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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)

2020 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 (the “**Group**”) for the year ended 31 December 2020 (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. Zhang Daiming

Secretary to the Board: Mr. Cao Changqiu

Telephone Number: 86-533-2196024

Facsimile Number: 86-533-2287508

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	2020	2019	Change as compared to that of last year	2018 (after adjustment)
Operating income	6,005,586,643.46	5,606,020,863.30	7.13%	5,244,643,562.09
Total profits	411,637,980.75	381,392,620.93	7.93%	332,327,503.82
Income tax expense	64,524,696.58	58,276,863.40	10.72%	51,900,683.50
Net profits	347,113,284.17	323,115,757.53	7.43%	280,426,820.32
Minority shareholders’ profit or loss	22,253,726.62	23,149,491.82	(3.87%)	25,112,365.46
Net profits attributable to shareholders of listed company	324,859,557.55	299,966,265.71	8.30%	255,314,454.86
Net profits attributable to shareholders of listed company after deduction of non-recurring profit or loss	290,790,007.23	258,555,194.68	12.47%	233,025,701.77
Net cash flow from operating activities	420,186,808.35	348,271,406.17	20.65%	323,907,100.38
Basic earnings per share	0.52	0.48	8.33%	0.41
Diluted earnings per share	0.52	0.48	8.33%	0.41
Ratio of weighted average return on net assets	10.50%	10.58%	Decreased by 0.08 percentage points	9.90%

Item	As at 31 December 2020	As at 31 December 2019	Change as compared to that of last year	As at 31 December 2018 (after adjustment)
Total assets	7,092,952,190.04	6,436,024,609.48	10.21%	5,952,507,432.90
Total liabilities	3,701,662,448.12	3,325,495,154.66	11.31%	3,137,459,111.09
Minority interest	167,495,922.67	141,501,384.01	18.37%	119,588,899.77
Net assets attributable to shareholders of listed company	3,223,793,819.25	2,969,028,070.81	8.58%	2,695,459,422.04

Note:

1. The Company has made retroactive adjustments to the data of 2018 due to the merger of enterprises under the same control in 2019.
2. From the end of the Reporting Period to the date of this announcement, 5.508 million new A-shares were issued due to the completion of the exercise of the first exercise period of the Share Option Scheme of the Company adopted in 2018.

III.CHANGES IN SHARE CAPITAL STRUCTURE AND SHAREHOLDERS' INFORMATION

1. Table of changes in share capital structure

Unit: share

Item	31 December 2020		31 December 2019	
	Number of shares	% of the total share capital	Number of shares	% of the total share capital
1. Total number of conditional tradable shares	11,602	0.002	27,364,370	4.400
State-owned shares	-	-	-	-
Shares owned by domestic legal persons	-	-	27,352,768	4.398
Conditional tradable shares owned by senior management (A shares)	11,602	0.002	11,602	0.002
Others	-	-	-	-
	621,847,845	99.998		
2. Total number of unconditional tradable shares			594,495,077	95.600
RMB-denominated ordinary shares (A shares)	426,847,845	68.640	399,495,077	64.242
Overseas listed foreign shares (H shares)	195,000,000	31.358	195,000,000	31.358
3. Total number of shares	621,859,447	100.00	621,859,447	100.00

2. Shareholders' information

(1) As at 31 December 2020, the Company had a total of 32,904 shareholders, including 46 holders of H shares and 32,858 holders of A shares. As at 28 February 2021, the Company had a total of 32,543 shareholders, including 46 holders of H shares and 32,497 holders of A shares.

(2) As at 31 December 2020, 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	32.94	204,864,092	-	-	204,864,092
香港中央結算（代理人）有限公司 HKSCC (Nominees) Limited	H shares	31.04	193,048,227	(5,000)	-	193,048,227
上海馳泰資產管理有限公司－淄博馳泰誠運證券投資合夥企業（有限合夥） Shanghai Chitai Asset Management Co., Ltd. - Zibo Chitai Chengyun Securities Investment Partnership (Limited Partnership)	Fund	4.75	29,513,016	29,513,016	-	29,513,016
巨能資本管理有限公司－山東聚贏產業基金合夥企業（有限合夥） (Ju Neng Capital Management Company Limited – Shandong Ju Ying Industrial Fund Partnership (Limited Partnership)*)	Fund	3.75	23,310,176	-	-	23,310,176
華魯投資發展有限公司（Hualu Investment Development Co. Ltd）	State-owned	0.67	4,143,168	-	-	4,143,168
山東新華製藥股份有限公司－第一期員工持股計劃 (Shandong Xinhua Pharmaceutical Company Limited – Phase I Employee Share Ownership Scheme*)	Share Ownership Scheme	0.65	4,042,592	-	-	4,042,592
林穗賢（Lin Suixian）	Natural person in the territory	0.64	3,996,554	(1,133,320)	-	3,996,554

香港中央結算有限公司 (HKSCC Limited)	Overseas Legal Person	0.46	2,861,986	(1,505,151)	-	2,861,986
何維蘭 (He Weilan)	Natural person in the territory	0.40	2,505,970	2,505,970	-	2,505,970
劉理彬 (Liu Libin)	Natural person in the territory	0.23	1,453,367	1,453,367	-	1,453,367

- (3) As at 31 December 2020, 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	193,048,227	Overseas listed foreign share
上海馳泰資產管理有限公司－淄博馳泰誠運證券投資合夥企業(有限合夥) Shanghai Chitai Asset Management Co., Ltd. - Zibo Chitai Chengyun Securities Investment Partnership (Limited Partnership)*	29,513,016	RMB ordinary share
巨能資本管理有限公司－山東聚贏產業基金合夥企業(有限合夥) (Ju Neng Capital Management Company Limited — Shandong Ju Ying Industrial Fund Partnership (Limited Partnership)*)	23,310,176	RMB ordinary share
華魯投資發展有限公司 (Hualu Investment Development Co. Ltd)	4,143,168	RMB ordinary share
山東新華製藥股份有限公司－第一期員工持股計劃 (Shandong Xinhua Pharmaceutical Company Limited — Phase I Employee Share Ownership Scheme*)	4,042,592	RMB ordinary share
林穗賢 (Lin Suixian)	3,996,554	RMB ordinary share
香港中央結算有限公司 (HKSCC Limited)	2,861,986	RMB ordinary share
何維蘭 (He Weilan)	2,505,970	RMB ordinary share
劉理彬 (Liu Libin)	1,453,367	RMB ordinary share

Notes:

- Such figure excludes the 4,143,168 A shares indirectly held by Hualu Investment Development Co. Ltd (“**Hualu Investment**”), a direct wholly owned subsidiary of HHC. As of 31 December 2020, 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 3.35% of the issued share capital of the Company. Hualu Investment owns 4,143,168 A shares of the Company, representing approximately 0.67% of the issued share capital of the Company.
- The following is a description of any association relationship or concerted actions of the above shareholders

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 as to whether there is any Association Relationship (as defined in the Rules Governing Listing of Stocks On Shenzhen Stock Exchange) amongst the remaining of the abovementioned shareholders, nor if any of them is a person acting in concert as defined in the Measures for the Administration of the Takeover of Listed Companies” (“**Administration Measures for Takeover**”) issued by the China Securities Regulatory Commission (the “**CSRC**”). In addition, the Directors are not aware whether there is any association amongst the shareholders of H Shares of the Company or if any of them is a person acting in concert as defined in the Administration Measures for Takeover.

