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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)

2021 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 2021 (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	**2021**	**2020**	**Change as compared to that of last year**	**2019**
Operating income	6,560,077,586.40	6,005,586,643.46	9.23%	5,606,020,863.30
Total profits	421,233,319.92	411,637,980.75	2.33%	381,392,620.93
Income tax expense	59,159,038.49	64,524,696.58	(8.32%)	58,276,863.40
Net profits	362,074,281.43	347,113,284.17	4.31%	323,115,757.53
Minority shareholders' profit or loss	13,525,785.44	22,253,726.62	(39.22%)	23,149,491.82
Net profits attributable to shareholders of listed company	348,548,495.99	324,859,557.55	7.29%	299,966,265.71
Net profits attributable to shareholders of listed company after deduction of non-recurring profit or loss	291,335,832.10	290,790,007.23	0.19%	258,555,194.68
Net cash flow from operating activities	259,116,960.17	420,186,808.35	(38.33%)	348,271,406.17
Basic earnings per share	0.56	0.52	7.69%	0.48
Diluted earnings per share	0.56	0.52	7.69%	0.48
Ratio of weighted average return on net assets	10.38%	10.50%	Decreased by 0.12 percentage points	10.58%
Item	**As at 31 December 2021**	**As at 31 December 2020**	**Change as compared to that of last year**	**As at 31 December 2019**
Total assets	7,332,033,657.98	7,092,952,190.04	3.37%	6,436,024,609.48
Total liabilities	3,680,888,823.85	3,701,662,448.12	(0.56%)	3,325,495,154.66
Minority interest	183,203,266.68	167,495,922.67	9.38%	141,501,384.01
Net assets attributable to shareholders of listed company	3,467,941,567.45	3,223,793,819.25	7.57%	2,969,028,070.81

Note:

From the end of the Reporting Period to the date of this announcement, 5.1678 million new A-shares were issued due to the completion of the exercise of the second 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 2021		31 December 2020	
Class of shares	Number of shares	Proportion of total share capital (%)	Number of shares	Proportion of total share capital (%)
1. Total number of conditional tradable shares	615,952	0.098	11,602	0.002
State-owned shares	-	-	-	-
Shares owned by domestic legal persons	-	-	-	-
Number of executive shares in A shares with limited sale conditions	615,952	0.098	11,602	0.002
Others	-	-	-	-
2. Total number of unconditional tradable shares	626,751,495	99.902	621,847,845	99.998
RMB-denominated ordinary shares (A shares)	431,751,495	68.820	426,847,845	68.640
Overseas listed foreign shares (H shares)	195,000,000	31.082	195,000,000	31.358
3. Total number of shares	627,367,447	100.00	621,859,447	100.00

Note: On 19 January 2021, 5,508,000 stock options of the Company's 2018 A-share stock option incentive plan during the first exercise period were registered and listed in circulation, among which, the number of shares held by directors and senior executives as incentive objects increased after exercise.

2. Shareholders' information

(1) As at 31 December 2021, the Company had a total of 39,507 shareholders, including 46 holders of H shares and 39,461 holders of A shares. As at 28 February 2022, the Company had a total of 37,090 shareholders, including 46 holders of H shares and 37,044 holders of A shares.

(2) As at 31 December 2021, 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	32.65	204,864,092	-	-	204,864,092
香港中央結算(代理人)有限公司 (HKSCC (Nominees) Limited)	H shares	30.77	193,058,227	10,000	-	193,058,227
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	3.72	23,310,176	-	-	23,310,176
中國銀行股份有限公司－華安文體健康主題靈活配置混合型證券投資基金 (Bank of China Limited - Hua 'an sports health theme flexible allocation of mixed securities investment funds)	Fund	0.98	6,177,100	6,177,100	-	6,177,100
華魯投資發展有限公司 (Hualu Investment Development Co. Ltd) (i)	State-owned	0.66	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	0.64	4,042,592	-	-	4,042,592
香港中央結算有限公司 (HKSCC Limited)	Overseas Legal Person	0.55	3,459,013	597,027	-	3,459,013
馮文淵(Feng Wenyuan)	Natural person in the territory	0.54	3,416,200	3,416,200	-	3,416,200
陳雯鷥(Chen Wensi)	Natural person in the territory	0.42	2,663,100	2,663,100	-	2,663,100
中國工商銀行股份有限公司－廣發多因數靈活配置混合型證券投資基金 (Industrial and Commercial Bank of China Limited - Gf Multi-factor flexible allocation mixed securities investment fund)	Fund	0.41	2,573,653	2,573,653	-	2,573,653

(3) As at 31 December 2021, 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	193,058,227	Overseas listed foreign 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
中國銀行股份有限公司－華安文體健康主題靈活配置混合型證券投資基金(Bank of China Limited - Hua 'an sports health theme flexible allocation of mixed securities investment funds)	6,177,100	RMB ordinary share
華魯投資發展有限公司(Hualu Investment Development Co. Ltd) (i)	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
香港中央結算有限公司(HKSCC Limited)	3,459,013	RMB ordinary share
馮文淵(Feng Wenyuan)	3,416,200	RMB ordinary share
陳雯鶩(Chen Wensi)	2,663,100	RMB ordinary share
中國工商銀行股份有限公司－廣發多因數靈活配置混合型證券投資基金(Industrial and Commercial Bank of China Limited - Gf Multi-factor flexible allocation mixed securities investment fund)	2,573,653	RMB ordinary share

Notes:

i. Such figure excludes the 4,143,168 A share which directly held by Hualu Investment Development Co. Ltd ("**Hualu Investment**"), a direct wholly owned subsidiary of HHC. As of 31 December 2021, 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 3.32% of the issued share capital of the Company. Hualu Investment owns 4,143,168 A shares of the Company, representing approximately 0.66% of the issued share capital of the Company. As announced in the announcements of the Company dated 14 April 2021 and 13 August 2021, the Company entered into a subscription agreement in relation to the proposed non-public issuance of 37,091,988 A Shares of the Company to Hualu Investment (the "**Proposed A Shares Issue**"). To the best knowledge of the Company, upon completion of the Proposed A Shares Issue, the interest of shares of the Company held by Hualu Investment shall be increased from 4,143,168 A shares of the Company to 41,235,156 A shares of the Company.

ii. 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 2021, no other person (other than the Directors, supervisors of the Company (the "**Supervisors**"), chief executives or members of senior management (the "**Senior Management**") of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange of Hong Kong Limited (the "**SEHK**") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a Substantial Shareholder (as defined in the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") of the Company.

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

IV. DIVIDENDS

Reference is made to the circular of the Company dated 31 May 2021 and the announcements and overseas regulatory announcement of the Company dated 14 April 2021, 27April 2021, 30 June 2021, 19 July 2021, 2 August 2021, 13 August 2021, 16 August 2021, 26 January 2022, 22 February 2022, 7 March 2022 and 23 March 2022 in relation to the Proposed A Shares Issue.

As prescribed in the Measures for the Administration of Securities Issuance and Underwriting issued by the CSRC, the Company shall only issue securities after submitting the profit distribution plan and plan for conversion of the capital reserve into share capital to the general meeting for approval and putting such plans approved at the general meeting into implementation. Given the Company is currently proceeding with the Proposed A Shares Issue, according to the relevant regulations of the CSRC and in order to promote relevant work as soon as possible, the Company will not review the profit distribution plan for 2021. The Company intends to proceed with the related matters for profit distribution as soon as practicable following completion of the Proposed A Shares Issue in accordance with requirements of relevant regulatory authorities and the articles of association of the Company.

