an impairment test is conducted on the asset group or asset group combination containing goodwill to compare the carrying value with the recoverable amount. If the recoverable amount is lower than the carrying value, the impairment loss amount is first offset against the carrying value of goodwill allocated to the asset group or asset group combination, and then based on the proportion of the carrying value of other assets in the asset group or asset group combination except goodwill. Deduct the carrying value of other assets pro rata.

Once the impairment loss of the above assets is recognized, it will not be reversed in the subsequent accounting period.

## **22. Long-term deferred expenses**

The Group's long-term amortized expenses include expenses such as house renovation and renovation costs. Expenses that have been paid by the Group but should be borne by the Group for the Current Period and subsequent periods with an amortization period of more than one year. These expenses are amortized in equal instalments over the benefit period. If a long-term amortized expense item cannot benefit a subsequent accounting period, the amortized value of the item that has not yet been amortized is fully transferred to profit or loss for the Current Period.

## **23. Employee compensation**

Employee compensation of the Group includes short-term remuneration, post-employment benefits, dismissal benefits and other long-term benefits.

Short-term remuneration mainly includes employee wages, employee welfare expenses, etc., and the actual short-term remuneration incurred is recognized as a liability during the accounting period in which employees provide services, and is included in the current profit or loss or related asset cost according to the beneficiary object.

Post-employment benefits include basic endowment insurance, unemployment insurance and classified as defined contribution plan and defined benefit plan depending on the risk and obligation the Company bears. As for the defined contribution plans, deposits and withdrawals made to separate entities at the balance sheet date in exchange for services provided by employees during the accounting period are recognized as liabilities, and included in current profits and losses or relevant asset costs according to the beneficiaries. There is no defined benefit plan in the Group.

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

When the Group cannot unilaterally withdraw the dismissal welfare provided due to the labor relationship termination plan or the redundancy offer, or when the costs or expenses (whichever is earlier) related to reorganization concerning the dismissal welfare payment are recognized, the liabilities of the employee compensation arising from dismissal welfare shall be recognized and included in current profits or losses.

## 24. Estimated liabilities

The Group recognizes a liability when the business related to external guarantees, discounting of commercial acceptance bills, pending litigation or arbitration, product quality assurance and other contingencies simultaneously meet the following conditions: the obligation is a current obligation undertaken by the Group; The fulfillment of the obligation is likely to result in the outflow of economic benefits from the enterprise; The amount of the obligation can be measured reliably.

Projected liabilities are initially measured according to the best estimate of expenditures required to meet the relevant current obligations, taking into account risks, uncertainties and the time value of money associated with contingencies. At the balance sheet date, the Group reviews the current best estimates and adjusts the carrying value of the projected liabilities. Contingent liabilities of the acquiree acquired in a business combination not under the same control are measured at fair value at the time of initial recognition, and after initial recognition are measured at the higher of the estimated liabilities recognized and the balance of the initial recognized amount after deducting the cumulative amortization determined by the revenue recognition principle.

## 25. Share-based payments

Equity-settled stock payments in exchange for services rendered by the employee are measured at the fair value of the instrument granting the employee's equity at the grant date. If the right becomes available immediately after the grant, it shall be recognized as relevant costs or expenses based on the fair value of the equity instrument on the grant date and the capital reserve is increased accordingly. To the extent that services in the waiting period are required to be completed or required performance conditions are met to become available, at each balance sheet date of the waiting period, services acquired during the period are credited to the relevant costs or expenses and capital reserves at the fair value of the date of grant of the equity instruments, based on the best estimate of the number of available equity instruments. If the terms of payment for equity settled shares are modified, the services obtained are recognised at least as if the terms had not been modified. In addition, amendments that increase the fair value of the equity instruments granted, or changes that are beneficial to the employee at the date of the amendment, recognize an increase in access to services.

If an equity-settled share payment is cancelled, it is treated as an accelerated exercise on the date of cancellation, with immediate recognition of the amount not yet recognised. Employees or other parties who can choose to meet non exercisable conditions but fail to do so within the waiting period shall be treated as cancelling equity settled share based payments. However, if a new equity instrument is granted and it is determined on the date of grant that the new equity instrument is intended to replace the cancelled equity instrument, the granted substitute equity instrument shall be treated in the same manner as modifying the terms and conditions of the original equity instrument.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

Share payments settled in cash are measured at the fair value of the liabilities assumed by the Group on the basis of shares or other equity instruments. If the right becomes available immediately after the grant, the fair value of the liability is included in the relevant costs or expenses on the grant date, and the liability is increased accordingly; If it is necessary to complete the services during the waiting period or meet the prescribed performance conditions before exercising the rights, on each balance sheet date of the waiting period, based on the best estimate of the exercise situation, the services obtained in the Current Period shall be recognized as costs or expenses according to the fair value of the liabilities borne by the Group, and the liabilities shall be adjusted accordingly.

At each balance sheet date prior to the settlement of the relevant liability and at the settlement date, the fair value of the liability is remeasured and the change is recorded in profit or loss for the Current Period.

## 26. Recognition principles and measurement method of income

The Group recognises revenue when it has fulfilled its contractual performance obligations, i.e. when the customer has acquired control of the relevant goods or services. To gain control of a relevant good or service is to be able to dominate the use of the good or the provision of the service and derive virtually all economic benefits from it.

The Group's operating income mainly consists of income from the sale of goods. The Group is mainly engaged in the production and sales of raw materials and pharmaceutical products. The Group's specific principles for recognizing revenue from sales of commodities are as follows:

### (1) Domestic sales revenue

For contracts for the sale of goods in the PRC where control of the goods is transferred at some point, revenue is recognised when the Group delivers the goods to the customer or carrier and the Group has obtained the current claim for payment and is likely to recover the consideration, i.e. when the customer obtains control of the relevant goods. The company will deliver the goods to the agreed place in accordance with the contract, and after the customer confirms the receipt of the goods, the control of the goods has been transferred to the customer.

### (2) Export sales revenue

For overseas export sales contracts, according to the sales order contract with the customer, the company has declared the products for export according to the contract agreement, obtained the customs declaration form and bill of lading (waybill). When the company has obtained the current payment request right and is likely to recover the consideration, the control of the goods has been transferred to the customer.

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

## 27. Government grants

Government grants are recognized when the conditions attached to them can be met and can be received. If the government subsidy is a monetary asset, it shall be measured according to the amount actually received; if the subsidy is allocated according to a fixed quota standard, or if there is solid evidence at the end of the Period that the relevant conditions stipulated in the financial support policy can be met and the financial support funds are expected to be received, it shall be measured according to the amount receivable; If the government subsidy is a non-monetary asset, it shall be measured at fair value; if the fair value cannot be obtained reliably, it shall be measured at the nominal amount (1 yuan).

The Group's government grants include government grants related to assets and government grants related to income. Among them, government subsidies related to assets refer to government subsidies obtained by the Group for the acquisition, construction or other forms of long-term assets; Revenue-related government subsidies refer to government subsidies other than those related to assets. If the object of subsidy is not clearly specified in the government documents, the Group will make a judgment according to the above distinction principle, and if it is difficult to distinguish, it will be classified as a government subsidy related to income.

Government grants related to assets are recognized as deferred income, and government grants related to assets are recognized as deferred income and are included in current profit or loss in instalments over the useful life of the relevant assets according to the average distribution method. If the relevant assets are sold, transferred, scrapped or damaged before the end of their useful life, the balance of the relevant deferred income that has not yet been distributed is transferred to the profit or loss of the asset disposal period.

Government grants related to revenue that are used to compensate related costs or losses in subsequent periods are recognized as deferred revenue and are recognized in profit or loss during the period in which the related costs or losses are recognized; If it is used to compensate the related expenses and losses that have been incurred, it is directly included in the current profit and loss. Government subsidies related to daily activities shall be included in other income according to the essence of economic business. Government subsidies unrelated to daily activities are included in non-operating income and expenditure.

Where the Group obtains a preferential interest discount on policy loans, accounting treatment shall be carried out in accordance with the following principles, depending on whether the finance allocates the discount funds to the lending bank or directly allocates the discount funds to the Company:

- (1) Where the finance allocates the discount interest funds to the lending bank and the lending bank provides the loan to the Company at the preferential policy interest rate, the Company shall take the amount of the loan actually received as the recorded value of the loan and calculate the relevant borrowing costs according to the principal of the loan and the preferential policy interest rate.
- (2) The finance will directly allocate the discount interest funds to the Company, and the Company will offset the corresponding discount interest against the relevant borrowing costs.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 28. Deferred income tax assets and deferred income tax liabilities

The Group's deferred tax assets and deferred tax liabilities are calculated and recognized on the basis of differences between the tax basis of assets and liabilities and their carrying values, as well as (temporary differences) arising from differences between the tax basis and the carrying value of items not recognized as assets and liabilities but for which the tax basis can be determined under the tax law.

The Group recognizes deferred tax liabilities for all taxable temporary differences except: **t** Temporary differences arise from the initial recognition of goodwill or from the initial recognition of assets or liabilities arising from non-business combination transactions that do not affect either accounting profit or taxable income (or deductible losses); **u** Taxable temporary differences related to investments in subsidiaries, associates and joint ventures, the timing of which the Group is able to control and which are likely not to reverse in the foreseeable future.

To the extent that the Group is likely to obtain future taxable income to offset deductible temporary differences, deductible losses and tax credits, deferred tax assets are recognized for deductible temporary differences, deductible losses and tax credits except in the following circumstances: **t** Temporary differences arise from the initial recognition of assets or liabilities arising from non-business combination transactions that affect neither accounting profit nor taxable income (or deductible losses); **u** The deductible temporary differences related to investments in subsidiaries, associates and joint ventures cannot simultaneously meet the following conditions: the temporary differences are likely to be reversed in the foreseeable future, and the future taxable income is likely to be obtained to offset the deductible temporary differences.

The Group recognizes deferred tax assets on all unutilized deductible losses to the extent that there is likely to be sufficient taxable income to offset the deductible loss. The management uses a lot of judgment to estimate the time and amount of future taxable income, and in combination with the tax planning strategy, determines the amount of deferred tax assets to be recognized, so there is uncertainty.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates applicable during the period during which the asset is expected to be recovered or the liability is settled.

The Group presents deferred tax assets and deferred tax liabilities net of offset when both of the following conditions are met: The Group has the legal right to net the current income tax assets and the current deferred tax liabilities; Deferred income tax assets and deferred income tax liabilities are related to income tax levied by the same tax administration on the same taxpayer or to different tax entities, provided that during the period in which each future material deferred income tax asset and deferred income tax liability is reverted, The taxable entity involved intends to net the current income tax assets and current income tax liabilities or to acquire assets and repay debts at the same time.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 29. Lease

### (1) The recognition of lease

On the commencement date of the contract, the Group assesses whether the contract is a lease or includes a lease. A contract is a lease or includes a lease if one party cedes the right to control the use of one or more identified assets for a certain period of time in exchange for consideration.

If the contract contains multiple separate leases, the Group will split the contract and account for each separate lease. If the contract contains both lease and non-lease parts, the Group will separate the lease and non-lease parts for accounting treatment.

Each leasing part is accounted for according to the leasing standards, while the non leasing part is accounted for according to other applicable corporate accounting standards. If the contract includes both leasing and non leasing parts, the Group, as the lessor, will split the leasing and non leasing parts and conduct accounting treatment separately. Each leasing part will be accounted for according to the leasing standards, while the non leasing part will be accounted for according to other applicable accounting standards for enterprises. As the lessee, the Group chooses not to separate the leased and non leased parts, and consolidates each leased part and its related non leased parts separately into a lease, accounting treatment shall be carried out in accordance with leasing standards; However, if the contract includes embedded derivative instruments that should be split, the Group will not merge them with the leasing portion for accounting treatment.

### (2) The Group as lessee

#### 1) Lease confirmation

Except for short-term leases and low-value asset leases, the Group recognizes the use right assets and lease liabilities on the lease at the commencement date of the lease term.

Right to use assets refers to the rights of the Group, as the lessee, to use the leased assets during the lease term, initially measured at cost. The cost includes: **t** the initial measurement amount of the lease liability; **u** The amount of the lease payment paid on or before the commencement date of the lease term less the amount related to the lease incentive already enjoyed; **v** Initial direct costs incurred; **w** Costs expected to be incurred for the demolition and removal of the leased asset, the restoration of the premises where the leased asset is located, or the restoration of the leased asset to its condition as agreed in the lease terms (except those incurred for the production of inventory). Where the Group remeasures the lease liability in accordance with the relevant provisions of the leasing guidelines, the carrying value of the right to use assets is adjusted accordingly.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

The Group depreciates right of use assets on a straight-line basis based on the expected consumption of the economic benefits associated with the right of use assets. If the ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation shall be calculated during the remaining service life of the leased asset; If it is not reasonably certain that the ownership of the leased asset can be acquired at the end of the lease term, depreciation shall be accrued during the shorter of the lease term and the remaining useful life of the leased asset. The depreciation amount is included in the cost of the relevant asset or the current profit or loss according to the use of the right of use asset.

The initial measurement of the lease liability is based on the present value of the outstanding lease payments at the commencement date of the lease term. The lease payment amount includes: **t** the fixed payment amount and the actual fixed payment amount, less the amount related to the lease incentive; **u** Variable lease payments depending on the index or ratio; **v** The exercise price of the purchase option when the Group reasonably determines that the purchase option will be exercised; **w** The lease period reflects the amount payable to exercise the option to terminate the lease when the Group will exercise the option to terminate the lease; **x** The amount expected to be paid based on the remaining value of the guarantee provided by the Group.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate as the discount rate when it is not possible to determine the inherent interest rate of the lease. The Group calculates the interest expense of the lease liability for each period of the lease term at a fixed cyclical interest rate and recognizes it in profit or loss for the Current Period, except where it should be capitalized.

Increase the carrying amount of the lease liability when the Group recognizes interest on the lease liability after the commencement of the lease term; Reduce the carrying amount of the lease liability when the lease payment is made. When there is a change in the actual fixed payment amount, a change in the estimated amount payable on the security balance, a change in the index or ratio used to determine the lease payment amount, a change in the evaluation of the purchase option, renewal option or termination option, or a change in the actual exercise of the option, the Group remeasures the lease liability at the present value of the changed lease payment amount.

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

### 2) *Lease change*

Lease modification refers to the modification of the lease scope, lease consideration and lease term beyond the terms of the original contract, including increasing or terminating the right to use one or more leased assets, extending or shortening the lease term stipulated in the contract, etc. The effective date of the lease change refers to the date on which the parties reach an agreement on the lease change.

The Group accounts for the lease change as a separate lease if the following conditions are met: **t** The lease change expands the scope of the lease or extends the term of the lease by increasing the right to use one or more leased assets; **u** The increased consideration is equivalent to the individual price for the extension of the lease or the extension of the lease term adjusted for the circumstances of the contract.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Group apportioned the consideration of the changed contract in accordance with the relevant provisions of the leasing standards and redetermined the lease term after the change; The revised discount rate is used to discount the changed lease payment amount to remeasure the lease liability. In calculating the present value of the changed lease payments, the Group uses the inherent lease rate for the remaining lease term as the discount rate; Where it is not possible to determine the inherent interest rate of the lease for the remaining lease term, the Group uses the lessee's incremental borrowing rate on the effective date of the lease change as the discount rate. In terms of the impact of the above adjustment of lease liabilities, the Group will account for the following cases: **t** If the lease change results in the reduction of the lease scope or the shortening of the lease term, the lessee shall reduce the carrying value of the right to use assets and recognize the gains or losses related to the partial or complete termination of the lease in profit or loss. **u** If other lease changes result in the remeasurement of lease liabilities, the lessee shall adjust the book value of the right to use assets accordingly.

### 3) *Short-term leases and leases of low value assets*

For short-term leases with a lease term of up to 12 months and low-value asset leases where individual lease assets have a lower value when they are brand new assets, the Group chooses not to recognize use right assets and lease liabilities. The Group recognizes lease payments for short-term leases and low-value asset leases on a straight-line basis to the cost of the relevant assets or to current profit or loss during each period of the lease term.



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 4) *Sale and leaseback*

As the seller-lessee in a sale-leaseback transaction, the Group assesses whether the transfer of the underlying assets constitutes a sale. If the Group determines that it does not constitute a sale, the Group will continue to recognize the transferred assets and recognize a financial liability equal to the income from the transfer, and if it constitutes a sale, the Group will measure the right-of-use assets formed by the sale and lease back according to the part of the carrying amount of the original assets related to the right to use obtained from leaseback, and only recognize the relevant gains or losses on the rights transferred to the lessor.

## (3) *The Group is a lessor*

As a lessor, the Group classifies a lease as a finance lease if it substantially transfers virtually all of the risks and rewards associated with ownership of the leased asset, and leases other than finance leases are classified as operating leases.

### 1) *Financial leasing*

On the commencement date of the lease term, the Group recognizes the financial lease receivable for the finance lease and terminates the recognition of the financial lease assets. In the Group's initial measurement of financial lease receivables, the net lease investment is taken as the recorded value of financial lease receivables.

The net lease investment is the sum of the unsecured balance and the present value of the lease proceeds not yet received at the commencement date of the lease term, discounted at the intrinsic interest rate of the lease.

The Group calculates and recognizes interest income for each period of the lease term at a fixed cyclical rate. Variable lease payments obtained by the Group that are not measured in net lease investments are recognized in profit or loss when actually incurred.

### 2) *Operating lease*

During each period of the lease term, the Group uses the straight-line method to recognize lease receipts from operating leases as rental income.

Initial direct expenses incurred by the Group in relation to operating leases should be capitalized to the cost of the underlying asset to be leased and recognized in profit or loss in instalments over the lease period on the same basis as rental income.

Variable lease payments made by the Group in relation to operating leases that are not included in lease collections are recognized in profit or loss for the period when they are actually incurred.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

When an operating lease is changed, the Group accounts for it as a new lease from the effective date of the change, and the amount received in advance or receivable from the lease before the change is treated as the amount received from the new lease.

### 3) Sale and leaseback

The Group, as a buyer and lessor in a sale leaseback transaction, does not transfer control of the underlying assets to the Group, and the Group does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income; Control of the underlying asset has been transferred to the Group, the transfer of the asset constitutes a sale, and the Group accounts for the purchase of the asset and for the rental of the asset in accordance with the foregoing policy.

## 30. Held for sale

The Group classifies a non-current asset as held for sale if it recovers its carrying value primarily through disposals (including non-monetary asset exchanges with commercial substance, the same below) rather than through the ongoing use of a non-current asset or disposal group.

The Group classifies non-current assets or disposal groups as held for sale if they both meet the following conditions: **■** they can be sold immediately under current conditions in accordance with the practice of selling such assets or disposal groups in similar transactions; **■** A sale is highly likely, i.e. a decision has been made on a sale plan and a firm purchase commitment has been obtained, and the sale is expected to be completed within one year. Relevant provisions require relevant authority or regulatory approval before sale needs to obtain relevant approval. If the carrying value of non-current assets or disposal groups held by the Group (other than financial assets, deferred tax assets, investment real estate measured by cost model, and assets formed from employee compensation) is higher than the net of fair value less disposal charges, the carrying value is written down to the net of fair value less disposal charges, and the amount written down is recognized as an asset impairment loss. It is recorded in profit or loss for the Current Period, and a provision is made for impairment of assets held for sale.

If the Group loses control of the subsidiary due to the sale of its investment in the subsidiary, regardless of whether the Group retains part of the equity investment after the sale, when the investment in the subsidiary to be sold meets the classification conditions for holding for sale category, the overall investment in the subsidiary will be classified as holding for sale category in the individual financial statements of the parent company. All assets and liabilities of subsidiaries are classified as held for sale in the consolidated financial statements.

Non-current assets held for sale or non-current assets in the disposal group are not depreciated or amortized, and interest and other expenses on liabilities held for sale in the disposal group continue to be recognized.

When a non-current asset or disposal group held for sale is discontinued, any unrecognized gain or loss is recognized in profit or loss for the period.

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

## 31. Discontinued operations

Discontinued operations mean any component of the Group which meets one of the following conditions, can be distinguished separately and has been disposed of or classified as held for sale: **t** This component represents an independent main business or a separate main operating area; **u** This component is part of a related plan to be disposed of in an independent main business or in a separate main operating area; **v** This component is a subsidiary acquired exclusively for resale.

In the income statement, the Group added the items "Net profit from continuing operations" and "Net profit from discontinued operations" under "Net profit" in the income statement to reflect the profit and loss related to continuing operations and discontinued operations respectively on a net after-tax basis. Profit or loss related to discontinued operations shall be presented as profit or loss from discontinued operations covering the entire reporting period and not only the reporting period after it is deemed to be discontinued operations.

## 32. Fair value measurement

The Group measures investments in investment real estate, derivative financial instruments and equity instruments at fair value at each balance sheet date. Fair value refers to the price that market participants can receive or transfer a liability by selling an asset in an orderly transaction that takes place on the measurement date.

Assets and liabilities measured or disclosed at fair value in the financial statements are determined to belong to a fair value level based on the lowest level of input values that are significant to the fair value measurement as a whole: Level 1 input values, unadjusted quotes of the same assets or liabilities available on the active market at the measurement date; The input value of the second level, in addition to the input value of the first level, the directly or indirectly observable input value of the relevant asset or liability; Third level input values, unobservable input values of the underlying asset or liability.

(For the first and second tiers) for financial instruments traded in active markets, the Group determines their fair value at their active market quotes; For financial instruments that are not traded in an active market, the Group uses valuation techniques to determine their fair value, and the valuation model used is mainly the discounted cash flow model. The input values of valuation techniques mainly include: the creditor's rights are risk-free interest rate, credit premium and liquidity premium; The equity class is the valuation multiplier and liquidity discount.

(For Tier 3) The fair value of Tier 3 is determined on the basis of the Group's valuation models, such as the discounted cash flow model. The Group also takes into account the initial transaction price, recent transactions of the same or similar financial instruments, or full third-party transactions of comparable financial instruments. As at balance sheet date, Tier 3 financial assets measured at fair value are valued using significant unobserved inputs such as discount rates, but their fair value is not materially sensitive to reasonable changes in these significant unobserved inputs.

At each balance sheet date, the Group reevaluates the assets and liabilities recognized in the financial statements at fair value on an ongoing basis to determine whether there has been a conversion between levels of fair value measurement.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 33. Income tax accounting

The Group's income tax is accounted for using the balance sheet liability method. Income tax expense includes current income tax and deferred income tax. In addition to the current income tax and deferred income tax related to transactions and events directly credited to shareholders' equity and the carrying value of the deferred income tax adjusted goodwill resulting from the business combination, the remaining current income tax and deferred income tax expenses or gains are credited to current profit or loss.

The current income tax expense refers to the amount calculated and determined by the enterprise in accordance with the tax regulations for the transactions and events occurring in the Current Period, which should be paid to the tax department, namely, the income tax payable; Deferred income tax refers to the difference between the amount of deferred income tax assets and deferred income tax liabilities that should be recognized under the balance sheet liability method at the end of the period and the amount originally recognized.

## 34. Other important accounting policy and accounting estimates

### (1) Safety production costs

On 21 November 2022, the Ministry of Finance and the Ministry of Emergency Response issued the Administrative Measures for the Withdrawal and Use of Enterprise Safety Production Expenses (Cai Zi [2022] No. 136), which came into force on the date of issuance.

The Company was involved in the production and storage of dangerous goods, and based on the actual operating income of the previous year, adopted the excess regressive method to extract averagely and monthly according to the following standard.

No.	Sales of the Previous Year	Proportion of Accrual
1	Part of less than RMB10 million	4.5%
2	Part of RMB10 million to RMB100 million (included)	2.25%
3	Part of RMB100 million to RMB1 billion (included)	0.55%
4	Part of more than RMB1 billion	0.20%

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

The Company shall accrue the safety production cost according to the stipulated standards and the accrued safety production cost shall be included in the current profits or losses, as well as included in special reserves, which listed separately under the owner's equity. The actual use of accrued safe production costs, which belongs to expense, offsets special reserves directly. If the use of the accrued safe production costs is to form a fixed asset, the costs are collected and pooled through the account of "construction in progress". Such expenditures are recognized as a fixed asset when the security project is completed and achieves its intended usable status. At the same time, the cost of the formation of fixed assets offsets the special reserves, and the cumulative depreciation as the same amount shall be recognized. The fixed assets shall no longer be depreciated in the subsequent period. If the amount of the special reserve is insufficient to be offset, it shall be directly recognized in the current profits or losses according to the actual amount.

