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山東新華製藥股份有限公司

Shandong Xinhua Pharmaceutical Company Limited

(A joint stock company established in the People's Republic of China with limited liability)

(Stock Code: 00719)

2023 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) and directors (“**Directors**”) of Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2023 (the “**Reporting Period**”). The following financial information has been prepared in accordance with China Accounting Standards for Business Enterprises (the “**CASBE**”).

This announcement is published in Chinese and English. In case of any discrepancies between the Chinese version and the English version, the Chinese version shall prevail.

I. COMPANY INFORMATION

Chinese Name of the Company: 山東新華製藥股份有限公司

English Name of the Company: SHANDONG XINHUA PHARMACEUTICAL COMPANY LIMITED

Legal Representative: Mr. He Tongqing

Secretary to the Board: Mr. Cao Changqiu

Telephone Number: 86-533-2196024

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E-mail Address of Secretary to the Board: cqcao@xhzy.com

Registered Address: Chemical Industry Area of Zibo Hi-tech Industry Development Zone, Zibo City, Shandong Province, the People's Republic of China (the "PRC")

Office Address: No. 1 Lutai Ave., Hi-tech Industry Development Zone, Zibo City, Shandong Province, the PRC

Postal Code: 255086

Website of the Company: <http://www.xhzy.com>

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

PRC newspaper for information disclosure: Securities Times

PRC website for information disclosure: <http://www.cninfo.com.cn>

Listing Information:

H Shares: The Stock Exchange of Hong Kong Limited (the "SEHK")

Stock Short Name: Shandong Xinhua

Stock Code: 00719

A Shares: Shenzhen Stock Exchange

Stock Short Name: Xinhua Pharm

Stock Code: 000756

II. FINANCIAL SUMMARY

Principal financial data prepared in accordance with CASBE (audited)

Unit: Renminbi (“RMB”)

Item	2023	2022 (after adjustment)	Change as compared to that of last year	2021 (after adjustment)
Operating income	8,100,844,707.33	7,502,987,102.09	7.97%	6,560,077,586.40
Total profits	532,685,725.02	471,774,350.61	12.91%	421,233,319.92
Income tax expense	26,578,700.01	45,664,566.04	(41.80%)	58,987,638.92
Net profits	506,107,025.01	426,109,784.57	18.77%	362,245,681.00
Minority shareholders’ profit or loss	9,594,823.76	15,046,727.99	(36.23%)	13,595,839.23
Net profits attributable to shareholders of listed company	496,512,201.25	411,063,056.58	20.79%	348,649,841.77
Net profits attributable to shareholders of listed company after deduction of non-recurring profit or loss	461,535,415.37	378,505,671.04	21.94%	291,437,177.88
Net cash flow from operating activities	265,278,895.87	758,240,601.50	(65.01%)	259,116,960.17
Basic earnings per share (RMB/share)	0.74	0.62	19.35%	0.56
Diluted earnings per share (RMB/share)	0.72	0.61	18.03%	0.56
Ratio of weighted average return on net assets	11.41%	10.61%	Increased by 0.80 percentage points	10.38%

Item	As at 31 December 2023	As at 31 December 2022 (after adjustment)	Change as compared to that of last year	As at 31 December 2021 (after adjustment)
Total assets	8,286,166,330.90	8,264,790,395.98	0.26%	7,331,897,743.31
Total liabilities	3,510,413,044.14	3,915,226,169.32	(10.34%)	3,680,888,823.85
Minority interest	222,649,417.20	223,289,847.14	(0.29%)	183,122,736.49
Net assets attributable to shareholders of listed company	4,553,103,869.56	4,126,274,379.52	10.34%	3,467,886,182.97

Note:

1. According to Interpretation of Accounting Standards for Business Enterprises No. 16, "Deferred income tax related to assets and liabilities arising from single transactions does not apply to the accounting treatment of initial recognition exemption", the Company has retroactively adjusted the relevant data of the financial statements for the previous years, and the adjustment has not had a significant impact on the Company's operations.

2. From the end of the Reporting Period to the date of this announcement, 7.7248 million new A-shares were issued due to the completion of the first exercise period of the initial grant of the Share Option Scheme of the Company adopted on 31 December 2021.

III. CHANGES IN SHARE CAPITAL STRUCTURE AND SHAREHOLDERS' INFORMATION

1. Table of changes in share capital structure

Unit: share

Item	31 December 2023		31 December 2022		
	Class of shares	Number of shares	Proportion of total share capital (%)	Number of shares	Proportion of total share capital (%)
1. Total number of conditional tradable shares		38,676,675	5.73	38,294,533	5.72
State-owned shares		-	-	-	-
Shares owned by domestic legal persons		37,091,988	5.50	37,091,988	5.54
Number of executive shares in A shares with limited sale conditions		1,584,687	0.23	1,202,545	0.18
Others		-	-	-	-
2. Total number of unconditional tradable shares		636,006,160	94.27	631,332,702	94.28
RMB-denominated ordinary shares (A shares)		441,006,160	65.37	436,332,702	65.16
Overseas listed foreign shares (H shares)		195,000,000	28.90	195,000,000	29.12
3. Total number of shares		674,682,835	100.00	669,627,235	100.00

Note:

The third exercise period of the Company's 2018 A-share stock option incentive plan is divided into two centralized exercises, which were registered and listed for circulation on 11 January 2023 and 9 May 2023 respectively, with a total of 5,055,600 new A-share shares.

2. Shareholders' information

(1) As at 31 December 2023, the Company had a total of 97,594 shareholders, including 39 holders of H shares and 97,555 holders of A shares. As at 29 February 2024, the Company had a total of 92,982 shareholders, including 39 holders of H shares and 92,943 holders of A shares.

(2) As at 31 December 2023, the top ten shareholders of the Company were as follows:

							Unit: share
Name of shareholders	Nature of shareholders	% of the total share capital	Number of shares held at the end of the Reporting Period	Change over the Reporting Period	Number of conditional tradable shares held	Number of unconditional tradable shares	
華魯控股集團有限公司 (Hualu Holdings Group Co. Ltd.*) ⁽ⁱ⁾ (“HHC”)	State-owned	30.36	204,864,092	-	-	204,864,092	
香港中央結算(代理人)有限公司(HKSCC (Nominees) Limited)	H shares	28.65	193,314,147	11,220	-	193,314,147	
華魯投資發展有限公司 (Hualu Investment Development Co. Ltd) ⁽ⁱ⁾	State-owned	5.50	37,091,988	-	37,091,988	-	
香港中央結算有限公司(HKSCC Limited)	Overseas Legal Person	0.38	2,552,691	(6,498,740)	-	2,552,691	
於海濤 Yu Haitao	Domestic natural person	0.21	1,385,300	(600)	-	1,385,300	
銀河德睿資本管理有限公司 Galaxy Dray Capital Management Limited	Others	0.15	1,027,330	1,027,330	-	1,027,330	
胡魁 Hu Kui	Domestic natural person	0.12	807,900	807,900	-	807,900	
興業銀行股份有限公司 - 萬家成長優選靈活配置混合型證券投資基金 Industrial Bank Co., LTD-Wanjia Growth preferred flexible allocation of hybrid securities investment funds	Others	0.12	783,115	783,115	-	783,115	
何中林 He Zhonglin	Domestic natural person	0.11	761,600	761,600	-	761,600	
郭鳳英 Guo Fengying	Domestic natural person	0.09	612,425	512,425	-	612,425	

(3) As at 31 December 2023, the ten largest shareholders of unconditional tradable shares of the Company were as follows:

Unit: share

Name of shareholders	Number of unconditional tradable shares at the end of the Reporting Period	Nature of shares
華魯控股集團有限公司(HHC) ⁽ⁱ⁾	204,864,092	RMB ordinary share
香港中央結算(代理人)有限公司 HKSCC (Nominees) Limited	193,314,147	Overseas listed foreign share
香港中央結算有限公司(HKSCC Limited)	2,552,691	RMB ordinary share
於海濤	1,385,300	RMB ordinary share
Yu Haitao	1,027,330	RMB ordinary share
銀河德睿資本管理有限公司	1,027,330	RMB ordinary share
Galaxy Dray Capital Management Limited	807,900	RMB ordinary share
胡魁	783,115	RMB ordinary share
Hu Kui	761,600	RMB ordinary share
興業銀行股份有限公司－萬家成長優選靈活配置混合型證券投資基金	612,425	RMB ordinary share
Industrial Bank Co., LTD-Wanjia Growth preferred flexible allocation of hybrid securities investment funds	610,000	RMB ordinary share
何中林		
He Zhonglin		
郭鳳英		
Guo Fengying		
王香配		
Wang Xiangpei		

Notes:

- i. Such figure excludes the 37,091,988 A shares which are directly held by Hualu Investment Development Co. Ltd (“**Hualu Investment**”), a direct wholly owned subsidiary of HHC. As of 31 December 2023, Hualu Investment and Well Bring Limited (“**Well Bring**”) are a direct wholly owned subsidiary and an indirect wholly owned subsidiary of HHC respectively. Well Bring owns 20,827,800 H shares of the Company (being overseas listed foreign shares), representing approximately 3.09% of the issued share capital of the Company. Hualu Investment owns 37,091,988 A shares of the Company, representing approximately 5.50% of the issued share capital of the Company.

