

*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.*



**CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED**

**中國神威藥業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2877)**

**2021 ANNUAL RESULTS ANNOUNCEMENT  
AND  
DECLARATION OF 2022 INTERIM DIVIDEND**

The board of directors (the “Board”) of China Shineway Pharmaceutical Group Limited (the “Company” or “Shineway”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021 as follows:

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2021, the operating results of the Group were as follows:

- Turnover amounted to RMB3,223,550,000, an increase of 21.4% as compared to last year;
- Gross profit margin was 74.8% as compared to 74.9% of last year;
- Profit for the year amounted to RMB556,674,000, an increase of 88.7% as compared to last year;
- Earnings per share amounted to RMB74 cents;
- Declared interim dividend of RMB21 cents per share;
- Net assets per share amounted to RMB7.14 (equivalent to HK\$8.73); and
- Net cash per share amounted to RMB5.09 (equivalent to HK\$6.22).

## CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2021, the Group's employees overcame the adversity of frequent pandemic outbreaks in many places in China. We always adhere to the original mission as the executor of healthy China by embracing Shineway's spirits of hard working, fearless for difficulties and able to fighting for tough battles. On this basis, the Group set a good sales performance and achieved growth in every dosage form of products. The sales for the year were over RMB3.2 billion, representing an increase of 21.4% as compared with last year. Net profit reached RMB557 million, representing a 88.7% growth from last year.

In 2021, with the strong support from the Country on promoting the revitalization of TCM, the Group seized the opportunities from such policy and actively established its position in key products during the year with comprehensively enhancing end-to-end coverage and strengthening investment. Through our efforts in marketing innovation, brand innovation and product innovation, the Group continued to strengthen academic promotion and evidence-based medical research, and leveraged the Internet to build a new marketing model, in bid to enhance product competitiveness and drive rapid business development. Accordingly, several exclusive products of the Group have emerged as the highest sales growth varieties during the year.

The pharmaceutical industry in China will be in a crucial period of continuous development and the Group is also accelerating the pace of digital transformation of our enterprise. In 2021, the Group racked up online sales of RMB190.5 million, nearly 1.3 times higher than those of last year. The Internet hospital established by Shineway received the approval of business registration during the year, and at present it is well prepared in its house settings, equipment and facilities, departmental settings, staffing, online diagnosis and treatment systems, rules and regulations, and development plans. Once the Internet hospital license is granted, the Group will then actively push forward the hospital operation under the Internet + Healthcare model, so that more people can enjoy high-quality TCM medical services.

In terms of R&D innovation, academic research and promotion, the Group's R&D team continues to steadily advance the progress of Phase III clinical trials of "Sailuotong Capsule", and is accelerating the pace of research and development on Phase III clinical trials of other innovative Chinese medicines in the pipeline. The Group is currently speeding up a construction project for the creation and industrialization of classical prescriptions in the forms of modern Chinese medicines. The total investment of this project exceeds RMB150 million, involving the construction of gross floor area of approximately 12,000 square meters. Through the application of advanced equipment and control technology, the automatic extraction production lines of the Group's modern Chinese medicine preparations will be upgraded and transformed, which greatly improves the extraction efficiency of Chinese herbal medicines and enhance processing capacity of herbs by 10,000 tonnes.

The Group continues to actively strengthen and improve the evidence-based medical evidence and academic status of our strategic products. The Group's multi-center, randomized, double-blind, placebo, positive parallel-group controlled clinical trials on the clinical efficacy and safety of Xiao Jie An Capsule in the treatment of uterine fibroids were successfully commenced out during the year. Xiao Jie An Capsule, the Group's exclusive product on National Drug Reimbursement List, has significant curative effect on intramammary nodules, breast lobular hyperplasia, uterine fibroids and ovarian cysts. Led by Hebei University of Chinese Medicine, the research was carried out simultaneously in more than 10 tertiary hospitals, including the Beijing University of Chinese Medicine Third Affiliated Hospital, to further improve the evidence-based medical evidence of Xiao Jie An Capsule and help cultivate the Group's major products in the field of gynecology. In the future, the Group will closely follow relevant national policies, increase investment in evidence-based research on exclusive strategic products, and continue to improve the clinical value of products with proprietary intellectual property rights.

Along with the opening up of the national market for TCM formula granules, the Group has been expediting the registration of our TCM formula granules across The People's Republic of China (the "PRC"). The enrollment procedures for the national standard varieties in all provinces have been completed and those of provincial standards were being submitted for the approval of relevant provincial authorities. This layout our positioning at a high starting point. The Group has established two TCM innovative platforms during the year, namely "Key Laboratory" and "Engineering Research Centre" for TCM formula granules in Yunnan province in addition to the completion of expanding production capacity of TCM formula granules to an annual production value of RMB4 billion by the end of the year, laying a solid foundation for the nationwide development of TCM formula granules.

2022 is a critical year for the Group to achieve the "14th Five-Year" strategic objectives. The development of TCM is supporting by the national policies in a top-down manner with specific measures being implementing. The Group, together with all staff, will diligently develop modern Chinese medicine and make unremitting efforts for promoting TCM culture, revitalizing TCM industry and safeguarding people's lives and health.

For the year past, our entire staff had contributed to the Group's business advancement relentlessly with unremitting support and dedication in their relevant positions. On behalf of the Board, I would like to extend my cordial gratitude and make sincere greeting to each of them who had work diligently for the Company over the last year. I would also like to convey my heartfelt thanks to shareholders, customers and partners for their continuous support and trust to the Group.

