



Huadong Medicine Co., Ltd.

2020 Annual Report

April 2021

To the shareholders

In 2020, Huadong Medicine encountered unprecedented challenges, including COVID-19 pandemic impact on the entire manufacturing operation, the unsuccessful GPO participation of Acarbose products, as well as the impact of a series of subsequent policies such as the GPO process and National Drug Reimbursement List (NDRL) price negotiations. Nevertheless, we acknowledged that Huadong overcame these challenges and successfully met its full year operational & business targets. Although the Company's total revenue was slightly declined year on year while profit growth had been squeezed, the Pharmaceutical Industry business sector maintained its growth, while bucking market trends. Acarbose tablets maintained its market share and continued to increase its share of the ex-hospital and retail markets. This achievement was really a hard-won!

Huadong Medicine's R&D strategy has always adhered to the corporate philosophy of being "Devoted to science, Dedicated to patients", with "clinical value, healthcare economical value and commercial value" as key focuses. It has established a pipeline of innovative products in the field of oncology, immunology and endocrinology. Through reconstruction of innovative drug R&D functions, the Company's R&D capability has been significantly strengthened. The IND application in China for an in-licensed ADC product was completed within 100 days and has already obtained CTA approval from CDE. The excellent execution capability of the R&D team has underpinned our confidence in the long term transformation and growth of the Company's innovative drug business. In the TA of diabetes, the Company continues to monitor cutting-edge technologies and innovative product pipeline globally, and

will continue enriching its product portfolio. The Company has already participated and invested in a number of domestic and international biotech companies with leading technologies. Through establishing differentiated peptide innovation technology platform, autoimmune disease antibody technology platform, microbial fermentation cytotoxin technology platform and innovative linker technology platform, as well as mutually beneficial collaborations, Huadong Medicine is building and improving its pharmaceutical research and development ecosystem.

Huadong commercial distribution business has been adhering to the philosophy of “caring the world with sincerity, integrity, persistence and being pragmatic”, transforming from a basic distributor to an integrated service provider with greater industry expertise. The Company’s cold chain business is positioned as the whole life-cycle precision management and control for biological specialty drugs. It has continuously strengthened the competitive advantage of the cold chain capability and driven the high-quality development of digital intelligent supply chain. The Company will vigorously expand e-commerce business, establish a new “online offline interaction” growth model, and actively explore the new healthcare services business of “internet + chronic disease management”.

Huadong Medicine has begun expanding in the field of aesthetics when China’s aesthetics industry is in the ascendant. We have witnessed aesthetics products transitioning from discretionary consumer products to necessities and the industry is about to experience a long term high growth phase. This strengthened our commitment to expand in the field of aesthetics. There are still significant upside in aesthetics over the long term. Going forward, we will continue following the strategy of “global operational positioning, dual-cycle business

development”, make China an important market for aesthetics and bring "first-in-class", high-end international products to China over time. We will leverage the Company’s established aesthetics distribution capabilities in China and the fast growth of the aesthetics industry, to support rapid availability of high quality international product portfolio in China and provide beauty seekers personalised and differentiated aesthetics product portfolios. Thus, a new model of domestic and international dual-cycle joint growth and mutual promotion is formed.

2021 will be another significant year for Huadong Medicine’s strategic transformation. As GPO policies and price reduction may continue to impact the Company’s overall operation, Huadong Medicine will also face the strongest pressure on its business growth in history. Nevertheless, we constantly remind ourselves: don’t waste a good crisis. The current situation of China’s pharmaceutical market represents a rare opportunity for Huadong Medicine to transform into an innovative company and expand globally.

Expansion in innovative pharmaceutical business remains firmly as the main theme of Huadong Medicine. Aesthetics, as a core strategic focus of the Company’s healthcare business, marks the beginning of the Company’s globalization strategy. We are committed to continue strategically positioning across the global pharmaceutical and healthcare value chain, and actively integrate into global pharmaceutical innovation collaborations by strengthening our own innovative drug R&D capabilities and key advantages.

This is an era of survival of the fittest and in the end all sands will be removed and only the gold left shining. From now on to the foreseeable future, the only certainty is that we will

continue experiencing various uncertainties caused by infrastructural changes in the industry. Huadong Medicine will remain committed to its course, continue to outperform in the current environment and strategically plan for the future. Thanks to all the investors for your recognition and long term support, which are the source of our commitment and confidence in pursuing the transformation! Huadong Medicine will strive to firmly meet shareholders expectations and continue delivering excellent results.

Lv Liang

On Behalf Of Huadong Medicine

Grain Rain 2021

Section I. Important Declaration, Contents and Definitions

The Board of Directors, Board of Supervisors, directors, supervisors and senior management of Huadong Medicine Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this annual report is authentic, accurate and complete and free of any false records, misleading statements or material omissions, and shall undertake individual and joint legal liabilities.

Lv Liang, the Company’s legal representative and the officer in charge of accounting, and Qiu Renbo, head of accounting department (accounting supervisor) hereby declare and guarantee that the financial statements in this annual report are authentic, accurate and complete.

All directors have attended the Board of Directors meeting to review this annual report.

The future plans, development strategies and other forward-looking statements in this annual report shall not be considered as substantial commitment of the Company to investor. Therefore, investors are kindly reminded to pay attention to possible investment risks.

The profit distribution plan reviewed and adopted by this Board of Directors meeting is as follows: on the basis of 1,749,809,548 shares, a cash dividend of 2.3 yuan (tax included) is to be distributed to all shareholders for

every 10 shares; no bonus share will be issued; and no capital reserve will be converted to increase the capital stock.

According to “Stock Listing Rules of the Shenzhen Stock Exchange”, if listed companies have both Chinese or other language version of public notice, they should ensure the content of both versions are the same. In the case of discrepancy, the original version in Chinese shall prevail.

Contents

To the shareholders	2
Section I. Important Declaration, Contents and Definitions	6
Section II. Company Profile and Key Financial Indicators	11
Section III. Overview of the Company’ s Business.....	16
Section IV. Discussion and Analysis of Operations	23
Section V. Important Matters.....	75
Section VI. Share Change and Shareholders.....	117
Section VIII. Convertible Corporate Bonds	125
Section VIII. Convertible Corporate Bonds	126
Section IX. Directors, Supervisors, Senior Managers and Employees	127
Section X. Corporate Governance	137
Section XI. Information about Corporate Bonds.....	143
Section XII. Financial Report	144

Definitions

Term	refers to	Definition
CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shenzhen Stock Exchange
Huadong Medicine/the Company/our Company	refers to	Huadong Medicine Co., Ltd.
CGE	refers to	China Grand Enterprises, Inc.
Huadong Medicine Group	refers to	Hangzhou Huadong Medicine Group Co., Ltd.
Zhongmei Huadong	refers to	Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.
Jiangdong Company	refers to	Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.
Jiuyang Bio	refers to	Jiangsu Jiuyang Biopharm Co., Ltd.
Xi'an Bohua	refers to	Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.
Jiuyuan Gene	refers to	Hangzhou Jiuyuan Gene Engineering Co., Ltd.
Huadong Ningbo Company	refers to	Huadong Ningbo Medicine Co., Ltd.
Chongqing Peg-Bio	refers to	Chongqing Peg-Bio Biopharm Co., Ltd.
Qyuns Therapeutics	refers to	Qyuns Therapeutics Co., Ltd.
XtalPi	refers to	XtalPi Inc.
Sanyou Bio	refers to	Sanyou Biopharmaceuticals Co., Ltd.
Sinclair	refers to	Sinclair Pharma Limited
vTv 公司	refers to	vTv Therapeutics LLC
R2	refers to	R2 Technologies, Inc.
MediBeacon	refers to	MediBeacon Inc.
ImmunoGen	refers to	ImmunoGen, Inc.
Provention Bio	refers to	Provention Bio, Inc.
RAPT	refers to	RAPT Therapeutics, Inc.
Kylane	refers to	Kylane Laboratoires SA
High Tech	refers to	High Technology Products, S.L.U.
LG	refers to	LG Chem Ltd
Jetema	refers to	Jetema. Co., Ltd
Exscientia	refers to	Exscientia Ltd.
GMP	refers to	Good Manufacturing Practice
CGMP	refers to	Current Good Manufacture Practices
GSP	refers to	Good Supply Practice

BE	refers to	Bioequivalence
CDE	refers to	Center for Drug Evaluation (of National Medical Products Administration)
MAH	refers to	Marketing Authorization Holder
FDA	refers to	(U.S.) Food and Drug Administration
NMPA	refers to	National Medical Products Administration
NDA	refers to	New Drug Application
ANDA	refers to	Abbreviated New Drug Application
ICH	refers to	International Council for Harmonisation (of Technical Requirements for Pharmaceuticals for Human Use)
IND	refers to	Investigational New Drug
PK/PD	refers to	pharmacokinetics/pharmacodynamics
CMC	refers to	Chemistry, Manufacturing and Control
CMO	refers to	Contract Manufacturing Organization
CDMO	refers to	Contract Development and Manufacturing Organization
PMA	refers to	Premarket Application
QA	refers to	Quality Assurance (department)
Catalogue of Drugs for Insurance (2020)	refers to	Catalogue of Drugs for Basic National Medical Insurance/Employment Injury Insurance/Birth Insurance (2020)
ADC	refers to	Antibody-Drug Conjugate
EHS	refers to	Environment、Health、Safety
Prescription Drugs	refers to	Drugs that can only be purchased and used according to prescriptions issued by physicians
OTC	refers to	Over The Counter
MRCT	refers to	International Multi-center Clinical Trial

Section II. Company Profile and Key Financial Indicators

I. Company information

Stock name (abbreviation)	Huadong Medicine	Stock code	000963
Stock listed on	Shenzhen Stock Exchange		
Company name in Chinese	华东医药股份有限公司		
Company name in Chinese (abbreviation)	华东医药		
Company name in English (if any)	Huadong Medicine Co., Ltd.		
Company name in English (abbreviation, if any)	Huadong Medicine		
Legal representative	Lv Liang		
Registered address	Floor 7, 9 and 10, Gate No. 1, Building No. 1, 468 Yan'an Road, Hangzhou		
Zip code of the registered address	310006		
Office address	866 Moganshan Road, Hangzhou		
Zip code of the office address	310011		
Official website	www.eastchinapharm.com		
Email address	hz000963@126.com		

II. Contact persons and contact information

	Secretary of the Board of Directors	Securities affairs representative
Name	Chen Bo	/
Contact address	866 Moganshan Road, Hangzhou	/
Tel.	0571-89903300	/
Fax	0571-89903300	/

III. Channels of disclosure and location of preparation

Media selected by the Company for information disclosure	<i>China Securities Journal, Securities Times, and Shanghai Securities News</i>
Website designated by CSRC for publication of the annual report	http://www.cninfo.com.cn
Location of preparation of the Company's annual report	Office of the Company's Board of Directors

IV. Registration changes

Organization code	91330000143083157E
Changes of the Company's main business since its listing (if any)	None
Previous changes of controlling shareholder (if any)	None

IV. Registration changes

Organization code	91330000143083157E
Changes of the Company's main business since its listing (if any)	None
Previous changes of controlling shareholder (if any)	None

VI. Key accounting data and financial indicators

Whether the Company needs to perform a retroactive adjustment or restatement of previous accounting data

Yes No

	2020	2019	Percentage increase/decrease from last year to this year	2018
Operating revenue (yuan)	33,683,058,759.75	35,445,698,216.15	-4.97%	30,663,374,326.27
Net profit attributable to shareholders of listed companies (yuan)	2,819,861,203.63	2,813,118,702.11	0.24%	2,267,229,174.08
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses (yuan)	2,429,761,433.56	2,574,437,417.52	-5.62%	2,236,323,500.44
Net cash flow from operating activities (yuan)	3,411,447,747.56	2,001,698,170.67	70.43%	2,039,496,083.26
Basic earnings per share (yuan/share)	1.6115	1.6077	0.24%	1.29
Diluted earnings per share (yuan/share)	1.6115	1.6077	0.24%	1.29
Weighted average return on equity (ROE)	20.95%	25.29%	-4.34%	24.87%
	End of 2020	End of 2019	Percentage increase/decrease from last year to this	End of 2018

			year	
Total assets (yuan)	24,201,348,154.75	21,463,974,146.63	12.75%	19,217,357,282.33
Net assets attributable to shareholders of listed companies (yuan)	14,619,821,308.60	12,309,477,308.00	18.77%	9,938,148,996.53

The Company's net profit before or after deducting non-recurring gains and losses, whichever is lower, in the last three fiscal years are all negative, and the audit report of last year shows doubt about the Company's ability to continue as a going concern.

Yes No

The company's net profit before and after deducting non-recurring gains/losses in the last three fiscal years is negative.

Yes No

Capital stock of the Company as of the trading day before disclosure

Capital stock of the Company as of the trading day before disclosure (share)	1,749,809,548
--	---------------

Fully diluted earnings per share calculated on the basis of the latest capital stock

Dividends paid on preferred shares	0.00
Fully diluted earnings per share calculated on the basis of the latest capital stock (yuan/share)	1.6115

VII. Differences in accounting data under domestic and overseas accounting standards

1. Differences in net profit and net assets disclosed in financial statements under international and Chinese accounting standards

Applicable N/A

There are no differences in net profit and net assets disclosed in financial statements under international and Chinese accounting standards.

2. Differences in net profit and net assets disclosed in financial statements under overseas and Chinese accounting standards

Applicable N/A

There are no differences in net profit and net assets disclosed in financial statements under overseas and Chinese accounting standards.

3. Reasons for differences in accounting data under overseas and Chinese accounting standards

Applicable N/A

VIII. Key financial indicators by quarter

Unit: RMB yuan

	Q1	Q2	Q3	Q4
Operating revenue	8,598,069,911.29	8,062,864,246.35	8,839,942,450.31	8,182,182,151.80

Net profit attributable to shareholders of listed companies	1,147,278,457.64	583,906,263.61	660,281,883.53	428,394,598.85
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses	856,930,262.10	549,793,711.00	624,184,921.23	398,852,539.23
Net cash flow from operating activities	218,779,623.89	1,036,763,043.40	646,271,689.37	1,509,633,390.90

Whether the above financial indicators or their totals are significantly different from relevant financial indicators in previous quarterly and semiannual reports by the Company

Yes No

IX. Items and amounts of non-recurring gains/losses

Applicable N/A

Unit: RMB yuan

Item	2020	2019	2018	Note
Gains/losses on disposal of non-current assets (including the written-off part of the accrued assets impairment reserve)	319,656,661.95	109,574,836.97	-697,591.38	Mainly due to the transfer of distribution rights in the Western European market of related products of Sinclair, a wholly-owned subsidiary of the Company in the UK, during the current reporting period.
Tax refund and reduction with ultra vires examination and approval or without official approval documents	8,424,351.97	4,407,536.93	1,630,170.53	
Government grants included in current gains/losses (excluding those closely related to operating activities and measured according to unified national standards)	190,906,656.31	112,527,883.18	79,368,271.28	Mainly due to the government subsidies recognized by subsidiaries during the current reporting period.
Gains/losses on assets entrusted to others			16,058,460.95	

for investment or management				
Receivables subject to separate impairment test and reversal of reserve for impairment of contract assets	3,845,312.41	1,896,979.79		
Other non-operating revenue or expenditure expect above-mentioned items	-20,500,748.15	77,976,120.18	-34,052,605.70	
Other profit and loss items satisfying the definition of non-recurring gain/loss	-4,899,999.00			
Minus: Amount affected by income tax	92,420,221.30	47,542,186.99	14,789,855.01	
Amount affected by rights and interests of minority stakeholders (after tax)	14,912,244.12	20,159,885.47	16,611,177.03	
Total	390,099,770.07	238,681,284.59	30,905,673.64	--

If the Company recognizes an item as a non-recurring gain/loss based on the “Interpretative Announcement No. 1 on Information Disclosure Criteria for Public Companies – Non-Recurring Profit/Loss” or recognizes an item satisfying the definition of non-recurring gain/loss in the announcement as a recurring gain/loss, reasons should be specified.

Applicable N/A

No such case during the reporting period.

Section III. Overview of the Company's Business

I Main business of the company during the reporting period

Huadong Medicine Co., Ltd. (stock code: 000963), founded in 1993 and headquartered in Hangzhou, Zhejiang Province, was listed on Shenzhen Stock Exchange in December 1999. After more than 20 years of development, the Company has developed into a large comprehensive listed pharmaceutical company integrating R&D, production and sales of medicine. The Company has more than 10,000 employees, and its business covers the whole pharmaceutical industrial chain. With the pharmaceutical industry as its core, the Company expands its medicine business and aesthetic medicine industry.

The pharmaceutical industry of the Company focuses on R&D, production and sales of specialist medication, chronic disease medication and medication for special purposes. The Company has formed core product pipelines in such fields as chronic kidney diseases, transplantation immunity, internal secretion and gastrointestinal system, and owns a number of first-line clinical medications with market advantages in China. Meanwhile, through independent development, external introduction and project cooperation, the Company focuses on the R&D layout of innovative drugs and generic drugs with high technical barriers in the three core fields of anti-tumor, internal secretion and autoimmunity. Its pharmaceutical sales channels have covered more than ten thousand large and medium-sized hospitals in China. And its pharmaceutical R&D involves fungal and microbial fermentation, small molecule, biological macromolecule and peptide drugs, covering drug discovery, clinical and preclinical research, chemical manufacturing and control (CMC) and registration. The Company continues to carry out international product registration, international certification, consistency evaluation, etc., forming an international pharmaceutical industry system with a leading position in China.

By means of pharmaceutical business, the Company becomes one of the leading and powerful comprehensive large-scale pharmaceutical business service providers in Zhejiang Province, ranking the top ten pharmaceutical business enterprises in China for many years consecutively. It has set up 11 regional subsidiaries in Zhejiang Province, with customers covering 11 cities and 90 counties

(county-level cities) in the province. It has four business segments, including Traditional Chinese Medicine (TCM) and Western Medicine, medical devices, ginseng, antler and other herbs, and health industry, covering the whole field of pharmaceutical circulation, mainly including pharmaceutical wholesale (public health care, private health care, retail pharmacies and commercial distribution), pharmaceutical retail, third-party pharmaceutical logistics characterized by cold chain, pharmaceutical e-commerce, pharmaceutical service (hospital value-added service), market development and featured mega health industry, providing customers with integrated solutions.

The Company's aesthetic medicine business focuses on R&D, production and sales of the latest products and devices in facial micro-plastic surgery and skin management. Sinclair, a wholly-owned subsidiary of the Company that is headquartered in the United Kingdom and serves as the holding company of a Spanish firm named High Tech, has production bases in France, the Netherlands, the United States, Switzerland and Bulgaria, and promotes and sells long-effect microsphere fillers for injection, hyaluronic acid, as well as face thread lift and coolsculpting products in the global market. Sinclair is the global operation platform of the Company for aesthetic medicine business. Huadong Ningbo Medicine Co., Ltd., a controlled subsidiary of the Company, is a comprehensive aesthetic medicine health platform focusing on product R&D and professional promotion, and also acts as the general agent for the promotion and sales of Korean YVOIRE hyaluronic acid products and skin care products series of SanteMuse in the Chinese market.

II. Significant changes in major assets

1. Significant changes in major assets

Major assets	Note on significant changes
Equity assets	The ending balance is 107,553 million yuan, an increase of 131.66% from the beginning of the period, which is mainly due to the increase of long-term equity investments and other equity instrument investment in the current period.
Fixed assets	None
Intangible assets	None
Constructions in progress	None
Other non-current assets	The ending balance is 712.07 million yuan, an increase of 286.7% from the beginning

	of the period, mainly due to the increased prepayment for technology transfer during the current reporting period
Short-term borrowing	The ending balance is 1,416.93 million yuan, an increase of 116.14% from the beginning of the period, mainly due to the increased repayment upon maturity of bank financing during the current reporting period
deferred tax liability	The ending balance is 88.74 million yuan, a increase of 124.06% from the beginning of the period, mainly due to the increased repayment upon maturity of bank financing during the current reporting period

2、Major overseas assets

Applicable N/A

Specific content of assets	Reason for formation	Assets size (ten thousand yuan)	Location	Operating mode	Control measures to ensure assets safety	Profit or loss	Proportion of overseas assets in the Company's net assets	Whether there are any significant impairment risks
Sinclair Pharma Limited	Acquisition of equity	97,594.13	UK	Independent accounting	Control of the Board of Directors and examination & approval of major decisions; daily supervision of financial matters; entrusting external intermediaries to conduct audits	Profit	6.68%	None

Note: In April 2019, the Company entered into strategic cooperation with R2 Dermatology, a US company specializing in medical devices and technology development related to dark spot removal and skin whitening using freezing technology in the field of aesthetic medicine, and made equity investment in R2 and became its shareholder. As of the date of this disclosure, the Company has invested 30 million US dollars, with a shareholding ratio of 34%. In July 2019, the Company entered into strategic cooperation with MediBeacon, a US company dedicated to the development of contrast agents and equipment in such medical fields as renal function and gastrointestinal function assessment, and invested 30 million US dollars for equity investment. As of the date of this report, the Company has contributed 15 million US dollars, or 4.3% of its shares.

III. Analysis of core competitiveness

1. Open innovative drug R&D System and continuous improvement of innovation capability

After years of development, the Company has established its independent R&D system, a global new drug R&D center as well as a global R&D strategic collaboration ecosystem centered on

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., and cooperated with world-renowned colleges at home and abroad, research institutes, innovative R&D companies, professional technology platforms and so on in new drug R&D projects. The Company continuously has increased R&D investment, made an overall planning for the global innovative products in the three core areas of anti-tumor, internal secretion and autoimmunity, and carried out cooperation with the world's leading AI drug discovery company Exscientia and XtalPi in anti-tumor drug R&D. Through independent R&D, external cooperation and product license-in, the Company has continuously enriched the product pipelines in core areas, formed a good development trend of continuous clinical promotion and marketing of innovative products, and provided new momentum for medium- and long-term growth.

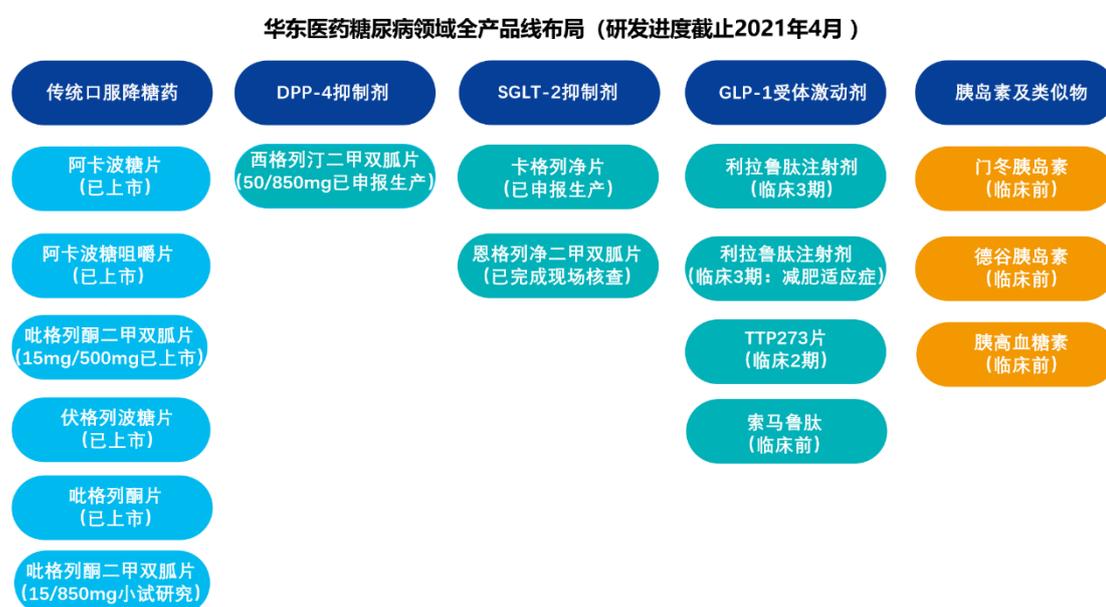
2. Comprehensive capability in international business development

The Company has actively promotes global expansion. Through the acquisition of the equity of UK Sinclair and Spanish High Teach engaged in aesthetic medicine, the Company has realized the global layout of aesthetic medicine sales network. Through strategic and equity collaboration with R2 (US), Medibeacon (US), ImmunoGen (US), Provention Bio (US), Kylane (Switzerland), LG (South Korea), Jetema (South Korea) and so on, the Company supplemented and enriched the commercial development rights of innovative drugs and high-end aesthetic medicine products at home and abroad. The Company also accelerated the international registration of products. Its online chemical raw medicines have been certified by the Food and Drug Administration (FDA) or EU and other authoritative authentication in markets; its Pantoprazole Sodium Lyophilized Powder for Injection has been temporarily approved by the FDA; and its Acarbose Tablets gained market access to the United States and the European Union Austria. The Company is the first Chinese medicine enterprise to achieve these results. In addition, the Company actively develops international logistics and purchasing suppliers to realize the internationalization of purchasing ability. It has promoted the internationalization level of CMO/CDMO business and integrate it into the global innovative drug R&D industry chain.

3. Abundant product pipelines for specialized departments and chronic diseases and overall competitive advantage in the field of diabetes medication

Over the years, the Company has been deeply engaged in medication for specialized

departments, chronic diseases and special drugs, and has built a good brand effect and solid market foundation in such fields as chronic kidney diseases, transplantation immunity, internal secretion, and digestive system, and has maintained a leading market share of similar products in China. The Company has formed a comprehensive pipeline of innovative drugs and differentiated generic drugs in the diabetes clinical mainstream therapeutic target. In the field of organ transplantation, it also realized full coverage of clinical first-line immunosuppressive drugs. The Company has established a global first-in-class distribution of new drugs in the three core areas of anti-tumor, internal secretion and autoimmunity, forming a differentiated advantage. At present, 24 core marketed products of the Company have been included in the 2020 Catalog of Medicines Covered by the National Medical Insurance System.



4. Leading professional pharmaceutical care team and extensive market network in China

The pharmaceutical industry of the Company has a professional pharmaceutical care team of 6,000 people, takes the promotion of clinical value and academic results as the core, and promotes a multi-channel marketing model that combines general hospitals, primary medical institutions, retail and third terminals, and Internet online. It has gradually formed effective coverage through multiple channels and has a good competitive advantage.

The business of the Company has been deeply rooted in the market of Zhejiang Province for many years, with complete commercial formats and rich distribution varieties, and has

comprehensive competitive advantages in policy affairs, market access and network coverage. It has fully covered the customers from public medical institutions, key private medical institutions and retail pharmacies in Zhejiang Province, and maintained the leading order satisfaction rate. The Company has established business cooperation with 90% of the mainstream pharmaceutical enterprises at home and abroad. The Company has a complete cold chain logistics distribution service system and professional capabilities, and its cold chain logistics distribution business is in the lead in China. The Company has obtained the first express business license of pharmaceutical cold chain enterprise in Zhejiang Province, and got the exclusive qualification of third-party storing and transporting vaccine from Zhejiang Provincial Center for Disease Control and Prevention.

5. High end international aesthetic medicine product pipeline covering mainstream non-surgical fields

In 2018, through the successful acquisition of Sinclair in UK, the Company strategically entered the aesthetic medicine industry, effectively completed the integration of products and businesses in less than three years, and realized the full layout of the non-invasive and minimally invasive aesthetic medicine industry chain. In the fields of facial fillers, body shaping, catgut embedding, energy source devices and so on, we have a number of patented products with global rights and also have an international aesthetic medicine operation and BD team. Focusing on the global high-end aesthetic medicine market, further integrating R&D resources and capabilities, and relying on the four global R&D centers of Sinclair in the UK, High Tech in Spain, R2 in the United States and Kylane in Switzerland, and five global production bases in the Netherlands, France, the United States, Switzerland and Bulgaria, the Company has formed its international aesthetic medicine business integrating R&D, production, and marketing, and set up a global aesthetic medicine marketing network, which has covered more than 60 countries and regions in the world. Huadong Ningbo Medicine Co., Ltd., the controlled subsidiary of the Company, has a sales team which has been deeply engaged in the Chinese aesthetic medicine market for many years, and a wide range of aesthetic medicine institutions, with outstanding sales and promotion ability. Its market share has been in the lead in the domestic hyaluronic acid market for many years continuously.

6. Prudent and pragmatic operation style and shareholder return

The Company values management innovation, and strives to meet the demand of market competition by improving its quality of operation. High quality products, excellent commercialization ability, compliant and efficient marketing services, differentiated market positioning, innovative R&D layout and completed talent planning all boost the long-term and stable development of the Company. Since its listing, the Company has maintained steady growth in performance for 21 years. Since 2007, the Company has kept the return on equity (ROE) above 20% for 14 years consecutively, leading A-share listed companies and the medicine industry. Since its listing 21 years ago, the Company has paid dividends for 17 times, with a total value of RMB4.174 billion, far exceeding the RMB250 million raised in its IPO. The Company has brought continuous and stable returns of investment to shareholders.

