



China Shineway Pharmaceutical Group Limited
中國神威藥業集團有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2877

LEADING
MODERN CHINESE MEDICINE
PROMOTING
HEALTH INDUSTRY

INTERIM REPORT **2023**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Zhenjiang (*Chairman*)
Ms. Xin Yunxia
Mr. Li Huimin
Mr. Liu Tiejun

Independent Non-executive Directors

Mr. Liu Shun Fai
Mr. Yew Yat On
Ms. Wang Guihua (appointed on 1 April 2023)
Ms. Cheng Li (ceased on 1 April 2023)

Non-executive Director

Mr. Zhou Wencheng

BOARD COMMITTEES

Audit Committee

Mr. Liu Shun Fai (*Committee Chairman*)
Mr. Yew Yat On
Ms. Wang Guihua (appointed on 1 April 2023)
Ms. Cheng Li (ceased on 1 April 2023)

Remuneration Committee

Ms. Wang Guihua (appointed on 1 April 2023)
(*Committee Chairman*)
Ms. Cheng Li (ceased on 1 April 2023)
Ms. Xin Yunxia
Mr. Liu Shun Fai

Nomination Committee

Mr. Li Zhenjiang (*Committee Chairman*)
Mr. Liu Shun Fai
Mr. Yew Yat On

Corporate Social Responsibility and Sustainability Committee

Mr. Liu Shun Fai (*Committee Chairman*)
Ms. Xin Yunxia
Mr. Yew Yat On
Ms. Wang Guihua (appointed on 1 April 2023)
Ms. Cheng Li (ceased on 1 April 2023)

AUTHORIZED REPRESENTATIVES

Mr. Li Huimin
Mr. Lee Bun Ching, Terence

COMPANY SECRETARY

Mr. Lee Bun Ching, Terence

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

REGISTERED OFFICE

Cricket Square, Hutchins Drive
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Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE

Luan Cheng, Shijiazhuang
Hebei Province, The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Suite 3204, Unit 2A, Block 3,
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Shops 1712-1716
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Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Bank of China, Jin Zhu Xi Lu Branch Lhasa, Xizang
China Construction Bank, Luan Cheng Branch,
Shijiazhuang, Hebei Province

LEGAL ADVISERS

As to Hong Kong Law
Woo Kwan Lee & Lo

As to Cayman Islands Law
Conyers Dill & Pearman, Cayman

STOCK CODE

2877 (Main Board of
The Stock Exchange of Hong Kong Limited)

WEBSITES

www.shineway.com.hk
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INTERIM RESULTS HIGHLIGHTS

For the six months ended 30 June 2023 (the “Period”), the operating results of the Group were as follows:

- Turnover amounted to RMB2,398,680,000, an increase of 32.1% as compared to the corresponding period of last year;
- Gross profit margin was 75.2% as compared to 73.0% of the corresponding period of last year;
- Profit for the Period amounted to RMB491,465,000, an increase of 48.4% as compared to the corresponding period of last year;
- Earnings per share amounted to RMB65 cents, an increase of 47.7% as compared to the corresponding period of last year;
- Declared 2023 second interim dividend of RMB11 cents per share;
- Net assets per share amounted to RMB8.03 (equivalent to HKD8.70); and
- Net cash per share amounted to RMB6.49 (equivalent to HKD7.03).

COMPANY OVERVIEW

China Shineway Pharmaceutical Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in research and development, production and sales of modern Chinese medicines mainly in injections, soft capsules, granules formats and traditional Chinese medicine (“TCM”) formula granules. The Group’s products are primarily being sold in the People’s Republic of China (“PRC”) market.

During the first six months of 2023, the Group’s prescription and over-the-counter (“OTC”) medications accounted for approximately 85.7% and 14.3% of the Group’s turnover respectively. These medications are mainly categorized by curative effects into eight categories including cardiovascular and cerebrovascular medications, medications for respiratory system, medications for digestive system, pediatric medications, orthopedic medications, medications for strengthening the body, medications for the nervous system and gynecological medications.

The Group’s key products are as follows:

- Qing Kai Ling Injection: a widely used anti-viral medicine for treatment of viral diseases, including respiratory tract infection, viral hepatitis, cerebral haemorrhage and cerebral thrombosis, etc.
- Shu Xue Ning Injection: for treatment of cardio-cerebrovascular diseases
- Shen Mai Injection: for treatment of coronary heart disease, viral myocarditis and pulmonary heart disease
- Wu Fu Xin Nao Qing Soft Capsule: for prevention and treatment of coronary heart disease and cerebral arteriosclerosis
- Traditional Chinese medicine (TCM) formula granules
- Huo Xiang Zheng Qi Soft Capsule: for prevention and treatment of heat stroke, stomachache, nausea and diarrhoea, acclimatization sickness
- Pediatric Qing Fei Hua Tan Granule: for treatment of respiratory diseases in children
- Huamoyan Granule: for treatment of both acute and chronic synovitis and treatment after joint surgery
- Qing Kai Ling Soft Capsule: for treatment of high fever, viral influenza and respiratory tract infection

MANAGEMENT DISCUSSION AND ANALYSIS

A NEW HIGH ON SALES AGAIN FOR THE INTERIM RESULTS

The PRC government continued to introduce policies to strengthen and optimize the environment for the development of TCM, to support the high-quality development of TCM industry, and to vigorously promote the inheritance and innovation of TCM. While embracing industrial development opportunity, the Group strengthened the introduction of scientific and technological innovation and continuously increased investment in scientific research. The Group has actively carried on the development of digital and intelligent supply-chain projects, promoted the deep integration of TCM and modern science and technology, and gave full play to the unique advantages of TCM with the support of innovation. Meanwhile, the Group has continuously stepped up its evidence-based medical research for products, increased terminal coverage as well as academic promotion, and also actively promoted quality improvement and efficiency enhancement, with the aim of enhancing operational efficiency and promoting the continuous growth of its operating results.

For the six months ended 30 June 2023 (the “Period”), the Group’s sales increased by 32.1% as compared to the same period of last year to RMB2,398,680,000, which was a new record high for interim sales results. Net profit increased by 48.4% to RMB491,465,000. Earnings per share also increased by 47.7% to RMB65 cents as compared to the same period last year.

The rapid growth of net profit was mainly due to the notable increase in overall sales volume of each dosage form, as well as the increases in both gross profit margin and net profit margin. During the Period, driven by the effect of economies of scale from higher overall production and the effectiveness of the Group’s efforts to improve quality and efficiency, gross profit margin increased from 73.0% to 75.2%. On the other hand, sales and distribution costs and administrative expenses increased only by 24.3% and 8.1% respectively as compared with the same period last year, resulting in an increase in net profit margin from 18.2% to 20.5%.

The Board of the Group resolved to declare the second interim dividend in respect of the fiscal year 2023 of RMB11 cents per share, which will be paid on 29 September 2023 to the shareholders whose names appear on the Company’s register of members on 15 September 2023.

As of 30 June 2023, calculating based on the total issued shares of 827,000,000, net cash per share of the Group amounted to HKD7.03, and net assets per share amounted to HKD8.70.