**Li Zhenjiang**

*Chairman of the Board*

Hong Kong, 29 March 2022

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results Highlights

With the PRC government's thriving promotion of the TCM industry accompanied by continual introduction of favorable policies to TCM, the Group kept on making all-out effort to strengthen its end-to-end coverage of hospitals and pharmacies and enhance academic marketing across the board. As a result, the sales of all the Group's exclusive oral products registered rapid growth, sales volume of TCM formula granules also continued to increase, and overall sales and core profit are commencing growth momentum. Along with the reducing impact of the COVID-19 pandemic during the year, the growth of the Group's business had risen comprehensively. The sales for the full year of 2021 recorded an increase of 21.4% as compared with last year. Net profit reached RMB557 million, representing a 88.7% growth from last year, which was mainly attributable to the increase in sales, and a lower net profit base due to a one-off non-recurring impairment provision last year.

The Group's gross profit margin was 74.8% in 2021, which was about the same as compared to 74.9% of last year.

Net profit margin increased from 11.1% in last year to 17.3%, and earnings per share increased by 89.7% to RMB74 cents as compared to last year.

The Group adopted a new dividend policy on 24 December 2021 (the "Dividend Policy"). For details, please refer to the announcement of the Company dated 24 December 2021.

After considering the Dividend Policy, the Company has declared an interim dividend for the year ending 31 December 2022 amounting to RMB21 cents per share.

As of 31 December 2021, as calculated based on the total issued shares of 827,000,000, net cash per share of the Group amounted to HK\$6.22, and net assets per share amounted to HK\$8.73.

## Growth Across The Board For Every Dosage Form

In 2021, the Group focused on positioning its key products with comprehensively enhanced end-to-end coverage and strengthened investment. During the year, Huamoyan Granule and other exclusive products of the Group recorded strong growth. Also, our injection products overall achieved impressive sales growth in each quarter as compared to last year. As TCM formula granules continued its growth momentum, the Group achieved business growth across the board for every dosage form. The table below shows the sales and growth rates of each dosage form in 2021 as compared to last year:

	Year-on-year growth rate in 2021					RMB'000	
	First quarter	Second quarter	Third quarter	Fourth quarter	Full year	Full year sales	Percentage of sales
Injections	34.4%	25.9%	12.8%	16.7%	21.5%	1,339,241	41.5%
Soft Capsules	6.6%	8.4%	12.7%	-8.4%	4.9%	484,841	15.0%
Granules	62.6%	60.8%	25.8%	7.5%	31.4%	533,469	16.5%
TCM Formula Granules	51.1%	21.4%	5.4%	31.0%	24.5%	692,565	21.5%
Others	47.1%	41.8%	29.3%	24.8%	34.6%	173,434	5.5%
Oral products	38.8%	24.7%	14.0%	12.7%	21.3%	1,884,309	58.5%
Total	37.0%	25.2%	13.5%	14.3%	21.4%	3,223,550	100.0%

The PRC government has repeatedly emphasized the insistence on combining the use of TCM and Western medications in the treatments. A number of TCM injections (including Shen Mai Injection, a medication produced by the Group) have also been included in the “Diagnosis and Treatment Program for Novel Coronavirus Infected Pneumonia (7th Trial Edition)”, highlighting the effectiveness and safety of TCM injections. The Group had also proactively optimized its product mix of injection products, resulting in a 21.5% year-on-year increase in overall sales of injection products this year. This was the fifth consecutive quarter recording high sales of injection products after years of decline since 2013. Guan Xin Ning Injection, which was mainly being used in hospitals, has recorded sales revenue of RMB295 million during the year, representing a significant increase of 71.2% as compared to last year. Sales of Shen Mai Injection and Qing Kai Ling Injection which was used in grass-root medical institutions were increased by 10.7% and 18.4%, respectively. Sales of the Group’s biological medication, Pseudomonas Aeruginosa Injection, increased by 15.3% as compared to last year, while sales of Shu Xie Ning Injection decreased by 6.9%.

The Group continued to focus on the development strategy of expanding new growth areas for oral products in 2021. The overall sales of oral products increased by 21.3% in 2021 as compared to the last year. In the first half of 2021, the sales of soft capsules, granules and TCM formula granules increased by 7.6%, 61.8% and 34.1% respectively as compared to the same period last year. The proportion of oral products sales reached 58.5% of the Group’s overall sales.

With the Covid-19 pandemic under control, the Group's pediatric granule products witnessed a significant rebound in market demand with an increase of 38.6% in the sales of our key product Pediatric Qingfei Huatan Granule as compared to last year. Meanwhile, Huamoyan Granule, an exclusive product of the Group, became the leading granule product, recording a sales growth of 51.2%, which contributed to an increase of 31.4% in the sales of all granule products.

Overall sales of the Group's soft capsule products increased 4.9% as compared to last year. But the sales of other key products including Wu Fu Xin Nao Qing Soft Capsule, Huo Xiang Zheng Qi Soft Capsule and Qing Kai Ling Soft Capsule decreased by 16.5%, 4.6% and 13.7%, respectively. On the other hand, sales of the Group's exclusive products such as Qi Huang Tong Mi Soft Capsule, Jiang Zhi Tong Luo Soft Capsule and Dan Deng Tong Nao Soft Capsule increased by 107.6%, 89.1% and 194.3% year-on-year, respectively.