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 2021	Change in shareholding	As at 31 December 2020
Directors				
Mr. Zhang Daiming	Chairman	117,470(note 2)	102,000(note 4)	15,470(note 2)
		174,888(note 3)		174,888(note 3)
Mr. Du Deping	Executive Director, General Manager	151,568(note 3)	91,800(note 4)	151,568(note 3)
		91,800(note 4)		
Mr. Xu Lie	Non-executive Director	81,614(note 3)	74,800(note 4)	81,614(note 3)
		74,800(note 4)		
Mr. He Tongqing	Executive Director, Deputy General Manager	116,592(note 3)	74,800(note 4)	116,592(note 3)
		74,800(note 4)		
Mr. Cong Kechun	Non-executive Director	Nil	Nil	Nil
Mr. Lo Wah Wai	Independent non-executive Director	Nil	Nil	Nil
Mr. Pan Guangcheng	Independent non-executive Director	Nil	Nil	Nil
Mr. Zhu Jianwei	Independent non-executive Director	Nil	Nil	Nil
Supervisors				
Mr. Liu Chengtong	Chairman of Supervisory Committee	Nil	Nil	Nil
Mr. Tao Zhichao	Independent Supervisor	Nil	Nil	Nil
Mr. Xiao Fangyu	Independent Supervisor	Nil	Nil	Nil
Ms. Hu Yanhua	Employee Supervisor	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)	74,800(note 4)	81,614(note 3)
		74,800(note 4)		
Mr. Du Deqing	Deputy General Manager	81,614(note 3)	74,800(note 4)	81,614(note 3)
		74,800(note 4)		
Mr. Hou Ning	Financial Controller	116,592(note 3)	74,800(note 4)	116,592(note 3)
		74,800(note 4)		
Mr. Zheng Zhonghui	Deputy General Manager	23,318(note 3)	74,800(note 4)	23,318(note 3)
		74,800(note 4)		

Mr. Wei Changsheng	Deputy General Manager	34,977(note 3) 54,400(note 4)	54,400(note 4)	34,977(note 3)
Mr. Xu Wenhui	Deputy General Manager	46,636(note 3) 54,400(note 4)	54,400(note 4)	46,636(note 3)
Mr. Cao Changqiu	Secretary to the Board	2,331(note 3) 54,400(note 4)	54,400(note 4)	2,331(note 3)
Total		**1,767,991**	**805,800**	**962,191**

Notes:

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

(2) Mr. Zhang Daiming personally holds 117,470 A Shares (among them 102,000 Shares were issued pursuant to first exercise of options under the stock option incentive plan).

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

(4)The relevant Shares were issued pursuant to the first exercise of options under the stock option incentive plan.

(5) So far as the Directors, the Senior Management and Supervisors are aware, as at 31 December 2021, 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

(Ⅰ)Analysis of Assets and Liabilities

1.Assets and Liabilities constituting changes

Unit: RMB Yuan

Item	At the end of 2021 (audited)		At the beginning of 2021 (audited)		Percentage increase or decrease
	Amounts	Proportion of total assets	Amounts	Proportion of total assets	
Monetary funds	744,662,302.34	10.16%	855,770,803.34	12.07%	(1.91%)
Accounts receivable	658,568,486.25	8.98%	379,909,305.44	5.36%	3.62%
Contract assets	438,975.00	0.01%	-	0.00%	0.01%
Inventories	1,027,539,968.72	14.01%	1,124,364,262.39	15.85%	(1.84%)
Investment real estate	45,765,654.05	0.62%	50,016,899.09	0.71%	(0.09%)
Long-term equity investment	56,707,310.33	0.77%	57,795,818.99	0.81%	(0.04%)
Fixed assets	3,195,112,176.64	43.58%	3,117,313,128.81	43.95%	(0.37%)
Projects under construction	562,958,944.42	7.68%	416,989,876.51	5.88%	1.80%
Right-of-use assets	7,653,187.24	0.10%	4,549,357.11	0.06%	0.04%
Short-term borrowing	269,455,217.71	3.68%	200,420,484.28	2.83%	0.85%
Contract liability	100,398,224.66	1.37%	377,793,225.44	5.33%	(3.96%)
Long-term borrowings	346,196,870.64	4.72%	462,737,939.80	6.52%	(1.80%)
Lease liabilities	4,279,227.67	0.06%	1,762,899.65	0.02%	0.04%

2.Analysis of major changes of items

Unit: RMB Yuan

Items	As at 31 December 2021 (audited)	As at 31 December 2020 (audited)	Change as compared to the End of Last Year	Description of significant changes
Accounts receivable	658,568,486.25	379,909,305.44	73.35%	(1)
Other accounts receivable	17,415,074.81	25,163,102.98	(30.79%)	(2)
Other current assets	44,593,999.38	114,067,003.20	(60.91%)	(3)

Items	As at 31 December 2021 (audited)	As at 31 December 2020 (audited)	Change as compared to the End of Last Year	Description of significant changes
Projects under construction	562,958,944.42	416,989,876.51	35.01%	(4)
Right-of-use assets	7,653,187.24	4,549,357.11	68.23%	(5)
Deferred income tax assets	15,168,744.22	23,517,396.65	(35.50%)	(6)
Short-term borrowing	269,455,217.71	200,420,484.28	34.44%	(7)
Notes payable	405,071,920.42	289,972,897.58	39.69%	(8)
Accounts payable	661,319,556.79	452,930,287.37	46.01%	(9)
Contract liability	100,398,224.66	377,793,225.44	(73.43%)	(10)
Other current liabilities	45,594,586.86	32,721,948.43	39.34%	(11)
Lease liabilities	4,279,227.67	1,762,899.65	142.74%	(5)

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

（1）The increase of accounts receivable was mainly due to delayed customer collection due to longer shipping and customs clearance times in international operations and the expanded scale of sales and that payments for part of the sales business had not yet been due during the current year.

（2）The decrease of other accounts receivable was mainly due to the collection of leaseback margin during the year.

（3）The decrease of other current assets was mainly due to reduction of the prepaid income tax and value-added tax allowance at the end of the current year.

（4）The main reason of the increase of the projects under construction was the continuous investment in high-end new medical preparation industrialization injection workshop and other projects during the current year.

（5）The increase in right-of-use assets and lease liabilities was mainly due to the increase in operating rents of subsidiaries during the current year.

（6）The decrease in deferred income tax assets was mainly due to the decrease in deferred income tax assets recognized as allowance for doubtful accounts due to the write-off of accounts receivable by subsidiaries during the current year.

（7）The main reason for the rise in short-term borrowing was to reduce financing costs and optimize the debt structure during the current year.

（8）The increase in notes payable was mainly due to an increase in bank acceptances payable during the current year.

（9）The increase in accounts payable was mainly due to overdue payments for purchases during the current year.

（10）The decrease in contractual liabilities was mainly due to the timely performance of contractual obligations during the Reporting Period and the decrease in advance payments under contracts.

（11）The increase in other current liabilities was mainly due to an increase in bank acceptance bills not terminated at the end of the year.

(Ⅱ)Expense and income statement items

Unit: RMB Yuan

Items	2021	2020	Change as compared to the same period last year	Description of significant changes
Selling expenses	584,128,159.21	631,597,121.93	(7.52%)	
Administration expenses	349,660,529.07	320,149,607.17	9.22%	
R&D cost	341,367,394.20	298,347,278.00	14.42%	
Financial expenses	52,902,639.77	83,710,388.30	(36.80%)	(1)
Other income	59,742,321.67	38,647,497.32	54.58%	(2)
Investment income	8,016,977.74	5,610,655.75	42.89%	(3)
Credit impairment loss(losses to be listed with brackets)	2,683,808.78	382,455.10	601.73%	(4)
Assets impairment loss(losses to be listed with brackets)	(33,266,799.83)	(45,159,388.85)	(26.33%)	(5)
Non-operating income	3,822,941.58	1,129,914.39	238.34%	(6)
Non-operating expenditure	8,180,158.54	11,977,403.91	(31.70%)	(7)

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

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

（2）The year-on-year increase in other income was mainly due to the increase in government subsidies received during the current year.