MANAGEMENT DISCUSSION AND ANALYSIS

EACH DOSAGE FORM DELIVERED EXCELLENT RESULTS

After the pandemic, the Group made every effort to strengthen terminal coverage and academic promotion. Each dosage form delivered excellent results during the Period. The table below shows the overall sales and growth rates of each dosage form for the first half of 2023 as compared to the same period last year:

	Sales First six months of 2022	Sales First six months of 2023	Period-on-period growth rate	Percentage of sales First six months of 2023
Injection products	697,146	957,253	37.3%	39.9%
Soft capsule products	295,959	352,066	19.0%	14.7%
Granule products	257,806	331,191	28.5%	13.8%
TCM formula granules	469,273	628,658	34.0%	26.2%
Other product formats	95,010	129,512	36.3%	5.4%
Oral products	1,118,048	1,441,427	28.9%	60.1%
Total sales	1,815,194	2,398,680	32.1%	100.0%

The Group continued to focus on the development strategy of oral products. Overall sales of oral products increased by 28.9% in the first six months of 2023, of which sales of soft capsules, granules and TCM formula granules increased by 19.0%, 28.5% and 34.0% respectively, as compared to the same period last year. The increase in soft capsule products and granule products was mainly driven by the Group's exclusive oral products such as Huamoyan Granule, Huamoyan Capsule, Qi Huang Tong Mi Granule, Jiang Zhi Tong Luo Soft Capsule and exclusive oral dosage form products such as Qing Kai Ling Soft Capsule and Huo Xiang Zheng Qi Soft Capsule. At the same time, driven by prescription medications for respiratory system such as Qing Kai Ling Injection, and cardiovascular and cerebrovascular prescription medications such as Shen Mai Injection and Guan Xin Ning Injection, injection products of the Group recorded a total growth of 37.3%.

ESSENTIAL DRUGS – SALES INCREASED BY 57.0%

The Group regularly manufactured a total of 18 medications which are listed on the National Essential Drug List, including Qing Kai Ling Injection, Shen Mai Injection, Qing Kai Ling Soft Capsule, Huamoyan Granule, Huo Xiang Zheng Qi Soft Capsule, Compound Licorice Tablet and so on. During the Period, the overall sales of the Group's regularly-manufactured medications listed on the National Essential Drug List increased by 57.0% to RMB928,912,000, accounting for 38.7% of the Group's overall sales, of which 77.0% were prescription medications, while 23.0% were OTC medications ("OTC Medications").

MANAGEMENT DISCUSSION AND ANALYSIS

According to national policies, the essential drugs shall be prioritized for treatments in medical institutions at all levels and the proportion of use of essential drugs shall be increased. In particular, the proportion of essential drugs by number of types in primary public medical and healthcare institutions, second-tier public hospitals and third-tier public hospitals, should be no less than 90%, 80% and 60% respectively in principle, and medical institutions at all levels are required to follow the “1+X” protocol with essential drugs as the lead.

The government’s promotion of the widespread use of essential drugs will drive the sustained growth of the Group’s prescription medications and OTC Medications which are included in the National Essential Drug List.

PRESCRIPTION MEDICATIONS – SALES INCREASED BY 27.2%

For the six months ended 30 June 2023, the sales of the Group’s prescription and OTC medications accounted for approximately 85.7% and 14.3% of the Group’s total sales respectively.

During the Period, the overall sales of prescription medications increased by 27.2% as compared to the same period last year. The table below summarizes the growth of the Group by medicine category:

<i>RMB'000</i>	Sales First six months of 2022	Sales First six months of 2023	Percentage of sales	Sales growth First six months of 2023
TCM formula granules	469,273	628,658	26.2%	34.0%
Respiratory system prescription medications	281,823	512,898	21.4%	82.0%
Cardio-cerebrovascular injection prescription medications	439,625	498,150	20.8%	13.3%
Exclusive oral prescription medications	194,586	229,793	9.5%	18.1%
Other prescription medications	231,870	187,350	7.8%	-19.2%
Prescription medications	1,617,177	2,056,849	85.7%	27.2%
OTC medications	198,017	341,831	14.3%	72.6%
Total sales	1,815,194	2,398,680	100.0%	32.1%

MANAGEMENT DISCUSSION AND ANALYSIS

TCM FORMULA GRANULES - OPPORTUNITIES OF ACCELERATING THE DEVELOPMENT OF MARKET OPENING

The Group's TCM formula granules continued to grow rapidly with sales surging by 34.0% during the Period, accounting for 26.2% of the Group's total sales. The Group is now ranked among the top five listed companies in China in terms of sales of TCM formula granules.

During the Period, the Group's TCM formula granules team continued to step up its efforts in the market development and personnel deployments of graded medical institutions and grass-root markets in Hebei, Yunnan and other provinces. Currently, Class III hospitals in Hebei and Yunnan Provinces contributed to the majority of the sales of TCM formula granules of the Group, accounting for 83.1% of the total sales of TCM formula granules. During the Period, the Group's sales in grass-root medical institutions in provinces including Hebei, Yunnan and other provinces across the country accounted for 16.9% of the total sales of TCM formula granules.

As of 30 June 2023, the National Medical Products Administration and the Chinese Pharmacopoeia Commission had promulgated national standards for a total of 248 varieties of TCM formula granules. On 15 August 2023, the Chinese Pharmacopoeia Commission issued the "Notice on the Transmission of the Fifth Batch of 25 National Standards for TCM Formula Granules" (《關於轉發第五批25個中藥配方顆粒國家標準的通知》), which announced 17 new national standard varieties and 8 revised varieties. This brings a total of 256 varieties of TCM formula granules now on the national standards list. The Group will complete all filings for the listing of the fifth batch of 25 national standard varieties recently announced as soon as possible.

At present, the Group has completed the listing on the online procurement portals for the types of TCM formula granules that comply with both the national and provincial quality standards in 13 provinces and municipalities, including Beijing and Tianjin, Hebei, Yunnan, Anhui, Fujian, Shandong, Gansu, and Inner Mongolia. In the second half of 2023, the Group's TCM formula granules business unit will accelerate the development work of graded medical institutions in Beijing, Tianjin, Shandong and Anhui and the grass-root market across the country.

On 17 August 2023, the Shandong Public Resources Trading Centre released the "Centralized Procurement Documents for the Procurement Alliance of TCM Formula Granules (Consultation Draft)" stipulating a total of 15 provincial units including Shandong, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Anhui, Jiangxi, Hainan, Yunnan, Tibet, Shaanxi, Qinghai, and Xinjiang form a provincial alliance to commence the centralized procurement of 200 varieties that comply with national drug standards of TCM formula granules. The launch of the centralized procurement by the provincial alliance may become a catalyst opportunity for the Group to accelerate the development of TCM formula granule market in the provincial alliance.

The Group's production capacity of TCM formula granules has reached an annual production value of RMB5 billion. In the future, the Group will continue to implement its production capacity expansion plan based on market development status.

