

# **Huadong Medicine Co., Ltd.**

## **The Half Year Report 2021**

**August 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 half year 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 half year report are authentic, accurate and complete.**

**All directors have attended the Board of Directors meeting to review this half year report.**

**The future plans, development strategies and other forward-looking statements in this half year report shall not be considered as substantial commitment of the Company to investor. Investors and related parties should maintain sufficient risk awareness, and should understand the difference between plans, forecasts and promises. Investors are kindly reminded to pay attention to possible investment risks.**

**The Company faced various risks in its operations, involving industry**

**policies, markets, R&D of new drugs, product price reduction, etc. For details, refer to “X. Risks and Countermeasures” in “Section III. Discussion and Analysis of the Management”. We thank all investors for paying attention to the Company’s operations, and we hope that you can be aware of investment risks.**

**The company does not plan to distribute cash dividends, no bonus share will be issued; and no capital reserve will be converted to increase the share capital.**

**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

Section I. Important Declaration, Contents and Definitions .....	2
Section II. Company Profile and Key Financial Indicators .....	8
Section III. Discussion and Analysis of the Management.....	11
Section IV. Corporate Governance.....	45
Section V. Environmental and Social Responsibility .....	46
Section VI. Important Matters.....	59
Section VII. Share Change and Shareholders .....	84
Section VIII. Preferred Shares.....	89
Section IX. Information about Bonds .....	90
Section X. Financial Report .....	91

## **Documents Available for Reference**

I. Financial Statements carrying the signatures and stamps of the Company Principal, the Chief Financial Officer and the person in charge of accounting firm;

II. Original copies of all documents and the announcements thereof disclosed in the reporting period on the designated newspaper.

## 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.
Doer Biologics	refers to	Zhejiang Doer Biologics Corporation
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.
Nuoling Biomedical	refers to	Nuoling Biomedical Technology (Beijing) Co., Ltd.
Yuanda Investment Management	refers to	Shanghai Yuanda Investment Management Co., Ltd.
Fuguang Chengdu	refers to	Fuguang Chengdu Equity Investment Management Co., Ltd.
Hangzhou High-Tech	refers to	Hangzhou High-Tech Venture Capital Management Co., Ltd.
Yuanda Huachuang	refers to	Beijing Yuanda Huachuang Investment Co., Ltd.
Hangzhou Heda	refers to	Hangzhou Heda Industrial Fund Investment Co., Ltd.
Pharmaceutical Industry Fund/Fuguang Hongxin	refers to	Hangzhou Fuguang Hongxin Equity Investment Partnership (L.P.)
Sinclair	refers to	Sinclair Pharma Limited
vTv Company	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
RWS/RWR	refers to	Real World Study/Real World Research

## 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, if any)	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		

### 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	/
Email address	hz000963@126.com	/

### III. Other information

#### 1. Company's contact information

Whether there is any change in the Company's registered address, office address, zip code, company website or company email address during the reporting period.

Applicable  N/A

There is no change in the Company's registered address, office address, zip code, company website or company email address during the reporting period. For details, please refer to 2020 Annual Report.

#### 2. Information disclosure and place of the report

Whether there is alteration in information disclosure and place of the report during the reporting period.

Applicable  N/A



The media selected by the Company for information disclosure, the website designated by CSRC for publication of the half year report, and the location of preparation of the Company's half year report have not changed during the reporting period. For details, please refer to the 2020 Annual Report.

#### IV. Key accounting data and financial indicators

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

Yes No

	Current reporting period	Same period last year	Change of the current reporting period over the same period last year(%)
Operating revenue (yuan)	17,179,437,902.61	16,660,934,157.64	3.11%
Net profit attributable to shareholders of listed companies (yuan)	1,300,346,324.85	1,731,184,721.25	-24.89%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses (yuan)	1,193,980,887.18	1,406,723,973.10	-15.12%
Net cash flow from operating activities (yuan)	1,738,512,372.11	1,255,542,667.29	38.47%
Basic earnings per share (yuan/share)	0.7431	0.9894	-24.89%
Diluted earnings per share (yuan/share)	0.7431	0.9894	-24.89%
Weighted average return on equity (ROE)	8.54%	13.12%	-4.58%
	End of the current reporting period	End of last year	Change of the end of the current reporting period over the end of last year(%)
Total assets (yuan)	26,108,178,089.87	24,201,348,154.75	7.88%
Net assets attributable to shareholders of listed companies (yuan)	15,567,274,148.76	14,619,821,308.60	6.48%