Except for Hualu Investment Development Co. Ltd which is a subsidiary of HHC, the Directors are not aware whether there is any association amongst the other above-mentioned shareholders without trading limit condition of the Company, or between the other above-mentioned shareholders without trading limit condition and the other shareholders of the Company or if any of them is a person acting in concert as defined in the Administration Measures for Takeover.

- iii. Save as disclosed above, the only domestic shareholder directly holding more than 5% of the total issued shares of the Company is HHC.
- iv. Save as disclosed above and so far as the Directors are aware, as at 31 December 2020, no other person (other than the Directors, supervisors of the Company (the “**Supervisors**”), chief executives or members of senior management of the Company) had an interest or short position in the Company’s shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the 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 2020 as follows: the total number of shares of the Company at the reporting disclosure date was 627,367,447(of which 432,367,447 shares were A shares and 195,000,000 shares were H shares). Based on the total issued shares of the Company of 627,367,447 shares, it is proposed a dividend of RMB0.15 (tax inclusive) for every share of the Company be paid to shareholders. The above mentioned proposed dividends distribution for year 2020 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. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Changes of Directors, Supervisors and senior management and their respective interests in the

securities of the Company were as follows:

Name	Position	As at 31 December 2020	Change in shareholding	As at 31 December 2019
Directors				
Mr. Zhang Daiming	Chairman	15,470 ^(note 2)	Nil	15,470 ^(note 2)
		174,888 ^(note 3)		174,888 ^(note 3)
Mr. Ren Fulong	Non-executive Director (Resigned on 22 December 2020)	58,296 ^(note 3)	Nil	58,296 ^(note 3)
Mr. Du Deping	Executive Director, General Manager	151,568 ^(note 3)	Nil	151,568 ^(note 3)
Mr. Xu Lie	Non-executive Director	81,614 ^(note 3)	Nil	81,614 ^(note 3)
Mr. He Tongqing	Executive Director (Appointed on 22 December 2020), Deputy General Manager	116,592 ^(note 3)	Nil	116,592 ^(note 3)
Mr. Cong Kechun	Non-executive Director (Appointed on 22 December 2020)	Nil	Nil	Nil
Mr. Lo Wah Wai	Independent non-executive Director	Nil	Nil	Nil
Mr. Pan Guangcheng	Independent non-executive Director (Appointed on 22 December 2020)	Nil	Nil	Nil
Mr. Zhu Jianwei	Independent non-executive Director (Appointed on 22 December 2020)	Nil	Nil	Nil
Mr. Du Guanhua	Independent non-executive Director (Resigned on 22 December 2020)	Nil	Nil	Nil
Mr. Li Wenming	Independent non-executive Director (Resigned on 22 December 2020)	Nil	Nil	Nil
Supervisors				
Mr. Li Tianzhong	Chairman of Supervisory Committee (Resigned on 22 December 2020)	93,272 ^(note 3)	Nil	93,272 ^(note 3)
Mr. Liu Chengtong	Chairman of Supervisory Committee (Appointed on 22 December 2020)	Nil	Nil	Nil
Mr. Tao Zhichao	Independent Supervisor	Nil	Nil	Nil
Mr. Xiao Fangyu	Independent Supervisor	Nil	Nil	Nil
Ms. Hu Yanhua	Employee Supervisor	34,977 ^(note 3)	Nil	34,977 ^(note 3)
Mr. Wang Jianping	Employee Supervisor	Nil	Nil	Nil
Other senior management				
Mr. Wang Xiaolong	Deputy General Manager	81,614 ^(note 3)	Nil	81,614 ^(note 3)
Mr. Du Deqing	Deputy General Manager	81,614 ^(note 3)	Nil	81,614 ^(note 3)
Mr. Hou Ning	Financial Controller	116,592 ^(note 3)	Nil	116,592 ^(note 3)

Mr. Zheng Zhonghui	Deputy General Manager	23,318(note 3)	Nil	23,318(note 3)
Mr. Wei Changsheng	Deputy General Manager(Appointed on 1 July 2020)	34,977(note 3)	Nil	34,977(note 3)
Mr. Xu Wenhui	Deputy General Manager(Appointed on 1 July 2020)	46,636(note 3)	Nil	46,636(note 3)
Mr. Cao Changqiu	Secretary to the Board	2,331(note 3)	Nil	2,331(note 3)
Total		1,113,758	-	1,113,758

Note:

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

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

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

(4) So far as the Directors, the senior management and Supervisors are aware, as at 31 December 2020, no Director, senior management or Supervisor had any interest or short position in the shares, underlying shares and / or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short position which any such Director, senior management or Supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

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

As at 31 December 2020, the total assets of the Group were RMB7,092,952,000, representing an increase of 10.21% compared with the beginning of the year. The increase in total assets was mainly due to operating profits generated this year.

As at 31 December 2020, the prepayments of the Group were RMB48,958,000, representing an increase of 64.43% compared with the beginning of the year. The increase was mainly due to the increase in prepayment for purchases in the current year to ensure normal production and operation.

As at 31 December 2020, the short-term borrowing of the Group was RMB200,420,000, representing a decrease of RMB339,580,000 compared with the beginning of the year. The non-current liabilities due within one year was RMB422,617,000, representing an increase of RMB73,619,000 compared with the beginning of the year. The long-term borrowing was RMB462,738,000, representing a decrease of RMB127,041,000 compared with the beginning of the year. The long-term payments was RMB638,556,000, representing an increase of RMB588,269,000 compared with the beginning of the year. The main reason for the change was the optimization and adjustment of the debt financing structure in order to reduce the financing cost in this year.

As at 31 December 2020, the total liabilities of the Group were RMB3,701,662,000, representing an increase of 11.31% from the beginning of the year. The main reason for the increase was that in order to ensure the funds needed for production, operation and project implementation in this year, there was an appropriate increase in the scale of liabilities with interest.

As at 31 December 2020, the total equity attributable to the shareholders of the Company was RMB3,223,794,000, representing an increase of 8.58% from the beginning of the year. The increase was primarily due to operating profits generated this year.

The Group's selling expense amounted to RMB631,597,000 in 2020, representing a decrease of 19.97% as compared with the same period last year, and The main reason for the decrease was that the Company continues to strengthen the control of sales expenses in this year, and the market development and terminal sales costs decreased.

The Group's research and development expense amounted to RMB298,347,000 in 2020, representing an increase of 26.74% as compared with the same period last year, and the increase was mainly attributable to the continuous strengthening of scientific and technological innovation and continuous increase in investment in terms of research and development, new products and new technology development.

The Group's financial expenses amounted to RMB83,710,000 in 2020, representing an increase of 72.33%

as compared with the same period last year, and the increase was mainly attributable to the increase in exchange losses as a result of exchange rate fluctuations in the current year.

The Group's asset impairment loss amounted to RMB45,159,000 in 2020, representing a decrease of 43.30% as compared with the same period last year, and the main reason for the decrease was the continuous strengthening of asset management and the improvement of operational efficiency, as well as the decrease in asset impairment.

The Group's operating profit amounted to RMB422,485,000 in 2020, representing an increase of 9.05% as compared with the same period last year; the gross profit was RMB411,638,000, representing an increase of 7.93% as compared with the same period last year; the net profit attributable to the shareholders of the Company was RMB324,860,000, representing an increase of 8.30% as compared with the same period last year. The main reason for the increase was that in this year the Company seized the market opportunity, vigorously developed the market, continued to promote cost reduction and efficiency increased, organised steady and scientific production, strengthened scientific and technological progress, solidified basic management which resulted in continuous positive development in production and management.