### **(2) Segment information**

The Group determines the operating segments on the basis of internal organization structure, management requirements and internal reporting system. The operating segment refers to the constituent part within the Group, which simultaneously satisfies the following conditions:

- 1) The part can generate income and incur expenses in daily activities;
- 2) The senior management of the Group can evaluate the operating results of this part at regular intervals so as to decide to allocate resources to it and evaluate its performance;
- 3) The Group can access the relevant accounting information of this part such as financial position, operating results and cash flow.

The Group determines the reporting segment based on the operating segments. Inter-segment earnings are measured based on the actual price of the transaction.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 35. Significant changes in accounting policies and estimates

### (1) Significant accounting policy changes

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

### (2) Significant accounting estimate changes

The Group has no significant changes in accounting estimates for the first half of 2024.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## IV. TAXES

### 1. Main taxes and rates

Tax Category	Taxation Basis	Tax Rate
Corporate income tax in mainland China		
Value-added tax (VAT, Note)	The difference after the input tax of the goods purchased is deducted from the output tax	13%, 9%, 6%
Urban construction tax	Turnover tax payable	7%
Educational surcharges	Turnover tax payable	3%
Local educational surcharges	Turnover tax payable	2%
Enterprise income tax	Taxable income	25%, 15%
US corporate income tax	Taxable income	Federal tax rate: 21%; State tax rate: 8.84%
Netherlands corporate income tax	Taxable income	25.80%/19%
Hong Kong Profits Tax	Taxable income	8.25%

Explanation of tax payers with different corporate income tax rates:

Taxpaying Bodies	Income Tax Rate
The Company	15%
Shandong Zibo Xincat Pharmaceutical Co., Ltd.	15%
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	15%
Shandong Xinhua Design Engineering Co., Ltd.	15%
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	15%
Shandong Xinhua Wanbo Chemical Co., Ltd.	15%
Shandong Xinhua Pharmaceutical (Europe) B.V.	25.80%/19%
Shandong Xinhua Pharmaceutical (USA) Inc.	Federal tax rate: 21%; State tax rate: 8.84%
Shandong Xinhua Mechanical and Electrical Engineering Co., Ltd.	2.50%
Xinhua Health Technology (Hong Kong) Limited (second-tier subsidiary)	8.25%
The other 6 subsidiaries and 3 second-tier subsidiary	25%

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
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## 2. Tax preference

### (1) Income Tax

The Group and its subsidiary Shandong Zibo Xincat Pharmaceutical Co., Ltd. (hereinafter referred to as "Xincat Pharmaceutical") obtained a high-tech enterprise certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Administration of Taxation on 7 December 2023. The certificate numbers are GR202337005178 and GR202337005744, with a validity period of 3 years. According to the Enterprise Income Tax Law of the People's Republic of China, The Group and Xincat Pharmaceutical enjoy a tax preferential policy of levying enterprise income tax at a rate of 15%. The Group and Xincat Pharmaceutical are in a tax preferential period for the first half of 2024, and the applicable income tax rate is 15%.

Our subsidiary, Xinhua Pharmaceutical (Shouguang) Co., Ltd. (hereinafter referred to as "Shouguang Company"), obtained a high-tech enterprise certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Administration of Taxation on 15 December 2021, with certificate number GR202137005637 and validity period of 3 years. According to the Enterprise Income Tax Law of the People's Republic of China, Shouguang Company enjoys a tax preferential policy of levying enterprise income tax at a rate of 15%. Xinhua Shouguang is in a tax preferential period in the first half of 2024, and the applicable income tax rate is 15%.

Our subsidiary Shandong Xinhua Design Engineering Co., Ltd (hereinafter referred to as "Design Engineering Company") obtained a high-tech enterprise certificate issued by the Shandong Provincial Department of Science and Technology, Shandong Provincial Department of Finance, and Shandong Provincial Taxation Bureau of the State Administration of Taxation on 12 December 2022, with certificate number GR202237003571 and validity period of 3 years. According to the Enterprise Income Tax Law of the People's Republic of China, Pharmaceutical and Chemical Design Company enjoy a tax preferential policy of levying enterprise income tax at a rate of 15%. Pharmaceutical and Chemical Design Company is in a tax preferential period, and the applicable income tax rate is 15%.

Our subsidiaries, Xinhua Pharmaceutical (Gaomi) Co., Ltd. (hereinafter referred to as "Gaomi Company") and Shandong Xinhua Wanbo Chemical Co., Ltd. (hereinafter referred to as "Wanbo Chemical"), obtained a high-tech enterprise certificate issued by the Shandong Provincial Department of Science and Technology, the Shandong Provincial Department of Finance, and the Shandong Provincial Taxation Bureau of the State Administration of Taxation on 29 November 2023, with certificate numbers GR202337001341 and GR202337001830 respectively, valid for 3 years. According to the Enterprise Income Tax Law of the People's Republic of China, Gaomi Company and Wanbo Chemical enjoy a tax preferential policy of levying enterprise income tax at a rate of 15%. Gaomi Company and Wanbo Chemical are in a tax preferential period in the first half of 2024, and the applicable income tax rate is 15%.



# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

The subsidiary of The Group, Shandong Xinhua Electromechanical Engineering Co., Ltd., complies with Article 1 of the Announcement of the Ministry of Finance and the State Administration of Taxation on the Implementation of Income Tax Preferential Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No. 6 of 2023 of the Ministry of Finance and the State Administration of Taxation). The tax conditions for the annual taxable income of small and micro profit enterprises are as follows: the portion of the annual taxable income not exceeding 1 million yuan shall be reduced by 25% and included in the taxable income, Pay corporate income tax at a rate of 20%. This policy is in accordance with the relevant provisions of Article 3 of the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Supporting the Development of Small and Micro Enterprises and Individual Businesses in Relevant Tax Policies (Announcement No. 12 of the Ministry of Finance and the State Administration of Taxation in 2023) and will continue to be implemented until December 31, 2027.

## **(2) Value-added tax (VAT)**

The Group's exported goods enjoy preferential policies for value-added tax exemption, offset, and refund.

According to Announcement No. 14 of 2022 issued by the Ministry of Finance and the State Administration of Taxation on Further Strengthening the Implementation of the Policy of ending Value-Added Tax Credit Refund, strengthening the policy of value-added tax credit refund for small and micro enterprises at the end of the period. The policy of full monthly refund of value-added tax increment retained tax amount for advanced manufacturing enterprises will be expanded to eligible small and micro enterprises (including individual businesses, the same below), with a one-time refund of the remaining amount of tax retained for small and micro enterprises. The policy scope of fully refunding of value-added tax increment retained tax amount in advanced manufacturing industry on a monthly basis will be expanded to eligible manufacturing and other industry enterprises (including individual industrial and commercial households, the same below), and the stock retained tax amount of manufacturing and other industry enterprises will be refunded in a lump sum.

According to the Announcement of the State Administration of Taxation of the Ministry of Finance No. 21 of 2022 "Announcement on Expanding the Industry Scope of the Policy on Full Refund of VAT Retained Tax Credit" and the Announcement of the State Administration of Taxation No. 11 of 2022 "Announcement of the State Administration of Taxation on Tax Administration Matters to Expand the Industry Scope of the Policy on Full Refund of VAT Retained Tax Credit", the industry scope of the policy of monthly full refund of value-added tax incremental retained tax amount and one-time refund of stock retained tax amount have been expanded (new wholesale and retail trade, agriculture, forestry, animal husbandry and fishery, accommodation and catering industry, resident service industry, education, health and social work, culture, sports and recreation).

According to Article 1 of the Announcement of the Ministry of Finance and the State Administration of Taxation on the Policy of Additional Value added Tax Deduction for Advanced Manufacturing Enterprises (Announcement No. 43 of the Ministry of Finance and the State Administration of Taxation in 2023), from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to add 5% of the current deductible input tax amount to offset the payable value-added tax amount.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## V. NOTES TO MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENT

The following disclosed data of the financial statements, unless specifically noted, “the beginning of the period” refers to 1 January 2024; “the end of the period” refers to 30 June 2024; “the Current Period” refers to the period from 1 January 2024 to 30 June 2024; “the previous period” refers to the period from 1 January 2023 to 30 June 2023; the monetary unit is RMB.

### 1. Monetary funds

Item	Ending Balance	Opening Balance
Cash in hand	37,447.11	41,554.74
Bank deposit	850,884,252.24	782,195,674.78
Other monetary funds	145,410,570.89	136,097,232.77
Total	996,332,270.24	918,334,462.29
Including: Total amount deposited abroad	47,967,400.67	30,440,516.95

The Group’s restricted amount of monetary funds at the end of the period are listed as follows:

Item	Ending Balance	Opening Balance
Bank acceptance deposit	130,415,094.64	120,023,549.67
Advance payment for house sale	13,773,552.87	13,773,552.87
Performance bond money		1,002,222.86
Housing loan deposit	667,394.46	666,716.46
Deposit for migrant workers, etc	554,528.92	1,184,165.56
Total	145,410,570.89	136,650,207.42

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 2. Notes receivable

### (1) Classified presentation of notes receivable

Item	Ending Balance	Opening balance
Bank acceptance bills	11,120,887.78	8,191,109.23
Total	11,120,887.78	8,191,109.23

### (2) Classified by the method of recognizing provision for bad debt

Item	Book Balance		Ending Balance Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of Provision (%)	
1) To recognize the bad debt provision based on single item					
2) To recognize the bad debt provision based on combination	11,177,223.90	100.00	56,336.12	0.50	11,120,887.78
Including: Aging portfolio	11,177,223.90	100.00	56,336.12	0.50	11,120,887.78
Total	11,177,223.90	100.00	56,336.12	0.50	11,120,887.78

Item	Book Balance		Opening Balance Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of Provision (%)	
1) To recognize the bad debt provision based on single item					
2) To recognize the bad debt provision based on combination	8,239,217.41	100.00	48,108.18	0.58	8,191,109.23
Including: Aging portfolio	8,239,217.41	100.00	48,108.18	0.58	8,191,109.23
Total	8,239,217.41	100.00	48,108.18	0.58	8,191,109.23

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

- 1) To recognize the bad-debt provision for notes receivable based on single item: None
- 2) To recognize the bad-debt provision for notes receivable based on aging combination

Item	Book Balance	Ending Balance Provision for Bad Debt	Proportion of Provision (%)
Within 1 year	11,177,223.90	56,336.12	0.50
Total	11,177,223.90	56,336.12	0.50

### (3) The bad-debt provision recognized, recovered and reversed in Current Period

Item	Opening Balance	Changes of Amount in Current Period				Ending Balance
		Accrual	Reversed or Recovered	Transferred or Written Off	Other	
Bank acceptance bills	48,108.18	8,227.94				56,336.12
Total	48,108.18	8,227.94				56,336.12

### (4) Notes receivable pledged at the end of the Period: None

### (5) Notes receivable endorsed or discounted at the end of the Period and not yet due at the balance sheet date

Item	The Amount will be Recognized at the end of the Period	The Amount Recognized is not Terminated at the end of the Period
Bank acceptance bills		8,710,969.13
Total		8,710,969.13

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

(6) *Notes receivable actually written off during the period: None*

(7) *Age of notes receivable at the end of the Period:*

The age of the Group's notes receivable at the end of the Period above is less than 1 year.

### 3. Accounts receivable

(1) *Accounts receivable are listed according to aging*

The aging analysis of accounts receivable (including related party receivables) on the transaction date is as follows:

<b>Aging</b>	<b>Period-end Book Balance</b>	<b>Book Balance at Beginning of Year</b>
Within 1 year (inclusive)	<b>1,020,183,563.76</b>	700,038,142.10
1-2 years	<b>20,839,133.52</b>	12,672,818.28
2-3 years	<b>5,448,847.40</b>	5,618,214.67
More than 3 years	<b>15,328,240.86</b>	12,892,685.94
Including: 3-4 years	<b>4,857,306.71</b>	2,663,038.94
4-5 years	<b>1,022,108.99</b>	911,855.31
Over 5 years	<b>9,448,825.16</b>	9,317,791.69
Total	<b><u>1,061,799,785.54</u></b>	<b><u>731,221,860.99</u></b>

Some of the Group's sales are made on an advance basis and the rest are granted a credit period of a certain period.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Accounts receivable classified by the method of recognizing provision for bad debt.

Item	Book Balance		Ending Balance Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of	
				Provision (%)	
1) To recognize the bad debt provision based on single item					
2) To recognize the bad debt provision based on combination	1,061,799,785.54	100.00	39,138,230.22	3.69	1,022,661,555.32
Including: aging portfolio	<u>1,061,799,785.54</u>	<u>100.00</u>	<u>39,138,230.22</u>	<u>3.69</u>	<u>1,022,661,555.32</u>
Total	<u>1,061,799,785.54</u>	<u>100.00</u>	<u>39,138,230.22</u>	<u>3.69</u>	<u>1,022,661,555.32</u>

Item	Book Balance		Opening Balance Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of	
				Provision (%)	
1) To recognize the bad debt provision based on single item					
2) To recognize the bad debt provision based on combination	731,221,860.99	100.00	31,343,912.08	4.29	699,877,948.91
Including: aging portfolio	<u>731,221,860.99</u>	<u>100.00</u>	<u>31,343,912.08</u>	<u>4.29</u>	<u>699,877,948.91</u>
Total	<u>731,221,860.99</u>	<u>100.00</u>	<u>31,343,912.08</u>	<u>4.29</u>	<u>699,877,948.91</u>

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

- 1) To recognize the bad-debt provision for accounts receivable based on single item: None
- 2) To recognize the bad-debt provision for accounts receivable based on aging combination

Aging	Book Balance	Ending Balance Provision for Bad Debt	Proportion of Provision (%)
Within 1 year	1,020,183,563.76	10,265,547.77	1.01
1-2 years	20,839,133.52	8,095,594.19	38.85
2-3 years	5,448,847.40	5,448,847.40	100.00
3-4 years	4,857,306.71	4,857,306.71	100.00
4-5 years	1,022,108.99	1,022,108.99	100.00
Over 5 years	9,448,825.16	9,448,825.16	100.00
Total	<u>1,061,799,785.54</u>	<u>39,138,230.22</u>	<u>3.69</u>

### (3) Provision for bad debts of accounts receivable accrued, collected or reversed during the period

Category	Opening Balance	Changes of Amount in Current Period				Ending Balance
		Accrual	Reversed or Recovered	Transferred or Written Off	Other	
To recognize the bad debt provision based on combination	31,343,912.08	<u>7,794,318.14</u>				<u>39,138,230.22</u>
Total	31,343,912.08	<u>7,794,318.14</u>				<u>39,138,230.22</u>

### (4) Accounts receivable actually written off during the period: None

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (5) The top five accounts receivable and contract assets at the end of the Period collected by the defaulter

Organization	Accounts Receivable Balance at Period-end	Contract Assets Balance at Period-end	Receivable and Contract Assets at Period-end	Percentage of Total Balance of Accounts Receivable and Contract Assets at Period-end (%)	Accounts Receivable Bad Debt Provision and Contract Assets Impairment Provision Ending Balance
Beijing Jingdong Hongjian Health Co., Ltd.	62,695,448.35		62,695,448.35	5.90	313,477.24
Perrigo Company	60,584,982.19		60,584,982.19	5.70	580,390.84
Zibo Central Hospital	52,682,358.05		52,682,358.05	4.96	468,216.92
F.Hoffmann-La Roche AG	37,514,051.19		37,514,051.19	3.53	562,710.77
Bayer Healthcare Co., Ltd.	31,811,517.58		31,811,517.58	2.99	477,172.76
Total	245,288,357.36		245,288,357.36	23.08	2,401,968.53

## 4. Contract assets

### (1) Contract assets situation

Item	Ending Balance		Book Value	Opening Balance		Book Value
	Book Balance	Bad-debt Provision		Book Balance	Bad-debt Provision	
Contract assets	753,546.90	75,335.64	678,211.26	1,106,046.90	286,617.50	819,429.40
Total	753,546.90	75,335.64	678,211.26	1,106,046.90	286,617.50	819,429.40

### (2) Amount and reasons for significant changes in book value during the period: None



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (3) The contract assets are classified and listed according to the method of accounting for bad debts

Item	Book Balance		Ending Balance Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of	
				Provision (%)	
1) To recognize the bad debt provision based on single item					
2) To recognize the bad debt provision based on combination	753,546.90	100.00	75,335.64	10.00	678,211.26
Including: aging portfolio	753,546.90	100.00	75,335.64	10.00	678,211.26
Total	753,546.90	100.00	75,335.64	10.00	678,211.26

Item	Book Balance		Opening balance Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of	
				Provision (%)	
1) To recognize the bad debt provision based on single item					
2) To recognize the bad debt provision based on combination	1,106,046.90	100.00	286,617.50	25.91	819,429.40
Including: aging portfolio	<u>1,106,046.90</u>	<u>100.00</u>	<u>286,617.50</u>	<u>25.91</u>	<u>819,429.40</u>
Total	<u>1,106,046.90</u>	<u>100.00</u>	<u>286,617.50</u>	<u>25.91</u>	<u>819,429.40</u>

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

- 1) To recognize the bad-debt provision for contract assets based on single item:  
None
- 2) To recognize the bad-debt provision for contract assets based on aging combination

Name	Book Balance	Ending Balance Provision for Bad Debt	Proportion of Provision (%)
Within 1 year	429,608.90	2,148.04	0.50
1-2 years	302,938.00	60,587.60	20.00
2-3 years	21,000.00	12,600.00	60.00
Total	753,546.90	75,335.64	10.00

- 3) Provision for bad debts accrued, recovered or returned to contract assets during the period

Item	Provision for this Period	Reversed or Recovered this Period	Transferred or Written Off this Period	Reasons
Contract assets	-211,281.86			Charge according to the model
Total	-211,281.86			

- 4) Contract assets actually written off during this Period: None

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 5. Accounts receivable financing

### (1) Classification of accounts receivable financing

Item	Ending Balance	Opening Balance
Notes receivable that are measured at fair value and whose changes are included in other comprehensive income	<u>265,906,217.22</u>	<u>240,274,709.86</u>
Total	<u><u>265,906,217.22</u></u>	<u><u>240,274,709.86</u></u>

### (2) The accounts receivable financing are classified and listed according to the method of accounting for bad debts

The financing of receivables at the end of the Period are bank acceptance bills. The Group believes that the carrying value of the bank acceptance bills receivable is close to the fair value due to the short remaining maturity of the bank acceptance bills held by the Group; Due to its extremely low credit risk, there is no significant credit risk, so no provision for impairment.

### (3) The accounts receivable financing pledged at the end of the Reporting Period: None

### (4) Accounts receivable financing endorsed or discounted at the end of the Reporting Period and not due at the balance sheet date

Item	The Amount will be Recognized at the end of the Reporting Period	The Amount Recognized is not Terminated at the end of the Reporting Period
Bank acceptance bills	<u>561,930,946.30</u>	
Total	<u><u>561,930,946.30</u></u>	<u><u>                    </u></u>

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

(5) *The actual write-off of accounts receivable financing: None*

(6) *Changes in accounts receivable financing and fair value changes during the period*

Item	Opening Balance	Increase this Period	Decrease this Period	Ending Balance
Accounts receivable financing	240,274,709.86	999,934,509.04	974,503,001.68	265,906,217.22
Total	240,274,709.86	999,934,509.04	974,503,001.68	265,906,217.22

*Note:* The accounts receivable financing at the end of the Period are bank acceptance bills, the remaining term is shorter, and the book balance is used as the appropriate estimate of its fair value.

### 6. Other receivables

Item	Ending Balance	Opening Balance
Dividends receivable	8,182,200.00	
Other receivables	8,853,947.69	9,336,085.40
Total	17,036,147.69	9,336,085.40

6.1 *Interest receivable: None*

6.2 *Dividends receivable:*

Item	Ending Balance	Opening Balance
Bank of Communications Co., Ltd	3,082,200.00	
China Pacific Insurance (Group) Co., Ltd.	5,100,000.00	
Total	8,182,200.00	

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 6.3 Other receivables

### (1) Other receivables classified by nature

<b>Nature</b>	<b>Period-end Book Balance</b>	Beginning Balance at Beginning of Year
Bid security, deposit	7,360,201.39	5,678,457.20
Petty cash	755,610.05	655,000.00
Export tax rebates receivable	896,176.51	1,805,784.42
Others	9,401,956.86	10,365,971.57
Total	18,413,944.81	18,505,213.19

### (2) Other receivables are listed according to aging

<b>Aging</b>	<b>Period-end Book Balance</b>	Book Balance at Beginning of Year
Within 1 year (inclusive)	8,664,450.00	9,198,752.58
1–2 years	1,071,406.71	1,563,350.27
2–3 years	1,108,263.60	453,311.54
More than 3 years	7,569,824.50	7,289,798.80
Including: 3–4 years	597,178.98	1,419,330.00
4–5 years	1,243,703.70	142,926.98
Over 5 years	5,728,941.82	5,727,541.82
Total	18,413,944.81	18,505,213.19

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

- (3) The others receivables are classified and listed according to the method of accounting for bad debts

Item	Book Balance		Ending Balance Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of	
				Provision (%)	
1) To recognize the bad debt provision based on single item					
2) To recognize the bad debt provision based on combination	18,413,944.81	100.00	9,559,997.12	51.92	8,853,947.69
Including: Special fund portfolio	896,176.51	4.87			896,176.51
Aging portfolio	17,517,768.30	95.13	9,559,997.12	54.57	7,957,771.18
Total	18,413,944.81	100.00	9,559,997.12	51.92	8,853,947.69

Item	Book Balance		Opening Balance		Book Value
	Amount	Proportion (%)	Provision for Bad Debt		
			Amount	Proportion of Provision (%)	
1) To recognize the bad debt provision based on single item					
2) To recognize the bad debt provision based on combination	18,505,213.19	100.00	9,169,127.79	49.55	9,336,085.40
Including: Special fund portfolio	1,805,784.42	9.76			1,805,784.42
Aging portfolio	16,699,428.77	90.24	9,169,127.79	54.91	7,530,300.98
Total	18,505,213.19	100.00	9,169,127.79	49.55	9,336,085.40

Note: The special fund portfolio is the export tax rebates receivable.

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

- 1) Provision for bad debts on a single basis for other receivables: None
- 2) Other receivables are prepared for bad debts according to the age combination

Aging	Book Balance	Ending Balance Provision for Bad Debt	Proportion of Provision (%)
Within 1 year	7,768,273.49	854,056.62	10.99
1-2 years	1,071,406.71	286,342.49	26.73
2-3 years	1,108,263.60	849,773.51	76.68
3-4 years	597,178.98	597,178.98	100.00
4-5 years	1,243,703.70	1,243,703.70	100.00
Over 5 years	5,728,941.82	5,728,941.82	100.00
Total	17,517,768.30	9,559,997.12	54.57

- 3) Other receivables are prepared for bad debts according to the general model of expected credit loss

	Stage 1 The Expected Credit Losses in the Next 12 Months	Stage 2 The Expected Credit Losses of the Entire Duration (without any credit impairment occurred)	Stage 3 The Expected Credit Losses of the Entire Duration (with credit impairment already occurred)	Total
<b>Bad-debt Provision</b>				
Balance of January 1, 2024	1,879,328.99		7,289,798.80	9,169,127.79
During the period, the opening balance of other receivable, which was				
- Transferred to stage 2				
- Transferred to stage 3				
- Reversed to stage 2				
- Reversed to stage 1				
Accrued in Current Period	110,843.63		280,025.70	390,869.33
Reversed in Current Period				
Transferred out in Current Period				
Written-off in Current Period				
Other changes				
<b>Balance of June 30, 2024</b>	<b>1,990,172.62</b>		<b>7,569,824.50</b>	<b>9,559,997.12</b>

*Note:* The basis for the division of each stage: The Company classifies other receivables with an age of more than 3 years as the third stage, and other receivables with other ages as the first stage.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 4) Preparation for other receivables and bad debts

Category	Opening Balance	Changes of Amount in Current Period				Ending Balance
		Accrual	Reversed or Recovered	Transferred or written off	Other	
Bad-debt provision	9,169,127.79	390,869.33				9,559,997.12
Total	9,169,127.79	390,869.33				9,559,997.12

## 5) Other receivables actually written-off this Period: None

## 6) Other accounts in the top five of the Period-end balance collected by the debtor

Name	Nature of Payments	Ending Balance	Account Age	Proportion of the Total Ending Balance of Other Receivables (%)	Ending Balance of Bad-debt Provision
Chen Weisen	Current payments	1,900,409.00	Over 5 years	10.32	1,900,409.00
Gaoqing County People's Hospital	Security	1,000,000.00	Within 1 year	5.43	70,000.00
Export tax refunds receivable	Export tax rebate	896,176.51	Within 1 year	4.87	
Harbin Pharmaceutical Group Shiyitang Baichuan Pharmaceutical Trade Co., Ltd	Current payments	794,917.61	Over 5 years	4.32	794,917.61
Jiangxi Yixin Medical Technology Co., Ltd.	Current payments	712,330.00	4-5 years	3.87	712,330.00
Total		5,303,833.12		28.81	3,477,656.61

## 7) Reported to other receivables due to the centralized management of funds: None

## 8) Annual employee loans receivable

There were no borrowings receivable from employees as of June 30, 2024.