MANAGEMENT DISCUSSION AND ANALYSIS

RESPIRATORY SYSTEM PRESCRIPTION MEDICATIONS – DEMAND EXCEEDING SUPPLY

The Group's respiratory system prescription medications soared in sales by 82.0% during the Period and recorded total sales of RMB512,898,000, accounting for 21.4% of the overall sales of the Group. Among them, Qing Kai Ling Injection recorded sales of RMB400,632,000 for the Period, representing an increase of 92.8% and accounting for 16.7% of the overall sales of the Group. Qing Kai Ling medication mainly treats high fever, viral cold, and respiratory tract infections. Qing Kai Ling Injection has been listed on the National Essential Drug List and the National Reimbursement Drug List. It is an "Essential Drug for the Emergency Department of TCM Hospital" recognized by the National Administration of TCM, and is also listed on the "Consensus of TCM Treatment Experts on Human Infection with H7N9 Avian Influenza (2014 Edition)" and the "Type A H1N1 Influenza Diagnosis and Treatment Program" by the state. During the COVID-19 pandemic, several provinces included Qing Kai Ling injection in the recommended medicine catalogue of their treatment programs. As an anti-influenza drug recommended by national institutions, there is a vast demand for Qing Kai Ling Injection. In early 2023, there was a high incidence of influenza in China, during which the demand for Qing Kai Ling Injection was far exceeding its supply.

CHINESE MEDICINE INJECTIONS PRESCRIPTION MEDICATIONS FOR CARDIOVASCULAR AND CEREBROVASCULAR DISEASES – RIDING ON THE ACCELERATING TREND OF AGING POPULATION

The state has gradually lifted the reimbursement restrictions of medical insurance on Chinese medicine injections, and several Chinese medicine injections varieties were selected into the diagnosis and treatment plan for Novel Coronavirus Pneumonia recommended by the national institutions. In recent years, a number of Chinese medicine injections have been included in the scope of centralized procurement for use in public medical institutions at all levels across the country and many provinces. Such positive factors have led to a recovery in the demands for Chinese medicine injection.

Chinese medicine injections not only preserve the characteristics of TCM, but also have the advantages of rapid action profile of western medicines. Their advantages such as targeted efficacy and acupoint injection can effectively make up for the shortcomings of other dosage forms of TCM while Chinese medicine injections also have the characteristics of high-level drug bioavailability, remarkable efficacy, etc..

In recent years, the Group's Qing Kai Ling Injection, Shen Mai Injection, Shu Xue Ning Injection and Guan Xin Ning Injection won the bid in each of the national and provincial centralized TCM procurements. During the Period, overall sales of the Group's injection products increased by 37.3%. In particular, on top of a 92.8% increase in the respiratory system medication Qing Kai Ling Injection, the Group recorded a 13.3% increase in a series of cardiovascular and cerebrovascular TCM injection prescriptions to RMB498,150,000. Sales of Shen Mai Injection and Guan Xin Ning Injection increased by 22.6% and 29.1% to RMB111,129,000 and RMB203,604,000 respectively, and sales of Huang Qi Injection and Xiang Dan Injection increased by 85.4% and 105.7% to RMB20,870,000 and RMB30,334,000 respectively. But sales of Shu Xue Ning Injection and Dan Shen Injection declined by 14.7% and 30.8% to RMB94,520,000 and RMB37,693,000 respectively during the Period.

Chinese medicine injections of the Group have regained growth momentum since 2021 and have thus far been on a continuous growth trend for three consecutive years. With the acceleration of population aging, the demand for Chinese medicine injections for cardio-cerebrovascular diseases will become more prominent.

MANAGEMENT DISCUSSION AND ANALYSIS

EXCLUSIVE ORAL PRESCRIPTION PRODUCTS – THE SECOND ECHELON IN LEADING CONTINUOUS GROWTH

In the first six months of the year, the Group's exclusive products maintained its growth momentum in sales, and were the second echelon in leading the Group's continuous growth. Among them, sales of Huamoyan Granule, Qi Huang Tong Mi Soft Capsule, Jiang Zhi Tong Luo Soft Capsule, and Dan Deng Tong Nao Soft Capsule for the Period increased by 18.9%, 24.1%, 33.2% and 12.2% to RMB127,510,000, RMB38,008,000, RMB22,150,000 and RMB15,670,000 respectively as compared to the same period last year.

Huamoyan Granule is the only innovative Chinese Medicine for treating knee joint synovitis approved by the National Medical Products Administration. It has filled the gap in both Western medicines and TCM in the treatment of synovitis in China. Qi Huang Tong Mi Soft Capsule is the only next-generation modern Chinese medicine on the market for treating functional constipation in the elderly that is laxative without causing diarrhea, while also being sustainable and effective. Jiang Zhi Tong Luo Soft Capsule is the only lipid-regulating medication with a hepato-protective effect and can effectively treat hyperlipidemia with good safety.

The Group will continue to actively strengthen evidence-based medical research, and through boosting terminal investments and academic promotion to expand the sales of our exclusive oral prescription products.

OTC MEDICATIONS – SALES INCREASED BY 72.6%

The Group has a number of well-received OTC Medications with sustained growth potential, which are available at more than 300,000 retail pharmacies nationwide and key internet pharmacy platforms.

In the first six months of 2023, the overall sales of OTC Medications increased by 72.6% period on period, of which sales of Huo Xiang Zheng Qi Soft Capsule and Qing Kai Ling Soft Capsule increased significantly by 110.8% and 54.6% respectively. Meanwhile, the Group's series of OTC granules for treating respiratory diseases in children also recorded a growth of 24.0% during the Period.

Huo Xiang Zheng Qi Soft Capsule is the Group's exclusive dosage form of OTC pharmaceutical product, which recorded sales of RMB150,102,000 and accounted for 6.3% of the Group's overall sales during the Period, and has been listed on the National Essential Drug List and the National Reimbursement Drug List. It is used for the treatment of external wind-cold, internal dampness, headache and dizziness, gastric distension and pain, vomiting and diarrhea, gastrointestinal cold and other discomforts. Moreover, the Huo Xiang Zheng Qi medications have been recommended by the National Health Commission and the State Administration of Traditional Chinese Medicine for prevention and control of the pandemic for many times, and has become one of the general public's regularly used modern TCM.

Qing Kai Ling Soft Capsule, an exclusive oral product of the Group, is both an OTC and prescription medication which has preventive and therapeutic effects on respiratory system diseases caused by viruses (fever virus and epidemic virus). During the Period, it recorded sales of RMB45,954,000 and accounted for 1.9% of the overall sales of the Group. Qing Kai Ling Soft Capsule has been listed on the National Essential Drug List and National Reimbursement Drug List, and was selected into the diagnosis and treatment program by the Ministry of Health of the PRC for human transmitted Avian Flu and A (H1-N1) Flu during the H1N1 pandemic. It was also included in the list of recommended medications in a number of provincial treatment plans during the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the sales of the Group's OTC granules for the treatment of respiratory diseases in children accounted for 2.2% of the Group's overall sales. Among them, Pediatric Qing Fei Hua Tan Granule grew by 26.8% during the Period. Pediatric Qing Fei Hua Tan Granule has superb curative effect and has become a famous brand of medication for coughs in children.

The Group will continue to strengthen marketing efforts of pediatric granules and other popular OTC granule products to drive continued growth of its OTC Medications.

EXCLUSIVE INNOVATIVE MEDICINES – CONTINUE TO ACCELERATE DEVELOPMENT

Currently, the Group is undergoing a number of projects which will be progressively put on pharmaceutical and clinical trials, among which 3 exclusive innovative medications, namely Sailuotong Capsule, Q-B-Q-F Condensed Pill and JC Soft Capsule, are still undergoing Phase III clinical trials.

