

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2022 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 2022 (the “**Reporting Period**”). The following financial information has been prepared in accordance with China Accounting Standards for Business Enterprises (the “**CASBE**”).

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

I. COMPANY INFORMATION

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

English Name of the Company: SHANDONG XINHUA PHARMACEUTICAL COMPANY LIMITED

Legal Representative: Mr. He Tongqing

Secretary to the Board: Mr. Cao Changqiu

Telephone Number: 86-533-2196024

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	2022	2021	Change as compared to that of last year	2020
Operating income	7,502,987,102.09	6,560,077,586.40	14.37%	6,005,586,643.46
Total profits	471,774,350.61	421,233,319.92	12.00%	411,637,980.75
Income tax expense	45,459,544.56	59,159,038.49	(23.16%)	64,524,696.58
Net profits	426,314,806.05	362,074,281.43	17.74%	347,113,284.17
Minority shareholders’ profit or loss	15,121,122.52	13,525,785.44	11.79%	22,253,726.62
Net profits attributable to shareholders of listed company	411,193,683.53	348,548,495.99	17.97%	324,859,557.55
Net profits attributable to shareholders of listed company after deduction of non-recurring profit or loss	378,636,297.99	291,335,832.10	29.97%	290,790,007.23
Net cash flow from operating activities	758,240,601.50	259,116,960.17	192.62%	420,186,808.35
Basic earnings per share (RMB/share)	0.62	0.56	10.71%	0.52
Diluted earnings per share (RMB/share)	0.61	0.56	8.93%	0.52
Ratio of weighted average return on net assets	10.62%	10.38%	Increased by 0.24 percentage points	10.50%

Item	As at 31 December 2022	As at 31 December 2021	Change as compared to that of last year	As at 31 December 2020
Total assets	8,265,131,332.13	7,332,033,657.98	12.73%	7,092,952,190.04
Total liabilities	3,915,226,169.32	3,680,888,823.85	6.37%	3,701,662,448.12
Minority interest	223,444,771.86	183,203,266.68	21.97%	167,495,922.67
Net assets attributable to shareholders of listed company	4,126,460,390.95	3,467,941,567.45	18.99%	3,223,793,819.25

Note:

From the end of the Reporting Period to the date of this announcement, 4.2603 million new A-shares were issued due to the completion of the first exercise of the third exercise period of the Share Option Scheme of the Company adopted on 28 December 2018.

III. CHANGES IN SHARE CAPITAL STRUCTURE AND SHAREHOLDERS' INFORMATION

1. Table of changes in share capital structure

Unit: share

Item	31 December 2022		31 December 2021		
	Class of shares	Number of shares	Proportion of total share capital (%)	Number of shares	Proportion of total share capital (%)
1. Total number of conditional tradable shares		38,294,533	5.719	615,952	0.098
State-owned shares		-	-	-	-
Shares owned by domestic legal persons		37,091,988	5.539	-	-
Number of executive shares in A shares with limited sale conditions		1,202,545	0.180	615,952	0.098
Others		-	-	-	-
2. Total number of unconditional tradable shares		631,332,702	94.281	626,751,495	99.902
RMB-denominated ordinary shares (A shares)		436,332,702	65.161	431,751,495	68.820
Overseas listed foreign shares (H shares)		195,000,000	29.121	195,000,000	31.082
3. Total number of shares		669,627,235	100.000	627,367,447	100.00

Note: 1. On 13 January 2022, 5,167,800 share options of the Company's 2018 share option scheme during the second exercise period were registered and listed in circulation, among which, the number of shares held by directors and senior executives as eligible participants increased after exercise of the share options.

2. On 13 April 2022, the Company listed the non-public offering of 37,091,988 A-shares in the Shenzhen Stock Exchange. The shares subscribed by Hualu Investment Development Co., Ltd. shall not be transferred within 36 months from the first day of listing.

2. Shareholders' information

(1) As at 31 December 2022, the Company had a total of 107,300 shareholders, including 38 holders of H shares and 107,262 holders of A shares. As at 28 February 2023, the Company had a total of 150,142 shareholders, including 36 holders of H shares and 150,106 holders of A shares.

(2) As at 31 December 2022, the top ten shareholders of the Company were as follows:

							Unit: share
Name of shareholders	Nature of shareholders	% of the total share capital	Number of shares held at the end of the Reporting Period	Change over the Reporting Period	Number of conditional tradable shares held	Number of unconditional tradable shares	
華魯控股集團有限公司 (Hualu Holdings Group Co. Ltd.*) ⁽ⁱ⁾ (“HHC”)	State-owned	30.59	204,864,092	-	-	204,864,092	
香港中央結算(代理人)有限公司(HKSCC (Nominees) Limited)	H shares	28.87	193,302,927	244,700	-	193,302,927	
華魯投資發展有限公司 (Hualu Investment Development Co. Ltd) ⁽ⁱ⁾	State-owned	5.54	37,091,988	32,948,820	37,091,988	-	
香港中央結算有限公司(HKSCC Limited)	Overseas Legal Person	1.35	9,051,431	5,592,418	-	9,051,431	
中信證券股份有限公司(CITIC Securities Co., Ltd)	State-owned	0.33	2,205,273	2,205,273	-	2,205,273	
寧波方達私募基金管理合夥企業(有限合夥) – 方達龍騰精選 Q 期私募證券投資基金 (Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected Q period private equity investment fund)	Fund	0.29	1,932,078	1,932,078	-	1,932,078	
寧波方達私募基金管理合夥企業(有限合夥) – 方達龍騰精選 I 期私募證券投資基金 (Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected I period private equity investment fund)	Fund	0.29	1,931,686	1,931,686	-	1,931,686	
寧波方達私募基金管理合夥企業(有限合夥) – 方達龍騰精選 A 期私募證券投資基金 (Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected A period private equity investment fund)	Fund	0.28	1,888,142	1,888,142	-	1,888,142	
寧波方達私募基金管理合夥企業(有限合夥) – 方達龍騰精選 H 期私募證券投資基金 (Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected H period private equity investment fund)	Fund	0.27	1,827,687	1,827,687	-	1,827,687	
寧波方達私募基金管理合夥企業(有限合夥) – 方達龍騰精選 B 期私募證券投資基金 (Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected B period private equity investment fund)	Fund	0.26	1,761,882	1,761,882	-	1,761,882	

(3) As at 31 December 2022, the ten largest shareholders of unconditional tradable shares of the Company were as follows:

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	193,302,927	Overseas listed foreign share
香港中央結算有限公司(HKSCC Limited)	9,051,431	RMB ordinary share
中信證券股份有限公司(CITIC Securities Co., Ltd)	2,205,273	RMB ordinary share
寧波方達私募基金管理合夥企業（有限合夥）－方達龍騰精選 Q 期 私募證券投資基金(Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected Q period private equity investment fund)	1,932,078	RMB ordinary share
寧波方達私募基金管理合夥企業（有限合夥）－方達龍騰精選 I 期 私募證券投資基金(Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected I period private equity investment fund)	1,931,686	RMB ordinary share
寧波方達私募基金管理合夥企業（有限合夥）－方達龍騰精選 A 期 私募證券投資基金(Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected A period private equity investment fund)	1,888,142	RMB ordinary share
寧波方達私募基金管理合夥企業（有限合夥）－方達龍騰精選 H 期 私募證券投資基金(Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected H period private equity investment fund)	1,827,687	RMB ordinary share
寧波方達私募基金管理合夥企業（有限合夥）－方達龍騰精選 B 期 私募證券投資基金(Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected B period private equity investment fund)	1,761,882	RMB ordinary share
寧波方達私募基金管理合夥企業（有限合夥）－方達龍騰精選 D 期 私募證券投資基金(Ningbo Fangda Private Equity Fund Management Partnership (limited partnership) - Fangda Longteng selected D period private equity investment fund)	1,694,779	RMB ordinary share

Notes:

- i. Such figure excludes the 37,091,988 A shares which directly held by Hualu Investment Development Co. Ltd (“**Hualu Investment**”), a direct wholly owned subsidiary of HHC. As of 31 December 2022, 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 3.11% of the issued share capital of the Company. Hualu Investment owns 37,091,988 A shares of the Company, representing approximately 5.54% of the issued share capital 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.