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 7. Prepayment

### (1) Account age of prepayments

Item	Ending Balance		Opening Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	45,558,436.56	99.43	34,195,137.22	96.68
1-2 years	248,505.80	0.54	2,393.80	0.01
2-3 years				
More than 3 years	12,100.00	0.03	1,171,720.00	3.31
Total	45,819,042.36	100.00	35,369,251.02	100.00

### (2) The prepayment of the top five Period-end balances collected according to the prepayment object

During the Reporting Period, the total amount of the top five prepayments at the end of the balance collected according to the prepayment object is RMB14,125,620.72, accounting for 30.83% of the total balance of prepayments at the end of the Reporting Period.

## 8. Inventories

### (1) Classification of inventories

Item	Book Balance	Ending Balance	Book Value
		Provision for Inventories	
Raw materials	153,738,307.60	11,215,517.51	142,522,790.09
Products in process	264,252,873.33	14,116,018.49	250,136,854.84
Goods in stock	751,132,738.90	39,790,101.08	711,342,637.82
Low-value consumables	23,138,658.00	390,194.39	22,748,463.61
Materials reserved with special approval	1,735,878.19		1,735,878.19
Goods in transit	63,264,788.05	134,161.33	63,130,626.72
Total	1,257,263,244.07	65,645,992.80	1,191,617,251.27

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

Item	Opening Balance		Book Value
	Book Balance	Provision for Inventories	
Raw materials	163,040,222.29	15,974,265.53	147,065,956.76
Products in process	221,786,769.05	17,938,788.26	203,847,980.79
Goods in stock	903,727,623.01	34,597,136.12	869,130,486.89
Low-value consumables	23,357,170.59	365,555.88	22,991,614.71
Materials reserved with special approval	1,735,878.19		1,735,878.19
Goods in transit	68,909,887.83	698,128.42	68,211,759.41
Total	<u>1,382,557,550.96</u>	<u>69,573,874.21</u>	<u>1,312,983,676.75</u>

## (2) Provision for impairment of inventories

Classification of Inventories	Opening Balance	Increase this Period		Decrease this Period		Ending Balance
		Accrual	Others	Transfer-out	Others	
Raw materials	15,974,265.53	8,507,584.93		13,266,332.95		11,215,517.51
Products in process	17,938,788.26	6,976,154.36		10,798,924.13		14,116,018.49
Goods in stock	34,597,136.12	32,859,524.48		27,666,559.52		39,790,101.08
Low-value consumables	365,555.88	47,395.40		22,756.89		390,194.39
Goods in transit	698,128.42	134,161.33		698,128.42		134,161.33
Total	<u>69,573,874.21</u>	<u>48,524,820.50</u>		<u>52,452,701.91</u>		<u>65,645,992.80</u>

## (3) Method of recognizing the provision for impairment of inventories

Item	Specific Basis for Determining Net Realizable Value	Reasons for Reversal or Write-off in Current Period
Raw materials	See descriptions in note "III. Important Accounting Policy and Accounting Estimate 12. Inventory"	Produced and sold
Products in process		Completed and sold
Goods in stock		Sold
Goods in transit		Sold
Low-value consumables		Produced and sold

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 9. Other current assets

Item	Ending Balance	Opening Balance	Nature
Subject to input tax deduction of VAT	60,792,595.53	58,612,875.37	Subject to input tax deduction
Prepayment of corporate income tax	26,359,028.86	27,122,814.78	Prepayment of corporate income tax
Prepayment of land value-added tax		3,095,711.43	Prepayment of land value-added tax
Prepayment of other taxes and dues	341,861.27	315,541.57	Prepayment of other taxes and dues
Total	87,493,485.66	89,146,943.15	

## 10. Investments in other equity instruments

### (1) Details list of investments in other equity instruments

Item	Increase or Decrease in Current Period						Dividend Income Recognized for the Year	Gains Accrued to Other Comprehensive Income at the end of the Period	Loss Accumulated In Other Comprehensive Income at the end of the Period	Reasons Specified as Measured at Fair Value and for which Changes are Included in Other Comprehensive Income
	Opening Balance	Added Investment	Reduce Investment	Gains Included in Other Comprehensive Income	Losses Included in Other Comprehensive Income	Others				
Bank of Communications Co., Ltd.	47,178,208.00			14,219,216.00		61,397,424.00	3,082,200.00	40,096,290.10		The Group is for equity investment purposes
China Pacific Insurance (Group) Co., Ltd.	118,900,000.00			20,400,000.00		139,300,000.00	5,100,000.00	112,455,000.00		The Group is for equity investment purposes
North Health Medical Big Data Technology Co., Ltd.	16,718,859.30				1,710,731.19	15,008,128.11			12,743,091.11	The Group is for equity investment purposes
Total	182,797,067.30			34,619,216.00	1,710,731.19	215,705,552.11	8,182,200.00	152,551,290.10	12,743,091.11	

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 11. Long-term equity investment

### (1) Details list of long-term equity investment

Invested Company	Opening Balance (book value)	Opening Balance of Impairment Provision	Increase or Decrease in Current Period								Ending Balance (book value)	Ending Balance of Impairment Provision
			Added Investment	Reduced Investment	Investment Gains and Losses Recognized under Equity Method	Adjustment of Other Comprehensive Income	Other Changes in Equity	Declared Cash Dividends or Profit	Provision for Impairment	Others		
I. Joint ventures												
Cansheng Pharmaceutical (Zibo) Co., Ltd.	58,572,098.00				1,334,406.83						59,906,504.83	
Subtotal	58,572,098.00				1,334,406.83						59,906,504.83	
Total	58,572,098.00				1,334,406.83						59,906,504.83	

### (2) Long-term equity investment impairment test

At the end of the reporting period, there was no indication of impairment in the Group's long-term equity investments, so no asset impairment test was conducted.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 12. Investment properties

### (1) Investment properties measured by costs

Item	Premises and Buildings	Land Use Right	Total
<b>I. Original book value</b>			
1. Opening balance	78,383,341.54		78,383,341.54
2. Increased amount in Current Period	1,234,917.01		1,234,917.01
(1) Purchase			
(2) Transferred from fixed assets	1,234,917.01		1,234,917.01
3. Decreased amount in current Period			
(1) Disposal or scrap			
<b>4. Ending Balance</b>	<b>79,618,258.55</b>		<b>79,618,258.55</b>
<b>II. Accumulated depreciation and accumulated amortization</b>			
1. Opening balance	44,474,707.81		44,474,707.81
2. Increased amount in Current Period	1,731,730.36		1,731,730.36
(1) Accrual or amortization	1,574,294.89		1,574,294.89
(2) Transferred from fixed assets or intangible assets	157,435.47		157,435.47
3. Decreased amount in Current Period			
(1) Disposal or scrap			
<b>4. Ending Balance</b>	<b>46,206,438.17</b>		<b>46,206,438.17</b>
<b>III. Provision for impairment</b>			
<b>IV. Book value</b>			
<b>1. Ending book value</b>	<b>33,411,820.38</b>		<b>33,411,820.38</b>
2. Beginning book value	33,908,633.73		33,908,633.73

In Current Period, an amount of RMB1,574,294.89 of depreciation and amortization for investment properties was charged to profits or losses (previous period: RMB2,287,978.74).

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

- (2) All investment properties of the Company were located in the territory of China and were in the medium-term (10–50 years) phase.

(3) ***Impairment test of investment real estate using cost measurement model***

At the end of the reporting period, there were no signs of impairment in the Group's investment real estate, so no asset impairment test was conducted.

(4) ***Investment properties with uncompleted certificate of title***

At the end of the Period, investment real estate included properties with a book value of RMB24,191,991.58 (Opening balance: RMB25,559,709.70), and their title certificates were being processed. In view of the fact that the above properties are carried out in accordance with relevant legal procedures, the Board of Directors of the Company is satisfied that there are no substantial legal obstacles to the transfer of its property rights or affect the normal use of such buildings by the Group, which does not have a material impact on the normal operation of the Group, and there is no need to make an impairment provision for investment real estate.

Item	Book Value	Reason for Uncompleted Certificate of Title
13-22/F, Xinhua Mansion in the Headquarters	19,622,838.61	In progress
No. 1 Scientific Research Centre in the Headquarters	4,569,152.97	In progress
Total	24,191,991.58	

### 13. Fixed assets

Item	Ending Book Value	Opening Book Value
Fixed assets	3,476,847,498.18	3,325,944,627.93
Total	3,476,847,498.18	3,325,944,627.93

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 13.1 Fixed assets

### (1) Details list of fixed assets

Item	Premises and Buildings	Machinery and Equipment	Transportation Equipment	Electronic Equipment and Others	Total
<b>I. Original book value</b>					
1. Opening balance	2,272,091,735.53	4,443,952,725.31	33,828,882.32	237,817,861.75	6,987,691,204.91
2. Increased amount in the Current Period	122,513,914.49	266,271,543.43	815,061.44	8,973,696.53	398,574,215.89
(1) Purchase		21,195,193.40	815,061.44	6,920,778.58	28,931,033.42
(2) Transferred from construction in progress	105,703,281.51	245,076,350.03		2,052,917.95	352,832,549.49
(3) Transferred from other non-current assets*	16,810,632.98				16,810,632.98
3. Decreased amount in the Current Period	19,880,700.90	29,955,889.74	273,087.60	1,788,219.01	51,897,897.25
(1) Disposal or scrap	182,100.74	29,493,226.73	273,087.60	1,788,219.01	31,736,634.08
(2) Transferred to investment properties	1,234,917.01				1,234,917.01
(3) Transferred to other non-current assets, etc	18,463,683.15	462,663.01			18,926,346.16
<b>4. Ending balance</b>	<b>2,374,724,949.12</b>	<b>4,680,268,379.00</b>	<b>34,370,856.16</b>	<b>245,003,339.27</b>	<b>7,334,367,523.55</b>
<b>II. Accumulated depreciation</b>					
1. Opening balance	1,042,737,636.00	2,436,529,754.03	26,695,117.26	142,258,542.02	3,648,221,049.31
2. Increased amount in the Current Period	53,307,800.76	171,924,715.66	1,280,572.33	17,100,157.31	243,613,246.06
(1) Accrual	53,307,800.76	171,924,715.66	1,280,572.33	17,100,157.31	243,613,246.06
3. Decreased amount in the Current Period	17,578,574.22	28,273,257.25	259,433.23	1,699,574.36	47,810,839.06
(1) Disposal or scrap	117,128.31	28,010,695.09	259,433.23	1,699,574.36	30,086,830.99
(2) Transferred to investment properties	157,435.47				157,435.47
(3) Transferred to other non-current assets, etc	17,304,010.44	262,562.16			17,566,572.60
<b>4. Ending balance</b>	<b>1,078,466,862.54</b>	<b>2,580,181,212.44</b>	<b>27,716,256.36</b>	<b>157,659,124.97</b>	<b>3,844,023,456.31</b>
<b>III. Provision for impairment</b>					
1. Opening balance	1,409,671.38	12,102,737.60		13,118.69	13,525,527.67
2. Increased amount in the Current Period					
(1) Accrual					
3. Decreased amount in the Current Period		28,958.61			28,958.61
(1) Disposal or scrap		28,958.61			28,958.61
<b>4. Ending balance</b>	<b>1,409,671.38</b>	<b>12,073,778.99</b>		<b>13,118.69</b>	<b>13,496,569.06</b>
<b>IV. Book value</b>					
1. Ending book value	1,294,848,415.20	2,088,013,387.57	6,654,599.80	87,331,095.61	3,476,847,498.18
2. Beginning book value	1,227,944,428.15	1,995,320,233.68	7,133,765.06	95,546,201.04	3,325,944,627.93

\* The amount of other non-current assets transferred to fixed assets in this period is RMB16,810,632.98, as detailed in Note XVI, 5 Asset Replacement.

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

The depreciation amount of fixed assets recognized as profit or loss in the Current Period was RMB243,613,246.06 (amount recognized as profit or loss in the previous period: RMB238,960,962.44; Amount recognized as capitalized in the previous period: RMB216,765.96).

- (2) *All buildings of the Group were located in the territory of China and were in the medium-term (10–50 years) phase.*
- (3) *Fixed assets acquired by sale and leaseback: None*
- (4) *Fixed assets that have not completed the title certificate*

At the end of the Period, the fixed assets included properties with a book value of RMB382,647,171.86 (amount at the beginning of the year: RMB347,478,508.40), and their title certificates were being processed. In view of the fact that the above properties are carried out in accordance with relevant legal procedures, the Board of Directors of the Company is satisfied that there are no substantial legal obstacles to the transfer of property rights or affect the normal use of such buildings by the Group, which does not have a significant impact on the normal operation of the Group, and there is no need to make provision for impairment of fixed assets.

<b>Project</b>	<b>Book Value</b>	<b>Reasons for Failure to Complete the Title Deed</b>
A branch factory park property	75,610,964.02	In progress
Second branch factory park property	202,765,480.61	In progress
Headquarters park property	77,331,106.00	In progress
Shouguang park property	26,939,621.23	In progress
Total	382,647,171.86	

### 13.2 Disposal of fixed assets: None



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 14. Construction in progress

Item	Ending Balance	Opening Balance
Construction in progress	<b>671,137,450.24</b>	730,545,057.96
Total	<b>671,137,450.24</b>	730,545,057.96

### 14.1 Construction in progress

#### (1) Details of construction in progress

Item	Ending Balance		Opening Balance	
	Book Balance	Impairment Provision	Book Balance	Impairment Provision
Construction project of high end steroid system raw materials	147,365,462.05	147,365,462.05	155,063,657.20	155,063,657.20
15,000 tons of Isobutyl Benzene expansion project			126,160,994.70	126,160,994.70
International Cooperation Project on Solid Formulations - Merck Formulations	23,141,122.14	23,141,122.14	79,467,615.18	79,467,615.18
Annual output of 10,000 tons of 3,3-dichlorobenzidine production project	100,291,756.49	100,291,756.49	76,055,063.20	76,055,063.20
Methylidopa and series of products production items	69,170,977.79	69,170,977.79	49,012,785.94	49,012,785.94
DBU- TMG Relocation Project JJ22-01			33,764,497.93	33,764,497.93
Multi-functional pilot production line project and annual output of 1,000 tons of 3-hydroxybutyrate and 500 Tons of D- -hydroxybutyrate project	24,805,568.24	24,805,568.24	24,788,125.95	24,788,125.95
Organic waste gas and odor RTO treatment project in the plant	14,709,472.78	14,709,472.78	14,273,478.08	14,273,478.08
Southern district public works supporting project	13,671,765.92	13,671,765.92	10,009,624.22	10,009,624.22
Annual output of 500 tons of Veratraldehyde project	16,108,209.61	16,108,209.61	7,842,282.81	7,842,282.81
Solid preparation international processing technology transformation project	5,232,022.66	5,232,022.66	5,560,530.30	5,560,530.30
Logistics Warehouse Project	41,533,680.68	41,533,680.68	1,969,934.83	1,969,934.83
Other	215,107,411.88	215,107,411.88	146,576,467.62	146,576,467.62
Total	<b>671,137,450.24</b>	<b>671,137,450.24</b>	<b>730,545,057.96</b>	<b>730,545,057.96</b>

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Changes in major projects under construction

Name of Project	Opening Balance	Increased Amount of Current Period	Decreased Amount of Current Period Transferred to Fixed Assets	Other Decreases	Ending Balance
Construction project of high end steroid system raw materials	155,063,657.20	2,055,876.18		9,754,071.33	147,365,462.05
15,000 tons of Isobutyl Benzene expansion project	126,160,994.70	66,446,755.48	192,607,750.18		
International Cooperation Project on Solid Formulations – Merck Formulations	79,467,615.18	12,010,588.94	68,337,081.98		23,141,122.14
Annual output of 10,000 tons of 3,3-dichlorobenzidine production project	76,055,063.20	24,236,693.29			100,291,756.49
Methyldopa and series of products production items	49,012,785.94	20,158,191.85			69,170,977.79
DBU- TMG Relocation Project JJ22-01	33,764,497.93	19,722,175.61	53,486,673.54		
Multi-functional pilot production line project and annual output of 1,000 tons of 3-hydroxybutyrate and 500 tons of D- - hydroxybutyrate project	24,788,125.95	17,442.29			24,805,568.24
Organic waste gas and odor RTO treatment project in the plant	14,273,478.08	435,994.70			14,709,472.78
Southern district public works supporting project	10,009,624.22	3,662,141.70			13,671,765.92
Annual output of 500 tons of Veratraldehyde project	7,842,282.81	8,265,926.80			16,108,209.61
Solid preparation international processing technology transformation project	5,560,530.30	72,750		401,257.64	5,232,022.66
Logistics Warehouse Project	1,969,934.83	39,563,745.85			41,533,680.68
Other	146,576,467.62	106,931,988.05	38,401,043.79		215,107,411.88
Total	730,545,057.96	303,580,270.74	352,832,549.49	10,155,328.97	671,137,450.24

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

Name of Project	Budget	Projected Capacity	Construction Period (month)	Proportion of Project Investment in Budget (%)	Engineering Schedule (%)	Capital Source
Construction project of high end steroid system raw materials	152,060,000.00	500 tons/Year	19.00	97.00	99.00	Self-provided
15,000 tons of Isobutyl Benzene expansion project	180,000,000.00	15,000 tons/Year	16.00	107.00	100.00	Self-provided
International Cooperation Project on Solid Formulations – Merck Formulations	177,150,000.00	8 billion pieces/Year	45.00	52.00	65.00	Self-provided
Annual output of 10,000 tons of 33-dichlorobenzidine production project	113,900,000.00	10,000 tons/Year	20.00	88.00	98.00	Self-provided
Methyldopa and series of products production items	73,850,000.00	200 tons/Year	18.00	94.00	95.00	Self-provided
DBU- TMG Relocation Project JJ22-01	35,000,000.00	1,000 tons/Year	18.00	153.00	100.00	Self-provided
Multi-functional pilot production line project and annual output of 1,000 tons of 3-hydroxybutyrate and 500 tons of D- -hydroxybutyrate project	36,500,000.00	1,500 tons/Year	16.00	68.00	81.00	Self-provided
Organic waste gas and odor RTO treatment project in the plant	20,500,000.00	100,000 Nm³/h	12.00	72.00	80.00	Self-provided
Southern district public works supporting project	29,800,000.00		9.00	46.00	70.00	Self-provided
Annual output of 500 tons of Veratraldehyde project	35,000,000.00	500 tons/Year	12.00	46.00	60.00	Self-provided
Solid preparation international processing technology transformation project	174,290,000.00	5 billion pieces/Year	60.00	74.00	88.00	Self-provided
Logistics Warehouse Project	155,970,000.00		20.00	26.00	40.00	Self-provided
Total	1,184,020,000.00					

## (3) Provision for impairment of construction in progress this Period

At the end of the Reporting Period, there was no indication of the impairment for construction in progress, thus the impairment provision for those projects was not required.

## (4) Impairment test of construction in progress

At the end of the reporting period, there was no indication of impairment in the Group's construction in progress, so no asset impairment test was conducted.

## 14.2 Project materials: None

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 15. Right-of-use assets

### (1) Details of right-of-use assets

Item	Premises and Buildings	Land Use Right	Total
<b>I. Original book value</b>			
1. Opening balance	9,966,869.68	38,578.44	10,005,448.12
2. Increased amount in Current Period	266,803.45	57,448.64	324,252.09
(1) Lease-in	266,803.45	57,448.64	324,252.09
3. Decreased amount in Current Period			
(1) Disposal			
<b>4. Ending balance</b>	<b>10,233,673.13</b>	<b>96,027.08</b>	<b>10,329,700.21</b>
<b>II. Accumulated depreciation</b>			
1. Opening balance	5,646,834.84	34,291.94	5,681,126.78
2. Increased amount in Current Period	1,254,319.35	7,478.10	1,261,797.45
(1) Accrual	1,254,319.35	7,478.10	1,261,797.45
3. Decreased amount in Current Period			
(1) Disposal			
<b>4. Ending balance</b>	<b>6,901,154.19</b>	<b>41,770.04</b>	<b>6,942,924.23</b>
<b>III. Impairment provision</b>			
<b>IV. Book value</b>			
<b>1. Ending book value</b>	<b>3,332,518.94</b>	<b>54,257.04</b>	<b>3,386,775.98</b>
2. Beginning book value	4,320,034.84	4,286.50	4,324,321.34

In Current Period, the amount of right-of-use assets depreciation recognized as profits or losses was RMB1,261,797.45 (previous period: RMB1,464,157.98).

(2) Right-of-use assets of the Group mainly are stores rented by Zibo Xinhua Pharmacy Chain Co., Ltd. for daily operations.

### (3) Impairment test of right-of-use assets

At the end of the reporting period, there was no indication of impairment of the Group's right to use assets, so no asset impairment test was conducted.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 16. Intangible assets

### (1) Intangible assets

Item	Land Use Right	Software License	Non-patented Technology	Others*	Total
<b>I. Original book value</b>					
1. Opening balance	548,448,109.31	28,024,873.37	127,079,356.91	2,614,923.24	706,167,262.83
2. Increased amount in the Current Period		113,028.94	5,560,377.36		5,673,406.30
(1) Purchase		113,028.94	5,560,377.36		5,673,406.30
3. Decreased amount in the Current Period	6,290,931.00				6,290,931.00
(1) Disposal	6,290,931.00				6,290,931.00
4. Ending balance	542,157,178.31	28,137,902.31	132,639,734.27	2,614,923.24	705,549,738.13
<b>II. Accumulated amortization</b>					
1. Opening balance	140,538,892.39	17,576,425.55	50,499,822.54	2,614,923.24	211,230,063.72
2. Increased amount in the Current Period	5,860,274.80	1,426,160.38	11,712,293.22		18,998,728.40
(1) Accrual	5,860,274.80	1,426,160.38	11,712,293.22		18,998,728.40
3. Decreased amount in the Current Period	1,197,811.00				1,197,811.00
(1) Disposal	1,197,811.00				1,197,811.00
4. Ending balance	145,201,356.19	19,002,585.93	62,212,115.76	2,614,923.24	229,030,981.12
<b>III. Provision for impairment</b>					
<b>IV. Book value</b>					
1. Ending book value	396,955,822.12	9,135,316.38	70,427,618.51		476,518,757.01
2. Beginning book value	407,909,216.92	10,448,447.82	76,579,534.37		494,937,199.11

\* Others are client sources purchased from American Midwest Co., Ltd. by Shandong Xinhua Pharmaceutical (USA) Inc., the subsidiary of the Company, which amounts to RMB2,613,680.00, and its amortization has been fully recognized so far.

The amortization amount of intangible assets recognized as profit and loss this Period is RMB18,998,728.40, and the amortization amount of intangible assets recognized as capitalization is RMB55,706.40 (the amortization amount of intangible assets recognized as profit and loss last year is RMB13,172,090.95, and the amortization amount of intangible assets recognized as capitalization last year is RMB55,706.40).