- ii. The following is a description of any association relationship among above shareholders or whether they are regarded as persons acting in concert under applicable PRC laws and regulations: Except for Hualu Investment which is a wholly owned subsidiary of HHC, to the best of their knowledge, the Directors are not aware of any association relationship (as defined in the *Rules Governing Listing of Stocks On Shenzhen Stock Exchange*) amongst the remaining of the abovementioned shareholders and none of them are persons acting in concert (as defined in the *Measures for the Administration of the Takeover of Listed Companies*) (“**Administration Measures for Takeover**”) issued by the China Securities Regulatory Commission (the “**CSRC**”). In addition, the Directors are not aware of any association amongst the shareholders of H Shares of the Company or if any of them are persons acting in concert as defined in the Administration Measures for Takeover.

The Directors are not aware of any association amongst the above-mentioned shareholders without trading limit condition of the Company, or among the other above-mentioned shareholders without trading limit condition and the other shareholders of the Company, or that any of them are persons acting in concert as defined in the Administration Measures for Takeover.

- iii. Save as disclosed above and so far as the Company is aware, no other domestic shareholder directly held more than 5% of the total issued shares of the Company.
- iv. Save as disclosed above and so far as the Directors are aware, as at 31 December 2023, no other person (other than the Directors, supervisors of the Company (the “**Supervisors**”), chief executives or members of senior management (the “**Senior Management**”) of the Company) had an interest or short position in the Company’s shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange of Hong Kong Limited (the “**SEHK**”) under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”) and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a Substantial Shareholder (as defined in the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”) of the Company.

3. As far as the Company is aware, there had been no change of Controlling Shareholder (as defined under the Listing Rules) of the Company during the Reporting Period.

IV.DIVIDENDS

The Board proposes the profit distribution plan for year 2023 as follows: the total number of issued shares of the Company as at the date of this announcement was 682,407,635 (of which 487,407,635 shares were A shares and 195,000,000 shares were H shares). Based on such total issued shares capital of the Company, it is proposed a dividend of RMB 0.25 (tax inclusive) for every share of the Company be paid to shareholders. 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 2023 profit distribution plan, the distribution plan will be adjusted accordingly but with the principle that the distribution amount per share shall remain unchanged. The above mentioned proposed dividends distribution for year 2023 is subject to approval by shareholders of the Company. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

An announcement containing further details as to, amongst others, the payment currency and applicable foreign exchange rate for the proposed cash dividend, the relevant record date and book closure period will be disclosed in due course.

V. INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Set out below are changes in Directors, supervisors and members of senior management of the Company and their respective interests in the securities of the Company during the relevant periods indicated:

Name	Position	As at 31 December 2023	Change in shareholding	As at 31 December 2022
Directors				
Mr. He Tongqing	Chairman	183,150	72,600 ^(Note2)	110,550
Mr. Xu Wenhui	Executive Director, General Manager	133,200	52,800 ^(Note2)	80,400
Mr. Xu Lie	Non-executive Director	183,150	72,600 ^(Note2)	110,550
Mr. Zhang Chengyong	Non-executive Director(Appointed on 22 December 2023)	Nil	Nil	Nil
Mr. Hou Ning	Executive Director, Financial Controller	220,000	72,600 ^(Note2)	147,400
Mr. Pan Guangcheng	Independent non-executive Director	Nil	Nil	Nil
Mr. Zhu Jianwei	Independent non-executive Director	Nil	Nil	Nil
Mr. Ling Peixue	Independent non-executive Director(Resigned on 26 July 2023, Reappointed on 22 December 2023)	Nil	Nil	Nil
Ms. Cheung Ching Ching, Daisy	Independent non-executive Director(Appointed on 22 December 2023)	Nil	Nil	Nil
Mr. Cong Kechun	Former Non-executive Director(Resigned on 22 December 2023)	Nil	Nil	Nil
Mr. Lo Wah Wai	Former Independent non-executive Director(Resigned on 22 December 2023)	Nil	Nil	Nil
Supervisors				
Mr. Liu Chengtong	Chairman of Supervisory Committee	Nil	Nil	Nil
Mr. Tao Zhichao	Independent Supervisor	Nil	Nil	Nil
Mr. Xiao Fangyu	Independent Supervisor	Nil	Nil	Nil
Ms. Hu Yanhua	Employee Supervisor	Nil	Nil	Nil
Mr. Wang Jianping	Employee Supervisor	Nil	Nil	Nil

Name	Position	As at 31 December 2023	Change in shareholding	As at 31 December 2022
Other senior management				
Mr. Zheng Zhonghui	Deputy General Manager	183,150	72,600 ^(Note2)	110,550
Mr. Wei Changsheng	Deputy General Manager	133,200	52,800 ^(Note2)	80,400
Mr. Liu Xuesong	Deputy General Manager	23,100	23,100 ^(Note2)	Nil
Mr. Kou Zuxing	Deputy General Manager	23,100	23,100 ^(Note2)	Nil
Mr. Cao Changqiu	Secretary to the Board	133,200	52,800 ^(Note2)	80,400
Total		1,215,250	495,000^(Note2)	720,250

Notes:

(1) All interests in the securities of the Company owned by the Directors, Supervisors and Senior Management of the Company are long position in A Shares.

(2) The relevant Shares were issued pursuant to the third exercise of share options under the share option scheme of the Company adopted on 28 December 2018.

(3) So far as the Directors, the Senior Management and Supervisors of the Company are aware, as at 31 December 2023, no Director, Senior Management or Supervisor of the Company 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) 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.

VI. MAIN BUSINESS AND FINANCIAL SITUATION

The Group is mainly engaged in the development, production and sale of chemical bulk drugs, preparations, medical intermediates and other products.

Analysis of operating results and financial situation in accordance with CASBE

(I) Analysis of Assets and Liabilities

1. Assets constitute material changes

Unit: RMB Yuan

Item	At the end of 2023		At the beginning of 2023		Percentage increase or decrease
	Amounts	Proportion of total assets	Amounts	Proportion of total assets	

Monetary funds	918,334,462.29	11.08%	1,158,741,565.90	14.02%	(2.94%)
Accounts receivable	699,877,948.91	8.45%	761,259,339.93	9.21%	(0.76%)
Contract assets	819,429.40	0.01%	1,721,856.82	0.02%	(0.01%)
Inventories	1,312,983,676.75	15.85%	1,211,987,048.39	14.66%	1.19%
Investment real estate	33,908,633.73	0.41%	48,354,011.36	0.59%	(0.18%)
Long-term equity investment	58,572,098.00	0.71%	57,154,487.58	0.69%	0.02%
Fixed assets	3,325,944,627.93	40.14%	3,447,888,663.48	41.72%	(1.58%)
Projects under construction	730,545,057.96	8.82%	545,894,979.10	6.61%	2.21%
Right-of-use assets	4,324,321.34	0.05%	6,681,708.67	0.08%	(0.03%)
Short-term borrowing	283,958,677.68	3.43%	118,023,275.00	1.43%	2.00%
Contract liability	149,135,948.62	1.80%	593,261,005.51	7.18%	(5.38%)
Long-term borrowings	799,400,000.00	9.65%	545,655,801.48	6.60%	3.05%
Lease liabilities	1,578,792.87	0.02%	2,715,480.67	0.03%	(0.01%)

2. Analysis of major changes of items

Unit: RMB Yuan

Items	As at 31 December 2023	As at 1 January 2023	Change as compared to the Beginning of the Year	Description of significant changes
Notes receivable	8,191,109.23	17,895,124.18	(54.23%)	(1)
Contract assets	819,429.40	1,721,856.82	(52.41%)	(2)
Other current assets	89,146,943.15	50,798,073.85	75.49%	(3)
Other non-current assets	102,863,124.90	21,492,373.85	378.60%	(4)
Construction in progress	730,545,057.96	545,894,979.10	33.83%	(5)
Right-of-use assets	4,324,321.34	6,681,708.67	(35.28%)	(6)
Long-term deferred expenses	14,462,413.51	8,607,826.50	68.01%	(7)
Deferred income tax assets	23,478,171.11	15,620,976.93	50.30%	(8)
Deferred income tax liabilities	99,205,514.96	66,435,062.14	49.33%	(8)
Payroll payable	123,985,296.73	95,171,404.13	30.28%	(9)
Contract liability	149,135,948.62	593,261,005.51	(74.86%)	(10)
Other current liabilities	22,930,593.51	85,809,692.93	(73.28%)	(10)
Taxes and surcharges payables	18,865,677.96	33,717,210.48	(44.05%)	(11)

Items	As at 31 December 2023	As at 1 January 2023	Change as compared to the Beginning of the Year	Description of significant changes
Short-term borrowing	283,958,677.68	118,023,275.00	140.60%	
Non-current liabilities due within one year	273,755,184.03	717,461,309.60	(61.84%)	(12)
Long-term borrowings	799,400,000.00	545,655,801.48	46.50%	
Lease liabilities	1,578,792.87	2,715,480.67	(41.86%)	(13)
Special reserve	3,392,612.67	1,551,906.40	118.61%	(14)

Reasons for the changes of the relevant date for more than 30% over the beginning of the year:

(1) The decrease in notes receivable from the beginning of the year was mainly due to the decrease in bank acceptances which were not terminated for recognition at the end of the year.