The Group's net cash inflow from operating activities in 2020 was RMB420,187,000, representing a year-on-year increase of RMB71,915,000. The increase was mainly due to the increase in operating profit in the current year and the continuous strengthening of inventory management and the improvement of inventory operation efficiency.

The Group's net cash inflow from financing activities was RMB35,036,000, representing a year-on-year increase of RMB81,268,000. The main reason for the increase was that the non-wholly-owned subsidiary Shandong Xinhua Health Technology Co., Ltd (hereinafter referred to as "**Health Technology**") received part of the investment funds in this year.

The Group's operating revenue classified by industry, by product and by geographical location in accordance with CASBE in 2020 is as follow (RMB):

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	2,565,565,374.15	1,616,136,056.14	37.01%	7.45%	9.33%	Decrease by 1.08 percentage points

Preparations	2,605,608,706.18	1,833,712,050.42	29.62%	0.49%	6.39%	Decrease by 3.91 percentage points
Medical intermediates and other products	834,412,563.13	741,141,620.21	11.18%	33.41%	39.92%	Decrease by 4.13 percentage points
Total	6,005,586,643.46	4,190,989,726.77	30.22%	7.13%	12.32%	Decrease by 3.22 percentage points
By product						
Raw material pharmaceuticals such as antipyretic and analgesic	2,565,565,374.15	1,616,136,056.14	37.01%	7.45%	9.33%	Decrease by 1.08 percentage points
Preparations such as tablet, injection, capsule etc.	2,605,608,706.18	1,833,712,050.42	29.62%	0.49%	6.39%	Decrease by 3.91 percentage points
Medical intermediates and others	834,412,563.13	741,141,620.21	11.18%	33.41%	39.92%	Decrease by 4.13 percentage points
Total	6,005,586,643.46	4,190,989,726.77	30.22%	7.13%	12.32%	Decrease by 3.22 percentage points
By geographical location						
China (including Hong Kong)	3,910,198,881.93	2,602,219,590.78	33.45%	3.61%	6.43%	Decrease by 1.76 percentage points
Americas	821,695,334.87	611,475,227.64	25.58%	10.22%	22.99%	Decrease by 7.73 percentage points
Europe	892,422,450.57	683,904,699.95	23.37%	41.06%	58.58%	Decrease by 8.46 percentage points

Others	381,269,976.09	293,390,208.40	23.05%	(16.00%)	(18.03%)	Increase by 1.91 percentage points
Total	6,005,586,643.46	4,190,989,726.77	30.22%	7.13%	12.32%	Decrease by 3.22 percentage points

Liquidity and analysis of financial resources and capital structure

As at 31 December 2020, the current ratio was 112.84% and the quick ratio of the Group was 65.62% while the accounts receivable turnover rate (accounts receivable turnover rate = operating revenue/average trade and bill receivables × 100%) was 1,742.73% and the inventory turnover rate (inventory turnover rate = cost of sales/ net amount of average inventories × 100%) was 371.75%.

The current ratio and quick ratio increased from those at the end of the previous year. The main reason was the reduction of current liabilities due to the optimization of debt structure in this year. The Group's demand for working capital did not show significant seasonal fluctuation.

The Group's main sources of funds were loans and operating profits. As at 31 December 2020, the Group's total amount of outstanding loans was RMB1,691,197,000. As at 31 December 2020, currency funds of the Group amounted to RMB855,771,000. The Group has a good credit record with banks and has sufficient credit lines from banks at its disposal. Therefore, it can meet the liquidity requirements at any time.

As at 31 December 2020, the Company's subsidiary Xinhua (Zibo) Real Estate Co., LTD., has a housing loan deposit of RMB700,000 and a regulated advanced sales amount of RMB41,321,000; and the Company's subsidiary Shandong Xinhua Pharmaceutical Import and Export Co., LTD. has a letter of credit deposit of RMB200,000. The Company and its subsidiary Shandong Zibo Xincat Pharmaceutical Co., Ltd. charged their respective currency funds of RMB82,697,000 and RMB8,290,000 to the bank for arrangement of bank acceptance bills. The Company's fixed asset of RMB93,306,000 was charged as security for loans. The Group does not have ownership of the Group's right-of-use asset in the amount of RMB 4,549,000. Save as disclosed, the Group did not have other charged assets.

On 20 April 2020, the Company acquired 27% equity interest of Wanbo Chemical with a listing price of RMB15,906,834. The Company's shareholding of Wanbo Chemical increased from 73% to 100%, and Wanbo Chemical became a wholly-owned subsidiary of the Company. As at 31 December 2020, the total assets of Wanbo Chemical was RMB83,042,000, and the owners' equity was RMB55,755,000. In 2020, the operating income of Wanbo Chemical was RMB112,872,000, representing an increase of 3.70% as compared with that of last year. In 2020, the net profit of Wanbo Chemical was RMB8,903,000, representing an increase of 20.75% as compared with that of last year. The business operation of Wanbo Chemical was in good condition.

On 17 July 2020, the Company jointly invested and established "North Health and Medical Big Data Technology Co., Ltd." (北方健康醫療大數據科技有限公司) (hereinafter referred to as "North Health") with relevant investment parties. The subscribed registered capital in North Health by the Company is RMB100,000,000, accounting for 4% of the total capital of North Health. As at 31 December 2020, the Company invested RMB30,000,000 in accordance with the provisions of the articles of association of North Health.

During the Reporting Period, the Company invested and established Health Technology with the assessed assets of RMB24,201,200 and its own capital of RMB 24,798,800 (a total of RMB49,000,000), accounting for 49% of the investment. As at 31 December 2020, the total assets of Health Technology was RMB244,311,000, and the owners' equity was RMB72,556,000. In 2020, the operating income and the net profit of Health Technology were RMB379,872,000 and RMB9,695,000 respectively. The business operation of Health Technology was in good shape.

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 2020, the number of staff employed by the Group was 6,497, and the total amount of salaries and wages for 2020 was RMB583,857,000.

The asset-liability ratio of the Group was 52.19% (asset-liability ratio = total liabilities/total assets ×100%).

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

As at 31 December 2020, the Group had a gross gearing ratio (ie, gross debt divided by adjusted capital) of 52.51%, and a net gearing ratio (ie, net debt divided by adjusted capital) of 25.96%. 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 were mainly recorded in RMB. For the year 2020, the revenue from the Group's exports was approximately US\$294,131,000, 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 has increased the price of its export products to reduce the risks of exchange rates fluctuations; and (2) when entering into material export contracts, the Group has made advanced arrangements that the risks associated with exchange rates fluctuations shall be borne by both parties if the fluctuation exceeds the range agreed by both parties.

VII. BUSINESS REVIEW

In 2020, the Group actively responded to the impact of the COVID-19 pandemic, intensified market competition and many other factors, seized opportunities, vigorously promoted the strategies of greater preparations, internationalization and large-scale research and development, focused on project implementation, internal reform and basic management to consolidate the foundation. The operating quality of the Group continued to improve, major operating indicators made new breakthroughs, and the annual operating objectives and tasks were successfully completed.