(2) All land use rights of the Group are located in the territory of China and in the medium-term (10–50 years) phase.

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

### (3) Intangible assets with uncompleted certificate of title

At the end of the Reporting Period, an amount of RMB6,419,887.90 (Opening balance: RMB6,531,357.70) of land use right in fixed assets was in the process of obtaining the title certificate. In view of the fact that the aforesaid right are carried out in accordance with the relevant legal procedures, the board of directors confirms that the transfer of the property rights will not be prevented from any material legal obstacles or have negative effects on the normal use of the land use right, which does not constitute a material impact on the Group's operation, therefore, no provision for the impairment of the fixed assets is required.

Item	Book Value	Reason for Incompleted Certificate of Title
Headquarters park land	6,419,887.90	In progress
Total	6,419,887.90	

### (4) Impairment test of intangible assets

At the end of the Reporting Period, there was no indication of impairment of the Group's intangible assets, so no asset impairment test was conducted.

## 17. Goodwill

### (1) Original value of goodwill

Invested Entity	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	2,715,585.22			2,715,585.22
Total	2,715,585.22			2,715,585.22

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Provision for impairment of goodwill

Invested Entity	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	2,715,585.22			2,715,585.22
Total	2,715,585.22			2,715,585.22

For the method of testing and recognizing the provision for impairment of goodwill, see the note "III. Important Accounting Policies and Accounting Estimate, 21. Impairment of goodwill". The Group fully recognized the impairment provision for goodwill in 2014.

## 18. Long-term deferred expenses

Item	Opening Balance	Increase in Current Period	Amortization Amount this Period	Other Decrease in Current Period	Ending Balance
Decoration of the Pharmaceutical Innovation Park	4,520,002.76		1,232,728.02		3,287,274.74
Decoration of health technology new function complex building	492,582.57		74,777.20		417,805.37
Decoration of health technology comprehensive outpatient department	561,598.28		32,399.88		529,198.40
Amortization of ECS	24,615.59		3,210.78		21,404.81
Office space decoration of Design engineering Company Qingdao Branch	274,530.00		48,270.00		226,260.00
Decoration of gene and cell engineering research center project	8,116,697.36		854,389.20		7,262,308.16
Other	472,386.95	418,083.97	51,935.93		838,534.99
Total	14,462,413.51	418,083.97	2,297,711.01		12,582,786.47

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 19. Deferred income tax assets and liabilities

### (1) Deferred income tax assets without being offset

Item	Ending Balance		Opening Balance	
	Deductible Temporary Difference	Deferred Income Tax Assets	Deductible Temporary Difference	Deferred Income Tax Assets
Provision for impairment of fixed assets	13,506,032.48	2,110,366.58	13,506,032.48	2,110,366.58
Provision for bad debt	40,534,425.21	8,177,345.59	40,648,589.68	8,190,886.55
Provision for inventory falling price	72,343,946.68	11,561,831.60	66,885,094.47	10,743,003.75
Salaries and wages unpaid	19,614,941.14	2,942,241.17	19,614,941.14	2,942,241.17
Deferred incomes	2,866,449.88	429,967.48	3,592,681.01	538,902.14
Unrealized internal profits arise from transactions with subsidiaries	30,218,488.27	3,718,259.20	64,967,110.48	9,763,281.63
Deductible loss	26,162,083.32	4,464,562.03	175,492,637.99	27,898,614.10
Share-based payment	115,477,555.94	17,406,613.40	115,477,555.94	17,406,613.40
Changes in fair value of other equity instrument investments	14,991,871.87	2,248,780.78	13,281,140.70	1,992,171.11
Lease liability	1,801,398.48	366,482.50	3,360,184.60	667,118.40
Others	64,088,807.55	9,836,493.09	61,208,688.17	9,396,679.28
Total	401,606,000.82	63,262,943.42	578,034,656.66	91,649,878.11

### (2) Deferred income tax liabilities without being offset

Item	Ending Balance		Opening Balance	
	Taxable Temporary Difference	Deferred Income Tax Liability	Taxable Temporary Difference	Deferred Income Tax Liability
Changes in fair value of other equity instruments investments	179,472,106.00	26,920,815.90	144,852,890.00	21,727,933.50
Depreciation of fixed assets	862,005,833.79	134,992,319.55	925,033,297.03	144,735,004.00
Right-of-use assets	2,209,204.78	544,060.79	4,324,321.34	914,284.46
Total	1,043,687,144.57	162,457,196.24	1,074,210,508.37	167,377,221.96



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (3) Deferred income tax assets and liabilities listed as net amount after offset

Item	Amount of which the Deferred Income Tax Assets are Offset with Liabilities at Period End	Ending Balance of Deferred Income Tax Assets or Liabilities after Offset	Amount of which the Deferred Income Tax Assets are Offset with Liabilities at Beginning of Year	Opening Balance of Deferred Income Tax Assets or Liabilities after Offset
Deferred Income Tax Assets	46,904,002.51	16,358,940.91	68,171,707.00	23,478,171.11
Deferred Income Tax Liabilities	46,904,002.51	115,553,193.73	68,171,707.00	99,205,514.96

Note: Individual Company's net amount of deferred income tax assets and liabilities after offset were listed under the item of deferred income tax liabilities.

## (4) Details of the unrecognized deferred income tax assets

Item	Ending Balance	Opening Balance
Deductible temporary difference	15,151,946.74	2,907,450.85
Deductible loss	33,614,038.62	40,865,451.90
Total	48,765,985.36	43,772,902.75

## (5) The deductible loss of the unrecognized deferred income tax assets will mature in the following years

Year	Ending Balance	Opening Balance	Note
2028		654,687.67	
2029		265,334.42	
2030	944,384.29	4,504,893.69	
2031	7,394,779.10	10,165,660.89	
2032	12,193,073.36	12,193,073.36	
2033	13,081,801.87	13,081,801.87	
Total	33,614,038.62	40,865,451.90	

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 20. Other non-current assets

Item	Ending Balance			Opening Balance		
	Book Balance	Impairment Provision	Book Value	Book Balance	Impairment Provision	Book Value
Outsourcing patent payments in advance	99,578,255.84		99,578,255.84	63,816,452.83		63,816,452.83
Advance payment for house purchase	22,911,435.47		22,911,435.47	21,767,080.88		21,767,080.88
House demolition	4,128,039.43		4,128,039.43	14,949,824.64		14,949,824.64
Advance payment for software development, etc	2,720,238.91		2,720,238.91	2,329,766.55		2,329,766.55
Total	129,337,969.65		129,337,969.65	102,863,124.90		102,863,124.90

## 21. Assets whose ownership or use is restricted

Item	Ending Balance			Limitation
	Book Balance	Book Value	Restricted Type	
Monetary funds	145,410,570.89	145,410,570.89	Guarantee	Bill deposit, etc
Notes receivable	8,710,969.13	8,666,964.29	Endorsed	Untermiated acknowledge
Total	154,121,540.02	154,077,535.18		

Item	Opening Balance			Limitation
	Book Balance	Book Value	Restricted Type	
Monetary funds	136,020,207.42	136,020,207.42	Guarantee	Bill deposit, etc
Notes receivable	5,273,610.01	5,240,329.87	Endorsed	Untermiated acknowledge
Total	141,293,817.43	141,260,537.29		

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 22. Short-term borrowing

### (1) Classification of short-term borrowings

Category	Ending Balance	Opening Balance
Credit loan*	94,821,398.18	136,846,013.62
Guaranteed loan**	283,578,000.01	147,112,664.06
Total	378,399,398.19	283,958,677.68

\* At the end of the Period, the credit loan included a principal of RMB94,766,963.73 and an unexpired interest payable of RMB54,434.45.

\*\* At the end of the Period, the guaranteed loan included a principal of RMB283,500,000.00 and an unexpired interest payable of RMB78,000.01.

### (2) Overdue short-term borrowings not yet repaid

The group has no overdue short-term borrowings at the end of the Period.

### (3) As at June 30,2024, the interest rate of short-term borrowings ranged from 1.43%-3.50%.

## 23. Notes payable

Category	Ending Balance	Opening Balance
Bank acceptance bills	545,225,177.32	511,430,531.37
Domestic letter of credit	4,310,000.00	
Total	549,535,177.32	511,430,531.37

The age of all the notes payable of the Group was within 180 days and there were no overdue notes payable that were not repaid.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 24. Accounts payable

### (1) Presentation of accounts payable

Item	Ending Balance	Opening Balance
Payment for goods	670,408,897.94	666,412,933.67
Total	670,408,897.94	666,412,933.67

### (2) Significant accounts payable aged over 1 year or overdue

There was no significant accounts payable with the age of over 1 year or overdue at the end of the Current Period.

### (3) Accounts payable are shown by age

Aging analysis of accounts payable (including accounts payable from related parties) based on the transaction date is as follows:

Item	Ending Balance	Opening Balance
Within 1 year	648,547,691.86	641,287,656.05
1–2 years	10,828,211.91	12,438,049.71
2–3 years	2,196,744.55	3,000,798.37
Over 3 years	8,836,249.62	9,686,429.54
Total	670,408,897.94	666,412,933.67

## 25. Other payables

Item	Ending Balance	Opening Balance
Accrual interest payable		
Dividend payable	184,894,508.28	15,290,599.53
Other payable	549,953,447.05	420,235,035.29
Total	734,847,955.33	435,525,634.82

### 25.1 Accrual interest payable: None

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 25.2 Dividend payable

Item	Ending Balance	Opening Balance
Common stock dividends	<u>184,894,508.28</u>	<u>15,290,599.53</u>
Total	<u><b>184,894,508.28</b></u>	<u><b>15,290,599.53</b></u>

Note: The Period-end payable dividend balance was RMB184,894,508.28, of which RMB5,310,599.53 was ordinary stock dividends that have not been paid for more than one year.

## 25.3 Other payables

(1) Other payables are classified by the nature of the payments

Nature of money	Ending Balance	Opening Balance
Payable for engineering and equipment	<b>304,871,998.80</b>	250,546,660.57
Security deposit	<b>35,081,478.88</b>	43,939,077.99
Power fees, consulting fees, etc	<b>182,148,467.06</b>	66,937,536.93
Other	<u><b>27,851,502.31</b></u>	<u>58,811,759.80</u>
Total	<b>549,953,447.05</b>	420,235,035.29
Including: over 1 year	<u><b>90,942,621.57</b></u>	<u>105,943,483.49</u>

(2) Significant other payables aged over 1 year

There was no significant other payable with the age of over 1 year or overdue at the end of the Current Period.

## 26. Contract liabilities

(1) Presentation of contract liabilities

Item	Ending Balance	Opening Balance
Payments for goods sales received in advance	<u><b>85,029,547.40</b></u>	<u>149,135,948.62</u>
Total	<u><b>85,029,547.40</b></u>	<u>149,135,948.62</u>

Note: The revenue recognized in this Period includes the advance payment for sales at the beginning of the year of RMB133,434,354.10.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Significant changes in the book value of the contract liabilities in Current Period

Item	Changing Amount	Reason
Payments for goods sales received in advance	-64,106,401.22	Sales received in advance returned to normal in the Current Period
Total	<u>-64,106,401.22</u>	

## 27. Employee compensation payable

### (1) Classification of employee compensation payable

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Short-term remuneration	123,985,296.73	424,182,473.17	502,992,610.56	45,175,159.34
Post-employment benefits-Defined contribution plans		57,841,226.41	57,841,226.41	
Dismissal benefits				
Total	<u>123,985,296.73</u>	<u>482,023,699.58</u>	<u>560,833,836.97</u>	<u>45,175,159.34</u>

### (2) Short-term remuneration

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Salary, bonus, allowance and subsidy	119,937,930.26	330,367,490.31	410,054,134.01	40,251,286.56
Employee welfare expenses		15,430,246.95	15,430,246.95	
Social insurance premiums		30,850,406.25	30,850,406.25	
Including: Medical insurance premiums		27,748,924.54	27,748,924.54	
Work-related injury insurance premiums		3,101,481.71	3,101,481.71	
Housing fund		26,516,034.60	26,516,034.60	
Labor union expenditure and employee education fund	4,037,866.47	7,501,042.75	6,615,036.44	4,923,872.78
Labor costs	9,500.00	13,517,252.31	13,526,752.31	
Total	<u>123,985,296.73</u>	<u>424,182,473.17</u>	<u>502,992,610.56</u>	<u>45,175,159.34</u>

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

### (3) Defined contribution plan

The Group participated in the social insurance plan established by the government agencies. According to the plan, the Group deposited the fees in accordance with the relevant rules of the local government. In addition to the above deposit, the Group no longer undertakes further payment obligations. The corresponding expenses recognized in the current profit or loss or related asset costs at the time of occurrence.

The Group should make the payments to the plans of endowment insurance and unemployment insurance as follows:

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Basic endowment insurance		55,427,340.42	55,427,340.42	
Unemployment insurance premium		2,413,885.99	2,413,885.99	
Total		57,841,226.41	57,841,226.41	

The Group should pay RMB57,841,226.41 (previous period: RMB51,691,572.31) to the participating defined contribution plan this Reporting Period. The endowment insurance and unemployment insurance that the Group plans to pay on June 30, 2024 have been fully paid.

In each of the two reporting periods ended 31 December 2023 and 30 June 2024, the confiscated contributions under the Group's unbounded Contribution Scheme (represented by the employer on behalf of the employees who left the scheme before fully attributable to the contribution) can be made available to the Group to reduce the existing contribution level.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 28. Taxes payable

Item	Ending Balance	Opening Balance
VAT	7,661,888.19	3,593,964.31
Corporate income tax	4,256,133.28	5,033,213.85
Urban maintenance and construction tax	2,002,682.10	945,119.55
Individual income tax	1,035,366.72	1,641,658.03
Property tax	5,046,317.30	5,229,930.26
Land use tax	948,377.17	438,554.88
Stamp duty	1,619,073.88	1,305,677.12
Educational surcharges	1,356,773.76	674,250.87
Environmental protection tax	3,309.09	3,309.09
Total	23,929,921.49	18,865,677.96

As at June 30, 2024, the tax payable of the Group included Hong Kong income tax payable of RMB200,054.47, Netherlands income tax payable of RMB0.00, and U.S. income tax payable of RMB740,233.41.

## 29. Non-current liabilities due within one year

Item	Ending Balance	Opening Balance
Long-term loans due within one year*	109,027,279.35	271,973,792.30
Lease liabilities due within one year**	1,543,964.91	1,781,391.73
Total	110,571,244.26	273,755,184.03

\* The long-term loans due within one year included the principal of the long-term loans due within one year of RMB108,285,266.90 and the unexpired loans interest payable of RMB742,012.45.

\*\* The lease liabilities due within one year include the lease payments due within one year of RMB1,631,676.59, and the unrecognized financing expenses are RMB87,711.68.



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 30. Other current liabilities

### (1) Classifications of long-term loans

Item	Ending Balance	Opening Balance
Output tax to be transferred	7,110,091.00	17,656,983.50
Un-derecognized notes receivable	8,710,969.13	5,273,610.01
Total	15,821,060.13	22,930,593.51

## 31. Long-term loans

### (1) Classifications of long-term loans

Category	Ending Balance	Opening Balance
Guarantee loans	196,500,000.00	196,500,000.00
Credit loans	715,690,889.20	602,900,000.00
Total	912,190,889.20	799,400,000.00

Note: As at June 30, 2024, the range of long-term loan interest rate was 2.45%-3.70%.

### (2) Analysis of long-term loans' maturity date

Item	Ending Balance	Opening Balance
Guarantee loans	196,666,479.17	426,872,877.08
Credit loans	824,551,689.38	644,500,915.22
Total	1,021,218,168.55	1,071,373,792.30
<b>The carrying amount of the above borrowings shall be repaid in the following period:</b>		
Within 1 year	109,027,279.35	271,973,792.30
More than one year but not than two years after the balance sheet date	703,700,000.00	304,900,000.00
More than two years but not than five years after the balance sheet date	208,490,889.20	494,500,000.00
Less: amounts due within one year as shown under current liabilities	109,027,279.35	271,973,792.30
Amounts shown under non-current liabilities	912,190,889.20	799,400,000.00

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 32. Lease liabilities

### (1) Details of lease liabilities

Item	Ending Balance	Opening Balance
Lease liabilities	1,164,135.29	1,578,792.87
Total	1,164,135.29	1,578,792.87

### (2) Analysis of the maturity date of lease liabilities

Item	Ending Balance	Opening Balance
Housing rental payment	2,708,100.20	3,360,184.60
Total	2,708,100.20	3,360,184.60
<b>The carrying amount of the above lease liabilities shall be repaid in the following period:</b>		
Within 1 year	1,543,964.91	1,781,391.73
More than one year but not than two years after the balance sheet date	1,164,135.29	1,488,746.85
More than two years but not than five years after the balance sheet date		90,046.02
Less: amounts of lease liabilities due within one year as shown under current liabilities	1,543,964.91	1,781,391.73
The carrying amount of the above borrowings shall be repaid in the following period:	1,164,135.29	1,578,792.87

## 33. Long-term payables

Item	Ending Balance	Opening Balance
Long-term payables		
Special payables	21,500,000.00	20,000,000.00
Total	21,500,000.00	20,000,000.00

### 33.1 Long-term payables: None

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

### 33.2 Special payables

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance	Reason
New continuous cooperative technology industrialization project	20,000,000.00	1,500,000.00		21,500,000.00	
Total	20,000,000.00	1,500,000.00		21,500,000.00	

## 34. Deferred income

### (1) Classification of deferred income

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Government grants	100,666,757.92		9,143,285.72	91,523,472.20
Total	100,666,757.92		9,143,285.72	91,523,472.20

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Government grants

Project	Opening Balance	Increased Amounts of Grants in Current Period	Amounts Included in Other Income in Current Period	Other Changes	Ending Balance	Related to Assets/Related to Income
Modern medicine international cooperation center project	38,306,081.20		3,790,557.60		34,515,523.60	Related to assets
Comprehensive prevention and control project of atmospheric pollution caused by recovered organic gases such as dichloromethane	17,508,250.00		1,780,500.00		15,727,750.00	Related to assets
Injection GMP transformation project (industrialization project of high-end new pharmaceutical preparations)	16,182,500.00		970,950.00		15,211,550.00	Related to assets
Government subsidies for equipment	7,255,783.42		535,699.98		6,720,083.44	Related to assets
Technical transformation project of hormone series products	2,599,372.09		298,238.88		2,301,133.21	Related to assets
Common key technology innovation and industrial chain system construction of steroid drugs	2,543,333.37		139,999.98		2,403,333.39	Related to assets
International cooperation project of solid preparations	2,000,000.00		16,666.67		1,983,333.33	Related to assets
Aspirin technical transformation project (matching funds for major national science and technology projects)	1,966,666.74		199,999.98		1,766,666.76	Related to assets
Research and industrialization of polycarbophil calcium and tablets	1,650,462.19		168,151.26		1,482,310.93	Related to assets
High performance core industrial enzyme	1,600,650.00				1,600,650.00	Related to assets
Equipment support funds	1,550,000.00		99,999.99		1,450,000.01	Related to assets
East garden new 2,000 T/d sewage treatment system project	1,400,999.92		233,500.02		1,167,499.90	Related to assets
Intelligent improvement and transformation project of raw material medicine of No. 1 Branch	1,064,874.95		60,850.02		1,004,024.93	Related to assets
Other deferred incomes	5,037,784.04		848,171.34		4,189,612.70	Related to assets
Total	100,666,757.92		9,143,285.72		91,523,472.20	

## 35. Other non-current liabilities

Item	Ending Balance	Opening Balance
Special reserve fund	3,561,500.00	3,561,500.00
Total	3,561,500.00	3,561,500.00

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 36. Capital stock

Item	Opening Balance	New Shares Issued	Increase (+)/Decrease (-) During the period			Subtotal	Ending Balance
			Share Donation	Capital Reserve Converted into Capital Stock	Others		
Total shares	674,682,835.00	7,724,800.00				7,724,800.00	682,407,635.00

On January 2, 2024, in accordance with the provisions of the 2021 A Share Option Incentive Plan (Draft), the first waiting period for the first grant of incentive object stock options expired. The Company issued the Company's A-share common shares to the incentive objects. The total number of incentive objects who actually exercised the stock options in the first exercise period was 194, and the number of stock options exercised was 7.7248 million. This exercise of stock listed for circulation: 15 January 2024, after the completion of this exercise, the new registered capital of RMB7,724,800.00, the registered capital after the change is RMB682,407,635.00.

## 37. Capital reserve

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Capital stock premium *	753,829,272.64	92,079,628.00		845,908,900.64
Other capital reserve **	301,181,598.12	16,660,152.00	41,018,700.00	276,823,050.12
Total	1,055,010,870.76	108,739,780.00	41,018,700.00	1,122,731,950.76

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

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

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 38. Other comprehensive incomes

Item	Opening Balance	Pre-tax Amount Incurred in Current Period	Amount Incurred in Current Period		Less: Income Tax Expense	After-tax Amount Attributable to the Parent Company	After-tax Amount Attributable to Minority Shareholders	Ending Balance
			Recognized in OCI in Previous Period and Carried over into P/L in Current Period	Less: Included in OCI in the Previous Period and Transferred into RE in the Current Period				
I. Other comprehensive incomes that cannot be reclassified into profits or losses in future	111,835,986.91	32,908,484.81			4,936,272.73	27,972,212.08		139,808,198.99
Including: Changes in fair value of other equity instrument investments	111,835,986.91	32,908,484.81			4,936,272.73	27,972,212.08		139,808,198.99
II. Other comprehensive income to be reclassified to profit or loss in future	1,782,015.91	-371,388.48				-371,388.48	-273,917.21	1,410,627.43
Including: Translation difference of foreign currency financial statement	1,782,015.91	-371,388.48				-371,388.48	-273,917.21	1,410,627.43
Total other comprehensive incomes	113,618,002.82	32,537,096.33			4,936,272.73	27,600,823.60	-273,917.21	141,218,826.42

## 39. Special reserve

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Safety production expenses	3,392,612.67	11,965,815.24	8,852,952.76	6,505,475.15
Total	3,392,612.67	11,965,815.24	8,852,952.76	6,505,475.15

Note: For more details, see III. 35 Other important accounting policy and accounting estimates.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 40. Surplus reserves

Item	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Statutory surplus reserves	336,164,780.65			336,164,780.65
Discretionary surplus reserves	64,795,873.74			64,795,873.74
Total	400,960,654.39			400,960,654.39

## 41. Undistributed profits

Item	Current Period	Previous Year
<b>Undistributed profit at the end of the previous year</b>		
before adjustment	2,305,438,893.92	1,988,054,329.39
<b>Adjusted undistributed profit at the beginning of the year</b>	2,305,438,893.92	1,988,054,329.39
Plus: Net profit attributable to the owner of the parent company for the year	265,404,417.68	269,807,157.85
Less: Common stock dividends payable	170,601,908.75	134,936,567.00
<b>Ending balance of Current Period</b>	2,400,241,402.85	2,122,924,920.24

Details of the dividends declared and paid and the dividends proposed to be distributed in the track record period of past performance are as follows:

### (1) For the period ended at 30 June 2024

Pursuant to the resolution of the 2023 Annual General Meeting held on 26 June 2024, the Company has declared a final dividend for 2023 to its shareholders based on the total issued share capital of 682,407,635 shares on the basis of a dividend of RMB0.25 (inclusive of tax) per share, no stock dividend will be paid out, or no capital reserve will be converted into share capital. In the event the total issued share capital of the Company changes due to the exercise of share options or the listing of new shares for refinancing actions of the Company before the implementation of the Company's final dividend plan for 2023, the distribution plan will be adjusted accordingly but with the principle that the distribution amount per share shall remain unchanged.