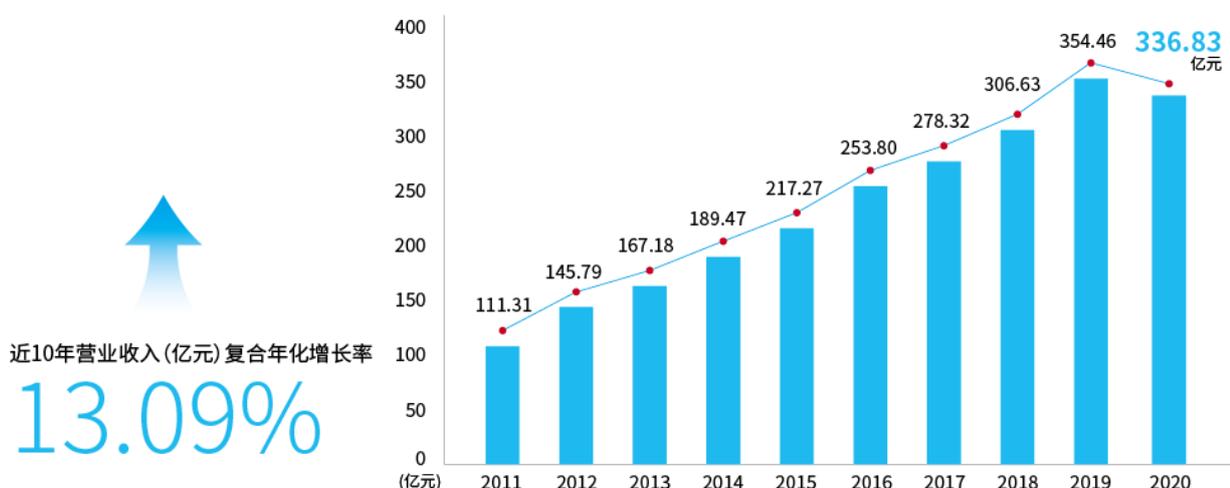
Section IV. Discussion and Analysis of Operations

I. Overview

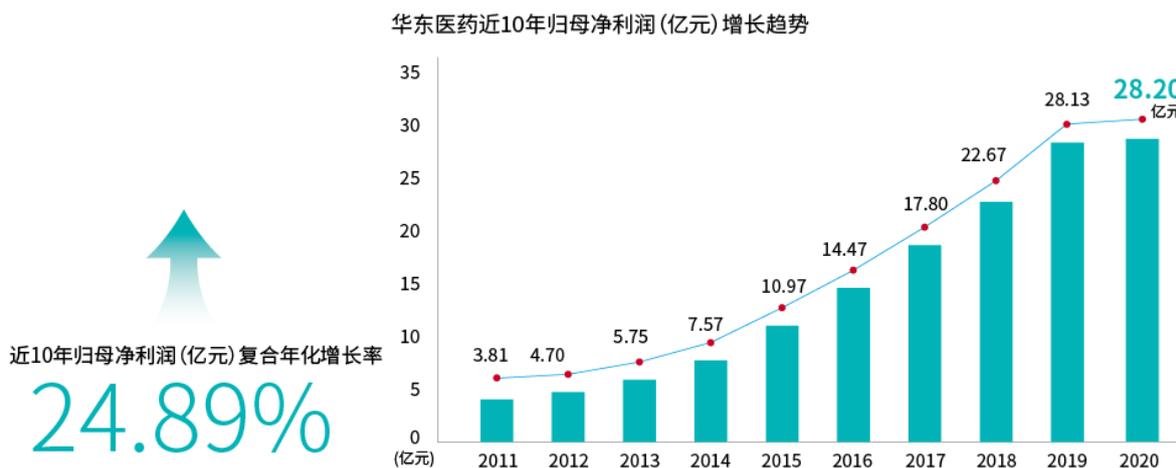
For China and the world, 2020 is an extraordinary year. It is also a key year for the Company to fully implement strategic transformation and internationalization. In the past year, in the face of the sudden outbreak of COVID-19 pandemic, the reform of the domestic pharmaceutical industry, the new challenges brought by the changes in internal and external environments, the Company has suffered unprecedented operating and development pressures, coupled with the impact of failure in national centralized procurement tendering of acarbose and lower price for medical insurance reimbursement list through negotiations. However, with its bravery and tenacity, the Company survived in this challenging year, unswervingly promoted the transformation of R&D innovation and marketing mode, and steadily implemented various measures of operation and management by responding to changes and hardships with dedication, thus delivering strategic decisions and maintaining the steady development with joint forces in 2020. In this year, the Company completed the reform of R&D system, rapidly adjusted the marketing strategy, strengthened the cooperation in overseas new drugs, and accelerated the international layout of aesthetic medicine industry. It also actively explored new operation mode of pharmaceutical business, opened up new market areas, and laid a solid foundation for continuous innovation and transformation in 2021.

经营状况

华东医药近10年营业收入(亿元)增长趋势



Growth trend of Huadong Medicine's operating income over the past 10 years



Growth trend of Huadong Medicine's net profit attributable to the parent company over the past 10 years

In 2020, due to the impacts of the COVID-19 pandemic and national medicine centralized procurement, the Company achieved annual operating income of RMB33.683 billion, down 4.97% year on year; the net profit attributable to the shareholders of the listed company was RMB2.82 billion, up 0.24% year on year, and the net profit attributable to the shareholders of the listed company after deducting non-operating profit was RMB2.43 billion, down 5.62% year on year. By the end of 2020, the total assets of the Company were RMB24.201 billion, and the net assets attributable to the shareholders of the parent company was RMB14.62 billion, and the asset-liability ratio was 37.28%, and the ROE was 20.95%, which has remained above 20% for 14 consecutive years.

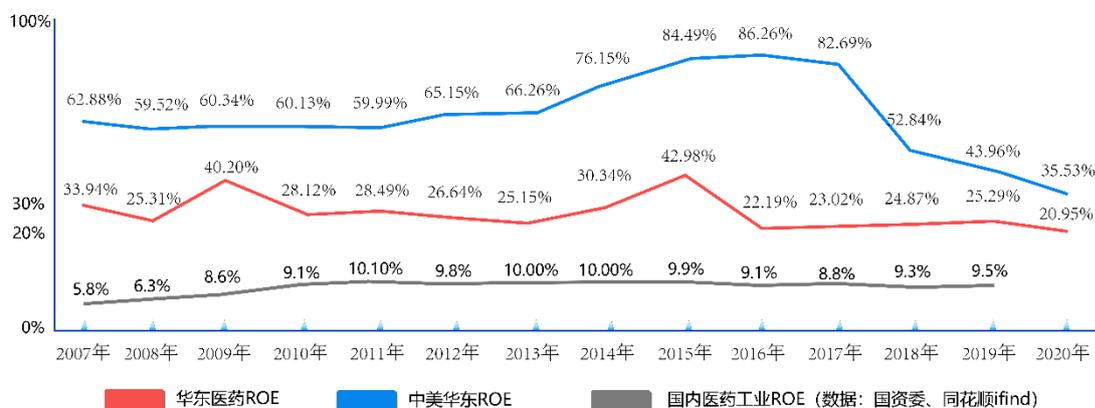
The core subsidiary of the Company in pharmaceutical industry, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., actively overcame the influence of national medicine centralized procurement, and stabilized the market and development. Its business performance continued to grow in adversity. During the reporting period, the operating income reached to RMB11.04 billion, up 5.07% year on year, and the net profit was RMB2.332 billion, up 6.13% year on year, which has maintained growth for 20 years on end. The annual ROE of Zhongmei Huadong was 35.53%, which has remained above 35% for 14 consecutive years.

(i) Pharmaceutical industry

1. Accelerating R&D innovation and constantly enriching product pipelines

华东医药、中美华东历年净资产收益率ROE (%)

华东医药连续14年ROE超 **20%** 中美华东连续14年ROE超 **30%**



ROE (%) of Huadong Medicine and Zhongmei Huadong during 2007-2020

In 2020, the Company continued to strengthen R&D innovation, reconstructed R&D system, arranged R&D personnel properly, and promoted R&D function return. The first stage of R&D system reform has been completed. In 2020, the Company's innovative drug R&D center actively explored and learned from the international advanced innovative drug R&D system building, continuously optimized and adjusted the overall innovation R&D system framework of the Company, and improved the functional modules of innovation project R&D through introducing high-end R&D talents, so as to fully guarantee the realization of strategic planning objectives of the innovation project. During the reporting period, the Company completed 15 innovative projects, and introduced 47 innovative R&D talents at home and abroad, including 15 doctors and 27 masters. The Company has initially established a vigorous innovation team with international concept, international vision and international management ability. Meanwhile, we established a core expert consultant pool, including dozens of senior experts in statistics, medicine, registration and other fields. In addition, we started the recruitment of postdoctoral programme. The Company reached the cooperation intention of postdoctoral joint training with Zhejiang University, Institute of Nephrology of Peking University and other domestic first-class universities.

We boosted ongoing projects and consistently evaluated projects as scheduled, and 10 products (11 quality specifications) obtained production approval and 13 products (14 quality specifications) were applied for production. We established and improved the decision-making management mechanism of R&D projects, centered on the strategic treatment field, and focused on the clinical

value of the projects to complete the Company's R&D pipeline analysis and dynamic evaluation of ongoing projects. We also strengthened the project management and the training of PM, and completed the user experience test of PLM system.

The collaboration between R&D and BD was further deepened, which enriched the Company's product pipelines in the fields of tumor, autoimmune and diabetes.

(1) Anti-tumor: Introduced the phase III clinical research products of ImmunoGen (US), the world's first targeting folate receptor α (FR α) Mirvetuximab Soravtansine (MIRV), an ADC candidate drug for ovarian cancer, and acquired exclusive development and commercial rights in Greater China (including Chinese mainland, Hongkong, Macao and Taiwan). And accelerated its clinical research in China.

(2) Endocrinology: Signed an agreement with PEG-BIO BIOPHARM CO., LTD. (Chongqing) on the cooperative development and commercialization of somaluptide products, which would further enrich the important product pipeline in the field of diabetes and consolidate its leading position in the field of domestic diabetes drugs.

(3) Autoimmunity: Introduced the ongoing QX001S product of Qyuns Therapeutics (a biosimilar similar to original drug Stelara®, used to treat psoriasis and Crohn's disease), and gained the rights to develop and commercialize it in Chinese mainland, which further improved the macromolecule pipeline layout in the field of immunology.

(For the details of the R&D work and product pipelines of the Company during the reporting period, please refer to R&D Section)

2. Initial building of agile production and operation system, and shifting from cost center to profit center

In 2020, overcoming the impact of the COVID-19 pandemic and market uncertainty, the Company initially established an agile production and operation system, quickly integrated production resources according to market changes, took measures such as emergency resumption of production, shift adjustment and production capacity expansion, and successfully completed emergency production tasks of some products due to sudden increase in demand. We promoted outsourcing business to ensure the market supply throughout the year, fully implemented the cost control plan, boosted the cost management of the whole value chain, and achieved cost reduction through technology improvement, lean management, bidding and purchasing negotiation and asset utilization from many aspects, striving to improve labor efficiency per capita and production efficiency. We did a good job in risk management and control of EHS, practiced the "asset-light" production organization mode, and successfully developed a number of cooperative production

enterprises, and gradually formed an open Huadong pharmaceutical manufacturing system. We took internal surprise inspection as the starting point to implement the GMP normal management, and successfully passed it four times, with no major safety accidents throughout the year.

The manufacturing and CMC (including subsidiaries) center changed the original positioning concept of internal facilities, started CMO/CDMO mode by following international standards, and explored the transformation from cost center to profit center. We actively faced the international market, and participated in the international market competition to integrate with the global pharmaceutical R&D industry chain. In 2020, we made positive progress in export of raw materials and CDMO business customized by foreign customers, which laid a solid foundation for realizing a greater breakthrough in 2021.

In 2020, the Company continued to construct production parks, and arranged the transfers of product and personnel, and the disposal of equipment and facilities in an orderly manner. Jiangdong Phase II project has been completed as planned and is expected to be officially put into operation in the second half of 2021 after completing equipment commissioning and certification; the project of international R&D and manufacturing center for preparations has also been completed and is expected to be put into use in 2021; the project approval, land acquisition, overall planning and design as well as construction preparation of Huadong Medicine Biomedical Science and Technology Park have been completed, and the project officially entered the construction stage in March 2021.

3. Making efforts in grass roots and out-of-hospital markets and improving all-round marketing ability

During the reporting period, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. faced the pandemic situation and market challenges, turned the pressure into the driving force by facing difficulties and changing concepts, and improved marketing ability in all respects. According to the trend of national normalized centralized procurement, we quickly adjusted the market strategy, took the establishment of “pharmaceutical care management system to adapt to the modern pharmaceutical industry development” as the goal, and continued to deepen the organizational structure reform. We strengthened the organizational structure building of local pharmaceutical care companies with county-level markets, increased out-of-hospital teams and primary-level market personnel, and comprehensively promoted the development and coverage of primary-level markets, out-of-hospital markets and self-paying markets. We also actively explored new channels of retail pharmacies and online sales, developed online market, and seized the remaining markets. In terms of academic promotion, we continued to focus on the patient-centered concept to strengthen patient education and further improve the professional level of front-line marketing personnel, and to carry

out clinical restudy of marketed products, and improved expert consensus and clinical value recognition through academic platform building. Through the differentiated market positioning of Acarbose Tablets and Acarbose Chewable Tablets, we continued to work hard in the primary-level, out-of-hospital and retail markets. The sales volume and overall market share of acarbose products remained stable throughout the year, and the proportions of out-of-hospital and retail markets increased steadily. The Company has confidence that the sales volume of acarbose will continue to grow in 2021.



National marketing network distribution map of pharmaceutical industry

4. Keeping up with international level and improving quality management to new level

In 2020, the Company further strengthened the centralized and unified quality management, continuously improved the building of quality management system, innovated the normalized management methods of GMP, and implemented surprise inspection system. We optimized the management mode of public system, strengthened the linkage mechanism of quality management from R&D to large production, established a normalized management list for weak managements, and successfully completed the site verification for registration of all products with consistency evaluation and new products, onsite GMP compliance inspection and surprise inspection. Aiming at international quality level, we continued to improve the quality standard, completed the standard setting of olistar capsule, pioglitazone hydrochloride tablet and indobufen tablets, followed up the

progress of pharmacopoeia, and participated in the standard setting of USP for pantoprazole sodium lyophilized powder for injection. After the Acarbose Tablets of Huadong Medicine Co., Ltd. obtained a marketing approval from Austria of EU and was approved by the FDA of the United States, the international quality management of the Company was lifted to a new level.

5. “Refusing Mediocrity and Pursuing Excellence” and Creating an Appropriate Human Resource Management System

In 2020, the Company continued to improve the level of human resource management. We continuously optimized the talent structure, improved the talent ability and introduced 66 top talents in the fields of innovative medicines, international aesthetic medicine, strategic market as well as investment and financing, including 21 doctors and 12 international talents. We continuously optimized the organization and human resource allocation of companies, developed incentive and efficiency, improved the efficiency of human resources, and gradually established an assessment mechanism aiming at “rejecting mediocrity and pursuing excellence”. We innovated and developed performance management mode, set up a R&D performance appraisal management mechanism that was appropriate to the actual situation of R&D, and perfected matrix management mode for R&D, and formed a performance appraisal and management scheme for the three R&D centers. We further improved the building of leader echelon, standardized and unified the management of appointed leaders, and optimized the personnel training mechanism to realize the rapid transformation of talents.

6. Strengthening the integration of business and finance, and deeply innovating financial organization structure

During the reporting period, the Company carried out the innovation of financial organization structure, and formed a headquarters financial structure based on the professional lines of treasury department, international business department, accounting information department (virtual), tax and information, which enabled the coordination of treasury management among headquarters, Zhongmei Huadong as well as business finance. By establishing a “3+X” financial analysis team and setting up business partner team of financial aesthetic medicine, R&D and innovation business, we strengthened the integration of business and finance and the continuous investment of the whole financial system in the professional line, and carried out works in the aspects of fine financial fund management and budget cost reduction, building and efficiency improvement of financial information system, financial internal control and compliance, investment merger and post-investment management. As a result, we straightened out the financial organizational structure and the centralized and unified management system with “one headquarters and three business

sectors”, and the financial management ability was also continuously improved.

7. Achieving Positive Results in Central Purchasing and Access to Medical Insurance System

In August 2020, Anastrozole Tablets (1mg) and Domperidone Tablets (10mg) respectively from the wholly-owned subsidiaries of the Company, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. and Huadong Medicine (Xi’an) Bohua Pharmacy Co., Ltd, won the bid in the third batch of national drug centralized procurement. In December 2020, Bailing Capsule and Acarbose Chewing Tablets from Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. participated in the negotiations of medical insurance payment standard and renewal, and both of them were successful. In February 2021, Pantoprazole Injection (40mg) from Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. won the bid in the fourth batch of national drug centralized procurement.

(ii) Pharmaceutical commerce

1. With optimized and adjusted business structure of the Company, its pharmaceutical commerce continued to take the lead in Zhejiang

In 2020, faced with the combined impact of the pandemic and the volume-based procurement, the pharmaceutical commerce of the Company took active measures and fulfilled the emergency medical instrument stockpile task of Zhejiang Province in an excellent way, and was commended by many government departments at provincial, municipal and district levels. Under the background of the normalization of volume-based procurement, the Company took the initiative to deal with it by reverse thinking, and sped up the adjustment, optimization and enrichment of its business structure. The Company has kept consolidating the intra-hospital markets, strengthened coordination between purchases and sales, and increased order fill rate, the market share and delivery rate in the province, taking the lead in the distribution volume of medicines procured centrally in the province. The Company has built a network-wide sales platform covering both the intra- and out-of-hospital markets, expanded and strengthened the cooperative relationship with upstream pharmaceutical enterprises, highlighted the advantageous capabilities of market access and policy matters, and became a trustworthy and respectable partner of the customers’ supply chain through integrated solutions and value-added services. The Company has continued to increase the introduction of high-quality products, accelerate the early intervention to and business undertaking of varieties included in volume-based procurement and newly-listed high-value innovative varieties, and improve service quality and brand influence. During the year, the Company carried out strategic and special cooperation with many multinational pharmaceutical companies such as Pfizer, AstraZeneca, Roche, Eli Lilly, Sanofi, Novartis and Merck with respect to

the primary-level market of chronic disease products, realized the implementation of cooperative projects in a quite short time through its professional project management, and won universal recognition from customers.

The Company has accelerated the optimization and transformation of its sales model, continued to expand the out-of-hospital markets while maintaining its competitive position in the intra-hospital markets, and sped up the transition from intra-hospital to out-of-hospital and from offline to online. Relying on its advantages in relationship with upstream suppliers and downstream offline sales channels, the Company effectively connected to Internet and mobile Internet technologies, built an information system from the supply end to the consumer end, and established an effective online and offline marketing system. Through management and empowerment, the Company gives full play to the centralized advantages of its products and the advantages of the branches and subsidiaries in the province regarding local sales, achieving the effect of 1+1>2.

2. Integrating e-commerce interconnection to win market opportunities

In 2020, the Company's pharmaceutical commerce explored and transformed the business model of retail pharmacies, provided "value-added services" such as pharmaceutical consultation, drug distribution and return visits for special patients through channels like self-operated DTP pharmacy, and built a pharmaceutical care and service system centered on patients' needs. It optimized the promotion of marketing channels such as the "Huadong Medicine Commerce Network", "Huadong Pharmacy Flagship Store". It completed the establishment of the OTC Sales Management Department and the E-commerce Sales Department, and realized the rapid growth of e-commerce business during the pandemic. Relying on the first prescription distribution platform in the province developed by itself, the Company actively connected with the "Internet + diagnosis and treatment" service in Zhejiang Province, quickly connected with provincial and municipal health and health care departments at the beginning of the outbreak of COVID-19, launched the province's first "online medical insurance settlement + medicine delivery services", and opened up the full channel of "Internet + diagnosis and treatment".

公司医药商业浙江全省网络覆盖图



3. Improving ability concerning cold chain logistics and creating the “golden business card” of commerce business transformation

Huadong business supply chain continued to improve the province-wide logistics system featuring multi-warehouse collaboration, promoted Jinhua supply chain projects, expanded the third-party services featuring “cold chain”, and actively explored logistics services under the new mode of “E-commerce logistics distribution, prescription outflow distribution”. With the goal of “to be the leader in the industry and become the leading role in the value chain”, Huadong business cold chain built a province-wide logistics system with the cold chain distribution of biopharmaceuticals and vaccines as the core, and established an industry brand. The Company has undertaken the vaccine business of a number of well-known pharmaceutical enterprises at home and abroad, with the business volume ranking first in Zhejiang Province. Besides, it has obtained the first delivery business license for pharmaceutical cold chain enterprises in Zhejiang Province, which promoted the expansion of the Company’s pharmaceutical cold chain business in the express delivery field, especially the Internet C-end business distribution. In addition, the Company actively involved in the delivery service of COVID-19 vaccines across the province, and obtained the exclusive qualification regarding third-party vaccine storage and transportation service from the Zhejiang Provincial Center for Disease Control and Prevention. It will give priority to guarantee the delivery of COVID-19 vaccines as required by the Zhejiang Provincial Center for Disease Control

and Prevention, and complete the distribution of COVID-19 vaccines in 11 cities in the province within 24 hours after receiving the distribution task, to ensure the timely and safe delivery of COVID-19 vaccines, and support the nationwide vaccination of COVID-19 vaccines.

(iii) Aesthetic medicine

1. Deeply engaging in the aesthetic medicine industry, and continuously optimizing and improving the pipeline of aesthetic medicine products

Aesthetic medicine is one of the core business areas of the Company. Adhering to the operation philosophy of “focusing on those who pursue beauty and serving them with professionalism and preciseness”, Huadong Medicine focuses on the R&D, production, sales and service of the latest products and instruments in the field of facial micro plastic and skin management, and fully integrates the global aesthetic medicine resources. Being deeply engaged in the aesthetic medicine industry with its scientific and rigorous attitude, the Company continues to optimize the product structure, with emerging achievements in aesthetic medicine internationalization. Since its successful acquisition of Sinclair in the UK in 2018, the Company has been actively introducing high-tech new products and technologies in the field of aesthetic medicine around the world, and creating high-end, differentiated aesthetic medicine brands and product clusters. Up to now, the Company has many differentiated non-surgical mainstream aesthetic medicine products, such as full product portfolio of sodium hyaluronate, collagen stimulator, botulinum toxin type A, thread embedding and implanting, and energy source device.

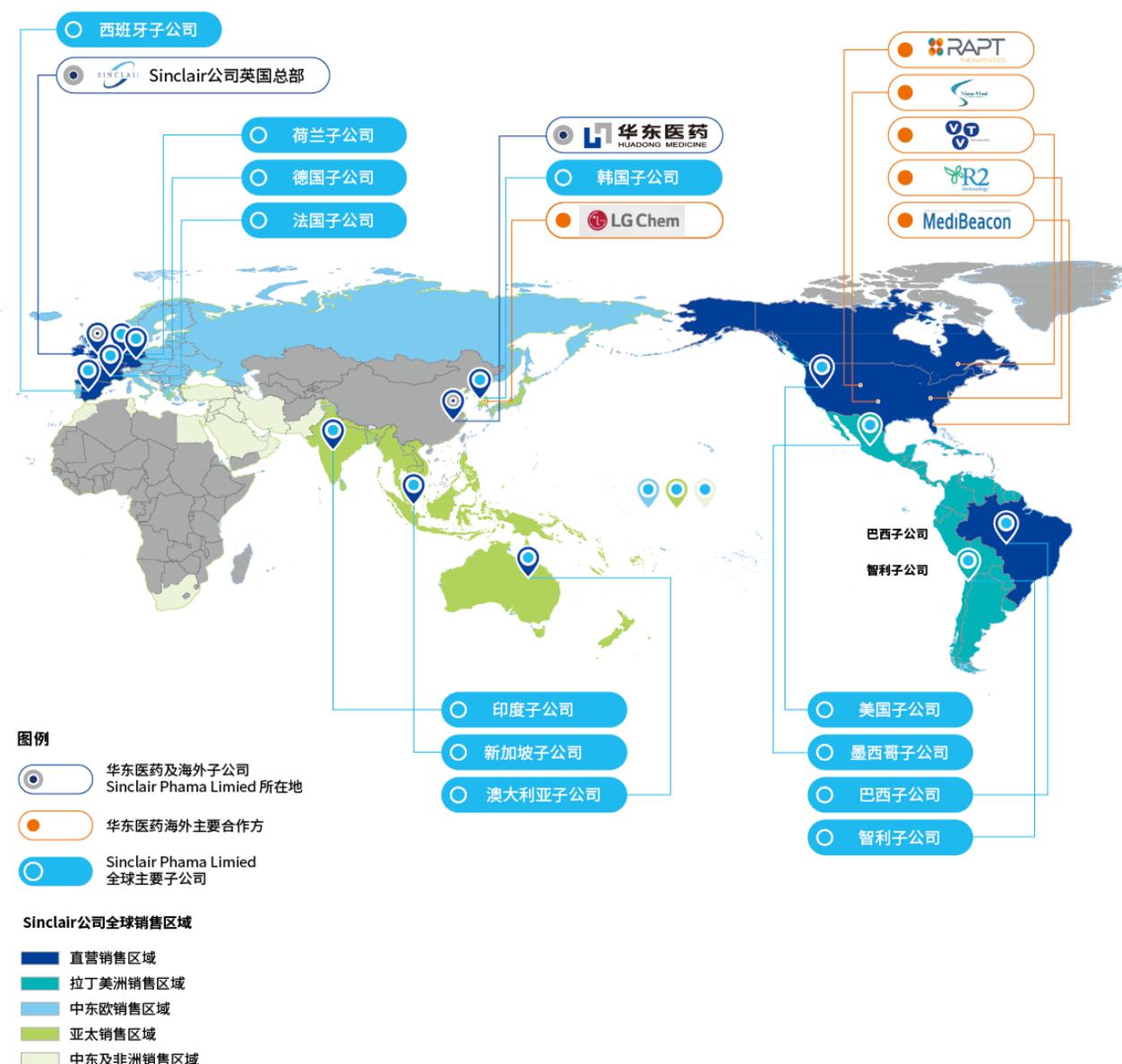
2. Accelerating the introduction of new international aesthetic medicine products and pushing forward the international strategic layout of the aesthetic medicine sector

In 2020, the Company’s aesthetic medicine business was significantly affected by the COVID-19 pandemic at home and abroad, and its revenue and net profit decreased year on year. But the Company seized the opportunity brought by the low ebb of the international aesthetic medicine industry during the pandemic, quickly promoted the internationalization strategy of the aesthetic medicine sector, and accelerated the arrangement and introduction of new international aesthetic medicine products. As a result, it achieved positive results.

In March 2020, Sinclair, the global operating headquarters of the Company’s aesthetic medicine business, and Galderma, a world-renowned dermatology pharmaceutical company in Swiss, reached an agreement on the transfer of the distribution rights of Sculptra (PLLA microspheres) in western European market, and completed the transaction, resulting in an asset disposal earnings of approximately GBP30.65 million (after tax) for Sinclair. Later, it signed an agreement with Kylane, a Swiss professional aesthetic medicine R&D company, thereby obtaining from Kylane the exclusive worldwide license of the MaiLi-series lidocaine-containing hyaluronic

acid fillers (hyaluronic acid) (which have been approved by the European Union for launch). In August 2020, the Company signed a strategic cooperation agreement with Jetema, a South Korean listed company, and obtained the sole agency of its botulinum toxin type A in China, thereby further supplementing the Company's product pipelines in the aesthetic medicine sector. In October 2020, Sinclair and Kylane once again reached a deep strategic cooperation on equity investment and product development. Sinclair invested EUR6 million for all of Kylane's ordinary shares, and after the transaction was completed, Sinclair held 20% of Kylane's equity, becoming Kylane's third largest shareholder. In addition, Sinclair and Kylane entered into a R&D partnership, enabling Sinclair to obtain the IP and global rights of Kylane's two key products in the face and body fillers area, as well as the prioritized negotiation rights of Kylane's other follow-up products. In February 2021, Sinclair has acquired the 100% equity in High Tech, a Spanish energy source aesthetic medicine devices company by paying a consideration of EUR65 million and a sales threshold of up to EUR20 million, intending to participate in the body shaping and skin repairing fields such as cryolipolysis and hair removal. The equity delivery was completed in April 2021.

公司全球业务合作方及医美产业国际布局图



3. Accelerating the registration and launch process of key aesthetic medicine products

During the reporting period, the Company set up an aesthetic medicine international business department, which is responsible for the strategic planning and day-to-day operation management of the aesthetic medicine business. At the same time, the Company established Sinclair Aesthetics (Shanghai) Medical Technology Co., Ltd. and R2 (Shanghai) Medical Technology Co., Ltd., which will be served as the operating platform after products are launched on the market. The Company sped up the registration and launch process of key aesthetic medicine products in the Chinese market, and Ellansé™, a long-effect microspheres for injection, the key product of Sinclair, the Company's subsidiary in UK, was officially approved for domestic launch and registration in April

2021 and is expected to go on sale in Chinese mainland in the second half of 2021.

Silhouette® Instalift™, the only absorbable thread for midface tissue lifting approved by the FDA, is undergoing a domestic clinical trial as planned. The Company is actively preparing for the launch of Glacial™ Spa (F0), a cool-touch cosmetic instrument introduced from R2 located in the United States, in China, and is promoting the registration of Glacial™ Rx (F1), a frozen freckle-removing medical device in China in an orderly manner. MaiLi® series product, a new high-end lidocaine-containing hyaluronic acid filler using OXIFREE™ patented technology and process will be launched on the European market in the first half of 2021, and registration in the Chinese market has been initiated. Cooltech Define, a cryolipolysis product newly acquired by Sinclair from High Tech, a Spanish company, has obtained the CE certification from EU. The Company has actively expanded its teams in accordance with the launch progress of Ellans é and Glacial, and has started pre-launch preparations. The Company's controlled subsidiary Huadong Ningbo Company actively responded to the adverse effects of the pandemic in 2020, took multiple measures to stabilize its sales performance, and launched the special "2020 YVOIRE Rising Star Program – Navigator Speaking Tour Program" during the post-pandemic period to promote the gradual recovery of performance in the second half of the year. The SanteMuse Biological Skin Care R&D Center was set up in Hangzhou, aiming to create a new product line of customized skin care based on skin genes centering on SanteMuse, a customized skin care brand. The center has functional modules such as gene testing laboratory, cosmetic formula R&D laboratory, ingredient R&D laboratory, cell culture in vitro, microbial fermentation and human efficacy evaluation laboratory, and has created a whole process R&D system including gene detection, product development and efficacy evaluation, realizing the one-stop closed-loop development of customized skin care.

公司主要医美产品研发情况

公司名称	公司简介	与本公司关系	相关主要产品	适应症	公司(或子公司)权益
英国Sinclair	全球化医美产品业务运营	全资子公司	胶原蛋白刺激剂(Ellansé®)	面部修复+填充	全球权益
			美容埋线(Silhouette®)	适用于中面部提拉手术, 短暂固定并提拉脸颊下真皮位置	全球权益
瑞士Kylane	提供创新面部填充产品的生物科技 公司	参股公司	MaiLi 系列, 含利多卡因成分的新型玻尿酸	面部修复+填充	全球权益
			两款重点研发产品	面部和身体填充剂	全球权益
美国R2	医美领域冷冻祛斑和美白相关医疗器械及技术开发公司	参股公司	F1(Glacial Rx™)	消除皮肤的良性色素病变	中、日、韩等34个亚洲国家地区的独家 分销权
			F2	全身美白	
			F0(Glacial Spa™)	全身美白	
韩国Jetema	医美生物制药与医美器械领域全品类研发公司	产品授权合作关系, 无股权关系	Botulinum Toxin	除皱	中国独家代理权
西班牙High Tech	聚焦能量源型医美设备, 集研发、生产及销售为一体	全资子公司	Cooltech	减脂	全球权益
			Cooltech Define		
			Crystile	脱毛	
			Primelase		
			ElySION		
			Define2.0	紧肤塑形	
			Define3.0		
			PrimelasePro		
Titania					

R&D of the Company's main aesthetic medicine products

In 2020, with its outstanding performance in various fields, the Company was granted for many honors and awards, including New Fortune's Second "New Fortune Best Listed Company", *Securities Times*' 14th "Top 100 Chinese Listed Companies on Main Board", MENET's "Top 100 Pharma Companies in China in 2019", "Jinzhi Award" in the financial industry, "Excellent Management Award" in the pharmaceutical and biological industry, China's Top 100 Industrial Enterprises in Chemical-Pharmaceutical Industry in 2020, *21st Century Business Herald's* 2020 Sunshine Award of China's Healthy Industry – Industry Benchmarking Enterprise Award, Chinese Radio Network's Second "Listed Companies Most Trusted by Investors – Innovative Pioneers in Biomedicine", Top 10 High-tech Enterprises in Zhejiang Province in the Field of Biological and New Pharmaceutical Technology in 2020, Commendation for the 40th Anniversary of *Medical Economic News* · Pharmaceutical Enterprises Making Outstanding Contributions to the Joint Prevention and Control of COVID-19 in China, and continued to be listed on the Fortune China 500

selected by FortuneChina.com, ranking 273rd in 2020.