Sailuotong Capsule is a "Compound Chinese Medicine" developed with modern innovative technology. Different from TCM, medicative components of Compound Chinese Medicine are separated and purified from medicinal materials through a series of modern technological means and the molecular constitution of its medicative components is also clarified for further pharmacodynamics studies. After the efficacy of each component is identified, the components are then combined to form new medicines with higher efficacy. Unlike other TCM, Compound Chinese Medicine originated from traditions, but features a clear chemical composition and action mechanism which matches its clinical effect, marking this a major breakthrough of TCM modernization. Sailuotong Capsule is composed of medicative parts extracted from saffron, ginseng and ginkgo biloba leaf, solving the undefined material base and unclear action mechanism of TCM. Please refer to the interim reports and annual reports announced in previous years for the detailed descriptions and market potential of Sailuotong Capsule and the other two medications.

During the Period, the Group received approval for drug clinical trial from the National Medical Products Administration to carry out the clinical trial of "Yi Gong San Granules", a class 1.1 innovative Chinese medicine developed by the Group. "Yi Gong San Granule" comes from the classical prescription of the Song Dynasty. It has been in clinical application for more than 900 years to treat anemia of chronic disease. At present, there is no specific Chinese patent medicine for treating anemia of chronic disease on the market. Studies have demonstrated the clinical efficacy of "Yi Gong San Granules" in the treatment of anemia of chronic disease, especially in cases where EPO therapy with erythropoietin is ineffective. "Yi Gong San Granules" will fill the market gap in the treatment of anemia of chronic disease to meet clinical needs and will show its great social value as well. The Group will provide updates on the status of its clinical trials from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

ANCIENT CLASSICAL PRESCRIPTIONS – LISTING APPLICATION FOR CLASS 3.1 OF NEW TCM

The Group has been persistently committed to promoting the inheritance, development and innovation of TCM, and is on its way to develop over 100 new medications based on ancient classical prescriptions.

Classical prescriptions are TCM compounds originated from ancient classical prescriptions as recorded in ancient medical books, which are still broadly used nowadays with clear efficacy. The Group developed such classical prescriptions to standardized products for listing so that more people will be benefited therefrom. This year, the Group has already submitted two new product listing applications based on ancient classical prescriptions.

During the Period, the Group submitted the new product listing application for Shaoyao Gancào Decoction Granule (芍藥甘草湯顆粒) under Class 3.1 of TCM. Shaoyao Gancào Decoction Granule is based on an ancient classical prescription for relieving spasm and pain in various diseases characterized by muscle spasms and pain.

The Group also recently submitted a new product listing application for Yiguan Jian Granule (一貫煎顆粒) under Class 3.1 of new TCM. Yiguan Jian is an ancient classical prescription, while Yiguan Jian Granule is mainly used in the clinical treatment of chronic hepatitis, chronic gastritis, gastric and duodenal ulcers, intercostal neuralgia and neurosis, etc..

Class 3.1 of new TCM are TCM compounds managed under the catalogue of ancient classical prescriptions. In 2018, the State Administration of Traditional Chinese Medicine issued the “Ancient Classical Prescription Catalogue (First Batch)” (《古代經典名方目錄(第一批)》), featuring 100 ancient classical prescriptions. Such prescriptions are mainly extracted from some ancient medical books from the Han Dynasty to the Qing Dynasty, among which there are Shaoyao Gancào Decoction and Yiguan Jian.

On 5 July 2023, the Center for Drug Evaluation of the National Medical Products Administration issued the “Opinions on Accelerating the Communication and Registration of TCM Compounds in Ancient Classical Prescriptions (Consultation Draft)” (《關於加快古代經典名方中藥複方製劑溝通交流和申報的有關意見(徵求意見稿)》), aiming to promote the R&D and registration of TCM compounds within Class 3.1 of TCM managed under the catalogue of ancient classical prescriptions. Guided by national policies, the Group is accelerating the registration of several new drugs developed from ancient classical prescriptions of Chinese medicine under Class 3.1 of TCM, with the goal of completing the registration of the first batch of ancient classical prescription of Chinese medicines by the end of 2023.

China Continues to Introduce Policies to Support TCM

On 25 August 2023, the State Council held an executive meeting to review and approve the “Pharmaceutical Industry High-Quality Development Action Plan (2023-2025)”. The meeting emphasized the need to focus on the characteristics of high level of difficulty, long cycle, and substantial investment in pharmaceutical R&D and innovation and to provide full-chain support, encourage and guide the development and growth of leading pharmaceutical companies in order to improve industrial concentration and market competitiveness. It is also necessary to utilize the unique advantages of Chinese medicines in our country, to increase its protection and to maintain a safe development of Chinese medicines.

The country’s continuous introduction of policies to support TCM will provide strong support for the development of the TCM industry and accelerate the pace of TCM inheritance and innovation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Turnover

For the first six months of 2023, the Group continued to produce modern Chinese medicine products of good efficacy and high quality. The Group's turnover increased by 32.1% as compared to the corresponding period of last year. Sales of our injection products increased by 37.3% to RMB957,253,000, accounting for 39.9% of the Group's total turnover. Sales of soft capsule products increased by 19.0% to RMB352,066,000, accounting for 14.7% of the Group's total turnover. Sales of granule products increased by 28.5% to RMB331,191,000, accounting for 13.8% of the Group's total turnover. Sales of TCM formula granules increased by 34.0% to RMB628,658,000, accounting for 26.2% of the Group's total turnover. The Group also sold RMB129,512,000 of medicines in other formats which accounted for 5.4% of the Group's turnover.

Sales of prescription and OTC medications of the Group for the first six months of 2023 were RMB2,056,849,000 and RMB341,831,000 respectively, which were equal to 85.7% and 14.3% of the Group's turnover respectively.

Cost of Sales

Cost of sales of the Group for the first six months of 2023 was RMB594,723,000, representing 24.8% of the Group's turnover. In particular, direct materials, direct labour and other production costs accounted for 68.2%, 14.6% and 17.2% of the total production costs respectively (for the corresponding period of 2022: 60.5%, 15.5% and 24.0%).

Gross Profit Margin

For the first six months of 2023, average gross margin of the Group's injection products, soft capsule products, granule products and TCM formula granule products were 77.2% (for the corresponding period of 2022: 73.6%), 75.9% (for the corresponding period of 2022: 74.6%), 77.8% (for the corresponding period of 2022: 77.5%) and 73.8% (for the corresponding period of 2022: 70.1%) respectively. Overall gross profit margin was 75.2% as compared to 73.0% of the corresponding period of last year.

Other Income

Other income mainly included government subsidies of RMB8,812,000 (for the corresponding period of 2022: RMB7,634,000). The government subsidies mainly represented incentives received from the government for research activities and investments in the relevant regions in the PRC by the Group.