Share capital of the Company as of the trading day before disclosure

Share capital 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 Share capital

Dividends paid on preferred shares	0.00
Perpetual bond interest paid (yuan)	0.00
Fully diluted earnings per share calculated on the basis of the latest Share capital (yuan/share)	0.7431

## V. 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.

## VI. Items and amounts of non-recurring gains/losses

Applicable  N/A

Unit: RMB yuan

Item	Amount	Note
Gains/losses on disposal of non-current assets (including the written-off part of the accrued assets impairment reserve)	-110,119.08	
Government grants included in current gains/losses (excluding those closely related to operating activities and measured according to unified national standards)	138,308,095.20	Mainly due to the confirmation of government grants by subsidiaries in the current period.
Receivables subject to separate impairment test and reversal of reserve for impairment of contract assets	5,388,185.00	
Other non-operating revenue or expenditure expect above-mentioned items	-4,916,566.97	
Minus: Amount affected by income tax	22,095,294.54	
Amount affected by rights and interests of minority stakeholders (after tax)	10,208,861.94	
Total	106,365,437.67	--

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. Discussion and Analysis of the Management

### I. Main business of the company during the reporting period

#### 1. Main business of the company

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, 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. It has developed into a large comprehensive listed pharmaceutical company integrating R&D, production and sales of medicine.

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. The Company continues to carry out international product registration, international certification, consistency evaluation, etc., and continues to achieve results, forming an international pharmaceutical industry system.

The Company has four business segments, including Traditional Chinese Medicine (TCM) and Western Medicine, medical devices, ginseng, antler and other herbs, and health industry, covering pharmaceutical wholesale, pharmaceutical retail, third-party pharmaceutical logistics characterized by cold chain, pharmaceutical e-commerce, hospital value-added service, and featured mega health industry, providing customers with integrated solutions.

Committed to the R&D, production and sales of a series of advanced international aesthetic brands and high-end aesthetic medicine products, the Company's aesthetic medicine business targets the global high-end aesthetic medicine market and focuses on the 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, has production bases in France and the Netherlands, and promotes and sells long-effect microsphere fillers for injection, hyaluronic acid, as well as face thread lift products in the global market.

Sinclair is the global operation platform of the Company for aesthetic medicine business. The aesthetic medicine sector also includes High Tech (Spain), an overseas wholly-owned subsidiary, R2 (USA) and Kylane (Switzerland), two partially-owned subsidiaries, and Huadong Ningbo Medicine Co., Ltd., a domestic holding subsidiary.

## **2. Overview of the Company's operations during the reporting period**

2021 is not only the first year of China's "14th Five-Year Plan" period, but also a year of transition, in which China's pharmaceutical industry has entered a new stage of development and the market pattern has changed dramatically. In the post-pandemic period, China's economy maintains its recovery momentum and is driving the unleashing of the potential of domestic demand. However, as the COVID-19 pandemic breaks out repeatedly, the global economic situation is complex and severe, and the international situation is still subject to many unstable and uncertain factors.

2021 is still an extraordinary year for the Company, with overflowing huge difficulties and pressure. With the gradual national and local normalization of volume-based procurement of drugs, the quantity and category of drugs have been gradually expanded and are being advanced in depth. The backward forcing effect of medical insurance policies has become increasingly pronounced, and the reform of the medical insurance payment mechanism has been accelerating. In the context of medical insurance cost control and clinical value first, DRG/DIP has been extensively piloted at the same time, and the assessment of rational drug use by medical institutions has been put on the agenda. Therefore, hospitals' sales model of drugs and competitive landscape will also undergo major changes. The pharmaceutical market and pharmaceutical enterprises are still facing a huge policy shock. In July 2021, the Center for Drug Evaluation of National Medical Products Administration issued the draft for comments of the *Guidelines for Clinical Value-based Clinical Research and Development of Anti-tumor Drugs*, which caused widespread concern in the industry. The concept of "Clinical value-based" will become a significant factor in innovative drug R&D strategies in the future.

In the first half of 2021, despite the dual challenges of industry policy and market competition, the Company continued to follow the trend, actively pursued changes, and focused on innovation. It implemented its strategic planning around its annual business objectives, and made great efforts to overcome the staged impact of the price reduction of some products, maintaining the stable development of overall operations. Furthermore, it achieved new breakthroughs in the three major sectors of the pharmaceutical industry, pharmaceutical commerce, and aesthetic medicine business, laying a solid foundation for the realization of the annual business objectives.