1. New characteristics identified during market development

The advantages of the technology, quality and scale of bulk drugs as well as the industrial chain have been further enhanced. The sales volume of leading varieties of caffeine and levodopa increased by 26% and 25% on a year-on-year basis, respectively. The sales volume of new bulk drug products such as EPA, Carbidopa and Carbasalate Calcium increased by 784%, 992% and 283%, respectively.

The sales volume of ten strategic key preparations increased by 56.27% on a year-on-year basis, among which the sales volume of the bid-winning categories of Glimepiride tablets, Shutaide (舒泰得) and Cefradine capsules increased by 68.2%, 52% and 145.3%, respectively. Five products including Clarithromycin tablets in 6 specifications won the bid for national centralized purchasing. Baochang (保畅) and Shutaide were rated as well-known products in the Shandong Province, and the Company was rated as an high-end brand enterprise in the Shandong Province.

By vigorously promoting cross-border e-commerce and Internet medical services, the revenue from e-commerce business for the year has doubled on a year-on-year basis.

2. New achievements made in scientific and technological innovation

The research and development investment for the year increased by 29.18% on a year-on-year basis. The formation of a new research and development platform was accelerated. During the year, Xinhua Pharmaceutical (Central South) Clinical and Biomedical Research Institute*, Xinhua Pharmaceutical (Jinan) Joint Research Institute* and Xinhua Pharmaceutical (Guangdong) Xidian International Pharmaceutical Joint Research Center* were established.

A total of 11 products in 16 specifications passed the consistency evaluation. During the year, edaravone injection obtained the drug registration approval and the bulk drugs were eligible for listing. The Company successfully obtained 237 product re-registration approvals and obtained 8 authorized patents.

High-end talent introduction was accelerated. During the year, two external academicians were introduced into the Company, one person was selected into the national key talent project, one provincial key talent team was approved, two PhDs were successfully introduced, and 124 college graduates were newly recruited. The Company has formed a high-end talent team consisting of five academicians, three national talent engineering experts, six Taishan scholars and 17 PhDs.

The Company was recognized as "Shandong Province Antipyretic and Analgesic Advanced Manufacturing Engineering Research Center". One project was awarded the first prize of Science and Technology of Chinese Chemical Society, one project was awarded the third prize of Science and Technology Progress of Shandong Province and one project was included in the provincial enterprise technology innovation plan.

3. New progress made in the implementation of key projects

The change of production license was completed for the Modern Medicine Center for International Cooperation phase II with a production capacity of 20 billion tablets, and the variety transfer proceeded in an orderly manner. The purification and decoration of the high-end injection project was completed and equipment installation began. Two product projects of Xinhua Pharmaceutical (Shouguang) Co., Ltd. were

put into trial production. The purification decoration and equipment installation was completed for the animal medicine project of Xinhua Pharmaceutical (Gaomi) Co., Ltd., and GMP certification had begun.

The bidding for an additional 139 acres of land for the No. 2 sub-factory was completed and a transfer contract was signed. The application for land certificates in order to reserve more space for enterprise development had also been stepped up.

4. International operation reaching a new level

In 2020, the revenue from the Group's exports reached US\$294 million, representing an increase of 12.96% on a year-on-year basis which was a record high. The sales revenue from the exports of preparations products increased by 20.58% on a year-on-year basis.

The Modern Medicine Center for International Cooperation phase I with a production capacity of 20 billion tablets passed the inspection of the United States Food and Drug Administration with zero defects. ANDA ibuprofen tablets were exported to the United States market, and products such as ibuprofen capsules and Loperamide capsules were directly exported to the European market. The Xinhua-Perrigo preparation project with a production capacity of 5 billion tablets was officially put into commercial production, and the export of 300 million tablets was realized for the year. International cooperation projects on Oseltamivir capsules and EPA soft capsules were officially launched.

5. New breakthroughs made in tackling tough reforms

New steps were taken in the reform of mixed ownership. The Company completed the acquisition of 27% equity of Wanbo Chemical and formulated and implemented the mid- and long-term incentive scheme of Wanbo Chemical. On the basis of the e-commerce business platform of the Company, with the introduction of strategic investors and professional operation team, Health Technology was established.

Reform of the large departmental was actively promoted. The Company shut down 4 management departments, formulated the "Sunshine Procurement Management Measures", established the office for tender, and established a unified procurement and distribution platform for pharmaceutical wholesale and retail, as well as a unified procurement platform for raw materials and packaging materials for preparations.

6. Newly enhanced basic management

The "lifeline" engineering was under stable operation, with no average or above safety and environmental protection quality accidents occurring throughout the year. The Company successfully passed the evaluation of the second-level standardization enterprise in the Shandong Province with "excellent" ranking, and was selected as a pilot unit for the construction of the national dual prevention system. One team of the Company was awarded as the winning team in the national "Ankang Cup" competition.

Two RTO projects with an investment of more than RMB30 million for the treatment of VOCs and odors, and the anaerobic ammonia oxidation project with an investment of more than RMB10 million were successfully put into operation.

Following the pass of the inspection by the United States Food and Drug Administration with zero defects by the Modern Medicine Center for International Cooperation phase I at the beginning of the year, the Company successfully passed 73 inspections and audits during the year, and completed the international registration of 10 products.

VIII. PROSPECTS

First, with the advancement of a new development pattern where the domestic big circulation serves as the main body and dual circulations of domestic and international complementing each other, the consumption-oriented mode of economic development is gradually taking shape, and enterprises are ushering in more development opportunities. Second, with the intensive introduction of various preferential policies, the development environment and business environment is beneficial for enterprises to further accelerate reform and innovation. Third, with the development of economy and society, the acceleration of population aging and urbanization, the further enhancement of public health awareness, national health insurance coverage and payment capabilities, the demand for medicine continues to grow rapidly, and bio-pharmaceutical, as a strategically emerging industry, is bound to maintain rapid development.

However, the global landscape is facing more change with increasing instabilities and uncertainties, such as the COVID-19 pandemic that is still raging across the globe, rising de-globalization, RMB appreciation and the skyrocketing prices for international transportation. In terms of domestic market situation, the Company's profitability is facing daunting challenges in view of the rigid increase of investment in environmental protection and safety with intensified competition in the pharmaceutical market, as well as rising price of basic chemical raw materials.

As such, the key tasks of the Group in 2021 are as follows:

1. Fully leveraging the leading role in the market

In view of the changes in the pharmaceutical market brought about by the consistency evaluation and the national volume-based procurement, the Group gives full play to the comprehensive advantages of branding, technology, quality, scale and set of industrial chain, seizes the market opportunities, and intensifies the market development of bulk drugs. The Group will put extra efforts on the marketing of featured bulk drugs such as EPA and carbidopa, and accelerate the cultivation of new growth driver.

The Group will make full use of the advantages of enterprise brand, quality and technology, actively participating in national and provincial bidding on the basis of comprehensive study and assessment of the competitors, and striving to win the bid for large varieties of preparations. The Group will give full play to the advantages of self-produced bulk drugs and cultivate branded generic drugs with its own characteristics. The Group will intensify the academic promotion and market development of key strategic products, focus on Jiening* (介寧), Aidite* (艾迪特) and other top products, and strive to go big.

The Group will take the establishment of Health Technology as an opportunity to strengthen the strategic cooperation with e-commerce giants, vigorously promote the cooperation of "internet + medicine (medical)" and healthcare online payment with local key hospitals, accelerate the distribution of medical services such as electronic prescription, remote diagnosis and treatment, and health management, and accelerate the development of cross-border e-commerce and new retail development.