Investment Income

Investment income mainly included interest income from bank deposits and structured deposits totaling RMB52,486,000 (for the corresponding period of 2022: RMB53,023,000) and interest income from investments in financial products of RMB4,123,000 (for the corresponding period of 2022: RMB3,504,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gains and Losses

Other gains and losses comprised net exchange gain and loss on disposal of property, plant and equipment. The Group recorded a net exchange gain of RMB7,054,000 (for the corresponding period of 2022: net exchange loss of RMB1,847,000) for the first six months of 2023, which was mainly resulted from the exchange gain arising from changes in exchange rate among Australian dollars, Hong Kong dollars and Renminbi. Besides, net loss on disposal of property, plant and equipment for this Period was RMB386,000 (for the corresponding period of 2022: net loss of RMB296,000).

Impairment Losses on Financial Assets

In the first six months of 2023, respective impairment of RMB5,105,000 (for the corresponding period of 2022: RMB2,748,000) and of RMB1,131,000 (for the corresponding period of 2022: reversal of impairment of RMB1,305,000) for trade receivables and trade receivables backed by bank bills were accounted for after the expected credit risk of financial assets assessment by the Group's management. The increase in impairment of financial assets was mainly due to the overall increase in trade receivables and trade receivables backed by bank bills as compared to the corresponding period of last year.

Selling and Distribution Costs

Selling and distribution costs for the first six months of 2023 increased by 24.3% from the corresponding period of last year and were equal to 42.7% (for the corresponding period of 2022: 45.4%) of the Group's turnover. The increase was mainly due to the increase in market development expenses, sale management expenses and market promotion expenses as compared to the same period of last year.

Administrative Expenses

In the first six months of 2023, administrative expenses increased by approximately 8.1% as compared to the corresponding period of last year, representing approximately 5.8% (for the corresponding period of 2022: 7.0%) of the Group's turnover. Administrative expenses mainly comprised salaries and social security outlay of administration staff, depreciation expenses of property, plant and equipment and amortisation expenses of intangible assets which accounted for 2.1% and 1.1% (for the corresponding period of 2022: 2.3% and 1.5%) of the Group's turnover respectively.

Research and Development Costs

During the first six months of 2023, research and development costs accounted for approximately 2.0% (for the corresponding period of 2022: 1.6%) of the Group's turnover.

Taxation

Taxation for the first six months of 2023 amounted to RMB179,823,000 (for the corresponding period of 2022: RMB80,285,000). The effective tax rate increased from 19.5% in the corresponding period of last year to 26.8%. This was mainly due to the withholding tax related to dividend distributions of subsidiaries in the PRC during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period

The Group's net profit for the first six months of 2023 was RMB491,465,000, representing an increase of 48.4% as compared to the corresponding period of last year. The rise in profit was mainly attributable to the increased turnover and operating profit during the Period.

Interim Dividend

The Board resolved to declare the second interim dividend of RMB11 cents per share amounting to RMB83,094,000 in respect of the fiscal year 2023 (calculated on the basis of 827,000,000 shares issued less 71,600,000 shares held for share award scheme as at 30 June 2023), which will be paid on 29 September 2023 to the shareholders whose names appear on the Company's register of members on 15 September 2023.

The above interim dividend will be payable in cash in Hong Kong dollars and will be converted from Renminbi at the telegraphic transfer exchange rates quoted by bank at 10:00 a.m. on 30 August 2023 (RMB1=HK\$1.071). Accordingly, the amount payable on 29 September 2023 will be HK\$0.118 per share.

Capital Structure

For the six months ended 30 June 2023, there was no change in the capital structure and issued share capital of the Group as compared to those on 31 December 2022.

Liquidity and Financial Resources

As at 30 June 2023, bank balances and cash of the Group amounted to RMB5,364,576,000 (31 December 2022: bank balances and cash and structured deposits totaling RMB5,046,495,000) of which RMB5,101,762,000 (31 December 2022: RMB4,831,946,000), were denominated in Renminbi. Others being equivalent to RMB7,266,000, RMB251,870,000 and RMB3,678,000 (31 December 2022: RMB129,406,000, RMB81,618,000 and RMB3,525,000) were denominated in Hong Kong dollars, Australian dollars and United States dollars respectively.

The directors of the Company (the "Directors") believe that the financial position of the Group is healthy, with sufficient financial resources to meet the need for future development.

Trade Receivables and Trade Receivables backed by Bank Bills

Trade receivables and trade receivables backed by bank bills as at 30 June 2023 increased by 12.8% and 49.8% respectively from 31 December 2022. Turnover days of trade receivables and trade receivables backed by bank bills were 54.1 days and 28.4 days respectively (for the corresponding period of 2022: 50.6 days and 35.4 days respectively).

Inventories

Inventories balance as at 30 June 2023 increased by 21.5% from 31 December 2022. By inventory categories, raw materials, work in progress and finished goods respectively accounted for 26.2%, 39.7% and 34.1% of inventories as at 30 June 2023 (31 December 2022: 34.5%, 33.9% and 31.6% respectively).

Turnover days of finished goods in the first six months of 2023 were 73.2 days (for the corresponding period of 2022: 73.1 days).

MANAGEMENT DISCUSSION AND ANALYSIS

Property, Plant and Equipment

In the first six months of 2023, the Group acquired land use rights of RMB66,301,000, plant and machinery of RMB30,720,000, office equipment of RMB1,861,000, owned properties of RMB765,000 and the addition to construction in progress amounted to approximately RMB10,523,000 in total. Besides, following the adoption of IFRS 16, property, plant and equipment had included the leasehold land, leasehold properties, leasehold motor vehicles and leasehold machineries which had respective net book values of RMB172,223,000, RMB1,200,000, RMB594,000 and RMB971,000 as at 30 June 2023.

For the six months ended 30 June 2023, depreciation for property, plant and equipment amounted to RMB77,208,000 as compared to RMB84,329,000 during the corresponding period of last year.

Intangible Assets

Intangible assets represent patents and production licenses with finite useful lives. During the period under review, the amortisation of intangible assets was approximately RMB8,894,000.

Goodwill

Goodwill is comprised of the Group's acquisition of the remaining 20% equity interests in the share capital of Shineway Pharmaceutical Sales Company Limited in 2005, the acquisitions of 100% equity interests of Shineway Pharmaceutical (Zhangjiakou) Co., Ltd and Shineway Pharmaceutical (Sichuan) Company Limited in 2010, and the acquisitions of 100% equity interest of Shineway Pharmaceutical Group (Shandong) Company Limited, Yunnan Shineway Spirin Pharmaceutical Company Limited and Shineway Pharmaceutical (Kunming) Company Limited in 2014, 2015 and 2021 respectively.

Trade Payables

During the period under review, turnover days of trade payables were 105.8 days (for the corresponding period of 2022: 79.6 days).

Bank Borrowing

As at 30 June 2023, the Group had bank borrowing of RMB300,000,000 with interest at Loan Prime Rate minus 200 basis point per annum. This borrowing is due within one year. The Group's gearing ratio based on interest bearing debt was 4.5% (31 December 2022: Nil). The bank borrowing had been fully used to generate financial income.