### **China is Making Strong Efforts To Promote The High-Quality Development Of TCM Industry**

In 2021, the country introduced a number of policies to promote the development and revitalization of TCM, which brought opportunities for the development of TCM industry, including "Several Policy Measures on Accelerating the Featured Development of Traditional Chinese Medicine" (《關於加快中醫藥特色發展的若干政策措施》) issued in February this year, "Opinions on Further Strengthening Synergistic Development of Chinese and Western Medicines by Traditional Chinese Medicine Practice in General Hospital" (進一步加強綜合醫院中醫藥工作推動中西醫協同發展的意見) published in June this year, "Implementation Plan for Building a High-quality and Highly Efficient Medical Health Service System during the 14th Five-year Plan Period" (《「十四五」優質高效醫療衛生服務體系建設實施方案》) and "Implementation Plan for Prompting the Dissemination of Traditional Chinese Medicine Culture (2021-2025)" (《中醫藥文化傳播行動實施方案(2021-2025年)》) issued in July this year. In 2021, the number of new TCM approved by National Medical Products Administration surged, demonstrating clearly the positive effect of numerous policies introduced to encourage the development of TCM industry.

At the end of 2021, the National Healthcare Security Administration and the National Administration of Traditional Chinese Medicine issued the “Guiding Opinions on Supporting the Inheritance and Innovative Development of Traditional Chinese Medicine by Medical Insurance” (《關於醫保支持中醫藥傳承創新發展的指導意見》), which specifies that traditional Chinese medical institutions should take the lead to form a tight-knit medical consortia as well as the payment policies in respect of payment standards, enhanced supervision and assessment, surplus retention, and reasonable over-expenditure sharing shall be implemented to facilitate the quality TCM medical resources to community medical institutions, and the “dual channels (i.e. the ways of purchasing drugs through designated hospital and designated pharmacy)” shall be taken to expand the channel of medication for insured patients to designated retail pharmacies. It proposed to include primary hospitals providing TCM services and the “Internet+” TCM services in the scope of medical insurance payment. For TCM techniques originated from ancient classified prescriptions and are still widely used currently with proven efficacy, as well as new TCM techniques with prominently innovative and economical advantages, the review procedures for new pricing shall be simplified to establish a green passage. The guiding opinions also suggest that the TCM decoction pieces sourced from regular channels by public medical institutions shall be strictly sold at prices that the actual purchase price with not more than 25% mark up.

The national policies of promoting the revitalization of TCM are gradually being implemented in the development of the TCM industry. It is also clarified that Diagnosis Related Group (or DRG) payments will not be implemented for Chinese medical institutions for the time being. At the moment, a large number of services will be included in the scope of reimbursement under the national unified medical insurance coding system, allowing more patients and related clinics to receive policy benefits. The TCM industry is about to embrace high-quality development. The Group is also making continuous efforts to invest in creating a new cycle of growth for the Group to drive rapid business development.

### **Striving To Speed Up The Nationwide Registration Of TCM Formula Granules**

TCM formula granules continued to show a rapid growth trend in 2021, with an increase in sales of 24.5% as compared to last year, while expansion of the production capacity of TCM formula granules with annual production value of RMB4 billion was also completed by the end of the year. The Group’s full efforts in exploiting the Yunnan market has begun in 2021 with sales of more than RMB33.1 million in the year. The progress was similar to the market in the Hebei Province exploited by the Group in the initial year. At present, the Group continues our academic promotion to the medical institutions in Yunnan Province.

The Group's formula granules production base in Yunnan Province is listed as a high-tech enterprise with solid scientific research resources. It has the first "Key Laboratory of TCM Formula Granules in Yunnan Province" and the first "Engineering Research Centre of TCM Formula Granules in Yunnan Province" and the "Beijing-Tianjin-Hebei Joint Venture Pharmaceutical (Chuxiong) Research Institute". The Yunnan production facilities utilizes state-of-the-art green and intelligent integrated manufacturing technologies to extract and produce TCM, so as to create superb therapeutic effect of our TCM formula granules products.

In accordance with the Notice on Matters Relating to the Filing of TCM Formula Granules (《中藥配方顆粒備案工作有關事項的通知》) issued by the General Department of the National Medical Product Administration at the end of January 2022, the Group has registered the national standards varieties of formula granule at the filing agency set up by the National Medical Product Administration. At present, the provinces in the country have successively promulgated their administrative methods and quality standards for TCM formula granules, while the Group has already completed the filing of all national standards varieties of TCM formula granules in all provinces and those of provincial standards are now in progress. Based on the current status, it is expected that the Group will complete the filing with the relevant approval authorities in the target provinces in mid-2022, and upon approval will then start the promotion of our TMC formula granules to local hospitals and grass-root healthcare institutions. With a wide range and high quality of TMC formula granules, the Group will definitely earn our presence in the nationwide market.

During the year, the Group has conducted in-depth cooperation with China Association of Chinese Medicine, Chinese Medicine Association of Hebei Province, Tsinghua University, Hebei Medical University, Hebei University of Chinese Medicine, Hebei Provincial Hospital of Traditional Chinese Medicine, TCM Hospital of Shijiazhuang City on the TCM research projects, the co-construction of hospitals and the transformation of scientific research achievements. It has also established the first specialized committee for formula granules under the provincial TCM association in the PRC, aiming to build a jointly established and shared platform for the industry and strengthen the cooperation in respect of standard setting, academic exchange and industry development for TCM formula granules.

In recent months, Beijing Municipal Medical Insurance Bureau issued the Notice on the Sunshine Online Procurement of TCM Decoction Pieces and TCM Formula Granules (關於開展中藥飲片和中藥配方顆粒陽光掛網採購的通知), which requires that all TCM decoction pieces and TCM formula granules for clinical use by all public medical institutions and medical insurance designated medical institutions should carry out sunshine online procurement. The Group believes that the sunshine online procurement policy will make the market access process of TCM formula granules more transparent and faster, which is beneficial to our development of the nationwide market.

Along with the opening up of the nationwide market, on one hand, the Group will expedite the registration of our TCM formula granules in targeted provinces. On the other hand, we will accelerate the expansion of sales teams to actively prepare for the coming boom period of development of TCM formula granules and advance the development of TCM formula granules with the highest quality, marching towards the goal of becoming one of the leading suppliers of TCM formula granules in the PRC by 2024.