（3）The main reason for the year-on-year increase in investment income is the increase in investment income of associated corporations obtained during the current year.

（4）The credit impairment loss decreased year over year mainly due to the decrease in bad debt provisions for other accounts receivables set aside during the current year.

（5）The main reason for the year-on-year decrease in asset impairment losses is the company's strengthening of inventory management and the decrease in inventory falling price reserves set aside during the current current year.

（6）The year-on-year increase in non-operating income was mainly due to the conversion of supplier compensation payments to non-operating income in the current year.

（7）The year-on-year decrease in non-operating expenses was mainly due to lower write-off losses on non-current assets in the current year.

(Ⅲ)Cash flow

Unit: RMB Yuan

Items	2021	2020	Change as compared to the same period last year	Description significant of changes
Cash inflows from operating activities	5,544,462,653.81	5,484,712,538.12	1.09%	
Cash outflows from operating activities	5,285,345,693.64	5,064,525,729.77	4.36%	
Net cash flow generated from operating activities	259,116,960.17	420,186,808.35	(38.33%)	(1)
Cash inflows from investing activities	11,533,534.40	12,183,089.01	(5.33%)	
Cash outflows from investing activities	249,227,103.62	310,188,013.54	(19.65%)	
Net cash flow generated from investing activities	(237,693,569.22)	(298,004,924.53)	(20.24%)	
Cash inflows from financing activities	612,183,982.00	1,096,573,800.00	(44.17%)	(2)
Cash outflows from financing activities	751,913,930.89	1,061,537,526.73	(29.17%)	
Net cash flow generated from financing activities	(139,729,948.89)	35,036,273.27	(498.82%)	(2)
Net increase in cash and cash equivalents	(126,171,637.87)	144,938,633.19	(187.05%)	(3)

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

（1）The net cash flow from operating activities decreased year-on-year mainly because of the increase in accounts receivable caused by delayed customer payment due to the extension of shipping and customs clearance time in international business and the expansion of sales scale.

（2）The year-on-year decrease in net cash inflow from financing activities and net cash flow generated from financing activities was mainly due to the Company's acquisition of a controlling shareholder loan of RMB 600,000,000 in the same period last year.

（3）The year-on-year decrease in net increase in cash and cash equivalents is that the Company has strengthened fund management, improved the efficiency of fund use and reasonably controlled the capital stock in the current year.

(Ⅳ)The Group's operating revenue classified by industry, by product and by geographical location in accordance with CASBE in 2021 is as follow:

Unit: RMB Yuan

Item	Operating revenue	Operating costs	Gross profit rate	Change in operating income as compared to the same period last year	Change in operating costs as compared to the same period last year	Change in gross profit rate as compared to the same period last year
By industry						
Chemical bulk drugs	2,740,737,136.77	1,918,373,790.56	30.01%	6.83%	18.70%	Decrease by 7.00 percentage points
Preparations	2,611,623,357.62	1,843,710,724.02	29.40%	0.23%	0.55%	Decrease by 0.22 percentage points
Medical intermediates and other products	1,207,717,092.01	1,024,325,837.72	15.18%	44.74%	38.21%	Increase by 4.00 percentage points
Total	6,560,077,586.40	4,786,410,352.30	27.04%	9.23%	14.21%	Decrease by 3.18 percentage points
By product						
Raw material pharmaceuticals such as antipyretic and analgesic	2,740,737,136.77	1,918,373,790.56	30.01%	6.83%	18.70%	Decrease by 7.00 percentage points
Preparations such as tablet, injection, capsule etc.	2,611,623,357.62	1,843,710,724.02	29.40%	0.23%	0.55%	Decrease by 0.22 percentage points
Medical intermediates and others	1,207,717,092.01	1,024,325,837.72	15.18%	44.74%	38.21%	Increase by 4.00 percentage points
Total	6,560,077,586.40	4,786,410,352.30	27.04%	9.23%	14.21%	Decrease by 3.18 percentage points
By geographical location						
China (including Hong Kong)	4,380,516,750.24	2,981,092,628.54	31.95%	12.03%	14.56%	Decrease by 1.51 percentage points
Americas	845,536,583.45	681,866,596.69	19.36%	2.90%	11.51%	Decrease by 6.22 percentage points
Europe	960,591,868.84	804,971,093.21	16.20%	7.64%	17.70%	Decrease by 7.17 percentage points
Others	373,432,383.87	318,480,033.86	14.72%	(2.06%)	8.55%	Increase by 8.42 percentage points
Total	6,560,077,586.40	4,786,410,352.30	27.04%	9.23%	14.21%	Decrease by 3.18 percentage points
Distribution model						
Direct selling	3,077,509,046.53	2,372,987,039.64	22.89%	18.92%	20.42%	Decrease by 0.96 percentage points
Distribution selling	3,482,568,539.87	2,413,423,312.66	30.70%	1.90%	8.69%	Decrease by 4.33 percentage points
Total	6,560,077,586.40	4,786,410,352.30	27.04%	9.23%	14.21%	Decrease by 3.18 percentage points

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

As at 31 December 2021, the current ratio was 110.08% and the quick ratio of the Group was 69.00% while the accounts receivable turnover rate (accounts receivable turnover rate = operating revenue/average trade and bill receivables ×100%) was 1,263.40% and the inventory turnover rate (inventory turnover rate = cost of sales/ net amount of average inventories×100%) was 444.85%.

The current ratio and quick ratio changed slightly from those at the end of the previous 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 2021, the Group's total amount of outstanding loans was RMB1,624,231,000. As at 31 December 2021, currency funds of the Group amounted to RMB744,662,000. 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 2021, the Company's subsidiary Xinhua (Zibo) Real Estate Co., Ltd.., has a housing loan deposit of RMB690,000 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 RMB 658,000. The Company and its subsidiary Shandong Zibo Xincat Pharmaceutical Co., Ltd. (hereinafter referred to as "**Xincat Pharmaceutical**") charged their respective currency funds of RMB 92,715,000 and RMB 11,300,000 to the bank for arrangement of bank acceptance bills. The company will deposit RMB 1,000,000 in the bank for letter of guarantee, and the company's subsidiary will use RMB 587,000 for restricted funds such as deposit for migrant workers.The Company's fixed asset of RMB 66,454,000 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 7,653,000. The Group's notes receivable of RMB 35,857,000 have not been terminated.Save as disclosed, the Group did not have other charged assets.

On13 April 2021, Shandong Tongxin Pharmaceutical Co., Ltd. (hereinafter referred to as "**Tongxin Pharmaceutical**") was established by the Company and relevant investors. On 31December 2021, the Company actually invested RMB 21,600,000, holding 60% of the shares. The total assets of Tongxin Pharmaceutical is RMB 44,655,00 and the owner's equity is RMB36,179,000. There is no actual operation in 2021, which has no significant impact on the overall production, operation and performance of the Group.

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 2021, the number of staff by the Group was 6,533, and the total of salaries for 2021 was RMB602,446,000.

The asset-liability ratio of the Group was 50.20% (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 2021, the Group had a gross gearing ratio (i.e. gross debt divided by adjusted capital) of 46.84%, and a net gearing ratio (i.e. net debt divided by adjusted capital) of 25.36%. For this purpose, gross debt is defined as total borrowings and net debt is defined as total borrowings less cash and cash equivalents, and adjusted capital defined as all components of equity attributable to shareholders other than designated reserves.