II. Analysis of main business

1. Overview

Refer to “I. Overview” in “Discussion and Analysis of Operations”.

2. Income and cost

(1) Composition of operating revenue

Unit: RMB yuan

	2020		2019		Year-on-year percentage increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	33,683,058,759.75	100%	35,445,698,216.15	100%	-4.97%
By sector					
Business	23,010,850,986.99	66.26%	25,098,006,088.85	68.79%	-8.32%
Manufacturing	11,398,357,479.02	32.82%	10,864,875,032.13	29.78%	4.91%
aesthetic medicine[note1]	942,632,376.28	2.80%	1,328,360,780.34	3.75%	-29.04%
International aesthetic medicine	319,167,474.26	0.92%	509,190,691.24	1.43%	-37.32%
Offset (inter-sectoral offset)	-1,045,317,180.52		-1,026,373,596.07		
By product					
By region					
Domestic sales	33,321,963,372.21	98.93%	34,883,617,590.88	98.41%	-4.48%
Overseas sales	361,095,387.54	1.07%	562,080,625.27	1.59%	-35.76%

[Note 1] The aesthetic medicine business of the Company includes both the domestic and the international aesthetic medicine business. There is a slight overlap between the income statistics of the domestic aesthetic medicine business and that of the pharmaceutical commerce and the pharmaceutical manufacturing industry. In order to truly reflect the Company's business reality, the data is counted.

(2) Sectors, products or regions that accounts for more than 10% of the Company's operating revenue or operating profit:

√ Applicable □ N/A

Unit: RMB yuan

	Operating revenue	Operating cost	Gross profit rate	Year-on-year percentage increase/decrease in operating revenue	Year-on-year percentage increase/decrease in operating cost	Year-on-year percentage increase/decrease in gross profit rate
By sector						
Business	23,010,850,986.99	21,279,818,471.97	7.52%	-8.32%	-8.15%	-0.17%
Manufacturing	11,398,357,479.02	2,203,096,679.98	80.67%	4.91%	22.24%	-2.74%
International aesthetic medicine	319,167,474.26	104,350,496.25	67.31%	-37.32%	-25.72%	-5.10%
Offset (inter-sectoral offset)	-1,045,317,180.52	-1,036,783,957.47				
By product						
By region						
Domestic sales	33,321,963,372.21	22,423,303,870.36	32.71%	-4.48%	-6.24%	1.27%
Overseas sales	361,095,387.54	127,177,820.37	64.78%	-35.76%	-25.27%	-4.94%

If the statistical specifications of the Company's main business data have been adjusted during the reporting period, the Company's main business data of the most recent year should be adjusted according to the specifications at the end of the reporting period.

Applicable N/A

(3) Whether the Company's income from in-kind sales is greater than that from labor services

Yes No

(4) Performance of major sales contracts signed by the Company as of the current reporting period

Applicable N/A

(5) Composition of operating cost

By sector

Unit: RMB yuan

Sector	Item	2020		2019		Year-on-year percentage increase/decrease
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Business	Operating cost	21,279,818,471.97	90.22%	23,169,206,360.31	92.26%	-8.15%

Manufacturing	Operating cost	2,203,096,679.98	9.34%	1,802,276,075.36	7.18%	22.24%
International aesthetic medicine	Operating cost	104,350,496.25	0.44%	140,481,356.33	0.56%	-25.72%
Offset (inter-sectoral offset)	Operating cost	-1,036,783,957.47		-1,025,240,830.27		

(6) Whether the scope of consolidation has changed during the reporting period

Yes No

For details, please refer to “VIII. Change of consolidation scope” in “Section XII. Financial Report”.

(7) Significant changes or adjustments to the Company’s business, products or services during the reporting period

Applicable N/A

(8) Major customers and major suppliers

The Company’s major customers

Total sales amount of the top five customers (yuan)	6,096,785,978.21
Proportion of the total sales amount of the top five customers in the total annual sales amount	18.10%
Proportion of related parties’ sales amount of the top five customers’ sales amount in the total annual sales amount	0.00%

Note: The customers under the control of the same actual controller shall be listed together, except those under the actual control of the same state-owned assets management institution.

Information of the Company’s top five customers

No.	Customer name	Sales amount (yuan)	Proportion in the total annual sales amount
1	Customer a1	3,052,496,406.11	9.06%
2	Customer a2	1,180,127,547.89	3.50%
3	Customer a3	676,479,961.92	2.01%
4	Customer a4	594,032,885.39	1.76%
5	Customer a5	593,649,176.90	1.76%
Total	--	6,096,785,978.21	18.10%

Other information of major customers

Applicable N/A

Information of the Company's major suppliers

Total purchase amount of the top five suppliers (yuan)	2,391,591,676.59
Proportion of the total purchase amount of the top five suppliers in the total annual purchase amount	10.66%
Proportion of related parties' purchase amount of the top five customers' purchase amount in the total annual purchase amount	0.00%

Information of the Company's top five suppliers

No.	Supplier name	Purchase amount (yuan)	Proportion in the total annual purchase amount
1	Supplier b1	557,325,884.72	2.48%
2	Supplier b2	515,430,595.92	2.30%
3	Supplier b3	468,724,901.88	2.09%
4	Supplier b4	441,540,123.61	1.97%
5	Supplier b5	408,570,170.46	1.82%
Total	--	2,391,591,676.59	10.66%

Other information of major suppliers

Applicable N/A

3. Expenses

Unit: RMB yuan

	2020	2019	Year-on-year percentage increase/decrease	Note on changes
Sales expenses	5,970,614,819.26	5,797,236,883.02	2.99%	No significant changes
Administrative expenses	998,746,330.35	1,095,227,423.65	-8.81%	No significant changes

Financial expenses	34,200,637.61	2,473,146.13	1,282.88%	It is primarily due to a lower base of financial expense in the comparable period as a result of the write-down of financial expense caused by the cash settled interest adjustment of the contingent consideration of Sinclair's product rights in the same period of the previous year.
R&D expenses	926,725,468.93	1,072,937,182.39	-13.63%	No significant changes

4. R&D investment

√Applicable □ N/A

(1) Overall situation of R&D

With “scientific research-based, patient-centered” as the corporate philosophy, the Company continued to increase investment in R&D, and continuously enriched its arrangements in the R&D of innovative drug pipeline. During the reporting period, the Company invested RMB1.444 billion on R&D in the pharmaceutical industry, an increase of 8.91% year on year, of which, RMB918 million was spent on direct R&D, down 12.96% from 2019 (RMB1.055 billion), and RMB525 million was spent on the introduction of external new drug technologies and rights, up 94.10% from 2019. The research and development work of the Company mainly involves the following aspects:

1) Continued to practice the new drug R&D model which combines independent R&D + cooperative development + product license-in, tracked the latest international drug action mechanism and target as well as advances in clinical application research, accelerated the development of innovative drugs and the introduction of innovative drug projects at home and abroad, and obtained the approval regarding potential innovative drugs in the fields of metabolism and nephrosis;

2) Focused on varieties with superior clinical effect and pharmacy for special population, accelerated the R&D of generic drugs with high technical barrier and improved new drugs (505b (2)), and initiated key projects centering on autoimmunity, antiviral and anti-tumor fields during the reporting period;

3) Continued to improve the process and quality level of bulk drugs and preparations, reduced the cost, actively developed dosage forms of on-line products, and strengthened the market competitiveness; and

4) Strengthened the evaluation on the comprehensive dynamic of varieties under research,

ensured the R&D progress of key varieties under research to the greatest extent through the priority ranking of ongoing projects and the rational allocation of R&D resources.

(2) R&D of projects regarding major innovative drugs and biosimilars

The Company has drawn up a strategic plan for the development of innovative drugs for the next five years, clearly defined the key direction and number of innovation projects for each year during the planning period centering on the existing therapeutic fields, and proposed that no less than 15 innovative varieties (including original new drugs, improved new drugs, innovative medical devices and high-end products) should be established and reserved annually during the planning period. During the reporting period, the Company actively boosted the clinical research on innovative drugs under research and key biosimilars, seeking early approval for launch to the market. In addition, the Company actively explored and learned from the international advanced innovative drug R&D system building, continuously optimized and adjusted its overall R&D system structure, improved the functional modules on the R&D of innovative projects through the introduction of high-end R&D personnel, to achieve the objectives on the strategic planning of the Company's innovative projects.

(3) Progress on the clinical research of key innovative drugs, innovative medical devices and biosimilars

1) Mefatinib: Mefatinib for the treatment of advanced non-small cell lung cancer is under phase II clinical trial and the registration for phase III clinical trial is also under progress, and it is planned that the enrollment of the last subject will be completed in the third quarter of this year;

2) TTP273: the world's first oral GLP-1 receptor agonist small-molecule innovative drugs, is currently undergoing multi-regional phase II clinical trials in Chinese mainland and Taiwan. The phase II clinical trial was led by Nanfang Hospital of Southern Medical University, and the first subject was administrated in December 2020;

3) HD-NP-102 (dynamic TGFR monitoring system): The renal function is evaluated through real-time monitoring of glomerular filtration rate. The application for carrying out the clinical trial of MB102 (fluorescent tracer), class 1 new drug used in the monitoring system, in China has been accepted. The MRCT clinical trial of the TGFR dynamic monitoring system will be carried out after the *Clinical Trial Notification* is officially obtained;

4) HDM3002 (PRV-3279): It is used for the treatment of systemic lupus erythematosus (SLE) and for preventing or reducing the immunogenicity of gene therapy, and two indications of it are being tested in the United States. Phase I 1a and 1b trials have been completed for the indications of SLE (systemic lupus erythematosus), and indications regarding preventing or reducing the

immunogenicity of gene therapy are under preclinical trials. The phase II clinical research of PRV-3279 is expected to be carried out in the second half of 2021, and part of the trial will be carried out in China;

5) HDM2002 (IMGN853, ADC drug under research): the world's first ADC drug under research for FR α -positive ovarian cancer, is used to treat platinum-resistant ovarian cancer with high expression of folate receptor. The clinical trials of HDM2002, including MRCT phase III clinical and PK bridging trials, have received clinical approval, and various pre-clinical preparations are currently being promoted as planned;

6) Overall arrangement of R&D of early innovative drugs: drug screening and activity characterization regarding oral GLP-1 innovative drugs for the treatment of type 2 diabetes, anti-tumor projects including CDK targeted drugs and innovative drugs such as PROTACT are under way as planned; and

7) Biosimilars: GLP-1 receptor agonist liraglutide injection, one of the Company's key diabetes products, is undergoing phase III clinical research for indications for diabetes and weight loss in China. The phase III clinical trial on the indications for diabetes has basically been completed, and it is expected that all clinical work will be completed by the end of the second quarter of 2021, and application for registration will be submitted soon afterwards. The clinical work regarding the indications for weight loss is expected to be completed in the third quarter of this year, and registration will be submitted before the end of this year. It is planned that the investigational new drug (IND) domestic clinical trial application regarding semaglutide injection will be launched in 2021. Preparation regarding phase III clinical work of HDM3001 (QX001S) is being made, and phase III clinical trials are scheduled to be carried out in the second half of this year. Clinical application regarding ranibizumab injection has been submitted and supplementary information has been submitted. Insulin degludec injection, insulin aspart injection and glucagon are under preclinical study.

(4) Progress of R&D of major generic drugs

During the reporting period, the Company conducted earnest dynamic evaluation and combing of the existing generic drug varieties under research, and further clarified the varieties to be focused and prioritized. The progress regarding the key varieties is as follows:

1) Diabetes: On-site verification regarding Metformin Hydrochloride and Empagliflozin Tablets (5/500mg) has been completed, and approval is expected to be obtained within the year. Canagliflozin Tablets (specifications: 0.1g, 0.3g) has been declared for production. Sitagliptin Phosphate/Metformin Hydrochloride Tablets (50/850mg) has been declared for production.

Pioglitazone Hydrochloride and Metformin Hydrochloride Tablets (15/850mg) is under laboratory research;

2) Immunity: Laboratory research regarding tacrolimus extended-release tablets, granules and ointment was carried out as planned;

3) Anti-tumor: On-site verification regarding letrozole tablets has been completed, and approval is expected to be obtained within the year. Sorafenib tablets has been declared for production. Ibrutinib capsules and olaparib tablets are under laboratory research;

4) Super antibiotic: On-site verification regarding Micafungin Sodium for Injection has been completed, and approval is expected to be obtained within the year;

5) Digestion: Supplementary materials regarding Compound Omeprazole and Sodium Bicarbonate Capsule have been submitted and approval is expected to be obtained within the year; and

6) Cardiovascular: Macitentan tablets has been declared for production.

(5) R&D and registration of aesthetic medicine products

During the reporting period, MaiLi[®] series products, new and high-end lidocaine-containing hyaluronic acid filler produced by Sinclair, a wholly-owned subsidiary of the Company, using OXIFREE[™] patented technology and process have obtained CE certification of EU in June 2020, which will be launched in the European market in the first half of 2021, and registration in the Chinese market has already been started.

F1, a medical device related to frozen freckle-removing and skin whitening introduced from R2, US, has obtained the 510(k) approved by the FDA. In August 2020, the Company signed a strategic cooperation agreement with Jetema, a South Korean listed company, to introduce its botulinum toxin type A. In February, 2021, Sinclair, a wholly-owned subsidiary of the Company, acquired the 100% equity in High Tech, a Spanish company engaged in energy source aesthetic medicine device. The design of the clinical protocols in China of the above products is being carried out in an orderly manner.

Ellans e[®], a novel collagen stimulator, the core product of Sinclair, has obtained the *Medical Device Registration Certificate* issued by the National Medical Products Administration on April 13, 2021, and will be officially marketed in Chinese mainland in the second half of 2021.

Silhouette[®] Instalift[™] is the only absorbable thread approved by the FDA for mid-face tissue lift, which adopts 3D cone suspension technology, can achieve immediate and long-lasting tissue repositioning, stimulate collagen regeneration, and effectively remodel face and neck contours. The clinical trial of Silhouette[®] Instalift[™] in China is being carried out smoothly.

The Glacial™ Spa (F0), a whitening and refreshing device imported from R2, is the life cosmetology version of the medical instrument for frozen freckle removal. It adopts aesthetic medicine technology and is introduced into the life cosmetology channel through the energy safety test, and is scheduled to go on sale in China in the second quarter of 2021. The registration of Glacial™ Rx (F1) in China, a medical instrument for frozen freckle removal, is being carried out in an orderly manner.

MaiLi® series products, novel high-end lidocaine-containing hyaluronic acid filler using OXIFREE™ patented technology and process, will be launched in the European market in the first half of 2021, and registration in the Chinese market has been initiated.

Cooltech Define, a non-invasive cryolipolysis equipment independently developed by High Tech, Spain, which is newly acquired by Sinclair, has officially obtained the CE certification of EU in February 2021, and Titania, an innovative radiofrequency product under research for skin tightening and body shaping, is expected to obtain the CE certification of EU in the fourth quarter of 2021 and will be available for sale globally once it is approved.

The Company has actively expanded its teams in accordance with the launch progress of Ellans é and Glacial, and has started pre-launch preparations.

(6) Progress of consistency evaluation

During the reporting period and the first quarter of 2021, the consistency evaluation on the quality and efficacy of the Company's generic drugs was progressing well, Mycophenolate Mofetil Capsules (0.25g), Clarithromycin Tablets (0.25g) and Pioglitazone Hydrochloride and Metformin Hydrochloride Tablets have all obtained consistency evaluation. Pioglitazone Hydrochloride Tablets (15mg) was granted the notice of acceptance of the supplementary application for consistency evaluation. On-site verification of Pioglitazone Hydrochloride Tablets (30mg) has been completed. Decitabine for injection and daptomycin for injection are under the stage of submitting supplementary materials, and the other varieties to be evaluated are under pharmaceutical research, pilot scale-up or process validation.

(7) Progress of patent

The Company has attached great importance to the protection of its intellectual property rights and the application of results in recent years, and the number of patent applications and grants are steadily increasing. The Company has applied for more than 560 patents at home and abroad over the years, of which more than 270 were granted. Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, is a national IP demonstration enterprise and is rated as excellent in the annual assessment in 2020. In November 2014, the Company passed the

external audit of Zhongzhi (Beijing) Certification Co., Ltd., becoming one of the 147 enterprises who have firstly passed the standard implementation certification. During the reporting period, the Company successfully passed the reexamination review on supervising the standard implementation of corporates' intellectual property.

During the reporting period, the Company's patent application and maintenance proceeded smoothly. Zhongmei Huadong, a wholly-owned subsidiary of the Company, applied and submitted a total of 67 patents, among which 58 were utility patents, 14 were authorized in China and 11 of the authorized ones were utility patents. In April 2020, the utility patent "Enzyme for synthesizing and metabolizing inosine monophosphate of *Cordyceps sinensis* (Berk.) Sacc. *Hirsutella sinensis* and application thereof" of Zhongmei Huadong was awarded the golden patent prize in Zhejiang Province, with the patent number: ZL201110267161.3.

(8) Other important issues related to R&D

1) In January 2021, the Company entered into an agreement with Shanghai Yuanda Investment Management Co., Ltd. and Hangzhou High-tech Venture Capital Management Co., Ltd. and jointly set up Hangzhou Fuguang Hongxin Equity Investment Partnership (L.P.) (referred to as "Pharmaceutical Industry Fund"). The Pharmaceutical Industry Fund was established with a total scale of RMB200 million, of which RMB98 million is contributed by the Company with its own funds and the Company is a limited partner of the Pharmaceutical Industry Fund. The Pharmaceutical Industry Fund mainly invests in startup and early projects in the fields of aesthetic medicine, endocrinology, anti-rejection regarding organ transplantation, alimentary canal, tumor, nephrology, immunology, etc. As of the disclosure date of this report, the Pharmaceutical Industry Fund had completed the initial fund raising, finished the industrial and commercial registration procedures, and completed the filing with AMAC on April 2, 2021.

2) In December 2020, Zhongmei Huadong, a wholly-owned subsidiary of the Company, signed a strategic cooperation agreement with Sanyou Bio, a biotechnology company that focuses on the overall solution for the R&D of innovative antibody drugs. The two sides will jointly develop innovative dual-antibody and ADC molecules targeting high-quality targets to accelerate the launch of a new generation of anti-tumor drugs.

3) In November 2020, Zhongmei Huadong, a wholly-owned subsidiary of the Company, signed an agreement on the cooperative development of pipelines with XtalPi, an artificial intelligence (AI) drug R&D technology company driven by digital and intelligent technologies. The two sides will conduct in-depth cooperation on the discovery of high-quality new anti-tumor drug targets, and make full use of the advantages of AI technology featuring large exploration space, high

computing efficiency and accurate computational results, as well as the advanced technologies and commercial integration capability of Huadong Medicine in the field of anti-tumor, to jointly develop a new generation of anti-tumor drugs.

4) In September 2020, the Company established a cooperative development partnership with Exscientia, the world's leading AI drug R&D company, to accelerate the discovery of novel treatments for small-molecule drugs against tumor. The first project between the two sides is the development of drugs that target the transcriptional control of DNA damage response genes to treat patients with a high frequency of mutations in repair of DNA damage, such as patients with ovarian and breast cancer.

R&D investment of the Company

	2020	2019	Percentage change
Number of R&D personnel (person)	1,207	1,078	11.97%
Proportion of R&D personnel	12.79%	11.31%	1.48%
R&D investment amount (yuan)	918,180,946.98	1,054,842,676.50	-12.96%
Proportion of R&D investment in operating revenue	8.06%	10.04%	-1.98%
Capitalized R&D investment amount (yuan)	0.00	0.00	0.00%
Proportion of capitalized R&D investment in R&D investment	0.00%	0.00%	0.00%

Notes: (1) The above R&D investment is from the R&D expenses of the Company's main industrial controlled subsidiary, totaling RMB918 million, which is mainly used for clinical research of products under research, upgrading of existing product process, expenses for commissioned technological development, consistency evaluation and international registration certification. In terms of finances, most of R&D investment is listed in expense, and is recognized in the current period without subsequent annual amortization, which will not have a significant impact on the Company's future operating results.

In 2020, the Company's total R&D investment in the pharmaceutical industry was RMB1.444 billion, a year-on-year increase of 8.91%; of which, RMB918 million was used for direct R&D, a decrease of 12.96% from 2019 (RMB1.055 billion), and RMB525 million was used for the introduction of external new drug technologies and rights, an increase of 94.10% over 2019.

(2) The proportion of the number of R&D personnel means the proportion of the number of people in the Company's subsidiaries mainly engaging in pharmaceutical manufacturing; the proportion of R&D investment in operating income means the proportion of the R&D investment of Company's pharmaceutical industry in the operating income of the Company's pharmaceutical manufacturing.

(3) The above-mentioned R&D personnel for 2020 are: The total of R&D personnel of the Company's R&D system and R&D personnel of the production system.

Reasons for the year-on-year significant change in the proportion of total R&D investment in operating revenue

Applicable N/A

Reasons for the significant change in the capitalization rate of R&D investment and its rationality

Applicable N/A

5. Cash flows

Unit: RMB yuan

Item	2020	2019	Year-on-year change
Cash inflows from operating activities	37,110,493,946.97	38,801,282,424.47	-4.36%
Cash outflows for operating activities	33,699,046,199.41	36,799,584,253.80	-8.43%
Net cash flow from operating activities	3,411,447,747.56	2,001,698,170.67	70.43%
Cash inflows from investing activities	385,678,726.69	74,637,287.55	416.74%
Cash outflows for investing activities	2,124,316,150.63	1,657,245,184.32	28.18%
Net cash flow from investing activities	-1,738,637,423.94	-1,582,607,896.77	-9.86%
Cash inflows from financing activities	2,211,047,477.21	1,922,537,327.51	15.01%
Cash outflows for financing activities	2,936,777,488.44	2,531,134,823.51	16.03%
Net cash flow from financing activities	-725,730,011.23	-608,597,496.00	-19.25%
Net increase in cash and cash equivalents	925,635,526.76	-166,937,959.56	654.47%

Main influencing factors of significant changes in relevant data year on year

Applicable N/A

The cash inflows from investing activities in the current period are 3.86 billion yuan, a year-on-year decrease of 75 million yuan or 416.74%, mainly due to the transfer of distribution rights in the Western European market of related products of Sinclair, a wholly-owned subsidiary of the Company in the UK, during the current reporting period..

Reasons for the significant difference between the Company's net cash flow from operating activities and the current year's net profit during the reporting period

Applicable N/A

II. Analysis of non-main business

√ Applicable □ N/A

Unit: RMB yuan

	Amount	Proportion in total profit	Note on reasons	Sustainable or not
Other gains	191,999,829.91	5.56%	Mainly due to the confirmation of government grants in the current period	No
Gains on asset disposal	322,636,323.26	9.34%	Mainly due to the transfer of distribution rights in the Western European market of related products of Sinclair, a wholly-owned subsidiary of the Company in the UK, during the current reporting period.	No

IV. Assets and liabilities

1. Major changes in asset composition

Since 2020, the Company has implemented new financial instrument standards, new income standards or new lease standards for the first time, and adjusted and implemented items related to financial statements at the beginning of the year

√ Applicable □ N/A

Unit: RMB yuan

	End of 2020		Beginning of 2020		Change of proportion	Note on major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	3,198,080,997.82	13.21%	2,402,730,395.39	11.19%	2.02%	Mainly due to the increase of inflow of operating net cash during the current period and the increase of balance of monetary capital at the end of the period.
Accounts receivable	6,137,675,568.82	25.36%	6,092,305,184.47	28.38%	-3.02%	Mainly due to the increase of the total assets during the current period and the decrease of the proportion of accounts receivable.
Inventories	4,067,635,254.80	16.81%	4,038,975,496.93	18.82%	-2.01%	Mainly due to the increase of total assets during the current period and the decrease of the proportion of inventory.
Real estate properties for investment	17,792,735.95	0.07%	21,701,908.75	0.10%	-0.03%	/

Long-term equity investments	850,072,053.02	3.51%	222,595,018.54	1.04%	2.47%	Mainly due to the increase of equity investment during the current period.
Fixed assets	2,420,366,582.92	10.00%	2,175,216,842.65	10.13%	-0.13%	
Constructions in progress	2,240,201,926.65	9.26%	1,829,808,233.19	8.53%	0.73%	
Short-term borrowing	1,416,932,884.87	5.85%	655,549,973.27	3.05%	2.80%	Mainly due to the increase in repayment of corporate bonds upon maturity of bank financing during the current reporting period.
Long-term borrowing	151,611,367.86	0.63%	0.00	0.00%	0.63%	/
Other non current assets	712,069,194.08	2.94%	184,141,659.07	0.86%	2.08%	Mainly due to the increase in advance payment of technology transfer during the current period.

2. Assets and liabilities measured at fair value

√Applicable □ N/A

Unit: RMB yuan

Item	Amount at the beginning of the period	Gains and losses from changes in fair value	Accumulated fair value changes recognized in equity	Depreciation reserves withdrawn during the period	Amount of buying in during the period	Amount of selling out during the period	Other changes	Amount at the end of the period
Financial assets								
Including: Other equity instrument investments	241,675,712.05	-7,557,508.15	-7,557,508.15			3,252,055.19	5,413,028.66	225,453,120.05
Total	241,675,712.05	-7,557,508.15	-7,557,508.15			3,252,055.19	5,413,028.66	225,453,120.05
Financial liabilities	0.00							0.00

Other changes

None

Whether there are significant changes in the main asset measurement attribute of the Company during the Report Period.

Yes No

3. Limitation of asset rights at the end of the reporting period

Unit: RMB yuan

Item	Book value at the end of the period	Reason for limitation
Monetary funds	40,673,924.56	Cash deposit
Bills receivable	2,648,002.20	Bill pledge
Fixed assets	32,222,155.71	Mortgage guarantee for borrowing
Intangible assets	4,428,290.15	Mortgage guarantee for borrowing
Total	79,972,372.62	

V. Investment

1. Overview

Applicable N/A

Investment amount in the reporting period (yuan)	Investment amount in the same period of last year (yuan)	Percentage change
2,195,588,789.55	1,965,240,000.00	11.72%

Note: The investment amount in the reporting period refers to the total capital expenditure in the reporting period.

2. Significant equity investments acquired during the reporting period

Applicable N/A

Unit: RMB ten thousand yuan

Name of invested company	Main businesses	Way of investment	Investment amount	Shareholding ratio	Capital source	Partner	Term of investment	Product type	Progress as of the balance sheet date	Projected income	Profit or loss of investment in the current period	Involved in litigation or not	Disclosure date (if any)	Disclosure index (if any)
Chongqing Peg-Bio	R&D of biological	Capital increase and equity	21,000	39.80%	Own funds	/	/	Equity	All payments completed	/	No profit for the	No	N/A	http://www.cninfo.com.cn

Biopharm Co., Ltd.	chemical product and technologies; R&D of fermentation process optimization technology	transfer									time being			
Qyuns Therapeutics Co., Ltd.	Biological medicine R&D, etc.	Capital increase and equity transfer	37,000.00	20.56%	Own funds	/	/	Equity	All payments completed	/	No profit for the time being	No	August 18, 2020	http://www.cninfo.com.cn
Kylane Laboratoires SA	Aesthetic medicine R&D	Acquisition	EUR6,000,000	20.00%	Own funds	/	/	Equity	All payments completed	/	No profit for the time being	No	October 16, 2020	http://www.cninfo.com.cn

Notes: 1. Zhongmei Huadong, a wholly-owned subsidiary of the Company, invested a total of RMB210 million to Peg-Bio Biopharm Co., Ltd. (Chongqing) by means of capital increase and acquisition of minority holding twice, and acquired 39.80% of its equity, becoming its second largest shareholder. As of December 31, 2020, Zhongmei Huadong had paid all the investment funds, and Peg-Bio Biopharm Co., Ltd. (Chongqing) had completed the relevant industrial and commercial change registration.

2. Zhongmei Huadong, a wholly-owned subsidiary of the Company, contributed RMB370 million to invest in the stock equity of Qyuns Therapeutics through the form of capital increase, and held 20.56% of its equity after investment, becoming its second largest shareholder. As of December 31, 2020, Zhongmei Huadong had paid all the investment funds, and Qyuns Therapeutics had completed the relevant industrial and commercial change registration.

3. Sinclair, a wholly-owned subsidiary of the Company, entered into an agreement on equity investment and collaborative product development with Kylane Laboratoires SA, a Swiss advanced aesthetic medicine R&D firm. Sinclair contributed EUR6 million for a 20% equity in Kylane, making it Kylane's third-largest shareholder. As of December 31, 2020, all the investment funds had been paid.

4. In April 2019, the Company entered into a strategic partnership with R2, an American company specializing in the development of medical devices and technologies related to frozen freckle-removing and whitening. The Company invested USD30 million in R2's equity and became a shareholder. As of the reporting date, the USD30 million for equity investment had been fully paid out and the Company held a 34% equity upon completion of the investment.

5. In July 2019, the Company entered into a strategic cooperation with MediBeacon, a US company dedicated to the development of contrast agents and equipment in the medical field such as renal function and gastrointestinal function evaluation, and invested USD30 million in its stock equity. As of the end of the reporting period, the Company had paid USD15 million to MediBeacon, accounting for 4.30% of its shares, and the remaining USD15 million will be paid as agreed in the contract.

3. Significant non-equity investments in progress during the reporting period

√ Applicable □ N/A

Unit: RMB yuan

Project name	Way of investment	Investment in fixed assets or not	Industry involved in the investment project	Investment amount during the reporting period	Cumulative actual investment amount by the end of the reporting period	Capital source	Project progress	Projected income	Cumulative income realized by the end of the reporting period	Reasons for not meeting the planned schedule and projected income	Disclosure date (if any)	Disclosure index (if any)
Huadong Medicine Biomedical Science and Technology Park Project Phase II	Self-built project	Yes	Pharmaceutical manufacturing	387,907,668.09	1,716,331,906.80	Own funds	90.00%	/	/	N/A	March 9, 2017	http://www.cninfo.com.cn
Total	--	--	--	387,907,668.09	1,716,331,906.80	--	--	/	/	--	--	--

4. Investment in financial assets

(1) Securities Investment

√ Applicable □ N/A

Unit: RMB yuan

Type of stock	Stock code	Stock abbreviation	Initial investment cost	Accounting measure	Book value at the	Gain/losses from fair	Accumulative fair	Purchase amount	Selling amount in the	Gain/losses during the	Book value at the end	Accounting item	Capital source
---------------	------------	--------------------	-------------------------	--------------------	-------------------	-----------------------	-------------------	-----------------	-----------------------	------------------------	-----------------------	-----------------	----------------

				ment model	beginni ng of the period	value changes in the current period	value changes included in equity	in the current period	current period	reportin g period	of the period		
Dome stic and overs eas stock	RAPT	RAPT	20,20 7,400. 00	Fair value measu remen t	42,00 9,254. 79	-9,76 1,293. 38	-9,76 1,293. 38	--	8,665, 083.8 5	--	23,58 2,877. 56	Other equity instru ment invest ment	Own funds
Other securities investments held at the end of the period				--								--	--
Total			20,20 7,400. 00	--	42,00 9,254. 79	-9,76 1,293. 38	-9,76 1,293. 38	--	8,665, 083.8 5	--	23,58 2,877. 56	--	--
Date of announcement of the Board of Directors on securities investment approval		N/A											
Date of announcement of the Board of Shareholders on securities investment approval (if any)		N/A											

Note: In 2019, Huadong Medicine Investment Holding (Hong Kong) Co., Ltd., a subsidiary of the Company, invested USD 3 million to purchase 218,102 preferred shares of RAPT Therapeutics, Inc. in C-2 series. RAPT Therapeutics, Inc. (stock code: RAPT) was listed on the NASDAQ Stock Exchange on October 30, 2019. Huadong Medicine Investment Holding (Hong Kong) Co., Ltd. holds 0.74% of the total shares of RAPT Therapeutics, Inc.