The Directors are not aware whether there is any association amongst the 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 and so far as the Company is aware, there was no other domestic shareholder who directly hold more than 5% of the total issued shares of the Company.
- iv. Save as disclosed above and so far as the Directors are aware, as at 31 December 2022, no other person (other than the Directors, supervisors of the Company (the “**Supervisors**”), chief executives or members of senior management (the “**Senior Management**”) of the Company) had an interest or short position in the Company’s shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange of Hong Kong Limited (the “**SEHK**”) under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”) and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a Substantial Shareholder (as defined in the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”) of the Company.

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

IV. DIVIDENDS

The Board proposes the profit distribution plan for year 2022 as follows: the total number of shares of the Company at the announcement disclosure date was 673,887,535 (of which 478,887,535 shares were A shares and 195,000,000 shares were H shares). Based on the total issued shares of the Company of 673,887,535 shares, it is proposed a dividend of RMB 0.20 (tax inclusive) for every share of the Company be paid to shareholders. If the total share capital of the Company changes due to exercise of the share options, and listing of new shares for refinancing before the implementation of the Company's 2022 profit distribution plan, the distribution plan will be adjusted according to the principle that the distribution proportion per share remains unchanged. The above mentioned proposed dividends distribution for year 2022 is subject to approval by shareholders of the Company. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

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

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 2022	Change in shareholding	As at 31 December 2021
Directors				
Mr. He Tongqing	Chairman	110,550	-116,592 ^(note 2) 72,600 ^(note 4) -36,850 ^(note 5)	116,592 ^(note 2) 74,800 ^(note 3)
Mr. Xu Wenhui	Executive Director (Appointed on 27 October 2022), General Manager (Appointed on 19 September 2022)	80,400	-46,636 ^(note 2) 52,800 ^(note 4) -26,800 ^(note 5)	46,636 ^(note 2) 54,400 ^(note 3)
Mr. Xu Lie	Non-executive Director	110,550	-81,614 ^(note 2) 72,600 ^(note 4) -36,850 ^(note 5)	81,614 ^(note 3) 74,800 ^(note 4)
Mr. Hou Ning	Executive Director (Appointed on 27 October 2022), Financial Controller	147,400	-116,592 ^(note 2) 72,600 ^(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
Mr. Ling Peixue	Independent non-executive Director (Appointed on 27 October 2022)	Nil	Nil	Nil
Mr. Zhang Daiming	Former Chairman (Resigned on 19 September 2022)	162,370	-174,888 ^(note 2) 99,000 ^(note 4) -54,100 ^(note 5)	117,470 ^(note 6) 174,888 ^(note 2)
Mr. Du Deping	Former Executive Director, General Manager (Resigned on 1 July 2022)	180,900	-151,568 ^(note 2) 89,100 ^(note 4)	151,568 ^(note 2) 91,800 ^(note 3)
Supervisors				
Mr. Liu Chengtong	Chairman of Supervisory Committee	Nil	Nil	Nil
Mr. Tao Zhichao	Independent Supervisor	Nil	Nil	Nil
Mr. Xiao Fangyu	Independent Supervisor	Nil	Nil	Nil
Ms. Hu Yanhua	Employee Supervisor	Nil	-34,977 ^(note 2)	34,977 ^(note 2)
Mr. Wang Jianping	Employee Supervisor	Nil	Nil	Nil
Other senior management				

Name	Position	As at 31 December 2022	Change in shareholding	As at 31 December 2021
Mr. Zheng Zhonghui	Deputy General Manager	110,500	-23,318(note 2) 72,600(note 4) -36,850(note 5)	23,318(note 2) 74,800(note 3)
Mr. Wei Changsheng	Deputy General Manager	80,400	-34,977(note 2) 52,800(note 4) -26,800(note 5)	34,977(note 2) 54,400(note 3)
Mr. Liu Xuesong	Deputy General Manager (Appointed on 19 September 2022)	Nil	-11,659(note 2) 23,100(note 4) -23,100	11,659(note 2)
Mr. Kou Zuxing	Deputy General Manager (Appointed on 19 September 2022)	Nil	-11,659(note 2) 23,100(note 4) -28,100	11,659(note 2) 5,000
Mr. Cao Changqiu	Secretary to the Board	80,400	-2,331(note 2) 52,800(note 4) -26,800(note 5)	2,331(note 3) 54,400(note 4)
Mr. Wang Xiaolong	Former Deputy General Manager (Resigned on 19 September 2022)	110,550	-81,614(note 2) 72,600(note 4) -36,850(note 5)	81,614(note 2) 74,800(note 3)
Mr. Du Deqing	Former Deputy General Manager (Resigned on 19 September 2022)	110,550	-81,614(note 2) 72,600(note 4) -36,850(note 5)	81,614(note 2) 74,800(note 3)
Total		1,284,620	-511,689	1,796,039

Notes:

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

(2) The relevant shares are held under the Employee Share Ownership Scheme of the Company of which the relevant person is a participant. On 12 May 2022, the reduction of relevant employee stock ownership plan will be completed. For details, please refer to the overseas regulatory announcement disclosed on the same day.

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

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

(5) Some directors and senior executives reduced their A-shares as planned. For details, please refer to overseas regulatory announcements on 28 July 2022 and 29 July 2022.

(6) As at 31 December 2021, Mr. Zhang Daiming personally holds 117,470 A Shares (among them 102,000 Shares were issued pursuant to first exercise of share options under the share option scheme).

(7) 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 constitute material changes

Unit: RMB Yuan

Item	At the end of 2022		At the beginning of 2022		Percentage increase or decrease
	Amounts	Proportion of total assets	Amounts	Proportion of total assets	
Monetary funds	1,158,741,565.90	14.02%	744,662,302.34	10.16%	3.86%
Accounts receivable	761,259,339.93	9.21%	658,568,486.25	8.98%	0.23%
Contract assets	1,721,856.82	0.02%	438,975.00	0.01%	0.01%
Inventories	1,211,987,048.39	14.66%	1,027,539,968.72	14.01%	0.65%
Investment real estate	48,354,011.36	0.59%	45,765,654.05	0.62%	(0.03%)
Long-term equity investment	57,154,487.58	0.69%	56,707,310.33	0.77%	(0.08%)
Fixed assets	3,447,888,663.48	41.72%	3,195,112,176.64	43.58%	(1.86%)
Projects under construction	545,894,979.10	6.60%	562,958,944.42	7.68%	(1.08%)
Right-of-use assets	6,681,708.67	0.08%	7,653,187.24	0.10%	(0.02%)
Short-term borrowing	118,023,275.00	1.43%	269,455,217.71	3.68%	(2.25%)
Contract liability	593,261,005.51	7.18%	100,398,224.66	1.37%	5.81%
Long-term borrowings	545,655,801.48	6.60%	346,196,870.64	4.72%	1.88%
Lease liabilities	2,715,480.67	0.03%	4,279,227.67	0.06%	(0.03%)

2. Analysis of major changes of items

Unit: RMB Yuan

Items	As at 31 December 2022	As at 31 December 2021	Change as compared to the End of Last Year	Description of significant changes
Monetary funds	1,158,741,565.90	744,662,302.34	55.61%	(1)
Notes receivable	17,895,124.18	41,020,264.41	(56.37%)	(2)
Contract assets	1,721,856.82	438,975.00	292.24%	(3)
Other non-current assets	21,492,373.85	14,226,403.74	51.07%	(4)

Items	As at 31 December 2022	As at 31 December 2021	Change as compared to the End of Last Year	Description of significant changes
Payroll payable	95,171,404.13	69,867,115.71	36.22%	(5)
Contract liability	593,261,005.51	100,398,224.66	490.91%	(6)
Other current liabilities	85,809,692.93	45,594,586.86	88.20%	
Short-term borrowing	118,023,275.00	269,455,217.71	(56.20%)	
Non-current liabilities due within one year	717,461,309.60	423,824,473.80	69.28%	(7)
Long-term payables	20,000,000.00	627,201,117.02	(96.81%)	
Long-term borrowings	545,655,801.48	346,196,870.64	57.61%	
Lease liabilities	2,715,480.67	4,279,227.67	(36.54%)	(8)
Capital reserve	998,144,589.65	677,941,287.82	47.23%	(9)

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

(1) The increase of monetary funds from the end of the previous year was mainly due to the receipt of the non-public offering of A shares raised by the net amount of RMB 244 million and the increase in the advance payment received from customers.