The assets and liabilities of the Group is mainly recorded in RMB. For the year 2021, the revenue from the Group's exports was approximately $325,017,000, 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; (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; and (3) the Group will pay close attention to changes in exchange rates, settle foreign exchange in a timely manner, and properly control the scale of foreign currency assets and liabilities.

VII. BUSINESS REVIEW

Against the backdrop of numerous difficulties in 2021 such as soaring prices in raw materials and freight rates, significant RMB appreciation and sluggish market demands, the Group was able to overcome them by promptly adjusting its strategies and taking an active approach to forge ahead, and maintained double growth in operating revenue and profit, with major operating indicators reaching record highs for the eighth consecutive year.

1. Focusing on marketing and demonstrating greater leading power

The revenue from the Group's exports reached approximately $325,000,000, representing a year-on-year increase of 10.50%, of which sales of fish oil products amounted to nearly RMB100 million while sales of hormone series increased by 50.2% year-on-year. Domestic sales of APIs reached RMB890 million, a year-on-year increase of 14.9%, including a 40% year-on-year increase in veterinary drugs.

The pharmaceutical preparation industry achieved sales of RMB1.4 billion, representing a year-on-year increase of 11.8%. Ten great strategic pharmaceutical preparations achieved sales growth of 31.5%. Of 11 successfully-launched health products, fish oil soft capsule products that were made from self-produced high purity EPA raw materials, became the frontier product among the Group's health sectors. The Company was recognized as a high-end brand cultivation enterprise in the Shandong Province.

A number of international cooperation projects were pressed ahead with the export of solid preparations exceeding 2.1 billion tablets and the Madopar project being put into commercial operation.

"Zibo Internet + Health Platform", jointly established by Shandong Xinhua Health Technology Co., Ltd. (hereinafter referred to as "**Xinhua Health**") and the Medical Insurance Bureau in Zibo City was officially launched. Xinhua Health also joined hands with Zibo Central Hospital to develop a "Chronic Disease Management Center", and opened the Internet Smart Pharmacy. The "medical insurance service", "chronic disease service" and "independent brand" are accelerating the formation of "Internet + medical health" service ecology with Xinhua characteristic .

2. Focusing on scientific and technological innovations with stronger driving force for developments

The Group recorded research and development expense of RMB340 million for the year, with 12 drug approvals and 14 authorised patents. It has established cooperation platforms with higher education institutions including China Pharmaceutical University, China University of Petroleum, and Beijing Institute of Technology.

The craftsmanship and waste gas control and treatment have been improved due to stronger application of high technology, saving RMB32.95 million in raw materials and power consumption.

The Company and Xincat Pharmaceutical successfully passed the high-tech enterprise re-examination and Shangdong Xinhua Pharmaceutical (Shouguang) Co., Ltd. (hereinafter referred to as "**Xinhua Shouguang**") was successfully approved as an high-tech enterprise. Of the projects carried out by the Group, two were respectively awarded the third prize of Science and Technology Progress of Shandong Province and first Prize for Major Scientific and Technological Achievements in Zibo City, three passed the provincial acceptance. Modern Pharmaceutical International Cooperation Centre was recognized as a provincial digital workshop, a typical application scene of digital transformation of provincial enterprises, an intelligent workshop in Zibo City, and an excellent project of fusing Informationization with Industrialization. The Company has obtained the evaluation certificate of fusing Informationization with Industrialization management system from the Ministry of Industry and Information Technology of the PRC, was approved as the first batch of "Zibo Biomedical Innovation and Entrepreneurship Community", and was awarded as the leading enterprise of science and technology in the Shandong Province, the enterprise of full innovation in the Shandong Province, and the excellent enterprise of fusing Informationization with Industrialization in the Shandong Province.

3. Focusing on project construction with greater impulse to development

The constructions of the research and development platform for injection project and GMP renovation project have been completed.

Xinhua Shouguang featured bulk drugs project and 500-ton Steroid Intermediates Project of Tongxin Pharmaceutical have commenced the construction.

The veterinary drugs project of Xinhua Pharmaceutical (Gaomi) Co., Ltd. obtained a veterinary medicine production licence, and passed the GMP inspection of veterinary drugs, with 10 varieties and 12 symbols to be approved by the state soon. The high-end pet feed project has basically completed the civil engineering.

4. Focusing on enterprise management with more sturdy protection for development

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 acceptance of the pilot unit of "Double Prevention System Construction" by and was confirmed as a pilot enterprise of "Industrial Internet + Hazardous Chemical Safety Production" by the National Emergency Management Department.

Following 163 quality audits, the international registration for seven products was completed, all 198 batches of products passed national and provincial sampling tests, the "International Total Quality Management Experience Oriented to European and American Markets" was awarded as the "Quality Benchmark" typical experience project of industrial enterprises in the Shandong province .

The Group was listed on the 2021 Green Manufacturing List by Ministry of Industry and Information Technology of the PRC with its achievements in increased investments in environmental protection and completion of five major environmental initiatives.

5. Focusing on reforms and mechanism optimization with more powerful energies into development

Contractual and tenure-based management were full in place at the managerial level in the Company and its subsidiaries.

The “six-specific” assessment for 1,243 working positions were made for position readjustment, resulted in 52 posts being merged and the number of staff being reduced by 105.

The first exercise of 5.508 million shares under the Phase I equity incentive scheme was completed, followed by the approval of 24.9 million shares in total under the Phase II equity incentive scheme.

The Company and Hubei Gongtong Pharmaceutical Co., Ltd. jointly invested to establish Tongxin Pharmaceutical in order to construct a project with an annual output of 500 tonnes of steroid drug intermediates, creating the conditions for the next step to empower hormones products.

6. Focusing on attracting talents with sufficient stimulation of development

During the year, with Mr. Zhou Honghao, academician of the Chinese Academy of Engineering on board as the chief scientific advisor for the Company's clinical pharmacology research, and one new member from the National Key Talent Project as the chief scientist of the Company's genetic and cellular engineering research, the Company has brought into a total of 163 new staffs with a bachelor's degree or above, including 66 with a master's degree or above.

The Company was listed as the first unit of Zibo City to carry out evaluation of special technicians, with five employees honored as first special technicians. The Company's exhibition hall has been identified as a red education base and patriotic education base by the national pharmaceutical industry, the provincial pharmaceutical industry, the provincial committee for the care of workers and the provincial state capital committee.

VIII. PROSPECTS

The world is undergoing once-in-a-century changes, loomed over with destabilizing factors and uncertainties on the increase, which poses numerous challenges to enterprises for development. The first challenge may be that COVID-19 pandemic is reshaping the market landscape, followed by greater pressures on macroeconomic downturn as the second challenge. On top of these, it may be hard to reach the goals of carbon peak by 2030 and to achieve energy consumption "double control" policy objectives, as the uncertainty on chemical products market supply increases, prices remain high, making it more difficult in production and organization of bulk drugs. The fourth challenge comes to a fiercer competition in preparations market since the country speeds up medical insurance reforms represented by collective purchasing, with price control as the major task. Last but not least, the profitability remains a huge challenge after labour wages, research and development, environmental protection and safety investments have risen rigidly.

Nevertheless, plenty of positive factors will contribute to boost the Company's development. For one thing, the signing of the Regional Comprehensive Economic Partnership and the acceleration of the Belt and Road promotion are conducive to exploring wider access to new consumer markets for pharmaceuticals. A series of domestic support measures taken for market players such as tax and fee reductions have been sustained and strengthened, creating favourable conditions for enterprises to maintain their growth. For another, drug regulation and other policies well in place, are gradually reflecting beneficial aspects for large regulated pharmaceutical companies. Other than these, years of efforts and commitments, especially in the 13th Five-Year Plan period made by the Group has enabled it to climb a new ladder in the overall strength. New products were launched at a faster pace, key projects were completed and put into operation one after another, industrial upgrading was accelerated and new growth points were gradually formed. With the help of these efforts, the Group is staying well poised for the momentum to a development growth.