(2) The main reason for the decrease in contract assets compared to the beginning of the year is that the company obtained the right to receive unconditional contract consideration, and the contract assets decreased.

(3) The increase in other current assets compared to the beginning of the year was mainly due to the increase in the company's advance income tax during the year.

(4) The increase of other non-current assets from the beginning of the year was mainly due to an increase in acquisition of advance payment of patented technology purchased in the year and the purchase of an office space by the Company's subsidiary, Shandong Xinhua Pharmaceutical and Chemical Design Co., Ltd. .

(5) The increase in construction in progress compared with the beginning of the year was mainly due to an increase in the Company's investment in engineering projects during the year.

(6) The decrease in right-of-use assets compared with the beginning of the year was mainly due to a decrease in leased assets due to the expiration and termination of lease contracts at the end of the year.

(7) The increase in long-term deferred expenses compared to the beginning of the year was mainly due to the increase in the deferred repair expenses of the Gene and Cell Engineering Research Center project during the year.

(8) The increase in deferred income tax assets and deferred income tax liabilities compared to the beginning of the year was mainly due to the Company's deferred income tax assets and liabilities presented on a net basis and the decrease in the amount of deferred income tax assets and liabilities offset at the end of the year, which affected the increase in deferred income tax assets and liabilities presented on a net basis.

(9) The increase in payroll payable compared to the beginning of the year was mainly due to an increase in employee compensation outstanding at the end of the year.

(10) The decrease in contractual liabilities and other current liabilities from the beginning of the year was mainly due to the Company's performance of contractual obligations during the reporting period and a decrease in prepayments received from customers during the current year.

(11) The main reason for the decrease in taxes and surcharges payables compared with the beginning of the year was the decrease in value-added tax and additional taxes payable at the end of the year.

(12) The main reason for the changes of short-term borrowing, non-current liabilities due within one year and long-term borrowing compared with the beginning of the year was due to the Group's efforts in optimizing its debt structure in order to reduce financing costs during the reporting period.

(13) The decrease in lease liabilities from the beginning of year was mainly due to the payment of lease fees due in the current year.

(14) The increase in the special reserve compared with the beginning of the year is mainly due to the increase in the safety production cost that has not been used in the year.

(II)Expense and income statement items

Unit: RMB Yuan

Items	2023	2022	Change as compared to the same period last year	Description of significant changes
Selling expenses	780,171,394.31	658,307,745.12	18.51%	
Administration expenses	513,824,781.93	453,526,541.44	13.30%	
Financial expenses	16,351,279.14	32,019,480.38	(48.93%)	(1)
R&D cost	419,239,700.90	345,658,511.77	21.29%	
Taxes and surcharges	92,175,276.66	65,309,856.07	41.14%	(2)
Credit impairment loss(losses to be listed with brackets)	(10,294,468.42)	(5,075,576.17)	102.82%	(3)
Assets impairment loss(losses to be listed with brackets)	(69,282,694.12)	(43,526,158.26)	59.17%	(4)
Gains from asset disposal (losses to be listed with brackets)	8,733,639.41	5,539,641.08	57.66%	(5)
Non-operating income	5,537,126.16	1,874,585.07	195.38%	(6)
Taxes and surcharges	26,578,700.01	45,664,566.04	(41.80%)	(7)

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

(1) The year-on-year decrease in financial expenses was mainly due to the reduction of interest expense due to the optimization of debt structure and reduction of financing cost in the current year and the increase of exchange income due to exchange rate fluctuations.

(2) The year-on-year increase in taxes and surcharges was mainly a result of land value-added tax paid by the Company in the year, which affected the year-on-year increase in taxes and surcharges.

(3) The credit impairment loss increased year over year was mainly due to an increase in bad debt provisions for accounts receivables set aside during the current year.

(4) The main reason for the year-on-year increase in asset impairment losses is the increase in inventory depreciation reserve during the current year.

(5) The main reason for the increase of gains from asset disposal is the increase of gains from fixed assets disposal in this year.

(6) The main reason for the decrease in non-operating income is that the supplier compensation was converted into non-operating income last year.

(7) The decrease in income tax expenses was mainly due to the increase in the pre-tax deduction of wage and salary expenses determined by the calculation of the exercise of the equity incentive plan in the current year, which affected the decrease in income tax expenses.

(III)Cash flow

Unit: RMB Yuan

Items	2023	2022	Change as compared to the same period last year	Description significant of changes
Cash inflows from operating activities	7,057,191,280.19	7,113,910,811.34	(0.80%)	
Cash outflows from operating activities	6,791,912,384.32	6,355,670,209.84	6.86%	
Net cash flow generated from operating activities	265,278,895.87	758,240,601.50	(65.01%)	(1)
Cash inflows from investing activities	20,024,731.10	15,855,332.48	26.30%	
Cash outflows from investing activities	325,133,303.80	244,757,671.36	32.84%	
Net cash flow generated from investing activities	(305,108,572.70)	(228,902,338.88)	(33.29%)	(2)
Cash inflows from financing activities	868,447,154.49	1,165,858,106.43	(25.51%)	
Cash outflows from financing activities	1,064,556,785.17	1,296,514,566.60	(17.89%)	
Net cash flow generated from financing activities	(196,109,630.68)	(130,656,460.17)	(50.10%)	(3)
Net increase in cash and cash equivalents	(229,080,092.64)	414,372,758.82	(155.28%)	(4)

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

(1) The net cash flow generated from operating activities decreased from the same period of the previous year mainly due to the receipt of payment in advance from customers at the end of the preceding year and the fulfillment of contractual obligations during the Reporting Period; Second, the scale of sales have expanded during this Reporting Period, some customers' sales business payment deadlines had not arrived.

(2) The increase in cash outflow from investment activities and the decrease in net cash flow from investment activities were mainly due to the increase in project investment during the year.

(3) The main reasons for the decrease in net cash flow from financing activities are as follows: First, the receipt of the non-public offering of A shares of RMB 244 million in the previous year; Second, the increase in dividend payments during the year.

(4) The main reasons for the year-over-year decrease in the net increase in cash and cash equivalents are described in the analysis of year-on-year changes in (1), (2) and (3) above.

The major reasons for the large difference between the net cash inflow and net profit generated by the Company's operating activities in this year are detailed in the above (1) analysis of the year-on-year change of net cash flow generated from operating activities..

(IV)The Group’s operating revenue classified by industry, by product and by geographical location in accordance with CASBE in 2023 is as follow:

						Unit: RMB Yuan
Item	Operating revenue	Operating costs	Gross profit rate	Change in operating income as compared to the same period last year	Change in operating costs as compared to the same period last year	Change in gross profit rate as compared to the same period last year
By industry						
Chemical bulk drugs	3,120,198,136.24	1,884,282,425.38	39.61%	(1.62%)	(14.27%)	Increase by 8.91 percentage points
Preparations	3,638,706,546.67	2,559,564,351.40	29.66%	13.94%	11.67%	Increase by 1.43 percentage points
Medical intermediates and other products	1,341,940,024.42	1,265,295,574.22	5.71%	17.94%	29.69%	Decrease by 8.54 percentage points
Total	8,100,844,707.33	5,709,142,351.00	29.52%	7.97%	4.45%	Increase by 2.37 percentage points
By product						
Raw material pharmaceuticals such as antipyretic and analgesic Preparations such as tablet, injection, capsule etc.	3,120,198,136.24	1,884,282,425.38	39.61%	(1.62%)	(14.27%)	Increase by 8.91 percentage points
Preparations such as tablet, injection, capsule etc.	3,638,706,546.67	2,559,564,351.40	29.66%	13.94%	11.67%	Increase by 1.43 percentage points
Medical intermediates and others	1,341,940,024.42	1,265,295,574.22	5.71%	17.94%	29.69%	Decrease by 8.54 percentage points
Total	8,100,844,707.33	5,709,142,351.00	29.52%	7.97%	4.45%	Increase by 2.37 percentage points
By geographical location						
China (including Hong Kong)	5,933,438,838.51	4,090,732,171.17	31.06%	21.13%	20.12%	Increase by 0.59 percentage points
Americas	763,822,259.65	571,081,671.55	25.23%	(25.17%)	(29.55%)	Increase by 4.65 percentage points
Europe	1,023,891,033.69	747,483,698.03	27.00%	(3.55%)	(11.04%)	Increase by 6.15 percentage points
Others	379,692,575.48	299,844,810.25	21.03%	(27.33%)	(26.72%)	Decrease by 0.65 percentage points
Total	8,100,844,707.33	5,709,142,351.00	29.52%	7.97%	4.45%	Increase by 2.37 percentage points
Sub-sales model						
Direct selling	3,194,262,192.93	2,212,801,823.82	30.73%	(6.86%)	(10.80%)	Increase by 3.07 percentage points
Distribution selling	4,906,582,514.40	3,496,340,527.18	28.74%	20.45%	17.13%	Increase by 2.01 percentage points
Total	8,100,844,707.33	5,709,142,351.00	29.52%	7.97%	4.45%	Increase by 2.37 percentage points

(V)Liquidity and analysis of financial resources and capital structure

As at 31 December 2023, the current ratio was 133.32% and the quick ratio of the Group was 80.50% while the accounts receivable turnover rate (accounts receivable turnover rate = operating revenue/average trade and bill receivables ×100%) was 1,118.84% and the inventory turnover rate (inventory turnover rate = cost of sales/ net amount of average inventories×100%) was 452.21%.

The current ratio and quick ratio improved from those at the end of the previous year respectively. The main reason for such improvement was that during the year, the Company reasonably controlled the scale of its liabilities and reduced liquidity risks, and as a result the amount of current liabilities declined. Separately, the Group's demand for working capital did not record significant seasonal fluctuation.

The Group's main sources of funds were loans and operating profits. As at 31 December 2023, the Group's total amount of outstanding loans amounted to RMB1,357,451,000. As at 31 December 2023, currency funds of the Group amounted to RMB 918,334,000. The Group has a good credit record with banks and has sufficient credit lines from banks at its disposal. Therefore, it can readily meet liquidity requirements.

As at 31 December 2023, a subsidiary of the Company recorded a housing loan deposit in the amount of RMB667,000 and a regulated advanced sales amount of RMB13,774,000; the Company and its subsidiary charged currency funds in the amount of RMB100,980,000 and RMB19,043,000 respectively to a bank for the processing of bank acceptance of foreign exchange deposits, with a performance bond from the Company in the amount of RMB1,002,000; a subsidiary of the Company had RMB1,184,000 in restricted funds as deposit for funding of migrant workers; and the Group's notes receivable in the amount of RMB5,274,000 have not been terminated. Save as disclosed above, the Group did not have other charged assets.

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

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

As at 31 December 2023, the number of staff employed by the Group was 7,104, and the aggregate amount of salaries payable for 2023 amounted to RMB743,778,000.

The asset-liability ratio of the Group (asset-liability ratio = total liabilities/total assets ×100%) was 42.36%.

The current bank deposits of the Company primarily serve as working capital for projects implementation, production and operation.

As at 31 December 2023, the Group had a gross gearing ratio (i.e. gross debt divided by adjusted capital) of 29.81%, and a net gearing ratio (i.e. net debt divided by adjusted capital) of 9.64%. For this purpose, gross debt is defined as total borrowings and net debt is defined as total borrowings less cash and cash equivalents, and adjusted capital defined as all components of equity attributable to shareholders other than designated reserves.

The assets and liabilities of the Group is mainly recorded in RMB. For the year 2023, revenue derived from the Group's exports amounted to approximately US\$300,459,000, which was subject to risks associated with exchange rate fluctuations. Therefore, the Group has taken the following measures to lower the risks of exchange rates fluctuations: (1) The Group will pay attention to exchange rate fluctuations, 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.

VII. BUSINESS REVIEW

In 2023, the 80th anniversary of the founding of Xinhua Pharm, the Company overcame all kinds of difficulties and successfully accomplished all its annual objectives and tasks, having achieved stable growth in profit for ten consecutive years.

1. Seizing development opportunities, creating a new outlook, and cultivating new growth drivers

The market share and prices of major products in the international market of major bulk pharmaceuticals remained generally stable; the domestic market fully utilized its comprehensive advantages, achieving significant year-on-year increase in revenue and profits. Four preparation products of the Group won the bidding for centralized procurement, and 18 products won the bidding for the centralized procurement of various alliances. The Group's annual sales revenue of preparation processing and export business increased by 48.73% year-on-year. Further, Medical Trade (醫貿商業) successfully obtained the modern medicine logistics qualification certification. Xinhua Health accelerated the development of two-way cross-border business and the establishment of its own brand, with a 21.16% year-on-year increase in revenue.

A total of 18 new products were launched on the market throughout the year. Technical transformation projects and chain-strengthening and consolidating projects were also accelerated.

2. Increasing innovation, creating new mechanisms, and achieving new records

We formulated and implemented the Management Measures for Green Channels of R&D and Transformation (Trial), the Assessment and Management Measures for Innovative Breakthrough Development Projects (Trial), and the Management Measures for Incentives in the Full Lifecycle of Technological Innovation (Trial) during the year.

A total of 26 drug approvals and 15 veterinary drug approvals were obtained, reaching a new historical high. Major innovative drugs such as OAB-14 entered into the clinical research stage. Separately, Xinhua Gaomi and Wanbo Chemical passed the high-tech enterprise certification for the first time. The Company passed the evaluation of the National Enterprise Technology Center and the certification of Shandong Engineering Research Center for antipyretic and analgesic drugs. A total of 44 patents were granted throughout the year.

3. Strict management, risk control, solid foundation for development, and improvement of development quality

The lifeline projects of the Group remained stable, and there were no general or more serious safety, environmental protection and quality accidents throughout the year. The Company passed 195 on-site quality audits and inspections. A branch factory park and Headquarters Park passed the U.S. FDA inspection with zero defects under Form 483, while the Headquarters Park passed the UK MHRA inspection with the highest possible grade. The Company was included in the first batch of pilot list of green, low-carbon and high-quality development zone in Shandong Province, and was rated as the 2023 Intelligent Manufacturing Demonstration Factory, Shandong Province Intelligent Manufacturing Benchmarking Enterprise, and an excellent enterprise of fusing informationization with industrialization in Shandong Province.

The Company strictly implemented two developed measures on capital appropriation controls, standardized credit management, and effectively controlled operational risks. The Company was recognized as a national advanced collective in internal audit.

4. Sharing the achievements of development and fulfilling our role as a responsible company

The implementation of two phases of equity incentive plans greatly stimulated the passion of the Company's management and core backbone. A total of 71 company-level trainings were carried out during the year. The Company was rated as a demonstration unit for industry-education integration and a leading enterprise for talents in Shandong Province.

After changes in national policies for prevention and control, the Company actively responded and successfully completed its supply mission, making maximum efforts to ensure a smooth transition through the peak period and truly demonstrating its corporate responsibility. The Company was rated as an advanced unit for corporate culture construction in Shandong Province.

VIII. PROSPECTS

2024 is a critical year for the Company to accelerate breakthroughs in innovation. The Company needs to actively respond to unfavorable factors such as continued low market demand and fierce competition, fully accelerate transformation and upgrading, and turn resource control into a core competitive advantage. With 80 years of history, the Company has the industrial foundation and resource conditions to accelerate innovation breakthroughs and reach new heights, and its scientific and technological innovation and introduction of new products are being accelerating.

In light of the above, the following key areas should be addressed:

1. Playing a leading role in accelerating the cultivation and growth of new growth points

We will vigorously explore the potential of market segments for bulk drugs to achieve the goal of increasing sales in the international and domestic markets of leading bulk drugs, and focus on developing EPA series and other featured bulk drugs to achieve rapid growth of new products.

We will focus on developing large varieties of preparations and accelerate the expansion of the market for new preparations; introduce more cooperative projects for preparations, and especially accelerate the progress of projects that have already been landed to achieve commercialization as soon as possible; accelerate the international registration and market development of preparations, promote the export of its own preparations and accelerate the development of veterinary drug preparations.

We will continuously focus on improving the quality and reducing the cost of pharmaceutical intermediates to provide support for the development of bulk drugs, and will ensure that technical transformation projects achieve sufficient production and efficiency as soon as possible. We will also strengthen market research and increase project reserves.