2. Giving full play to the driving force of scientific and technological innovation

The Group will further increase its investment in research and development, strive to increase research and development investment by more than 10% on a year-on-year basis in 2021, and further accelerate the reform of scientific research system and mechanism.

The Group will fully implement the "Big Research and Development Strategy", further improve the research and development system and research and development platform establishment, further enrich and improve the new drugs of pain control, cardiovascular and cerebrovascular, and anti-cancer in R & D pipeline, accelerate the application of new preparation technology, further improve the high-end drug delivery system, achieve breakthroughs in antibody drugs and major innovative drugs, and strive to obtain another 3 to 4 approvals for new product within the next year.

The Group will effectively integrate the existing resources, speed up the consistency evaluation of follow-up products especially for key products, and strive to obtain more than four approvals for

consistency evaluation, such as Amoxicillin capsules.

3. Promoting the development of internationalization strategies in depth and breadth

The Group will give full play to the platform of International Cooperation Center for Modern Medicine and the advantages of international talents in technological quality, coordinate the Company's resources, speed up the international registration, strengthen the international marketing team for preparations, and enhance the tasks in various steps such as attracting investment, joint venture cooperation, registration and marketing, so as to realize the rapid growth of international preparations.

The Group will give full play to the production capacity of 20 billion tablets of International Cooperation Center as soon as possible, accelerate the landing of more international cooperation projects, step up efforts to promote all kinds of work, and strive to export the injection products to the regulated markets in Europe and the United States as soon as possible.

The Group will attach great importance to the market development of countries along the Belt and Road, as well as in Southeast Asia, and take the initiative to target other markets and make breakthroughs in exporting by setting regulated markets as the highest marketing target.

4. Accelerating the implementation of key projects

In 2021, the Group's project construction investment and external investment budget is approximately RMB1.5 billion, including the completion of equipment installation for high-end injection project within the year. The Group will launch the construction of the headquarter e-commerce innovation center, No. 2 sub-factory featured bulk drugs project, Shouguang featured bulk drugs multi-function center and pharmaceutical intermediate project. On the basis of vigorously developing the veterinary drug market, Xinhua Pharmaceutical (Gaomi) Company Limited will actively kick start animal drug project.

5. Accelerating the upgrade of industrial base

The Group will take lean management as an opportunity, 7S management and CTPM as effective means to employ modern management tools to improve production support capabilities and management standards based on the production management platform.

The Group will ensure the proper functioning of lifeline engineering. With the help of modern information technology, the Group will build an online platform incorporating safety, environmental protection and quality, realize the linkage analysis and application of data and video, carry out integrated and global supervision of risk prevention and control, and make sure that the conditions are visible, events are under control and behaviors are under management.

The Group will strive to complete the standard implementation of the "Integration of Informatisation and Industrialisation" system, improve the level of informatization, promote the establishment of smart enterprises; build digital workshop, complete 45 automated and continuous transformation; further coordinate the Company's ERP, OA, energy online management system, video monitoring management system, equipment management system, etc., improve the functions of existing systems, tap the data analysis capability of each system, and build a comprehensive data control platform; continue to accelerate the IT-based professional management and accelerate the realization of professional management for digital transformation.

6. Continuously enhancing the growth momentum and development vitality

The Group will conscientiously implement the Company's tasks in comprehensive deepening reform and reforms of three systems, further streamline the organization personnel, improve work efficiency, and establish the normalized mechanism in which management personnel can be promoted or demoted, employees can be recruited or sacked, and the salaries can be increased or decreased.

The Group will implement efficiency management in human resource, measure human resource efficiency with financial performance indicators, and improve the effectiveness of human resource management by

quantitative evaluation.

The Group will promote the innovation and reform of management mode, explore and implement excellent performance management, continue to promote organization and process restructure, and carry out lean production, knowledge-based management and other management innovation.

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 society's remuneration level.

As at 31 December 2020, the number of staff employed by the Group was 6,497, and the total amount of their wages for the year 2020 was RMB583,857,000.

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

During the year ended 31 December 2020, 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 this year prepared in accordance with CASBE have been audited by ShineWing Certified Public Accountants (certified public accountants in the PRC).

The Company had approved the re-appointment of ShineWing Certified Public Accountants as the Company's auditor for the year 2020 and the adaptation of the CASBE to prepare its financial statements as of 31 December 2020 and thereafter at the 2019 annual general meeting on 29 June 2020. The Company intends to re-appoint ShineWing Certified Public Accountants as auditor of the Company for the year 2021 at the 2020 annual general meeting to be held in 2021.

Corporate Governance Code

The Directors (including the independent non-executive Directors) confirmed that for the year ended 31 December 2020, the Company complied with all provisions set out in the Corporate Governance Code contained in Appendix 14 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 10 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 2020.

Sale and Purchase of Assets

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

The resolution to amend the articles of association was considered and approved by the annual general meeting of 2019 held on 29 June 2020. 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 four meetings to review the audited financial statements for 2019, the unaudited first quarter financial statements for 2020, the unaudited interim statements for 2020 and the unaudited third quarter financial statements for 2020 respectively.

The Audit Committee convened a meeting on 30 March 2021 to review the audited accounts for the financial year 2020 and this announcement.

Changes in Accounting Policies

There were no changes in accounting policies in the Reporting Period.

X. FINANCIAL REPORTS PREPARED IN ACCORDANCE WITH CASBE

Consolidated Balance Sheet (audited)

Unit: RMB Yuan

Assets	Notes	31 December 2020 (audited)	31 December 2019 (audited)
Current assets:			
Monetary funds		855,770,803.34	690,469,765.67
Accounts receivable	3	379,909,305.44	309,307,455.92
Receivables financing		138,638,879.69	145,924,204.55
Prepayments		48,957,684.70	29,773,518.97
Other accounts receivable	4	25,163,102.98	19,676,461.89
Including: Dividend receivable		-	29,660.75
Inventories		1,124,364,262.39	1,130,342,789.68
Other current assets		114,067,003.20	102,892,339.63
Total current assets		2,686,871,041.74	2,428,386,536.31
Non-current assets:			
Long-term equity investment		57,795,818.99	60,774,211.24
Other equity instrument investment		258,822,016.00	235,474,096.00
Investment real estate		50,016,899.09	72,811,661.10
Fixed assets		3,117,313,128.81	2,806,949,444.22
Projects under construction		416,989,876.51	392,135,611.07
Right-of-use assets		4,549,357.11	1,892,241.67
Intangible assets		449,247,076.67	411,593,975.21
Long-term deferred expenses		11,916,370.88	-
Deferred income tax assets		23,517,396.65	26,006,832.66
Other non-current assets		15,913,207.59	-
Total non-current assets		4,406,081,148.30	4,007,638,073.17
Total assets		7,092,952,190.04	6,436,024,609.48