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

(3) The increase in contract assets from the end of the previous year was mainly due to an increase in the Company's right to receive consideration for goods transferred to customers during the current year.

(4) The main reason for the increase of other non-current assets from the end of last year is the increase of the advance payment of patented technology purchased in this year.

(5) The main reason for the increase in the payroll payable is the increase in the payroll withdrawn at the end of the year.

(6) The increase in contractual liabilities and other current liabilities from the end of the prior year was mainly due to an increase in prepayments received from customers during the current year.

(7) The main reason for the changes of short-term borrowing, non-current liabilities due within one year, long-term payables and long-term borrowing compared with the end of last year is to optimize the debt structure and reduce the financing cost; The main reason for the changes of non-current liabilities due within one year and long-term payables compared with the end of last year is that the long-term payables of the current year are transferred to non-current liabilities due within one year.

(8) The decrease in lease liabilities from the end of the previous year was mainly due to the payment of lease fees due in the current year.

(9) The increase in capital reserves from the end of last year is mainly due to the increase in the non-public offering of A-share stock premium and increases in the cost of equity instruments during the waiting period in accordance with the company's equity incentive plan.

(II)Expense and income statement items

	Unit: RMB Yuan			
Items	2022	2021	Change as compared to the same period last year	Description of significant changes
Selling expenses	658,307,745.12	584,128,159.21	12.70%	
Administration expenses	453,526,541.44	349,660,529.07	29.70%	
Financial expenses	32,019,480.38	52,902,639.77	(39.47%)	(1)
R&D cost	345,658,511.77	341,367,394.20	1.26%	
Other income	28,894,773.85	59,742,321.67	(51.63%)	(2)
Credit impairment loss(losses to be listed with brackets)	(5,075,576.17)	2,683,808.78	(289.12%)	(3)
Assets impairment loss(losses to be listed with brackets)	(43,526,158.26)	(33,266,799.83)	30.84%	(4)
Gains from asset disposal (losses to be listed with brackets)	5,539,641.08	2,072,808.09	167.25%	(5)
Non-operating income	1,874,585.07	3,822,941.58	(50.96%)	(6)

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

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

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

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

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

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

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

(III)Cash flow

Items	2022	2021	Unit: RMB Yuan	
			Change as compared to the same period last year	Description significant of changes
Cash inflows from operating activities	7,113,910,811.34	5,544,462,653.81	28.31%	
Cash outflows from operating activities	6,355,670,209.84	5,285,345,693.64	20.25%	
Net cash flow generated from operating activities	758,240,601.50	259,116,960.17	192.62%	(1)
Cash inflows from investing activities	15,855,332.48	11,533,534.40	37.47%	(2)
Cash outflows from investing activities	244,757,671.36	249,227,103.62	(1.79%)	
Net cash flow generated from investing activities	(228,902,338.88)	(237,693,569.22)	(3.70%)	
Cash inflows from financing activities	1,165,858,106.43	612,183,982.00	90.44%	(3)
Cash outflows from financing activities	1,296,514,566.60	751,913,930.89	72.43%	(4)
Net cash flow generated from financing activities	(130,656,460.17)	(139,729,948.89)	(6.49%)	
Net increase in cash and cash equivalents	414,372,758.82	(126,171,637.87)	(428.42%)	(5)

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

(1) The net cash flow from operating activities increased year-on-year mainly because of the expansion of the sales scale in the current year and the increase of payment in advance by customers.

(2) The year-on-year decrease in net cash inflow from investing activities was mainly due to the increase in net cash recovered from disposal of fixed assets during the year.

(3) The year-on-year increase in cash inflow from financing activities was mainly due to the receipt of the non-public offering of A shares of RMB 244 million in the year.

(4) The year-on-year increase in cash outflow from financing activities was mainly due to the increase in repayment of maturing loans and dividend payments during the year.

(5) The year-over-year increase in the net increase in cash and cash equivalents was mainly due to the increase in net cash inflows generated by the Company's operating activities during the year;

The major reasons for the large difference between the net cash inflow and net profit generated by the company's operating activities in this year are the expansion of sales scale and the increase of payment in advance by customers.

(IV)The Group’s operating revenue classified by industry, by product and by geographical location in accordance with CASBE in 2022 is as follow:

						Unit: RMB Yuan
Item	Operating revenue	Operating costs	Gross profit rate	Change in operating income as compared to the same period last year	Change in operating costs as compared to the same period last year	Change in gross profit rate as compared to the same period last year
By industry						
Chemical bulk drugs	3,171,564,382.95	2,198,020,297.84	30.70%	15.72%	14.58%	Increase by 0.69 percentage points
Preparations	3,193,627,163.89	2,292,024,592.96	28.23%	22.29%	24.32%	Decrease by 1.17 percentage points
Medical intermediates and other products	1,137,795,555.25	975,611,216.35	14.25%	(5.79%)	(4.76%)	Decrease by 0.93 percentage points
Total	7,502,987,102.09	5,465,656,107.15	27.15%	14.37%	14.19%	Increase by 0.11 percentage points
By product						
Raw material pharmaceuticals such as antipyretic and analgesic Preparations such as tablet, injection, capsule etc.	3,171,564,382.95	2,198,020,297.84	30.70%	15.72%	14.58%	Increase by 0.69 percentage points
Medical intermediates and others	1,137,795,555.25	975,611,216.35	14.25%	(5.79%)	(4.76%)	Decrease by 0.93 percentage points
Total	7,502,987,102.09	5,465,656,107.15	27.15%	14.37%	14.19%	Increase by 0.11 percentage points
By geographical location						
China (including Hong Kong)	4,898,275,231.38	3,405,581,256.86	30.47%	11.82%	14.24%	Decrease by 1.48 percentage points
Americas	1,020,706,781.49	810,637,090.77	20.58%	20.72%	18.88%	Increase by 1.22 percentage points
Europe	1,061,544,229.26	840,244,892.82	20.85%	10.51%	4.38%	Increase by 4.65 percentage points
Others	522,460,859.96	409,192,866.70	21.68%	39.91%	28.48%	Increase by 6.96 percentage points
Total	7,502,987,102.09	5,465,656,107.15	27.15%	14.37%	14.19%	Increase by 0.11 percentage points
Sub-sales model						
Direct selling	3,429,362,408.91	2,480,742,511.32	27.66%	11.43%	4.54%	Increase by 4.77 percentage points
Distribution selling	4,073,624,693.18	2,984,913,595.83	26.73%	16.97%	23.68%	Decrease by 3.97 percentage points
Total	7,502,987,102.09	5,465,656,107.15	27.15%	14.37%	14.19%	Increase by 0.11 percentage points

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

As at 31 December 2022, the current ratio was 109.45% and the quick ratio of the Group was 71.08% while the accounts receivable turnover rate (accounts receivable turnover rate = operating revenue/average trade and bill receivables ×100%) was 1,056.89% and the inventory turnover rate (inventory turnover rate = cost of sales/ net amount of average inventories×100%) was 488.11%.

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 2022, the Group's total amount of outstanding loans was RMB 1,377,116,000. As at 31 December 2022, currency funds of the Group amounted to RMB 1,158,742,000. 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 2022, the Company's subsidiary Xinhua (Zibo) Real Estate Co., Ltd., has a housing loan deposit of RMB 676,000 and a regulated advanced sales amount of RMB 13,774,000. The Company and its subsidiary Shandong Zibo Xincat Pharmaceutical Co., Ltd. (hereinafter referred to as “**Xincat Pharmaceutical**”) charged their respective currency funds of RMB 99,039,000 and RMB 33,594,000 to the bank for the conduction bank acceptance deposit. The company's subsidiary will use RMB 895,000 for restricted funds such as deposit for migrant workers. The Group does not have ownership of the Group's right-of-use asset in the amount of RMB 6,682,000. The Group's notes receivable of RMB 12,329,000 have not been terminated. Save as disclosed, the Group did not have other charged assets.