During the reporting period, the Company achieved an operating income of RMB17.179 billion, up 3.11% year on year; the net profit attributable to the shareholders of the listed company

was RMB1.3 billion, down 24.89% year on year, and the net profit attributable to the shareholders of the listed company after deducting non-recurring gains/losses was RMB1.194 billion, down 15.12% year on year. During the reporting period, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., the core subsidiary of the Company achieved an operating income of RMB5.424 billion, down 10.85% year on year, and its net profit was RMB1.192 billion, down 13.49% year on year; in the second quarter, due to the impact of product price reduction, the operating income of Zhongmei Huadong decreased by 5.35% year on year (the first quarter down 14.58% year on year), its net profit decreased by 11.67% year on year (the first quarter down 14.6% year on year), and the decline narrowed significantly compared with the first quarter. In the first half of this year, the sales volume and market share of Acarbose products of Zhongmei Huadong kept rising year on year, and its transplantation immunity and cardiovascular products maintained rapid growth. In the second half of the year, the Company will deepen its implementation of innovation and transformation, and strive to achieve the business indicators of the pharmaceutical industry in 2021 to meet and exceed the goals of last year. During the reporting period, Huadong Pharmaceutical Distribution Company continued to show a gradual recovery in its overall business; the growth in the first quarter was relatively rapid due to the low year-on-year base, and the growth in the second quarter stabilized. During the reporting period, the operating income was RMB11.765 billion, up 9.34% year on year;

In the aesthetic medicine business, the Company continued to maintain recovery, with an overall operating income of RMB565 million during the reporting period, up 46.25% year on year. The overseas aesthetic medicine business maintained rapid growth despite the repeated outbreak of the COVID-19 pandemic. During the reporting period, Sinclair (the UK) showed a clear recovery in its overall business. As orders from the international market increased significantly, and the sales of high-end hyaluronic acid filler MaiLi<sup>®</sup> series newly launched in the European market and Korean Lanluma<sup>®</sup> (poly-L-lactic acid (PLLA) collagen stimulant) on commission were better than expected, Sinclair achieved a year-on-year growth of 111.28% in its operation income (including the newly acquired Spanish company High Tech), in which Sinclair's own income rose by 74%. It is expected to maintain the current operating trend in the second half of the year. In the second half of the year, the Company will continue to accelerate the progress of clinical registration of other core aesthetic medicine products at home and abroad. In addition, following the official launching of polycaprolactone microsphere facial filler Ellans<sup>e</sup><sup>®</sup> for injection, the Company's core aesthetic medicine product, in the Chinese mainland market in August, Glacial Spa<sup>TM</sup> (F0), a cold-touch cosmetic instrument from R2 Company (the USA), is expected to officially enter the Chinese mainland market in the third quarter, which is expected to drive new performance growth in the Company's aesthetic medicine business.

The main reasons for the year-on-year decrease in the Company's net profit during the reporting period were as follows: (1) The income and gross profit of some products of Zhongmei Huadong slightly decreased year on year due to the price reduction after the implementation of the national centralized procurement and National Drug Reimbursement List (NDRL) price negotiations; (2) The Company's non-recurring gains and losses in the first quarter of 2020 were RMB290 million, including a net income of GBP30.65 million from the transfer of regional product distribution rights by Sinclair to Galderma, which greatly increased the Company's overall income in the first quarter of 2020. No such matters occurred during the reporting period, and other non-recurring gains and losses totaled RMB106 million, resulting in a further decrease in the net profit attributable to shareholders of the listed company year on year.

### **(1) Pharmaceutical industry**

During the reporting period, under the continuous influence of the normalization of centralized drug procurement and the increasing fluctuation of demand caused by market competition, the Company practiced the value-oriented lean manufacturing concept and adhered to technological innovation and the agile production mode to cope with market competition and changes. In terms of production, the Company explored its potential internally, and made multi-dimensional and multi-level efforts to promote lean management from aspects of process optimization, technology improvement, process innovation, flexible employment, supplier development, and bidding and purchasing negotiations, effectively improving product quality and labor efficiency per capita and reducing production costs. Externally, it continued to promote product transfer and outsourcing, and expanded production capacity. With the capacity release in the new workshop of international R&D and manufacturing center for preparations, the production capacity has been further guaranteed and expanded, which also laid the foundation for the international development of preparation products.