Pursuant to the authorization of the 2023 Annual General Meeting and the resolution of the Board of Directors meeting held on 22 August 2024, a half-year dividend of RMB0.25 per 10 shares for 2024 will be paid to all Shareholders based on the latest total issued share capital of the Company of 682,407,635 shares, no stock dividend will be paid out, or no capital reserve will be converted into share capital. In the event the total issued share capital of the Company changes due to the exercise of share options or the listing of new shares for refinancing actions of the Company before the implementation of the Company's half-year dividend plan for 2024, the distribution plan will be adjusted accordingly but with the principle that the distribution amount per share shall remain unchanged.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (2) For the period ended at 30 June 2023

According to the 2022 annual general meeting of shareholders held on June 26, 2023, the Company will distribute a cash dividend of RMB2.00 (including tax) to all shareholders for every 10 shares, with a total cash dividend of RMB134,936,567.00. No bonus shares will be given, nor will the accumulation fund be converted into share capital.

Pursuant to the resolution of the Company's Board on August 24, 2023, the Company proposed not to distribute the semi-annual dividend, with 0 bonus share delivered. No capital reserve will be converted to increase the share capital

## 42. Operating revenues and operating costs

### (1) Details of operating revenues and operating costs

Item	Amount Incurred in Current Period		Amount Incurred in Previous Year	
	Revenue	Cost	Revenue	Cost
Main business	4,656,597,533.24	3,467,660,690.93	4,595,163,474.83	3,201,149,392.15
Other business	75,883,934.00	80,271,114.31	77,105,574.30	79,896,862.06
Total	<u>4,732,481,467.24</u>	<u>3,547,931,805.24</u>	<u>4,672,269,049.13</u>	<u>3,281,046,254.21</u>

### (2) Disaggregated information of operating revenues and operating costs

Classification of Contract	Segment		Total	
	Operating Revenues	Operating Costs	Operating Revenues	Operating Costs
<b>Business type</b>				
Including: Chemical raw materials	1,547,528,345.16	1,000,611,722.71	1,547,528,345.16	1,000,611,722.71
Preparation	2,261,818,403.94	1,645,196,746.51	2,261,818,403.94	1,645,196,746.51
Pharmaceutical intermediates and other products	923,134,718.14	902,123,336.02	923,134,718.14	902,123,336.02
<b>Classification by operating area</b>				
Including: China (including HongKong)	3,582,137,106.82	2,633,324,033.59	3,582,137,106.82	2,633,324,033.59
America	433,631,066.33	345,091,112.68	433,631,066.33	345,091,112.68
Europe	503,052,523.96	378,926,803.92	503,052,523.96	378,926,803.92
Others	213,660,770.13	190,589,855.05	213,660,770.13	190,589,855.05
<b>Classification by time of transfer of goods</b>				
Including: Transfer at a point in time	4,690,684,499.57	3,520,387,023.93	4,690,684,499.57	3,520,387,023.93
Transfer at a given time	36,738,571.11	24,868,970.65	36,738,571.11	24,868,970.65
Rental income	5,058,396.56	2,675,810.66	5,058,396.56	2,675,810.66
<b>Classification by sales channel</b>				
Including: Direct marketing model	1,554,657,976.43	1,147,124,410.68	1,554,657,976.43	1,147,124,410.68
Distribution model	3,177,823,490.81	2,400,807,394.56	3,177,823,490.81	2,400,807,394.56
Total	<u>4,732,481,467.24</u>	<u>3,547,931,805.24</u>	<u>4,732,481,467.24</u>	<u>3,547,931,805.24</u>



## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

### **(3) Information related to the performance obligations**

The Group, as the main responsible person, shall fulfill its supply obligations in a timely manner according to the categories and standards required by customers in accordance with the contract. For sales contracts within China, after the Group transports the goods to the agreed location and the customer confirms receipt of the goods, the control of the goods has been transferred to the customer. For overseas sales contracts in China, the products will be declared for export, and the customs declaration form and bill of lading (waybill) will be obtained, allowing the customer to gain control of the relevant goods.

The payment terms vary for different customers and products. Some of our group's sales are carried out through advance payment, while others are granted a certain credit period.

### **(4) Information related to the transaction price allocated to remaining performance obligations**

At the end of Current Period, the amount of revenue corresponds to the unfulfilled or incomplete performance obligations is RMB85,029,547.40. Among this amount, RMB70,589,755.73 is expected to be recognized as revenues within the next year.

### **(5) The recognized income this Period, included the amount of RMB133,434,354.10 that has been included in contract liabilities at the end of the previous year.**

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

### 43. Taxes and surcharges

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Urban maintenance and construction tax	11,149,498.31	15,848,299.80
Property tax	9,882,353.38	9,102,013.26
Educational surcharges	8,005,188.95	11,405,928.38
Land use tax	4,692,143.75	4,321,187.45
Stamp duty	3,136,133.74	2,970,015.34
Vehicle and vessel usage tax	34,660.42	35,417.80
Land Appreciation Tax		16,793,781.00
Total	<b>36,899,978.55</b>	<b>60,476,643.03</b>

### 44. Selling expenses

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Employee compensation	56,873,296.78	80,393,651.92
Market development and Terminal sales fees	321,740,034.32	382,581,167.40
Advertising expenses	2,572,239.37	4,074,091.92
Travel expense	9,945,030.81	7,886,442.17
Office expenses	179,809.23	224,393.08
Conference expenses	605,199.80	1,866,206.51
Others	11,649,519.10	10,012,983.17
Total	<b>403,565,129.41</b>	<b>487,038,936.17</b>

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 45. Administrative expenses

### (1) Details list of administrative expenses

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Employee compensation	65,893,929.35	107,025,098.44
Depreciation cost	29,182,700.60	33,660,331.57
Amortization of intangible assets	18,452,219.99	12,556,272.45
Warehouse expenses	12,346,635.19	13,251,746.90
Business entertainment expenses	3,282,260.02	2,896,241.33
Office expenses	1,473,175.51	1,655,555.17
Travel expense	2,607,647.40	2,127,756.58
Water, electricity and gas charges	2,977,033.89	2,332,918.90
Royalty fee of trademark	4,717,751.07	4,718,411.00
Annual fee of listing, audit fee and expenses of board of directors	1,394,329.52	2,376,596.51
Repair costs	1,621,370.77	4,285,741.45
Share-based payment	16,660,152.00	27,361,771.92
Party construction funds	325,677.83	2,549,070.10
Others	20,368,593.05	29,519,186.89
Total	181,073,486.83	246,316,699.21

## 46. Research and development cost

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
New products	139,873,139.50	129,585,862.62
New technology and new process	103,232,494.70	105,944,046.62
Total	243,105,634.20	235,529,909.24

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 47. Financial expenses

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Interest expenditure	17,868,283.95	21,488,813.56
Less: Interest income	4,581,339.55	6,731,842.63
Add: Exchange gains or losses	-13,917,911.32	-14,404,794.85
Service charges and other expenditures	2,248,874.82	989,811.27
Total	1,617,907.90	1,341,987.35

Details of interest expenditure are listed as follows:

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Interest expenditure of bank loans	17,793,591.48	21,372,211.75
Interest expenditure of lease liabilities	74,692.47	116,601.81
Total	17,868,283.95	21,488,813.56

## 48. Other incomes

Sources of other incomes	Amount Incurred in Current Period	Amount Incurred in Last Period
Government grants	35,032,548.75	11,695,552.06
Including: Use/amortization of deferred income in Current Period	9,143,285.72	9,539,952.29
Total	35,032,548.75	11,695,552.06

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## Details of government grants

Categories of grants	Amount Incurred in Current Period	Amount Incurred in Last Period	Source and Basis	Related to Assets/ Related to Income
<b>Government grants received in this Period</b>				
Scientific and technological innovation funds for Mount Taishan leading talents	1,400,000.00	1,400,000.00	Notice on Printing and Distributing the Implementation Rules of Mount Taishan Leading Talent Project LZZ[2021] No. 60	Related to income
Others	1,555,994.88	755,599.77		Related to income
Subtotal	2,955,994.88	2,155,599.77		
Amortization of deferred income	9,143,285.72	9,539,952.29		Related to assets
Subtotal	9,143,285.72	9,539,952.29		
Value added tax input tax additional deduction	22,933,268.15			Related to income
Subtotal	22,933,268.15			
Total	35,032,548.75	11,695,552.06		

## 49. Investment income

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Investment income of long-term equity accounted by equity method	1,334,406.83	120,590.68
Dividends income of other equity instruments investment during holding period	8,182,200.00	8,165,761.60
Total	9,516,606.83	8,286,352.28

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 50. Credit impairment loss

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Bad debt loss of notes receivable	-8,227.94	58,750.06
Bad debt loss of accounts receivable	-7,794,318.14	-3,855,883.24
Bad debt loss of other receivables	-390,869.33	319,485.83
Total	-8,193,415.41	-3,477,647.35

## 51. Assets impairment loss

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Impairment loss of contract assets	211,281.86	-304.38
Inventory falling price provision	-48,524,820.50	-44,340,471.69
Total	-48,313,538.64	-44,340,776.07

## 52. Gains from disposal of assets

Item	Amount Incurred in Current Period	Amount Incurred in Last Period	Amount Recognized in Non-recurring Profits or Losses of Current Period
Gains from disposal of non-current assets	1,240,258.42	1,274,182.44	1,240,258.42
Including: Proceeds on disposal of non-current assets not classified as held for sale	1,240,258.42	1,274,182.44	1,240,258.42
Including: Gains from disposal of fixed assets	1,242,617.48	1,278,676.47	1,242,617.48
Proceeds from disposal of assets with right to use	-2,359.06	-4,494.03	-2,359.06
Total	1,240,258.42	1,274,182.44	1,240,258.42

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 53. Non-operating income

### (1) Details of non-operating income

Item	Amount Incurred in Current Period	Amount Incurred in Last Period	Amount Recognized in Non-recurring Profits or Losses of Current Period
Compensation payments, etc	326,560.85	632,015.65	326,560.85
Total	326,560.85	632,015.65	326,560.85

Note: In Current Period, the amount charged to non-recurring profits or losses was RMB326,560.85 (previous period: RMB632,015.65).

## 54. Non-operating expenditure

Item	Amount Incurred in Current Period	Amount Incurred in Last Period	Amount Recognized in Non-recurring Profits or Losses of Current Period
Losses on retirement of non-current assets	1,629,545.53	1,430,383.40	1,629,545.53
Others	2,903,162.69	1,212,103.27	2,903,162.69
Total	4,532,708.22	2,642,486.67	4,532,708.22

Note: In Current Period, the amount recognized in non-recurring profits or losses was RMB4,532,708.22 (previous period: RMB2,642,486.67).

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 55. Income tax expenses

### (1) Income tax expenses

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
The current income tax calculated in accordance with the tax law and related regulations	11,979,103.13	21,841,448.06
– PRC enterprise income tax	11,979,078.01	21,841,448.06
– Hong Kong profits tax China	25.12	
– US income tax		
– Dutch income tax		
Deferred income tax expense	18,530,636.24	31,567,054.80
Over Under (or under) recognized amount in previous years	87,750.46	2,856,877.13
Total	30,597,489.83	56,265,379.99

### (2) Reconciliation process between accounting profit and income tax expenses

Item	Amount Incurred in Current Period
Total consolidated profits for the Current Period	303,363,837.69
Income tax expense calculated in accordance with statutory/applicable tax rate	45,504,575.66
Effect of different tax rate applicable to subsidiaries	6,892,710.32
Effect of adjusting income tax for prior periods	87,750.46
Effect of non-taxable income	-1,427,491.02
Effect of using the deductible loss of the unrecognized deferred income assets in prior period	-396,380.28
Effect of deductible temporary difference or deductible loss of the unrecognized deferred income tax assets in the Current Period	225,867.39
Additional deductible expenses	-20,289,542.70
Income tax expenses	30,597,489.83

## 56. Other comprehensive incomes

See the related contents for details in Note “V.38. Other comprehensive income”.



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 57. Cash Flow Statement

### (1) Cash related to operating activities

#### 1) Other cash received in relation to operating activities

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Interest income	4,581,339.55	6,731,842.63
Government grants income	2,955,806.72	3,756,249.77
Bank acceptance bill deposit	4,757,458.80	9,880,380.38
Others	9,754,083.66	12,198,039.88
Total	22,048,688.73	32,566,512.66

#### 2) Other cash paid in relation to operating activities

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Office expenses	1,643,089.98	1,918,044.88
Travel expense	12,618,844.95	11,784,427.17
Annual fee of listing, audit fee, expenses of board of directors	1,460,143.99	1,828,380.56
Market development and terminal sales expenses	245,729,926.02	397,176,428.32
Business entertainment expenses	3,331,467.11	2,916,714.32
Research and development expenses	127,785,049.48	79,996,172.69
Security deposit of bank acceptance bills	12,261,805.84	16,868,957.76
Trademark usage fee	5,000,000.00	5,000,000.00
Transactions and others	21,524,580.56	21,623,563.45
Total	431,354,907.93	539,112,689.15

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

### (2) Cash related to fundraising activities

#### 1) Other cash received in relation to financing activities

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Special payables received	1,500,000.00	
Total	1,500,000.00	

#### 2) Other cash payment in relation to financing activities

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Repayment of loans to controlling shareholders		400,000,000.00
Payments of the principal and interest of sale and leaseback	716,650.45	1,560,228.35
Total	716,650.45	401,560,228.35

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 3) Changes in liabilities arising from financing activities

Item	Opening Balance	Increase in Current Period		Decrease in Current Period		Ending Balance
		Cash Movement	Non-cash Movement	Cash Movement	Non-cash Movement	
Long-term loans	799,400,000.00	200,990,889.20			88,200,000.00	912,190,889.20
Short-term loans	283,958,677.68	393,266,963.73	2,536,105.50	301,362,348.72		378,399,398.19
Non-current liabilities						
due in one year	273,755,184.03	5,000,000.00	103,626,510.38	271,544,216.11	266,234.04	110,571,244.26
Lease liability	1,578,792.87		330,500.16		745,157.74	1,164,135.29
Total	1,358,692,654.58	599,257,852.93	106,493,116.04	572,906,564.83	89,211,391.78	1,402,325,666.94

## (3) Major activities and financial impacts that do not involve current cash receipts and expenditures, but affect the financial position of the enterprise or may affect the cash flow of the enterprise in the future

### 1) Major business activities that do not involve cash receipts and payments

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Indorsement of notes receivable*	738,094,638.40	606,142,203.60

\* The Group endorses part of the bank acceptance received for the sale of products for payment of materials purchase, etc.

### 2) Major investments and financing activities that do not involve cash receipts and payments

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Endorsement of notes receivable to acquire long-term assets*	240,443,096.64	209,170,062.30

\* The Group endorses part of the bank acceptance received from the sale of products for the purchase of long-term assets.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 58. Supplementary information of cash flow statement

### (1) Supplementary information of cash flow statement

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
<b>1. Reconciliation of net profit to cash flows from operation activities:</b>		
Net Profit	272,766,347.86	275,680,432.27
Add: Impairment loss of credit	8,193,415.41	3,477,647.35
Provision for impairment of assets	-4,139,163.27	2,263,230.88
Depreciation of investment real estate	1,574,294.89	2,287,978.74
Depreciation of fixed assets	243,613,246.06	239,177,668.40
Depreciation of right-of-use assets	1,261,797.45	1,464,157.98
Amortization of intangible assets	18,998,728.40	13,227,797.35
Amortization of long-term deferred expenses	2,297,711.01	1,397,999.98
Losses from disposal of fixed assets, intangible assets and other long-term assets (gains listed with "-")	-1,240,258.42	-1,274,182.44
Losses from scrapping fixed assets (gains listed with "-")	1,629,545.53	1,430,383.40
Gains or losses from changes in fair value (gains listed with "-")		
Financial expenses (gains listed with "-")	6,060,821.20	7,084,018.71
Investment losses (gain listed with "-")	-9,516,606.83	-8,286,352.28
Decreases of deferred income tax assets (increases listed with "-")	28,643,544.36	-2,429,319.07
Increases of deferred income tax liabilities (decreases listed with "-")	-10,112,908.12	33,996,373.87
Decreases of inventory (increases listed with "-")	125,294,306.89	198,919,674.77
Decreases of operating receivables (increases listed with "-")*	-617,467,720.49	-370,320,261.06
Increases of operating payables (decreases listed with "-") *	-7,116,199.06	-405,327,950.11
Others(Share based payments. etc)	16,660,152.00	27,361,771.92
Net cash flows from operating activities	<u>77,401,054.87</u>	<u>20,131,070.66</u>
<b>2. Significant investing and financing activities not related to cash receipts and payments:</b>		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
<b>3. Net changes in cash and cash equivalents:</b>		
Ending balance of cash	<b>850,921,699.35</b>	854,299,746.73
Less: Opening balance of cash	<b>781,684,254.87</b>	1,010,764,347.51
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	<b><u>69,237,444.48</u></b>	<b><u>-156,464,600.78</u></b>

\* "Decrease of operating receivables" and "increase of operating payables" are filled in according to the analysis of accounts receivable, accounts payable and other related items in the consolidated financial statements. In the preparation process, it is necessary to deduct "increase and decrease of deposits not used as cash and cash equivalents" (see note V, 1. Monetary funds) "Adjustment item of long-term asset purchase payment for notes receivable not used as cash and cash equivalents" (see note V, item (3, 2) of 57. Cash flow statement), "engineering equipment payment and dividend payable in other payables" (see note V, 25. Other payables), etc.

## (2) Composition of cash and cash equivalents

Item	Ending Balance	Opening Balance
Cash	<b>850,921,699.35</b>	781,684,254.87
Including: Cash on hand	<b>37,447.11</b>	41,554.74
A bank deposit that can be used for payment at any time	<b>850,884,252.24</b>	781,565,674.78
Other monetary funds available for payment at any time		77,025.35
Cash equivalents		
Cash and cash equivalents balance at Period-end	<b>850,921,699.35</b>	781,684,254.87
Including: Use of restricted cash and cash equivalents by the parent company or subsidiaries within the Group		

## (3) Situations where the scope of use is limited but still listed as cash and cash equivalents:

None

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 59. Statement of changes in shareholders' equity

None.

## 60. Monetary items for foreign currency

### (1) Foreign currency monetary items

Item	Ending Balance of Foreign Currency	Translating Exchange Rate	Amount Translated into RMB at Year End
<b>Monetary funds</b>			
Including: USD	14,235,679.13	7.1268	101,454,838.02
EUR	524,357.71	7.6617	4,017,471.47
HKD	57.91	0.91268	52.85
GBP	0.46	9.043	4.16
JPY	1,217.00	0.044738	54.45
<b>Accounts receivable</b>			
Including: USD	38,977,688.25	7.1268	277,786,188.62
GBP	2,908,468.15	9.043	26,301,277.48
EUR	557,576.90	7.6617	4,271,986.93
<b>Other receivables</b>			
Including: USD	5,350.00	7.1268	38,128.38
<b>Accounts payable</b>			
Including: USD	109,831.81	7.1268	782,749.34
<b>Other payables</b>			
Including: USD	58,900.41	7.1268	419,771.44

### (2) Oversea operating entity

Subsidiaries	Principal Place of Operation	Bookkeeping Base Currency	Basis for Currency Selection
Shandong Xinhua Pharmaceutical (Europe) B.V.	Reiswick, Netherlands	USD	Statutory currency of the business place
Shandong Xinhua Pharmaceutical(USA)Inc.	South elmont, USA	USD	Statutory currency of the business place
Xinhua Health Technology (Hong Kong) Limited	China Hong Kong Special Administrative Region	CNY	Operating activities mainly use RMB

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 61. Lease

Leases of the group as lessee

Category	Amount Incurred this Period	Amount Incurred in the Previous Period
Interest expenses of lease liabilities	74,692.47	116,601.81
Short-term lease expenses recognized in profit or loss using simplified treatment		
Lease charges for low-value assets (other than short-term leases) recognized in current profit or loss using the simplified treatment		
Variable lease payments not included in the measurement of the lease liability		
Of which: portion arising from sale and leaseback transactions		
Income from sublease of right-of-use assets		
Total cash outflows related to leases	716,650.45	1,560,228.35
Gains or losses arising from sale and leaseback transactions		
Cash inflows from sale and leaseback transactions		
Cash outflow from sale and leaseback transactions		

## 62. Earnings per share

### (1) Calculation process of numerator and denominator of basic earnings per share

Basic earnings per share is calculated based on net profit attributable to shareholders of the parent company of RMB265,404,417.68 (previous period: RMB269,807,157.85) divided by the weighted average number of ordinary shares outstanding of the Company of 681,813,420.00 (previous period: 674,306,582.00).

The basic earnings per share is calculated as follows:

Item	Amount Incurred this Period	Amount Incurred in the Previous Period
Net profit attributable to shareholders of parent company	265,404,417.68	269,807,157.85
The weighted average number of common shares outstanding of the Company	681,813,420.00	674,306,582.00
Basic earnings per share (RMB/share)	0.39	0.40

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

### (2) Calculation process of numerator and denominator of diluted earnings per share

Diluted earnings per share is calculated based on net profit attributable to shareholders of the parent company of RMB265,404,417.68 (previous period: RMB269,807,157.85) divided by the adjusted weighted average number of ordinary shares of the Company outstanding of 691,232,723.00 (previous period: 693,318,857.00 shares).

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

Item	Amount Incurred this Period	Amount Incurred in the Previous Period
Net profit attributable to shareholders of parent company	265,404,417.68	269,807,157.85
The weighted average number of common shares outstanding of the Company	681,813,420.00	674,306,582.00
Dilutive potential common stock	9,419,303.00	19,012,275.00
The adjusted weighted average number of common shares outstanding of the Company	691,232,723.00	693,318,857.00
Diluted earnings per share (RMB/share)	0.38	0.39



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## VI. RESEARCH AND DEVELOPMENT EXPENDITURE

Item	Amount Incurred this Period	Amount Incurred in the Previous Period
Employee compensation	69,395,452.27	58,826,135.95
Materials, power costs	52,030,000.27	63,026,293.62
Outsourcing research and development expenses	55,967,457.92	48,756,382.73
Clinical trial cost	27,758,327.35	32,032,796.56
Analytical test cost	13,480,458.06	11,960,456.89
Depreciation and amortization expense	9,287,259.08	8,367,807.51
Other expenses	15,186,679.25	12,560,035.98
Total	<u>243,105,634.20</u>	<u>235,529,909.24</u>
Including: Expensed research and development expenditure	243,105,634.20	235,529,909.24
Capitalized research and development expenditures	<u>                    </u>	<u>                    </u>

### 1. Research and development projects eligible for capitalization: None

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

Project Name	The Manner in which Economic Benefits are Expected to be Generated	Capitalization or Expensing	The Specific Basis for Capitalization or Expensing
Technology transfer of the innovative drug Pinocellin raw material and freeze-dried powder injection	Commercial operation	The project is in clinical phase II	The Group meets the capitalisation condition upon the approval of the Phase III clinical trial and subsequent development phase expenditures are capitalised
Anti-ad innovative drug OAB-14 and preparation development	Commercial operation	The project is in clinical phase I	The Group meets the capitalisation condition upon the approval of the Phase III clinical trial and subsequent development phase expenditures are capitalised

## VII. CHANGES IN CONSOLIDATION SCOPE

There is no change in the scope of consolidation of the Company this Period compared with the previous period. See Note VIII, 1 "Equity in subsidiaries" for details.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Composition of the Group

Name of Subsidiary	Enterprise Nature	Business Premise	Registration Place	Nature of Business	Registered Capital (monetary unit: 0,000)	Proportion of Shareholding (%)		Acquisition Method
						Direct	Indirect	
Shandong Xinhua Pharmaceutical Trade Co., Ltd.	Limited liability company	Zibo City, Shandong Province	Zibo City, Shandong Province	Pharmaceutical and chemical sales	4,849.89	100.00		Establishment
Shandong Xinhua Pharmaceutical Import and Export Co., Ltd.	Limited liability company	Zibo City, Shandong Province	Zibo City, Shandong Province	Pharmaceutical and chemical sales	500.00	100.00		Establishment
Shandong Xinhua Design Engineering Co., Ltd.	Limited liability company	Zibo City, Shandong Province	Zibo City, Shandong Province	Pharmaceutical and chemical design	663.1998	90.4705		Establishment
Shandong Xinhua Pharmaceutical (Europe) B.V.	Limited liability company (Sino-foreign joint venture)	Reiswick, Netherlands	Reiswick, Netherlands	Pharmaceutical and chemical sales	EUR 76.90	65.00		Establishment
Zibo Xinhua- Perrigo Pharmaceutical Company Limited	Limited liability company (Sino-foreign joint venture)	Zibo City, Shandong Province	Zibo City, Shandong Province	Pharmaceutical and chemical manufacturing	USD 2,094.90	50.10		Establishment
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	Limited liability company	Shouguang City, Shandong Province	Shouguang City, Shandong Province	Pharmaceutical and chemical manufacturing	23,000.00	100.00		Establishment
Ronghua (Zibo) Property Services Co., Ltd.	Limited liability company	Zibo City, Shandong Province	Zibo City, Shandong Province	Estate management	2,000.00	100.00		Establishment
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	Limited liability company	Gaomi City, Shandong Province	Gaomi City, Shandong Province	Pharmaceutical and chemical manufacturing	1,900.00	100.00		Purchase
Shandong Xinhua Pharmaceutical(USA)Inc.	Limited liability company	South elmont, USA	South elmont, USA	Pharmaceutical and chemical sales	USD 150.00	100.00		Establishment
Shandong Xinhua Mechanical and Electrical Engineering Co., Ltd.	Limited liability company	Zibo City, Shandong Province	Zibo City, Shandong Province	Electric installation	800.00	100.00		Establishment
Shandong Zibo Xincat Pharmaceutical Company Limited	Limited liability company	Zibo City, Shandong Province	Zibo City, Shandong Province	Pharmaceutical and chemical manufacturing	8,493.00	100.00		Merger
Shandong Xinhua Wanbo Chemical Industry Co., Ltd.	Limited liability company	Zibo City, Shandong Province	Zibo City, Shandong Province	Pharmaceutical and chemical manufacturing	4,662.45	100.00		Merger
Shandong Tongxin Pharmaceutical Co., Ltd.	Limited liability company	Weifang City, Shandong Province	Weifang City, Shandong Province	Pharmaceutical and chemical manufacturing	12,000.00	60.00		Establishment
Shandong Xinhua Health Technology Co., Ltd.	Limited liability company	Zibo City, Shandong Province	Zibo City, Shandong Province	Science and technology promotion and application services	10,000.00	57.65		Establishment

*Note:* The former subsidiary of the Company, Shandong Xinhua Pharmaceutical Chemical Industry Design Co., Ltd. was renamed Shandong Xinhua Design Engineering Co., Ltd..