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

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

As at 31 December 2022, the number of staff by the Group was 6,781, and the total of salaries for 2022 was RMB 651,086,000.

The asset-liability ratio of the Group was 47.37% (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 2022, the Group had a gross gearing ratio (i.e. gross debt divided by adjusted capital) of 5.29%, and a net gearing ratio (i.e. net debt divided by adjusted capital) of 33.37%. 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 2022, the revenue from the Group's exports was approximately \$374,847,000, 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

In 2022, the Group actively responded to the impact of market competition, economic downturn and other factors, focused on innovation and breakthrough, scientific and technological progress, project construction, basic management and other key works, and successfully completed the objectives and tasks of the whole year, with the main business indicators hitting a record high for 9 consecutive years.

1. Carefully organize production, stabilize the marketing, and start to develop new growth points

Since the beginning of the year, the Group has overcome the influence of multiple factors such as raw material supply and cargo transportation, and achieved an increase in key products and new products through scientific organization and precise control. In particular, after the adjustment of the national prevention and control policy, the demand for antipyretic and analgesic drugs, cough and fever drugs increased sharply. The Company responded quickly to ensure the market supply of ibuprofen to the maximum extent, demonstrating its responsibility.

The Company maintained the stability of the leading bulk drug market, and achieved double-digit growth in both domestic and overseas sales of bulk drugs throughout the year. The bulk drugs of fish oil has realised transformation and upgrading towards high purity, and has been exported to high-end markets, becoming a new growth point.

The sales volume of 10 strategic varieties of preparations increased by 30% year on year. The sales volume of fish oil soft capsules exceeded RMB10 million. Pioglitazone Hydrochloride capsules(Dunling 頓靈) won the bid for the 7th batch of centralized procurement with volume in the country at the first place, and the sales volume of varieties that passed the consistency evaluation achieved rapid growth. The sales volume of international preparations and entrusted processing increased by 88% year on year.

The Company seized the market opportunity, and the sales of pharmaceutical intermediates increased by 21% year on year. The Company focused on its core business and achieved multi-track rapid development, with sales up 28% year on year.

2. Strengthen scientific and technological innovation and start to harvest scientific research achievements

In 2022, the Group obtained 7 approval documents for new products of Irbesartan Hydrochlorothiazide Tablets and other preparations, 5 approval documents for consistency evaluation of Dunling and other drugs, and 4 approval documents for bulk drugs such as Sviram Carbonate. Among them, Pioglitazone Hydrochloride capsules were the first in China, and cefaclor granules and sustained-release tablets were the second in China to pass the consistency evaluation. The company has made a major breakthrough in drug innovation. OAB-14, a national class A new drug for the treatment of senile dementia, has been declared clinical. The construction of gene and cell engineering research center was completed. Xinhua Pharmaceutical Gaomi Co.,Ltd.(Gaomi Company) has obtained the approval documents for 13 preparations and 16 veterinary drugs.

The Company has successfully passed the re-evaluation of the national enterprise technology center and the certification of the national intellectual property management system. 18 patents were granted throughout the year. Xinhua Pharmaceutical Shouguang Co.,Ltd.(Shouguang Company) and Shandong Xinhua Pharmaceutical Design Institute Co.,Ltd. (Pharmaceutical Chemical Industry Design Company) were recognized as high-tech enterprises.

The Company has completed 30 key technical and quality projects and 21 energy technology transformation projects, saving raw material and energy consumption of RMB20.90 million.

3. Accelerate the promotion of key projects, consolidate the advantages of industrial chain, and continuously strengthen the development potential

The Company invested RMB720 million in fixed assets in the whole year, up 21% year on year. The R&D platform with an annual output of 1 billion injections and GMP transformation project have obtained the production license and passed the GMP certification. The company's high-end injection production to a new level.

The esterification project of the supporting hormone series of Tongxin Pharmaceutical, with an annual output of 500 tons, will be put into operation. The Shouguang Company featured bulk drug project has invited bidding for installation engineering, and the main body of the DCB project plant has completed civil construction. Gaomi Company high-end pet feed project has completed the main body of the plant, purification works and main equipment installation.

4. Capital operation and enterprise reform advance hand in hand, and endogenous motivation continues to be stimulated

The Company completed the non-public issuance of A-shares in 2021 and raised approximately RMB250 million; completed the exercise of the second exercise period of the 2018 share option scheme, and issued 5.1678 million shares to 178 eligible incentive participants; completed the grant of the 2021 share option scheme and granted 24.90 million share options to 231 eligible participants. Shandong Xinhua Pharmaceutical Chemical Design Co., Ltd. was approved to implement the equity incentive plan for technology-based enterprises, and successfully completed the mixed reform. The three system reform case of the Company was included as typical case by the provincial SASAC. The Company gives full play to the platform advantages of listed companies and takes advantage of the reform policies of state-owned enterprises to further enhance the enthusiasm of employees and continuously stimulate the internal motivation.

5. Basic management has been continuously strengthened, and the development foundation has become more solid

The Company strictly implemented the prevention and control policy and measures, and provided a strong guarantee for the Company's production and operation. The lifeline project was stable without any general or above safety and environmental protection quality accidents in the whole year. It has successfully passed 127 on-site quality audits, and passed the remote inspection of FDA of the United States with zero defects. The international cooperation center for modern medicine has successfully passed the EU audit and obtained the EU GMP certificate. During the year, 3 products obtained the EU CEP certificates, and 19 products completed DMF registration in different countries. The Company increased investment in environmental measures and completed five key projects including the addition of RTO in No. 1 factory. The Company became the first to win the title of "green supply chain management demonstration enterprise" among the national chemical and pharmaceutical industry, and was rated as an excellent enterprise of fusing informationization with industrialization in Shandong Province.

VIII. PROSPECTS

Due to the interest rate hike of the Federal Reserve, high inflation in major economies, insufficient consumption demand from the international market, and increasing uncertainty in product exports, enterprises are facing a more severe international situation; due to the accelerated concentration of various development factors and resources to advantageous regions and enterprises, the competition in the domestic pharmaceutical market has become more intense.

Looking forward to the future, enterprises are also facing many positive factors in accelerating their development. With the continuous cultivation of regional international market of the Group, especially the strong drive of the internationalization of preparations, more potential markets will be tapped; the price of international crude oil and bulk raw materials will remain relatively stable, which is conducive to enterprise cost control; the internal reform and breakthrough measures of the enterprise are accelerated, efforts are made more quickly in new product launch, chain strengthening and complement, preparations breakthrough and new business development, the new growth point is accelerated, the comprehensive competitive advantage represented by the whole industrial chain continues to strengthen, the endogenous motivation is stimulated, and the atmosphere of innovation and breakthrough of the whole staff becomes more intense.

In this regard, the Group will focus on the following key tasks in 2023:

1. Focus on innovation and breakthrough, project construction, and accelerate the promotion of new momentum of development

The Company will implement "one policy for one product" to stabilize the market, expand sales and increase profits. It will ensure the leading market competitiveness and control of bulk drug market, and highlight the development of fish oil, hormone and other featured bulk drug market, and accelerate the cultivation of new drivers. The Company will give full play to the advantages of self-produced bulk drugs, deeply implement the strategy of "quality generic drugs", and improve the profit level. The Company will keep the strategic focus, do a good job in the cultivation of ten strategic varieties, increase the promotion of new products such as fish oil soft capsules, and irbesartan tablets, and scale up as soon as possible. The Company will connect well the production and marketing of international preparation OEM, accelerate the implementation of new projects, and accelerate the development of international preparations.