Consolidated Balance Sheet (audited) (continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	Notes	31 December 2020 (audited)	31 December 2019 (audited)
Current liabilities:			
Short-term borrowing		200,420,484.28	540,000,000.00
Notes payable		289,972,897.58	364,123,575.62
Accounts payable	5	452,930,287.37	434,388,662.65
Contract liability		377,793,225.44	364,947,071.21
Payroll payable	6	86,354,297.27	79,834,732.56
Taxes and dues payable		23,061,985.11	19,178,538.68
Other payables		495,166,878.89	334,043,971.20
Including: Interest payable		-	4,253,876.86
Dividends payable		5,310,599.53	5,310,599.53
Non-current liabilities due within one year		422,617,238.22	348,997,921.06
Other current liabilities		32,721,948.43	-
Total current liabilities		2,381,039,242.59	2,485,514,472.98
Non-current liabilities:			
Long-term borrowings		462,737,939.80	589,779,008.96
Lease liabilities		1,762,899.65	855,959.44
Long-term payables		638,556,123.79	50,286,746.46
Deferred income		144,690,236.46	141,673,879.14
Deferred income tax liabilities		69,314,505.83	53,823,587.68
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		1,320,623,205.53	839,980,681.68
Total liabilities		3,701,662,448.12	3,325,495,154.66
Owners' equity (or Shareholders' equity):			
Capital Stock		621,859,447.00	621,859,447.00
Capital reserve	7	644,906,623.85	634,142,967.70
Other comprehensive income	8	174,171,424.84	182,008,870.59
Reasonable reserve		3,039,375.29	1,436,261.16

Surplus reserve		302,535,302.27	278,949,576.01
Undistributed profits	9	1,477,281,646.00	1,250,630,948.35
Total of equity assigned to the shareholders of parent company		3,223,793,819.25	2,969,028,070.81
Minority shareholders' equity		167,495,922.67	141,501,384.01
Total owners' equity		3,391,289,741.92	3,110,529,454.82
Total of liabilities and owners' equity		7,092,952,190.04	6,436,024,609.48

Consolidated Income Statement (audited)

Unit: RMB Yuan

Item	Notes	For the 12 months ended 31 December 2020 (audited)	For the 12 months ended 31 December 2019 (audited)
I. Gross revenue	10	6,005,586,643.46	5,606,020,863.30
Including: Operating revenue		6,005,586,643.46	5,606,020,863.30
II. Total operating costs		5,585,070,476.65	5,184,991,468.92
Including: Operating costs	10	4,190,989,726.77	3,731,385,336.88
Taxes and surcharges	11	60,276,354.48	58,190,180.49
Selling expenses		631,597,121.93	789,151,206.79
Administration expenses		320,149,607.17	322,288,237.24
R&D cost		298,347,278.00	235,401,010.43
Financial expenses		83,710,388.30	48,575,497.09
Including: Interest expense		59,759,474.37	55,317,659.59
Interest income		5,968,298.09	3,601,837.92
Add: Other income		38,647,497.32	40,280,545.11
Investment income (losses to be listed with brackets)		5,610,655.75	5,158,909.34

Including: Return on investment on joint ventures and joint ventures (losses to be listed with brackets)	(2,978,392.25)	(2,355,147.75)
Credit impairment loss(losses to be listed with brackets)	382,455.10	(227,110.48)
Assets impairment loss (losses to be listed with brackets) 12	(45,159,388.85)	(79,646,774.39)
Gains from asset disposal (losses to be listed with brackets)	2,488,084.14	841,324.72
III. Operating profits (losses to be listed with brackets)	422,485,470.27	387,436,288.68
Add: non-operating income	1,129,914.39	2,379,714.85
Less: non-operating expenditure	11,977,403.91	8,423,382.60
IV. Total profits (total loss to be listed with brackets)	411,637,980.75	381,392,620.93
Less: income tax expense 13	64,524,696.58	58,276,863.40
V. Net profits (net loss to be listed with brackets)	347,113,284.17	323,115,757.53
I. According to operation continuity		
1. Net profit from continued operations (net losses to be listed in brackets)	347,113,284.17	323,115,757.53
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	324,859,557.55	299,966,265.71
2. Minority interest income or loss	22,253,726.62	23,149,491.82
VI. Net amount of other comprehensive income after tax	(8,399,441.03)	39,484,025.47
Net amount of other comprehensive income after tax attributable to the shareholders of parent company	(7,837,445.75)	39,363,799.55
I. Other comprehensive income not subject to reclassification to profit or loss	(5,654,268.00)	38,874,688.80
Changes in fair value of other equity instruments investment	(5,654,268.00)	38,874,688.80
II. Other comprehensive income to be reclassified to profit or loss	(2,183,177.75)	489,110.75
Conversion difference of foreign currency statement	(2,183,177.75)	489,110.75
Net amount of other consolidated income after	(561,995.28)	120,225.92

tax attributable to the minority shareholders

VII. Total comprehensive income	338,713,843.14	362,599,783.00
Total comprehensive income attributable to the shareholders of parent company	317,022,111.80	339,330,065.26
Total comprehensive income attributable to the minority shareholders	21,691,731.34	23,269,717.74
VIII. Earnings per share:	<i>14</i>	
(I) Basic earnings per share	0.52	0.48
(II) Diluted earnings per share	0.52	0.48

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 ASBE issued by the Ministry of Finance of the PRC, 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 2014) 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 item or situation raising significant doubts of its ability to operate as a going concern. Accordingly, the financial statements are prepared on a going concern basis.

2. Segment information

(a) Description of segments

The Group determines 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; (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 2020 and the year ended 31 December 2019 (audited):

Year ended 31 December 2020 (audited)

Unit: RMB

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating revenue	2,636,678,559.78	3,314,509,282.18	1,513,604,219.44	-	(1,459,205,417.94)	6,005,586,643.46
Comprising: revenue from external customers	2,565,565,374.15	2,605,608,706.18	834,412,563.13	-	-	6,005,586,643.46
Inter-segment transaction income	71,113,185.63	708,900,576.00	679,191,656.31	-	(1,459,205,417.94)	-
Operating cost	1,823,702,583.65	2,544,876,819.24	1,293,096,293.12	-	(1,470,685,969.24)	4,190,989,726.77
Cost offsetting amount	207,566,527.51	711,164,768.82	551,954,672.91	-	(1,470,685,969.24)	-
Expenses for the period	353,377,865.91	861,679,682.59	119,658,665.18	-	(911,818.28)	1,333,804,395.40
Total profit (loss)	-	-	-	461,230,267.71	(38,744,797.44)	422,485,470.27
Total assets	3,388,513,614.78	2,551,174,989.18	1,462,457,191.66	1,476,954,850.26	(1,786,148,455.84)	7,092,952,190.04
Total liability	1,138,234,242.41	1,147,025,114.98	738,740,914.23	1,766,732,663.46	(1,089,070,486.96)	3,701,662,448.12

Year ended 31 December 2019 (audited)

Unit: RMB

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating revenue	2,395,827,093.57	3,175,946,892.84	1,387,005,452.29	-	(1,352,758,575.40)	5,606,020,863.30
Comprising: revenue from external customers	2,387,708,276.49	2,592,850,920.07	625,461,666.74	-	-	5,606,020,863.30
Inter-segment transaction income	8,118,817.08	583,095,972.77	761,543,785.55	-	(1,352,758,575.40)	-
Operating cost	1,592,147,987.29	2,300,473,883.45	1,166,411,074.26	-	(1,327,647,608.12)	3,731,385,336.88
Cost offsetting amount	113,945,492.51	576,975,191.66	636,726,923.95	-	(1,327,647,608.12)	-
Expenses for the period	424,637,514.81	847,771,425.69	124,676,039.22	-	(1,669,028.17)	1,395,415,951.55
Total profit (loss)	-	-	-	414,261,502.64	(26,825,213.96)	387,436,288.68
Total assets	3,593,763,209.81	1,721,714,549.56	1,314,874,799.17	1,386,650,548.27	(1,580,978,497.33)	6,436,024,609.48
Total liability	1,051,366,014.88	965,364,634.23	647,413,957.22	1,596,991,919.29	(935,641,370.96)	3,325,495,154.66