(2) Derivatives investment

Applicable N/A

No such case during the reporting period.

5. Use of raised funds

Applicable N/A

No such case during the reporting period..

VI. Major assets and equity sales

1. Major assets sales

Applicable N/A

No such case during the reporting period.

2. Major equity sales

Applicable N/A

VII. Analysis of wholly-partially owned and shareholding companies

Applicable N/A

Main subsidiaries and the shareholding companies that have an impact on the Company's net profit of more than 10%

Unit: RMB yuan

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Subsidiary	Production and management of Traditional Chinese and Western raw medicines and preparations, and health care products	872,308,130	9,552,485,036.62	6,943,175,422.15	11,040,482,097.70	2,683,887,257.80	2,332,440,967.67
Huadong Ningbo Medicine Co., Ltd.	Subsidiary	Sales of biological products as proxy	5,000,000	1,004,249,306.28	564,257,925.95	1,284,921,262.37	164,162,105.58	123,375,008.73
Huadong Medicine Wenzhou Co., Ltd.	Subsidiary	Wholesale of TCM materials, TCM decoction pieces, chemical preparations, etc.	61,300,000	1,206,969,159.63	231,107,415.39	2,519,633,080.86	42,021,431.24	28,705,403.66

Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	Subsidiary	Warehousing and storage services	50,729,863	239,818,600.19	129,389,498.43	164,492,370.77	25,093,155.00	17,393,751.76
Sinclair Pharma Limited	Sub-subsidiary	R&D, production and sales of aesthetic medicine products	219,962,963.92	975,941,324.76	493,007,584.35	319,167,474.26	146,645,400.16	109,468,406.19

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ N/A

Company name	Methods of acquisition and disposal of subsidiaries during the reporting period	Impact on the overall production, operation and performance
MediBeacon Technology (Shanghai) Co., Ltd.	New subsidiary	Business operation of medical apparatus and instruments of the Company
Zhejiang Huida Biotech Co., Ltd.	New subsidiary	Technology innovation platform in the field of microbial pharmacy the Company
Shenzhen Xinda Yanchuang Technology Development Co., Ltd.	New subsidiary	External technical services and cooperation
Sinclair Pharmaceuticals (Asia-Pacific) Pte Ltd.	New subsidiary	International aesthetic medicine business expansion of subsidiaries of the Company
Sinclair Chile SPA	New subsidiary	International aesthetic medicine business expansion of subsidiaries of the Company
Sinclair (Shanghai) Medical Technology Co., Ltd.	New subsidiary	International aesthetic medicine business expansion of subsidiaries of the Company
R2 (Shanghai) Medical Technology Co., Ltd.	New subsidiary	International aesthetic medicine business expansion of subsidiaries of the Company
Beijing Huachuang Dongxin Technological Development Co., Ltd.	New subsidiary	External technical services and cooperation
Huadong Medicine Medical Equipment Technology (Hangzhou) Co., Ltd.	Cancellation	Commercial business adjustment of the Company
Ningbo Sinfmuse Medical Investment	Cancellation	Commercial business adjustment of the

Management Co., Ltd.		Company
Huadong Medicine Pharmaceutical Co., Ltd.	Wuhan Cancellation	Commercial business adjustment of the Company

Note: Sinclair (Shanghai) Medical Technology Co., Ltd. was renamed as Xinke Li Aesthetics (Shanghai) Medical Technology Co., Ltd. on April 1, 2022

VIII. Structured entities controlled by the Company

Applicable N/A

IX. Prospect of the Company's future development

1. Development status and prospect of macro economy and pharmaceutical industry

In 2020, the sudden outbreak of the COVID-19 pandemic was intertwined with the world's seismic changes not seen for a century, bringing a huge impact to the world. The pandemic has had a serious impact on people's life, health and economic activities, which has aggravated the already weak world economy. Economic globalization has encountered headwinds. The international environment is becoming more and more complex. The world has entered a period of turbulent change, with significantly increasing instability and uncertainty. As pointed out by the Fifth Plenary Session of the 19th CPC Central Committee, peace and development are still the theme of the times, and China's development is still in an important strategic opportunity period. On the one hand, a new round of scientific and technological revolution and industrial transformation has developed deeply in the world today, and international power contrast has been profoundly adjusted. Peace and development are still the theme of the times. The concept of a community with a shared future for mankind has become popular, and China's appeal and influence as a responsible large country in the global pandemic control have increased significantly; on the other hand, China has turned to the stage of high-quality development, with significant institutional advantages, improved governance efficiency, long-term economic improvement, strong material basis, abundant human resources, broad market space, strong development resilience, and social stability, and has multiple advantages and conditions for continued development.

The Chinese government controlled the spread of COVID-19 in China in a timely manner and achieved a rapid recovery of the national economy after the first quarter. However, the uncertainty factors faced by the domestic economy still exist. On the one hand, the foundation of economic recovery in China is still not solid. In the face of severe pandemic situation abroad, China still needs to consolidate the achievements of pandemic prevention and control and socio-economic recovery. On the other hand, external public opinions and challenges of anti-globalization and desinicization

are rising, and domestic enterprises are facing more business risks in both supply chain and market environment.

In the long term, the market size of the global pharmaceutical industry will still maintain a stable growth trend due to the growth of the total population and the aging of the population. According to the latest data of IQVIA, the total scale of the global pharmaceutical market was close to USD1.2 trillion in 2020, and maintained a growth rate of 3–4% for many consecutive years. The scale of the Chinese pharmaceutical market ranked second in the world. According to the data of the National Bureau of Statistics, the cumulative operating income and total profit of industrial enterprises above the scale of domestic pharmaceutical manufacturing industry in 2020 were RMB2,485.73 billion and RMB350.67 billion, respectively, showing an increase of 4.5% and 12.8%, respectively, compared with the same period of last year. Affected by the pandemic, the operating data of the pharmaceutical manufacturing industry were recovered in the second half of the year after experiencing negative growth in the first half of the year, and the year-on-year growth rate was significantly higher than the industrial growth rate above the national scale in the same period.

With the gradual integration of drug review system with the world in China, the industrial chain of innovative drugs has been flourishing, and the global R&D industrial chain has also begun to shift to China. While the transfer of industrial chain has developed a large number of R&D talents, it has also made local pharmaceutical innovation enterprises flourish. It is the key for pharmaceutical companies to improve their pharmaceutical quality while innovating. Consumption upgrading will further drive high growth in high-quality consumer medical track.

In 2020, China's pharmaceutical industry played a very significant role in the process of fighting against the pandemic. Driven by the demand for prevention and control, production was rapidly resumed, laying an important foundation for the full recovery of the economy. China's pharmaceutical industry has continuously promoted high-quality and standardized development in 2020, with a solid foundation, which has become one of the important cornerstones for the steady development of China's economy.

According to the data of Frost & Sullivan, the revenue scale of aesthetic medicine business service market in China reached RMB143.6 billion in 2019, and the compound annual growth rate is expected to reach 17.3% from 2019 to 2024; among them, the growth rate of non-surgical cosmetic diagnosis and treatment market (mainly injection and photoelectric projects) is fast. Due to fast recovery time and low-price risk, it has become increasingly popular with consumers in recent years, reaching a market size of RMB60 billion in 2019, with an expected compound annual growth

rate of 19.2% from 2019 to 2024.

2. Analysis of the development trend of the pharmaceutical industry

In 2020, under the superposition of various medical reform policies, the Chinese pharmaceutical industry was changed dramatically. As medical reform continues to be critical and the route of deepening the reform of the medical and health system gradually becomes clear, China's biomedicine has entered the year of transformation. With the gradual introduction of key policies such as consistency evaluation, drug centralized procurement, medical insurance negotiation of innovative drugs, consumable centralized procurement and DRGs, medical reform has entered the deep-water zone, and a new era of medicine has been ushered in. The era of high gross profit of generic drugs has come to an end, and innovative drugs will occupy a larger market space in the future. The Chinese pharmaceutical industry is gradually changing from "generic" to "innovative". With population aging in China and the substantial growth of medical insurance expenditure, "cost control" has become the main theme of medical reform. On January 17, August 20 and November 5, 2020, the State organized the second and third round of centralized drug procurement and centralized procurement of coronary stents, respectively, which significantly reduced the cost of patients. The expanding and normalizing scope of centralized procurement has become an industry consensus. In the future, injections, device consumables, insulin and other fields will be gradually included.

2021 is the opening year of the 14th Five-Year Plan period and the turning point for the dramatic changes in China's pharmaceutical market landscape. It will also be a year of greater change and uncertainty as the policy continues and deepens. Each link from manufacturers, distributors to medical institutions, medical insurance supervision, doctors and patients among others of the medical industry faces different needs for transformation and innovation. Survival of the fittest is always the way for pharmaceutical companies to survive. In order to develop better, we can only actively adapt to the changes in the development of the industry, and at the same time actively make more flexible adjustments and changes in response to the market environment.

With the normalization of centralized procurement at the national level, the transmission effect of low prices has been highlighted. The price of bid-winning drugs has been reduced to the lowest level in history, and centralized procurement has also expanded from drugs to the field of high-value medical consumables. In addition, the centralized procurement of provincial and cross-provincial alliances also includes the drugs that have not passed the consistency evaluation. The procurement variety is richer, covering a larger market, and the bid-winning rules are also continuously optimized, forming complementarity with the national centralized procurement,

accelerating the change of the existing drug bidding mechanism and reshaping the drug price system and competitive pattern. The coordinated reform of medical services, health insurance, and the medicine industry has brought unprecedented changes in market environment and survival challenges, urging enterprises to improve the quality of drugs in the fierce competition through breaking through the existing production model and looking for new development focuses, thus to further achieve innovation, transformation and upgrading.

Under the influence of domestic centralized procurement, many multinational pharmaceutical companies are accelerating the adjustment of business models by focusing on the promotion of core markets and optimizing product lines. In the future, focusing on core business by stripping off non-core assets will become the norm.

From the overall point of view, the primary-level market has become a new development outlet for pharmaceutical companies under the pressure of medical reform policies such as centralized procurement. The change of the new medical system will definitely bring about the deconstruction and reshaping of China's primary-level care industry. In this context, primary-level care is bound to become the flow entrance of future medical care, and it will also enable pharmaceutical companies that fully lay out the primary-level market to gain more development opportunities.

Both internal pressure and pressure from foreign companies are pushing Chinese pharmaceutical companies to make innovations. The drug review system continues to deepen reform, which encourages pharmaceutical companies to innovate at a higher quality. The number of new drugs entering national health insurance negotiations has increased significantly, and drug prices have decreased rapidly, but the cost of new drug R&D is increasing. The threshold for domestic pharmaceutical innovation has been raised, and differentiated R&D has become the key. The number of innovative drugs is increasing year by year, but the degree of innovation is still insufficient. The R&D of innovative drugs is still based on chasing hot targets, especially the crowded R&D track of anti-tumor drugs, and the homogenization phenomenon is serious, which aggravates the market competition in the future. Therefore, the commercialization prospect is not optimistic.

The licensing and cooperative development of innovative drug projects between Chinese pharmaceutical companies and various countries is increasingly active. Under the background of the "innovation plus internationalization" journey, the R&D capacity, commercialization, talent and business layout, strategic cooperation and globalization of capital of local innovative drug enterprises will be the key elements for the success of internationalization strategy in the future.

The Company has formulated a brand-new development strategy based on the pharmaceutical

and health industry, led by the pharmaceutical industry, while expanding the pharmaceutical business and aesthetic medicine business, adhering to the **scientific research-based and patient-centered** corporate philosophy, and becoming an international brand pharmaceutical powerhouse driven by scientific research innovation.

3. Development plan for pharmaceutical innovation of the Company

(1) Focusing on the core therapeutic field, the Company plans to move from producing generic drugs to innovative drugs, and from following to leading. In the future, the Company will be oriented to meeting clinical needs in scientific research and innovation. In the project approval and decision-making of new drug R&D, the Company will take innovation and differentiation as the scale, based on clinical value, clinical pharmaco-economic value, and commercial value of products, and focus on the long-term pipeline layout, adhere to the upgrading of generic drugs and the development of innovative drugs. The R&D of generic drugs should be highly technical, differentiated, fast and cost effective, while the R&D of innovative drugs should have a high starting point, wide track, new targets and international participation. We take innovative drugs as the basis and direction to build our future core competitiveness, focus on and emphasize the development of innovative drugs and high-tech barrier generic drugs with outstanding clinical value in major diseases and chronic diseases such as anti-tumor, endocrine and autoimmune, and closely follow the technical development and R&D trends in the cutting-edge fields of biological drugs, gene therapy and antibody drugs at home and abroad. With a scientific and pragmatic attitude, based on our own capabilities and risk matching, we will start from differentiated innovation, gradually move towards the first of the same kind/the best breakthrough innovation model of the same kind, accelerate the pace of integration into the innovation chain and value chain of global new drug innovation, and eventually move from Chinese innovation to global innovation, so as to continuously improve the innovation level of the Company to a new height.

(2) The Company will continuously increase R&D investment and enrich and optimize product pipelines. Since 2020, we have strived to invest more than 10% of the sales revenue of the pharmaceutical industry in R&D each year to provide sufficient material guarantee for innovation. While increasing the investment, we will continue to improve the efficiency of the use of R&D funds. Through independent project approval and external introduction, we will strive to complete at least 15 innovation projects (including drugs, medical devices, etc.) every year, of which the project approval of no fewer than 3 innovative drugs, so that each existing product line has the supplement and guidance of innovative products, eventually building a rich product pipeline and a good product ladder, forming a benign development rhythm of continuous marketing of innovative

products since 2022, and striving to achieve the phased goal that the innovation business sector accounts for 30% of the overall industry in 2025.

(3) The Company will accelerate the introduction of high-level talents and building high-level scientific research teams. Focusing on introducing R&D leaders and high-level R&D technical talents with rich experience, we will strengthen the building of internal R&D system and technical platform, and actively promote the building of domestic and overseas R&D platform. We will create an innovative cultural environment and atmosphere that is bold in innovation, encourages success, and tolerates failure, and establish a market-oriented performance mechanism oriented to success. We will build a scientific research team with outstanding ability, open thinking, passion, courage, pioneer and innovation, and promote the real implementation of the Company's innovation internationalization strategy. We will establish a dynamic evaluation mechanism for R&D projects, and assist the Company in decision-making and management of R&D and product introduction by establishing an external expert academic committee to ensure the scientific nature, advancement and feasibility of scientific research and innovation.

(4) The Company will deepen comprehensive cooperation with foreign partners and product introduction, and build a global R&D strategic cooperation ecosystem centered on Zhongmei Huadong. Integrating and connecting external advantageous resources and technologies, we will promote the introduction and development of high-quality innovation projects through cooperative development, licensing or acquisition, continuously enrich the Company's product pipelines and improve the medium- and long-term layout of innovative products. At the same time, we will also continue to improve the international operation capacity of our products, and license our own advantageous products, advanced technologies and patents.

Development plan of Huadong business:

We will take service as the core and transform with innovation. Adhering to in-depth development in Zhejiang, we will continue to enhance the brand influence, and maintain the leading position of the industry in Zhejiang. Instead of pursuing simple scale expansion, scale and benefits should be paid equal attention. We will pursue high-quality and sustainable benefits through refined management. We will improve the modern pharmaceutical logistics network covering Zhejiang Province, make every effort to build a high-end third-party pharmaceutical logistics featuring cold chain and improve value-added service capacity. With the help of commercial forces to drive market networks and channel resources, we will transform and improve traditional business models, actively develop new business models such as general agent, business trusteeship, and BTC pharmacy, and cultivate innovative businesses. We will consolidate the in-hospital market, expand

the out-of-hospital market, use the Internet platform, and innovate the services for suppliers through big data, AI, Internet of Things and other new technologies. We will also extend the service supply chain, and accurately connect downstream medical institutions and upstream pharmaceutical enterprises, so as to gradually develop towards modern pharmaceutical professional value-added services and take the path of sustainable development.

Business development plan for the aesthetic medicine business:

The Company's aesthetic medicine business adopts the strategy of "global operation layout and dual-circulation operation and development". Take Sinclair, a core subsidiary, as the global operating platform to realize the global operating layout of aesthetic medicine business, we will build it into an international first-class aesthetic medicine business enterprise and create a new development space in the future. As a special market for the Company's aesthetic medicine business, the Chinese market has successively introduced the products with high scientific and technological content and great market potential. We will steadily expand the Chinese market with the help of the Company's registration and marketing strength in China; internationally, relying on the Company's domestic aesthetic medicine business marketing basis and the rapid development of the aesthetic medicine business industry, we will help the rapid implementation and commercialization of international high-quality products, so as to form a new pattern of joint development and mutual promotion of domestic and international circulations.

In the future, the Company will continue to focus on the global high-end market of aesthetic medicine business, relying on four global R&D centers: wholly-owned subsidiaries Sinclair (UK), High Tech (Spain) and partially-owned companies R2 (US) and Kylane (Switzerland), to further integrate R&D resources and capacity, actively optimize and improve product structure, and enrich and improve industrial layout. The five global production bases located in the Netherlands, France, the United States, Switzerland and Bulgaria will provide a strong capacity guarantee for the internationalization of the Company's aesthetic medicine business products and better meet the future development and market demand.

4. The Company's business plan for 2021

2021 is a key year for Huadong Medicine's innovation, transformation and reform to enter the deep-water zone, and it is also the closing year of the sixth three-year plan. The severe challenges brought about by policy changes and industry competition in the domestic pharmaceutical industry will continue, and the Company will face greater business difficulties and policy uncertainties. Although the positive conditions and favorable factors to promote operation are also gradually gathering, Zhongmei Huadong will still face major challenges of declining growth rate in its annual

operation due to the prominent phased impact of the price reduction of key products on the Company's operation. The Company has formulated specific plans and assessment plans for various work, striving to maintain the continued growth of the overall business of the pharmaceutical industry throughout the year. All officials and employees are required to further change their mindset, clarify their own positioning, stimulate their own vitality, innovate their own value and realize their own transformation with a more open, proactive and enterprising spirit under the annual business working policy of "repositioning, reshaping value, stimulating vitality and deepening transformation". We will continue to maintain a brave and determined work style, so as to broaden the horizon and pursue excellence. We will work with the momentum of no time to lose and seize the day to revive the entrepreneurial spirit of Huadong Medicine, create a new pattern of the development of Huadong Medicine, and reshape the core competitiveness of Huadong Medicine.

(1) Pharmaceutical industry:

We will promote the transformation of production system from cost center to profit center. In 2021, we will continue to optimize the production layout combining "self-built production parks" with "outsourced production sites", align with the advanced, improve the light asset production and operation system, and do a good job in production planning and resource allocation. We will create an engineer culture, build agile production, lean material procurement, production organization and product delivery, continuously save production costs, improve per capita labor efficiency, and develop new business and create new value for the Company. Since production system preparations, raw materials and various technology platforms are important links in the global pharmaceutical manufacturing industry chain, we will strive to explore new moats and create more profit points in multiple ways and in multiple fields, and make concerted efforts in BD, quality, patent, R&D and manufacturing departments to accelerate CMO/CDMO projects and open up international markets to make a major breakthrough in international business development in 2021.

We will make overall plans to promote fixed asset investment projects, and focus on doing a good job in the construction of Huadong Medicine Life Sciences Industrial Park, Jiangdong Phase II, International R&D and Manufacturing Center for Preparations, industrialization of Semaglutide APIs and other major projects. We will strengthen the management of project progress, cost, quality and safety, and ensure the advancement of technology while meeting the investment income indicators.

We continue to carry out normal management, change and registration of GMP, product transfer and entrusted production and quality group management with the overall goal of

“developing capacity and improving efficiency” in quality system.

(2) R&D:

We will continue to deepen the reform of R&D system, introduce international, professional and innovative high-quality R&D talents, enhance the overall combat ability of R&D teams by combining introduction and training, and form a refined and efficient R&D team with international vision. We will further optimize the R&D process, improve the R&D efficiency, promote the R&D internal order system, open up to undertake external R&D projects on the basis of ensuring the progress and quality of our own projects, and enhance the market competitiveness of our R&D organizations. We will also continue to strengthen cooperation with the world’s leading biomedical R&D companies to explore innovative R&D models suitable for the future development of the Company and build a unique core technology platform.

We will continuously follow up and evaluate new targets and cutting-edge technologies in the field of global new drug R&D, and further consolidate the pipeline of innovative products through independent R&D and external introduction. Moreover, we will accelerate the cultivation of the Company’s R&D capabilities in early drug discovery and preclinical/translational medicine. In 2021, we will strive to complete project approval for no fewer than 15 innovative drugs, 6 generic drugs and 1 other new product, strive to obtain 3 manufacturing approvals, pass consistency evaluation for at least 2 product categories, complete 25 patent applications and have 2 product international registrations approved.

(3) Marketing and pharmaceutical services of Zhongmei Huadong:

We will accelerate the transformation of marketing strategy, implement the policy of “turning from in-hospital to out-of-hospital and from medical insurance to self-financing”, carry out the refined marketing of the Company’s products, and actively expand the out-of-hospital market, primary-level market and self-financing market. We will continue to improve the sales volume in the hospital market and primary-level market by means of four target management. We will vigorously improve the building and personnel allocation of out-of-hospital market organizations, expand personnel, and improve the coverage rate of key products of the Company in chain pharmacies and terminals. We will explore the self-financing market sales model to strive to achieve the breakthrough of self-financing market sales, and actively explore the new marketing model of online prescription drug purchase and chronic disease management in Internet hospitals to increase the coverage of Internet market and product sales.

(4) Management:

In 2021, the whole company should further change its concepts, advocate value culture and

incentive culture, and fully activate the overall organizational vitality of the Company. We will improve the official management mechanism and accelerate the training of outstanding officials. We will continuously build the organization competitiveness of Huadong Medicine. We will strengthen the basic human resource management and consolidate the cornerstone of human resource management; continue to carry out the introduction and training of core talents and accelerate the introduction of talents in new business segments including devices, aesthetic medicine business and Internet hospitals; and innovate the performance and salary incentive mechanism and activate the organization through assessment;

We will adapt to the development needs of the Company, keep promoting the overall financial planning objectives of “collective, compliant, IT-based and internationalized” management, take value as the center and performance as the orientation, and make every effort to carry out four basic tasks: energizing organization, aligning with the advanced, reducing costs and increasing efficiency, and operating finance. We will strengthen foreign exchange, improve working standards and requirements, vigorously improve the operation and management level of the financial system, and build a lean and efficient financial management team. We will earnestly do a good job in the building of the budget system based on value management, fully participate in the operation, provide decision support, promote efficiency improvement, and create financial value.

(5) Pharmaceutical business:

“Achieving four transformations, innovating for profit, and regulating for efficiency” is the main theme of Huadong business in 2021. We shall profoundly understand industrial changes, optimize the allocation and integration of internal resources, promote coordinated development, and improve operating efficiency. Taking customer satisfaction as the overall goal, we will change our operation mindset, optimize the in-hospital marketing, and layout the marketing outside the hospital. We will take the hospital as the base, keep up with the development of the hospital and achieve a steady increase of business; deeply explore the out-of-hospital and self-financing market; and firmly discover a new model of the mega health industry and do a good job in the Internet market. We will build a province-wide market expansion network, establish three promotion teams, i.e., in-hospital team, private team and retail team, serve the suppliers with enriched product lines, expand the service scope and cultivate new profit models by relying on the advantages of “platform + product + network” of Huadong business. We will relocate the retail market, build a new retail in Huadong Medicine, pay close attention to the provincial expansion of OTC business, and focus on the development of DTP, in-hospital and out-of-hospital stores and special outpatient departments. We will also complete the layout of one DTP in one city as soon as possible to realize the varieties and management down to the community level, incorporate subsidiary pharmacies into the retail system of Huadong Medicine, and expand the coverage of the whole province with a unified retail

brand image of Huadong Medicine. Aiming at profit improvement, we will integrate the e-commerce resources of Huadong Medicine and expand the Internet market. For instance, we will promote “Business Network of Huadong Medicine”, build “Flagship Store of Huadong Pharmacy”, introduce more varieties with online authorized sales, connect with “Internet plus medical care”, and cooperate with physical medical institutions and Internet hospitals with order taking online and delivering drugs to homes.

We shall earnestly focus on the innovative development of professional cold chain of Huadong business cold chain, locate the precise management and control of the whole life cycle of special drugs, continuously strengthen the competitive advantage of cold chain capacity and promote the high-quality development of intelligent digital supply chain. We shall actively cultivate new businesses, improve the logistics system of the whole province in the cold chain, enhance the competitiveness of the tripartite businesses, and consolidate the industrial status. We will contribute to the universal inoculation of COVID-19 vaccines, make every effort to do a good job in the provincial distribution of COVID-19 vaccines, and ensure timely and safe delivery.

(6) Aesthetic medicine business

It is necessary to continue to improve the international operation system, focus on the international high-end market of aesthetic medicine, further integrate R&D resources and capacities, and continue to promote the structural adjustment of aesthetic medicine products and the innovative business development. Efforts also should be made to actively optimize and enhance the product structure, carry on the research and study of high-tech products and new technologies and the project introduction in the field of aesthetic medicine all over the world, and enrich and improve the industrial layout. Through accurate positioning, the Company gives full play to the brand value of the products, quickly gets to the market, and creates a new pattern of aesthetic medicine in the domestic market. It shall also accelerate the establishment of the promotion team for new products of aesthetic medicine, and actively introduce marketing talents from external established aesthetic medicine market. The Company shall implement the establishment of the marketing team, brand and market communication, and communication with aesthetic medicine institutions, doctor training, and other preparation related to launch and subsequent marketing promotion for the core products such as Ellans é and Glacial™ Spa (F0) in Chinese market in 2021, realizing the quick coverage of mid-to-high aesthetic medicine institutions and the rapid increase of sales after the products are put into the market.

Besides, the Company shall carry out the business development planning and market

expansion after acquiring the equity of Spanish firm High Tech, speed up the domestic clinical registration of Sinclair embedding product Silhouette® Instalift™, MaiLi® hyaluronic acid of Kylane of Switzerland, and creotoxin of Jetema of South Korea, try to lower the impact of the COVID-19 pandemic on the domestic and overseas aesthetic medicine business of the Company, and build a solid foundation for the normal operation after the pandemic.

X. Risks and Countermeasures

1. Industry policies and market risks

The pharmaceutical industry is one of the industries influenced by national policies in the deepest manner. In recent years, the reform in the area of medical health has been deepened continuously with various policies introduced intensively, and the State has conducted the regulation and supervision of the pharmaceutical industry in a stricter manner. The pharmaceutical market is facing many uncertainties due to the trend of the normalization of the COVID-19 pandemic. With the further promotion of the policies such as volume-based procurement and health insurance negotiation, the production costs and profitability in the pharmaceutical industry are also facing challenges.

Countermeasures:

The Company will pay close attention to and study the national pharmaceutical policies and industrial development trends, increase the investment in R&D, speed up the layout of innovative varieties, enrich the product pipelines, and optimize the product structure. At the same time, it shall maintain lean production to realize lower costs and risks and higher efficiency in production and operation. Besides, it will make great efforts to expand the primary-level and self-funded market to increase the market coverage. Its task is also to continue to excavate the dominant products and subdivision of aesthetic medicine, improve brand competitiveness, and create new profit points.

2. New drug R&D risk

The R&D of new medicine has the characteristics of high technology and high risks. The innovative drug products also experience long cycle and various links including R&D at the early stage, technology development, clinical trials, registration, and launch, and are subject to preclinical research, clinical trials, registration and declaration, production approval and other processes, which are time-consuming and have many uncertainties and risks in the process. In addition, the R&D of new medicine has extremely high requirements of personnel quality, and is apt to be affected by

factors such as policies, approval, and technologies. The R&D expenses at the early stage will lead to some pressure on the Company for the current operation goal, meanwhile, the new medicine after its launch will be subject to the testing of market demands, which may result in consequences such as the return of the R&D investment lower than expectation, and the negatively affected profitability.

Countermeasures:

The Company will enrich and optimize the product pipelines, adopt generic drugs and innovative drugs with high barriers, and stoutly eliminate outmoded varieties through independent project approval and external introduction. It will also proactively promote the R&D system establishment of international innovative drugs, continuously conduct dynamic optimization and adjustment of the Company's entire R&D system and framework, and improve the scientific and dynamic investigation, assessment, and decision-making system, based on the increasing investment in R&D of new medicine. The Company aims to continue to introduce high-level R&D talents, strengthen the cultivation and incentive of internal talents, create a scientific research team covering the whole cycle of new medicine R&D, and promote the establishment of the high-level pharmaceutical R&D base.

3. Price reduction risk

With the more intensive competition in the pharmaceutical market, and more deepening medical insurance fee control, and the comprehensive launch of the national policies for volume-based procurement, the Chinese pharmaceutical market has entered into a stage of steady development when generic drugs have fallen from the golden age to the age with low profitability. With the foreign-invested enterprises targeting at the domestic market, the competition in the area of innovative drugs is more intensive. The national policies of medical insurance negotiation also have a profound impact on the pricing of innovative drugs, and the innovative drugs also face the risks of price reduction.

Countermeasures:

The Company will actively handle the changes in policies and market to enhance the technological quality advantages mainly driven by scientific R&D and technological innovation in line with the international standards. It will accelerate the transformation of marketing strategies, carry out the delicacy marketing of the Company's products, and actively explore the marketing mode of the self-financing market, and new marketing mode of medicine purchase with the online

hospital prescription and chronic disease management. It will also adopt primary-level marketing channels and academic promotion, enhance the market expansion, enlarge the market coverage, and increase the market access capacity.

4. Risk of change in exchange rate

The changes in exchange rate have a profound and long-lasting impact on enterprises, which can not only bring good economic benefits but also cause serious economic risks. With the continuous promotion of the Company's internationalization, international cooperation and communication have increased continuously with the aesthetic medicine marketing network covering all around the world, and the proportion of business settled by foreign currencies is increasing. The changes in exchange rate will have an impact on the asset, liability, and benefits of enterprises, further affecting the operation capacity, debt repayment capacity, and profitability.