In the first half of 2021, for the core purposes of changing the concept and realizing the transformation from cost center to profit center, the Company launched the reform of production system and CMC system. It mobilized various departments by formulating targeted incentive programs. Taking the acceleration of the development of industrial microbiology-based strategic planning as a breakthrough, the Company made progress in project commercialization, and made great breakthroughs in the export of high-end bulk drugs CMO and CDMO. On this basis, it further increased investment, in hope of quickly building industrial chain in the field of industrial microbiology, occupying the high ground in the industry, and achieving industrialization. The project of Huadong Medicine Biomedical Science and Technology Park has officially commenced, and the construction is pushed forward as planned. In terms of EHS tasks, the Company implemented the whole staff EHS responsibility system and the concept of process risk control

around R&D, production and industrial park construction, and improved its EHS management and control capabilities through the building of both tiered risk management and control system and hidden risk screening and management system.

During the reporting period, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. continued to take effective countermeasures regarding national centralized drug procurement projects, centralized procurement by inter-provincial alliances, provincial- and city-level centralized procurement, GPO projects, etc. On the premise of actively anticipating policy, it fully analyzed its own capabilities and advantages, and set up the concept of development based on strategy, improving its all-round marketing capabilities. It continued to adhere to the marketing strategy of “equal attention to out-of-hospital market and in-hospital market, and equal attention to the medical insurance market and the self-paying market, equal attention to online and offline markets, and vigorous expansion of the county-level and primary-level markets”, attached great importance to patient education, kept reforming and adjusting the marketing structure, accelerated the formation of the full-time sales force, increased the coverage of the primary-level and blank markets, and expanded the out-of-hospital promotion teams. The Company accelerated the hospital development and sales volume increase of the varieties that were newly approved for launching. It continued to boost the development and coverage of Acarbose Tablets in the out-of-hospital market and Acarbose Chewable Tablets in the in-hospital market, maintain the stock market, strive for the margin market, and cover the blank market. Although the impact of price reduction of such products as Bailing Capsule and Pantoprazole continued, bringing phased pressure to the Company’s revenue growth, the situation has stabilized. It is expected that the impact of product price reduction on the Company in the second half of the year will fade away, and the overall revenue of the pharmaceutical industry is expected to stabilize and recover. The Company will deepen its implementation of innovation and transformation, make great efforts to mitigate the impact of lower product prices, and strive to achieve the business indicators of the pharmaceutical industry in 2021 to meet and even exceed the goals set last year.

During the reporting period, the Company continuously improved its product pipelines, kept up with the forefront of global R&D, spared no effort to deploy global innovative drugs with foresight based on clinical value, differentiation and technology, rapidly supplemented the innovative product pipelines, and consolidated the generic drug product pipeline in the chronic disease field that has formed a competitive advantage in the market, rapidly establishing and enriching product clusters and echelons. The Company made great progress in the quantity and quality of its own R&D projects and introduced projects: (1) The Company invested RMB487.5 million to acquire 75% of Hangzhou Doer Biologics’ shares and became its controlling shareholder.

Doer Biologics, an R&D enterprise with multiple independent intellectual property rights and a unique protein engineering technology platform, specializes in the development of innovative biological drugs. It focuses on the development of multi-domain-based multi-specific innovative fusion proteins, antibody drugs and peptide drugs to meet unmet clinical needs in the fields of oncology, metabolism, ophthalmology, etc. It has an excellent R&D team of 50 professionals. (2) In the field of autoimmunity, in February 2021, the Company introduced HDM3002 (PRV-3279), a product under development by Provention Bio (USA), which is used to treat systemic lupus erythematosus (SLE) and bispecific antibody that prevents or reduces the immunogenicity of gene therapy. The phase II international multi-center clinical research for the product is being carried out. At present, pre-IND materials have been submitted in China. (3) In the field of diabetes, in June 2021, the Company introduced the product SCO-094 of SCOHIA PHARMA, Inc. (Japan) under the development in clinical phase I, which is a global innovative dual agonist of GLP-1R and GIPR targets for the treatment of such diseases as type 2 diabetes, obesity and non-alcoholic steatohepatitis (NASH). Through the investment layout in the above fields, the Company has preliminarily formed its R&D ecosystem. While optimizing the innovation system, the Company strengthened the introduction of advanced clinical medicine talents and the development of organizational structure, accelerated the progress of clinical projects and implementation. All those efforts made achievements.