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Important subsidiaries which are not wholly-owned

Name of Subsidiary	Shareholding Proportion of Minority Shareholders	Profits and Losses Attributable to Minority Shareholders in Current Period	Net Other Comprehensive Income After Tax Attributable to Minority Shareholders in Current Period	Total Other Comprehensive Income Attributable to Minority Shareholders in Current Period	Dividends to be Declared and Distributed to Minority Shareholders in Current Period	Ending Balance of Minority Equities
Shandong Xinhua Pharmaceutical (Europe) B.V.	35.00%	3,476,225.07	-273,917.21	3,202,307.86		19,089,079.47
Zibo Xinhua- Perrigo Pharmaceutical Company Limited	49.90%	3,142,889.96		3,142,889.96	8,982,000.00	115,188,386.51
Shandong Xinhua Health Technology Co., Ltd.	42.35%	119,787.01		119,787.01		34,240,612.30
Shandong Tongxin Pharmaceutical Co., Ltd.	40.00%	253,993.14		253,993.14		48,463,495.96
Xinhua Design Engineering Co., Ltd.	9.5295%	369,035.00		369,035.00		3,600,053.93
Total		7,361,930.18	-273,917.21	7,088,012.97	8,982,000.00	220,581,628.17

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (3) Main financial information of important subsidiaries which are not wholly-owned

Unit: RMB ten thousands

Name of Subsidiary	Ending Balance					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Shandong Xinhua Pharmaceutical (Europe) B.V.	10,917.94	4.11	10,922.05	5,435.36		5,435.36
Zibo Xinhua- Perrigo Pharmaceutical Company Limited	14,798.91	14,137.53	28,936.44	3,476.49	2,214.91	5,691.40
Shandong Xinhua Health Technology Co., Ltd.	33,921.87	1,272.95	35,194.82	27,892.22	161.82	28,054.04
Shandong Tongxin Pharmaceutical Co., Ltd.	6,575.74	16,698.98	23,274.72	7,834.10	3,308.03	11,142.13
Xinhua Design Engineering Co., Ltd.	2,706.02	2,795.80	5,501.82	1,662.18	64.95	1,727.13

Name of Subsidiary	Opening Balance					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Shandong Xinhua Pharmaceutical (Europe) B.V.	6,073.90	2.14	6,076.04	1,504.29		1,504.29
Zibo Xinhua- Perrigo Pharmaceutical Company Limited	16,517.96	15,066.63	31,584.59	4,889.09	2,303.28	7,192.37
Shandong Xinhua Health Technology Co., Ltd.	31,663.29	1,257.93	32,921.22	25,747.41	61.30	25,808.71
Shandong Tongxin Pharmaceutical Co., Ltd.	4,986.69	16,460.67	21,447.36	5,931.79	3,456.66	9,388.45
Xinhua Design Engineering Co., Ltd.	2,056.75	2,719.54	4,776.29	1,274.90	96.57	1,371.47

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

Name of Subsidiary	Operating Revenue	Net Profit	Amount Incurred in Current Period	
			Total Comprehensive Income	Cash Flow of Operating Activities
Shandong Xinhua Pharmaceutical (Europe) B.V.	9,285.44	993.21	914.95	1,382.67
Zibo Xinhua- Perrigo Pharmaceutical Company Limited	10,997.95	629.84	629.84	900.52
Shandong Xinhua Health Technology Co.,Ltd.	30,585.12	28.29	28.29	-2,019.45
Shandong Tongxin Pharmaceutical Co., Ltd.	1,118.64	63.50	63.50	5.99
Xinhua Design Engineering Co., Ltd.	3,766.33	387.26	387.26	657.27

Name of Subsidiary	Operating Revenue	Net Profit	Amount Incurred in Previous Period	
			Total Comprehensive Income	Cash Flow of Operating Activities
Shandong Xinhua Pharmaceutical (Europe) B.V.	10,585.51	543.92	694.22	3,117.29
Zibo Xinhua- Perrigo Pharmaceutical Company Limited	12,156.82	676.45	676.45	3,667.33
Shandong Xinhua Health Technology Co.,Ltd.	29,599.01	78.29	78.29	-1,375.67
Shandong Tongxin Pharmaceutical Co., Ltd.		-17.47	-17.47	-1,428.58
Xinhua Design Engineering Co., Ltd.	3,595.25	332.39	332.39	991.68

## (4) Significant restrictions on the use of group assets and the settlement of group debts

None

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

**(5) Financial support or other support provided to structured entities included in the scope of consolidated financial statements**

None

**(6) Others**

As of June 30, 2024, none of the Company's subsidiaries issued share capital or debt securities.

**2. The share of owner's equity in the subsidiary has changed and remains in control of the subsidiary**

None

**3. Equity in cooperative enterprise or joint venture**

**(1) Summarized financial information of unimportant joint venture**

Item	Ending Balance/ Amount Incurred in Current Period	Opening Balance/ Amount Incurred in Previous Period
<b>Joint venture:</b>		
Total of investment book value	59,906,504.83	58,572,098.00
Total of the following items calculated by shareholding ratio		
– Net profit	1,334,406.83	1,417,610.42
– Other comprehensive income		
– Total comprehensive income	<u>1,334,406.83</u>	<u>1,417,610.42</u>

**(2) There were no significant restrictions on the ability of the Group's joint ventures to transfer funds to the Company; there were no unconfirmed commitments related to the joint venture in the Group; and there was no contingent liability related to the joint venture investment in the group.**

**(3) There was no excess loss occurred in the joint venture**

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## IX. GOVERNMENT SUBSIDY

- Government subsidies recognized by the amount receivable at the end of the Period: None.
- Liabilities involving government subsidies

Accounting Item	Opening Balance	The Amount of Subsidy Increased this Period	Amount Recognized in Non-Operating Income During the period	Amount Transferred to Other Income During the period	Other Changes During the period	Ending Balance	Related to Assets/Earnings
Deferred income	100,666,757.92			9,143,285.72		91,523,472.20	Related to assets
Special payables	20,000,000.00	1,500,000.00				21,500,000.00	Related to assets

- Government grants recognized in profit or loss for the Current Period

Accounting Item	Amount Incurred in the Current Period	Amount Incurred in the Previous Period
Other income	35,032,548.75	11,695,552.06
Total	35,032,548.75	11,695,552.06



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group's principal financial instruments include borrowings, receivables, payables, investments in other equity instruments, etc. A detailed description of each financial instrument is set out in Note V. The Group is exposed to various financial instrument risks in its daily activities, mainly including market risks (such as exchange rate risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below. The management of the Group manages and monitors these exposures to ensure that the above risks are contained within defined limits.

### 1. Objectives and policies of risk management

The objective of the Group's risk management is to strike an appropriate balance between risk and return, minimize the negative impact of risk on the Group's operating results, and maximize the benefits of shareholders and other equity investors. Based on this risk management objective, the basic risk management strategy of the Group is to identify and analyze various risks faced by the Group, establish an appropriate risk tolerance bottom line and carry out risk management, and supervise various risks in a timely and reliable manner to control risks within a limited range.

#### (1) **Market risk**

##### 1) *Exchange rate risk*

The Group's exposure to exchange rate risk is mainly related to the US dollar, the British pound and the Euro, and with the exception of several subsidiaries of the Company that conduct purchases and sales in US dollars, other major business activities of the Group are denominated and settled in RMB. As at 30 June 2024, the assets and liabilities of the Group were held in RMB, except for the balances in US dollars, Euros and British pounds and the occasional balances in Hong Kong dollars and Japanese yen of the assets and liabilities described in the table below. The exchange rate risk arising from the assets and liabilities of these foreign currency balances may have an impact on the Group's operating results.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

The amounts of foreign currency financial assets and foreign currency financial liabilities held by the Group as at 30 June 2024 and 31 December 2023 are set out below:

Item	30 June 2024	December 31, 2023
Monetary funds – USD	101,454,838.02	47,268,651.81
Monetary funds – EUR	4,017,471.47	1,091,980.03
Monetary funds – HKD	52.85	2,393,912.85
Monetary funds – GBP	4.16	275,422.56
Monetary funds – JPY	54.45	61.11
Accounts receivable – USD	277,786,188.62	178,331,588.92
Accounts receivable – GBP	26,301,277.48	31,847,194.83
Accounts receivable – EUR	4,271,986.93	853,875.52
Accounts receivable – JPY		10,042.60
Other receivables – USD	38,128.38	9,224.79
Accounts payable – USD	782,749.34	10,279,945.59
Other payables – USD	419,771.44	38,954.85

The Group closely monitors the impact of exchange rate movements on the Group. The Group does not currently have a foreign currency hedging policy, but management monitors foreign currency exchange risks and will consider hedging significant foreign currency risks if needed.

## 2) Interest rate risk

The Group's interest rate risk arises from interest-bearing liabilities such as bank borrowings and shareholder borrowings. Floating interest rate financial liabilities expose the Group to cash flow interest rate risk and fixed interest rate financial liabilities expose the Group to fair value interest rate risk. The Group determines the relative proportion of fixed rate and floating rate contracts based on the prevailing market environment. As at the end of the period, the Group's interest-bearing debt consisted mainly of RMB denominated floating rate borrowing contracts with an aggregate amount of RMB1,095.2432 million and RMB denominated fixed rate contracts with an aggregate amount of RMB303.50 million.

The Group's risk of changes in the fair value of financial instruments due to changes in interest rates is mainly related to fixed-rate bank borrowings. For fixed-rate borrowings, the Group aims to maintain its floating interest rates.

The Group's risk of changes in the cash flows of financial instruments due to changes in interest rates is mainly related to floating rate bank borrowings. It is the Group's policy to maintain floating interest rates on these borrowings to eliminate the fair value risk of interest rate changes.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 3) Price risk

### Commodity price risk

The Group sells chemical raw materials, preparations and chemical products at market prices and is therefore subject to these price fluctuations.

### Equity instrument investment price risk

The investment price risk of equity instruments refers to the risk that the fair value of equity securities will decrease due to changes in the level of stock indexes and the value of individual securities. As at 30 June 2024, the Group was exposed to the price risk of investments in equity instruments arising from individual investments in equity instruments classified as measured at fair value and whose changes are recognized in other comprehensive income. The Group manages risk by holding a portfolio of investments with different risks.

## (2) Credit risk

The Group manages credit risk on a portfolio basis. Credit risks mainly arise from monetary funds, notes receivable, accounts receivable, receivables financing, other receivables, contract assets, long-term receivables, etc.

To mitigate credit risk, the Group has established a dedicated department to determine credit limits, conduct credit approvals, and perform other monitoring procedures to ensure that necessary measures are taken to recover overdue claims. In addition, the Group reviews the recovery of each individual receivables at each balance sheet date to ensure that adequate provisions are made for doubtful accounts that cannot be recovered. As a result, the Group's management considers that the Group's exposure to credit risk has been substantially reduced.

The Group's working capital is held in banks with higher credit ratings and therefore the credit risk of working capital is lower.

The Group has adopted the necessary policies to ensure that all sales customers have a good credit history. Apart from the top five in terms of accounts receivable and contract assets, the Group has no other significant credit concentration risk. The total amount of the top five accounts receivable and contract assets: RMB245,288,357.36, accounting for 23.08% of the total accounts receivable and contract assets of the Company.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

### 1) *Credit risk significantly increases the judging criteria*

At each balance sheet date, the Group determines whether the credit risk of the financial instrument has increased significantly since the initial recognition by comparing the probability of default during the estimated duration of the financial instrument as determined at the initial recognition with the probability of default during the estimated duration of the instrument as determined at the balance sheet date. However, if the Group determines that a financial instrument has only a low credit risk at the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition.

The Group's main criteria for determining a significant increase in credit risk are the overdue days exceeding 30 days(unless the Group, without unnecessary additional cost or effort, obtains reasonable and substantiated information that the credit risk has not materially increased since the initial recognition, even if it is more than 30 days overdue) or significant changes in one or more of the following indicators: the debtor's operating environment, internal and external credit ratings, material adverse changes in actual or expected operating results, etc.

### 2) *Definition of assets that have suffered credit impairment*

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. The Group's primary criterion for determining that a credit impairment has occurred is the number of overdue days exceeding 90 days, but in some cases the Group will also treat credit impairment as having occurred if internal or external information indicates that the contract amount may not be recovered in full before considering any credit enhancement held. The credit impairment of financial assets may be caused by the combination of multiple events, not necessarily by individually identifiable events.

Evidence that a credit impairment of a financial asset has occurred includes the following observable information: (The issuer or debtor has experienced significant financial difficulties; Breach of contract by the debtor, such as default or delay in payment of interest or principal; The Group grants concessions to the debtor that it would not have made in any other circumstances for economic or contractual reasons relating to the debtor's financial difficulties; The debtor is likely to become insolvent or undergo other financial restructuring; Financial difficulties of the issuer or debtor that result in the disappearance of an active market for the financial asset).

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

## 3) Credit risk exposure

As at 30 June 2024, the maximum credit exposure that could cause the Group's financial loss is mainly from losses on the Group's financial assets arising from the failure of the other party to perform its obligations, including:

The carrying amounts of recognized financial assets in the consolidated balance sheet; For financial instruments measured at fair value, the carrying value reflects its risk exposure, but not its maximum risk exposure, which will change as fair value changes in the future.

In order to minimize credit risk, the management of the Group has appointed a team of staff responsible for the development of credit limits, credit approvals and other control procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amounts of individual trade bonds at the end of the reporting period to ensure that adequate impairment losses are made on uncollectible amounts. In view of this, the Group's management believes that the Group's credit risk has been significantly reduced.

## (3) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations on the maturity date. The Group's approach to managing liquidity risk is to ensure that there is sufficient liquidity to meet obligations as they mature without incurring unacceptable losses or causing damage to the company's reputation. The Group regularly analyses the structure and maturity of its liabilities to ensure adequate funding. The Group's management monitors the use of bank borrowings and ensures compliance with the borrowing agreements. At the same time, we will conduct financing consultations with financial institutions to maintain a certain credit line and reduce liquidity risks.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

Financial assets held by the Group (book balance, undeducted impairment and allowance for bad debts) and financial liabilities are analyzed by the maturity of undiscounted remaining contractual obligations are as follows:

As at 30 June 2024, the amounts are as follows:

Item	Within 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
<b>Financial assets</b>					
Monetary funds	996,332,270.24				996,332,270.24
Notes receivable	11,177,223.90				11,177,223.90
Accounts receivable	1,061,799,785.54				1,061,799,785.54
Receivables financing	265,906,217.22				265,906,217.22
Other receivables	26,596,144.81				26,596,144.81
Including: Interest receivable					
Dividends receivable	8,182,200.00				8,182,200.00
<b>Financial liabilities</b>					
Short-term borrowings	378,399,398.19				378,399,398.19
Notes payable	549,535,177.32				549,535,177.32
Accounts payable	670,408,897.94				670,408,897.94
Other payables	734,847,955.33				734,847,955.33
Including: Interest payable					
Dividends payable	184,894,508.28				184,894,508.28
Non-current liabilities due					
within one year	110,658,955.94				110,658,955.94
Long-term loans		703,700,000.00	208,490,889.20		912,190,889.20
Lease liabilities		1,187,637.01			1,187,637.01

## 2. Sensitivity analysis

The Group uses sensitivity analysis techniques to analyze the possible impact of reasonable and possible changes in risk variables on current profit or loss or owners' equity. Since any risk variable rarely changes in isolation, and the correlation between variables will have a significant effect on the ultimate impact of a change in a risk variable, the following is carried out on the assumption that the change of each variable is independent.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (1) Sensitivity analysis of foreign exchange risk

Foreign exchange risk sensitivity analysis assumes that all offshore operating net investment hedges and cash flow hedges are highly efficient.

On the basis of the above assumptions, with other variables unchanged, the after-tax effects of possible reasonable changes in exchange rates on current profit and loss and equity are as follows:

Item	Change in Exchange Rate	Amount Incurred in the Current Period		Amount Incurred in the Previous Period	
		Impact on Net Profits	Impact on the Owner's Equity	Impact on Net Profits	Impact on the Owner's Equity
All foreign currencies	5% appreciated against RMB	17,112,308.30	18,338,795.41	17,341,264.59	23,707,288.02
All foreign currencies	5% depreciated against RMB	<u>-17,112,308.30</u>	<u>-18,338,795.41</u>	<u>-17,341,264.59</u>	<u>-23,707,288.02</u>

## (2) Sensitivity analysis of interest rate risk

The interest rate risk sensitivity analysis is based on the following assumptions:

Changes in market interest rates affect interest income or expenses on variable rate financial instruments;

For fixed interest rate financial instruments measured at fair value, changes in market interest rates only affect their interest income or expense;

The change in fair value of derivative financial instruments and other financial assets and liabilities is calculated using the discounted cash flow method based on the market interest rate at the balance sheet date.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

On the basis of the above assumptions, and with other variables unchanged, the after-tax effects of possible reasonable changes in interest rates on current profit and loss and equity are as follows:

Item	Change in Interest Rate	Amount Incurred in the Current Period		Amount Incurred in the Previous Period	
		Impact on Net Profits	Impact on the Owner's Equity	Impact on Net Profits	Impact on the Owner's Equity
Floating interest rate loans	Increase by 1%	-4,237,385.19	-4,237,385.19	-5,649,288.39	-5,649,288.39
Floating interest rate loans	Decrease by 1%	4,237,385.19	4,237,385.19	5,649,288.39	5,649,288.39

## 3. Transfer of financial assets

### (1) Transfer mode classification

Transfer Mode	The Nature of the Transferred Financial Assets	The Amount of the Transferred Financial Assets	Termination Recognition Condition	The Judgment Basis of the Termination of Confirmation
Endorsement of a bill	Notes receivable	8,710,969.13	Unterminated acknowledgement	Retains virtually all of its risks and rewards, including the risk of default associated with it
Endorsement of a bill	Financing of receivables	561,930,946.30	Termination acknowledgement	Has shifted almost all of its risks and rewards
Total		570,641,915.43		

### (2) Financial assets whose recognition has been terminated by transfer

Item	The Way Financial Assets are Transferred	The Amount of Financial Assets that have been De-recognized	Gains or Losses Associated with the Termination of Recognition
Financing of receivables	Endorsement of a bill	561,930,946.30	
Total		561,930,946.30	



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

Financial assets that have been transferred but not fully terminated:

As at 30 June 2024, the carrying value of bank acceptances endorsed by the Group to suppliers for settling accounts payable was RMB8,710,969.13 (bank acceptances issued by banks with lower credit risk). The Group believes that the Group retains virtually all of its risks and rewards, including the risk of default associated with it, and therefore continues to recognize them and the accounts payable associated with them in full. After endorsement, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. As at 30 June 2024, the carrying value of accounts payable to which the Group settled and for which the supplier had recourse totalled RMB8,710,969.13.

## XI. DISCLOSURE OF FAIR VALUE

### 1. Period-end fair value of assets and liabilities measured at fair value

Item	Fair Value in Year End			Total
	Level 1 Fair Value Measurement	Level 2 Fair Value Measurement	Level 3 Fair Value Measurement	
Continuous fair value measurement				
(1) Accounts receivable financing			265,906,217.22	265,906,217.22
(2) Investment in other equity instruments	200,697,424.00		15,008,128.11	215,705,552.11
Total assets continuously measured at fair value	200,697,424.00		280,914,345.33	481,611,769.33

### 2. Basis for determination of market prices of items continuously measured at level 1 fair value

The Group's financial instrument of level 1 fair value measurement are the shares of the Bank of Communications and China Pacific Insurance Company (CPIC). The fair value at the end of the Period is determined based on the closing price on the last trading day of June, 2024.

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

### 3. For continuous and non-continuous level 2 fair value measurement items, the use of valuation techniques and important parameters of qualitative and quantitative information

Financial instruments included in the third level of fair value measurement by the Group are bank acceptance bills held at fair value and their changes are included in other comprehensive income (receivables financing). The bank acceptance bills held by the Group are mainly large commercial banks with higher credit ratings, due to the short remaining maturity period and extremely low credit risk. The carrying value of bank acceptance receivables is close to fair value.

The financial instruments included in the third level of fair value measurement of the Group are mainly unlisted equity investments held by the Company, and because the invested units are in the asset-light industry and are in the research and development period, the fair value is based on the book net assets.

Project	Ending Fair Value	Valuation Technique	Input Values cannot be Observed	Range Interval (weighted average)
Unlisted equity investments	15,008,128.11	Book net present value	1. Counterparty credit risk 2. Own credit risk	15,008,128.11
Financing of receivables	265,906,217.22	Discounted cash flow method	1. Prepayment rate 2. Default probability 3. Default loss rate	265,906,217.22

### 4. Continuous third-level fair value measurement items, reconciliation information between the beginning of the year and the end of the year book value and sensitivity analysis of unobserved parameters

For the Group's ongoing Level 3 fair value measurement items, the reconciliation information between the book value at the beginning of the year and the end of period is mainly valuation changes, sales and settlements, and there are no circumstances in which changes in unobservable parameters may cause significant changes in fair value.

The Group uses the discounted cash flow method to determine the fair value of the financing of receivables, which is discounted to the balance sheet date at an effective interest rate based on its estimated recoverable amount or at an effective interest rate adjusted for credit risk based on its contract maturity value. The financing term of the Group's receivables does not exceed one year, and the impact of the time value of funds on its fair value is not significant, so it is approximately believed that the fair value of the receivables at the end of the financing period is equal to its face value, that is, the fair value is basically equal to the amortized cost, and the impact of the fair value changes on its measurement at the end of the period is significant and not significant.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

5. Ongoing fair value measurement items, where conversions between levels occur during the period, the reasons for the conversion and the policy for determining the conversion point

There were no transitions between levels during the period.

6. Changes in valuation techniques during the period and reasons for such changes

There were no changes to the valuation techniques used during the period.