Using the "Internet + Health" platform, the Company will accelerate the business development of "online consultation + medical insurance settlement + medicine delivery home", speed up the establishment of a new Internet medical ecosystem, accelerate the layout of new businesses such as medical beauty, speed up the development of two-way cross-border business, integrate high-quality resources, and consolidate and expand the health sector.

The Company will further improve the operational road map of "building three bases and breaking through four sectors", further determine the breakthrough tasks and specific measures, and do a good job in the construction of five key projects, such as the chain strengthening and complement project and the international preparation OEM project, and actively cultivate new growth poles.

2. Focus on urgent needs, take a long-term view, and accelerate product R&D and technological progress

Throughout the year, the Company will strive to obtain 15 production approval documents, including 10 production approval documents for new preparations and 5 approval documents for consistency evaluation. It will accelerate the R&D of major innovative drugs.

The Company will give full play to the advantages of the Company's industrial chain, accelerate the R&D of ibuprofen series drugs, macromolecular drugs, steroid hormone drugs, fish oil soft capsules and other series drugs. The Company will establish the projects to develop medical devices, health food, special cosmetics and other series products, providing product support for e-commerce development.

The Company will weigh scientific and technological innovation with the results of marketization, and evaluate scientific and technological innovation with the benefits created. For the benefits created after the launch of new products, the Company will formulate incentive measures to truly plug the wings of scientific and technological innovation to the Company for its development, and truly benefit the contributors of scientific and technological innovation.

The Company will make every effort to improve product technology innovation, accelerate the promotion of new processes, new technologies and new materials, implement key projects such as key product transformation, and further improve the Company's digital level. It will further increase the incentives for technological progress and cost reduction, further improve the enthusiasm of all staff, make staff become the main body of technological innovation, and let staff benefit more from technological progress.

3. Focus on endogenous power, firmly put people first, and accelerate enterprise reform

The Company will enhance the vitality of the organization, open up the vertical and horizontal channels, and accelerate the growth of employees. It will build a green channel for R&D industrialization and market-oriented development, integrate the strength of technology center and engineering technology center, establish a unified innovation management platform of the Company, integrate the production resources of preparations, and strengthen the international market development team of preparations and animal health marketing team. The Company will establish flexible organizations such as the brand strategy promotion working group to promote the Company's matrix management.

The Company will improve the talent system and smooth the career path. Through the implementation of competition for posts and performance assessment of all staff, it will achieve the goal of "the competent up and the incompetent down (能者上, 庸者下)", accelerate the promotion of young cadres, implement the "four eagles" talent training plan, and build a complete "four three two" talent echelon. At the same time, it will accelerate the introduction of high-end talents.

The Company will improve the salary system and incentive mechanism. To speed up the construction of the three-three-system (三三制) salary system, the Company will take the salary and reward as the basis, combine immediate and long-term incentives, pay equal attention to multiple incentive methods, and establish a multi-path incentive system including honor awards, career development, job promotion, achievement dividends etc..

The Company will strengthen labor organization and improve labor efficiency. It will continue to deepen the "six-specific" management, further improve the work efficiency of management and auxiliary posts through organizational adjustment and responsibility optimization, and further improve the per capita output value and benefits through scientific assessment of labor costs, converted standard output, so that employees may share the achievements of enterprise development.

4. Focus on capacity improvement and strengthen basic management

The Company will ensure the lifeline project safe without a single mistake. It will focus on the control of key areas, key parts, key devices and major hazard sources, intensify on-site inspection, strengthen the rectification of hidden dangers, and emphasize the safety management during production and maintenance. It will accelerate the progress of annual key projects of environmental protection measures, ensure the operation of key environmental protection facilities, and achieve a significant reduction in the total emissions of three wastes, fully standard emissions and compliant disposal. It will speed up the implementation of various quality tackling projects and ensure all inspections and audits pass smoothly. It will ensure the lifeline project safe without a single mistake throughout the year, and no general or above safety and environmental protection quality accidents will occur.

The Company will organize production scientifically to ensure market demand. It will scientifically predict the uncertain impact of safety, environmental protection supervision, epidemic situation, supply chain, etc. on the production organization, in particular, it will make emergency plans in personnel organization, raw material supply and other aspects, , coordinate production resources, and achieve high-level stable production and precision production under the premise of maintaining reasonable inventory and capital occupation, so as to satisfy market demand.

The Company will make every effort to reduce costs and control expenses. From the perspective of strengthening management, and starting with lean production, project and procurement management, internal control and other channels, it will cooperate with technical breakthrough, organize the cost breakthrough of caffeine and other key products, improve technical and economic indicators, and reduce material consumption.

Opportunities and challenges coexist in 2023. We believe that under the leadership of the Board of Directors, we will unite with one mind, seize opportunities, overcome difficulties, accelerate innovation and breakthrough, successfully realize the goals in 2023, and generate better returns for 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 2022, the number of staff employed by the Group was 6,781, and the total amount of their wages for the year 2022 was RMB 651,086,000.

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

During the year ended 31 December 2022 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 2022 and the adaptation of the CASBE to prepare its financial statements as of 31 December 2022 and thereafter at the 2021 annual general meeting on 30 June 2022. The Company intends to re-appoint ShineWing Certified Public Accountants as auditor of the Company for the year 2023 at the 2022 annual general meeting to be held in 2023.

Corporate Governance Code

The Directors (including the independent non-executive Directors) confirmed that for the year ended 31 December 2022, the Company complied with all provisions set out in the Corporate Governance Code contained in Part 2 of 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 2022.

Sale and Purchase of Assets

Within 2022, 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 2021 held on 30 June 2022. 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 2021, the unaudited first quarter financial statements for 2022, the unaudited interim statements for 2022 and the unaudited third quarter financial statements for 2022 respectively.

The Audit Committee convened a meeting on 24 March 2023 to review the audited accounts for the financial year 2022 and this announcement.

Changes in Accounting Policies

Content and reason of accounting policy changes	Approval procedures	Remarks
<p>The Ministry of Finance issued Interpretation of Accounting Standards for Business Enterprises No. 15 (Finance and Accounting [2021] 35) in December 2021, and the relevant provisions will come into force on 1 January 2022.</p> <p>In the preparation of the 2022 annual financial statements, the Group has implemented the relevant accounting standards and processed them in accordance with the related coherent regulation.</p>	<p>The relevant changes of accounting policy have been approved at the 8th meeting of the 10th session of the Board of the Company on 30 August 2022.</p>	<p>The relevant changes of accounting policy have no material impact on the Group's financial statements.</p>

X. FINANCIAL REPORTS PREPARED IN ACCORDANCE WITH CASBE

Consolidated Balance Sheet (audited)

Unit: RMB Yuan

Assets	Notes	31 December 2022 (audited)	31 December 2021 (audited)
Current assets:			
Monetary funds		1,158,741,565.90	744,662,302.34
Notes receivable		17,895,124.18	41,020,264.41
Accounts receivable	3	761,259,339.93	658,568,486.25
Receivables financing		189,752,210.65	170,428,238.83
Prepayments		52,149,890.91	49,290,996.14
Other accounts receivable	4	12,654,317.25	17,415,074.81
Including: Dividend receivable		-	-
Inventories		1,211,987,048.39	1,027,539,968.72
Contract assets		1,721,856.82	438,975.00
Other current assets		50,798,073.85	44,593,999.38
Total current assets		3,456,959,427.88	2,753,958,305.88
Non-current assets:			
Long-term equity investment		57,154,487.58	56,707,310.33
Other equity instrument investment		182,029,156.02	203,490,512.00
Investment real estate		48,354,011.36	45,765,654.05
Fixed assets		3,447,888,663.48	3,195,112,176.64
Projects under construction		545,894,979.10	562,958,944.42
Right-of-use assets		6,681,708.67	7,653,187.24
Intangible assets		474,106,784.61	466,451,490.95
Long-term deferred expenses		8,607,826.50	10,540,928.51
Deferred income tax assets		15,961,913.08	15,168,744.22
Other non-current assets		21,492,373.85	14,226,403.74
Total non-current assets		4,808,171,904.25	4,578,075,352.10
Total assets		8,265,131,332.13	7,332,033,657.98