Countermeasures:

The Company will pay attention to the changes in exchange rate all the time, and adjust the operation strategies and resolve negative impacts in a timely manner based on its own condition. It will foster the awareness of currency risk prevention, and create a sound management system of foreign exchange risks while strengthening the professional skills of financial personnel and the training of risk awareness, and avoiding risks by means of financial methods.

XI. Activities of receptions, including research, communication and interview

1. Registration form of receptions, including research, communication and interview, undertaken during the reporting period

√ Applicable □ N/A

Reception Date	Reception Address	Reception Method	Type of visitor	Reception object	Main content of discussion and information provided	Index of basic information of the research
January 19, 2020	Company conference room	Communication by phone	Institution	Industrial Securities, etc.	Interpretation of the bidding results of Huadong Medicine attending the	Please refer to "Huadong Medicine: 000963 Huadong Medicine information on research activities: January 19, 2020"

					national centralized medicine procurement	presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
April 30, 2020	Company conference room	Communication by phone	Institution	China International Capital Corporation Limited., etc.	Interpretation of 2019 Annual Report and 2020 First Quarterly Report of Huadong Medicine	Please refer to “Huadong Medicine: record of investor relations activities: April 30, 2020” presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
June 5, 2020	Company conference room	Field research	Institution	Zhongtai Securities, etc.	Activities of investors’ reception day of the Company	Please refer to “Huadong Medicine: record of investor relations activities: June 5, 2020 (investor reception day activities)” presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
August 28, 2020	Company conference room	Communication by phone	Institution	Industrial Securities, etc.		Please refer to “Huadong Medicine: record of investor relations activities: August 28, 2020” presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
September 2, 2020	Company conference room	Communication by phone	Institution	UBS Securities, etc.	Interpretation of 2020 Half Year Report of Huadong Medicine	Please refer to “Huadong Medicine: record of investor relations activities: September 2, 2020” presented on the

						websites of irm.cninfo.com.cn and cninfo.com.cn for details.
October 27, 2020	Company conference room	Communication by phone	Institution	Changjiang Securities, etc.	Online discussion on China A-shares	For details, please refer to “Huadong Medicine: record of investor relations activities: October 27, 2020” presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
November 3, 2020	Company conference room	Communication by phone	Institution	Industrial Securities, etc.	Interpretation of 2020 Third Quarterly Report of Haudong Medicine	Please refer to “Huadong Medicine: 000963 Huadong Medicine information on research activities: November 3, 2020” presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
November 10, 2020	Company conference room	Field research	Institution	RoyalFlush, etc.	Special communication on aesthetic medicine business of the Company	Please refer to “Huadong Medicine: record of investor relations activities: November 10, 2020” presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
November 18, 2020	Company conference room	Communication by phone	Institution	Goldman Sachs, etc.	“Activities for Listed Companies” – Huadong Medicine	Please refer to “Huadong Medicine: record of investor relations activities: November 18, 2020” presented on the websites of irm.cninfo.com.cn

						and cninfo.com.cn for details.
November 19, 2020	Company conference room	Field research and Communication by phone	Institution	Industrial Securities, Founder Securities, etc.	Online communication of 2020 Goldman Sachs Asia Pacific Medical Investors Summit	Please refer to “Huadong Medicine: record of investor relations activities: November 19, 2020” presented on the websites of ir.m.cninfo.com.cn and cninfo.com.cn for details.
Number of receptions			10			
Number of institutions received			1,200			
Number of individuals received			100			
Number of other visitors received			0			
Has any undisclosed important information been disclosed, revealed or divulged?			No			

Section V. Important Matters

I. The Company's profit distribution of common shares and increase of capital stock by capital reserve conversion

Formulation, implementation or adjustment of the profit distribution policy of common shares, especially the cash dividend policy, during the reporting period

Applicable N/A

During the reporting period, the Company's profit distribution policy conforms to the Articles of Association and the review procedure, and fully protects the legitimate rights and interests of small and medium investors. The independent directors have expressed their opinion, and there is a clear standard and ratio of dividends.

Special notes on cash dividend policy	
Whether it complies with the provisions of the Articles of Association or the requirements of the resolutions of shareholders' meeting:	Yes
Whether the standard and ratio of dividends are clear:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors have performed their duties and played their due roles:	Yes
Whether minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests are fully protected:	Yes
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Yes

The Company's common share dividend distribution plan (preplan) and plan for capital stock increase by capital reserve conversion (preplan) in recent three years (including the current reporting period):

- (1) The Company's distribution plan for 2018: Based on the total share capital of 1,458,174,624 shares, 3.3 yuan (tax included) is paid as a cash dividend for every 10 shares; the total share dividend distributed is 481,197,625.92 yuan, and 2 shares are added for every 10 shares by capital reserve conversion;
- (2) The Company's distribution plan for 2019: Based on the total share capital of 1,749,809,548 shares, 2.8 yuan (tax included) is paid as a cash dividend for every 10 shares; the total share dividend distributed is 489,946,673.44 yuan, and 0 shares are added for every 10 shares by capital reserve conversion.
- (3) The Company's distribution plan for 2020: Based on the total share capital of 1,749,809,548 shares, 2.3 yuan (tax included) is paid as a cash dividend for every 10 shares; the total share dividend distributed is 402,456,196.04 yuan, and 0 shares are added for every 10 shares by capital reserve conversion.

The Company's cash dividends of common shares in recent three years (including the reporting period)

Unit: RMB yuan

Year when dividends are distributed	Cash dividends (tax included)	Net profit attributable to the common shareholders of the Company in the annual consolidated statements	Proportion of cash dividends in the net profit attributable to the common shareholders of the Company in the consolidated statements	Cash dividends by other means (such as share repurchase)	Proportion of cash dividends by other means in the net profit attributable to the common shareholders of the Company in the consolidated statements	Total cash dividends (including those by other means)	Proportion of total cash dividends (including those by other means) in the net profit attributable to the common shareholders of the Company in the consolidated statements
2020	402,456,196.04	2,819,861,203.63	14.27%	0.00	0.00%	402,456,196.04	14.27%
2019	489,946,673.44	2,813,118,702.11	17.42%	0.00	0.00%	489,946,673.44	17.42%
2018	481,197,625.92	2,267,229,174.08	21.22%	0.00	0.00%	481,197,625.92	21.22%

During the reporting period, the Company made profits and the profit available to common shareholders of the parent company was positive, but no cash dividend plan for common shares was proposed

Applicable N/A

II. Profit distribution and capital stock increase by capital reserve conversion during the current reporting period

Applicable N/A

Number of bonus shares every 10 shares (share)	0
Dividends paid every 10 shares (tax included)	2.3
Number of shares added for every 10 shares by capital reserve conversion	0
Capital stock base of the distribution plan (share)	1,749,809,548
Cash dividends (yuan) (tax included)	402,456,196.04
Cash dividends by other means (such as share repurchase) (yuan)	0.00
Total cash dividends (yuan)	402,456,196.04
Distributable profit (yuan)	4,303,533,798.88
Proportion of total cash dividends (including those	100%

by other means) in the total profit distributed
Current cash dividends
If the Company is in a mature stage of development and has a significant capital expenditure arrangement, the proportion of cash dividends in the current profit distribution should be at least 40%.
Details of the profit distribution plan or the plan for capital stock increase by capital reserve conversion
The Company's profit distribution plan for 2020: Based on the total share capital of 1,749,809,548 shares, 2.3 yuan (tax included) is paid as a cash dividend for every 10 shares; the total share dividend distributed is 402,456,196.04 yuan, and 0 shares are added for every 10 shares by capital reserve conversion.

III. Fulfillment of commitments

1. Commitments made by interested parties such as the Company's actual controller, shareholders, related parties, acquirer(s), and the Company that are fulfilled during the reporting period or unfulfilled by the end of the reporting period

√ Applicable □ N/A

Commitment	Commitment maker	Type of commitment	Details of commitment	Date of commitment	Term of commitment	Fulfilled or unfulfilled
Share reform	N/A	N/A	N/A		N/A	N/A
A commitment made in the report of acquisition or the report of change in equity	N/A	N/A	N/A		N/A	N/A
A commitment made in assets restructuring	N/A	N/A	N/A		N/A	N/A
A commitment made at the time of an initial public offering or refinancing	N/A	N/A	N/A		N/A	N/A
Equity incentives	N/A	N/A	N/A		N/A	N/A
Other commitments made to the Company's small and medium shareholders	China Grand Enterprises, Inc.	Commitment to reducing shareholdings	China Grand Enterprises undertakes that it has no plan to sell all of its shares in Huadong Medicine within 12	February 11, 2019	12 months	Fulfilled

			months from the date of the lifting of restrictions on the non-public offering of shares by Huadong Medicine in 2016.			
	Hangzhou Huadong Medicine Group Co., Ltd.	Commitment to reducing shareholdings	Huadong Group undertakes that it has no plan to sell all of its shares in Huadong Medicine within 12 months from the date of the lifting of restrictions on the non-public offering of shares by Huadong Medicine in 2016.	February 11, 2019	12 months	Fulfilled
Whether the commitment has been fulfilled on time	Yes					
If the commitment is overdue and has not been fulfilled, the specific reasons for unfulfillment and the future work plan should be explained in detail.	N/A					

2. If there is a profit forecast for the Company’s assets or projects and the reporting period is in the profit forecast period, the Company should state the assets or projects that meet the original profit forecast and the reasons for that

Applicable N/A

IV. Controlling shareholder’s and related parties’ occupation of non-operating funds of the listed companies

Applicable N/A

No such case during the reporting period.

V. Explanation by the Board of Directors, the Board of Supervisors and the independent directors (if any) on the “auditor’s nonstandard report” of the accounting firm during the current reporting period

Applicable N/A

VI. Changes in accounting policies, estimation and accounting methods as compared with the previous financial report

Applicable N/A

See section 12 of financial report five important accounting policies and accounting estimates 44 for details.

VII. Retrospective restatement of the correction of significant accounting errors during the reporting period

Applicable N/A

No such case during the reporting period.

VIII. Changes in the scope of consolidated statements as compared to the previous financial report

Applicable N/A

1. Increase of the consolidation scope

Company name	Method of equity acquisition	Time of equity acquisition	Amount of capital	Ratio of capital
MediBeacon Technology (Shanghai) Co., Ltd.	New subsidiary	2020.9	1,000,000.00	100.00%
Zhejiang Huida Biotech Co., Ltd.	New subsidiary	2020.1	5,100,000.00	51.00%
Shenzhen Xinda Yanchuang Technology Development Co., Ltd.	New subsidiary	2020.5	500,000.00	100.00%

Sinclair Pharmaceuticals (Asia-Pacific) Pte Ltd.	New subsidiary	2020.8	[Note]	100.00%
Sinclair Chile SPA	New subsidiary	2020.9	7.5 million pesos	100.00%
Sinclair (Shanghai) Medical Technology Co., Ltd.	New subsidiary	2020.9	[Note]	100.00%
R2 (Shanghai) Medical Technology Co., Ltd.	New subsidiary	2020.9	[Note]	100.00%
Beijing Huachuang Dongxin Technological Development Co., Ltd.	New subsidiary	2020.11	[Note]	100.00%

Note: No capital has been contributed as of December 31, 2020.

2. Reduction of the consolidation scope

Company name	Method of equity disposal	Time of equity disposal	Net assets at disposal date	Net profit from the beginning of the period to the disposal date
Huadong Medicine Medical Equipment Technology (Hangzhou) Co., Ltd.	Cancellation	2020.11	-4,277,665.48	-503,242.26
Ningbo Sinfmuse Medical Investment Management Co., Ltd.	Cancellation	2020.3		2,448,018.16
Huadong Medicine Wuhan Pharmaceutical Co., Ltd.	Cancellation	2020.7		5,425,926.85

IX. Employment and dismissal of accounting firms

Accounting firm employed by the Company for now

Name of the domestic accounting firm	Pan-China Certified Public Accountants (special general partnership)
Continuous number of years of audit services provided by the domestic accounting firm	165
Remuneration of the domestic accounting firm (ten thousand yuan)	23
Certified public accountants of the domestic accounting firm	Wang Fukang, Xu Ping
Continuous number of years of audit services provided by certified public accountants of the domestic accounting firm	5
Name of the overseas accounting firm (if any)	None
Remuneration of the overseas accounting firm (ten thousand yuan) (if any)	0

Continuous number of years of audit services provided by the overseas accounting firm (if any)	None
Certified public accountants of the overseas accounting firm (if any)	None
Continuous number of years of audit services provided by certified public accountants of the overseas accounting firm (if any)	None

Whether the accounting firm employed was replaced in the current period

Yes No

Information about the internal control audit accounting firm, financial consultant or sponsor employed by the Company

Applicable N/A

During the reporting period, the Company employed Pan-China Certified Public Accountants (special general partnership) as the audit institution of its annual financial report and internal control audit report; the annual financial report and internal control audit report audit fee paid is 1.65 million yuan.

X. Delisting after annual report disclosure

Applicable N/A

XI. Bankruptcy reorganization

Applicable N/A

XII. Major litigation and arbitration

Applicable N/A

No such case during the reporting period.

XIII. Punishment and rectification

Applicable N/A

No such case during the reporting period.

XIV. Integrity of the Company and its controlling shareholder and actual controller

Applicable N/A

XV. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

Applicable N/A

In this period, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. invested 10 million yuan to establish Zhejiang Huida Biotechnology Co., Ltd. with a registered capital of 10 million yuan and a shareholding ratio of 100.00%. In August 2020, Hangzhou

Zhongmei Huadong Pharmaceutical Co., Ltd. signed the team equity incentive agreement with the members of the core technology team, which agreed that the members of the core technology team would join Hangzhou Zhongmei Huadong or Zhejiang Huida , Hangzhou Zhongmei Huadong transferred its 49.00% incentive equity of Zhejiang Huida to the core technology team at the price of 1.00 yuan. Hangzhou Zhongmei Huadong recorded the difference between the incentive equity price of 1.00 yuan and the incentive equity cost of 4899999.00 yuan into the management expenses.

XVI. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

Applicable N/A

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. invested RMB10 million to the establishment of Zhejiang Huida Biotech Co., Ltd. with the registered capital of RMB10 million. The shareholding ratio of Zhongmei Huadong reaches 100.00% . In August 2020, Zhongmei Huadong entered into the Team Equity Incentive Agreement with its core technical team members, specifying that after the members join Zhongmei Huadong or Zhejiang Huida Biotech Co., Ltd., Zhongmei Huadong will transfer its 49.00% incentive equity of Huida Biotech to the core technical team at the price of RMB1.00, and Zhongmei Huadong includes the difference of RMB4,899,999.00 between the equity incentive price of RMB1.00 and the incentive equity costs into the management expenses.

XVI. Major related transactions

1. Transactions related to daily operations

√ Applicable □ N/A

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related transaction	Price of related transaction	Related transaction amount (ten thousand yuan)	Proportion in the amount of similar transactions	Approved transaction amount (ten thousand yuan)	Whether it exceeds the approved amount	Settlement method of related transaction	Available market prices of similar transactions	Date of disclosure	Disclosure index
Grandpharma (China) Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	6,343.28	0.28%	5,000	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	5,977.15	0.27%	5,500	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)

Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	4,334.04	0.19%	8,500	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Beijing Grand Johamu Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	2,695.87	0.12%	4,500	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	2,082.01	0.09%	2,400	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related	Market price	1,414.59	0.06%	1,200	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)

				transaction decision-making process									
Hangzhou Grand Biologic Pharmaceutical Inc	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	1,108.19	0.05%	350	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Wuhan Grand Pharmaceutical Group Sales Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	1,064.18	0.05%	700	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Shenyang Yaoda Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	531.34	0.02%	500	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Leiyunshang	Subsidiary of the	Drug purchase	Drug purchase	Market price determined	Market price	399.91	0.02%	300	Yes	Cash, banker's	Market price	April 28,	cninfo (http://www.cninfo.co

Pharmaceutical Group Co. Ltd.	Company's controlling shareholder			by the Company's related transaction decision-making process						acceptance bill		2020	m.cn)
Shanghai Xudong Haipu Pharmaceutical Co., Ltd	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	394.89	0.02%	400	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Guangdong Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	254.79	0.01%	100	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Xi'an Yuanda new Beilin Pharmaceutical Co., Ltd	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	167.41	0.01%	420	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)

				ing process									
Changshu Leiyunshan g Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	126.48	0.01%	150	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Changchun Leiyunshan g Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	102.24	0.00%	110	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou Huadong Medicine Group Guizhou TCM Development Co., Ltd.	Subsidiary of the Company's second largest shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	79.51	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Grandpharma Huangshi Feiyun	Subsidiary of the Company's controlling	Drug purchase	Drug purchase	Market price determined by the Company's	Market price	11.58	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)

Pharmaceutical Co., Ltd.	shareholder			related transaction decision-making process									
Xi'an Yuanda Detian Pharmaceutical Co., Ltd	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	0.29	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Beijing Huajin Pharmaceutical Co., Ltd	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	39.11	0.00%	50	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou Junlan Pharmaceutical Trading Co. Ltd.	Shareholding enterprise	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	12,416.14	0.37%	11,000	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou	Subsidiary	Drug	Drug sales	Market price	Market	1,014.18	0.03%	920	Yes	Cash,	Market	April	cninfo

Tangyangyu an TCM Outpatient Department Co., Ltd.	of the Company's joint venture Hangzhou Tangyangyu an Pharmaceuti cal Co., Ltd.	sales		determined by the Company's related transaction decision-mak ing process	price					banker's acceptan ce bill	price	28, 2020	(http://www.cninfo.co m.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-mak ing process	Market price	491.69	0.01%	800	No	Cash, banker's acceptan ce bill	Market price	April 28, 2020	cninfo (http://www.cninfo.co m.cn)
Guangdong Leiyunshan g Pharmaceuti cal Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-mak ing process	Market price	325.03	0.01%	300	Yes	Cash, banker's acceptan ce bill	Market price	April 28, 2020	cninfo (http://www.cninfo.co m.cn)
Hangzhou Huadong Medicine Group New	Association with the Senior managemen	Drug sales	Drug sales	Market price determined by the Company's	Market price	473.63	0.01%	400	Yes	Cash, banker's acceptan ce bill	Market price	April 28, 2020	cninfo (http://www.cninfo.co m.cn)

Drug Research Institute Co., Ltd.	t [note]			related transaction decision-making process									
Leiyunshan g Pharmaceutical Group Co. Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	416.85	0.01%	300	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Yunnan Leiyunshan g Lixiang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	217.11	0.01%	150	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou Tangyangyu an Pharmaceutical Co., Ltd.	Joint venture of the Company	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	18.23	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Grand	Subsidiary	Drug	Drug sales	Market price	Market	14.58	0.00%	0	Yes	Cash,	Market	April	cninfo

Resources Group Co., Ltd.	of the Company's controlling shareholder	sales		determined by the Company's related transaction decision-making process	price					banker's acceptance bill	price	28, 2020	(http://www.cninfo.com.cn)
Hangzhou Grand Biologic Pharmaceutical Inc.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	84.68	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Changchun Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	9.27	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
China Grand Enterprises, Inc.	the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction	Market price	85.24	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)

				decision-making process									
Changshu Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	6.55	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	House rental	House rental	Market price determined by the Company's related transaction decision-making process	Market price	34.76	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou Huadong Medicine Group Co., Ltd.	The Company's second largest shareholder	House rental	House rental	Market price determined by the Company's related transaction decision-making process	Market price	34.12	0.00%	34	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou Jiuyuan Gene	Joint venture of the	House leasing	Rent and rent compensat	Market price determined by the	Market price	1,328.44	0.06%	220	Yes	Cash, banker's acceptan	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)

Engineering Co., Ltd.	Company		ion	Company's related transaction decision-making process						ce bill			
Beijing Yanhuang Real Estate Co., Ltd.	Subsidiary of the Company's controlling shareholder	House leasing	House leasing	Market price determined by the Company's related transaction decision-making process	Market price	86.18	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou Huadong Medicine Group Co., Ltd.	Joint venture of the Company	House leasing	House leasing	Market price determined by the Company's related transaction decision-making process	Market price	26.68	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou Grand Biologic Pharmaceutical Inc.	Subsidiary of the Company's controlling shareholder	processing charge	processing charge	Market price determined by the Company's related transaction decision-making process	Market price	32.3	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)

Hangzhou Huadong Medicine Group Co., Ltd.	The Company's second largest shareholder	Property and security service fee	Property and security service fee	Market price determined by the Company's related transaction decision-making process	Market price	30.19	0.00%	50	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Hangzhou Huadong Medicine Group Co., Ltd.	The Company's second largest shareholder	Energy service	Energy service	Market price determined by the Company's related transaction decision-making process	Market price	9.02	0.00%	25	No	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Beijing Yuanda Chuangxin Property Management Co., Ltd.	Subsidiary of the Company's controlling shareholder	Property management fee	Property management fee	Market price determined by the Company's related transaction decision-making process	Market price	19.28	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)
Beijing Haiwan Banshan Hotel Management	Subsidiary of the Company's controlling shareholder	conference fee	conference fee	Market price determined by the Company's related	Market price	10.42	0.00%	0	Yes	Cash, banker's acceptance bill	Market price	April 28, 2020	cninfo (http://www.cninfo.com.cn)

t Co., Ltd.				transaction decision-mak ing process									
Total	--	--	44,311.4 3	--	44,379	--	--	--	--	--	--	--	--
Details of bulk sales returns	N/A												
Actual performance during the reporting period where the total amount of daily related transactions is estimated by category for the current period (if any)	N/A												
Reasons for the large difference between the transaction price and the market reference price (if applicable)	N/A												

2、 Related transactions involving the acquisition or sale of assets and shares

Applicable N/A

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related transaction	Book value of transferred assets (ten thousand yuan)	Assessed value of transferred assets (ten thousand yuan)	Transfer price (ten thousand yuan)	Settlement method of related transactions	Trading profit and loss (ten thousand yuan)	Date of disclosure	Disclosure index
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Purchase of assets	Purchase of assets	evaluated price determined by the Company's related transaction decision-making process	5,000	8,076.81	5,000	cash	/	September 16, 2020	cninfo (http://www.cninfo.com.cn)
Reasons for the large difference between the transfer price and the carrying value or assessed value (if any)				The appraised value is 80,768,100 yuan, and the buyer and the seller confirm: 50 million yuan in cash plus sales share (9% of the sales revenue per year within 10 years from the year of the completion of the transfer of the target product).							
Impact on the company's operating results and financial status				No significant impact							
If the relevant transaction involves performance agreement, the performance achieved during the reporting period				N/A							

3、 Related transactions of joint external investment

Applicable N/A

No such case during the reporting period.

4、 Associated claim and debt transactions

Applicable N/A

No such case during the reporting period.

5、 Other major related transactions

Applicable N/A

No such case during the reporting period.

XVII. Major contracts and their fulfilment

1. Entrustment, contracting and leasing

(1) Entrustment

Applicable N/A

No such case during the reporting period.

(2) Contracting

Applicable N/A

No such case during the reporting period.

(3) Leasing

Applicable N/A

During the company's reporting period, there was no lease project that brought the company's profits and losses to more than 10% of the company's total profit during the reporting period.

2. Important guarantees

Applicable N/A

(1) Guarantees

Unit: RMB ten thousand yuan

External guarantees of the Company and its subsidiaries (excluding guarantees for subsidiaries)								
guaranteed party	Disclosure date of the announcement related to the guarantee Cap	Guarantee Cap	Actual date of occurrence	Actual guaranteed amount	Type of guarantee	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
/	/	/	/	/	/	/	/	/

Total amount of external guarantees approved during the reporting period (A1)	/	Total actual amount of external guarantees during the reporting period (A2)	/					
Total amount of approved external guarantees at the end of the reporting period (A3)	/	Total actual balance of external guarantees at the end of the reporting period (A4)	/					
The Company's guarantees for its subsidiaries								
Guaranteed party	Disclosure date of the announcement of the guarantee cap	Guarantee cap	Actual date of occurrence	Actual guarantee amount	Type of guarantee	Term of guarantee	Fulfilled or not	Related party guarantee or not
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 19, 2019	50,000	March 16, 2020	4,600	Joint liability guarantee	One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 28, 2020	80,000	June 1, 2020	21,474	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	27,000	December 28, 2020	1,200	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	December 18, 2020	2,029	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	November 20, 2020	1,607	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	October 23, 2020	1,041	Joint liability guarantee	One year	No	No
Huadong	April 28, 2020	23,000	October 28,	375	Joint	One year	No	No

Ningbo Medicine Co., Ltd.			2020		liability guarantee			
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	October 21, 2020	995	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	October 14, 2020	995	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	September 23, 2020	995	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	September 11, 2020	960	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	June 12, 2020	2,387	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	September 4, 2020	682	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	23,000	September 25, 2020	863	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	27,000	June 28, 2020	1,200	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	27,000	June 28, 2020	800	Joint liability guarantee	One year	No	No
Huadong Ningbo	April 28, 2020	27,000	July 2, 2020	1,000	Joint liability	One year	No	No

Medicine Co., Ltd.					guarantee			
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	27,000	July 2, 2020	1,000	Joint liability guarantee	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	27,000	June 1, 2020	7,498	Joint liability guarantee	One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 19, 2019	24,000	February 20, 2020	3,000	Joint liability guarantee	One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 19, 2019	24,000	February 27, 2020	4,000	Joint liability guarantee	One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2020	24,000				One year		
Hangzhou Huadong Pharmacy Chain Co., Ltd.	April 28, 2020	5,000				One year		
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	April 28, 2020	5,000				One year		
Jiangsu Joyang Laboratories Co., Ltd.	April 28, 2020	7,000				One year		
Huadong Medicine Ningbo Sales Co., Ltd.	April 28, 2020	15,000				One year		
Huadong Medicine Huzhou Co.,		18,000	February 13, 2020	1,100	Joint liability guarantee	One year	No	No

Ltd.								
Huadong Medicine Huzhou Co., Ltd.	April 28, 2020	19,000				One year		
Huadong Medicine Shaoxing Co., Ltd.	April 28, 2020	18,000				One year		
Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	April 19, 2019	6,000	February 28, 2020	379	Joint liability guarantee	One year	No	No
Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	April 28, 2020	6,000				One year		
Huadong Medicine Supply Chain Management (JinHua) Co., Ltd.	April 19, 2019	20,000				One year		
Huadong Medicine Lishui Co., Ltd.	April 19, 2019	10,000	February 28, 2020	2,600	Joint liability guarantee	One year	No	No
Huadong Medicine Lishui Co., Ltd.	April 28, 2020	15,000				One year		
Huadong Medicine (Hangzhou) Biological Products Co., Ltd.	April 28, 2020	3,200				One year		
Hangzhou Zhongmei Huadong	March 30, 2018	180,000				Ten years		

Pharmaceutical Jiangdong Co., Ltd.								
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	April 28, 2020	17,000	December 1, 2020	1,848	Joint liability guarantee	One year	No	No
Huadong Medicine Jinhua Co., Ltd.	April 28, 2020	10,000				One year		
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	April 28, 2020	12,000				One year		
Huadong Medicine Daishan Co., Ltd.	April 28, 2020	5,500				One year		
Sinclair Pharma Limited	September 17, 2020	15,000				One year		
Sinclair Pharma Limited	December 23, 2018	40,000	March 26, 2019	15,114	Joint liability guarantee	Three years	No	No
Total guarantee cap for subsidiaries approved during the reporting period (B1)		306,700		Total actual guarantee amount for subsidiaries during the reporting period (B2)		79,742		
Total approved guarantee cap for subsidiaries at the end of the reporting period (B3)		546,700		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)		79,742		
Subsidiaries guarantee for subsidiaries								
Guaranteed party	Disclosure date of the announcement of the guarantee cap	Guarantee cap	Actual date of occurrence	Actual guarantee amount	Type of guarantee	Term of guarantee	Fulfilled or not	Related party guarantee or not
/	/	/	/	/	/	/	/	/

Total guarantee cap for subsidiaries approved during the reporting period (C1)	/	Total guarantee cap for subsidiaries approved during the reporting period (C1)	/
Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)	/	Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)	/
Total amount of the Company's guarantees (i.e. the sum of the above-mentioned 3 kinds of guarantees)			
Total guarantees cap approved during the reporting period (A1+B1+C1)	306,700	Total actual guarantee amount during the reporting period (A2+B2+C2)	79,742
Total approved guarantee cap at the end of the reporting period (A3+B3+C3)	546,700	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	79,742
Proportion of the actual guarantee amount (i.e. A4+B4+C4) in the Company's net assets		5.45%	
Including:			
Balance of guarantees for shareholders, actual controllers and their related parties (D)		/	
Amount of debt guarantees provided directly or indirectly for the entities with a liability-to asset ratio over 70% (E)		10,700	
The total amount of guarantees exceeds 50% of the net assets (F)		/	
Total guarantee amount of the above-mentioned three kinds of guarantees (D+E+F)		10,700	
For the unexpired guarantee, a guarantee liability has occurred or there may be a joint liability for satisfaction during the reporting period (if any)		/	
Note of external guarantees in violation of prescribed procedures (if any)		/	

(2) External guarantees in violation of provisions

Applicable N/A

No such case during the reporting period.

3. Entrusted management of cash assets

(1) Entrusted finances

Applicable N/A

No such case during the reporting period.

(2) Entrusted loans

Applicable N/A

No such case during the reporting period.

4. Daily significant contracts

Applicable N/A

No such case during the reporting period.

5. Other significant contracts

Applicable N/A

No such case during the reporting period.

XVIII. Social responsibilities

1. Fulfillment of social responsibilities

2020 is a crucial year for deepening the transformation of Huadong Medicine. It's also a year of hard work to face challenges and overcome difficulties and a year of remarkable achievements and fruitful harvest. All members of Huadong Medicine have created innovative business management ideas and empowered the Company with wisdom and hard work, ensuring the steady development of Huadong Medicine.

In the process of strategic transformation, the Company has strictly performed its social responsibilities as a corporate citizen; paid attention to the demands of shareholders, employees, customers, suppliers, communities and other stakeholders; assumed social responsibilities for environmental protection, saved energy and reduced emissions, and promoted the efficient and stable operation of the EHS system; and taken an active part in public welfare undertakings.

The Company's fulfillment of social responsibilities in 2020 can be found in "2020 Social

Responsibility Report of Huadong Medicine”.

2. Fulfillment of social responsibility for targeted poverty alleviation

The Company has not carried out targeted poverty alleviation in the reporting year, and there is no follow-up targeted poverty alleviation plan for the time being.