### **Exclusive Oral Products Becoming The Highest-Growth**

The Group is speeding up on its evidence-based medical researches of its exclusive oral products of TCM used in six core therapeutic areas, being orthopedics, cardio-cerebrovascular diseases, anti-viral, gastroenterology, gynecology and pediatrics. Such evidence-based medical researches are being conducted through expert argumentation and other methods. As academic promotion has become the Group's key initiative, the Group will continue to utilize medical evidence-based strategies to develop the Group's exclusive oral products to be the forthcoming new driving force for our growth.

In 2021, the increase in sales of the Group's exclusive oral TCM products with proprietary intellectual property rights reported the highest growth among the others. A total of 22 relevant exclusive oral TCM had recorded sales of RMB379,372,000 in aggregate, representing an increase of 96.5% over last year and accounting for 11.8% of the Group's total sales as compared with that of 7.3% last year. In particular, Huamoyan Granule recorded sales of RMB172,259,000, an increase of 51.2% as compared to the same period last year; Qi Huang Tong Mi Soft Capsule recorded sales of RMB46,896,000, an increase of 107.6% as compared to the same period last year; Jiang Zhi Tong Luo Soft Capsule recorded sales of RMB19,636,000, an increase of 89.1% as compared to the same period last year; Dan Deng Tong Nao Capsule recorded sales of RMB18,082,000, an increase of 194.3% as compared to the same period last year; while Qing Kai Ling Soft Capsule recorded a decrease in sales for the year by 10.7% due to the relatively larger comparable base in the same period last year caused by the COVID-19 pandemic, with sales amounted to RMB52,305,000. Promotion of Xiao Jie An Capsule, the Group's exclusive oral gynecological TCM product on National Drug Reimbursement List and Xiao Jie An Oral Liquid under the same series, had commenced at the beginning of the year. They had recorded a total sales of RMB11,829,000 during the year.

### **Shineway's Internet Hospital Received Approval Of Business Registration**

Shineway's Internet hospital had received the approval of business registration during the year, marking a crucial step for the Group to promote the development of Internet + Healthcare. The Group proactively explored and innovated in new development patterns and continuously improved its healthcare positioning. The Internet hospitals was established by leveraging on our own strength, striving to break the geographical restrictions on medical resources through the Internet + Healthcare pattern and provide users with better, safer and more convenient online services, effectively alleviating the difficulty in accessing medical services.

Starting with a closed circle of health management of a team of more than 100 experts and the integration of numerous medical resources, Shineway's Internet hospital is committed to provide users with comprehensive, one-stop healthcare services, including health education, medical information enquiry, electronic health records, disease risk assessment, online disease consultation, e-prescription, remote consultation, remote treatment and rehabilitation.

### **B2B Online Platforms Directly Expanded Terminal Coverage**

The Group recorded online sales of approximately RMB190.5 million in 2021, representing an increase of 128.1% as compared to last year. Among which, 92.8% was generated from sales through B2B third-party online platforms and approximately 7.2% was from B2C online e-commerce.

The Group continued to diligently cooperating with a number of B2B pharmaceutical online platforms to promote the distribution of terminal business mainly for oral products, and developed B2B online market by different types of customers according to the development features of pharmaceutical Internet in different provincial and regional markets. This had directly enhanced the terminal coverage and activity. A total of 56,000 new terminal customers was acquired during this year. Cumulatively, the Group had now covered a total of 116,000 terminal customers as we continue to strengthen our cooperation with the five major B2C platforms, namely, Ali Health Pharmacy Chain, JD Pharmacy, III Inc, Jianke, and ehaoyao.com, and will increase our efforts in online precision marketing to break geographical restrictions for our product sales and escalate our business to the next level.

### **Accelerating The Development Of Exclusive Innovative Medications**

The Group focuses on the research and development of innovative medications with clinical advantages and unique characteristics, and adopted the combined strategy of independent and joint research and development, and patents trading to accelerate the development of new core product pipelines. The Group currently has a total of 3 groundbreaking exclusive medications undergoing Phase III clinical trials:

#### **1. *Sailuotong Capsule***

The Group's key research initiative "Sailuotong Capsule", an innovative compound TCM, is now under phase III clinical trials in China and Australia. The phase III clinical trial in China mainly addresses the treatment of vascular dementia, while the phase III clinical trial in Australia focuses on the treatment of vascular dementia and Alzheimer's disease.

In early 2019, Sailuotong Capsule was granted an invention patent by IP Australia, and also received a notice of patent family grant from Russia in the same month. Since the first overseas invention patent granted in 2010, Sailuotong Capsule has been granted 8 invention patents by countries including the United States, Japan, Korea, Germany, Russia, Canada and Australia, etc.

Further details of Sailuotong Capsule are disclosed in the Company's 2021 interim report.

## 2. *Q-B-Q-F Condensed Pill*

Q-B-Q-F Condensed Pill focuses on the treatment of mycoplasma pneumonia in children and is currently undergoing phase III clinical trial. Further details of Q-B-Q-F Condensed Pill are disclosed in the Company's 2019 interim report.

## 3. *JC Soft Capsule*

JC Soft Capsule is a compound TCM developed under the guidelines based on the traditional medicine theory. It is a new medication of compounded Chinese medicine using “detoxification from the interior to exterior” as the principle for treatment of common cold. It is used for treating upper respiratory infection with symptoms such as fever and aversion to cold, dry and sore throat, nasal congestion and runny nose, headache and cough, etc. At present, most traditional Chinese medicines in the market for treating common cold are heat-clearing detoxifying types and antiseptics, but none of those in the market are available for “detoxification from the interior to exterior”. JC Soft Capsule is currently undergoing phase III clinical trial.