Employees

As at 30 June 2023, the Group has 3,533 employees (31 December 2022: 4,131 employees). Remuneration of the employees was determined and reviewed by the Group based on fair principles with reference to market conditions and individual performance. The Group also provided other benefits to its employees, including medical insurance and retirement benefits. The Group's employees in Hong Kong were also enrolled in the Mandatory Provident Fund Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to Fluctuations in Exchange Rates

A majority of the Group's business transactions and liabilities are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy and most of its bank deposits are in Renminbi, Hong Kong dollars and Australian dollars. The Group's exchange gain in the first half of 2023 represented the net exchange gain arising from the change in exchange rate among Renminbi, Hong Kong dollars and Australian dollars. As at 30 June 2023, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of relevant company	Capacity	Number of shares	Approximate percentage of shareholding in the Company
Li Zhenjiang	Company	Founder of discretionary trust (<i>Note</i>)	546,802,990	66.12%
Li Huimin	Company	Beneficial owner	1,020,000	0.12%
Xin Yunxia	Company	Beneficial owner	540,000	0.07%

Note: These 546,802,990 shares of the Company ("Shares") are held by Forway Investment Limited ("Forway"). Forway is owned as to 100% by BH Corporate Services Ltd, a trust company, in its capacity as the trustee of The Li Family 2004 Trust. The Li Family 2004 Trust is a discretionary trust, the founder (as defined in the SFO) of which is Mr. Li Zhenjiang and the discretionary objects of which are family members of Mr. Li Zhenjiang (excluding Mr. Li Zhenjiang himself). Accordingly, Mr. Li Zhenjiang is deemed to be interested in the 546,802,990 Shares under the SFO.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executives of the Company or their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Share Option Scheme" and "Employees' Share Award Scheme" below, at no time during the Period was or were the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

Interest in the Company

As at 30 June 2023, interests of every person (other than a Director or chief executive of the Company as disclosed in the section “Directors’ and Chief Executives’ Interests in Shares” above) in the shares and underlying shares in the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of shares	Approximate percentage of shareholding in the Company
Forway (Notes 1 and 2)	Beneficial owner	546,802,990	66.12%
BH Corporate Services Ltd (Notes 1 and 2)	Trustee of discretionary trust	546,802,990	66.12%

Notes:

(1) Interests of Forway and BH Corporate Services Ltd in the Shares were duplicated.

(2) The entire issued share capital of Forway is owned by BH Corporate Services Ltd in its capacity as the trustee of The Li Family 2004 Trust, a discretionary trust, the founder (as defined in the SFO) of which is Mr. Li Zhenjiang and the discretionary objects of which are family members of Mr. Li Zhenjiang (excluding Mr. Li Zhenjiang himself).

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any persons who (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 29 May 2015 (the “2015 Scheme”). The purpose of the 2015 Scheme is to provide the Company with a flexible means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to the participants, and for such other purposes as the Board may approve from time to time. There are no outstanding options under the 2015 scheme at the beginning and the end of the Period. No option was granted, exercised, cancelled or lapsed under the 2015 Scheme during the Period. The 2015 scheme has a life of 10 years and will expire on 28 May 2025.

The maximum number of shares in respect of which options may be granted under the 2015 Scheme and any other share option schemes of the Company shall not in aggregate exceed 82,700,000 shares representing 10% of the shares in issue of the Company as at 29 May 2015 (being the date of the extraordinary general meeting approving the 2015 Scheme) and as at the date of this report. The number of options available for grant under the scheme mandate at the beginning and the end of the Period is 82,700,000 shares.

OTHER INFORMATION

EMPLOYEES' SHARE AWARD SCHEME

On 26 March 2018, the Company adopted the share award scheme (the "Scheme") with objectives to recognise the contributions by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group. Unless terminated earlier by the Board of Directors pursuant to the Scheme, the Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

Pursuant to the Scheme, the Board of Directors may, from time to time, at its absolute discretion cause to be paid to the trustee sums of money from the Company's resources for the purchase of shares to be held on trust in accordance with the Scheme and the trust deed. Such sums of money shall be applied towards the purchase of the specific number of shares from the open market according to the written instructions of the Board of Directors. The Board of Directors shall not make any further award which will result in the number of shares awarded by the Board of Directors under the Scheme exceeding 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of the shares which may be awarded to a selected employee under the Scheme shall not exceed 1% of the issued share capital of the Company as at the adoption date (which is also equal to the issued share capital of the Company as at the date of this report).

During the six months ended 30 June 2023 and 30 June 2022, there were no disposal or purchase of shares by the trustee. At the end of the reporting period, there are 71,600,000 shares held by the trustee. No shares were granted to eligible employees pursuant to the Scheme since its adoption.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2023, except for code provision C.2.1 as described below.

Code provision C.2.1 of the Code stipulates that the roles of chairman of the board (the "Chairman") and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing. The Company does not use the title "Chief Executive". The duty of the chief executive has been assumed by the president of the Company (the "President").

Mr. Li Zhenjiang has been both the Chairman and President. His responsibilities are clearly set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and President in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the relevant structure from time to time and shall consider any appropriate adjustments should new circumstances arise.

OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group's senior management and also persons who are privy to price sensitive information of the Group. Having made specific enquiry, all directors of the Company confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions of the directors for the six months ended 30 June 2023.

CHANGES IN DIRECTOR'S INFORMATION

During the six months ended 30 June 2023, there were no issues related to the directors of the Company that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited consolidated results of the Group for the six months ended 30 June 2023.

CLOSURE OF SHARE TRANSFER REGISTRATION

The register of members of the Company will be closed from 14 September 2023 to 15 September 2023 (both days inclusive). In order to qualify for the second interim dividend for the fiscal year 2023, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 13 September 2023.

By order of the Board

China Shineway Pharmaceutical Group Limited

Li Huimin

Director

Hong Kong, 30 August 2023

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte

德勤

**TO THE BOARD OF DIRECTORS OF
CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED**

中國神威藥業集團有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Shineway Pharmaceutical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 24 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	2,398,680	1,815,194
Cost of sales		(594,723)	(490,380)
Gross profit		1,803,957	1,324,814
Other income		22,177	15,434
Investment income	4	56,609	56,527
Other gains and losses		6,668	(2,143)
Impairment losses on financial assets under expected credit loss model, net of reversal	12	(6,236)	(1,443)
Selling and distribution costs		(1,025,150)	(824,798)
Administrative expenses		(138,368)	(127,967)
Research and development costs		(48,198)	(28,671)
Finance costs		(171)	(345)
Profit before taxation		671,288	411,408
Taxation	5	(179,823)	(80,285)
Profit and total comprehensive income for the period	6	491,465	331,123
Earnings per share	8		
Basic		RMB65 cents	RMB44 cents
Diluted		RMB65 cents	RMB44 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	NOTES	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	1,239,511	1,216,937
Intangible assets		38,454	47,348
Goodwill	10	165,956	165,956
Deferred tax assets		17,437	19,221
		1,461,358	1,449,462
Current assets			
Inventories		799,301	657,659
Trade receivables	11	759,323	673,380
Trade receivables backed by bank bills	11	451,773	301,682
Prepayments, deposits and other receivables		66,079	103,183
Structured deposits		–	20,230
Bank balances and cash		5,364,576	5,026,265
		7,441,052	6,782,399
Current liabilities			
Trade payables	13	387,013	308,540
Trade payables backed by bank bills	13	–	205
Other payables and accrued expenses		1,195,111	1,063,519
Bank borrowing	14	300,000	–
Contract liabilities		65,087	153,118
Lease liabilities		3,607	6,530
Amounts due to related companies		13,784	13,784
Deferred income		14,780	12,103
Tax payable		97,267	107,794
		2,076,649	1,665,593
Net current assets		5,364,403	5,116,806
Total assets less current liabilities		6,825,761	6,566,268