3. Environmental protection

Whether the Company and its subsidiaries are the key pollutant discharging units announced by the environmental protection authorities

Yes

Name of the company or subsidiary	Name of major pollutants	Discharge type	Number of discharge outlets	Distribution of discharge outlets	Concentration of discharge	Discharge standard of pollutants	Total discharge	Approved total discharge	Excessive discharge
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant:: PH value	Intermittent discharge	1	Front gate, 866 Moganshan Road	7.86	6-9	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant:: COD	Intermittent discharge	1	Front gate, 866 Moganshan Road	186 mg/l	500mg/l	150.59 tons	475.5tons /year	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant: ammonia nitrogen	Intermittent discharge	1	Front gate, 866 Moganshan Road	8.61mg/l	35mg/l	6.97 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Solid pollutant: hazardous solid waste	Legal disposal by entrusted qualified units	2	In the factory at 866 Moganshan Road	/	/	3304.35 tons	/	None

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Solid pollutant: general solid waste	Legal disposal by entrusted qualified units	2	In the factory at 866 Moganshan Road	/	/	4896.59 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: nitrogen oxide	Organized emission	1	Roof of the boiler room in Building No. 25	32.6mg/ m ³	400mg/ m ³	3.56 tons	17.7 tons/year	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: sulfur dioxide	Organized emission	1	Roof of the boiler room in Building No. 25	3 mg/ m ³	100mg/ m ³	0.321 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: dust and fume	Organized emission	1	Roof of the boiler room in Building No. 25	4.44 mg/ m ³	30mg/ m ³	0.481tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: volatile organic compound	Organized emission	1	103 refining (east), Building No. 16	9.35 mg/ m ³	80mg/ m ³	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: foul smell	Organized emission	1	103 refining (east), Building No. 16	194	800(dimensionless)	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: volatile organic compound	Organized emission	1	103 refining (west), Building No. 16	10.7mg/ m ³	80mg/ m ³	/	/	None

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: foul smell	Organized emission	1	103 fermentation, Building No. 27	214	800(dimensionless)	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: foul smell	Organized emission	1	107 fermentation, Building No. 33	146	800(dimensionless)	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: foul smell	Organized emission	1	303 sewage station, Building No. 18	614	800(dimensionless)	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: PH value	Intermittent discharge	1	Along National Highway 310, Liuye River, Huayin City	7.67	6-9	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: COD	Intermittent discharge	1	Along National Highway 310, Liuye River, Huayin City	17.34mg/l	50mg/l	0.25tons	3tons	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: ammonia nitrogen	Intermittent discharge	1	Along National Highway 310, Liuye River, Huayin City	0.92mg/l	8mg/l	0.013tons	0.72tons	None

Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: total nitrogen	Intermittent discharge	1	Along National Highway 310, Liuye River, Huayin City	5.29mg/l	15mg/l	0.076tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Solid pollutant: hazardous waste	Compliant disposal by entrusted qualified units	3	In the company	/	/	392.88tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: volatile organic compound	Organized emission	1	Raw medicine No.1 workshop	/	60mg/ m ³	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: hydrogen chloride	Organized emission	1	Raw medicine No.1 workshop	/	30mg/ m ³	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: hydrogen chloride	Organized emission	1	Raw medicine No.2 workshop	/	20mg/ m ³	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: particulate matter	Organized emission	1	Raw medicine No.2 workshop	/	20mg/ m ³	/	/	None

Co., Ltd.									
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: sulfuric acid mist	Organized emission	1	Raw medicine No.2 workshop	/	45mg/ m ³	/	/	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: PH value	Intermittent discharge	1	Haidubei Road	8.32	6-9	/	/	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: COD	Intermittent discharge	1	Haidubei Road	170mg/l	500mg/l	12.24tons	51.4173tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: ammonia nitrogen	Intermittent discharge	1	Haidubei Road	13mg/l	35mg/l	0.9tons	3.6819tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: SS	Intermittent discharge	1	Haidubei Road	92mg/l	400mg/l	6.624tons	24.968tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Solid pollutant: hazardous solid waste	Legal disposal by entrusted qualified units	/	In the factory at Haidubei Road	/	/	786.698tons	3148.7tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Air pollutant: particulate matter	Organized emission	5	Dosing section of workshop 101, fermentation section of workshop	6.3mg/m ³	10mg/m ³	0.354tons/year	0.797tons/year	None

				101, dosing section of workshop 104 (shared by 107 and 108), fermentation section of workshop 104 (shared by 107 and 108), and drying section of workshop 104 (shared by 107 and 108)					
Jiangsu Joyang Laboratories Co., Ltd.	Air pollutant: ethyl acetate	Organized emission	3	Extraction of workshop 101, Extraction of workshop 104, and workshop 303	7.7mg/m ³	50mg/m ³	0.392tons /half year	1.074tons /year	None

Construction and operation of pollution prevention and control facilities

1. Construction and operation of pollution prevention and control facilities of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.:

(1) Waste water

Name of pollution prevention and control facilities	Treatment process	Processing capacity	Time of operation	Status of operation
Waste water treatment system of the old sewage	Facultative + fluidized	Original 600 tons/day; 800 tons/day after technical	November 1993; technical	Normal

station	bed	transformation	transformation in 2007	
Waste water treatment system of the new sewage station	Anaerobic (IC tower)+ facultative +CASS+ air flotation	2,200 tons/day	December 2001; technical transformation in 2014 (IC and air flotation added)	Normal

(2) Waste gas

Name of pollution prevention and control facilities	Treatment process	Processing capacity	Time of operation	Status of operation
Waste gas treatment unit of 103 fermentation (DA001)	Condensation + level 1 alkali spray + all-in-one machine + level 1 alkali spray	15,000	2009	Normal
Waste gas treatment unit of 103 refining (DA002)	Level 1 water spray + level 1 alkali spray	12,000	2012	Normal
Waste gas treatment unit of 103 refining (DA003)	Level 1 water spray + level 1 plant oil and water spray	30,000	2014	Normal
Waste gas treatment unit of 303 sewage station (DA004)	Level 2 alkali spray + photo-oxidation + activated carbon + level 1 alkali spray	16,000 (one standby plant: 13,000)	2001	Normal
Waste gas treatment unit of 107 fermentation (DA005)	Level 3 alkali spray / condensation + level 1 alkali spray	48,000+30,000	2009	Normal
Waste gas treatment unit of 107 drying tower (DA006)	Bag dust removal + high efficiency filtration	5,000	2012	Normal
Waste gas treatment unit of 301 boiler (DA008 and DA009)	Low nitrogen combustion + high altitude emission	8,000	2009 (The low nitrogen transformation completed in December 2019.)	Normal

Note: Waste gas treatment process of 107 fermentation section: when the fermentation tank is not disinfected, the waste gas is discharged at high altitude after level 3 alkali spray; when the fermentation tank is disinfected, the waste gas is first condensed and then treated with level 1 alkali spray, and then discharged at high altitude.

(3) Solid waste

Name of pollution prevention and control facilities	Treatment process	Processing capacity	Time of operation	Status of operation
Hazardous waste warehouse	Standardized storage	160 tons	March 2012	Standardized storage; legal disposal by qualified units
	Standardized storage	240 tons	March 2010	
General solid waste yard	Standardized storage	7 tons	March 2010	Standardized storage; legal disposal by qualified units
	Standardized storage	30 tons	June 2004	

2. Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.:

(1) Waste water

Name of pollution prevention and control facilities	Treatment process	Processing capacity	Time of operation	Status of operation
Waste water treatment system of the sewage station	Ozone oxidation + facultative + aerobic + MBR	250 tons/day	July 2012	Normal

(2) Waste gas

Name of pollution prevention and control facilities	Treatment process	Time of operation	Status of operation
Waste gas treatment unit of raw medicine No. 1 workshop	Alkali spray + dry filter (filter cotton) + UV photolysis + activated carbon adsorption	October 2020	Normal
Waste gas treatment unit of raw medicine No. 2 workshop	Alkali spray + UV photo-oxidation + activated carbon	November 2019	Normal

(3) Solid waste

Name of pollution prevention and control facilities	Treatment process	Storage capacity	Time of operation	Status of operation
Hazardous waste warehouse	Standardized storage	60 tons	January 2012	Standardize storage; legal disposal by entrusted qualified units

3. Construction and operation of pollution prevention and control facilities of Jiangsu Joyang Laboratories Co., Ltd.:

(1) Waste water

Name of pollution prevention and control facilities	Treatment process	Processing capacity	Time of operation	Status of operation

Waste water treatment system of the sewage station	Air floatation tank + hydrolysis acidification + IC tower + UASB pool + A/O pool + O pool + secondary sedimentation tank	300 tons/day	December 2014	Normal
--	--	--------------	---------------	--------

(2) Waste gas

Name of pollution prevention and control facilities	Treatment process	Processing capacity CMH	Time of operation	Status of operation
Waste gas treatment unit of the extraction section of workshop 101	Level 1 water spray + moisture separator + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	10,000	2014	Normal
Waste gas treatment unit of the fermentation section of workshop 101	Level 1 water spray + moisture separator + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	2,000	2019	Normal
Waste gas treatment unit of the drying section of workshop 101	Level 1 water spray + moisture separator + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	22,000	2017	Normal
Waste gas treatment unit of the dosing section of workshop 101	Cyclone separator + level 1 water spray + high-altitude discharge via 15m exhaust pipe	5,000	2014	Normal
Waste gas treatment unit of the fermentation section of workshop 104	Level 1 water spray + moisture separator + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	10,000	2015	Normal
Waste gas treatment unit of the extraction section of workshop 104	Level 1 water spray + moisture separator + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	10,000	2015	Normal
Waste gas treatment unit of the dosing section of workshop 104	Cyclone separator + level 1 water spray + high-altitude discharge via 15m exhaust pipe	5,000	2015	Normal
Waste gas treatment unit of the drying section of workshop 104	Level 1 water spray + moisture separator + level 2 activated	20,000	2015	Normal

	carbon adsorption			
Waste gas treatment unit of workshop 103	Level 1 water spray + moisture separator + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	10,000	2019	Normal
Waste gas treatment unit of workshop 106	Level 1 water spray + moisture separator + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	10,000	2015	Normal
Waste gas treatment unit of the extraction section of workshop 107	Level 1 water spray + moisture separator + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	20,000	2019	Normal
Waste gas treatment unit of the extraction section of workshop 108	Level 1 water spray + moisture separator + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	40,000	2019	Normal
Workshop 109	Level 1 water spray + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	20,000	2019	Normal
Waste gas treatment unit of sewage station 303	Level 1 water spray + light catalytic + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	10,000	2014	Normal

(3) Solid waste

Name of pollution prevention and control facilities	Treatment process	Processing capacity	Time of operation	Status of operation
Hazardous waste warehouse	Standardized storage	300 tons	December 2020	Standardized storage; legal disposal by entrusted qualified units

Domestic waste yard	Standardized storage	3 tons	March 2015	Chengdong Garbage Disposal Station
---------------------	----------------------	--------	------------	------------------------------------

Environmental impact assessment of construction projects and other administrative permits for environmental protection

All construction projects of the above three subsidiaries of the Company have been declared, constructed and accepted in strict accordance with the requirements of “three simultaneous” for environmental protection, have passed environmental impact assessment, and met the requirements of environmental impact assessment for construction projects. The Company has obtained the pollutant discharge permit and the discharge permit of urban sewage into the drainage pipe network according to the environmental protection requirements.

On May 21, 2020, Zhongmei Huadong completed the filing of the environmental report form for the technical transformation project of the macromolecular drug research and development professional laboratory (pilot test), and obtained the filing acceptance letter (No.: Hangzhou Gonghuan Parts [2020] 01). Zhongmei Huadong completed the independent inspection and acceptance of environmental protection for the completion of the comprehensive production quality inspection building construction project, and disclosed the acceptance information in the National Completed Environmental Protection Acceptance Information System.

Emergency plan for environmental emergencies

The company has established a comprehensive emergency response plan for environmental emergencies, standardizes the emergency handling of environmental emergencies, and minimizes the impact on human health caused by the leakage of environmental risk substances into the air, water or soil due to fire, explosion, leakage or other unexpected emergencies. And environmental hazards, continue to improve the company's emergency response capabilities for sudden environmental pollution incidents.

The company has comprehensively established the emergency plan for environmental emergencies, standardized the emergency treatment of environmental emergencies, minimized the harm to human health and environment caused by the leakage of environmental risk substances to air, water or soil due to fire, explosion, leakage or other unexpected emergencies, and continuously improved the emergency response capacity of the company for environmental pollution emergencies. The above three subsidiaries of the Company have compiled and established the mechanism of “Emergency Plan for Environmental Emergencies”, revised and improved it regularly according to the requirements,

Huadong Pharmaceutical (Xi'an) Bohua Pharmaceutical Co., Ltd. and Huayin branch of Weinan Ecological Environment Bureau jointly held the emergency drill for environmental emergencies in Huayin City in 2020 on June 3, 2020.

Jiangsu Joyang Laboratories Co., Ltd organized a fire emergency drill in the storage tank area of the 302 workshop in May 2020. In June and July 2020, it organized more than 30 comprehensive and special drills such as solvent leakage, fire emergency drills, and 119 fire protection publicity day activities, which standardized the emergency handling of environmental emergencies, minimized the hazards to human health and the environment caused by the leakage of environmental risk substances into the air, water or soil due to fire, explosion, leakage or other unexpected emergencies, and enhanced the emergency response capability for environmental pollution incidents.

Environmental self-monitoring scheme

The above three subsidiaries of the Company have all established the mechanism of “Self-monitoring Scheme for Pollution Sources” which has been put on record in the environmental protection authorities, and all the monitoring data are reported daily according to the regulations.

Other environmental information that should be made public

None

Other information related to environmental protection

None

XIX. Other major events

Applicable N/A

Main drugs (products) included, newly included and withdrawn from the National Essential Drug List and the National Reimbursement Drug List during the reporting period:

During the reporting period, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security officially launched the “National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2020)” (hereinafter referred to as the “Drug List”(2020 Edition)) , which will be officially implemented on March 1, 2021.

As of the end of the reporting period, the Company has listed 24 core products and 15 products under research into the “Drug List” (2020 Edition), of which the Company's listed products, Acarbose Chewable Tablets and Bailing Capsules, are listed in the “Drug List” (2020 Edition) Negotiation varieties.

As of the end of the reporting period, the Company had a total of 14 varieties (including 3 under-research varieties) included in the “National Essential Drug List (2018 Edition)”.

XX. Major events of subsidiaries

Applicable N/A

Section VI. Share Change and Shareholders

I. Changes in Share Capital

1. Table of Changes in share capital

Unit: share

	Before the change		Change in the period (+/-)					After the change	
	Number of shares	Proportion	New shares		Number of shares	Proportion	New shares		Number of shares
I. Shares subject to conditional restriction	25,245	0.00%	0	0	0	22,500	22,500	47,745	0.00%
1. Shares held by the state	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned corporations	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic investors	25,245	0.00%	0	0	0	22,500	22,500	47,745	0.00%
Including: held by domestic corporations	0	0.00%	0	0	0	0	0	0	0.00%
held by domestic natural persons	25,245	0.00%	0	0	0	22,500	22,500	47,745	0.00%
4. Shares held by overseas investors	0	0.00%	0	0	0	0	0	0	0.00%
Including: held by overseas corporations	0	0.00%	0	0	0	0	0	0	0.00%
held by overseas natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares without restriction	1,749,784,303	100.00%	0	0	0	-22,500	-22,500	1,749,761,803	100.00%
1. RMB ordinary shares	1,749,784,303	100.00%	0	0	0	-22,500	-22,500	1,749,761,803	100.00%
2. Domestically listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Foreign shares listed overseas	0	0.00%	0	0	0	0	0	0	0.00%

4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	1,749,809,548	100.00%	0	0	0	0	0	1,749,809,548	100.00%

Reasons for the changes in share capital

Applicable N/A

The Company held the 9th interim meeting of the Board of Directors on October 12, 2020, and approved the Proposal on Appointing Ms. Zhu Li as the Deputy General Manager of the Company, consenting to engage Ms. Zhu Li as the Deputy General Manager of Huadong Medicine Co., Ltd., who is responsible for commercial matters, and concurrently as the General Manager of Huadong Pharmaceutical Distribution Company. Ms. Zhu Li holds a total of 30,000 shares of the Company, among which 22,500 shares are restricted shares for senior executives according to relevant regulations.

Approval for changes in share capital

Applicable N/A

The Company held the 9th interim meeting of the Board of Directors on October 12, 2020, and approved the Proposal on Appointing Ms. Zhu Li as the Deputy General Manager of the Company, consenting to engage Ms. Zhu Li as the Deputy General Manager of Huadong Medicine Co., Ltd., who is responsible for commercial matters, and concurrently as the General Manager of Huadong Pharmaceutical Distribution Company. Her term of office starts from the date on which the resolution was approved by the Board of Directors and ends on the expiration of the current Board of Directors (June 5, 2022). For details, please refer to the Announcement of the Resolution of the 9th Interim Board of Directors (Announcement No.: 2020-039) issued on the same day.

Transfer of shares

Applicable N/A

Progress of share repurchase

Applicable N/A

Progress of reducing repurchased shares through centralized bidding

Applicable N/A

Effects of changes in share capital on the basic earnings per share, diluted earnings per share for the most recent year and the most recent period, the net assets per share attributable to the Company's shareholders of common shares and other financial indicators

Applicable N/A

Other disclosures the Company deems necessary or required by securities regulatory authorities

Applicable N/A

2. Changes in restricted shares

Applicable N/A

Unit: share

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted share	Date of unlocking
He, Rufen	25,245	0	0	25,245	Supervisor restriction	/
Zhu Li	0	22,500	0	22,500	Executives	/

					restriction	
Total	25,245	22,500	0	47,745	--	--

II. Issuance and listing of securities

1. Securities (excluding preferred shares) during the reporting period

Applicable N/A

2. Explanation on changes in share capital, the structure of shareholders and the structure of assets and liabilities

Applicable N/A

3. Existing shares held by internal staff of the Company

Applicable N/A

III. Particulars about shareholders and the actual controller

1. Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the end of the reporting period	129,940	Total number of common shareholders at the end of the previous month before the disclosure of the annual report	168,355	Total number of preference shareholders with restoration of the voting rights at the end of the reporting period (if any) (see Note 8)	0	Total number of preference shareholders with restoration of the voting rights at the end of the previous month before the disclosure of the annual report (if any) (see Note 8)	0	
Particulars about shareholders with a shareholding ratio over 5% or the Top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding ratio	Total shares held at the end of the reporting period	Changes in the reporting period	The number of common shares held with trading restrictions	The number of shares held without trading restriction	Pledged or frozen	
							Status	Status
China Grand Enterprises, Inc.	Domestic non-state-owned corporation	41.77%	730,938,157	0	0	730,938,157	Pledged	259,114,000
Hangzhou Huadong Medicine Group Co., Ltd.	State-owned corporation	15.92%	278,620,000	-9,380,000	0	278,620,000		
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	2.19%	38,299,615	1,512,895	0	38,299,615		
China Securities Finance Co.,	Domestic non-state-owned corporation	1.27%	22,186,818	0	0	22,186,818		

National Social Security Fund Portfolio 106	Others	0.95%	16,550,361	-6,791,152	0	16,550,361		
National Social Security Fund Portfolio 602	Others	0.45%	7,926,311	7,926,311	0	7,926,311		
Basic Endowment Insurance Fund Portfolio 15041	Others	0.44%	7,623,568	2,505,480	0	7,623,568		
National Social Security Fund Portfolio 503	Others	0.40%	6,999,773	6,999,773	0	6,999,773		
Basic Endowment Insurance Fund Portfolio 807	Others	0.29%	5,133,343	-217,170	0	5,133,343		
Bank of China Co., Ltd. – Harvest Mixed Type Securities Investment Fund LOF with 3Y closed operation through private placements with strategic investors and flexible allocation	Others	0.24%	4,266,168	4,266,168	0	4,266,168		
Strategic investors or general corporations become the top 10 shareholders due to the placement of new shares (if any) (see Note 3)				None				
Explanation on associated relationships or concerted actions among the above-mentioned shareholders				The Company does not know whether the above-mentioned shareholders are related parties or whether they are acting-in-concert parties with one another.				
Description about above-mentioned shareholders' entrusting/being entrusted with and waiving voting rights t				None				
Shareholding of the top 10 shareholders without trading restriction conditions								
Name of shareholder	Number of the trading unrestricted stocks held at the end of the Report Period		Type of stocks					
			Type of stocks	Qty				
China Grand Enterprises, Inc.	730,938,157		RMB ordinary stocks	730,938,157				

Hangzhou Huadong Medicine	278,620,000	RMB ordinary stocks	278,620,000
Hong Kong Securities Clearing Company Ltd.	38,299,615	RMB ordinary stocks	38,299,615
China Securities Finance Co., Ltd.	22,186,818	RMB ordinary stocks	22,186,818
National Social Security Fund Portfolio 106	16,550,361	RMB ordinary stocks	16,550,361
National Social Security Fund Portfolio 602	7,926,311	RMB ordinary stocks	7,926,311
Basic Endowment Insurance Fund Portfolio 15041	7,623,568	RMB ordinary stocks	7,623,568
National Social Security Fund Portfolio 503	6,999,773	RMB ordinary stocks	6,999,773
Basic Endowment Insurance Fund Portfolio 807	5,133,343	RMB ordinary stocks	5,133,343
Bank of China Co., Ltd. – Harvest Mixed Type Securities Investment Fund LOF with 3Y closed operation through private placements with strategic investors and flexible allocation	4,266,168	RMB ordinary stocks	4,266,168
Description for affiliated relationship or concerted action among the top 10 shareholders holding tradable stocks without trading restriction conditions and between the top 10 shareholders holding tradable stocks without trading restriction conditions and	The Company does not know whether the above-mentioned shareholders are related parties or whether they are acting-in-concert parties with one another.		
Description of the participation in margin trading business of the top 10 common shareholders (if any) (see Note 4)	The second major shareholder of the Company, Hangzhou Huadong Medicine Group Co., Ltd., holds 288,000,000 shares of the Company, accounting for 16.46% of the Company's total capitalization. As of the end of the reporting period, 9,380,000 shares thereof were subject to refinancing securities lending transactions in China Securities Finance Corporation Limited.		

Whether the Company's Top 10 common shareholders or the Top 10 common shareholders without trading restriction have carried out any agreement to repurchase transaction during the reporting period

Yes No

No such case during the reporting period.

2. Particulars about controlling shareholder of the Company

Nature of controlling shareholder: Natural individual holding

Type of controlling shareholder: Corporation

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Organization code	Main business
China Grand Enterprises, Inc.	Hu Kaijun	October 27, 1993	91110000101690952K	Investment management
Shares held by the controlling shareholder in other listed companies through controlling or holding during the reporting period	The other two listed companies controlled by China Grand Enterprises, Inc. are Grand Industrial Holding Co., Ltd. and China Grand Pharmaceutical and Healthcare Holdings Limited.			

Change of the controlling shareholder during the reporting period

Applicable N/A

No such case during the reporting period.

3. Particulars about the Company's actual controller & concerted parties

Nature of actual controller: Domestic natural individual holding

Type of actual controller: Natural individual

Name of actual controller	Relationship with the actual controller	Nationality	Whether the actual controller has obtained the right of abode in another country or region
Hu Kaijun	Hu Kaijun	China	Yes
Main occupation and position	Chairman of the Board and General Manager of China Grand Enterprises, Inc.; Chairman of the Board and General Manager of Beijing Yuanda Huachuang Investment Co., Ltd.		
Share held by the actual controlling shareholder in domestic or overseas listed companies in the past the years	The three listed companies controlled by actual controller are Huadong Medicine Co., Ltd., Grand Industrial Holding Co., Ltd., and China Grand Pharmaceutical and Healthcare Holdings Limited.		

Change of the actual controller during the reporting period

Applicable N/A

No such case during the reporting period.

The ownership and controlling relationship between the actual controller of the Company and the Company is detailed as follows:



The actual controller controls the Company through a trust or other way of assets management

Applicable N/A

4. Other corporate shareholders with a shareholding ratio over 10%

Applicable N/A

Name of corporate shareholders	Legal representative/person in charge	Date of establishment	Registered capital	Main business or management activities
Hangzhou Huadong Medicine Group Co., Ltd.	Jin Xuhu	December 21, 1992	60 million yuan	The production and processing of compound wine, bagged tea, and donkey-hide glue products (the branches can operate only with licenses), and the state-owned asset operation within the authorized scope of the municipal government; industrial investment; wholesale and retail: chemical raw materials and products (except dangerous chemicals and precursor chemicals), package materials, medical intermediates (except dangerous chemicals and precursor chemicals); other legal items that need no submission for approval.

5. Reduction of restricted shares held by controlling shareholder, actual controller, restructuring parties and other commitment subjects

Applicable N/A

Section VIII. Convertible Corporate Bonds

Applicable N/A

No such case during the reporting period.

Section VIII. Convertible Corporate Bonds

Applicable N/A

No such case during the reporting period.

Section IX. Directors, Supervisors, Senior Managers and Employees

I. Changes in shareholding of directors, supervisors and senior managers

Name	Title	Tenure status	Gender	Age	Commencement of term of duty	Commencement of term of duty	Shares held at the beginning of the period (shares)	Shares increased during the Period(shares)	Shares decreased during the Period(shares)	Other changes(shares)	Shares held at the end of the Period (shares)
Lv Liang	Chairman	Incumbent	Male	47	June 06, 2019	June 05, 2022	0	0	0	0	0
Li Bangliang	Honorary Chairman	Incumbent	Male	75	June 06, 2019	June 05, 2022	0	0	0	0	0
Li Yuedong	Director, General Manager(CEO)	Incumbent	Male	49	June 06, 2019	June 05, 2022	0	0	0	0	0
Niu Zhanqi	Director	Incumbent	Male	54	June 03, 2016	June 05, 2022	0	0	0	0	0
Kang Wei	Director	Incumbent	Female	53	December 05, 2016	June 05, 2022	0	0	0	0	0
Jin Xuhu	Director	Incumbent	Male	58	June 06, 2019	June 05, 2022	0	0	0	0	0
Zhu Liang	Director	Incumbent	Male	44	June 06, 2019	June 05, 2022	0	0	0	0	0
Zhong Xiaoming	Independent Director	Incumbent	Male	59	January 6, 2016	June 05, 2022	0	0	0	0	0
Yang Lan	Independent Director	Incumbent	Female	52	April 27, 2017	June 05, 2022	0	0	0	0	0

Yang Jun	Independent Director	Incumbent	Female	49	June 06, 2019	June 05, 2022	0	0	0	0	0
Bai Xinhua	Supervisor	Incumbent	Female	55	January 20, 1998	June 05, 2022	0	0	0	0	0
Liu Chengwei	Supervisor	Incumbent	Male	48	January 6, 2016	June 05, 2022	0	0	0	0	0
Qin Yun	Supervisor	Incumbent	Female	51	May 19, 2006	June 05, 2022	0	0	0	0	0
Hu Baozhen	Supervisor	Incumbent	Female	48	June 06, 2019	June 05, 2022	0	0	0	0	0
He Rufen	Supervisor	Incumbent	Female	53	June 06, 2019	June 05, 2022	33,660	0	0	0	33,660
Xu Zhifeng	Supervisor	Incumbent	Male	46	June 06, 2019	June 05, 2022	0	0	0	0	0
Zhou Shunhua	Deputy General Manager	Incumbent	Male	61	June 30, 2009	June 05, 2022	0	0	0	0	0
Wu Hui	Deputy General Manager	Incumbent	Male	52	June 06, 2019	June 05, 2022	0	0	0	0	0
Zhu li	Deputy General Manager	Incumbent	Male	46	October 12, 2020	June 5, 2022	30,000	0	0	0	30,000
Chen Bo	Board Secretary	Incumbent	Male	49	June 30, 2009	June 05, 2022	0	0	0	0	0
Qiu Renbo	Person in Charge of Finance	Incumbent	Male	39	November 28, 2019	June 05, 2022	0	0	0	0	0
Total	--	--	--	--	--	--	63,660	0	0	0	63,660

II. Change of directors, supervisors and senior managers of the Company

√ Applicable □ N/A

Name	Title	Type	Date	Reason
Zhu li	Deputy General Manager	Incumbent	October 12, 2020	Elected by the Board of Directors

III. Positions and Incumbency

Professional background, main working experiences and main responsibilities of the Company's incumbent directors, supervisors and senior managers

(1) Profile of directors

Chairman – Mr. Lv Liang: born in 1974, holds a master's degree. He has served as Project Manager of Grand Asset Management Co., Ltd. from July 1997 to July 2001; Deputy General Manager and General Manager of Changshu Leiyunshang Pharmaceutical Co., Ltd. from July 2001 to March 2010; Director and Deputy General Manager of the Company from April 2010 to January 2016; Director and General Manager of the Company from January 6, 2016 to June 5, 2019; and Chairman of the Board of the Company since June 6, 2019.

Director and General Manager – Mr. Li Yuedong: born in 1972, holds a master's degree. He has served as clerk and section chief of Zhejiang Pharmaceutical Supply and Marketing Company and Zhejiang Int'l Medicine Co., Ltd.; General Manager of Aibang Health Care Products Company; Deputy General Manager and General Manager of Hangzhou Zhuyangxin Pharmaceutical Co., Ltd.; Deputy General Manager of Hangzhou Huadong Medicine Group Co., Ltd; Director of the Company since April 2014, and Deputy General Manager of the Company from August 17, 2016 to June 5, 2019; and Director and General Manager of the Company since June 6, 2019.

Director – Mr. Niu Zhanqi: born in 1967, Doctor of Pharmacy. He has served as technical researcher of Chengde Technical Supervision Bureau; Deputy Director of Hebei Pharmaceutical Group Research Institute; Manager of Technical Development Department of China Shijiazhuang Pharmaceutical Group; Manager of Medicine Department of CSPC Ouyi Pharmaceutical Co. Ltd.; Deputy General Manager of CSPC NBP Pharmaceutical Co., Ltd.; senior R&D director of CSPC; Vice President of Pharmaceutical Management Head Office and General Manager of R&D Management Department of China Grand Enterprises, Inc. from March 2013 to June 2016; CEO of Pharmaceutical Management Head Office of China Grand Enterprises, Inc. from June 2016 to November 2018; President of Pharmaceutical Management Head Office of China Grand Enterprises, Inc. since November 2018; and Director of the Company since June 2016.

Director – Ms. Kang Wei: born in 1968, holds a master's degree. She has served as Manager of the Trade Division, Manager of the Capital Division and Manager of Financial Management of the Financial Management Department of China Grand Enterprises, Inc.; Chief Financial Officer and Deputy General Manager of Heilongjiang Grand Shopping Center; currently Chief Financial Officer of China Grand Enterprises, Inc.; and Director of the Company since December 2016.

Director - Mr. Jin Xuhu: born in 1963, holds a bachelor's degree. He has served as Chairman and General Manager of Hangzhou Huadong Medicine Group Co., Ltd.; Party Secretary and Chairman of Hangzhou State-owned Capital Investment and Operation Co., Ltd., Executive Director & Manager of Hangzhou Huadong Medicine Group Co., Ltd., since January 2019; and Director of the Company since June 2019.

Director - Mr. Zhu Liang: born in 1977, holds a bachelor's degree. He has served as Director of the Labor Union of Hangzhou Huadong Medicine Group Co., Ltd., Vice Chairman of the Labor Union of Hangzhou Huadong Medicine Group Co., Ltd., Chairman of the Labor Union of Hangzhou Huadong Medicine Group Co., Ltd. and Huadong Medicine Co., Ltd.; Supervisor of the Company from April 2017 to June 2019; and Director of the Company since June 2019.