3. Accounts receivable

Item	<u>31 December 2020</u>	<u>1 January 2020</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
Accounts receivable	438,687,034.94	367,788,176.75
Less: Provision for bad debts of accounts receivable	<u>58,777,729.50</u>	<u>58,480,720.83</u>
	<u>379,909,305.44</u>	<u>309,307,455.92</u>

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

Item	<u>31 December 2020</u>	<u>1 January 2020</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
0-1 year (including 1 year)	379,852,721.87	307,376,759.68
1 to 2 years (including 2 years)	50,583.57	1,930,696.24
2 to 3 years (including 3 years)	<u>6,000.00</u>	<u>-</u>
Total	<u>379,909,305.44</u>	<u>309,307,455.92</u>

4. Other accounts receivable

Item	<u>31 December 2020</u>	<u>1 January 2020</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
Other accounts receivable	40,342,073.45	35,534,896.13
Less: Provision for bad debts of other accounts receivable	<u>15,178,970.47</u>	<u>15,858,434.24</u>
	<u>25,163,102.98</u>	<u>19,676,461.89</u>

The aging of other receivable based on their transaction dates is analysed below:

Item	<u>31 December 2020</u>	<u>1 January 2020</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
0-1 year (including 1 year)	9,944,396.57	9,195,696.10
1 to 2 years (including 2 years)	5,141,067.20	10,432,241.79
2 to 3 years (including 3 years)	<u>10,077,639.21</u>	<u>48,524.00</u>
Total	<u>25,163,102.98</u>	<u>19,676,461.89</u>

5. Accounts payable

Item	<u>31 December 2020</u>	<u>1 January 2020</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
Accounts payable	<u>452,930,287.37</u>	<u>434,388,662.65</u>
Total	<u>452,930,287.37</u>	<u>434,388,662.65</u>

The aging of accounts payable based on their transaction dates is analysed below:

Item	<u>31 December 2020</u>	<u>1 January 2020</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
0-1 year (including 1 year)	437,538,282.67	421,318,881.87
1-2 years (including 2 years)	7,324,446.46	5,644,612.66
2-3 years (including 3 years)	2,458,059.36	1,705,476.96
Over 3 years	<u>5,609,498.88</u>	<u>5,719,691.16</u>
Total	<u>452,930,287.37</u>	<u>434,388,662.65</u>

6. Payroll payable

(1) Classification of payroll payable

Item	<u>1 January 2020</u>	<u>Increase during</u> <u>the year</u>	<u>Decrease during</u> <u>the year</u>	<u>31 December 2020</u>
	RMB Yuan	RMB	RMB	RMB Yuan
	(audited)			(audited)
Short-term wages	79,834,732.56	728,151,664.55	721,632,099.84	86,354,297.27
Post-employment welfare - defined contribution plan	-	51,955,995.99	51,955,995.99	-
Dismissal welfare	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>79,834,732.56</u>	<u>780,107,660.54</u>	<u>773,588,095.83</u>	<u>86,354,297.27</u>

(2) Short-term wages

Item	1 January 2020	Increase during the year	Decrease during the year	31 December 2020
	RMB Yuan (audited)	RMB	RMB	RMB Yuan (audited)
Salary, bonus, allowance and subsidy	75,526,091.94	590,215,780.56	583,856,902.18	81,884,970.32
Employee welfare expenses	-	32,319,869.51	32,319,869.51	-
Social insurance charges	-	33,677,442.68	33,677,442.68	-
Comprising: Medical insurance premiums	-	30,866,773.18	30,866,773.18	-
Work injury insurance premiums	-	2,810,669.50	2,810,669.50	-
Housing provident fund	-	43,051,737.62	43,051,737.62	-
Labour union expenditure & personnel education fund	4,196,640.62	12,295,188.98	12,186,502.65	4,305,326.95
Labour costs	<u>112,000.00</u>	<u>16,591,645.20</u>	<u>16,539,645.20</u>	<u>164,000.00</u>
Total	<u>79,834,732.56</u>	<u>728,151,664.55</u>	<u>721,632,099.84</u>	<u>86,354,297.27</u>

(3) Defined contribution plan

Item	1 January 2020	Increase during the year	Decrease during the year	31 December 2020
	RMB Yuan (audited)	RMB	RMB	RMB Yuan (audited)
Basic retirement insurance	-	49,787,382.83	49,787,382.83	-
Unemployment insurance premium	<u>-</u>	<u>2,168,613.16</u>	<u>2,168,613.16</u>	<u>-</u>
Total	<u>-</u>	<u>51,955,995.99</u>	<u>51,955,995.99</u>	<u>-</u>

7. Capital surplus

Item	1 January 2020 RMB Yuan (audited)	Increase during the year RMB	Decrease during the year RMB	31 December 2020 RMB Yuan (audited)
Capital stock premium	451,740,429.79	840,963.57	2,227,674.13	450,353,719.23
Other capital reserves	182,402,537.91	12,150,366.71	-	194,552,904.62
Total	634,142,967.70	12,991,330.28	2,227,674.13	644,906,623.85

8. Other comprehensive income

Item	Amount incurred this year						
	1 January 2020	Income tax incurred this year	Less: Amount recorded		Attributable to the parent company after tax	Attributable to minority shareholders after tax	31 December 2020
			into other comprehensive				
			income in previous year				
			transferred to profit or loss this year				
RMB Yuan	RMB	RMB	RMB	RMB	RMB	RMB Yuan	
I. Other comprehensive income unable to be reclassified into profit or loss in future	182,111,461.30	(6,652,080.00)	-	(997,812.00)	(5,654,268.00)	-	176,457,193.30
Fair value variation of other equity instrument investments	182,111,461.30	(6,652,080.00)	-	(997,812.00)	(5,654,268.00)	-	176,457,193.30
II. Other comprehensive income to be reclassified into profit or loss in future	(102,590.71)	(2,745,173.03)	-	-	(2,183,177.75)	(561,995.28)	(2,285,768.46)
Conversion difference of financial statement in foreign currency	(102,590.71)	(2,745,173.03)	-	-	(2,183,177.75)	(561,995.28)	(2,285,768.46)
Total	182,008,870.59	(9,397,253.03)	-	(997,812.00)	(7,837,445.75)	(561,995.28)	174,171,424.84

9. Undistributed profits

Item	Year <u>2020</u>	Year <u>2019</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
Ending balance of previous year	1,250,630,948.35	1,043,818,095.99
Add: Beginning adjustment for undistributed profit	-	(8,127,942.32)
Including: Change of accounting policies	-	-
Change of consolidation scope under common control	-	(8,127,942.32)
Beginning balance of the current period	1,250,630,948.35	1,035,690,153.67
Add: Net profits attributable to the parent company's shareholders in the current period	324,859,557.55	299,966,265.71
Others	-	-
Less: appropriation of statutory surplus reserve	23,585,726.26	22,839,526.33
Common stock dividends payable	74,623,133.64	62,185,944.70
Total	<u>1,477,281,646.00</u>	<u>1,250,630,948.35</u>