## **Financial Analysis**

### ***Turnover***

In 2021, the Group recorded an increase in turnover of 21.4% from last year. Sales of injection products reached approximately RMB1,339,241,000, up approximately 21.5% as compared with 2020. Sales of injection products accounted for approximately 41.5% of the Group's turnover. Sales of soft capsule products were approximately RMB484,841,000, up approximately 4.9% from last year. Soft capsule products accounted for approximately 15.0% of the Group's turnover. Sales of granule products amounted to approximately RMB533,469,000, up approximately 31.4% from last year. Granule products accounted for 16.5% of the Group's turnover. Sales of TCM formula Granules were approximately RMB692,565,000, representing an increase of 24.5% from last year and accounting for 21.5% of the Group's turnover. Sales of the Group's products in other formats were approximately RMB173,434,000 which accounted for approximately 5.5% of the Group's turnover.

The aggregate sales attributable to the largest customer and ten largest customers combined of the Group were 5.6% and 24.3% respectively of the Group's turnover for the year.

### ***Cost of Sales***

Cost of sales in 2021 was approximately RMB813,214,000 representing approximately 25.2% of total turnover. Direct materials, direct labor and other production costs accounted for approximately 58.7% (2020: 55.9%), 13.6% (2020: 12.3%) and 27.7% (2020: 31.8%) of total cost of sales respectively.

### ***Gross Margin***

In 2021, average gross margins of injection products, soft capsule products, granule products and TCM formula granule products were approximately 75.9% (2020: 77.5%), 71.2% (2020: 78.0%), 77.4% (2020: 76.5%) and 73.7% (2020: 68.1%) respectively. Overall gross margin was 74.8% (2020: 74.9%).

### ***Other Income***

Other income mainly includes government subsidies of RMB79,023,000 (2020: RMB74,988,000). The government subsidies mainly represented incentives received from government for research and development and investments in relevant regions in PRC by the Group.

### ***Investment Income***

Investment income mainly includes interest income from bank deposits and investments in financial products of RMB95,066,000 (2020: RMB87,826,000) and RMB9,073,000 (2020: RMB44,833,000) respectively.

### ***Other gains and losses***

In 2021, other gains and losses mainly comprised of net loss on disposal and write-off of property, plant and equipment of RMB18,173,000 (2020: net gain of RMB2,062,000).

### ***Impairment Losses on Financial Assets***

In 2021, respective impairment of RMB5,424,000 (2020: RMB5,800,000) and RMB1,597,000 (2020: RMB1,115,000) for trade receivables and trade receivables backed by bank bills were accounted for after the expected credit risk of financial assets assessment by the Group's management.

### ***Distribution Costs***

Distribution costs comprise of advertising expenses, distribution and promotion expenses, wages of sales persons and other market promotion and development expenses. In 2021, the distribution costs have increased by approximately 26.5% as compared to last year and accounted for approximately 46.5% of turnover in 2021 (2020: 44.6%). It was mainly due to the increase in distribution and promotion expenses and market research and development expenses of 27.8% and 63.5% respectively as compared to last year. Distribution and promotion expenses and market research and development expenses accounted for 30.6% (2020: 29.1%) and 7.1% (2020: 5.3%) of the Group's turnover respectively.

### ***Administrative Expenses and Research and Development Costs***

In 2021, administrative expenses have decreased by 6.1% as compared to last year, representing approximately 8.0% (2020: 10.3%) of the Group's turnover. The decrease in administrative expenses was mainly attributable to reduction in the amortization expense in current year as a result of the one-time non-recurring impairment charge related to the intangible assets of a wholly-owned subsidiary of the Group made in last year. Besides, administrative expenses mainly comprised of (i) non-productive depreciation expenses of fixed assets and amortization expenses of intangible assets and (ii) salaries of administrative staff which accounted for 1.6% and 2.1% of the Group's total turnover in 2021 respectively. Research and development expenses have increased by approximately 13.0% from last year, accounted for approximately 3.5% (2020: 3.8%) of the Group's turnover in 2021.

### ***Income Tax Rates***

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Certain subsidiaries which are operating in Western China have been granted tax concession by the local tax bureau and were entitled to PRC EIT at concessionary rate of 15.0% (2020: 15.0%). Certain subsidiaries which were recognised as High and New-tech Enterprise have been granted tax concessions by the local tax bureau and are entitled to PRC EIT at concessionary rate of 15.0% for 2020 and 2021. In addition, a subsidiary which is operating in agricultural products business has been granted tax exemption by the local tax bureau.

In 2021, the effective tax rate of the Group was 22.7% (2020: 25.3%).

### ***Profit for the Year***

The Group's profit attributable to shareholders of the Company for 2021 was RMB556,674,000, representing an increase of 88.7% from 2020. The increase in profit was mainly attributable to the absence of the effect of a one-time non-recurring impairment loss on property, plant and equipment, intangible assets and goodwill of a subsidiary of last year and the overall improvement in the Group's operating results for current year.

### ***Liquidity and Financial Resources***

As at 31 December 2021, bank balances and cash of the Group amounted to approximately RMB4,205,722,000 (2020: RMB3,943,010,000), of which approximately RMB4,094,854,000 (2020: RMB3,800,912,000) were denominated in RMB, others being equivalent to approximately RMB64,308,000, RMB43,307,000 and RMB3,253,000 (2020: RMB92,627,000, RMB46,143,000 and RMB3,328,000) were denominated in Hong Kong Dollars, Australian Dollars and United States Dollars respectively.