7. The fair value of financial assets and financial liabilities not measured at fair value:

The Group's financial assets and financial liabilities, measured at amortised cost, consist primarily of notes receivable, accounts receivable, other receivables, other current assets, notes payable, accounts payable, other payables, non-current liabilities due within one year, other current liabilities, bonds payable and lease liabilities. There is no material difference between the carrying value and fair value of the Group's various financial assets and financial liabilities measured at amortised cost as at June 30, 2024.

## XII. RELATED PARTIES AND RELATED-PARTY TRANSACTIONS

1. Relationships of Related Parties

### (1) Controlling shareholder and ultimate controlling party

#### 1) Controlling shareholder (Monetary unit: RMB ten thousands)

Name of Controlling Shareholder	Registration Place	Nature of Business	Registered Capital	Proportion of Shareholding in the Company (%)	Proportion of Voting Right in the Company (%)
Hualu Holdings Co., Ltd.	22/F, Block A, Huachuang Guanli Center, No. 219 Shunhai Road, Lixia District, Jinan, Shandong Province, China	Investment in chemical, medical, and environmental protection industries (industrial); asset management and operations, consulting	310,300.00	30.02	30.02

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 2) Registered capital of controlling shareholder and the changes

Name of Controlling Shareholder	Opening Balance	Increase in Current Period	Decrease in Current Period	Ending Balance
Hualu Holdings Co., Ltd.	3,103,000,000.00			3,103,000,000.00

## 3) Shares or equity of controlling shareholders and the changes

Name of Controlling Shareholder	Amount of Shareholding		Proportion of shareholding	
	Balance in Current Period	Balance in last Period Proportion of Last Period	Proportion of Current Period (%)	Balance in last Period Proportion of Last Period (%)
Hualu Holdings Co., Ltd.	204,864,092.00	204,864,092.00	30.02	30.36

## 4) The ultimate controller of the Company is Shandong SASAC.

## (2) Subsidiaries

The details of the subsidiaries were described in the relevant contents of Note "VIII. 1. (1). The composition of enterprise group".

## (3) Joint ventures and associated enterprises

The Group's significant joint ventures or associates are detailed in this Note "VIII. 3. Interests in Joint Ventures or Associates".

The followings are other joint ventures or associated enterprises that have related-party transactions with the Group in Current Period, or have a balance for the related-party transactions incurred in earlier period:

Name of joint ventures or associated enterprises	Relationship with the Company
Centrient Pharmaceutical (Zibo) Co. Ltd.	An associate of the Company

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (4) Other related parties

Name of Related Party	Relationship with the Company
Hualu Holding Co., Ltd. Shandong Xinhua Pharmaceutical Branch	Branch of the controlling shareholder
Shandong Hualu Hengsheng Chemical Limited Company	Controlled by the same controlling shareholders
Shandong Lukang Pharmaceutical Co., Ltd.	Controlled by the same controlling shareholders
Zoucheng Branch of Shandong Lukang Pharmaceutical Co., Ltd.	Controlled by the same controlling shareholders
Qinghai Lukang Dadi Pharmaceutical Co., Ltd.	Controlled by the same controlling shareholders
Shandong Lukang Pharmaceutical Group Saite Co. Ltd.	Controlled by the same controlling shareholders
Shandong Lukang Sheril Pharmaceutical Co., Ltd.	Controlled by the same controlling shareholders
Shandong Lukang Biological Pesticide Co., Ltd.	Controlled by the same controlling shareholders
Shandong Hualu International Business Center Co., Ltd.	Controlled by the same controlling shareholders
Shandong Environmental Protection Research and Design Institute Co., Ltd.	Controlled by the same controlling shareholders
Shandong Academy of Environmental Sciences Environmental Engineering Co., Ltd.	Controlled by the same controlling shareholders
Hualu Hengsheng (Jingzhou) Co., Ltd.	Controlled by the same controlling shareholders
Perrigo Company*	Subsidiary's participating shareholder
China Shandong Group Ltd.	Controlled by the same controlling shareholders
Hubei Goto Biotechnology Co.,Ltd	Controlled by shareholders of subsidiaries

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 2. Related-party Transactions

### (1) Pricing policy

The price of the products (including labour service) sold by the Group to related parties and the price of the products (including labour service) purchased from the related parties shall be determined based on the market price.

### (2) Related transaction of purchase or sale of goods and provision or acceptance of services

#### 1) Purchase goods or receive services

Name of related parties	Content of Related-party Transaction	Amount Incurred in Current Period	Approved Transaction Amount	Whether Exceed the Approved Amount	Amount Incurred in Previous Year
Centrient Pharmaceuticals (Zibo) Co. Ltd.*	Purchase of raw materials of preparations	4,843,252.22	23,000,000.00	No	5,534,623.87
Shandong Hualu Hengsheng Chemical Limited Liability Company*	Purchase of chemical raw material	49,842,188.76	234,000,000.00	No	69,455,745.96
Shandong Lukang Pharmaceutical Co., Ltd.*	Purchase of chemical raw material			No	1,874,723.93
Shandong Lukang Pharmaceutical Co., Ltd.*	Purchase of preparation product	6,772,025.99	13,500,000.00	No	3,824,511.46
Shandong Lukang Pharmaceutical Group Saite Co. Ltd.*	Purchase of preparation product	38,948.68		No	11,948.67
Shandong Environmental Protection Research and Design Institute Co., Ltd.	Purchase of labor services				56,603.77
Hubei Goto Biotechnology Co.,Ltd	Purchase of chemical raw material				6,849,557.50
Total		61,496,415.65			87,607,715.16

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 2) Sale of goods/provision of services

Name of related parties	Content of Related-party Transaction	Amount Incurred in Current Period	Approved Transaction Amount	Whether exceed the Approved Amount	Amount Incurred in Previous Year
Perrigo Company*	Sales of bulk drugs	82,446,087.69		No	98,358,408.87
Perrigo Company*	Sales of pharmaceutical products	88,971,097.53	924,000,000.00		109,565,469.61
China Shandong Group Ltd.*	Sales of bulk drugs	2,227,098.50	71,500,000.00	No	15,956,408.41
Centrient Pharmaceuticals (Zibo) Co. Ltd.*	Sales of power	4,477,903.04			4,182,755.65
CanSheng Pharmaceutical (Zibo) Co. Ltd.*	Provide labor service	79,548.69	12,500,000.00	No	78,665.26
Shandong Lukang Pharmaceutical Co., Ltd.*	Sales of chemical raw materials and Sales of bulk drugs	431,283.19			1,728,523.89
Shandong Lukang Pharmaceutical Co., Ltd.*	Provide labor service				18,867.92
Qinghai Lukang Dadi Pharmaceutical Co., Ltd.*	Sales of bulk drugs	373,893.81			265,486.73
Shandong Lukang Pharmaceutical Sales Group Saite Co. Ltd.*	Sales of bulk drugs	493,030.97	9,000,000.00	No	4,729,203.54
Shandong Lukang Shellile Pharmaceutical Co., Ltd.*	Provide labor service	26,415.09			
Shandong Lukang Biological Pesticide Co., Ltd.	Provide labor service	18,490.57			
Shandong Lukang Shellile Pharmaceutical Co., Ltd.*	Sales of chemical raw materials	2,723,893.81			
Hualu Holding Co. Ltd. Shandong Xinhua Pharmaceutical Branch	Sales of power	4,610.64			4,206.52
Hualu Holding Co. Ltd. Shandong Xinhua Pharmaceutical Branch	Sales of goods				243.71
Shandong Hualu International Business Center Co., Ltd.	Sales of pharmaceutical products				14,867.26
Hubei Goto Biotechnology Co., Ltd.	Sales of bulk drugs	665,486.72			
Total		182,938,840.25			234,903,107.37

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

### (3) *Related party leasing*

#### 1) *Rental situation*

The company as the lessor: None

#### 2) *Lease situation*

The company as the tenantry: None

### (4) *Related guarantee situation*

#### 1) *As guarantor*

The Group as guarantor: None

#### 2) *As the secured party*

Name of the Guarantor	Amount Guaranteed	Starting Date of Guarantee	Expiring Date of Guarantee	Whether the Warranty has been Fulfilled
Hualu Holdings Co., Ltd.	430,000,000.00	2022-5-31	2025-5-30	No
Hualu Holdings Co., Ltd.	80,000,000.00	2023-6-29	2024-6-28	Yes
Total	510,000,000.00			

### (5) *Key management compensation*

See XII, 5 Main Executive compensation for details



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (6) Other transaction

### 1) Royalty fee of using trademark

Name of Related Parties	Content of Related-party Transaction	Amount Incurred in Current Period	Amount Incurred in Previous Period
Hualu Holding Co. Ltd. Shandong Xinhua Pharmaceutical Branch*	Royalty fee of using trademark	4,716,981.00	4,716,981.00

The Company has renewed a supplementary agreement ("Supplementary Agreement") on the trademark license agreement with Xinhua Branch on December 22, 2023. The supplementary agreement has a valid period from January 1, 2024 to December 31, 2024. According to the supplementary agreement, the Company's annual royalty fee of using the trademark "Xinhua" is still RMB10 million and other provisions of the trademark license agreement remain unchanged.

\* Note: Such kind of related party transactions constitutes the connected transactions and the continuing connected transactions as defined in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange.

## 3. Balance of transactions with related parties

### (1) Items receivable

Item	Related parties	Ending Balance		Opening Balance	
		Book Balance	Provision for Bad Debt	Book Balance	Provision for Bad Debt
Accounts receivable	Centrient Pharmaceuticals (Zibo) Co. Ltd	88,927.33	444.64	451,298.29	6,369.47
Accounts receivable	Perrigo Company	60,584,982.19	580,390.84	68,221,709.74	678,438.18
Accounts receivable	Shandong Lukang Shelile Pharmaceutical Co., Ltd			268,800.00	1,344.00
Accounts receivable	Shandong Lukang Pharmaceutical Co., Ltd.	142,830.00	714.15		
Financing of receivables	Hubei Goto Biotechnology Co., Ltd			1,447,000.00	
Prepayments	Shandong Hualu Hengsheng Chemical Limited Company	1,365,501.60		1,737,151.62	

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Items payable

Item	Related Parties	Ending Balance	Opening Balance
Accounts payable	Shandong Lukang Pharmaceutical Co., Ltd.	3,808,534.82	2,488,530.47
Accounts payable	Shandong Lukang Pharmaceutical Group Saite Co., Ltd.	2,192.59	2,192.59
Accounts payable	Centrient Pharmaceuticals (Zibo)Co. Ltd.		3,691,250.00
Accounts payable	Hubei Goto Biotechnology Co., Ltd	32,890.20	32,890.20
Contractual liabilities	Shandong Lukang Pharmaceutical Co., Ltd.	103,584.91	62,264.15
Contractual liabilities	Shandong Lukang Biological Pesticide Co., Ltd		18,490.57
Contractual liabilities	Qinghai Lukang Dadi Pharmaceutical Co., Ltd.		154,867.26
Contractual liabilities	Hubei Goto Biotechnology Co., Ltd	5,447,012.83	6,561,061.95
Contractual liabilities	Centrient Pharmaceuticals (Zibo)Co. Ltd.	511,187.73	

## 4. Commitments of related parties

On April 14, 2021, Hualu Holdings promised: (1) not to interfere with the operation and management activities of Xinhua Pharmaceutical beyond its authority and not to encroach on the interests of Xinhua Pharmaceutical; (2) From the date of issuance of this commitment to the completion of this non-public offering of shares by Xinhua Pharmaceutical, if the state and securities regulatory authorities make other new regulatory provisions on the measures for listed companies to fill in the diluted immediate return, and this commitment cannot meet these provisions of the state and securities regulatory authorities, Hualu Holdings promises to issue a commitment in accordance with the latest provisions of the state and securities regulatory authorities; (3) We promise to earnestly fulfill the measures for filling the diluted immediate return formulated by Xinhua Pharmaceutical and this commitment. If we violate this commitment or refuse to fulfill this commitment and cause losses to Xinhua Pharmaceutical or investors, Hualu Holdings is willing to bear the corresponding compensation liability according to law.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)*

*(Financial report prepared in accordance with CASBE (Unaudited))*

On August 9, 2021, when the Company implemented the plan of non-public offering of A shares in 2021, the controlling shareholder Hualu Holdings issued the letter of commitment on avoiding horizontal competition for this non-public offering: (1) there was no horizontal competition between Hualu Holdings and its affiliated enterprises and Xinhua Pharmaceutical; (2) During the period when Hualu Holdings is the controlling shareholder of Xinhua Pharmaceutical, it shall take necessary and possible measures according to law to avoid business or activities with horizontal competition and conflict of interest with the main business of Xinhua Pharmaceutical, and urge other enterprises controlled by Hualu Holdings to avoid business or activities with horizontal competition and conflict of interest with the main business of Xinhua Pharmaceutical; (3) When Hualu Holdings and other enterprises under its control plan to conduct new business, investment and research that may produce horizontal competition with the main business of Xinhua Pharmaceutical, Hualu Holdings shall timely notify Xinhua Pharmaceutical that Xinhua Pharmaceutical will have the priority of development and project participation, Hualu Holdings 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. Hualu Holdings has the ability to fulfill the above commitments. This letter of commitment will take effect immediately after it is signed by Hualu holding and will continue to be effective during the period when Hualu holding has control over Xinhua Pharmaceutical.

On August 9, 2021, Hualu Holdings promised that: (1) within six months before the benchmark date for the pricing of the non-public offering of shares of Xinhua Pharmaceutical (the announcement date of the resolution of the second interim meeting of the 10th board of directors of Xinhua Pharmaceutical in 2021), Hualu Holdings and the persons acting in concert of Hualu Holdings did not reduce their shares of Xinhua Pharmaceutical; (2) Hualu Holdings has no plan to reduce its shares in Xinhua Pharmaceutical within six months from the pricing benchmark date of this non-public offering to the completion of this non-public offering; (3) Hualu Holdings promises to reduce its holdings in strict accordance with the securities law of the people's Republic of China, the measures for the administration of the acquisition of listed companies and other laws and regulations, and the relevant provisions of the stock exchange where the company's shares are listed, and fulfill the obligation of information disclosure related to equity changes; (4) In case of reduction due to violation of the above commitments, Hualu Holdings promises that all the proceeds from the reduction will belong to Xinhua Pharmaceutical, and will bear all legal liabilities and consequences arising therefrom.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

### 5. Remunerations for directors, supervisors and employees

The principal management remuneration (including amounts paid and payable to directors, supervisors and senior management) is as follows:

Item	Amount of Current Period	Amount of Previous Period
Salary and subsidy	1,493,395.00	2,402,914.00
Social insurance premium, housing fund and retirement pension	518,430.00	499,158.00
Bonus		
Share-based payment*		
Total	<b>2,011,825.00</b>	<b>2,902,072.00</b>

\* The principal management remunerations did not include the share option that have been granted but not exercised in amount of RMB1,262,386.13.

During the reporting period, there were no changes in directors, supervisors, or other senior management personnel of the Company.

### 6. Borrowings receivable from directors and the companies related with directors

There was no borrowings receivable from directors and the companies related with directors in the Current Period.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## XIII. SHARE-BASED PAYMENT

### 1. General information on share-base payment

Category of Grant Recipients	Awarded During the period		Options Exercised During the period		Unlocked this Period		Lapsed During the period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Directors, supervisors and senior management			839,800.00	6,390,878.00				
Middle management and core personnel			6,885,000.00	52,394,850.00			430,000.00	3,272,300.00
Total			7,724,800.00	58,785,728.00			430,000.00	3,272,300.00

Stock options or other equity instruments outstanding at the end of the Period

Category of Grant Recipients	Range of Exercise Prices	Stock Options Outstanding at the end of the Period	Other Equity Instruments Outstanding at the end of the Period	
			Range of Exercise Prices	Remaining Term of Contract
Directors, supervisors and senior management, middle management and core personnel	The stock option issued by the company at the end of the period is Xinhua JLC2, option code 037203, and the exercise price is 7.61 yuan/share	The remaining term of the contract is 2.5 years.	No	No
Middle management and core personnel	The stock option issued by the company at the end of the period is Xinhua JLC3, option code 037322, and the exercise price is 37.53 yuan/share	The remaining term of the contract is 3.5 years.	No	No

# Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

## **Note of share-based payment :**

### **(1) JLC2 share options**

According to the provisions of the Company's 2021 A-Share Stock Option Incentive Plan (Draft), the stock options granted to the incentive object will be exercised in three phases after the expiration of 24 months from the grant date (i.e. December 31, 2021), with the proportion of 34%, 33% and 33% for each exercise period. Among them, the first exercise period is from the first trading day 24 months after the grant date to the last trading day 36 months after the grant date, and the proportion of the application for exercise is 34% of the total amount of stock options obtained.

On December 31, 2021, according to the Seventh Provisional meeting of the Tenth Board of Directors in 2021 and the seventh Provisional meeting of the tenth Board of Supervisors in 2021, the "Motion on granting 2021 A-share stock options to incentive objects for the first time" was reviewed and passed. In accordance with the authorization of the Company's first extraordinary General Meeting of shareholders in 2021 and the Second A-share Class General meeting of shareholders in 2021, the grant date of this stock option is determined to be December 31, 2021, and 23.15 million stock options are granted to 196 eligible incentive subjects.

Pursuant to the first extraordinary meeting of the Eleventh Board of Directors in 2024 and the first extraordinary meeting of the eleventh Supervisory Board in 2024 held by the Company on January 2, 2024, Deliberated and passed the "Proposal on Adjusting the price of the First grant exercise of the 2021 A-Share Stock Option Incentive Plan, the list of incentive objects and the number of options granted and the cancellation of some options" and the "Proposal on the achievement of the conditions for the First grant of the First exercise period of the Company's 2021 A-Share Stock Option Incentive Plan". In accordance with the authorization of the Company's First Extraordinary General Meeting of shareholders in 2021, the Second A-share Class General meeting of shareholders in 2021 and the second H-share Class General meeting of shareholders in 2021, the Board of Directors agreed to adjust the number of incentive objects of the Company's stock option incentive plan from 196 to 194. The number of stock options granted but not yet exercised has been adjusted from 23.15 million to 22.72 million; The exercise price is adjusted from 7.96 yuan/copy to 7.61 yuan/copy; According to the relevant provisions of the 2021 A-Share Stock Option Incentive Plan (Draft), the exercise conditions for the first grant of stock options in the first exercise period have been achieved, and the number of stock options available in the first exercise period for the 194 incentive objects involved is 7,724,800. Exercise on January 2024, the listing and circulation date of the exercise shares: January 15, 2024.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (2) JLC3 share options

On 26 December 2022, in accordance with the approval and authorization of the Company's First Extraordinary General Meeting of shareholders in 2021, the Second A-Share Class General Meeting of shareholders in 2021, and the Second Class General Meeting of shareholders in 2021, The Fourth Interim meeting of the tenth Board of Directors in 2022 and the first interim meeting of the tenth Board of Supervisors in 2022 reviewed and passed the Proposal on granting reserved stock options to incentive objects, and agreed to determine 26 December 2022 as the reserved grant date, reserving 1.75 million shares to 35 middle managers and core backbone personnel.

## 2. The situation of share-based payment settled with equity

Item	Current Period
Method of determining the fair value of equity instruments at granting date	Black-Scholes option pricing model
Important parameters of fair value of vested equity instruments	Stock price, risk-free return rate, historical volatility
The basis for determining the number of viable equity instruments	At each balance sheet date during the waiting period, make the best estimate based on the performance evaluation at company-level and the performance appraisal at individual level combined with the latest number of employees who have acquired excisable rights, and modify the estimated number of excisable equity instrument.
Reasons for significant differences between this Period's estimate and last Period's estimate	None
The cumulative amount of equity settled share payments included in the capital reserve	RMB76,067,717.94

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 3. Share payment expenses this Period

Category of Grant Recipients	Fees are Paid in Equity-settled Shares	Fees are Paid in Shares Settled in Cash
Directors, supervisors and senior management	1,262,386.13	None
Middle management and core personnel	15,397,765.87	None
Total	16,660,152.00	

## 4. Termination or modification of share payments: None

## XIV. COMMITMENTS AND CONTINGENCIES

### 1. Important commitments

#### (1) Signed large-scale contracts for contracting out that are being performed or are ready to be performed

Item	Contract Amount	Unpaid Amount
15,000t isobutyl benzene expansion project	168,163,457.96	64,837,609.01
Development of innovative drugs and preparations	100,000,000.00	92,000,000.00
Innovative drug raw materials and preparation development	100,000,000.00	99,000,000.00
Total	368,163,457.96	255,837,609.01

#### (2) Apart from the above commitments, the Group had no other material commitments as at 30 June 2024.

### 2. Contingencies

As at the balance sheet date, there are no significant contingencies that the Group is not required to disclose.



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## XV. EVENTS AFTER BALANCE SHEET DATE

### 1. Situation of profit distribution.

Item	Content
Profit distribution plan	Pursuant to the authorization of the 2023 Annual General Meeting and the resolution of the Board of Directors meeting held on 22 August 2024: a half-year dividend of RMB0.25 per 10 Shares for 2024 will be paid to all Shareholders based on the latest total issued share capital of the Company of 682,407,635 shares. No bonus shares will be paid out, or no capitalization from capital reserves has been implemented. In the event that, prior to the implementation of the Company's half-year dividend plan for 2024, the total issued share capital of the Company changes due to the exercise of share options concerning Shares or the listing or issuance of new Shares due to refinancing actions of the Company, the distribution plan will be adjusted accordingly under the principle that the distribution amount per Share shall remain unchanged.

### 2. Sales return: None

### 3. Description of other events after the balance sheet date

Other than the above balance sheet date disclosures, the Group has no other material balance sheet date events.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## XVI. OTHER MAJOR MATTERS

1. Previous error correction and impact: None
2. Debt restricting: None
3. Segment information

### **(1) Determination basis and accounting policies of reportable segments**

The Group determines the operating segments on the basis of internal organization structure, management requirements and internal reporting system and adopts these operating segments as the basis for reporting segments for disclosure purposes. The operating segment refers to the constituent part within the Group, which simultaneously satisfies the following conditions: 1) this part can generate income and incur expenses in daily activities; 2) the management of the Group can evaluate the operating results of this part at regular intervals so as to decide to allocate resources to it and evaluate its performance; 3) the Company can access the relevant accounting information of this part such as financial position, operating results and cash flow, etc. If two or more operating units share the similar economic characteristics and meet certain conditions, they can be merged into an operating segment.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Financial information of reportable segments in Current Period

### 1) Segment Operating profit, assets and liabilities by product or business

Current and final report segments

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

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

The previous period and the beginning of the year report segments

Item	Chemical Bulk Drugs	Chemical Preparations	Chemical Intermediates and Other products	Unallocated Item	Offset Amount	Total
Operating revenues	1,890,916,478.91	2,640,597,362.55	1,221,210,851.33		-1,080,455,643.66	4,672,269,049.13
Including: Revenues from						
external						
transactions	1,877,968,283.62	2,088,817,413.85	705,483,351.66			4,672,269,049.13
Revenues from						
transactions						
within						
segments	12,948,195.29	551,779,948.70	515,727,499.67		-1,080,455,643.66	
Operating costs	1,243,295,623.03	1,998,997,756.51	1,107,038,764.81		-1,068,285,890.14	3,281,046,254.21
Including: External						
transaction						
cost	1,133,816,909.43	1,488,959,678.66	658,269,666.12			3,281,046,254.21
Inter segment						
transaction						
cost	109,478,713.60	510,038,077.85	448,769,098.69		-1,068,285,890.14	
Period expenses	241,903,221.39	553,585,515.65	47,092,292.25	128,492,740.65	-846,237.97	970,227,531.97
Operating profits	453,490,543.07	13,596,029.34	-30,104,329.45	-93,990,836.31	-9,035,123.37	333,956,283.28
Total assets	3,484,765,515.61	3,336,987,383.20	1,583,039,228.18	1,723,703,425.95	-1,842,329,222.04	8,286,166,330.90
Total liabilities	1,208,657,267.65	1,418,676,176.95	456,517,555.79	1,479,609,887.61	-1,053,047,843.86	3,510,413,044.14

## 2) Non-current assets classified according to the location of assets

The total non-current assets other than financial assets and deferred income tax assets of the Group in China and other countries and regions are listed below:

Total Non-current Assets	Ending Balance	Opening Balance
China (including Hong Kong)	4,863,040,717.28	4,765,501,098.74
America	47,701.09	34,976.39
Europe	41,144.37	21,401.35
Total	4,863,129,562.74	4,765,557,476.48

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 4. Other significant transactions and events that have an impact on investor decisions

As at June 30, 2024, apart from the above, there are no other significant transactions and events that the Group is required to disclose that have an impact on investors' decisions.