Consolidated Balance Sheet (audited) (continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	Notes	31 December 2022 (audited)	31 December 2021 (audited)
Current liabilities:			
Short-term borrowing		118,023,275.00	269,455,217.71
Notes payable		491,024,582.02	405,071,920.42
Accounts payable	5	599,055,763.12	661,319,556.79
Contract liability		593,261,005.51	100,398,224.66
Payroll payable	6	95,171,404.13	69,867,115.71
Taxes and dues payable		33,717,210.48	28,245,018.24
Other payables		424,961,296.31	498,104,257.01
Including: Interest payable		-	-
Dividends payable		5,310,599.53	20,280,599.53
Non-current liabilities due within one year		717,461,309.60	423,824,473.80
Other current liabilities		85,809,692.93	45,594,586.86
Total current liabilities		3,158,485,539.10	2,501,880,371.20
Non-current liabilities:			
Long-term borrowings		545,655,801.48	346,196,870.64
Lease liabilities		2,715,480.67	4,279,227.67
Long-term payables		20,000,000.00	627,201,117.02
Deferred income		118,372,785.93	132,164,134.63
Deferred income tax liabilities		66,435,062.14	65,605,602.69
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		756,740,630.22	1,179,008,452.65
Total liabilities		3,915,226,169.32	3,680,888,823.85
Owners' equity (or Shareholders' equity):			
Capital Stock		669,627,235.00	627,367,447.00
Capital reserve	7	998,144,589.65	677,941,287.82
Other comprehensive income	8	112,126,734.41	126,254,375.09
Reasonable reserve		1,551,906.40	2,118,130.33
Surplus reserve		356,955,596.10	325,192,624.19
Undistributed profits	9	1,988,054,329.39	1,709,067,703.02
Total of equity assigned to the shareholders of parent company		4,126,460,390.95	3,467,941,567.45
Minority shareholders' equity		223,444,771.86	183,203,266.68
Total owners' equity		4,349,905,162.81	3,651,144,834.13
Total of liabilities and owners' equity		8,265,131,332.13	7,332,033,657.98

Consolidated Income Statement (audited)

Unit: RMB Yuan

Item	Notes	For the 12 months ended 31 December 2022 (audited)	For the 12 months ended 31 December 2021 (audited)
I. Gross revenue	10	7,502,987,102.09	6,560,077,586.40
Including: Operating revenue		7,502,987,102.09	6,560,077,586.40
II. Total operating costs		7,020,478,241.93	6,173,736,165.97
Including: Operating costs	10	5,465,656,107.15	4,786,410,352.30
Taxes and surcharges	11	65,309,856.07	59,267,091.42
Selling expenses		658,307,745.12	584,128,159.21
Administration expenses		453,526,541.44	349,660,529.07
R&D cost		345,658,511.77	341,367,394.20
Financial expenses		32,019,480.38	52,902,639.77
Including: Interest expense		49,706,941.36	53,103,372.79
Interest income		10,462,012.18	8,776,272.46
Add: Other income		28,894,773.85	59,742,321.67
Investment income (losses to be listed with brackets)		8,364,993.25	8,016,977.74
Including: Return on investment on joint ventures and joint ventures (losses to be listed with brackets)		447,177.25	(1,088,508.66)
Credit impairment loss(losses to be listed with brackets)		(5,075,576.17)	2,683,808.78
Assets impairment loss (losses to be listed with brackets)	12	(43,526,158.26)	(33,266,799.83)
Gains from asset disposal (losses to be listed with brackets)		5,539,641.08	2,072,808.09
III. Operating profits (losses to be listed with brackets)		476,706,533.91	425,590,536.88
Add: non-operating income		1,874,585.07	3,822,941.58
Less: non-operating expenditure		6,806,768.37	8,180,158.54
IV. Total profits (total loss to be listed with brackets)		471,774,350.61	421,233,319.92
Less: income tax expense	13	45,459,544.56	59,159,038.49
V. Net profits (net loss to be listed with brackets)		426,314,806.05	362,074,281.43
I. According to operation continuity			

1. Net profit from continued operations (net losses to be listed in brackets)	426,314,806.05	362,074,281.43
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	411,193,683.53	348,548,495.99
2. Minority interest income or loss	15,121,122.52	13,525,785.44
VI. Net amount of other comprehensive income after tax	(12,941,729.67)	(48,165,491.18)
Net amount of other comprehensive income after tax attributable to the shareholders of parent company	(14,127,640.68)	(47,917,049.75)
I. Other comprehensive income not subject to reclassification to profit or loss	(18,242,152.58)	(47,031,778.40)
Changes in fair value of other equity instruments investment	(18,242,152.58)	(47,031,778.40)
II. Other comprehensive income to be reclassified to profit or loss	4,114,511.90	(885,271.35)
Conversion difference of foreign currency statement	4,114,511.90	(885,271.35)
Net amount of other consolidated income after tax attributable to the minority shareholders	1,185,911.01	(248,441.43)
VII. Total comprehensive income	413,373,076.38	313,908,790.25
Total comprehensive income attributable to the shareholders of parent company	397,066,042.85	300,631,446.24
Total comprehensive income attributable to the minority shareholders	16,307,033.53	13,277,344.01
VIII. Earnings per share:	<i>14</i>	
(I) Basic earnings per share(yuan/share)	0.62	0.56
(II) Diluted earnings per share(yuan/share)	0.61	0.56

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 2022 and the year ended 31 December 2021 is presented below(audited):

Year ended 31 December 2022 (audited)

Unit: RMB Yuan

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Unallocated	Offset	Total
Operating revenue	3,190,991,042.28	3,987,504,513.79	2,113,415,096.20	-	(1,788,923,550.18)	7,502,987,102.09
Comprising: revenue from external customers	3,171,564,382.95	3,193,627,163.89	1,137,795,555.25	-	-	7,502,987,102.09
Inter-segment transaction income	19,426,659.33	793,877,349.90	975,619,540.95	-	(1,788,923,550.18)	-
Operating cost	2,300,437,470.36	3,085,923,169.07	1,838,223,536.83	-	(1,758,928,069.11)	5,465,656,107.15
Comprising: cost from external customers	2,198,020,297.84	2,292,024,592.96	975,611,216.35	-	-	5,465,656,107.15
Inter-segment transaction cost	102,417,172.52	793,898,576.11	862,612,320.48	-	(1,758,928,069.11)	-
Expenses for the period	426,960,939.80	808,006,744.63	88,194,450.70	167,307,092.65	(956,949.07)	1,489,512,278.71
Total profit(loss)	486,940,410.71	49,323,073.17	58,919,455.73	(110,623,317.18)	(7,853,088.52)	476,706,533.91
Total assets	3,469,362,973.23	3,330,084,017.55	1,488,141,390.66	1,942,386,619.75	(1,964,958,204.02)	8,265,131,332.13
Total liability	1,395,009,935.12	1,753,244,959.38	437,337,729.23	1,510,359,815.08	(1,180,726,269.49)	3,915,226,169.32

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

3. Accounts receivable

Item	<u>31 December 2022</u>	<u>1 January 2022</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
Accounts receivable	782,049,783.85	683,949,853.43
Less: Provision for bad debts of accounts receivable	<u>20,790,443.92</u>	<u>25,381,367.18</u>
	<u><u>761,259,339.93</u></u>	<u><u>658,568,486.25</u></u>

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

Item	<u>31 December 2022</u>	<u>1 January 2022</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
0-1 year (including 1 year)	754,273,549.80	656,376,822.58
1 to 2 years (including 2 years)	6,984,814.16	2,191,663.67
2 to 3 years (including 3 years)	<u>975.97</u>	<u>-</u>
Total	<u>761,259,339.93</u>	<u>658,568,486.25</u>

4. Other accounts receivable

Item	<u>31 December 2022</u>	<u>1 January 2022</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
Other accounts receivable	22,029,115.15	27,374,653.50
Less: Provision for bad debts of other accounts receivable	<u>9,374,797.90</u>	<u>9,959,578.69</u>
	<u>12,654,317.25</u>	<u>17,415,074.81</u>