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

### ***Property, Plant and Equipment***

As at 31 December 2021, property, plant and equipment amounted to approximately RMB1,251,999,000, decreased by approximately 10.2% as compared to last year. The new construction works were mainly the workshop projects located in Sichuan and Yunnan and various workshops modification projects located in Shijiazhuang, which amounted to approximately RMB32,075,000 in total, and there were also new additions to buildings, plant and machineries and office equipment of approximately RMB48,549,000 in total during the year. Besides, following the adoption of IFRS 16, property, plant and equipment had included the leasehold lands, leased properties, leased motor vehicles and leased machineries, which had respective net book values of RMB115,528,000, RMB3,111,000, RMB2,373,000 and RMB3,881,000 as at 31 December 2021.

The depreciation of property, plant and equipment expenses for the year amounted to RMB167,170,000 (2020: RMB165,838,000).

### ***Intangible Assets***

Intangible assets represent patents and production licenses with finite useful lives. During the year, the amortisation of intangible assets was approximately RMB15,216,000.

## *Goodwill*

Goodwill is comprised of the Group's acquisition of the remaining 20% ownership equity interests of Shineway Pharmaceutical Sales Company Limited in 2005, the acquisition of 100% equity interests of Shineway Pharmaceutical (Zhangjiakou) Co., Ltd and Shineway Pharmaceutical (Sichuan) Company Limited in 2010, the acquisition of 100% equity interest of Shineway Pharmaceutical Group (Shandong) Company Limited in 2014, the acquisition of 100% equity interest of Yunnan Shineway Spirin Pharmaceutical Company Limited in 2015 and the acquisition of 100% equity interest of Shineway Pharmaceutical (Kunming) Company Limited (formerly known as Yunnan Liangfang Pharmaceutical Co., Ltd.) in current year.

## **INTERIM DIVIDEND**

After considering the Dividend Policy, the Board resolved to declare an interim dividend of RMB21 cents per share amounting to RMB158,634,000 in respect of the year ending 31 December 2022 and are calculated on the basis of 827,000,000 shares issued less 71,600,000 shares held for share award scheme as at 31 December 2021, which will be paid on 18 May 2022 to the shareholders whose names appear on the Company's register of members on 6 May 2022.

The above interim dividend will be payable in cash in Hong Kong dollars and will be converted from Renminbi at the telegraphic transfer exchange rates quoted by bank at 9:00 a.m. on 29 March 2022 (RMB1=HK\$1.227). Accordingly, the amount payable on 18 May 2022 will be HK\$0.258 per share.

## RESULTS

The Company is pleased to present the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2021 with comparative figures as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	<b>3,223,550</b>	2,655,701
Cost of sales		<u>(813,214)</u>	<u>(667,855)</u>
Gross profit		<b>2,410,336</b>	1,987,846
Other income		<b>102,227</b>	86,056
Investment income	4	<b>104,139</b>	132,659
Other gains and losses		<b>(19,374)</b>	112
Impairment losses on financial assets under expected credit loss model, net of reversal		<b>(7,021)</b>	(6,915)
Impairment loss on property, plant and equipment		–	(4,073)
Impairment loss on intangible assets		–	(168,734)
Impairment loss on goodwill		–	(56,794)
Selling and distribution costs		<b>(1,499,682)</b>	(1,185,469)
Administrative expenses		<b>(256,557)</b>	(273,359)
Research and development costs		<b>(112,711)</b>	(99,705)
Finance costs		<u>(1,254)</u>	<u>(16,600)</u>
Profit before taxation	5	<b>720,103</b>	395,024
Taxation	6	<u>(163,429)</u>	<u>(99,991)</u>
Profit and total comprehensive income for the year		<u><b>556,674</b></u>	<u>295,033</u>
Earnings per share	8		
– Basic (RMB)		<u><b>74 cents</b></u>	<u>39 cents</u>
– Diluted (RMB)		<u><b>74 cents</b></u>	<u>39 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2021*

	<i>NOTES</i>	<b>2021</b>	2020
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		<b>1,251,999</b>	1,394,771
Intangible assets		<b>66,426</b>	36,959
Goodwill		<b>165,956</b>	102,497
Deposit for acquisition of a subsidiary		–	137,140
Deferred tax assets		<b>20,465</b>	23,104
		<b><u>1,504,846</u></b>	<u>1,694,471</u>
Current assets			
Inventories		<b>587,956</b>	442,999
Trade receivables	9	<b>424,457</b>	311,792
Trade receivables backed by bank bills	9	<b>400,726</b>	448,868
Prepayments, deposits and other receivables		<b>80,251</b>	72,320
Tax recoverable		–	48
Pledged bank deposits		–	300,000
Bank balances and cash		<b>4,205,722</b>	3,943,010
		<b><u>5,699,112</u></b>	<u>5,519,037</u>
Current liabilities			
Trade payables	10	<b>228,620</b>	164,377
Other payables and accrued expenses		<b>666,232</b>	501,628
Contract liabilities		<b>85,885</b>	67,672
Bank borrowings		–	369,319
Lease liabilities		<b>7,587</b>	7,791
Amounts due to related companies		<b>13,784</b>	14,784
Deferred income		<b>31,167</b>	10,749
Tax payable		<b>65,096</b>	58,372
		<b><u>1,098,371</u></b>	<u>1,194,692</u>
Net current assets		<b><u>4,600,741</u></b>	<u>4,324,345</u>
Total assets less current liabilities		<b><u>6,105,587</u></b>	<u>6,018,816</u>

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Non-current liabilities		
Lease liabilities	7,324	15,028
Deferred tax liabilities	25,188	5,297
Deferred income	<u>171,594</u>	<u>204,309</u>
	<u>204,106</u>	<u>224,634</u>
Net assets	<u><u>5,901,481</u></u>	<u><u>5,794,182</u></u>
Capital and reserves		
Share capital	87,662	87,662
Reserves	<u>5,813,819</u>	<u>5,706,520</u>
Total equity	<u><u>5,901,481</u></u>	<u><u>5,794,182</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1. GENERAL INFORMATION

The Company is a listed company registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 August 2002 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The immediate holding and its ultimate holding company is Forway Investment Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. Li Zhenjiang, who is also the Chairman of the Group.