10. Operating revenues and cost

(1) Operating revenue and costs

Item	12 months as of 31 December 2020		12 months as of 31 December 2019	
	(audited)		(audited)	
	Revenue	Cost	Revenue	Cost
Main operation	5,948,734,001.33	4,089,184,942.77	5,539,646,497.62	3,650,414,300.80
Other operation	<u>56,852,642.13</u>	<u>101,804,784.00</u>	<u>66,374,365.68</u>	<u>80,971,036.08</u>
Total	<u>6,005,586,643.46</u>	<u>4,190,989,726.77</u>	<u>5,606,020,863.30</u>	<u>3,731,385,336.88</u>

(2) Revenues from contracts

Classification of contract	Chemical bulk drugs	Preparations	Chemicals and other products	Total
Commodity type				
Among :				
Chemical bulk drugs	2,565,565,374.15	-	-	2,565,565,374.15
Preparations	-	2,605,608,706.18	-	2,605,608,706.18
Medical intermediate and other products	-	-	834,412,563.13	834,412,563.13
Total	<u>2,565,565,374.15</u>	<u>2,605,608,706.18</u>	<u>834,412,563.13</u>	<u>6,005,586,643.46</u>
Classification by operating regions				
Where :				
China (including Hong Kong)	869,429,586.46	2,492,340,636.93	548,428,658.54	3,910,198,881.93
Americas	741,524,316.54	9,009,202.50	71,161,815.83	821,695,334.87
Europe	589,122,076.18	104,258,866.75	199,041,507.64	892,422,450.57
Others	365,489,394.97	-	15,780,581.12	381,269,976.09
Total	<u>2,565,565,374.15</u>	<u>2,605,608,706.18</u>	<u>834,412,563.13</u>	<u>6,005,586,643.46</u>
Classification by contract performance obligation				
Among :				
Recognition of revenue at a certain point in time	2,565,565,374.15	2,605,608,706.18	834,412,563.13	6,005,586,643.46
Recognition of revenue within a certain period	-	-	-	-
Total	<u>2,565,565,374.15</u>	<u>2,605,608,706.18</u>	<u>834,412,563.13</u>	<u>6,005,586,643.46</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, when the Group delivers the goods to the customer or the carrier, the contractual obligation is deemed to be fulfilled, and the customer obtains control of the relevant goods; for overseas sales contracts in China, the contractual obligation is fulfilled when the goods are delivered and shipped at the port of shipment and the customer has control over the relevant goods.

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

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

At the end of the current year, the amount of revenue with signed contracts but unfulfilled or uncompleted performance obligation is 377,793,225.44 yuan, and of this amount 372,753,198.67 yuan is expected to be recognized in 2021.

(5) The recognized income of this year includes the amount of 236,368,411.95 yuan that has been included into the contract liabilities at the end of the previous year.

11. Taxes and surcharges

Item	12 months as of 31 December 2020(audited)	12 months as of 31 December 2019(audited)
City maintenance and construction tax	16,837,969.77	18,148,397.54
Land use tax	10,027,318.54	9,370,882.16
Property tax	16,754,111.47	15,016,547.26
Educational surcharges	12,027,116.29	12,963,141.08
Stamp duty	1,448,434.83	1,337,376.19
Local Water Conservancy Fund	1,203,045.80	1,295,404.12
Vehicle usage tax	62,152.04	58,432.14
Land value increment tax	1,916,205.74	-
Total	<u>60,276,354.48</u>	<u>58,190,180.49</u>

12. Assets impairment loss

Item	12 months as of 31 December 2020(audited)	12 months as of 31 December 2019(audited)
Inventory impairment loss	(45,159,388.85)	(78,534,441.39)
Loss from fixed assets impairment	-	(1,112,333.00)
Total	<u>(45,159,388.85)</u>	<u>(79,646,774.39)</u>

13. Income tax expenses

(1) Income tax expenses

Item	12 months as of 31 December 2020	12 months as of 31 December 2019
	(audited)	(audited)
The current income tax calculated in accordance with the tax law and related regulations	38,000,683.87	39,676,899.00
-PRC enterprise income tax	34,503,264.90	36,525,476.57
-Hong Kong profits tax	-	-
-USA federal and state tax	454,430.28	463,780.23
-Dutch corporation tax	3,042,988.69	2,687,642.20
-Deferred income tax expense	22,848,541.61	13,305,890.13
Undercount (Over-counted) in previous years	<u>3,675,471.10</u>	<u>5,294,074.27</u>
Total	<u><u>64,524,696.58</u></u>	<u><u>58,276,863.40</u></u>

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

	12 months as of 31 December 2020
Item	(audited)
Annual total profit from amalgamation	411,637,980.75
Income tax expense calculated in accordance with statutory/applicable tax rate	61,745,697.11
Effect of different tax rate applicable to subsidiaries	18,372,460.96
Effect of adjustments to previous years' income tax	3,675,471.10
Effect of non-assessable income	(841,598.36)
Effect of nondeductible cost, expense and loss	9,523,134.17
Effect of using deductible loss of unrecognized deferred income tax assets in previous period	(3,324,514.05)

12 months as of 31 December 2020

Item	(audited)
Deductible temporary difference or effect of deductible loss of unrecognized deferred income tax assets in the current year	739,552.53
Additional deductions	(25,127,798.92)
Tax credit of special equipment for environmental protection and energy saving	<u>(237,707.96)</u>
Income tax expenses	<u><u>64,524,696.58</u></u>

14. Earnings per share

The calculation of the basic earnings per share is based on the Group's profit of RMB324,859,557.55 (2019: RMB 299,966,265.71) for the current period attributable to the owners of the Company and based on the weighted average of 621,859,447 shares in issue (2019:621,859,447 shares) during the period.

Item	<u>Year 2020</u>	<u>Year 2019</u>
	RMB yuan	RMB yuan
Consolidated net profit attributable to ordinary shares of the listed company	324,859,557.55	299,966,265.71
Weighted average number of the Company's issued outstanding ordinary shares	621,859,447	621,859,447
Basic earnings per share (yuan/share)	<u>0.52</u>	<u>0.48</u>

Basic earnings per share and diluted earnings per share for the year ended 31 December 2019 and 31 December 2020 are the same as there were no dilutive events during both periods.

15. Dividends

Item	Year 2020	Year 2019
	RMB yuan	RMB yuan
Dividends recognised as distribution in the financial statements of the relevant the year:		
2018 final dividend: RMB 0.10 per share	-	62,185,944.70
2019 final dividend: RMB 0.12 per share	74,623,133.64	-
	74,623,133.64	62,185,944.70

The Board proposes the profit distribution plan for year 2020 as follows: the total number of shares of the Company at the reporting disclosure date was 627,367,447(of which 432,367,447 shares were A shares and 195,000,000 shares were H shares). Based on the total issued shares of the Company of 627,367,447 shares, it is proposed a dividend of RMB0.15 (tax inclusive) for every share of the Company be paid to shareholders. The aforementioned amounts are not included in the 2020 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 2020 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
Zhang Daiming
Chairman

30 March 2021, Zibo, PRC

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

Executive Directors:

Mr. Zhang Daiming (Chairman)

Mr. Du Deping

Mr. He Tongqing

Non-executive Directors:

Mr. Xu Lie

Mr. Cong Kechun

Independent Non-executive Directors:

Mr. Pan Guangcheng

Mr. Zhu Jianwei

Mr. Lo Wah Wai