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

Item	<u>31 December 2022</u>	<u>1 January 2022</u>
	RMB Yuan	RMB Yuan
	(audited)	(audited)
0-1 year (including 1 year)	12,009,767.87	8,688,634.99
1 to 2 years (including 2 years)	451,907.38	3,701,479.82
2 to 3 years (including 3 years)	<u>192,642.00</u>	<u>5,024,960.00</u>
Total	<u>12,654,317.25</u>	<u>17,415,074.81</u>

5. Accounts payable

Item	<u>31 December 2022</u>	<u>1 January 2022</u>
	RMB Yuan (audited)	RMB Yuan (audited)
Accounts payable	<u>599,055,763.12</u>	<u>661,319,556.79</u>
Total	<u>599,055,763.12</u>	<u>661,319,556.79</u>

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

Item	<u>31 December 2022</u>	<u>1 January 2022</u>
	RMB Yuan (audited)	RMB Yuan (audited)
0-1 year (including 1 year)	572,436,889.19	640,981,010.15
1-2 years (including 2 years)	15,230,740.10	10,779,933.67
2-3 years (including 3 years)	3,393,501.61	2,905,775.64
Over 3 years	<u>7,994,632.22</u>	<u>6,652,837.33</u>
Total	<u>599,055,763.12</u>	<u>661,319,556.79</u>

6. Payroll payable

(1) Classification of payroll payable

Item	<u>1 January 2022</u>	<u>Increase during the year</u>	<u>Decrease during the year</u>	<u>31 December 2022</u>
	RMB Yuan (audited)	RMB Yuan	RMB Yuan	RMB Yuan (audited)
Short-term wages	69,867,115.71	868,182,451.19	842,878,162.77	95,171,404.13
Post-employment welfare - defined contribution plan	-	96,629,283.47	96,629,283.47	-
Dismissal welfare	-	<u>238,790.92</u>	<u>238,790.92</u>	-
Total	<u>69,867,115.71</u>	<u>965,050,525.58</u>	<u>939,746,237.16</u>	<u>95,171,404.13</u>

(2)Short-term wages

Item	<u>1 January 2022</u>	<u>Increase during the year</u>	<u>Decrease during the year</u>	<u>31 December 2022</u>
	RMB Yuan (audited)	RMB Yuan	RMB Yuan	RMB Yuan (audited)
Salary, bonus, allowance and subsidy	65,905,710.16	676,269,342.24	651,086,370.83	91,088,681.57
Employee welfare expenses	-	41,892,803.44	41,892,803.44	-
Social insurance charges	-	50,907,217.98	50,907,217.98	-
Comprising: Medical insurance premiums	-	45,920,187.97	45,920,187.97	-
Work injury insurance premiums	-	4,987,030.01	4,987,030.01	-
Housing provident fund	-	51,238,468.62	51,238,468.62	-
Labour union expenditure & personnel education fund	3,961,405.55	12,507,193.98	12,399,876.97	4,068,722.56
Labour costs	-	32,439,379.73	32,425,379.73	14,000.00
Other Short-term wages	-	2,928,045.20	2,928,045.20	-
Total	<u>69,867,115.71</u>	<u>868,182,451.19</u>	<u>842,878,162.77</u>	<u>95,171,404.13</u>

(3)Defined contribution plan

Item	<u>1 January 2022</u>	<u>Increase during the year</u>	<u>Decrease during the year</u>	<u>31 December 2022</u>
	RMB Yuan (audited)	RMB Yuan	RMB Yuan	RMB Yuan (audited)
Basic retirement insurance	-	92,595,989.44	92,595,989.44	-
Unemployment insurance premium	-	4,033,294.03	4,033,294.03	-
Total	<u>-</u>	<u>96,629,283.47</u>	<u>96,629,283.47</u>	<u>-</u>

7. Capital surplus

Item	<u>1 January 2022</u>	<u>Increase during</u>	<u>Decrease during</u>	<u>31 December 2022</u>
	RMB Yuan	RMB Yuan	RMB Yuan	RMB Yuan
	(audited)			(audited)
Capital stock premium*	484,393,159.23	239,709,185.41	-	724,102,344.64
Other capital reserves**	<u>193,548,128.59</u>	<u>87,832,392.42</u>	<u>7,338,276.00</u>	<u>274,042,245.01</u>
Total	<u>677,941,287.82</u>	<u>327,541,577.83</u>	<u>7,338,276.00</u>	<u>998,144,589.65</u>

* The capital stock premium increased by RMB 239,709,185.41 in total this year, of which RMB 31,161,834.00 was due to the exercise of 5,167,800 stock options; The increase of RMB 207,274,422.21 is due to the premium on the capital stock of the non-public offering; The increase of RMB 1,272,929.20 is caused by the balance of book net asset share caused by the absorption of minority shareholders' capital increase before and after the subsidiary Pharmaceutical and Chemical Design Company is included in the capital reserve - equity premium

**Other capital reserves increased by RMB 87,832,392.42 in total this year, among which RMB 46,361,961.61 was increased due to the expense of waiting period equity instruments according to the company's 2018 and 2021 equity incentive plan; the increase of RMB 16,760,230.81 is due to the recognition of deferred income tax assets of share payment at the end of the period; the increase of RMB 24,710,200.00 is caused by the transfer of funds from the central budget of special payables; the decrease in other capital reserves of RMB 7,338,276.00 is the result of the expense recognized during the waiting period after the exercise of the stock option to write down other capital reserves..

8. Other comprehensive income

Item	Amount incurred this year						
	<u>1 January 2022</u>	<u>Income tax incurred this year</u>	<u>Less: Amount recorded into other comprehensive income in previous year transferred to profit or loss this year</u>	<u>Less: income tax expense</u>	<u>Attributable to the parent company after tax</u>	<u>Attributable to minority shareholders after tax</u>	<u>31 December 2022</u>
	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							
Fair value variation of other equity instrument investments	129,425,414.90	(21,461,355.98)	-	(3,219,203.40)	(18,242,152.58)	-	111,183,262.32
II. Other comprehensive income to be reclassified into profit or loss in future							
Conversion difference of financial statement in foreign currency	(3,171,039.81)	5,300,422.91	-	-	4,114,511.90	1,185,911.01	943,472.09
Total	<u>126,254,375.09</u>	<u>(16,160,933.07)</u>	<u>-</u>	<u>(3,219,203.40)</u>	<u>(14,127,640.68)</u>	<u>1,185,911.01</u>	<u>112,126,734.41</u>

9. Undistributed profits

Item	<u>Year 2022</u>	<u>Year 2021</u>
	RMB Yuan (audited)	RMB Yuan (audited)
Ending balance of previous year	1,709,067,703.02	1,477,281,646.00
Add: Beginning adjustment for undistributed profit	-	-
Including: Change of accounting policies	-	-
Change of consolidation scope under common control	-	-
Beginning balance of the current period	1,709,067,703.02	1,477,281,646.00
Add: Net profits attributable to the parent company's shareholders in the current period	411,193,683.53	348,548,495.99
Others	-	-
Less: appropriation of statutory surplus reserve	31,762,971.91	22,657,321.92
Common stock dividends payable	100,444,085.25	94,105,117.05
Total	<u>1,988,054,329.39</u>	<u>1,709,067,703.02</u>

10. Operating revenues and cost

(1) Operating revenue and costs

Item	<u>12 months as of 31 December 2022</u>		<u>12 months as of 31 December 2021</u>	
	(audited)		(audited)	
	Revenue	Cost	Revenue	Cost
Main operation	7,295,163,472.26	5,270,983,819.39	6,359,541,639.97	4,573,790,610.60
Other operation	<u>207,823,629.83</u>	<u>194,672,287.76</u>	<u>200,535,946.43</u>	<u>212,619,741.70</u>
Total	<u>7,502,987,102.09</u>	<u>5,465,656,107.15</u>	<u>6,560,077,586.40</u>	<u>4,786,410,352.30</u>