As such, six key tasks of the Company are as follows:

1. Firmly committed to accelerating the cultivation of new growth driver and continuously increasing market control

The Company will coordinate the international and domestic markets, the overall market resources of intermediates, bulk drugs and preparations, and give greater weight to the development of the main API market.

While highlighting the cultivation of special products and new products of bulk drugs, the Company also will focus on the market promotion and development of multiple series of specialty products including EPA series, hormone series to form new growth points of bulk drugs.

The Company will focus on the ten major development strategies and large varieties of preparations with determination and resolve, enhance the profitability of large varieties of quality generic drugs. The market layout and development of new products and health product series will be also under the strict management. The Company will introduce more international cooperation projects, and steadily expanded entrusted processing to accelerate the commercialized production of existing cooperation projects by taking the high-end market as a breakthrough. At the same time, the Company will expand the export scale of our own-brand preparations, forming a new scene with a positive development both internationally and domestically.

Taking the official launch of the "Internet + Health" platform and the implementation of cross-border business and Internet hospitals as opportunities, the Company will develop its medical and beauty products and healthcare business into new growth points, and accelerate the establishment of the Group's special e-commerce business to expand into new areas.

<u>2. Firmly committed to intensifying efforts in scientific and technological innovations with continuous empowerment of the innovation drive</u>

The Group will strive to obtain five new product approvals for preparations, five consistency evaluation approvals, complete US registration for two APIs documents and two tablet products, as well as start Phase 1 clinical trial of OAB-14 innovative drugs as soon as possible, and complete more than seven new product filings.

The Group will attract more high-end talents, further increase cooperation with research institutes to gather more innovative resources, create a system and platform for the research and development of cell therapy, functional protein and genetic information drugs through the establishment of the Gene and Cell Engineering Research Centre.

In order to stimulate employees' enthusiasm in participating rationalisation proposals and technical quality activities, the Company will increase incentives for efforts in cost reduction, technology advancement and rationalization proposals.

The Company will strengthen the application of the "four new technologies", focus on intelligent and continuous production process transformation, and enhance the Company's comprehensive competitiveness.

<u>3. Firmly committed to promoting construction of key projects with continuously enhancing the driving force of development</u>

The Company will work hard to expedite the completion of the research and development platform for injections and the GMP renovation project, organise production validation and inspection in stability, so as to obtain a production licence and pass the GMP compliance inspection.

The Company will embark on new EPA70 project, the technical upgrading project of Isobutyl benzene, DBU and Tetramethylguanidine of Wanbo Chemical, the construction of the specialty API project and pharmaceutical intermediates project in Shouguang Park as well as complete engineering construction of steroid hormone intermediates project.

The Company will speed up the declaration and acquisition of veterinary drug symbols for the veterinary drug preparation project in Gaomi Park, and organize the production and commercialization of the product, complete the equipment installation and production verification of the high-end pet feed project as soon as possible to realize commercialization.

4. Firmly committed to consolidating basic management with continuous improvement of core competencies

The Company will continue to deepen the promotion of 7S management and CTPM management to improve the standard of on-site management. We will speed up the implementation of security measures, environmental measures and technical measures to improve the essential safety, environmental protection source control and product quality, so as to ensure no average or above safety and environmental protection quality accidents occurring throughout the year.

The Company will further improve the project management system and implement various strict and detailed measures to ensure that the project reaches production and efficiency in a timely manner. The Company will strengthen tender management, strictly implement sunshine procurement, control procurement prices and guarantee production supply.

The Company will actively carry out innovation activities in production cost, tighten cost reduction measures, take strict control to ensure the completion of indicators with stringent management of cost and expense, and of budget.

5. Firmly committed to push ahead with enterprise innovation to further stimulate the vitality of enterprises

The Company will not only further streamline the organizational personnel to improve work efficiency, further improve the distribution and incentive mechanism and the assessment and evaluation system, but also increase the training of young talents and empower the construction of talent ladder.

The Company will implement mid- and long-term incentive plans in eligible subsidiaries in due course including Shandong Xinhua Pharmaceutical Chemical Industry Design Co., Ltd., so as to further enhance the vitality of the development of subsidiaries and further mobilize the motivation and creativity of key personnel.

According to the Company's strategic positioning, the Company will accelerate the investigation and research of target companies to expect a breakthrough in corporate mergers and acquisitions as soon as possible, while beefing up cooperation with research and development companies to provide new channels for the its new drug development.

Looking forward, there will be a solid unity throughout the Group. The Board believes that the Group will fully achieve the 2022 target, and generate the most satisfactory returns for our shareholders.

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 2021, the number of staff employed by the Group was 6,533, and the total amount of their wages for the year 2021 was RMB602,446,000.

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

During the year ended 31 December 2021 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 2021 and the adaptation of the CASBE to prepare its financial statements as of 31 December 2021 and thereafter at the 2020 annual general meeting on 30 June 2021. The Company intends to re-appoint ShineWing Certified Public Accountants as auditor of the Company for the year 2022 at the 2021 annual general meeting to be held in 2022.

Corporate Governance Code

The Directors (including the independent non-executive Directors) confirmed that for the year ended 31 December 2021, 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 2021.

Sale and Purchase of Assets

Within 2021, 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 2020 held on 30 June 2021. 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 2020, the unaudited first quarter financial statements for 2021, the unaudited interim statements for 2021 and the unaudited third quarter financial statements for 2021 respectively.

The Audit Committee convened a meeting on 30 March 2022 to review the audited accounts for the financial year 2021 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 2021 (audited)	31 December 2020 (audited)
Current assets:			
Monetary funds		744,662,302.34	855,770,803.34
Notes receivable		41,020,264.41	-
Accounts receivable	*3*	658,568,486.25	379,909,305.44
Receivables financing		170,428,238.83	138,638,879.69
Prepayments		49,290,996.14	48,957,684.70
Other accounts receivable	*4*	17,415,074.81	25,163,102.98
Including：Dividend receivable		-	-
Inventories		1,027,539,968.72	1,124,364,262.39
Contract assets		438,975.00	-
Other current assets		44,593,999.38	114,067,003.20
Total current assets		**2,753,958,305.88**	**2,686,871,041.74**
Non-current assets:			
Long-term equity investment		56,707,310.33	57,795,818.99
Other equity instrument investment		203,490,512.00	258,822,016.00
Investment real estate		45,765,654.05	50,016,899.09
Fixed assets		3,195,112,176.64	3,117,313,128.81
Projects under construction		562,958,944.42	416,989,876.51
Right-of-use assets		7,653,187.24	4,549,357.11
Intangible assets		466,451,490.95	449,247,076.67
Long-term deferred expenses		10,540,928.51	11,916,370.88
Deferred income tax assets		15,168,744.22	23,517,396.65
Other non-current assets		14,226,403.74	15,913,207.59
Total non-current assets		**4,578,075,352.10**	**4,406,081,148.30**
Total assets		**7,332,033,657.98**	**7,092,952,190.04**