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are engaged in research and development, manufacturing and trading of Chinese pharmaceutical products.

### 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS STANDARDS”)

#### Amendments to IFRS Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Standards issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

### 3. REVENUE AND SEGMENT INFORMATION

#### Operating segments

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

#### Revenue from major products

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

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Injections	<b>1,339,241</b>	1,102,444
Soft capsules	<b>484,841</b>	462,090
Granules	<b>533,469</b>	405,960
Traditional Chinese medicine formula granules	<b>692,565</b>	556,327
Others	<b>173,434</b>	128,880
	<b><u>3,223,550</u></b>	<b><u>2,655,701</u></b>

The Group sells pharmaceutical products to the wholesale market and directly to customers. Revenue is recognised at a point in time when control of the products has transferred to customers, being at the point the products are delivered to the customer. The normal credit term is six months to one year upon delivery while certain customers make advanced payment before delivery. Only products with quality defects are allowed to be returned to the Group within a specified period of time upon receipt by the customers. The transaction price has been estimated taking into account of variable consideration such as discount and rebates.

Contracts with customers with unsatisfied performance obligations have original expected duration of one year or less. As permitted under IFRS 15, the aggregate amount of transaction price allocated to these unsatisfied contracts is not disclosed.

### Geographical information

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

All non-current assets of the Group including goodwill except deferred tax assets are located in the PRC including Hong Kong.

### Information about major customers

For each of the year ended 31 December 2021 and 2020, there was no customer with revenue accounted for more than 10% of the Group's total revenue.

## 4. INVESTMENT INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank deposits	95,066	87,826
Investment income from short-term financial products ( <i>note</i> )	337	927
Investment income from financial products ( <i>note</i> )	<u>8,736</u>	<u>43,906</u>
	<u><u>104,139</u></u>	<u><u>132,659</u></u>

*Note:* The financial products and short-term financial products are measured at at fair value through profit or loss for both years. The redemption amount (including the return) of such products is related to the performance of underlying debt instruments, equity instruments or foreign currencies. The investment income represents the difference between initial investment amounts and redemptions amounts. In the opinion of the directors of the Company, the short-term financial products are large in amounts, with quick turnover and short maturities ranging from one to three months. Accordingly, the cash receipts and payments for these short-term financial products are presented on a net basis in the consolidated statement of cash flows.

## 5. PROFIT BEFORE TAXATION

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	10,319	9,153
Other staff costs	338,868	284,358
Other staff's pension costs	34,780	32,947
Share-based payments expense for other staff	<u>34</u>	<u>131</u>
	384,001	326,589
Less: Capitalised in inventories	<u>(125,952)</u>	<u>(111,223)</u>
	<u>258,049</u>	<u>215,366</u>
Depreciation of property, plant and equipment	167,170	165,838
Amortisation of intangible assets	<u>15,216</u>	<u>42,574</u>
Total depreciation and amortisation	182,386	208,412
Less: Capitalised in inventories	<u>(118,725)</u>	<u>(159,252)</u>
	<u>63,661</u>	<u>49,160</u>
Auditor's remuneration	2,116	1,751
Cost of inventories recognised as an expense (included in cost of sales)	813,214	667,855
Loss (gain) on disposal and write-off of property, plant and equipment (included in other gains and losses)	18,173	(2,062)
Net exchange loss (included in other gains and losses)	2,901	1,950
Gain on disposal of a subsidiary (included in other gains and losses)	(1,700)	–
Government subsidies (included in other income) (note)	<u>(79,023)</u>	<u>(74,988)</u>

*Note:* The government subsidies represent the amounts received from the local government by the subsidiaries of the Company. During the year ended 31 December 2021, government subsidies of (a) RMB53,890,000 (2020: RMB66,170,000) represent incentives received in relation to engagement of the subsidiaries of the Company in high technology business. The grants were unconditional, approved and received during the year; (b) RMB10,079,000 (2020: RMB8,500,000) represent recognition of deferred income upon completion of related research activities and development projects; (c) RMB15,054,000 (2020: nil) represent recognition of deferred income in relation to disposal of property, plant and equipment in 邛崃醫藥產業園 (Qionglai Pharmaceutical Area) in Sichuan Province in the PRC due to a land resumption by local government, which associated with a government grant received in 2011; and (d) nil (2020: RMB318,000) represent Covid-19-related subsidies in relation to Employment Support Scheme provided by the Hong Kong government.

## 6. TAXATION

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
The charge comprises:		
PRC Enterprise Income Tax (“EIT”):		
Current tax	<b>146,304</b>	116,297
Overprovision in prior years	<b>(9,616)</b>	(1,306)
Withholding tax on distributed profits	<b>12,250</b>	23,000
	<b>148,938</b>	137,991
Deferred tax	<b>14,491</b>	(38,000)
	<b>163,429</b>	99,991

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. As the Company and its subsidiaries operating in Hong Kong do not have assessable profits for both years, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements.

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

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

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2011 No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Law and Article 91 of its Detailed Implementation Rules.

Under the applicable corporate tax law in Australia, income tax is charged at 26% (2020: 27.5%) of the estimated assessable profits. No provision for Australian income tax has been made in the consolidated financial statements as the subsidiary operating in Australia has no assessable profits for both years.