We will use the opportunity of passing the modern medicine logistics qualification certification to accelerate the development of Medical Trade. We will vigorously promote the cross-border business of Xinhua Health, explore new models of information services, maintain a good momentum of rapid development, and create a new breakthrough in the development of import and export companies.

2. Accelerating technological innovation, speeding up the launch of new products and enhancing speed and efficiency

We will accelerate new product research and development and technological progress; strive to obtain more than 10 preparation approvals, 3 bulk drug approvals, and 5 consistency evaluation approvals throughout the year; and promote clinical research on major innovative drugs.

We will smooth the green channel for new product transformation; establish a clear accountability system, perfect assessment incentives and an efficient collaborative mechanism, respond quickly, accelerate the whole process, and promote the speeding up of new product launches.

3. Boosting the reform of mechanism, increasing incentives to stimulate the potential for development

We will cultivate outstanding talents in various ways, optimize the "six-specific" management, and carry out salary reforms to fully mobilize the enthusiasm of employees.

We will summarize the implementation of the 2023 roadmap and launch the 2024 innovation breakthrough roadmap, with timely supervision, incentives and assessment; implement the full life cycle incentives for technological innovation incentives and increase incentives.

According to the national policy, we will explore more market incentive mechanisms to attract more talents and resources to accelerate the Company's innovation breakthrough.

4. Maintaining development momentum, strengthening basic management, and safeguarding health and safety

We will deepen the implementation of excellent performance management, improve on-site management level; implement key safety, environmental protection and technological projects, continuously improve the level of automation and remote control, and strengthen the management of lifeline projects.

We will prepare emergency plans, reduce procurement costs, coordinate production resources, maintain reasonable inventory and capital occupation, and organize production in a scientific manner to ensure market demand.

We will benchmark ourselves against first-class enterprises, further strengthen the control over the occupation of "two funds", and enhance comprehensive risk management to ensure compliant, healthy and safe development.

2023 marks the 80th anniversary of the establishment of Xinhua Pharm, and the Company's scale and profits have reached a historic high. In the new year, opportunities and challenges coexist. The Board firmly believes that with the joint efforts and determination of the entire company, we will surely achieve the development goals of 2024.

IX.IMPORTANT ISSUES

Staff and Remuneration

The Group's staff remuneration was formulated in accordance with national policies, the Company's financial condition, and with reference to comparable remuneration level in society.

As at 31 December 2023, the Group employed 7,104 staff and their aggregate wages for the year 2023 amounted to RMB743,778,000.

Purchase, Sale and Redemption of the Company's Listed Securities

During the year ended 31 December 2023, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Auditors

The accounts of the Company and the Group for the year was prepared in accordance with CASBE and have been audited by ShineWing Certified Public Accountants (certified public accountants in the PRC).

The Company have approved the re-appointment of ShineWing Certified Public Accountants as the Company's auditor for the year 2023 and the adaptation of the CASBE to prepare its financial statements as of 31 December 2023 at the 2022 annual general meeting on 26 June 2023. The Company intends to appoint Grant Thornton Zhitong Certified Public Accountants LLP as the auditor of the Company for the year 2024 at the 2023 annual general meeting to be held in 2024.

Corporate Governance Code

The Directors (including the independent non-executive Directors) confirmed that for the year ended 31 December 2023, the Company complied with all provisions set out in the Corporate Governance Code contained in Part 2 of Appendix C1 to Listing Rules.

The Company has always strived to comply with best corporate governance practices in the Corporate Governance Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions conducted by the Directors. Having made specific enquiry to all Directors of the Company, they confirmed that they have complied with the prescribed standard set out in the Model Code throughout the year ended 31 December 2023.

Sale and Purchase of Assets

Within 2023, save as disclosed under the "Liquidity and analysis of financial resources and capital structure" section, the Group did not have any material acquisitions or disposal of assets or mergers during the Reporting Period.

Amendments to the Articles

A resolution to amend the articles of association was considered and approved by the annual general meeting of 2022 held on 26 June 2023. For details, please refer to the circular dated 23 May 2023. The amendments to the articles of association of the Company conform to the articles of association of the Company, relevant provisions of related PRC laws, administrative regulations and regulatory documents and requirements of the Listing Rules.

Audit Committee

Pursuant to Rule 3.21 of the Listing Rules, the Company has set up an audit committee (the “**Audit Committee**”).

The Audit Committee has, in tandem with the management of the Company, reviewed the accounting principles, accounting standards and methods adopted by the Group and the auditing, internal control and financial reporting matters of the Group. The Audit Committee has convened five meetings to review the audited financial statements for 2022, the unaudited first quarter financial statements for 2023, the unaudited interim statements for 2023, the unaudited third quarter financial statements for 2023 and to consider the proposal on the appointment of the company's financial officer respectively.

The Audit Committee convened a meeting on 28 March 2024 to review the audited accounts for the financial year 2023 and this announcement.

Changes in Accounting Policies

Content and reason of accounting policy changes	Approval procedures	Remarks
On November 30, 2022, the Ministry of Finance issued Accounting Standards for Business Enterprises Interpretation No. 16 as Finance and Accounting No. (2022) 31. Provides that "deferred income taxes relating to assets and liabilities arising from individual transactions do not apply to the accounting treatment of the initial recognition exemption" (effective January 1, 2023), "Accounting for the income tax impact of dividends related to financial instruments classified by the issuer as equity instruments", "Accounting for the modification of cash settled share payments by enterprises to equity settled share payments".	the relevant accounting policy changes were approved at the 11th meeting of the tenth Board of Directors of the Company on 20 April 2023	the Group has implemented this requirement since the date of the provision and has retroactively adjusted the opening data of the "accounting treatment for the exemption of initial recognition is not applicable for deferred income taxes relating to assets and liabilities arising from individual transactions".

X. FINANCIAL REPORTS PREPARED IN ACCORDANCE WITH CASBE

Consolidated Balance Sheet (audited)

Unit: RMB Yuan

Assets	Notes	31 December 2023 (audited)	31 December 2022 (audited, rearrangement)
Current assets:			
Monetary funds		918,334,462.29	1,158,741,565.90
Notes receivable		8,191,109.23	17,895,124.18
Accounts receivable	3	699,877,948.91	761,259,339.93
Receivables financing		240,274,709.86	189,752,210.65
Prepayments		35,369,251.02	52,149,890.91
Other accounts receivable	4	9,336,085.40	12,654,317.25
Including: Dividend receivable		-	-
Inventories		1,312,983,676.75	1,211,987,048.39
Contract assets		819,429.40	1,721,856.82
Other current assets		89,146,943.15	50,798,073.85
Total current assets		3,314,333,616.01	3,456,959,427.88
Non-current assets:			
Long-term equity investment		58,572,098.00	57,154,487.58
Other equity instrument investment		182,797,067.30	182,029,156.02
Investment real estate		33,908,633.73	48,354,011.36
Fixed assets		3,325,944,627.93	3,447,888,663.48
Projects under construction		730,545,057.96	545,894,979.10
Right-of-use assets		4,324,321.34	6,681,708.67
Intangible assets		494,937,199.11	474,106,784.61
Long-term deferred expenses		14,462,413.51	8,607,826.50
Deferred income tax assets		23,478,171.11	15,620,976.93
Other non-current assets		102,863,124.90	21,492,373.85
Total non-current assets		4,971,832,714.89	4,807,830,968.10
Total assets		8,286,166,330.90	8,264,790,395.98

Consolidated Balance Sheet (audited) (continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	Notes	31 December 2023 (audited)	31 December 2022 (audited, rearrangement)
Current liabilities:			
Short-term borrowing		283,958,677.68	118,023,275.00
Notes payable		511,430,531.37	491,024,582.02
Accounts payable	5	666,412,933.67	599,055,763.12
Contract liability		149,135,948.62	593,261,005.51
Payroll payable	6	123,985,296.73	95,171,404.13
Taxes and dues payable		18,865,677.96	33,717,210.48
Other payables		435,525,634.82	424,961,296.31
Including: Interest payable		-	-
Dividends payable		15,290,599.53	5,310,599.53
Non-current liabilities due within one year		273,755,184.03	717,461,309.60
Other current liabilities		22,930,593.51	85,809,692.93
Total current liabilities		2,486,000,478.39	3,158,485,539.10
Non-current liabilities:			
Long-term borrowings		799,400,000.00	545,655,801.48
Lease liabilities		1,578,792.87	2,715,480.67
Long-term payables		20,000,000.00	20,000,000.00
Deferred income		100,666,757.92	118,372,785.93
Deferred income tax liabilities		99,205,514.96	66,435,062.14
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		1,024,412,565.75	756,740,630.22
Total liabilities		3,510,413,044.14	3,915,226,169.32
Owners' equity (or Shareholders' equity):			
Capital Stock		674,682,835.00	669,627,235.00
Capital reserve	7	1,055,010,870.76	998,144,589.65
Other comprehensive income	8	113,618,002.82	112,126,734.41
Reasonable reserve		3,392,612.67	1,551,906.40
Surplus reserve		400,960,654.39	356,956,455.54
Undistributed profits	9	2,305,438,893.92	1,987,867,458.52
Total of equity assigned to the shareholders of parent company		4,553,103,869.56	4,126,274,379.52
Minority shareholders' equity		222,649,417.20	223,289,847.14
Total owners' equity		4,775,753,286.76	4,349,564,226.66
Total of liabilities and owners' equity		8,286,166,330.90	8,264,790,395.98