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Non-current liabilities		
Lease liabilities	660	912
Deferred tax liabilities	22,670	18,844
Deferred income	162,614	163,986
	185,944	183,742
Net assets	6,639,817	6,382,526
Capital and reserves		
Share capital	87,662	87,662
Reserves	6,552,155	6,294,864
Total equity	6,639,817	6,382,526

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital	Share premium	Merger reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Share options reserve	Shares held for share award scheme	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 (audited)	87,662	422,140	83,758	495,614	154,760	-	(578,649)	5,717,241	6,382,526
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	491,465	491,465
Transfers	-	-	-	(14,925)	-	-	-	14,925	-
Dividends paid (note 7)	-	-	-	-	-	-	-	(234,174)	(234,174)
At 30 June 2023 (unaudited)	87,662	422,140	83,758	480,689	154,760	-	(578,649)	5,989,457	6,639,817
At 1 January 2022 (audited)	87,662	422,140	83,758	442,608	154,760	7,571	(578,649)	5,281,631	5,901,481
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	331,123	331,123
Transfers	-	-	-	1,056	-	-	-	(1,056)	-
Dividends paid (note 7)	-	-	-	-	-	-	-	(158,634)	(158,634)
Lapse of share options	-	-	-	-	-	(2,173)	-	2,173	-
At 30 June 2022 (unaudited)	87,662	422,140	83,758	443,664	154,760	5,398	(578,649)	5,455,237	6,073,970

Notes:

- (a) Merger reserve of China Shineway Pharmaceutical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") represents the difference between the net asset value of the subsidiaries and the nominal amount of the Company's shares which were issued as consideration for the subsidiaries at the time of the group reorganisation in preparation for the listing of the Company's shares.
- (b) Statutory surplus reserve fund and discretionary surplus reserve fund are appropriated each year by certain subsidiaries in the People's Republic of China (the "PRC") on the basis of 10% of the profit after taxation as determined by the board of directors of the relevant subsidiaries and at the rate decided by the shareholders annually in accordance with the Articles of Association ("Articles") of the relevant subsidiaries. According to the provision of the Articles, in normal circumstances, this reserve should only be used for making up losses, capitalisation into capital and expansion of production and operation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	321,381	448,983
Investing activities		
Placement of financial products	(200,000)	(150,000)
Proceeds from redemption of financial products	204,123	153,504
Proceeds from redemption of structured deposits	20,230	–
Interest received	23,190	25,723
Purchase of property, plant and equipment	(49,149)	(64,197)
Purchase of land use right	(66,301)	–
Proceeds from disposal of property, plant and equipment	10,002	770
Government grants received	4,712	2,379
Net cash used in investing activities	(53,193)	(31,821)
Financing activities		
New borrowing raised	300,000	–
Dividends paid	(234,174)	(158,634)
Interest paid	(171)	(345)
Repayment of lease liabilities	(3,175)	(3,986)
Net cash from (used in) financing activities	62,480	(162,965)
Net increase in cash and cash equivalents	330,668	254,197
Cash and cash equivalents at beginning of the period	5,026,265	4,205,722
Effect of exchange rate changes of cash and cash equivalents	7,643	1,278
Cash and cash equivalents at end of the period, representing bank balances and cash	5,364,576	4,461,197

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board.

The Group’s condensed consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of amendments to International Financial Reporting Standards (“IFRS Standards”)

In the current interim period, the Group has applied the following amendments to IFRS Standards issued by the International Accounting Standards Board for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The application of the amendments to IFRS Standards in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. REVENUE AND SEGMENT INFORMATION

Operating segment

The Group is engaged in a single operating segment in research and development, manufacturing and trading of Chinese pharmaceutical products. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the chairman of the board of directors of the Group, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures are presented.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Injections	957,253	697,146
Soft capsules	352,066	295,959
Granules	331,191	257,806
Traditional Chinese medicine formula granules	628,658	469,273
Others	129,512	95,010
	2,398,680	1,815,194

Sales of the Group to external customers were substantially made in the PRC including Hong Kong.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. INVESTMENT INCOME

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank deposits	52,112	53,023
Interest on structured deposits (Note)	374	–
Investment income from financial products (Note)	4,123	3,504
	56,609	56,527

Note: The structured deposits and financial products are measured at fair value through profit or loss for both periods. The redemption amounts (including the return) of such products are linked to the performance of underlying debt instruments, equity instruments or foreign currencies. The investment income represents the difference between initial investment amounts and redemption amounts.

5. TAXATION

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current tax	146,289	74,583
(Over) underprovision in prior years	(4,153)	3,132
Withholding tax on distributed profits of subsidiaries operating in the PRC	32,077	–
	174,213	77,715
Deferred tax	5,610	2,570
	179,823	80,285

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Certain subsidiaries which are operating in Western China have been granted tax concession by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both periods. Certain subsidiaries which are recognised as High and New-tech Enterprise have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15% for both periods. In addition, a subsidiary which is operating in agricultural products business has been granted tax exemption by the local tax bureau.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. TAXATION (Cont'd)

According to a joint circular of the State Taxation Administration, Cai Shui 2011 No. 1, PRC withholding income tax of 10% shall be levied on the dividend declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. Those immediate holding companies of the Group's PRC subsidiaries were entitled to 5% withholding tax rate during both periods.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated undistributed profits of the PRC subsidiaries amounting to RMB4,672,808,000 (31 December 2022: RMB4,843,786,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	8,894	9,539
Depreciation of property, plant and equipment	77,208	84,329
Government subsidies (included in other income) (Note)	(8,812)	(7,634)
Net exchange (gain) loss (included in other gains and losses)	(7,054)	1,847
Loss on disposal of property, plant and equipment (included in other gains and losses)	386	296

Note: The government subsidies represent the amounts received from the local government by the subsidiaries of the Company.

During the six months ended 30 June 2023, government subsidies of (a) RMB5,405,000 (six months ended 30 June 2022: RMB854,000) represent incentives received in relation to engagement of the subsidiaries of the Company in high technology business. The grants were unconditional, approved and received during the year of recognition; and (b) RMB3,407,000 (six months ended 30 June 2022: RMB6,780,000) represent recognition of deferred income upon completion of related research activities and development projects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

7. DIVIDENDS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Dividends recognised as distribution during the periods:		
– 2022 first interim dividend of RMB21 cents per share	–	158,634
– 2023 first interim dividend of RMB31 cents per share	234,174	–
	234,174	158,634
Dividends declared subsequent to the reporting periods:		
– 2022 second interim dividend of RMB11 cents per share	–	83,094
– 2023 second interim dividend of RMB11 cents per share	83,094	–
	83,094	83,094

The 2023 second interim dividend of RMB11 cents per share, in the amount of an aggregate of RMB83,094,000, has been declared by the directors of the Company on 30 August 2023 and will be paid out on 29 September 2023, to the shareholders of the Company whose names appear on the register of the members of the Company on 15 September 2023. The aggregate amount of RMB83,094,000 (six months ended 30 June 2022: RMB83,094,000) has been calculated on the basis of 827,000,000 (2022: 827,000,000) shares in issue less 71,600,000 (2022: 71,600,000) shares held for share award scheme as at 30 June 2023.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period attributable to the owners of the Company for the purpose of basic and diluted earnings per share	491,465	331,123
Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of calculation of basic and diluted earnings per share	755,400,000	755,400,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. EARNINGS PER SHARE (Cont'd)