Consolidated Balance Sheet (audited) (continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	Notes	31 December 2021 (audited)	31 December 2020 (audited)
Current liabilities:			
Short-term borrowing		269,455,217.71	200,420,484.28
Notes payable		405,071,920.42	289,972,897.58
Accounts payable	*5*	661,319,556.79	452,930,287.37
Contract liability		100,398,224.66	377,793,225.44
Payroll payable	*6*	69,867,115.71	86,354,297.27
Taxes and dues payable		28,245,018.24	23,061,985.11
Other payables		498,104,257.01	495,166,878.89
Including：Interest payable		-	-
Dividends payable		20,280,599.53	5,310,599.53
Non-current liabilities due within one year		423,824,473.80	422,617,238.22
Other current liabilities		45,594,586.86	32,721,948.43
Total current liabilities		**2,501,880,371.20**	**2,381,039,242.59**
Non-current liabilities:			
Long-term borrowings		346,196,870.64	462,737,939.80
Lease liabilities		4,279,227.67	1,762,899.65
Long-term payables		627,201,117.02	638,556,123.79
Deferred income		132,164,134.63	144,690,236.46
Deferred income tax liabilities		65,605,602.69	69,314,505.83
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		**1,179,008,452.65**	**1,320,623,205.53**
Total liabilities		**3,680,888,823.85**	**3,701,662,448.12**
Owners' equity (or Shareholders' equity):			
Capital Stock		627,367,447.00	621,859,447.00
Capital reserve	*7*	677,941,287.82	644,906,623.85
Other comprehensive income	*8*	126,254,375.09	174,171,424.84
Reasonable reserve		2,118,130.33	3,039,375.29
Surplus reserve		325,192,624.19	302,535,302.27
Undistributed profits	*9*	1,709,067,703.02	1,477,281,646.00
Total of equity assigned to the shareholders of parent company		**3,467,941,567.45**	**3,223,793,819.25**
Minority shareholders' equity		183,203,266.68	167,495,922.67
Total owners' equity		**3,651,144,834.13**	**3,391,289,741.92**
Total of liabilities and owners' equity		**7,332,033,657.98**	**7,092,952,190.04**

Consolidated Income Statement (audited)

Unit: RMB Yuan

Item	Notes	For the 12 months ended 31 December 2021 (audited)	For the 12 months ended 31 December 2020 (audited)
I. Gross revenue	***10***	6,560,077,586.40	6,005,586,643.46
Including: Operating revenue		6,560,077,586.40	6,005,586,643.46
II. Total operating costs		6,173,736,165.97	5,585,070,476.65
Including: Operating costs	***10***	4,786,410,352.30	4,190,989,726.77
Taxes and surcharges	***11***	59,267,091.42	60,276,354.48
Selling expenses		584,128,159.21	631,597,121.93
Administration expenses		349,660,529.07	320,149,607.17
R&D cost		341,367,394.20	298,347,278.00
Financial expenses		52,902,639.77	83,710,388.30
Including: Interest expense		53,103,372.79	59,759,474.37
Interest income		8,776,272.46	5,968,298.09
Add: Other income		59,742,321.67	38,647,497.32
Investment income (losses to be listed with brackets)		8,016,977.74	5,610,655.75
Including: Return on investment on joint ventures and joint ventures (losses to be listed with brackets)		(1,088,508.66)	(2,978,392.25)
Credit impairment loss(losses to be listed with brackets)		2,683,808.78	382,455.10
Assets impairment loss (losses to be listed with brackets)	***12***	(33,266,799.83)	(45,159,388.85)
Gains from asset disposal (losses to be listed with brackets)		2,072,808.09	2,488,084.14
III. Operating profits (losses to be listed with brackets)		425,590,536.88	422,485,470.27
Add: non-operating income		3,822,941.58	1,129,914.39
Less: non-operating expenditure		8,180,158.54	11,977,403.91
IV. Total profits (total loss to be listed with brackets)		421,233,319.92	411,637,980.75
Less: income tax expense	***13***	59,159,038.49	64,524,696.58
V. Net profits (net loss to be listed with brackets)		362,074,281.43	347,113,284.17
I. According to operation continuity			

1. Net profit from continued operations (net losses to be listed in brackets)		362,074,281.43	347,113,284.17
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		348,548,495.99	324,859,557.55
2. Minority interest income or loss		13,525,785.44	22,253,726.62
VI. Net amount of other comprehensive income after tax		(48,165,491.18)	(8,399,441.03)
Net amount of other comprehensive income after tax attributable to the shareholders of parent company		(47,917,049.75)	(7,837,445.75)
I. Other comprehensive income not subject to reclassification to profit or loss		(47,031,778.40)	(5,654,268.00)
Changes in fair value of other equity instruments investment		(47,031,778.40)	(5,654,268.00)
II. Other comprehensive income to be reclassified to profit or loss		(885,271.35)	(2,183,177.75)
Conversion difference of foreign currency statement		(885,271.35)	(2,183,177.75)
Net amount of other consolidated income after tax attributable to the minority shareholders		(248,441.43)	(561,995.28)
VII. Total comprehensive income		313,908,790.25	338,713,843.14
Total comprehensive income attributable to the shareholders of parent company		300,631,446.24	317,022,111.80
Total comprehensive income attributable to the minority shareholders		13,277,344.01	21,691,731.34
VIII. Earnings per share:	*14*		
(I) Basic earnings per share(yuan/share)		0.56	0.52
(II) Diluted earnings per share(yuan/share)		0.56	0.52

SUMMARY NOTES TO THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CASBE

NOTES：

1. Preparation basis of the financial statements

Preparation basis

On a going-concern basis, the financial statements of the Company have been prepared based on transactions and items that have actually occurred and in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (hereinafter referred to as "**ASBE**"), and other relevant regulations, and the disclosure requirements stipulated under the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Rules on Financial Reporting* (revised in 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 matter or situation raising significant doubts of its ability to operate as a going concern. Accordingly, the financial statements are prepared on a going concern basis.

2. Segment information

(a) Description of segments

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

The Group's business segments are as follows:

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

Information regarding the above segments is as follows:

(b) Segment information for the year ended 31 December 2021 and the year ended 31 December 2020 is presented below(audited):

Year ended 31 December 2021 (audited)

Unit: RMB Yuan

Item	**Chemical bulk drugs**	**Preparations**	**Medical intermediate and other products**	**Unallocated**	**Offset**	**Total**
Operating revenue	2,757,715,632.36	3,312,949,176.25	2,116,183,127.07	-	(1,626,770,349.28)	6,560,077,586.40
Comprising: revenue from external customers	2,740,737,136.77	2,611,623,357.62	1,207,717,092.01	-	-	6,560,077,586.40
Inter-segment transaction income	16,978,495.59	701,325,818.63	908,466,035.06	-	(1,626,770,349.28)	-
Operating cost	2,012,387,649.06	2,546,210,298.69	1,855,989,630.10	-	(1,628,177,225.55)	4,786,410,352.30
Comprising: cost from external customers	1,918,373,790.56	1,843,710,724.02	1,024,325,837.72	-	-	4,786,410,352.30
Inter-segment transaction cost	94,013,858.50	702,499,574.67	831,663,792.38	-	(1,628,177,225.55)	-
Expenses for the period	354,208,675.83	715,049,746.56	72,171,209.62	186,989,510.32	(360,420.08)	1,328,058,722.25
Total profit(loss)	429,419,060.79	18,259,920.88	95,510,690.63	(80,757,782.49)	(36,841,352.92)	425,590,536.88
Total assets	3,543,101,155.16	2,886,519,632.57	1,419,383,451.55	1,441,986,803.83	(1,958,957,385.13)	7,332,033,657.98
Total liability	1,222,822,706.48	1,366,867,456.40	596,543,664.64	1,735,790,825.82	(1,241,135,829.49)	3,680,888,823.85

Year ended 31 December 2020(audited)