Consolidated Income Statement (audited)

Unit: RMB Yuan

Item	Notes	For the 12 months ended 31 December 2023 (audited)	For the 12 months ended 31 December 2022 (audited, rearrange ment)
I. Gross revenue	10	8,100,844,707.33	7,502,987,102.09
Including: Operating revenue		8,100,844,707.33	7,502,987,102.09
II. Total operating costs		7,530,904,783.94	7,020,478,241.93
Including: Operating costs	10	5,709,142,351.00	5,465,656,107.15
Taxes and surcharges	11	92,175,276.66	65,309,856.07
Selling expenses		780,171,394.31	658,307,745.12
Administration expenses		513,824,781.93	453,526,541.44
R&D cost		419,239,700.90	345,658,511.77
Financial expenses		16,351,279.14	32,019,480.38
Including: Interest expense		41,148,585.76	49,706,941.36
Interest income		12,300,491.07	10,462,012.18
Add: Other income		25,902,239.33	28,894,773.85
Investment income (losses to be listed with brackets)		9,583,372.02	8,364,993.25
Including: Return on investment on joint ventures and joint ventures (losses to be listed with brackets)		1,417,610.42	447,177.25
Credit impairment loss(losses to be listed with brackets)		(10,294,468.42)	(5,075,576.17)
Assets impairment loss (losses to be listed with brackets)	12	(69,282,694.12)	(43,526,158.26)
Gains from asset disposal (losses to be listed with brackets)		8,733,639.41	5,539,641.08
III. Operating profits (losses to be listed with brackets)		534,582,011.61	476,706,533.91
Add: non-operating income		5,537,126.16	1,874,585.07
Less: non-operating expenditure		7,433,412.75	6,806,768.37
IV. Total profits (total loss to be listed with brackets)		532,685,725.02	471,774,350.61
Less: income tax expense	13	26,578,700.01	45,664,566.04
V. Net profits (net loss to be listed with brackets)		506,107,025.01	426,109,784.57
I. According to operation continuity			

1. Net profit from continued operations (net losses to be listed in brackets)	506,107,025.01	426,109,784.57
2. Net profit from discontinued operations (net losses to be listed in brackets)	-	-
II. According to ownership		
1. Net profit attributable to shareholders of parent company	496,512,201.25	411,063,056.58
2. Minority interest income or loss	9,594,823.76	15,046,727.99
VI. Net amount of other comprehensive income after tax	1,736,014.71	(12,941,729.67)
Net amount of other comprehensive income after tax attributable to the shareholders of parent company	1,491,268.41	(14,127,640.68)
I. Other comprehensive income not subject to reclassification to profit or loss	652,724.59	(18,242,152.58)
Changes in fair value of other equity instruments investment	652,724.59	(18,242,152.58)
II. Other comprehensive income to be reclassified to profit or loss	838,543.82	4,114,511.90
Conversion difference of foreign currency statement	838,543.82	4,114,511.90
Net amount of other consolidated income after tax attributable to the minority shareholders	244,746.30	1,185,911.01
VII. Total comprehensive income	507,843,039.72	413,168,054.90
Total comprehensive income attributable to the shareholders of parent company	498,003,469.66	396,935,415.90
Total comprehensive income attributable to the minority shareholders	9,839,570.06	16,232,639.00
VIII. Earnings per share:	<i>14</i>	
(I) Basic earnings per share(yuan/share)	0.74	0.62
(II) Diluted earnings per share(yuan/share)	0.72	0.61

SUMMARY NOTES TO THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CASBE

NOTES:

1. Preparation basis of the financial statements

Preparation basis

On a going-concern basis, the financial statements of the Company have been prepared based on transactions and items that have actually occurred and in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (hereinafter referred to as “ASBE”), and other relevant regulations, and the disclosure requirements stipulated under the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Rules on Financial Reporting* (revised in 2023) issued by the China Securities Regulatory Commission and related provisions, relevant disclosures required by the Hong Kong Companies Ordinance and the Listing Rules and the Company’s accounting policies and accounting estimates.

Going concern

The Group has evaluated the continuation of operation for 12 months from the end of the Reporting Period and has not found any matter or situation raising significant doubts of its ability to operate as a going concern. Accordingly, the financial statements are prepared on a going concern basis.

2. Segment information

(a) Description of segments

The Group determines the business segments on the basis of internal organisation structure, management requirements and internal reporting system and adopts different business units as business segments for disclosure purposes. The operating segment refers to each different business unit within the Group which satisfies the following conditions: (1) the business segment is able to generate income and incur expenses in its daily operation; (2) the management of the Group is able to evaluate the operating results of such business segments at regular intervals so as to decide resources allocation and conduct performance evaluation; and (3) the Company is able to obtain the relevant accounting information of such business segment, such as financial position, operating results and cash flow, etc. If two or more business segments share similar economic characteristics and meet certain conditions, those business segments would be merged into one business segment.

The Group’s business segments are as follows:

Chemical bulk drugs :	Development, production and sales of chemical bulk drugs
Preparations:	Development, production and sales of preparations (e.g. tablets and injections)
Medical intermediate and other products:	Production and sales of medical intermediate and other products

Information regarding the above segments is as follows:

(b) Segment information for the year ended 31 December 2023 and the year ended 31 December 2022 is presented below(audited):

Year ended 31 December 2023 (audited)

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating revenue	3,147,254,048.66	4,555,021,863.73	2,261,550,116.00	-	(1,862,981,321.06)	8,100,844,707.33
Comprising: revenue from external customers	3,120,198,136.24	3,638,706,546.67	1,341,940,024.42	-	-	8,100,844,707.33
Inter-segment transaction income	27,055,912.42	916,315,317.06	919,610,091.58	-	(1,862,981,321.06)	-
Operating cost	2,055,825,276.36	3,459,357,003.20	2,036,150,924.43	-	(1,842,190,852.99)	5,709,142,351.00
Comprising: cost from external customers	1,884,282,425.38	2,559,564,351.40	1,265,295,574.22	-	-	5,709,142,351.00
Inter-segment transaction cost	171,542,850.98	899,792,651.80	770,855,350.21	-	(1,842,190,852.99)	-
Expenses for the period	466,903,850.76	945,801,452.84	89,683,962.94	231,881,577.57	(4,683,687.83)	1,729,587,156.28
Total profit(loss)	684,646,062.54	78,202,321.10	(47,611,429.09)	(181,905,541.23)	1,250,598.29	534,582,011.61
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 liability	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

Year ended 31 December 2022(audited,rearrangement)

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating revenue	3,190,991,042.28	3,987,504,513.79	2,113,415,096.20	-	(1,788,923,550.18)	7,502,987,102.09
Comprising:revenue from external customers	3,171,564,382.95	3,193,627,163.89	1,137,795,555.25	-	-	7,502,987,102.09
Inter-segment transaction income	19,426,659.33	793,877,349.90	975,619,540.95	-	(1,788,923,550.18)	-
Operating cost	2,300,437,470.36	3,085,923,169.07	1,838,223,536.83	-	(1,758,928,069.11)	5,465,656,107.15
Comprising: cost from external customers	2,198,020,297.84	2,292,024,592.96	975,611,216.35	-	-	5,465,656,107.15
Inter-segment transaction cost	102,417,172.52	793,898,576.11	862,612,320.48	-	(1,758,928,069.11)	-
Expenses for the period	426,960,939.80	808,006,744.63	88,194,450.70	167,307,092.65	(956,949.07)	1,489,512,278.71
Total profit (loss)	486,940,410.71	49,323,073.17	58,919,455.73	(110,623,317.18)	(7,853,088.52)	476,706,533.91
Total assets	3,469,362,973.23	3,330,198,552.51	1,488,141,390.66	1,942,082,242.12	(1,964,994,762.54)	8,264,790,395.98
Total liability	1,394,992,746.20	1,753,331,776.10	437,337,729.23	1,510,032,505.22	(1,180,468,587.43)	3,915,226,169.32

3. Accounts receivable

Item	<u>31 December 2023</u>	<u>1 January 2023</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited,rearrangement)
Accounts receivable	731,221,860.99	782,049,783.85
Less: Provision for bad debts of accounts receivable	<u>31,343,912.08</u>	<u>20,790,443.92</u>
	<u>699,877,948.91</u>	<u>761,259,339.93</u>