Independent Director - Mr. Zhong Xiaoming: born in 1962, holds a master's degree. He has been Deputy Director of the New Drugs Office, professor, postgraduate student and doctoral supervisor of Zhejiang Chinese Medical University since 1985; chief scientist of Zhejiang University since 2013; and Independent Director of the Company since January 2016.

Independent Director - Ms. Yang Lan: born in 1969, holds a master's degree. She has served in Guiyang Audit Bureau, Zhuhai Lixin Certified Public Accountants, Shanghai Lixin Changjiang Certified Public Accountants Zhuhai Branch, and Guangdong Lixin Changjiang Certified Public Accountants. Senior Manager of Pan-China Certified Public Accountants Guangdong Branch; Investment Director of Guangzhou Securities Innovation Investment Co., Ltd.; Deputy Director of Guangdong Pujin Xinghua Certified Tax Agent Co., Ltd.; Deputy Director of Guangdong Lixin Jiazhou Certified Public Accountants; and Independent Director of the Company since April 27, 2017.

Independent Director - Ms. Yang Jun: born in 1972, holds a bachelor's degree, Canadian citizenship. She has served as Chief Financial Officer of Freedom Foundation of Ontario, Canada; Chief Knowledge Officer and lecturer partner of Shanghai EasyFinance Management Consulting Co., Ltd.; Chief Financial Officer of Dookbook Culture Co., Ltd.; founding partner and chief consultant of Shanghai Yuecheng Information Technology Co., Ltd. since June 2018; and Independent Director of the Company since June 2019.

(2) Profile of supervisors

The Chairman of Board of Supervisors - Ms. Bai Xinhua: born in 1966, holds a master's degree. She has served as Assistant Auditor of Beijing Municipal Bureau of Audit; Accounting Manager of the Financial Management Head Office and Audit Manager of the Supervision and Audit Department of China Grand Enterprises, Inc.; now Deputy General Manager of the Financial Management Head Office of China Grand Enterprises, Inc.; Supervisor of the Company since 2003;

Supervisor - Ms. Qin Yun: born in 1970, holds a bachelor's degree. She has served as attending physician in the Internal Medicine Department of Beijing Shougang Hospital; medical representative in the Beijing Office of Tianjin Takeda Pharmaceuticals Co., Ltd., senior medical representative in the Beijing Office of Lilly Asia; and head of product department in the sales branch of China National Pharmaceutical Foreign Trade Corporation. She worked for China Grand Enterprises, Inc. in 2002 and has served as Project Manager of Pharmaceutical Business Division, Business Director of Operation Department of Pharmaceutical Management Head Office; now Business Director of Bidding and Procurement Management Center of China Grand Enterprises, Inc.; and Supervisor of the Company since 2006;

Supervisor - Mr. Liu Chengwei: born in 1973, holds a master's degree. He has served as Financial Services Manager and Chief Financial Officer of GE Medical Systems China; Financial Manager of ECG monitoring of GE Healthcare Asia. In 2001, he joined China Grand Enterprises, Inc., where he served as Director of Supervision and Audit, Deputy General Manager of the Investment and Operation Head Office, Deputy General Manager and General Manager of the Pharmaceutical Business Division, and head of the preparatory group of CGE Life & Health Insurance Company. He served as Deputy General Manager of Grandpharma (China) Co., Ltd. from August 2016 to September 2018; Assistant President of China Grand Enterprises, Inc. since September 2018; Director of the Company from 2003 to January 2016; and Supervisor of the Company since January 2016.

Supervisor - Ms. Hu Baozhen: born in 1973, holds a bachelor's degree. She served as Chief Financial Officer and dispatched full-time supervisor of Hangzhou State-owned Assets Supervision and Administration Commission from March 2009 to March 2019; Head of the Risk Control and Legal Department of Hangzhou State-owned Capital Investment and Operation Co., Ltd. since April 2019; Supervisor of the Company from June 2012 to April 2014; Supervisor of the Company since June 2019.

Employee Supervisor - Ms. He Rufen: born in 1968, holds a bachelor's degree, senior certified public accountant. Assistant Manager of the Financial Department of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. from July 1990 to March 1998; Manager of the Financial Department of the Company from April 1998 to December 1998; officer in charge of financial affairs of the Company from January 1999 to June 2010; Deputy General Manager of Business of the Company since July 2010; Employee Supervisor of the Company since June 2019.

Employee Supervisor - Mr. Xu Zhifeng: born in 1975, holds a bachelor's degree, economist. Commissioner of the Business Administration Office and Director Assistant of the General Manager Office of Hangzhou Zhongmei Huadong Pharmaceutical Co.,

Ltd. from August 1997 to July 2011; Manager of the Risk Management and Audit Department of the Company from August 2011 to January 2018; Director of the Risk Management and Audit Department of the Company since February 2018; Employee Supervisor of the Company since June 2019.

(3) Profile of senior managers

Deputy General Manager - Mr. Zhou Shunhua: born in 1960, holds a master's degree, economist. He worked in the Company in December 1978, and has served as Publicity Officer, Manager of the Operation Department, Director of Shanghai Office, and Shanghai Regional Manager of the Company; Deputy General Manager of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.; Deputy General Manager of the Company since 2009.

Deputy General Manager - Mr. Wu Hui: born in April 1969, holds a master's degree, professor-level senior engineer. He worked in the Company in July 1991, and has served as technician, workshop director and chief engineer of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.; Deputy General Manager of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. since 2015; Deputy General Manager of the Company since June 2019.

Deputy General Manager - Ms. Zhu Li: born in 1975, has obtained a master's degree, and serves as an accountant. She has served as the accountant, deputy general manager, general manager, deputy director, and director of the Procurement and Management Department for Chinese and Western Medicine in the Chinese patent medicine branch of Huadong Pharmaceutical Distribution Company since August 1997. From September 2019 to September 2020, she served as the Deputy General Manager of Huadong Pharmaceutical Distribution Company (responsible for the overall work), and from October 2020, she serves as the Deputy General Manager (responsible for the commercial matters) of the Company and concurrently as the General Manager of Huadong Pharmaceutical Distribution Company.

Secretary of the Board of Directors - Mr. Chen Bo: born in 1972, holds a master's degree, economist. He joined the Company in 2002, and has served as investment commissioner and Deputy Manager of the Financing Department; Secretary of the Board of Directors since June 2009.

Officer in Charge of Financial Affairs - Mr. Qiu Renbo: born in 1982, holds a master's degree. He has served as commissioner of the Financial Management Head Office and Chief of the Finance Section of the Manufacturing Branch of the Company from August 2004 to July 2010; Manager of the Financial Department of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. from August 2010 to April 2015; Chief Financial Officer of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. since May 2015; Officer in Charge of Financial Affairs of the Company since December 2019.

Positions in shareholders' entities

√ Applicable □ N/A

Name	Shareholders' entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Niu Zhanqi	China Grand Enterprises, Inc.	President of the Pharmaceutical Management Head Office of China Grand Enterprises, Inc.			Yes
Kang Wei	China Grand Enterprises, Inc.	CFO of China Grand Enterprises, Inc.			Yes
Bai Xinhua	China Grand Enterprises, Inc.	Deputy General Manager of the Financial Management Head Office of China Grand Enterprises, Inc.			Yes

Liu Chengwei	China Grand Enterprises, Inc.	Assistant President of China Grand Enterprises, Inc.			Yes
Qin Yun	China Grand Enterprises, Inc.	Business Director of the Pharmaceutical Management Head Office China Grand Enterprises, Inc.			Yes
Jin Xuhu	Hangzhou Huadong Medicine Group Co., Ltd.	Executive Director and Manager of Hangzhou Huadong Medicine Group Co., Ltd.			No

Position in other entities

√ Applicable □ N/A

Name	Name of other entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Niu Zhanqi	Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director			No
Kang Wei	Western Securities Co., Ltd.	Supervisor			Yes
Kang Wei	Leiyunshang Pharmaceutical Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director			No
Bai Xinhua	Grand Industrial Holding Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director			No
Qin Yun	Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Director			No
Liu Chengwei	Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director			No
Jin Xuhu	Hangzhou State-owned Capital Investment and Operation Co., Ltd.	Chairman			Yes
Jin Xuhu	Hangzhou Oxygen Plant Group Co., Ltd.	Executive Director			No

Incumbent and off-office directors, supervisors and senior management personnel during the reporting period that have been imposed

administrative penalties by the SCRC during the last three years.

Applicable N/A

IV. Remuneration of directors, supervisors and senior managers

The decision-making procedure, determination basis and actual remuneration for directors, supervisors and senior managers

The remuneration plan of independent directors on the ninth Board of Directors of the Company was preliminarily approved by the Board of Directors. The final decision would be made by the general meeting of shareholders.

In 2020, the annual allowance for the independent directors of the Company was 80,000 yuan (before tax), paid in a lump sum at the end of the year. The directors and supervisor appointed by shareholders will receive allowance of 30,000yuan (before tax),paid in a lump sum at the end of the year. Other directors, supervisors and senior managers of the Company will receive benefits in accordance with the Company's current Salary System and Performance Appraisal Schemes.

Remuneration of directors, supervisors and senior managers of the Company during the reporting period

Unit: RMB ten thousand yuan

Name	Title	Gender	Age	Holding of positions	Total pretax remuneration received from the Company	Receive remuneration from related parties of the Company or not
Lv Liang	Chairman of the Board	Male	47	Incumbent	240	No
Li Yuedong	Director, General Manager	Male	49	Incumbent	150	No
Niu Zhanqi	Director	Male	54	Incumbent	3	Yes
Kang Wei	Director	Female	53	Incumbent	3	Yes
Jin Xuhu	Director	Male	58	Incumbent	3	Yes
Zhu Liang	Director	Male	44	Incumbent	65	No
Zhong Xiaoming	Independent Director	Male	59	Incumbent	8	No
Yang Lan	Independent Director	Female	52	Incumbent	8	No
Yang Jun	Independent Director	Female	49	Incumbent	8	No
Bai Xinhua	Supervisor	Female	55	Incumbent	3	Yes
Qin Yun	Supervisor	Female	51	Incumbent	3	Yes
Liu Chengwei	Supervisor	Male	48	Incumbent	3	Yes

Hu Baozhen	Supervisor	Female	48	Incumbent	3	Yes
He Rufen	Supervisor	Female	53	Incumbent	100	No
Xu Zhifeng	Supervisor	Male	46	Incumbent	65	No
Zhou Shunhua	Deputy General Manager	Male	61	Incumbent	130	No
Wu Hui	Deputy General Manager	Male	52	Incumbent	120	No
Zhu Li	Deputy General Manager	Male	46	Incumbent	120	No
Chen Bo	Secretary of the Board of Directors	Male	49	Incumbent	120	No
Qiu Renbo	Officer in Charge of Financial Affairs	Male	39	Incumbent	120	No
合计	--	--	--	--	1275	--

Equity incentives granted to the Company's directors and senior managers during the reporting period

Applicable N/A

V. Employees of the Company

1. Number of employees, profession composition and education level

Number of incumbent employees in the parent company (person)	900
Number of incumbent employees in major subsidiaries (person)	10,459
Total number of incumbent employees (person)	11,359
Total number of employees receiving salaries in the current period (person)	11,359
Number of retired employees requiring the parent Company and its subsidiaries to bear costs (person)	13
Professional structure	
Category	Number (person)
Category	1039
Production staff	6367
Sales staff	2022

Technical staff	214
Financial staff	1323
Administrative staff	394
Total	11,359
Educational background	
Category	Number (person)
Master's degree or above	764
Bachelor's degree	4,695
Junior college (professional training)	5,004
Other	896
Total	11,359

Note: (1) Sales staff include those engaged in academic promotion, retail promotion, pharmaceutical service, marketing, aesthetic medicine business development, etc.

(2) Technical staff include those directly engaged in R&D and other R&D support personnel

2. Staff remuneration policy

Based on its strategic development plan, the Company strives to create a high-quality talent team with the characteristics of Huadong Medicine, and stimulates employees' innovation and creativity through flexible and diversified benefit policies.

3. Training program

In order to meet the requirements of the sustainable development and international strategies of the Company, speed up the talent transformation, further improve the cultivation and development system for various talents, the Company's Learning and Development Department has formulated the relevant training program for 2021 on a basis of comprehensively collecting the demands of training from the Company's middle and senior management and employees. The Department divided various talent cultivation projects into four major categories with the guiding concept of "cost control, project refinement, focusing on actual effectiveness, and resource sharing", including mature cultivation projects, new business cultivation projects, official cultivation projects, and system establishment projects.

For mature cultivation projects, the goal of which is to follow the 2025 development strategy planning, the Company strictly controls the costs and realizes delicacy project implementation so as to ensure that the production costs and various expenses in 2021 will only decrease rather than increase. These projects mainly cover business capacity and leadership promotion in the sectors such as production, quality, and marketing.

For new business projects, given that the Company is at the key stage of strategic transformation and scientific innovation, it is an urgent task to cultivate scientific research teams and management trainees. In addition, the Company will put forward higher requirements for such new businesses to match the demands of business departments in a more accurate manner, and focus on the R&D personnel inventory projects, R&D PM cultivation projects, and management trainee projects.

The cultivation of officials will be carried out in the form of internal cultivation such as management case

study, on-duty development and cultivation, and rotation and assignment in conjunction with certain advanced management concepts of external industries, so as to guide the officials to realize management innovation and concept innovation, and assist in the establishment of reserve teams for officials. The cultivation will mainly involve young managers.

In the system establishment, in order to better connect all project resources of various companies, the Company will consider the system establishment and the implementation of various cultivation projects at the level of the entire Company, continuously improve teams of internal trainers and tutors and various courses, make overall planning for the demands of the subsidiaries, and provide branches and subsidiaries with courses and teaching resources to create the sharing culture and promote the establishment of collectivized and learning-oriented organizations. Besides, Jiangdong Company plans to take the lead in integrating the learning resources to cultivate the key primary-level personnel who are responsible for the production and quality of the industrial subsidiaries, and the online course resources will be open to all employee platforms of branches and subsidiaries.

4. Labor outsourcing

Applicable N/A

Section X. Corporate Governance

I. Basic situation of corporate governance

During the reporting period, the Company strictly complied with the requirements of the regulatory documents on corporate governance issued by the CSRC and the Shenzhen Stock Exchange, such as “Company Law”, “Securities Law”, “Governance Guidelines for Listed Companies”, and “Rules for Stock Listing of Shenzhen Stock Exchange”. In order to realize its strategic development goals and safeguard the interests of all shareholders, the Company carried out comprehensive internal control and standardized management, strengthened system construction and internal management, standardized information disclosure and improved the corporate governance structure. There is no difference between corporate governance and the requirements of “Company Law” and the relevant provisions of the CSRC.

According to the regulatory documents on the governance of listed companies issued by the CSRC, the Company has formed a system that is legally compliant and in line with the actual operation of the Company. By the end of the reporting period, the actual corporate governance was basically consistent with the regulatory documents on corporate governance issued by the CSRC and the Shenzhen Stock Exchange, and there were no outstanding governance issues.

Whether the actual corporate governance of the Company is significantly different from the normative documents on corporate governance issued by the CSRC

Yes No

No such case during the reporting period.

II. The Company’s independence in Businesses, Management, Assets, Institutions and Finance from Controlling shareholders

During the reporting period, the Company continuously strengthened the corporate governance structure and implemented standardized operation in accordance with the requirements of regulatory authorities. The Company and its controlling shareholder realized the separation of management and independent operation in terms of personnel, assets, finance, institutions and business.

Category	Independent or not	Note
Independence in business	Yes	The Company is mainly engaged in the production and operation of pharmaceutical products, and has its own independent production and sales systems. The Company’s business activities are completely independent from its controlling shareholder. Although the subsidiaries of the Company and the controlling shareholder are engaged in pharmaceutical business, they focus on different medical fields and different customer groups. Therefore, there is no competition between the Company, controlling shareholders and related parties.
Independence in personnel	Yes	The company is completely independent in the management of labor, personnel and salaries, and has an independent human resources department and a sound personnel management system.
Independence in assets	Yes	The Company has various independent assets, such as independent production systems, auxiliary production systems and supporting facilities; independent purchasing and sales systems; independent industrial property rights, trademarks, non-patented

		technologies and other intangible assets.
Independence in institutions	Yes	The Company has established independent Board of Directors, management and other internal organizations, and each functional department is independent from controlling shareholders in duty and personnel. There is no superior-subordinate relation between functional departments of controlling shareholders and those of the Company, which would have an impact on the Company's independent operations.
Independence in finance	Yes	The Financial Management Head Office is responsible for the financial accounting and budget management of the Company, and has established independent and sound financial, accounting and budget management systems according to relevant laws and regulations.

Note: The Company is independent in Businesses, Management, Assets, Institutions and Finance from Controlling shareholders. The Company does not have peer competition or related transactions caused by partial restructuring, industry characteristics, national policies or mergers and acquisitions.

III. Horizontal competition

Applicable N/A

IV. Annual and extraordinary general meetings held during the reporting period

1. Shareholders' meetings in the reporting period

Meeting	Meeting type	Proportion of investors present	Convene date	Disclosure date	Disclosure index
2019 annual General Meeting	annual General Meeting	59.61%	June 5, 2020	June 5, 2020	<i>China Securities Journal, Securities Times, Shanghai Securities News,</i> and cninfo (www.cninfo.com.cn)

2. Extraordinary general meetings convened at the request of preferred shareholders with resumed voting rights:

Applicable N/A

V. Performance of duties of independent directors during the reporting period

1. Attendance of independent directors at Board meetings and general meetings

Attendance of independent directors at Board meetings and general meetings
--

| Name of independent directors |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Zhong Xiaoming | 8 | 1 | 7 | 0 | 0 | Zhong Xiaoming | 1 |
| Yang Lan | 8 | 1 | 7 | 0 | 0 | Yang Lan | 1 |
| Yang Jun | 8 | 1 | 7 | 0 | 0 | Yang Jun | 1 |

2. Objections from independent directors on relevant issues of the Company

Whether the independent directors have raised any objection to relevant issues of the Company

Yes No

No such case during the reporting period.

3. Other details about the performance of duties by independent directors

Whether the independent directors' suggestions were adopted or not

Yes No

Note on the adoption or non-adoption of the independent directors' suggestions

N/A

VI. Performance of duties by special committees under the Board during the reporting period

1. Strategic Committee

During the reporting period, the Strategic Committee, based on the domestic and foreign conditions and the characteristics of the industry, conducted an in-depth analysis of the Company's current operating situation and made an effective guidance for the Company to respond to market changes in a timely manner. In addition, the Strategic Committee put forward valuable opinions and suggestions for the Company to ensure its sustainable and robust development.

2. Audit Committee

During the reporting period, the Audit Committee strictly abided the rules of the CSRC, Shenzhen Stock Exchange and the Company's "Rules of Procedure for the Audit Committee of the Board of Directors". It listened to the reports of the internal audit department and deliberated on the external audit reports of the Company's 2020 financial report.

During the annually external auditing period, the Audit Committee held three regular meetings to fulfilled its obligation of fully communicating with the external auditors, carefully reviewing the external auditing plan, scrutinizing the financial statement data and effectively supervising the preparation of the annual report.

3. Remuneration and Appraisal Committee

During the reporting period, the Remuneration and Appraisal Committee carefully investigated the implementation of the Company's remuneration system in accordance to "Rules of Procedure for the Remuneration and Assessment Committee of the Board of Directors".

4. Nomination Committee

During the reporting period, the Nomination Committee fully performed its duties to exam and audit the criteria

and procedure of selecting directors, senior managerial staff and other personnel. The Committee strictly acted in accordance with the relevant rules of the Articles of Association and “Rules of Procedure for the Nomination Committee of the Board of Directors” . .

VII. Performance of duties by the Board of Supervisors

Whether the Board of Supervisors found any risks of the Company in the supervision activities during the reporting period

Yes No

No such case during the reporting period.

VIII. Assessment and incentive mechanism for senior managers

During the reporting period, the Company established a market-oriented assessment and incentive mechanism for senior managers. Based on their personal abilities, annual target achievements, market and industry salary level, the Company implemented a competitive remuneration policy and set up a sound remuneration management system to retain and attract talent.

IX. Evaluation report on internal control

1. Details of major internal control deficiencies found during the reporting period

Yes No

2. Self-evaluation report on internal control

Disclosure date of the full text of self-evaluation report on internal control	April 21, 2021	
Disclosure index of the full text of self-evaluation report on internal control	www.cninfo.com.cn	
Proportion of assets evaluated in total assets	95.00%	
Proportion of revenue evaluated in total revenue per consolidated financial statement	90.00%	
Recognition standard of deficiencies		
Category	Category	Category
Qualitative criteria	The Company stipulates that internal control deficiencies involving the following fields shall be identified as at least “important deficiencies”: anti-fraud procedure and control; internal control	The Company stipulates that internal control deficiencies involving the following fields shall be considered as “material deficiencies”: serious violation of laws and regulations; in

	over unconventional or unsystematic transactions; internal control over the selection and application of accounting policies in relation to GAAP; internal control over the end-of-period financial reporting process.	addition to policy reasons, the Company has been losing money for years, and its continuous operation has been challenged; lack of system control or systematic failure in important business; M&A and restructuring failure; the operation of newly expanded subordinate units is unsustainable; lack of internal control construction and disorderly management in subsidiaries; middle and senior managers have left their posts, or serious staff turnover in key positions; frequent exposure of negative news in the media; internal control evaluation results, especially major or significant deficiencies have not been corrected.
Quantitative criteria	Potential misstatement of total profit; potential misstatement of total assets	Impact on total assets; significant negative impact
Number of material deficiencies in financial reporting		0
Number of material deficiencies in non-financial reporting		0
Number of important deficiencies in financial reporting		0
Number of important deficiencies in non-financial reporting		0

X. Audit report on internal control

√ Applicable □ N/A

Comments of Internal Control Audit Report	
On December 31, 2020, Huadong Medicine has maintained effective internal control over financial reporting in all major respects in accordance with the "Basic Norms for Enterprise Internal Control" and relevant regulations.	
Disclosure of internal control audit report	Disclosure
Disclosure date of the full audit report on internal control	April 21, 2021
Disclosure index of the full audit report on internal control	cninfo (www.cninfo.com.cn)

Type of opinions in the internal control audit report	Unmodified unqualified opinions
Whether there are material deficiencies in non-financial reporting	None

Whether the accounting firm has issued the auditor's report on internal control with non-standard opinions

Yes No

Whether the auditor's report on internal control issued by the accounting firm is consistent with the self-evaluation report of the Board of Directors

Yes No

Section XI. Information about Corporate Bonds

Whether the Company have any corporate bonds that are publicly issued and listed on the stock exchange and have not expired on the approval date of the annual report or have not been fully paid upon maturity

No

Section XII. Financial Report

I. Audit report

Audit Opinion	Unmodified unqualified audit opinion
Audit Report sign-off Date	April 19, 2021
Audit Institution Name	Pan-China Certified Public Accountants (special general partnership)
Audit Report Number	T. J. S. (2021) No. 3608
Certified Public Accounts Name	Wang Fukang, Xu Ping

Main body of the audit report

Audit Report

T. J. S. (2021) No. 3608

Shareholders of Huadong Medicine Co., Ltd.:

I. Audit opinion

We audited the financial statements of Huadong Medicine Co., Ltd. (hereinafter referred to as “Huadong Medicine”), including the consolidated and the parent company’s balance sheets as at December 31, 2020, the consolidated and the parent company’s income statements for the year 2020, the consolidated and the parent company’s cash flow statements, the consolidated and the parent company’s statements of changes in ownership interest, and the notes to relevant financial statements.

In our opinion, the attached financial statements are prepared in accordance with the accounting standards for business enterprises in all material aspects and fairly reflect the consolidated and the parent company’s financial condition of Huadong Medicine as at December 31, 2020, as well as the consolidated and the parent company’s operating results and cash flows in 2020.

II. Basis opinion

We conducted our audit in accordance with the auditing standards for certified public accountants of China. Our responsibilities under these standards are further elaborated in the section “CPA’s responsibility to audit the financial statements” of the auditor’s report. In accordance with the code of professional ethics for certified public accountants in China, we are independent of Huadong Medicine and have fulfilled other responsibilities in respect of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate, providing a basis for auditor’s opinion.

III. Key audit matters

The key audit matters are those we consider most important to the audit of the financial statements for the current period in our professional judgment. The response to these items is based on an audit of the financial statements as a whole and the formation of auditor's opinion. We do not comment on these items separately.

(I) Revenue recognition

1. Description

The relevant information disclosure is detailed in Notes III (XXIV) and V (II) 1 to the financial statements.

The operating revenue of Huadong Medicine mainly comes from the production and sales of drugs. The operating revenue of Huadong Medicine in 2020 is RMB 336.83 hundred million yuan.

The medicine sales business of Huadong Medicine is a performance obligation to be performed at a certain time. The recognition of revenue from domestic sales of products of Huadong Medicine shall meet the following conditions: the products have been delivered to the buyer according to the contract, and the amount of product sales revenue has been determined, the payment for goods has been recovered or the receipt certificate has been obtained, and the relevant economic benefits are likely to flow in, and the costs related to the products can be measured reliably. The recognition of revenue from overseas sales of products shall meet the following conditions: the products have been declared at the customs according to the contract, the bill of lading has been obtained, the amount of product sales revenue has been determined, the payment for goods has been recovered or the receipt certificate has been obtained, and the relevant economic benefits are likely to flow in, and the costs related to the products can be measured reliably.

As the operating revenue is one of the key performance indicators of Huadong Medicine, there may be inherent risks for the management of Huadong Medicine (hereinafter referred to as the "Management") to achieve specific goals or expectations through inappropriate revenue recognition. Therefore, we identified revenue recognition as a key audit matter.

2. Audit response

For revenue recognition, the audit procedures we implemented mainly include:

(1) Understanding the key internal controls related to revenue recognition, evaluating the design of these controls, determining whether they are implemented, and testing the operating effectiveness of relevant internal controls;

(2) Reviewing the sales contract, understanding the main contract terms or conditions, and evaluating whether the revenue recognition method is appropriate;

(3) Analyzing the operating revenue and gross profit rate by month, product, region, etc., identifying whether there are significant or abnormal fluctuations, and ascertaining the reasons for the fluctuations;

(4) For domestic sales revenue, checking the supporting documents related to revenue recognition by sampling, including sales contracts, orders, sales invoices, outbound delivery orders, shipping orders, shipping documents and payment receipts. For overseas revenue, obtaining e-port information and checking with the accounting records, and checking the sales contracts, export declaration forms, bills of lading, sales invoices and other supporting documents by sampling;

(5) In combination with accounts receivable confirmation, confirming the current sales with major customers by sampling;

(6) Carrying out a cut-off test for the operating revenue recognized before and after the balance sheet date, and evaluating whether the operating revenue is recognized within an appropriate period;

and

(7) The medicine sales business of Huadong Medicine is a performance obligation to be performed at a certain time.

(8) Checking whether the information relating to operating revenue has been properly presented in the financial statements.

(II) Impairment of accounts receivable

1. Description

The relevant information disclosure is detailed in Notes III (X) and V (I) 2 to the financial statements.

As of December 31, 2020, the book balance of accounts receivable of Huadong Medicine was RMB 64.90 hundred million yuan, the bad debt reserve was 3.52 hundred million yuan, and the book value was 61.38 hundred million yuan.

Based on the credit risk characteristics of various accounts receivable and the individual account receivable or the combination of accounts receivable, the Management measured its loss reserve according to the expected credit loss equivalent to the entire duration. For the accounts receivable with expected credit loss measured based on an individual item, the Management comprehensively considered the reasonable and reliable information about the past items, current conditions and future economic conditions, estimated the expected cash flow, and determined the bad debt reserve that should be accrued. For the accounts receivable with expected credit loss measured based on the combined items, the Management divided the accounts receivable based on age, made adjustments according to historical credit loss and prospective estimates, compiled a comparison table of accounts receivable ages and expected credit loss rates, and determined the bad debt reserve that should be accrued.

Due to the significant amount of accounts receivable and significant management judgment involved in the impairment of accounts receivable, we determined the impairment of accounts receivable as a key audit matter.

2. Audit response

For the impairment of accounts receivable, the audit procedures we implemented mainly include:

(1) Understanding the key internal controls related to the impairment of accounts receivable, evaluating the design of these controls, determining whether they are implemented, and testing the operating effectiveness of relevant internal controls;

(2) Reviewing the follow-up actual write-off or reversal of accounts receivable for which the bad debt reserve has been accrued in previous years, evaluating the accuracy of the Management's past forecasts;

(3) Reviewing the relevant considerations and objective evidence of the Management's credit risk assessment of accounts receivable, and evaluating whether the Management has properly identified the credit risk characteristics of various accounts receivable;

(4) For the accounts receivable with expected credit loss measured based on an individual item, obtaining and checking the Management's forecast of the expected cash flow received, evaluating the rationality of the key assumptions used in the forecast and the accuracy of data, and checking with the external evidence obtained;

(5) For the accounts receivable with expected credit loss measured based on the combined items, evaluating the rationality of the Management's division of combinations according to the

credit risk characteristics; evaluating the rationality of the comparison table of accounts receivable ages and expected credit loss rates determined by the Management based on historical credit loss experience and prospective estimates; testing the accuracy and completeness of the Management's data (including the age of accounts receivable, historical loss rate, migration rate, etc.) and whether the calculation of bad debt reserve is accurate;

(6) Checking the subsequent collection of accounts receivable, and evaluating the reasonability of the Management's accrual of bad debt reserve for accounts receivable; and

(7) Checking whether the information relating to the impairment of accounts receivable has been properly presented in the financial statements.

(III) Goodwill impairment

1. Description

The relevant information disclosure is detailed in Notes III (V), III (XIX) and V (I) 14 to the financial statements.

As of December 31, 2020, the original book value of goodwill of Huadong Medicine was 14.72 hundred million yuan, the impairment reserve was 0.03 hundred million yuan, and the book value was 14.69 hundred million yuan.

When there is any sign of impairment in the asset group or asset portfolio related to goodwill, and at the end of each year, the Management shall conduct a goodwill impairment test. The Management conducted the goodwill impairment test in combination with the relevant asset group or asset portfolio, and the recoverable amount of the relevant asset group or asset portfolio was determined by the present value of the expected future cash flow. The key assumptions used in the impairment test include: revenue growth rate in the detailed forecast period, growth rate in the perpetual forecast period, gross profit rate, related expenses and discount rate.

Due to the significant amount of goodwill and the significant management judgment involved in the goodwill impairment test, we determined the goodwill impairment as a key audit matter.

2. Audit response

For the goodwill impairment, the audit procedures we implemented mainly include:

(1) Reviewing the Management's forecast of the present value of future cash flows in previous years and actual operating results, and evaluating the accuracy of the Management's past forecasts;

(2) Understanding and evaluating the competence, professional quality and objectivity of external valuation experts employed by the Management;

(3) Evaluating the rationality and consistency of the Management's methods in the impairment test;

(4) Evaluating the rationality of the key assumptions adopted by the Management in the impairment test, and verifying whether the relevant assumptions are consistent with the overall economic environment, industry conditions, operating conditions, historical experience, operating plans, approved budgets, meeting minutes, and other assumptions used by the Management in relation to the financial statements;

(5) Testing the accuracy, completeness and relevance of the data used by the Management in the impairment test, and rechecking the internal consistency of the relevant information in the impairment test;

(6) Testing whether the Management's calculation of the present value of expected future cash flows is accurate;

(7) Based on the methods and assumptions used by the Management, estimating the present value range of future cash flows and evaluating whether it differs significantly from the range estimated by the Management; and

(8) Checking whether the information relating to the goodwill impairment has been properly presented in the financial statements.