Unit: RMB Yuan

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
Comprising: cost from external customers	1,616,136,056.14	1,833,712,050.42	741,141,620.21	-	-	4,190,989,726.77
Inter-segment transaction cost	207,566,527.51	711,164,768.82	551,954,672.91	-	(1,470,685,969.24)	-
Expenses for the period	346,041,285.56	758,756,418.03	65,839,104.33	164,079,405.77	(911,818.28)	1,333,804,395.40
Total profit (loss)	545,191,717.77	(19,675,965.03)	18,310,343.17	(71,115,276.89)	(50,225,348.74)	422,485,470.27
Total assets	3,271,726,697.83	2,651,895,181.25	1,462,089,067.94	1,493,389,698.86	(1,786,148,455.84)	7,092,952,190.04
Total liability	1,138,638,575.65	1,139,688,725.69	735,608,722.20	1,776,796,911.54	(1,089,070,486.96)	3,701,662,448.12

3. Accounts receivable

Item	31 December 2021	1 January 2021
	RMB Yuan	RMB Yuan
	(audited)	(audited)
Accounts receivable	683,949,853.43	438,687,034.94
Less: Provision for bad debts of accounts receivable	25,381,367.18	58,777,729.50
	658,568,486.25	**379,909,305.44**

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

Item	31 December 2021	1 January 2021
	RMB Yuan	RMB Yuan
	(audited)	(audited)
0-1 year (including 1 year)	656,376,822.58	379,852,721.87
1 to 2 years (including 2 years)	2,191,663.67	50,583.57
2 to 3 years (including 3 years)	-	6,000.00
Total	**658,568,486.25**	**379,909,305.44**

4. Other accounts receivable

Item	31 December 2021	1 January 2021
	RMB Yuan	RMB Yuan
	(audited)	(audited)
Other accounts receivable	27,374,653.50	40,342,073.45
Less: Provision for bad debts of other accounts receivable	9,959,578.69	15,178,970.47
	17,415,074.81	**25,163,102.98**

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

Item	31 December 2021	1 January 2021
	RMB Yuan	RMB Yuan
	(audited)	(audited)
0-1 year (including 1 year)	8,688,634.99	9,944,396.57
1 to 2 years (including 2 years)	3,701,479.82	5,141,067.20
2 to 3 years (including 3 years)	5,024,960.00	10,077,639.21
Total	**17,415,074.81**	**25,163,102.98**

5. Accounts payable

Item	31 December 2021	1 January 2021
	RMB Yuan	RMB Yuan
	(audited)	(audited)
Accounts payable	661,319,556.79	452,930,287.37
Total	**661,319,556.79**	**452,930,287.37**

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

Item	31 December 2021	1 January 2021
	RMB Yuan	RMB Yuan
	(audited)	(audited)
0-1 year (including 1 year)	640,981,010.15	437,538,282.67
1-2 years (including 2 years)	10,779,933.67	7,324,446.46
2-3 years (including 3 years)	2,905,775.64	2,458,059.36
Over 3 years	6,652,837.33	5,609,498.88
Total	**661,319,556.79**	**452,930,287.37**

6. Payroll payable

(1) Classification of payroll payable

Item	1 January 2021	Increase during the year	Decrease during the year	31 December 2021
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
	(audited)			(audited)
Short-term wages	86,354,297.27	749,686,982.85	766,174,164.41	69,867,115.71
Post-employment welfare - defined contribution plan	-	86,447,971.30	86,447,971.30	-
Dismissal welfare	-	52,691.51	52,691.51	-
Total	**86,354,297.27**	**836,187,645.66**	**852,674,827.22**	**69,867,115.71**

(2)Short-term wages

Item	1 January 2021	Increase during the year	Decrease during the year	31 December 2021
	RMB Yuan (audited)	RMB Yuan	RMB Yuan	RMB Yuan (audited)
Salary, bonus, allowance and subsidy	81,884,970.32	586,466,553.18	602,445,813.34	65,905,710.16
Employee welfare expenses	-	32,707,135.17	32,707,135.17	-
Social insurance charges	-	45,909,661.35	45,909,661.35	-
Comprising: Medical insurance premiums	-	41,438,130.93	41,438,130.93	-
Work injury insurance premiums	-	4,471,530.42	4,471,530.42	-
Housing provident fund	-	47,026,317.80	47,026,317.80	-
Labour union expenditure &personnel education fund	4,305,326.95	12,590,734.31	12,934,655.71	3,961,405.55
Labour costs	164,000.00	22,483,602.44	22,647,602.44	-
Other Short-term wages	-	2,502,978.60	2,502,978.60	-
Total	**86,354,297.27**	**749,686,982.85**	**766,174,164.41**	**69,867,115.71**

(3)Defined contribution plan

Item	1 January 2021	Increase during the year	Decrease during the year	31 December 2021
	RMB Yuan (audited)	RMB Yuan	RMB Yuan	RMB Yuan (audited)
Basic retirement insurance	-	82,849,152.45	82,849,152.45	-
Unemployment insurance premium	-	3,598,818.85	3,598,818.85	-
Total	**-**	**86,447,971.30**	**86,447,971.30**	**-**

7. Capital surplus

Item	1 January 2021	Increase during the year	Decrease during the year	31 December 2021
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
	(audited)			(audited)
Capital stock premium*	450,353,719.23	34,039,440.00	-	484,393,159.23
Other capital reserves**	194,552,904.62	6,816,583.97	7,821,360.00	193,548,128.59
Total	**644,906,623.85**	**40,856,023.97**	**7,821,360.00**	**677,941,287.82**

*The increase in capital stock premium of RMB 34,039,440.00 was due to the exercise of 5,508,000 stock options.

**Other capital reserves increased by RMB 6,816,583.97 in total this year, among which RMB 3,964,234.09 was increased due to the consideration of waiting period equity instruments according to the company's equity incentive plan; the increase of RMB 775,349.88 is due to the recognition of deferred income tax assets of share payment at the end of the period; the increase of RMB 2,077,000.00 is caused by the transfer of funds from the central budget of special payables "Notice on Assigning Budget Indicators of Central Ecological Environment Funds" (Zi CAI Capital Ring Refers to no. [2020]20); the decrease of RMB 7,821,360.00 is due to the write-down of the other capital reserves recognized during the waiting period after the vesting of stock options.

8. Other comprehensive income

Item	1 January 2021	Amount incurred this year Income tax incurred this year	Less: Amount recorded into other comprehensive income in previous year transferred to profit or loss this year	Less: income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	31 December 2021
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
I. Other comprehensive income unable to be reclassified into profit or loss in future	176,457,193.30	(55,331,504.00)	-	(8,299,725.60)	(47,031,778.40)	-	129,425,414.90
Fair value variation of other equity instrument investments	176,457,193.30	(55,331,504.00)	-	(8,299,725.60)	(47,031,778.40)	-	129,425,414.90
II. Other comprehensive income to be reclassified into profit or loss in future	(2,285,768.46)	(1,133,712.78)	-	-	(885,271.35)	(248,441.43)	(3,171,039.81)
Conversion difference of financial statement in foreign currency	(2,285,768.46)	(1,133,712.78)	-	-	(885,271.35)	(248,441.43)	(3,171,039.81)
Total	174,171,424.84	(56,465,216.78)	-	(8,299,725.60)	(47,917,049.75)	(248,441.43)	126,254,375.09

9. Undistributed profits

Item	Year 2021	Year 2020
	RMB Yuan (audited)	RMB Yuan (audited)
Ending balance of previous year	**1,477,281,646.00**	**1,250,630,948.35**
Add: Beginning adjustment for undistributed profit	-	-
Including: Change of accounting policies	-	-
Change of consolidation scope under common control	-	-
Beginning balance of the current period	**1,477,281,646.00**	**1,250,630,948.35**
Add: Net profits attributable to the parent company's shareholders in the current period	348,548,495.99	324,859,557.55
Others	-	-
Less: appropriation of statutory surplus reserve	22,657,321.92	23,585,726.26
Common stock dividends payable	94,105,117.05	74,623,133.64
Total	1,709,067,703.02	1,477,281,646.00