## 7. DIVIDENDS

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividends recognised as distributions during the year:		
Final dividend paid for 2020 of RMB21 cents (2020: paid for 2019 of RMB12 cents) per share	<b>158,466</b>	90,552
Special dividend of nil (2020: paid for 2019 of RMB9 cents) per share	–	67,914
Interim dividend paid for 2021 of RMB39 cents (2020: RMB11 cents) per share	<b>294,606</b>	83,006
	<b><u>453,072</u></b>	<b><u>241,472</u></b>
	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed 2020 final dividend of RMB21 cents per share (2021: nil)	–	158,466
2022 interim dividend of RMB21 cents per share (2020: nil)	<b>158,634</b>	–
	<b><u>158,634</u></b>	<b><u>158,466</u></b>

The 2022 interim dividend of RMB21 cents per share, in an aggregate amount of RMB158,634,000, has been declared by the Company on 29 March 2022 and will be paid out on 18 May 2022, to the shareholders whose names appear on the register of members of the Company on 6 May 2022. The aggregate amount of RMB158,634,000 (2020: RMB158,466,000) has been calculated on the basis of 827,000,000 (2020: 827,000,000) shares in issue less 71,600,000 (2020: 72,400,000) shares held for share award scheme as at 31 December 2021.

## 8. EARNINGS PER SHARE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>556,674</u>	<u>295,033</u>
	Number of shares	
	2021	2020
Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of calculation of diluted earnings per share	<u>755,141,096</u>	<u>756,747,221</u>

The computation of diluted earnings per share does not assume the exercise of all the Company's options at exercise prices of HK\$8.39 and HK\$7.21 (2020: HK\$8.39 and HK\$7.21) because the exercise prices of those options were higher than the average market price for shares for the year ended 31 December 2021.

## 9. TRADE RECEIVABLES AND TRADE RECEIVABLES BACKED BY BANK BILLS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	439,710	321,621
Less: Allowance for expected credit loss ("ECL")	<u>(15,253)</u>	<u>(9,829)</u>
	<u>424,457</u>	<u>311,792</u>
Trade receivables backed by bank bills	403,438	449,983
Less: Allowance for ECL	<u>(2,712)</u>	<u>(1,115)</u>
	<u>400,726</u>	<u>448,868</u>
	<u>825,183</u>	<u>760,660</u>

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 6 months	<b>739,996</b>	708,332
Over 6 months but less than 1 year	<b>65,569</b>	42,134
Over 1 year but less than 2 years	<b>17,574</b>	9,852
More than 2 years	<b>2,044</b>	342
	<b><u>825,183</u></b>	<u>760,660</u>

#### 10. TRADE PAYABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<b><u>228,620</u></b>	<u>164,377</u>

An aged analysis of the Group's trade payables at the end of the reporting period is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 6 months	<b>221,939</b>	158,903
Over 6 months but less than 1 year	<b>2,661</b>	1,117
Over 1 year but less than 2 years	<b>573</b>	1,607
Over 2 years but less than 3 years	<b>719</b>	989
Over 3 years	<b>2,728</b>	1,761
	<b><u>228,620</u></b>	<u>164,377</u>

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

## **OTHER INFORMATION**

### **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting will be held on Friday, 27 May 2022 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 23 May 2022 to Friday, 27 May 2022, both days inclusive, for the purpose of determining Shareholders’ eligibility to attend, act and vote at the Annual General Meeting, during which period no transfer of shares will be registered. In order to determine the entitlement to attend, act and vote at the Annual General Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 20 May 2022.

The register of members will also be closed from Thursday, 5 May 2022 to Friday, 6 May 2022, both days inclusive, for the purpose of determining Shareholders’ entitlement to the 2022 interim dividend, during which period no transfer of shares will be registered. In order to qualify for the 2022 interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with Computershare Hong Kong Investor Services Limited at the above address, for registration no later than 4:30 p.m. on Wednesday, 4 May 2022.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2021, the Company or its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Throughout the year ended 31 December 2021, the Company has applied and complied with the principles in the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Listing Rules for the time being in force, except for code provision A.2.1 as described below.

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

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

## **COMPLIANCE WITH MODEL CODE**

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 the code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. The prohibitions on securities dealing and disclosure requirements in the Model Code apply to specified individuals including the Group’s senior management and also persons who are likely to be in possession of inside information of the Group. Having made specific enquiry with the Directors, all Directors confirmed that, in respect of the year ended 31 December 2021, they had complied with the required standard set out in the Model Code and its code of conduct regarding Directors’ securities transactions.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the audited financial results of the Group for the year ended 31 December 2021.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## **PUBLICATION OF FURTHER INFORMATION**

The annual report of the Company inclusive of the Directors' Report and Audited Consolidated Financial Statements for the year ended 31 December 2021 and Corporate Governance Report will be published on the Company's website ([www.shineway.com.hk](http://www.shineway.com.hk)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

## **APPRECIATION**

The Company's accomplishments are inseparable from the hard work of our staff. On behalf of the Board, I would like to extend my sincere greetings and high respect to our diligent staff for their dedication and effort.

By Order of the Board  
**China Shineway Pharmaceutical Group Limited**  
**Li Zhenjiang**  
*Chairman*

Hong Kong, 29 March 2022

*As at the date of this announcement, the executive Directors are Mr. Li Zhenjiang, Ms. Xin Yunxia, Mr. Li Huimin and Mr. Chen Zhong; the non-executive Director is Mr. Zhou Wencheng and the independent non-executive Directors are Ms. Cheng Li, Prof. Luo Guoan and Mr. Liu Shun Fai.*