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

Item	<u>31 December 2023</u>	<u>1 January 2023</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited, rearrangement)
0-1 year (including 1 year)	692,974,529.25	754,273,549.80
1 to 2 years (including 2 years)	6,903,419.66	6,984,814.16
2 to 3 years (including 3 years)	-	975.97
Total	<u>699,877,948.91</u>	<u>761,259,339.93</u>

4. Other accounts receivable

Item	<u>31 December 2023</u>	<u>1 January 2023</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited, rearrangement)
Other accounts receivable	18,505,213.19	22,029,115.15
Less: Provision for bad debts of other accounts receivable	<u>9,169,127.79</u>	<u>9,374,797.90</u>
	<u>9,336,085.40</u>	<u>12,654,317.25</u>

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

Item	<u>31 December 2023</u>	<u>1 January 2023</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited, rearrangement)
0-1 year (including 1 year)	8,101,054.40	12,009,767.87
1 to 2 years (including 2 years)	1,107,906.39	451,907.38
2 to 3 years (including 3 years)	<u>127,124.61</u>	<u>192,642.00</u>
Total	<u>9,336,085.40</u>	<u>12,654,317.25</u>

5. Accounts payable

Item	<u>31 December 2023</u>	<u>1 January 2023</u>
	RMB Yuan (audited)	RMB Yuan (audited, rearrangement)
Accounts payable	<u>666,412,933.67</u>	<u>599,055,763.12</u>
Total	<u>666,412,933.67</u>	<u>599,055,763.12</u>

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

Item	<u>31 December 2023</u>	<u>1 January 2023</u>
	RMB Yuan (audited)	RMB Yuan (audited, rearrangement)
0-1 year (including 1 year)	641,287,656.05	572,436,889.19
1-2 years (including 2 years)	12,438,049.71	15,230,740.10
2-3 years (including 3 years)	3,000,798.37	3,393,501.61
Over 3 years	<u>9,686,429.54</u>	<u>7,994,632.22</u>
Total	<u>666,412,933.67</u>	<u>599,055,763.12</u>

6. Payroll payable

(1) Classification of payroll payable

Item	<u>1 January 2023</u>	<u>Increase during the year</u>	<u>Decrease during the year</u>	<u>31 December 2023</u>
	RMB Yuan (audited, rearrangement)	RMB Yuan	RMB Yuan	RMB Yuan (audited)
Short-term wages	95,171,404.13	972,971,339.65	944,157,447.05	123,985,296.73
Post-employment welfare - defined contribution plan	-	104,245,733.67	104,245,733.67	-
Dismissal welfare	-	<u>363,486.40</u>	<u>363,486.40</u>	-
Total	<u>95,171,404.13</u>	<u>1,077,580,559.72</u>	<u>1,048,766,667.12</u>	<u>123,985,296.73</u>

(2)Short-term wages

Item	<u>1 January 2023</u>	<u>Increase during the year</u>	<u>Decrease during the year</u>	<u>31 December 2023</u>
	RMB Yuan (audited, rearrangement)	RMB Yuan	RMB Yuan	RMB Yuan (audited)
Salary, bonus, allowance and subsidy	91,088,681.57	772,627,557.17	743,778,308.48	119,937,930.26
Employee welfare expenses	-	42,425,902.97	42,425,902.97	-
Social insurance charges	-	54,929,414.62	54,929,414.62	-
Comprising: Medical insurance premiums	-	49,578,624.96	49,578,624.96	-
Work injury insurance premiums	-	5,350,789.66	5,350,789.66	-
Housing provident fund	-	55,447,066.58	55,447,066.58	-
Labour union expenditure & personnel education fund	4,068,722.56	16,148,206.42	16,179,062.51	4,037,866.47
Labour costs	14,000.00	31,288,022.69	31,292,522.69	9,500.00
Other Short-term wages	-	105,169.20	105,169.20	-
Total	<u>95,171,404.13</u>	<u>972,971,339.65</u>	<u>944,157,447.05</u>	<u>123,985,296.73</u>

(3)Defined contribution plan

Item	<u>1 January 2023</u>	<u>Increase during the year</u>	<u>Decrease during the year</u>	<u>31 December 2023</u>
	RMB Yuan (audited, rearrangement)	RMB Yuan	RMB Yuan	RMB Yuan (audited)
Basic retirement insurance	-	99,896,456.87	99,896,456.87	-
Unemployment insurance premium	-	4,349,276.80	4,349,276.80	-
Total	<u>-</u>	<u>104,245,733.67</u>	<u>104,245,733.67</u>	<u>-</u>

7. Capital surplus

Item	<u>1 January 2023</u> RMB Yuan (audited, rearrangement)	<u>Increase during the year</u> RMB Yuan	<u>Decrease during the year</u> RMB Yuan	<u>31 December 2023</u> RMB Yuan (audited)
Capital stock premium*	724,102,344.64	29,726,928.00	-	753,829,272.64
Other capital reserves**	<u>274,042,245.01</u>	<u>53,068,151.25</u>	<u>25,928,798.14</u>	<u>301,181,598.12</u>
Total	<u>998,144,589.65</u>	<u>82,795,079.25</u>	<u>25,928,798.14</u>	<u>1,055,010,870.76</u>

* The capital stock premium increased by RMB 29,726,928.00 in total this year, of which RMB 22,547,976.00 was due to the exercise of 5,055,600 stock options; The increase of RMB7,178,952.00 was due to the carryover of other capital reserves after the exercise of stock options.

**Other capital reserves increased by RMB 53,068,151.25 in total this year, which was increased due to the expense of waiting period equity instruments according to the company's 2021 equity incentive plan; Other capital reserves decreased by RMB 25,928,798.14 in total during the year, of which RMB 17,841,868.95 was due to the capital reserves corresponding to the write-down of the remaining deferred tax assets after the full exercise of the equity incentive plan granted in 2018; RMB 907,977.19 is the amount of the 2021 stock option grant incentive plan that is estimated to be deductible before tax in the future based on the stock price at the end of the period, and is limited to the taxable income that is likely to be obtained in the future period; RMB7,178,952.00 is due to the carryover of other capital reserves after the exercise of stock options.

8. Other comprehensive income

Item	Amount incurred this year						<u>31 December 2023</u> RMB Yuan(audited)
	<u>1 January 2023</u> RMB Yuan(audited, rearrangement)	Income tax incurred this year RMB Yuan	Less: Amount recorded into other comprehensive income in previous year transferred to profit or loss this year RMB Yuan	Less: income tax expense RMB Yuan	Attributable to the parent company after tax RMB Yuan	Attributable to minority shareholder s after tax RMB Yuan	
I. Other comprehensive income unable to be reclassified into profit or loss in future							
Fair value variation of other equity instrument investments	111,183,262.32	767,911.28	-	115,186.69	652,724.59	-	111,835,986.91
II. Other comprehensive income to be reclassified into profit or loss in future							
Conversion difference of financial statement in foreign currency	943,472.09	1,083,290.12	-	-	838,543.82	244,746.30	1,782,015.91
	<u>943,472.09</u>	<u>1,083,290.12</u>	<u>-</u>	<u>-</u>	<u>838,543.82</u>	<u>244,746.30</u>	<u>1,782,015.91</u>
Total	<u>112,126,734.41</u>	<u>1,851,201.40</u>	<u>-</u>	<u>115,186.69</u>	<u>1,491,268.41</u>	<u>244,746.30</u>	<u>113,618,002.82</u>

9. Undistributed profits

Item	<u>Year 2023</u>	<u>Year 2022</u>
	RMB Yuan (audited)	RMB Yuan (audited, rearrangement)
Ending balance of previous year	1,987,867,458.52	1,709,067,703.02
Add: Beginning adjustment for undistributed profit	-	(55,444.92)
Including: Change of accounting policies	-	(55,444.92)
Beginning balance of the current period	1,987,867,458.52	1,709,012,258.10
Add: Net profits attributable to the parent company's shareholders in the current period	496,512,201.25	411,063,056.58
Less: appropriation of statutory surplus reserve	44,004,198.85	31,763,770.91
Common stock dividends payable	134,936,567.00	100,444,085.25
Total	<u>2,305,438,893.92</u>	<u>1,987,867,458.52</u>

10. Operating revenues and cost

(1) Operating revenue and costs

Item	<u>12 months as of 31 December 2023</u> (audited)		<u>12 months as of 31 December 2022</u> (audited, rearrangement)	
	Revenue	Cost	Revenue	Cost
Main operation	7,956,060,682.51	5,553,117,506.84	7,295,163,472.26	5,270,983,819.39
Other operation	<u>144,784,024.82</u>	<u>156,024,844.16</u>	<u>207,823,629.83</u>	<u>194,672,287.76</u>
Total	<u>8,100,844,707.33</u>	<u>5,709,142,351.00</u>	<u>7,502,987,102.09</u>	<u>5,465,656,107.15</u>