IV. Other information

The Management is responsible for other information, including information covered in the annual report, but not the financial statements and the auditor's report.

The auditor's opinion on the financial statements does not cover other information, and we do not publish any form of corroborating conclusions on other information.

In conjunction with our audit of the financial statements, it is our responsibility to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or what we learned during the audit or appears to be materially misrepresented.

Based on the work we have performed, if we determine that other information is materially misrepresented, we should report that fact. In this connection, we have nothing to report.

V. Responsibility of the Management and Governance for the Financial Statements

The Management is responsible for preparing the financial statements in accordance with the accounting standards for business enterprises to achieve fair presentation and for designing, implementing and maintaining the necessary internal controls so that the financial statements are free from material misstatement due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Huadong Medicine's competence for continuing operations, disclosing matters relating to continuing operations (if applicable) and applying the going concern assumption, unless liquidation and termination are planned or there is no other realistic alternative.

Those charged with governance of Huadong Medicine is responsible for overseeing the Company's financial reporting process.

VI. Responsibility of Certified Public Accountants on the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit performed in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material when it is reasonably expected that misstatements, individually or collectively, may affect the economic decisions made by users based on the financial statements.

As part of the audit in accordance with the audit standards, we exercise professional judgment and maintain professional skepticism throughout the process. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one

resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.

(II) Understand the internal control associated with the audit to design appropriate audit procedures.

(III) Evaluate the appropriateness of accounting policies used and the rationality of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of using the going concern assumption by the Management, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Huadong Medicine's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw the attention of users to relevant disclosures in the financial statements in our auditor's report; if such disclosures are inadequate, we should offer qualified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Huadong Medicine to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, including whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities of Huadong Medicine to express auditor's opinions on the financial statements. We are responsible for the guidance, supervision and implementation of group audits and take full responsibility for the auditor's opinions.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the professional ethical requirements associated with our independence, and communicate to those charged with governance all relationships and other matters that may reasonably be deemed to affect our independence, as well as relevant precautions (if applicable).

From the matters communicated to those charged with governance, we determine which matters are most important to the current financial statement audit and thus constitute key audit matters. We describe these matters in our auditor's report, unless laws and regulations prohibit their public disclosure or, in rare cases, if it is reasonably expected that the negative consequences of communicating a matter in the auditor's report outweigh the benefits in the public interest, we determine that the matter should not be communicated in the auditor's report.

Pan-China Certified Public Accountants
(special general partnership)

Chinese Certified Public Accountant: Wang Fukang
(Project partner)

Hangzhou, China

Chinese Certified Public Accountant: Xu Ping

April 19, 2021

II. Financial statements

The unit of statements in the financial notes is: RMB yuan.

1. Consolidated balance sheet

Prepared by: Huadong Medicine Co., Ltd.

December 31, 2020

Unit: RMB yuan

Item	December 31, 2020	December 31, 2019
Current assets:		
Cash and bank balances	3,198,080,997.82	2,402,730,395.39
Settlement reserve		
Lending to other banks and other financial institutions		
Financial assets for trade		
Derivative financial assets		
Notes receivable		
Accounts receivable	6,137,675,568.82	6,092,305,184.47
Accounts receivable for financing	828,659,217.25	683,884,625.14
Prepayments	250,916,482.07	363,246,612.94
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	87,269,489.82	92,201,271.22
Including: Interests receivable		
Dividends receivable	4,195,666.37	815,965.44
Financial assets purchased for resale		
Inventories	4,067,635,254.80	4,038,975,496.93
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	85,654,691.58	62,526,471.96
Total current assets	14,655,891,702.16	13,735,870,058.05

Non-current assets:		
Loans and prepayments issuance		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	850,072,053.02	222,595,018.54
Other equity instrument investments	225,453,120.05	241,675,712.05
Other non-current financial assets		
Real estate properties for investment	17,792,735.95	21,701,908.75
Fixed assets	2,420,366,582.92	2,175,216,842.65
Constructions in progress	2,240,201,926.65	1,829,808,233.19
Biological assets for production		
Oil & gas assets		
Right-of-use assets		
Intangible assets	1,463,242,463.99	1,454,900,160.45
Development expenditures		
Goodwill	1,469,617,262.10	1,469,617,262.10
Long-term unamortized expenses	8,811,339.43	12,289,677.31
Deferred tax assets	137,829,774.40	116,157,614.47
Other non-current assets	712,069,194.08	184,141,659.07
Total non-current assets	9,545,456,452.59	7,728,104,088.58
Total assets	24,201,348,154.75	21,463,974,146.63
Current liabilities:		
Short-term borrowing	1,416,932,884.87	655,549,973.27
Borrowing from the central bank		
Borrowing from other banks and other financial institutions		
Financial liabilities for trade		
Derivative financial liabilities		
Notes payable	554,336,058.71	613,374,356.61
Accounts payable	3,947,044,331.68	3,789,054,234.58
Receipts in Advance	951,926.56	254,888,911.30
Contract liabilities	94,384,629.77	

Financial assets sold for repurchase		
Absorbing deposits and due from banks		
Receipts for buying and selling securities as proxy		
Receipts for underwriting securities as proxy		
Payroll payable	152,106,819.91	132,584,982.71
Taxes payable	571,792,475.80	532,802,157.61
Other payables	1,817,529,820.99	1,365,152,290.99
Including: Interests payable		
Dividends payable	224,219.60	224,219.60
Handling fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	67,813,886.68	1,053,231,727.73
Other current liabilities	10,786,034.37	
Total current liabilities	8,633,678,869.34	8,396,638,634.80
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowing	151,611,367.86	
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	26,812,354.90	48,080,030.00
Long-term employee benefits payable		
Provisions	39,467,829.23	52,066,643.01
Deferred income	81,628,032.54	60,960,255.68
Deferred tax liabilities	88,738,187.41	39,604,343.27
Other non-current liabilities		
Total non-current liabilities	388,257,771.94	200,711,271.96

Total liabilities	9,021,936,641.28	8,597,349,906.76
Owners' Equity:		
Share capital	1,749,809,548.00	1,749,809,548.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	2,158,080,661.07	2,158,080,661.07
Less: Treasury shares		
Other comprehensive income	-2,191,069.45	22,792,488.80
Special reserve		
Surplus reserves	861,680,578.42	710,359,967.51
General risk reserve		
Retained earnings	9,852,441,590.56	7,668,434,642.62
Total owners' equity attributable to owner of the Company	14,619,821,308.60	12,309,477,308.00
Minority interest	559,590,204.87	557,146,931.87
Total owners' equity	15,179,411,513.47	12,866,624,239.87
Total liabilities & owners' equity	24,201,348,154.75	21,463,974,146.63

Legal representative: Lv Liang

Person in charge of accounting work: Lv Liang

Person in charge of the Accounting Department: Qiu Renbo

2. Balance sheet of the parent company

Unit: RMB yuan

Item	December 31, 2020	December 31, 2019
Current assets:		
Cash and bank balances	1,889,264,142.30	893,939,724.56
Financial assets for trade		
Derivative financial assets		
Notes receivable		
Accounts receivable	3,287,882,027.51	3,601,796,850.84
Accounts receivable for financing	214,871,707.01	102,285,661.94
Prepayments	121,268,106.62	183,776,687.98

Other receivables	798,152,353.96	857,127,207.17
Including: Interests receivable		
Dividends receivable	3,363,380.00	
Inventories	1,845,977,070.46	1,726,815,773.41
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets		4,529,331.87
Total current assets	8,157,415,407.86	7,370,271,237.77
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	4,847,172,288.65	4,809,521,228.65
Other equity instrument investments	94,312,742.49	92,108,957.26
Other non-current financial assets		
Real estate properties for investment	8,125,576.54	8,591,809.18
Fixed assets	159,486,234.04	144,102,366.02
Constructions in progress	342,161.41	15,728,406.26
Biological assets for production		
Oil & gas assets		
Right-of-use assets		
Intangible assets	56,448,575.54	45,226,361.12
Development expenditures		
Goodwill		
Long-term unamortized expenses	645,902.07	975,689.14
Deferred tax assets	45,918,388.57	48,849,165.52
Other non-current assets	96,882,664.08	8,076,419.28
Total non-current assets	5,309,334,533.39	5,173,180,402.43
Total assets	13,466,749,941.25	12,543,451,640.20
Current liabilities:		
Short-term borrowing	930,813,369.36	55,000,000.80

Financial liabilities for trade		
Derivative financial liabilities		
Notes payable	180,042,270.63	81,036,745.94
Accounts payable	2,421,476,904.57	2,469,675,798.54
Receipts in advance		52,914,932.34
Contract liabilities	32,577,236.92	
Payroll payable	8,530,961.48	3,203,215.95
Taxes payable	154,676,067.87	32,881,935.68
Other payables	518,390,330.44	638,551,969.04
Including: Interests payable		
Dividends payable	224,219.60	224,219.60
Liabilities held for sale		
Non-current liabilities due within one year		1,028,002,952.88
Other current liabilities	4,273,258.99	
Total current liabilities	4,250,780,400.26	4,361,267,551.17
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provision		
Deferred income	40,698,910.95	43,264,785.87
Deferred tax liabilities	10,888,106.00	
Other non-current liabilities		
Total non-current liabilities	51,587,016.95	43,264,785.87
Total liabilities	4,302,367,417.21	4,404,532,337.04
Owners' Equity:		
Share capital	1,749,809,548.00	1,749,809,548.00
Other equity instruments		
Including: Preferred shares		

Perpetual bonds		
Capital reserves	2,168,451,528.01	2,168,451,528.01
Less: Treasury shares		
Other comprehensive income	3,051,311.29	847,526.06
Special reserve		
Surplus reserves	939,536,337.86	788,215,726.95
Retained earnings	4,303,533,798.88	3,431,594,974.14
Total owners' equity	9,164,382,524.04	8,138,919,303.16
Total liabilities & owners' equity	13,466,749,941.25	12,543,451,640.20

3. Consolidated income statement

Unit: RMB yuan

Item	2020	2019
I. Total operating income	33,683,058,759.75	35,445,698,216.15
Including: Operating revenue	33,683,058,759.75	35,445,698,216.15
Interests received		
Premiums earned		
Handling fees and commissions received		
II. Total operating cost	30,666,230,281.53	32,236,584,319.28
Including: Operating cost	22,550,481,690.73	24,086,722,961.73
Interests paid		
Handling fees and commissions paid		
Surrender value		
Net payment of insurance claims		
Net appropriation of policy reserve		
Policy dividends paid		
Reinsurance expenses		
Business taxes and surcharges	185,461,334.65	181,986,722.36
Selling expenses	5,970,614,819.26	5,797,236,883.02
Administrative expenses	998,746,330.35	1,095,227,423.65

Research and Development(R&D) expenses	926,725,468.93	1,072,937,182.39
Financial expenses	34,200,637.61	2,473,146.13
Including: Interests expenses	68,639,542.18	107,193,977.78
Interests income	60,990,405.57	30,593,316.38
Add: Other income	191,999,829.91	113,635,429.90
Investment income (Losses are indicated by “-”)	-27,525,224.08	-15,006,715.14
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-10,825,814.85	11,058,408.16
Gains on the derecognition of financial assets measured at amortized cost		
Gains on exchange (Losses are indicated by “-”)		
Gains on net exposure hedging (Losses are indicated by “-”)		
Gains on changes in fair value (Losses are indicated by “-”)		
Credit impairment losses (Losses are indicated by “-”)	-22,826,566.73	-28,581,461.03
Impairment losses of assets (Losses are indicated by “-”)	-4,537,552.17	3,726,044.53
Gains on assets disposal (Losses are indicated by “-”)	322,636,323.26	114,154,941.45
III. Operating profit (Losses are indicated by “-”)	3,476,575,288.41	3,397,042,136.58
Add: Non-operating income	12,497,148.79	118,292,148.72
Less: Non-operating expenses	35,681,896.22	45,068,060.85
IV. Total profit (Total losses are indicated by “-”)	3,453,390,540.98	3,470,266,224.45
Less: Income tax expenses	543,673,981.58	544,863,569.56
V. Net profit (Net losses are indicated by “-”)	2,909,716,559.40	2,925,402,654.89
(I) Classification by continuous operations		

1. Net profit from continued operations (Net losses are indicated by “-”)	2,909,716,559.40	2,925,402,654.89
2. Net profit from terminational operations (Net losses are indicated by “-”)		
(II) Classification by attribution of ownership		
1. Net profit attributable to owners of the parent company	2,819,861,203.63	2,813,118,702.11
2. Profit or loss attributable to minority shareholders	89,855,355.77	112,283,952.78
VI. Other comprehensive income, net of income tax	-19,570,529.59	45,218,643.39
Other comprehensive income attributable to owners of the parent company, net of tax	-19,570,529.59	45,218,643.39
(I) Other comprehensive income that cannot be reclassified into gains/losses	-7,557,508.15	22,649,380.85
1.Changes in remeasurement on the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method		
3. Changes in fair value of other equity instrument investments	-7,557,508.15	22,649,380.85
4. Changes in fair value of credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses	-12,013,021.44	22,569,262.54
1. Other comprehensive income that can be reclassified into gains/losses under equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		

4. Credit impairment reserve of other debt investments		
5. Cash flow hedging reserve		
6. Exchange differences arising on conversion of financial statements denominated in foreign currencies	-12,013,021.44	22,569,262.54
7. Others		
Net amount after tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,890,146,029.81	2,970,621,298.28
Total comprehensive income attributable to owners of the parent company	2,800,290,674.04	2,858,337,345.50
Total comprehensive income attributable to minority shareholders	89,855,355.77	112,283,952.78
VIII. Earnings per share (EPS):		
(I) Basic EPS	1.6115	1.6077
(II) Diluted EPS	1.6115	1.6077

As for enterprise merger under the same control in the current period, the net profit generated by the merged party before the merger is 0.00 yuan, and that generated during the previous period is 0.00 yuan.

Legal representative: Lv Liang

Person in charge of accounting work: Lv Liang

Person in charge of the Accounting Department: Qiu Renbo

4. Income statement of the parent company

Unit: RMB yuan

Item	2020	2019
I. Total operating income	16,872,181,187.37	18,615,152,475.02
Less: Total operating cost	15,944,922,632.47	17,632,559,302.99
Business taxes and surcharges	22,247,894.47	18,316,448.01
Selling expenses	376,745,334.88	405,018,833.52
Administrative expenses	149,533,857.93	144,525,622.55

Research and Development (R&D) expenses		7,744,972.45
Financial expenses	16,997,550.09	61,561,281.10
Including: Interests expenses	55,351,840.15	74,457,880.50
Interests income	42,365,020.49	17,378,641.11
Add: Other income	12,869,243.56	6,736,329.43
Investment income (Losses are indicated by “-”)	1,230,298,386.30	884,134,498.88
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise		
Gains on the derecognition of financial assets measured at amortized cost (Losses are indicated by “-”)		
Gains on net exposure hedging (Losses are indicated by “-”)		
Gains from changes in fair values (Losses are indicated by “-”)		
Credit impairment losses (Losses are indicated by “-”)	20,604,531.85	-51,632,880.16
Impairment gains (losses) of assets (Losses are indicated by “-”)		
Asset disposal income (Losses are indicated by “-”)	-6,255.56	114,473,031.50
II. Operating profit (Losses are indicated by “-”)	1,625,499,823.68	1,299,136,994.05
Add: Non-operating income	1,052,923.08	1,634,235.90
Less: Non-operating expenses	8,012,091.67	1,291,907.34
III. Total profit (Total losses are indicated by “-”)	1,618,540,655.09	1,299,479,322.61
Less: Income tax expenses	105,334,546.00	124,909,727.27
IV. Net profit (Net losses are indicated by “-”)	1,513,206,109.09	1,174,569,595.34
(I) Net profit from continuous operations (Net losses are indicated by “-”)	1,513,206,109.09	1,174,569,595.34

(II) Net profit from discontinued operations (Net losses are indicated by “-”)		
V. Other comprehensive income, net of income tax	2,203,785.23	847,526.06
(I) Other comprehensive income that cannot be reclassified into gains/losses	2,203,785.23	847,526.06
1. Changes in remeasurement on the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method		
3. Changes in fair value of other equity instrument investments	2,203,785.23	847,526.06
4. Changes in fair value of credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses		
1. Other comprehensive income that can be reclassified into gains/losses under equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve of other debt investments		
5. Cash flow hedging reserve		
6. Exchange differences from translation of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	1,515,409,894.32	1,175,417,121.40
VII. Earnings per share (EPS):		

(I) Basic EPS		
(II) Diluted EPS		

5. Consolidated cash flow statement

Unit: RMB yuan

Item	2020	2019
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	36,213,324,706.96	37,765,481,069.45
Net increase in customer deposits and due from banks		
Net increase in borrowing from the central bank		
Net increase in borrowing from other financial institutions		
Cash from the premium of the original insurance policy		
Net cash from reinsurance		
Net increase in deposits and investment of the insured		
Cash from interests, handling fees and commissions		
Net increase in borrowing from other banks and other financial institutions		
Net increase in funds for repurchase		
Net cash received for buying and selling securities as proxy		
Receipts of tax refunds	21,366,495.17	36,489,238.81
Other cash receipts to operating activities	875,802,744.84	999,312,116.21
Sub-total of Cash inflows from operating activities	37,110,493,946.97	38,801,282,424.47
Cash payments for goods purchased and services received	23,428,048,137.78	26,049,853,576.88
Net increase in customer loans and		

prepayments		
Net increase in deposits of central bank and due from banks		
Cash payments for original insurance claims		
Net increase in lending to other banks and other financial institutions		
Cash payments for interests, handling fees and commissions		
Cash payments for policy dividends		
Cash payments to and on behalf of employees	2,292,509,541.65	2,290,705,739.73
Payments of various types of taxes	2,186,582,342.29	2,151,909,142.04
Other cash payments in relation to operating activities	5,791,906,177.69	6,307,115,795.15
Sub-total of cash outflows for operating activities	33,699,046,199.41	36,799,584,253.80
Net cash flow from operating activities	3,411,447,747.56	2,001,698,170.67
II. Cash flows from investing activities		
Cash receipts from recovery of investments	1.00	
Cash receipts from investment income	900,000.00	6,375,600.00
Net cash from disposal of fixed assets, intangible assets and other long-term assets	373,808,641.84	57,931,687.55
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities	10,970,083.85	10,330,000.00
Sub-total of cash inflows from investing activities	385,678,726.69	74,637,287.55
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	1,472,983,747.79	1,353,444,334.16
Cash payments for investment	638,463,000.00	256,944,900.00
Net increase in pledge loans		

Net cash paid for acquisition of subsidiaries and other business units		11,199,793.01
Other cash payments in relation to investing activities	12,869,402.84	35,656,157.15
Sub-total of cash outflows for investing activities	2,124,316,150.63	1,657,245,184.32
Net cash flow from investing activities	-1,738,637,423.94	-1,582,607,896.77
III. Cash flows from financing activities:		
Cash receipts from capital contributions		9,800,000.00
Including: Cash receipts from capital contributions from minority owners of subsidiaries		9,800,000.00
Cash from borrowing	2,194,671,377.21	1,908,287,327.51
Other cash receipts in relation to financing activities	16,376,100.00	4,450,000.00
Sub-total of cash inflows from financing activities	2,211,047,477.21	1,922,537,327.51
Cash repayment of borrowings	2,258,202,628.26	1,880,308,079.71
Cash payments for distribution of dividends or profits or settlement of interest expenses	655,696,970.33	621,755,092.32
Including: Dividends and profits paid by subsidiaries to minority shareholders	89,969,437.98	51,128,000.00
Other cash payments in relation to financing activities	22,877,889.85	29,071,651.48
Sub-total of cash outflows from financing activities	2,936,777,488.44	2,531,134,823.51
Net cash flows from financing activities	-725,730,011.23	-608,597,496.00
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents	-21,444,785.63	22,569,262.54
V. Net increase in cash and cash equivalents	925,635,526.76	-166,937,959.56
Add: Opening balance of cash and cash equivalents	2,231,771,546.50	2,398,709,506.06
VI. Closing balance of cash and cash	3,157,407,073.26	2,231,771,546.50

equivalents		
-------------	--	--

6. Cash flow statement of the parent company

Unit: RMB yuan

Item	2020	2019
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	18,468,734,907.54	19,888,765,400.12
Receipts of tax refund	62.38	
Other cash receipts in relation to operating activities	75,204,158.10	72,672,145.56
Sub-total of cash inflows from operating activities	18,543,939,128.02	19,961,437,545.68
Cash payments for goods acquired and services received	17,189,413,934.83	19,392,421,016.77
Cash payments to and on behalf of employees	221,958,975.19	215,213,920.34
Payments of various types of taxes	141,082,140.82	304,160,143.98
Other cash payments in relation to operating activities	305,941,397.18	293,133,338.39
Sub-total of cash outflows for operating activities	17,858,396,448.02	20,204,928,419.48
Net cash flow from operating activities	685,542,680.00	-243,490,873.80
II. Cash flows from investing activities		
Cash receipts from recovery of investments	4,277,665.48	
Cash receipts from investment income	252,569,238.79	854,192,000.00
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	51,043.55	56,648,621.75
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities	1,008,662,454.55	719,862,834.59
Sub-total of cash inflows from investing	1,265,560,402.37	1,630,703,456.34

activities		
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	117,614,594.72	76,886,709.15
Cash payments for investment	45,563,072.00	292,607,400.00
Net cash paid for acquisition of subsidiaries and other business units		45,000,000.00
Other cash payments in relation to investing activities	883,840,800.00	1,025,893,964.54
Sub-total of cash outflows for investing activities	1,047,018,466.72	1,440,388,073.69
Net cash flows from investing activities	218,541,935.65	190,315,382.65
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		
Cash receipts from borrowing	1,290,651,754.99	804,466,686.17
Other cash receipts in relation to financing activities	8,284,000,000.00	352,692,483.11
Sub-total of cash inflows from financing activities	9,574,651,754.99	1,157,159,169.28
Cash repayments of borrowings	1,415,656,441.26	769,466,685.37
Cash payments for distribution of dividends or profits or settlement of interest expenses	555,848,349.12	536,573,346.34
Other cash payments in relation to financing activities	7,511,907,162.52	288,574,038.04
Sub-total of cash outflows from financing activities	9,483,411,952.90	1,594,614,069.75
Net cash flow from financing activities	91,239,802.09	-437,454,900.47
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents		
V. Net increase in cash and cash equivalents	995,324,417.74	-490,630,391.62
Add: Opening balance of cash and cash equivalents	893,929,724.56	1,384,560,116.18
VI. Closing balance of cash and cash equivalents	1,889,254,142.30	893,929,724.56

7. Consolidated statement of changes in owners' Equity

Amount in the current period

Unit: RMB yuan

Item	2020														Minority interest	Total ownership interest
	Ownership interest attributable to the parent company												Total			
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others				
		Preferred shares	Perpetual bonds	Others												
I. Balance at the end of the period of the prior year	1,749,809,548.00				2,158,080,661.07		22,792,488.80		710,359,967.51		7,668,434,642.62		12,309,477,308.00	557,146,931.87	12,866,624,239.87	
Add: changes in accounting policies																
Error correction in the prior periods																
Merger of enterprises under the same control																
Others																
II. Balance at the beginning of the period of the current year	1,749,809,548.00				2,158,080,661.07		22,792,488.80		710,359,967.51		7,668,434,642.62		12,309,477,308.00	557,146,931.87	12,866,624,239.87	
III. Amount of change in the current period (Decreases are indicated by "-")							-24,983,558.25		151,320,610.91		2,184,006,947.94		2,310,344,000.60	2,443,273.00	2,312,787,273.60	
(I) Total							-19,572,558.25				2,819,006,947.94		2,800,344,000.60	89,855,273.00	2,890,787,273.60	

comprehensive income						0,529.59				861,203.63		290,674.04	,355.77	146,029.81
(II) Capital contributed by owners and capital decreases													4,900,000.00	4,900,000.00
1. Common shares invested by owners													4,900,000.00	4,900,000.00
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payment included in ownership interest														
4. Others														
(III) Profit distribution								151,320,610.91		-641,267,284.35		-489,946,673.44	-89,969,437.98	-579,916,111.42
1. Withdrawal of surplus reserve								151,320,610.91		-151,320,610.91				
2. Withdrawal of general risk reserve														
3. Distribution to owners (or shareholders)										-489,946,673.44		-489,946,673.44	-89,969,437.98	-579,916,111.42
4. Others														
(IV) Internal conversion of ownership interest								-5,413,028.66		5,413,028.66				
1. Capital (or share capital)														

increase from capital reserve conversion																							
2. Capital (or share capital) increase from surplus reserve conversion																							
3. Recovery of losses by surplus reserve																							
4. Retained earnings from transfer of changes in the defined benefit plan																							
5. Retained earnings from transfer of other comprehensive income																							
6. Others																							
(V) Special reserve																							
1. Withdrawal in the current period																							
2. Use in the current period																							
(VI) Others																							
IV. Balance at the end of the current period	1,749,809,548.00				2,158,080,661.07				-2,191,069.45				861,680,578.42				9,852,441,590.56				14,619,821,308.60	559,590,204.87	15,179,411,513.47

Amount in the prior period

Unit: RMB yuan

Items	2019		
	Ownership interest attributable to the parent company		Minorit Total

	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Total	Minority interest	Owners' equity
		Preferred shares	Perpetual bonds	Others											
I. Balance at the end of the period of the prior year	1,458,174,624.00				2,455,526,993.18		-22,426,154.59		592,903,007.98		5,453,970,525.96		9,938,148,996.53	487,379,570.98	10,425,528,567.51
Add: Changes in accounting policies															
Error correction in the prior periods															
Merger of enterprises under the same control															
Others															
II. Balance at the beginning of the period of the current year	1,458,174,624.00				2,455,526,993.18		-22,426,154.59		592,903,007.98		5,453,970,525.96		9,938,148,996.53	487,379,570.98	10,425,528,567.51
III. Amount of change in the current period (Decreases are indicated by "-")	291,634,924.00				-297,446,332.11		45,218,643.39		117,456,959.53		2,214,464,116.66		2,371,328,311.47	69,767,360.89	2,441,095,672.36
(I) Total comprehensive income							45,218,643.39				2,813,118,702.11		2,858,337,345.50	112,283,952.78	2,970,621,298.28
(II) Capital contributed by owners and														9,800,000.00	9,800,000.00

capital decreases															
1. Common shares invested by owners													9,800,000.00	9,800,000.00	
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payment included in ownership interest															
4. Others															
(III) Profit distribution								117,456,959.53		-598,654,585.45			-481,197,625.92	-51,128,000.00	-532,325,625.92
1. Withdrawal of surplus reserve								117,456,959.53		-117,456,959.53					
2. Withdrawal of general risk reserve															
3. Distribution to owners (or shareholders)										-481,197,625.92			-481,197,625.92	-51,128,000.00	-532,325,625.92
4. Others															
(IV) Internal conversion of ownership interest	291,634,924.00														
1. Capital (or share capital) increase from capital reserve conversion	291,634,924.00														
2. Capital (or share capital)															

		Preferr ed shares	Perpet ual bonds	Others		shares	ensive income			profit		interest
I. Balance at the end of the period of the prior year	1,749,809,548.00				2,168,451,528.01		847,526.06		788,215,726.95	3,431,594,974.14		8,138,919,303.16
Add: Changes in accounting policies												
Error correction in the prior periods												
Others												
II. Balance at the beginning of the period of the current year	1,749,809,548.00				2,168,451,528.01		847,526.06		788,215,726.95	3,431,594,974.14		8,138,919,303.16
III. Amount of change in the current period (Decreases are indicated by “-”)							2,203,785.23		151,320,610.91	871,938,824.74		1,025,463,220.88
(I) Total comprehensive income							2,203,785.23			1,513,206,109.09		1,515,409,894.32
(II) Capital contributed by owners and capital decreases												
1. Common shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment												

included in ownership interest												
4. Others												
(III) Profit distribution									151,320,610.91	-641,267,284.35		-489,946,673.44
1. Withdrawal of surplus reserve									151,320,610.91	-151,320,610.91		
2. Distribution to owners (or shareholders)										-489,946,673.44		-489,946,673.44
3. Others												
(IV) Internal conversion of ownership interest												
1. Capital (or share capital) increase from capital reserve conversion												
2. Capital (or share capital) increase from surplus reserve conversion												
3. Recovery of losses by surplus reserve												
4. Retained earnings from transfer of changes in the defined benefit plan												
5. Retained earnings from transfer of other comprehensive												

income												
6. Others												
(V) Special reserve												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others												
IV. Balance at the end of the current period	1,749,809,548.00				2,168,451,528.01		3,051,311.29		939,536,337.86	4,303,533,798.88		9,164,382,524.04

Amount in the prior period

Unit: RMB yuan

Item	2019											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total ownership interest
		Preferr ed shares	Perpet ual bonds	Others								
I. Balance at the end of the period of the prior year	1,458,174,624.00				2,460,086,452.01				670,758,767.42	2,855,679,964.25		7,444,699,807.68
Add: Changes in accounting policies												
Error correction in the prior periods												
Others												
II. Balance at the beginning of the period of the current year	1,458,174,624.00				2,460,086,452.01				670,758,767.42	2,855,679,964.25		7,444,699,807.68

III. Amount of change in the current period (Decreases are indicated by “-”)	291,634,924.00				-291,634,924.00		847,526.06		117,456,959.53	575,915,009.89		694,219,495.48
(I) Total comprehensive income							847,526.06			1,174,569,595.34		1,175,417,121.40
(II) Capital contributed by owners and capital decreases												
1. Common shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment included in ownership interest												
4. Others												
(III) Profit distribution									117,456,959.53	-598,654,585.45		-481,197,625.92
1. Withdrawal of surplus reserve									117,456,959.53	-117,456,959.53		
2. Distribution to owners (or shareholders)										-481,197,625.92		-481,197,625.92
3. Others												
(IV) Internal conversion of ownership	291,634,924.00				-291,634,924.00							

interest												
1. Capital (or share capital) increase from capital reserve conversion	291,634,924.00				-291,634,924.00							
2. Capital (or share capital) increase from surplus reserve conversion												
3. Recovery of losses by surplus reserve												
4. Retained earnings from transfer of changes in the defined benefit plan												
5. Retained earnings from transfer of other comprehensive income												
6. Others												
(V) Special reserve												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others												
IV. Balance at the end of the current period	1,749,809,548.00				2,168,451,528.01	847,526.06	788,215,726.95	3,431,594,974.14			8,138,919,303.16	

Huadong Medicine Co., Ltd.

Chairman of the Board: Lv Liang

April 21, 2021