During the six months ended 30 June 2022, the computation of diluted earnings per share did not assume the exercise of the Company's options at exercise prices of HK\$8.39 and HK\$7.21 because the exercise prices of those options were higher than the average market price for shares for the six months ended 30 June 2022.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group made additions to construction in progress of RMB10,523,000 (six months ended 30 June 2022: RMB34,015,000) and acquired a land use right of RMB66,301,000 and other property, plant and equipment of RMB33,346,000 (six months ended 30 June 2022: RMB18,964,000). During the six months ended 30 June 2023, the Group also disposed of certain property, plant and equipment with carrying amount of RMB10,388,000 (six months ended 30 June 2022: RMB1,066,000) at net consideration of RMB10,002,000 (six months ended 30 June 2022: RMB770,000), resulting in a loss on disposal of RMB386,000 (six months ended 30 June 2022: RMB296,000).

10. GOODWILL

At 31 December 2022, the Group allocated goodwill with carrying amounts of RMB102,497,000 and RMB63,459,000, to two cash-generating units ("Unit A" and "Unit C") of subsidiaries with principal activities of research and development, manufacturing and trading of pharmaceutical products, respectively.

During the six months ended 30 June 2023, the Group has completed its internal reorganisation, which changed the composition of cash-generating units to which goodwill has been allocated. Following the completion of internal reorganisation, the goodwill previously allocated to Unit C amounting to RMB63,459,000 has been reallocated to Unit A, as the business of Unit C was integrated into Unit A.

At 30 June 2023, the Group has goodwill with carrying amount of RMB165,956,000 being allocated to one cash-generating unit of subsidiaries with principal activities of research and development, manufacturing and trading of pharmaceutical products.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

11. TRADE RECEIVABLES/TRADE RECEIVABLES BACKED BY BANK BILLS

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Trade receivables	790,113	699,065
Less: Allowance for expected credit loss ("ECL")	(30,790)	(25,685)
	759,323	673,380
Trade receivables backed by bank bills	454,012	302,790
Less: Allowance for ECL	(2,239)	(1,108)
	451,773	301,682
	1,211,096	975,062

The Group allows a credit period normally ranging from six months to one year to its trade customers. The following is an aged analysis of the trade receivables and trade receivables backed by bank bills, net of allowance for ECL, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Within 6 months	1,012,559	811,052
Over 6 months but less than 1 year	146,434	117,855
Over 1 year but less than 2 years	46,233	40,546
More than 2 years	5,870	5,609
	1,211,096	975,062

As at 30 June 2023, total bills received with carrying amount of RMB451,773,000 (31 December 2022: RMB301,682,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

12. IMPAIRMENT LOSSES ON FINANCIAL ASSETS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Impairment losses recognised on trade receivables	5,105	2,748
Impairment losses recognised (reversed) on trade receivables backed by bank bills	1,131	(1,305)
	6,236	1,443

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidation financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

13. TRADE PAYABLES

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Trade payables	387,013	308,540
Trade payables backed by bank bills (Note)	-	205
	387,013	308,745

Note: These related to trade payables in which the Group had issued bills to the relevant suppliers for future settlement of trade payables. The Group continued to recognise these trade payables as the Group was obliged to make payments on due dates of the bills.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. TRADE PAYABLES (Cont'd)

An aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Within 6 months	378,363	298,906
Over 6 months but less than 1 year	3,131	3,793
Over 1 year but less than 2 years	1,220	2,363
Over 2 years but less than 3 years	1,454	254
Over 3 years	2,845	3,429
	387,013	308,745

The average credit period taken for trade purchases ranges from two months to six months.

14. BANK BORROWING

During the six months ended 30 June 2023, the Group obtained a new bank loan amounting to RMB300,000,000. The loan carries interest at Loan Prime Rate minus 200 basis point and is repayable within 1 year. The proceed was used to finance the Group's daily operations.

15. SHARE CAPITAL

	Number of shares '000	Amount '000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 30 June 2023	5,000,000	HK\$500,000
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 30 June 2023	827,000	HK\$82,700
		RMB'000
Shown in the financial statements as		87,662

There were no changes in the Company's authorised, issued and fully paid share capital during both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

The Company has a share option scheme which was adopted at the extraordinary general meeting of the Company held on 29 May 2015 for a period of 10 years. As at 30 June 2023, there is no outstanding share option under the share option scheme of the Company. During the period, no share options were granted under the share option scheme of the Company. Details are set out in the section “Other Information” in this report.

Share award scheme

On 26 March 2018, the Company adopted the share award scheme (“the Scheme”) with objectives to recognise the contributions by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group. Unless terminated earlier by the board of directors pursuant to the Scheme, the Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

Pursuant to the Scheme, the board of directors may, from time to time, at its absolute discretion cause to be paid to the trustee sums of money from the Company’s resources for the purchase of shares to be held on trust in accordance with the Scheme and the trust deed. Such sums of money shall be applied towards the purchase of the specific number of shares from the open market according to the written instructions of the board of directors. The board of directors shall not make any further award which will result in the number of shares awarded by the board of directors under the Scheme exceeding 10% of the issued share capital of the Company as at the adoption date. The maximum aggregate number of the awarded shares which may be awarded to a selected employee under the Scheme shall not exceed 1% of the issued share capital of the Company as at the adoption date.

No shares were granted to eligible employees pursuant to the share award scheme. There were no disposal or purchase of shares by the trustee during the six months ended 30 June 2023 and 2022. At the end of the reporting period, there are 71,600,000 (31 December 2022: 71,600,000) shares held by the trustee.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in the condensed consolidated financial statements, the Group has following transactions and balances with related parties:

Name of related parties	Nature of transactions	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shineway Medical Science & Technology Co., Ltd. ("Shineway Medical")	Interest expenses on lease liabilities	105	220
	Service fee	5,525	5,215
	Hotel service fee	684	–
Shineway (Sanhe) Property Development Limited ("Shineway Sanhe")	Interest expenses on lease liabilities	25	53
	Service fee	1,354	1,278
Kang Yue Hotel Co., Ltd. ("Kang Yue Hotel")	Interest expenses on lease liabilities	–	60
Shijiazhuang Municipal Luancheng County Shineway Training School ("Shineway Training School")	Service fee	253	460
		30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Shineway Medical	Lease liabilities	2,446	4,834
Shineway Sanhe	Lease liabilities	589	1,164

Shineway Medical, Shineway Sanhe, Kang Yue Hotel and Shineway Training School are ultimately controlled by the controlling shareholder of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. RELATED PARTY DISCLOSURES (Cont'd)

Compensation of key management personnel

Key management personnel is deemed to be the members of the board of directors of the Company which has responsibility for planning, directing and controlling the activities of the Group. Details of the remuneration paid to them during the period were as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term benefits	6,421	6,400
Post-employment benefits	47	23
	6,468	6,423

18. CAPITAL COMMITMENTS

	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	134,980	166,666