(2) Revenues from contracts

Classification of contract	Operating revenue	Operating costs
Commodity type		
Among : Chemical bulk drugs	3,120,198,136.24	1,884,282,425.38
Preparations	3,638,706,546.67	2,559,564,351.40
Medical intermediate and other products	<u>1,341,940,024.42</u>	<u>1,265,295,574.22</u>
Classification by operating regions		
Among : China (including Hong Kong)	5,933,438,838.51	4,090,732,171.17
Americas	763,822,259.65	571,081,671.55
Europe	1,023,891,033.69	747,483,698.03
Others	<u>379,692,575.48</u>	<u>299,844,810.25</u>
Classification by contract performance obligation		
Among : Recognition of revenue at a certain point in time	8,024,851,203.66	5,633,913,368.51
Recognition of revenue within a certain period	66,059,345.59	64,403,177.12
Rental income	<u>9,934,158.08</u>	<u>10,825,805.37</u>
Classification by sales model		
Among : Direct selling model	3,194,262,192.93	2,212,801,823.82
Distribution model	<u>4,906,582,514.40</u>	<u>3,496,340,527.18</u>
Total	<u>8,100,844,707.33</u>	<u>5,709,142,351.00</u>

(3) Information related to compliance obligations

According to the contract, the Group, being the main responsible person, fulfills its supply obligations in accordance with the categories and standards required by the customers. For sales contracts in China, 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 overseas sales contracts in 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.

The payment terms of different customers and products are different. Some sales of the Group are carried out in the form of advance receipts, while the rest of the sales are granted a credit period of a certain duration.

(4) Information related to the transaction price allocated to residual performance obligations

At the end of the current year, the amount of revenue with signed contracts but unfulfilled or uncompleted performance obligation is RMB 149,135,948.62, and of this amount RMB 141,461,968.68 is expected to be recognized in 2024.

(5) The recognized income of this year includes the amount of RMB 585,315,384.18 that has been included into the contract liabilities at the end of the previous year.

11. Taxes and surcharges

Item	<u>12 months as of 31 December 2023(audited)</u>	<u>12 months as of 31 December 2022(audited, rearrangement)</u>
City maintenance and construction tax	25,011,578.75	19,918,550.72
Property tax	18,979,563.40	19,091,635.54
Educational surcharges	17,865,413.35	14,227,344.07
Land use tax	7,931,555.87	6,775,241.30
Stamp duty	5,537,216.94	5,237,845.33
Vehicle usage tax	56,167.35	59,239.11
Land value increment tax	<u>16,793,781.00</u>	<u>-</u>
Total	<u>92,175,276.66</u>	<u>65,309,856.07</u>

12. Assets impairment loss

Item	<u>12 months as of 31 December 2023(audited)</u>	<u>12 months as of 31 December 2022(audited,rearrangement)</u>
Loss from contract assets impairment	(171,728.77)	(103,863.73)
Inventory impairment loss	(63,412,913.11)	(43,422,294.53)
Loss from fixed assets impairment	<u>(5,698,052.24)</u>	-
Total	<u>(69,282,694.12)</u>	<u>(43,526,158.26)</u>

13. Income tax expenses

(1) Income tax expenses

Item	<u>12 months as of 31 December 2023</u>	<u>12 months as of 31 December 2022</u>
	<u>(audited)</u>	<u>(audited,rearrangement)</u>
The current income tax calculated in accordance with the tax law and related regulations	19,889,380.77	25,868,399.58
-PRC Mainland enterprise income tax	17,210,755.59	22,942,214.80
-PRC Hong Kong profits tax	120,122.00	79,932.47
-USA federal and state tax	-	782,511.31
-Dutch corporation tax	2,558,503.18	2,063,741.00
-Deferred income tax expense	6,048,298.36	20,220,746.28
Over-counted (Undercount) in previous years	<u>641,020.88</u>	<u>(424,579.82)</u>
Total	<u>26,578,700.01</u>	<u>45,664,566.04</u>

(2) Adjustment process between accounting profit and income tax expense

Item	<u>12 months as of 31</u> <u>December 2023</u> <u>(audited)</u>
Annual total profit from amalgamation	532,685,725.02
Income tax expense calculated in accordance with statutory/applicable tax rate	79,902,858.75
Effect of different tax rate applicable to subsidiaries	2,222,161.98
Effect of adjustments to previous years' income tax	641,020.88
Effect of non-assessable income	(1,437,505.80)
Effect of nondeductible cost, expense and loss	6,299,058.89
Effect of using deductible loss of unrecognized deferred income tax assets in previous period	1,623,148.52
Deductible temporary difference or effect of deductible loss of unrecognized deferred income tax assets in the current year	2,036,161.88
Additional deductions	(45,881,789.69)
Share payment pre-tax deduction	<u>(18,826,415.40)</u>
Income tax expenses	<u><u>26,578,700.01</u></u>

14. Earnings per share

(1) The basic earnings per share

The calculation of the basic earnings per share is based on the net profit of RMB 496,512,201.25 (2022: RMB 411,063,056.58) for the current period attributable to shareholders of the parent company and based on the weighted average of 674,287,215.00 outstanding ordinary shares in issue (2022: 660,602,072.00 shares) during the period.

Item	<u>Year 2023</u>	<u>Year 2022</u>
	RMB Yuan	RMB Yuan
Net profit attributable to shareholders of the parent company	496,512,201.25	411,063,056.58
Weighted average number of the Company's issued outstanding ordinary shares	674,287,215.00	660,602,072.00
Basic earnings per share (yuan/share)	<u>0.74</u>	<u>0.62</u>

(2)The diluted earnings per share

The calculation of the diluted earnings per share is based on the net profit of RMB496,512,201.25 (2022: RMB 411,063,056.58) for the current period attributable to shareholders of the parent company and based on the adjusted weighted average of 691,947,079.00 outstanding ordinary shares in issue (2022: 670,520,321.00 shares) during the period.

Item	Year 2023	Year 2022
	RMB Yuan	RMB Yuan
Net profit attributable to shareholders of the parent company	496,512,201.25	411,063,056.58
Weighted average number of the Company's issued outstanding ordinary shares	674,287,215.00	660,602,072.00
Dilution of potential common shares	17,659,864.00	9,918,249.00
Adjusted weighted average number of the Company's issued outstanding ordinary shares	691,947,079.00	670,520,321.00
Diluted earnings per share (yuan/share)	<u>0.72</u>	<u>0.61</u>

15. Dividends

Item	Year 2023	Year 2022
	RMB Yuan	RMB Yuan
Dividends recognised as distribution in the financial statements of the relevant the year:		
2021 final dividend: RMB 0.15 per share	-	100,444,085.25
2022final dividend: RMB 0.20per share	<u>134,936,567.00</u>	<u>-</u>
	<u>134,936,567.00</u>	<u>100,444,085.25</u>

The Board proposes the profit distribution plan for year 2023 as follows: the total number of shares of the Company at the date of the announcement was 682,407,635(of which 487,407,635 shares were A shares and 195,000,000 shares were H shares). Based on the total issued shares of the Company of 682,407,635 shares, it is proposed that a dividend of RMB 0.25 (tax inclusive) for every share of the Company be paid to shareholders of the Company. If the total share capital of the Company changes due to exercise of share options, and/or the listing of new shares for refinancing before the implementation of the Company's 2023 profit distribution plan, the distribution plan will be adjusted but in accordance with the principle that the distribution proportion per share remains unchanged. The aforementioned amounts are not included in the 2023 annual financial statements. Please refer to the section headed "IV. DIVIDENDS" of this announcement.

XI.DOCUMENTS FOR INSPECTION AND PLACE OF INSPECTION

(1) Documents for inspection

1. The original copy of the Company's 2023 annual results announcement signed by the chairman of the Board.
2. Financial statements signed and stamped by the legal representative, the financial controller and the manager of the accounting department of the Company.

(2) Place of inspection

Office of the Secretary to the Board of the Company.

By Order of the Board
Shandong Xinhua Pharmaceutical Company Limited
He Tongqing
Chairman

28 March 2024, Zibo, PRC

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

Executive Directors:

Mr. He Tongqing (Chairman)

Mr. Xu Wenhui

Mr.Hou Ning

Non-executive Directors:

Mr. Xu Lie

Mr. Zhang Chengyong

Independent Non-executive Directors:

Mr. Pan Guangcheng

Mr. Zhu Jianwei

Mr. Ling Peixue

Ms. Cheung Ching Ching, Daisy