10. Operating revenues and cost

(1) Operating revenue and costs

Item	12 months as of 31 December 2021 (audited)		12 months as of 31 December 2020 (audited)	
	Revenue	**Cost**	**Revenue**	**Cost**
Main operation	6,359,541,639.97	4,573,790,610.60	5,948,734,001.33	4,089,184,942.77
Other operation	200,535,946.43	212,619,741.70	56,852,642.13	101,804,784.00
Total	**6,560,077,586.40**	**4,786,410,352.30**	**6,005,586,643.46**	**4,190,989,726.77**

(2) Revenues from contracts

Classification of contract	Chemical bulk drugs	Preparations	Chemicals and other products	Total
Commodity type				
Among：				
Chemical bulk drugs	2,740,737,136.77	-	-	**2,740,737,136.77**
Preparations	-	2,611,623,357.62	-	**2,611,623,357.62**
Medical intermediate and other products	-	-	1,207,717,092.01	**1,207,717,092.01**
Total	**2,740,737,136.77**	**2,611,623,357.62**	**1,207,717,092.01**	**6,560,077,586.40**
Classification by operating regions				
Where： China (including Hong Kong)	1,037,379,338.43	2,398,968,643.05	944,168,768.76	**4,380,516,750.24**
Americas	721,797,781.05	27,040,758.04	96,698,044.36	**845,536,583.45**
Europe	652,192,743.06	183,154,487.79	125,244,637.99	**960,591,868.84**
Others	329,367,274.23	2,459,468.74	41,605,640.90	**373,432,383.87**
Total	**2,740,737,136.77**	**2,611,623,357.62**	**1,207,717,092.01**	**6,560,077,586.40**

Classification of contract	Chemical bulk drugs	Preparations	Chemicals and other products	Total
Classification by contract performance obligation				
Among：				
Recognition of revenue at a certain point in time	**2,740,737,136.77**	**2,611,623,357.62**	**1,154,054,183.27**	**6,506,414,677.66**
Recognition of revenue within a certain period	-	-	46,830,395.13	**46,830,395.13**
Rental income	-	-	6,832,513.61	**6,832,513.61**
Total	**2,740,737,136.77**	**2,611,623,357.62**	**1,207,717,092.01**	**6,560,077,586.40**

Note: The Company's sales model can be divided into direct selling model and distribution model, in which the operating income of direct selling model is RMB 3,077,509,046.53, and the operating income of distribution model is RMB 3,482,568,539.87.

(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 RMB100,398,224.66, and of this amount RMB92,623,662.55 is expected to be recognized in 2022.

(5) The recognized income of this year includes the amount of RMB370,251,900.21 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 2021(audited)	12 months as of 31 December 2020(audited)
City maintenance and construction tax	14,575,659.80	16,837,969.77
Land use tax	9,856,346.92	10,027,318.54
Property tax	17,079,741.74	16,754,111.47
Educational surcharges	10,411,175.47	12,027,116.29
Stamp duty	1,407,592.61	1,448,434.83
Local Water Conservancy Fund	43,257.15	1,203,045.80
Vehicle usage tax	62,605.55	62,152.04
Land value increment tax	5,830,712.18	1,916,205.74
Total	**59,267,091.42**	**60,276,354.48**

12. Assets impairment loss

Item	12 months as of 31 December 2021(audited)	12 months as of 31 December 2020(audited)
Inventory impairment loss	(33,255,774.83)	(45,159,388.85)
Loss from contract assets impairment	(11,025.00)	-
Total	**(33,266,799.83)**	**(45,159,388.85)**

13. Income tax expenses

(1) Income tax expenses

Item	12 months as of 31 December 2021 (audited)	12 months as of 31 December 2020 (audited)
The current income tax calculated in accordance with the tax law and related regulations	39,035,980.54	38,000,683.87
-PRC enterprise income tax	36,331,859.26	34,503,264.90
-Hong Kong profits tax	-	-

Item	12 months as of 31 December 2021 (audited)	12 months as of 31 December 2020 (audited)
-USA federal and state tax	663,476.31	454,430.28
-Dutch corporation tax	2,040,644.97	3,042,988.69
-Deferred income tax expense	13,714,824.76	22,848,541.61
Undercount (Over-counted) in previous years	6,408,233.19	3,675,471.10
Total	**59,159,038.49**	**64,524,696.58**

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

Item	12 months as of 31 December 2021 (audited)
Annual total profit from amalgamation	421,233,319.92
Income tax expense calculated in accordance with statutory/applicable tax rate	63,184,997.99
Effect of different tax rate applicable to subsidiaries	17,930,543.12
Effect of adjustments to previous years' income tax	6,408,233.19
Effect of non-assessable income	(1,202,546.66)
Effect of nondeductible cost, expense and loss	9,615,630.85
Effect of using deductible loss of unrecognized deferred income tax assets in previous period	(1,985,575.71)
Deductible temporary difference or effect of deductible loss of unrecognized deferred income tax assets in the current year	2,300,319.62
Additional deductions	(37,092,563.91)
Income tax expenses	**59,159,038.49**

14. Earnings per share

(1)The basic earnings per share

The calculation of the basic earnings per share is based on the net profit of RMB348,548,495.99(2020: RMB 324,859,557.55) for the current period attributable to shareholders of the parent company and based on the weighted average of 627,095,820.00 outstanding ordinary shares in issue (2020:621,859,447.00 shares) during the period.

Item	**Year 2021**	**Year 2020**
	RMB Yuan	RMB Yuan
Net profit attributable to shareholders of the parent company	348,548,495.99	324,859,557.55
Weighted average number of the Company's issued outstanding ordinary shares	627,095,820.00	621,859,447.00
Basic earnings per share (yuan/share)	0.56	0.52

(2)The diluted earnings per share

The calculation of the diluted earnings per share is based on the net profit of RMB348,548,495.99(2020: RMB 324,859,557.55) for the current period attributable to shareholders of the parent company and based on the adjusted weighted average of 627,095,820.00 outstanding ordinary shares in issue (2020:627,205,292.00 shares) during the period.

Item	**Year 2021**	**Year 2020**
	RMB Yuan	RMB Yuan
Net profit attributable to shareholders of the parent company	348,548,495.99	324,859,557.55
Weighted average number of the Company's issued outstanding ordinary shares	627,095,820.00	621,859,447.00
Dilution of potential common shares	-	5,345,845.00
Adjusted weighted average number of the Company's issued outstanding ordinary shares	627,095,820.00	627,205,292.00
Diluted earnings per share (yuan/share)	0.56	0.52

Note: Since the exercise price of stock options in the current period is higher than the average market price of common shares in the current period, there is no dilution of stock options in the current period.

15. Dividends

Item	Year 2021	Year 2020
	RMB Yuan	RMB Yuan
Dividends recognised as distribution in the financial statements of the relevant the year:		
2019 final dividend: RMB 0.12 per share	-	74,623,133.64
2020final dividend: RMB 0.15 per share	94,105,117.05	-
	94,105,117.05	**74,623,133.64**

Given the Company is currently proceeding with the Proposed A Shares Issue, according to the relevant regulations of the CSRC and in order to promote relevant work as soon as possible, the Company will not review the profit distribution plan for 2021. The Company intends to proceed with the related matters for profit distribution as soon as practicable following completion of the Proposed A Shares Issue in accordance with requirements of relevant regulatory authorities and the Articles of Association of the Company. 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 2021 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 2022, 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