(2) Revenues from contracts

Classification of contract	Chemical bulk drugs	Preparations	Chemicals and other products	Total
Commodity type				
Among:				
Chemical bulk drugs	3,171,564,382.95	-	-	3,171,564,382.95
Preparations	-	3,193,627,163.89	-	3,193,627,163.89
Medical intermediate and other products	-	-	<u>1,137,795,555.25</u>	<u>1,137,795,555.25</u>
Total	<u>3,171,564,382.95</u>	<u>3,193,627,163.89</u>	<u>1,137,795,555.25</u>	<u>7,502,987,102.09</u>
Classification by operating regions				
Where:				
China (including Hong Kong)	1,157,527,912.58	2,896,724,045.69	844,023,273.11	4,898,275,231.38
Americas	898,688,000.69	36,504,841.14	85,513,939.66	1,020,706,781.49
Europe	643,030,987.62	259,827,843.39	158,685,398.25	1,061,544,229.26
Others	<u>472,317,482.06</u>	<u>570,433.67</u>	<u>49,572,944.23</u>	<u>522,460,859.96</u>
Total	<u>3,171,564,382.95</u>	<u>3,193,627,163.89</u>	<u>1,137,795,555.25</u>	<u>7,502,987,102.09</u>

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	3,171,564,382.95	3,193,627,163.89	1,070,215,119.65	7,435,406,666.49
Recognition of revenue within a certain period	-	-	60,820,656.39	60,820,656.39
Rental income	-	-	6,759,779.21	6,759,779.21
Total	<u>3,171,564,382.95</u>	<u>3,193,627,163.89</u>	<u>1,137,795,555.25</u>	<u>7,502,987,102.09</u>

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 3,429,362,408.91, and the operating income of distribution model is RMB 4,073,624,693.18.

(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 RMB 593,261,005.51, and of this amount RMB 585,255,982.30 is expected to be recognized in 2023.

(5) The recognized income of this year includes the amount of RMB 92,346,032.92 that has been included into the contract liabilities at the end of the previous year.

11. Taxes and surcharges

Item	<u>12 months as of 31 December 2022(audited)</u>	<u>12 months as of 31 December 2021(audited)</u>
City maintenance and construction tax	19,918,550.72	14,575,659.80
Property tax	19,091,635.54	17,079,741.74
Educational surcharges	14,227,344.07	10,411,175.47
Land use tax	6,775,241.30	9,856,346.92
Stamp duty	5,237,845.33	1,407,592.61
Vehicle usage tax	59,239.11	62,605.55
Land value increment tax	-	5,873,969.33
Total	<u>65,309,856.07</u>	<u>59,267,091.42</u>

12. Assets impairment loss

Item	<u>12 months as of 31 December 2022(audited)</u>	<u>12 months as of 31 December 2021(audited)</u>
Loss from contract assets impairment	(103,863.73)	(11,025.00)
Inventory impairment loss	<u>(43,422,294.53)</u>	<u>(33,255,774.83)</u>
Total	<u>(43,526,158.26)</u>	<u>(33,266,799.83)</u>

13. Income tax expenses

(1) Income tax expenses

Item	<u>12 months as of 31 December 2022 (audited)</u>	<u>12 months as of 31 December 2021 (audited)</u>
The current income tax calculated in accordance with the tax law and related regulations	25,868,399.58	39,035,980.54
-PRC enterprise income tax	22,942,214.80	36,331,859.26
-PRC Hong Kong profits tax	79,932.47	-
-USA federal and state tax	782,511.31	663,476.31

Item	<u>12 months as of 31 December</u> <u>2022</u> <u>(audited)</u>	<u>12 months as of 31</u> <u>December 2021</u> <u>(audited)</u>
-Dutch corporation tax	2,063,741.00	2,040,644.97
-Deferred income tax expense	20,015,724.80	13,714,824.76
Over-counted (Undercount) in previous years	<u>(424,579.82)</u>	<u>6,408,233.19</u>
Total	<u>45,459,544.56</u>	<u>59,159,038.49</u>

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

Item	<u>12 months as of 31 December 2022</u> <u>(audited)</u>
Annual total profit from amalgamation	471,774,350.61
Income tax expense calculated in accordance with statutory/applicable tax rate	70,766,152.59
Effect of different tax rate applicable to subsidiaries	7,884,006.26
Effect of adjustments to previous years' income tax	(424,579.82)
Effect of non-assessable income	(1,254,748.98)
Effect of nondeductible cost, expense and loss	6,466,829.07
Effect of using deductible loss of unrecognized deferred income tax assets in previous period	(173,755.81)
Deductible temporary difference or effect of deductible loss of unrecognized deferred income tax assets in the current year	3,956,374.28
Additional deductions	(41,467,504.88)
Special equipment for environmental protection and energy saving is exempt from income tax	<u>(293,228.15)</u>
Income tax expenses	<u>45,459,544.56</u>

14. Earnings per share

(1)The basic earnings per share

The calculation of the basic earnings per share is based on the net profit of RMB 411,193,683.53 (2021: RMB 348,548,495.99) for the current period attributable to shareholders of the parent company and based on the weighted average of 660,602,072.00 outstanding ordinary shares in issue (2021: 627,095,820.00 shares) during the period.

Item	Year 2022	Year 2021
	RMB Yuan	RMB Yuan
Net profit attributable to shareholders of the parent company	411,193,683.53	348,548,495.99
Weighted average number of the Company's issued outstanding ordinary shares	660,602,072.00	627,095,820.00
Basic earnings per share (yuan/share)	<u>0.62</u>	<u>0.56</u>

(2)The diluted earnings per share

The calculation of the diluted earnings per share is based on the net profit of RMB411,193,683.53 (2021: RMB 348,548,495.99) for the current period attributable to shareholders of the parent company and based on the adjusted weighted average of 670,520,321.00 outstanding ordinary shares in issue (2021: 627,095,820.00 shares) during the period.

Item	Year 2022	Year 2021
	RMB Yuan	RMB Yuan
Net profit attributable to shareholders of the parent company	411,193,683.53	348,548,495.99
Weighted average number of the Company's issued outstanding ordinary shares	660,602,072.00	627,095,820.00
Dilution of potential common shares	9,918,249.00	-
Adjusted weighted average number of the Company's issued outstanding ordinary shares	670,520,321.00	627,095,820.00
Diluted earnings per share (yuan/share)	<u>0.61</u>	<u>0.56</u>

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

15. Dividends

Item	Year 2022	Year 2021
	RMB Yuan	RMB Yuan
Dividends recognised as distribution in the financial statements of the relevant the year:		
2020 final dividend: RMB 0.15 per share	-	94,105,117.05
2021final dividend: RMB 0.15 per share	<u>100,444,085.25</u>	<u>-</u>
	<u>100,444,085.25</u>	<u>94,105,117.05</u>

The Board proposes the profit distribution plan for year 2022 as follows: the total number of shares of the Company at the date of the announcement was 673,887,535(of which 478,887,535 shares were A shares and 195,000,000 shares were H shares). Based on the total issued shares of the Company of 673,887,535 shares, it is proposed a dividend of RMB 0.20 (tax inclusive) for every share of the Company be paid to shareholders. If the total share capital of the Company changes due to exercise of share options, and listing of new shares for refinancing before the implementation of the Company's 2022 profit distribution plan, the distribution plan will be adjusted according to the principle that the distribution proportion per share remains unchanged. The aforementioned amounts are not included in the 2022 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 2022 annual results announcement signed by the chairman of the Board.
2. Financial statements signed and stamped by the legal representative, the financial controller and the manager of the accounting department of the Company.

(2) Place of inspection

Office of the Secretary to the Board of the Company.

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

24 March 2023, Zibo, PRC

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

Executive Directors:

Mr. He Tongqing (Chairman)

Mr. Xu Wenhui

Mr. Hou Ning

Independent Non-executive Directors:

Mr. Pan Guangcheng

Mr. Zhu Jianwei

Mr. Lo Wah Wai

Mr. Ling Peixue

Non-executive Directors:

Mr. Xu Lie

Mr. Cong Kechun