## 5. Asset replacement

### (1) *Non monetary asset exchange*

According to the overall plan of the Zibo Municipal Government for the construction of the North Square area of the railway station, the original staff hospital property, staff apartments, and office buildings in our company's main factory area are included in the scope of land acquisition and relocation for the construction project of the North Square area of the Zibo Railway Station. The North Square Land Acquisition and Relocation Command has made it clear that real estate within the scope of land acquisition and relocation can only be exchanged for property rights and will no longer be compensated in monetary terms.

On 26 October 2022, Shandong Xinhua Pharmaceutical Co., Ltd. signed a supplementary agreement on relocation compensation for two areas with the Hutian Street Office of Zhangdian District People's Government (hereinafter referred to as the supplementary agreement).

As of 30 June 2024, the Company's asset placement and disposal status is as follows:

#### 1) *Basic information of replacement assets*

##### Set aside assets

The assets held by the company are real estate and land, with a total area of 25,015.52 square meters for real estate and 13,997.22 square meters for land. The total net book value is 16.8106 million yuan.

Among them, the original staff hospital property is located at No. 4 Honggou Road, Zhangdian District, with a total area of 7,103.24 square meters and 4,425.32 square meters of land. The net book value of the property and land sold is 7.7652 million yuan; The original staff apartment is located at No. 15 Dongyi Road, Zhangdian District, with a property area of 9,377.56 square meters and a land area of 3,356.30 square meters. The net book value of the property and land sold is 5.7671 million yuan; The original office building is located at No. 19 Dongyi Road, Zhangdian District, with a property area of 8,534.72 square meters and a land area of 6,215.60 square meters. The net book value of the property and land is 3.2783 million yuan.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## Placement of assets

The assets invested by the company are the newly-built houses in Impression Nancheng Qiyuan Community, built by Zibo Affordable Housing Center in Zibo Railway Station South Square. The invested property area is 17,669.59 square meters, and the invested property and parking space are recorded at a net book value of 16.8106 million yuan based on the invested assets.

### (2) Related accounting treatment and impact

Our company will use the newly built housing in Impression Nancheng Qiyuan Community as a staff apartment. According to the relevant provisions of "Enterprise Accounting Standard No. 7- Non monetary Asset Exchange", this asset exchange does not have commercial substance. During the reporting period, the company will use the book value of the disposed assets as the book value of the disposed assets and will not recognize gains or losses.

## XVII. NOTES TO MAJOR ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

### 1. Accounts receivable

#### (1) Accounts receivable are shown by age

The aging analysis of accounts receivable including related party receivables based on the transaction date is as follows:

Account Age	Period-end Book Balance	Book Balance at Beginning of Year
Within 1 year(inclusive)	696,734,234.63	583,176,218.66
1-2 years	2,937,486.82	4,407,983.52
2-3 years	5,439,339.80	5,439,339.80
More than 3 years	6,315,254.24	4,032,649.46
Including: 3-4 years	4,682,510.04	2,663,038.94
4-5 years	1,022,108.99	858,735.31
Over 5 years	610,635.21	510,875.21
Total	711,426,315.49	597,056,191.44

*Note:* Some of the Group's sales in Chinese mainland are carried out in the form of advance receipts, while the rest of the sales are paid by letters of credit or banker's acceptances or given to customers for a certain period of credit.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Accounts receivable classified according to the method of provision for bad debt

Item	Book Balance		Ending Balance Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of	
				Provision (%)	
To recognize the bad-debt provision based on single item					
To recognize the bad-debt provision based on combination	711,426,315.49	100.00	18,466,597.46	2.60	692,959,718.03
Including: Portfolio of trading objects within the scope of consolidation	378,516,759.68	53.21			378,516,759.68
Aging portfolio	332,909,555.81	46.79	18,466,597.46	5.55	314,442,958.35
Total	711,426,315.49	100.00	18,466,597.46	2.60	692,959,718.03

Item	Book Balance		Opening Balance Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Proportion of	
				Provision (%)	
To recognize the bad-debt provision based on single item					
To recognize the bad-debt provision based on combination	597,056,191.44	100.00	15,757,530.79	2.64	581,298,660.65
Including: Portfolio of trading objects within the scope of consolidation	358,091,391.25	59.98			358,091,391.25
Aging portfolio	238,964,800.19	40.02	15,757,530.79	6.59	223,207,269.40
Total	597,056,191.44	100.00	15,757,530.79	2.64	581,298,660.65

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

- 1) To recognize the bad-debt provision for accounts receivable based on single item: None
- 2) To recognize the bad-debt provision for accounts receivable based on aging combination

Item	Book Balance	Ending Balance Provision for Bad Debt	Accrual Proportion (%)
Within 1 year	318,217,474.95	4,773,262.12	1.50
1-2 years	2,937,486.82	1,938,741.30	66.00
2-3 years	5,439,339.80	5,439,339.80	100.00
3-4 years	4,682,510.04	4,682,510.04	100.00
4-5 years	1,022,108.99	1,022,108.99	100.00
Over 5 years	610,635.21	610,635.21	100.00
Total	332,909,555.81	18,466,597.46	5.55

- (3) Provision for bad debts of accounts receivable accrued, collected or reversed during the period

Item	Opening Balance	Changes of Amount in Current Period				Ending Balance
		Accrual	Reversed or Recovered	Transferred or Written Off	Others	
To recognize the bad-debt provision based on combination	15,757,530.79	2,709,066.67				18,466,597.46
Total	15,757,530.79	2,709,066.67				18,466,597.46

- (4) Accounts receivable actually written off during the period: None



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

**(5) The receivables of the top five balance at the end of the Period collected by the debtor**

Organization Name	Accounts Receivable Balance at Period-end	Contract Assets Balance at Period-end	Accounts Receivable and Contract Assets Balance at Period-end	Proportion of Total Ending Balance of Accounts Receivable and Contract Assets (%)	Accounts Receivable Bad Debt Provision and Contract Assets Impairment Provision Ending Balance
Shandong Xinhua Pharmaceutical Trade Co., Ltd.	295,229,272.58		295,229,272.58	41.50	
Shandong Xinhua Pharmaceutical (Europe) BV	59,362,979.93		59,362,979.93	8.34	
F.Hoffmann-La Roche AG	37,514,051.19		37,514,051.19	5.27	562,710.77
Bayer Healthcare Co., Ltd.	31,811,517.58		31,811,517.58	4.47	477,172.76
Perrigo Company	27,746,592.52		27,746,592.52	3.90	416,198.89
Total	451,664,413.80		451,664,413.80	63.48	1,456,082.42

## 2. Other receivables

Item	Ending Balance	Opening Balance
Interest receivable		
Dividends receivable	8,182,200.00	
Other receivables	335,958,026.33	328,523,374.62
Total	344,140,226.33	328,523,374.62

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## 2.1 Interest receivable: None

## 2.2 Dividends receivable:

Item	Ending Balance	Opening Balance
Bank of Communications Co., Ltd	3,082,200.00	
China Pacific Insurance (Group) Co., Ltd.	5,100,000.00	
Total	8,182,200.00	

## 2.3 Other receivables

### (1) Classification of other receivables by nature

Nature	Ending Book Balance	Beginning Book Balance
Current accounts within the consolidation scope	335,329,382.31	327,950,274.62
Petty cash	755,610.05	655,000.00
Others	882,994.00	882,994.00
Total	336,967,986.36	329,488,268.62

### (2) Other receivables are shown by age

Account Age	Ending Book Balance	Beginning Book Balance
Within 1 year (inclusive)	116,363,145.00	104,079,491.24
1-2 years	36,500,086.28	36,429,476.23
2-3 years	28,595,070.97	28,595,070.97
More than 3 years	155,509,684.11	160,384,230.18
Including: 3-4 years	50,434,142.00	50,434,142.00
4-5 years	66,040,943.65	68,975,024.08
Over 5 years	39,034,598.46	40,975,064.10
Total	336,967,986.36	329,488,268.62

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

- (3) Other receivables are classified and listed according to the method of accounting for bad debts

Item	Book Balance		Ending Balance		Book Value
	Amount	Proportion (%)	Provision for Bad Debt		
			Amount	Proportion of Provision (%)	
1) To recognize the bad-debt provision based on single item					
2) To recognize the bad-debt provision based on combination	336,967,986.36	100.00	1,009,960.03	0.30	335,958,026.33
Including: Portfolio of trading objects within the scope of consolidation	335,329,382.31	99.51			335,329,382.31
Aging portfolio	1,638,604.05	0.49	1,009,960.03	61.64	628,644.02
Total	336,967,986.36	100.00	1,009,960.03	0.30	335,958,026.33

Item	Book Balance		Opening Balance		Book Value
	Amount	Proportion (%)	Provision for Bad Debt		
			Amount	Proportion of Provision (%)	
1) To recognize the bad-debt provision based on single item					
2) To recognize the bad-debt provision based on combination	329,488,268.62	100.00	964,894.00	0.29	328,523,374.62
Including: Portfolio of trading objects within the scope of consolidation	327,950,274.62	99.53			327,950,274.62
Aging portfolio	1,537,994.00	0.47	964,894.00	62.74	573,100.00
Total	329,488,268.62	100.00	964,894.00	0.29	328,523,374.62

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

- 1) To recognize the bad-debt provision for other receivables based on single item: None
- 2) To recognize the bad-debt provision for other receivables based on aging combination

Item	Ending Balance		Accrual Proportion (%)
	Book Balance	Provision for Bad Debt	
Within 1 year	640,000.00	57,600.00	9.00
1-2 years	115,610.05	69,366.03	60.00
Over 5 years	882,994.00	882,994.00	100.00
Total	<u>1,638,604.05</u>	<u>1,009,960.03</u>	<u>61.64</u>

- 3) Other receivables are provisioned for bad debts based on the general model of expected credit losses

Bad-debt Provision	Stage 1	Stage 2	Stage 3	Total
	The Expected Credit Losses in the Next 12 Months	The Expected Credit Losses of the Entire Duration (without any credit impairment occurred)	The Expected Credit Losses of the Entire Duration (with credit impairment already occurred)	
Balance of January 1, 2024	81,900.00		882,994.00	964,894.00
During the period, the opening balance of other receivable, which was				
- Transferred to stage 2				
- Transferred to stage 3				
- Reversed to stage 2				
- Reversed to stage 1				
Accrued in Current Period	45,066.03			45,066.03
Reversed in Current Period				
Transferred out in Current Period				
Written-off in Current Period				
Other changes				
Balance of June 30, 2024	<u>126,966.03</u>	<u></u>	<u>882,994.00</u>	<u>1,009,960.03</u>

*Note:* Classification basis for each stage: Our company divides other receivables with a single provision within 3 years of aging into the second stage, and other receivables with an aging of more than 3 years into the third stage. The first stage is for other aging accounts.

## Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

- (4) *Other accounts receivable bad debt reserves provisioned, recovered or reversed this Period*

Item	Opening Balance	Changes of Amount in Current Period				Ending Balance
		Accrual	Reversed or Recovered	Transferred or Written Off	Others	
To recognize the bad- debt provision based on combination	964,894.00	45,066.03				1,009,960.03
Total	964,894.00	45,066.03				1,009,960.03

- (5) *Other receivables actually written off in the Current Period: None*

- (6) *The top five debtors ranked by the balance of other receivables in the period end*

Name	Nature of Payments	Ending Balance	Account Age	Proportion of the Total Ending Balance of Other Receivables (%)	Ending Balance of Bad-debt Provision
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	Transaction of related party within the scope of consolidation	7,850,725.23 34,824,412.89 26,322,505.16 16,544,238.90 63,158,117.82	Within 1 year 1-2 years 2-3 years 3-4 years 4-5 years	2.33 10.33 7.81 4.91 18.74	
	Subtotal	148,700,000.00		44.12	
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	Transaction of related party within the scope of consolidation	103,174,275.91	Within 1 year	30.62	

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

Name	Nature of Payments	Ending Balance	Account Age	Proportion of the Total Ending Balance of Other Receivables (%)	Ending Balance of Bad-debt Provision
Zibo Xinhua Pharmacy Chain Co., Ltd.	Transaction of related party within the scope of consolidation	741,024.69 1,560,063.34 2,272,565.81 33,889,903.10 2,882,825.83 38,151,604.46	Within 1 year 1-2 years 2-3 years 3-4 years 4-5 years Over 5 years	0.22 0.46 0.67 10.06 0.86 11.32	
	Subtotal	79,497,987.23		23.59	
Shandong Xinhua Electromechanical Engineering Co., Ltd.	Transaction of related party within the scope of consolidation	3,957,119.17	Within 1 year	1.17	
Zhang Decheng	Petty cash	550,000.00	Within 1 year	0.16	49,500.00
Total		335,879,382.31		99.66	49,500.00

(7) Reported as other receivables due to centralized fund management: None

(8) Other receivables of employees' borrowings in the Current Period :

Up to June 30, 2024, there were no employees' borrowings in other receivables.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 3. Long-term equity investments

Item	Book Balance	Ending Balance Provision for Impairment	Book Value	Book Balance	Opening Balance Provision for Impairment	Book Value
Investment in subsidiaries	744,206,392.63		744,206,392.63	743,976,403.27		743,976,403.27
Investment in joint ventures and associate enterprises	59,906,504.83		59,906,504.83	58,572,098.00		58,572,098.00
Total	804,112,897.46		804,112,897.46	802,548,501.27		802,548,501.27

### (1) Investment to subsidiaries

Invested Entity	Opening Balance (book value)	Impairment Provision at the Beginning of the Year Balance	Increase and Decrease in the Current Period				Ending Balance (book value)	Impairment Provision at the Ending of the Year Balance
			Additional Investment	Reduce Investment	Provision for Impairment	Others		
Shandong Xinhua Pharmaceutical Trade Co., Ltd.	48,582,509.23						48,582,509.23	
Xinhua Pharmaceutical (Shouguang) Co., Ltd.	230,712,368.00						230,712,368.00	
Xinhua Pharmaceutical (Gaomi) Co., Ltd.	35,000,000.00						35,000,000.00	
Shandong Xinhua Design Engineering Co., Ltd.	3,037,700.00						3,037,700.00	
Zibo Xinhua- Perrigo Pharmaceutical Co., Ltd.	73,127,974.72					229,989.36	73,357,964.08	
Shandong Xinhua Pharmaceutical (Europe) B.V.	4,596,798.56						4,596,798.56	
Ronghua (Zibo) Property Services Co., Ltd.	20,000,000.00						20,000,000.00	
Shandong Xinhua Pharmaceutical Import and Export Co., Ltd.	5,500,677.49						5,500,677.49	
Shandong Xinhua Pharmaceutical (USA) Inc.	9,370,650.00						9,370,650.00	
Shandong Xinhua Mechanical & Electrical Engineering Co., Ltd.	8,000,000.00						8,000,000.00	
Shandong Zibo Xincat Pharmaceutical Co., Ltd.	138,073,454.68						138,073,454.68	
Shandong Xinhua Wanbo Chemical Industry Co., Ltd.	46,974,270.59						46,974,270.59	
Shandong Xinhua Health Technology Co., Ltd.	49,000,000.00						49,000,000.00	
Shandong Tongxin Pharmaceutical Co., Ltd.	72,000,000.00						72,000,000.00	
Total	743,976,403.27					229,989.36	744,206,392.63	

**Note:** The former subsidiary of the Company, Shandong Xinhua Pharmaceutical Chemical Industry Design Co., Ltd. was renamed Shandong Xinhua Design Engineering Co., Ltd..

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (2) Investment in joint venture and cooperative enterprise

Invested Entity	Increase and Decrease in the Current Period										Ending Balance (book value)	Impairment Provision at the Ending of the Year
	Opening Balance (book value)	Impairment Provision at the Beginning of the Year	Additional Investment	Reduce Investment	Investment Gains and Losses Recognized under Equity Method	Adjustment of Other Comprehensive Income	Other Changes in Equity	Declaration of Cash Dividends or Profits	Provision for Impairment	Others		
I. Joint ventures												
Centrient Pharmaceuticals (Zibo) Co., Ltd.	58,572,098.00				1,334,406.83						59,906,504.83	
Subtotal	58,572,098.00				1,334,406.83						59,906,504.83	
Total	58,572,098.00				1,334,406.83						59,906,504.83	



# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## 4. Operating revenues and operating costs

### (1) Operating revenues and costs

Item	Amount Incurred in Current Period		Amount Incurred in Previous Period	
	Revenue	Cost	Revenue	Cost
Main business	2,031,055,855.12	1,473,232,103.11	2,431,810,831.83	1,605,841,237.58
Other business	52,620,775.61	56,836,723.25	43,109,663.56	49,987,280.79
<b>Total</b>	<b>2,083,676,630.73</b>	<b>1,530,068,826.36</b>	<b>2,474,920,495.39</b>	<b>1,655,828,518.37</b>

### (2) Disaggregated information of operating revenues and operating costs

Classification of Contract	Segment		Total	
	Operating Revenues	Operating Costs	Operating Revenues	Operating Costs
<b>Business type</b>				
Including: Chemical raw materials	1,476,323,091.61	1,030,372,532.50	1,476,323,091.61	1,030,372,532.50
Preparation	554,732,763.51	442,859,570.61	554,732,763.51	442,859,570.61
Pharmaceutical intermediates and other products	52,620,775.61	56,836,723.25	52,620,775.61	56,836,723.25
<b>Classification by operating area</b>				
Including: China (including HongKong)	1,104,415,555.80	753,131,071.85	1,104,415,555.80	753,131,071.85
America	322,223,426.73	251,900,950.42	322,223,426.73	251,900,950.42
Europe	456,992,230.02	346,760,234.48	456,992,230.02	346,760,234.48
Others	200,045,418.18	178,276,569.61	200,045,418.18	178,276,569.61
<b>Classification by time of transfer of goods</b>				
Including: Transfer at a point in time	2,078,782,146.87	1,526,604,841.24	2,078,782,146.87	1,526,604,841.24
Rental income	4,894,483.86	3,463,985.12	4,894,483.86	3,463,985.12
<b>Classification by sales channel</b>				
Including: Direct marketing model	748,576,963.81	491,733,706.13	748,576,963.81	491,733,706.13
Distribution model	1,335,099,666.92	1,038,335,120.23	1,335,099,666.92	1,038,335,120.23
<b>Total</b>	<b>2,083,676,630.73</b>	<b>1,530,068,826.36</b>	<b>2,083,676,630.73</b>	<b>1,530,068,826.36</b>

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))

## (3) Information related to performance obligations

According to the contract, as the main responsible person, the Company shall fulfill the supply obligation in a timely manner according to the categories and standards required by customers. For sales contracts in the PRC, control of the goods has been transferred to the customer after the Group has delivered the goods to the agreed place and the customer has confirmed receipt of the goods; For sales contracts outside China, the product is declared for export, the customs declaration and bill of lading (waybill) are obtained, and the customer obtains the control of the relevant goods.

Payment terms vary from customer to customer and product. Some sales of the Company are made by way of advance payment, and the rest are granted a credit period of a certain period.

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

At the end of Current Period, the amount of revenue corresponds to the unfulfilled or incomplete performance obligations is RMB36,759,083.59. It is expected that the amount of RMB27,872,621.77 shall be recognized as revenues in the next year.

## (5) Among the recognized income this Period, the amount that has been included in the contract liabilities at the end of the previous year is RMB34,211,158.04.

## 5. Investment income

Item	Amount Incurred in Current Period	Amount Incurred in Last Period
Long term equity investment income calculated by cost method	9,018,000.00	14,520,000.00
Investment income of long-term equity calculated by equity method	1,334,406.83	120,590.68
Dividends income of other equity instruments investment during holding period	8,182,200.00	8,165,761.60
Total	18,534,606.83	22,806,352.28

## XVIII. APPROVAL OF FINANCIAL REPORTS

The financial report was released after being approved by the Board of Directors of the Company on 22 August, 2024.

# Notes to the Interim Financial Statements (Continued)

(Unless otherwise indicated, all figures are stated in RMB)

(Financial report prepared in accordance with CASBE (Unaudited))

## XIX. SUPPLEMENTARY INFORMATION

### 1. List of non-recurring profit and loss

In accordance with the Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Securities Publicly – Non-Recurring Profit and Loss (Revised in 2023) promulgated by the China Securities Regulatory Commission on 22 December, 2023, the non-recurring profit and loss of the Group for the first half year of 2024 is as follows:

Item	Amount Incurred in Current Period	Notes
Gain or loss on disposal of illiquid assets (including the write-off of the asset impairment provision)	-389,287.11	
Government subsidies included in the profit and loss of the Current Period (except government subsidies that are closely related to the normal operation of the company, comply with national policies and regulations, enjoy in accordance with determined standards, and have a continuous impact on the profit and loss of the company)	12,099,280.60	
In addition to the effective hedging business related to the normal operation of the company, the profit or loss of fair value changes arising from the holding of financial assets and financial liabilities by non-financial enterprises and the loss or gain arising from the disposal of financial assets and financial liabilities	8,182,200.00	
Other non-operating income and expenditure other than those mentioned above	-2,576,601.84	
Subtotal	17,315,591.65	
Less: Effect of income tax	1,193,541.63	
Impact on minority interest income (after-tax)	84,034.11	
Total	16,038,015.91	

- (1) The Group identifies the items not listed in the Explanatory Announcement No. 1 on Information Disclosure of Companies Issuing Securities to the Public – Non-recurring Profit and Loss (Revised in 2023) as non-recurring profit and loss items with significant amounts, and defines the listed non-recurring profit and loss items as recurring profit and loss items.

The Group does not have any items that are not listed in the Explanatory Announcement No. 1 on Information Disclosure of Companies Issuing Securities to the Public – Non-recurring Profit and Loss (Revised in 2023) as non-recurring profit and loss items with significant amounts, and the listed non-recurring profit and loss items are defined as recurring profit and loss items.

- (2) The impact of the Group's implementation of the Explanatory Announcement No. 1 on Information Disclosure of Companies Issuing Securities to the Public – Non-recurring Profit and Loss (Revised in 2023) on non-recurring profit and loss in the comparable accounting period.

The Group's implementation of the Explanatory Announcement No. 1 on Information Disclosure of Companies Issuing Securities to the Public – Non-recurring Profit and Loss (Revised in 2023) had no impact on non-recurring profit and loss in the comparable accounting period.

## Notes to the Interim Financial Statements (Continued)

*(Unless otherwise indicated, all figures are stated in RMB)  
(Financial report prepared in accordance with CASBE (Unaudited))*

### 2. Return on equity and earnings per share

According to the Regulations on Information Disclosure of Companies Issuing Securities to the Public No. 9- Calculation and Disclosure of Return on Equity and Earnings per Share (Revised in 2010) issued by the China Securities Regulatory Commission, the weighted average return on equity, basic earnings per share, and diluted earnings per share of the Group for the year 2023 are as follows:

Profit for the Reporting Period	Weighted	Earnings Per Share (EPS)	
	Average ROE (%)	Basic EPS	Diluted EPS
Net profit attributable to shareholders of the parent Company	5.58	0.39	0.38
Net profit attributable to shareholders of the parent Company after deducting non-recurring profit or loss	5.24	0.37	0.36

Shandong Xinhua Pharmaceutical Co., Ltd.  
22 August 2024

# Documents Available for Inspection

## (1) DOCUMENTS AVAILABLE FOR INSPECTION

1. The Company's 2024 interim report signed by the Chairman of the Board.
2. Financial report signed and stamped by the legal representative, the financial controller and the chief of the accounting department of the Company.
3. All original copies of the Company's announcements and Company's documents publicly disclosed in PRC newspapers in the Reporting Period.

## (2) PLACE FOR INSPECTION

Office of the secretary to the Board of the Company

**Shandong Xinhua Pharmaceutical Co., Ltd.**

22 August, 2024