(For details of the R&D pipelines and related work, refer to the R&D related content in this chapter.)

During the reporting period, Pantoprazole Injection (trade name: Pan Li Su) from the wholly-owned subsidiary of the Company, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., won the bid in the fourth batch of national drug centralized procurement, and Decitabine for injection (trade name: Xiang Ke) won the bid in the fifth batch of national drug centralized procurement, which will help consolidate and expand the market share, establish the Company's high-quality brand, enhance market reputation and influence, and has a positive impact on the Company's market expansion for follow-up products in the digestion and anti-tumor fields.

## **(2) Pharmaceutical commerce**

During the reporting period, the Company's pharmaceutical commerce accelerated the innovation-driven corporate development, adhered to the concept of "good products always stand for the first productivity", consolidated the traditional pharmaceutical commerce, reshaped its core competitiveness, surpassed its peers with innovation, and continued to build itself into a leading service provider in the pharmaceutical industry in Zhejiang Province.

It properly carried out the introduction of new products and cooperation with suppliers, and



made great efforts to build a province-wide market expansion network, form a promotion team for the in-hospital and private hospital markets, enrich product lines, and foster new profit models. In terms of innovation drive, the Company sought breakthroughs from four directions: market expansion, e-commerce business, cold chain logistics and characteristic mega health industry. It changed the operational thinking, optimized the in-hospital market, and made arrangements for the out-of-hospital market. At the same time, the Company properly carried out access services, expanded the provincial market of high-value products such as narcotic and psychotropic drugs, medical devices, ginseng, antler and other medicinal materials. All subsidiaries set up specialized sales teams, giving play to the synergy between the headquarter and subsidiaries, and conducted two-way assessments. The Company laid out the out-of-hospital market, focusing on the expansion of OTC business, including pharmacies near hospitals, social pharmacies, Internet medical cooperation, online order delivery, etc. It actively participated in the digital reform of medical and health services in Zhejiang Province, provided support to open up the full channel of “Internet + diagnosis and treatment”, and took the lead in completing the first medicine delivery services of “Internet + Medical Service” for many provincial hospitals. It continued to undertake medicine delivery services for chronic illness long-term prescriptions from dozens of community service centers in Hangzhou; the Internet out-of-hospital delivery business in Shaoxing, Huzhou, Jiaxing, Wenzhou, Ningbo, Jinhua, Lishui and other regions was also rapidly expanding.

It also accelerated the development of e-commerce business, upgraded its own platform, and promoted B2C/B2B/O2O/H2C and other modes of business through third-party channels. Relying on its independent B2B e-commerce platform and supported by modern pharmaceutical logistics and distribution system, the Company provided distribution services of drugs, medical devices and other products for the second and third terminals in Zhejiang Province and even the whole country. It entered the 2021-2022 list of key cultivating e-commerce platforms in Zhejiang Province. During the reporting period, Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd., a wholly-owned subsidiary, was awarded the first express business license of a pharmaceutical cold chain enterprise in Zhejiang Province issued by Zhejiang Provincial Postal Administration, setting a benchmark for enterprises in the field; it also obtained the qualification of third-party vaccine storage and transportation service from Zhejiang Provincial Center for Disease Control and Prevention, becoming the exclusive service provider in the province to provide safe and specialized storage and distribution guarantee for the vaccination in the whole province against COVID-19. In addition, it has completed the planned tasks for the first half of the year in an efficient and timely manner, boosting the universal vaccination to combat the COVID-19 pandemic.

In March 2021, the wholly-owned subsidiary of the Company located in Chengdu officially

obtained the Internet hospital license — Practice License for Medical Institutions, and officially commenced the construction of the “Internet platform” of Huadong Medicine.

### **(3) Aesthetic medicine business**

The aesthetic product portfolio of Huadong Medicine’s aesthetic medicine business covers the mainstream non-surgical aesthetic medicine fields such as facial fillers, body shaping, catgut embedding and energy source devices. The Company has formed a comprehensive product cluster integrating full product portfolios of differentiated sodium hyaluronate, collagen stimulator, botulinum toxin type A, catgut embedding and implanting, and energy source devices, achieving a comprehensive layout of the “non-invasive + minimally invasive” aesthetic medicine industrial chain. Huadong Medicine’s aesthetic medicine business focuses on the breakthrough and innovation in the field of aesthetics, and is committed to providing comprehensive and scientific aesthetic products. The sector is equipped with independent R&D departments, including four global R&D centers, namely, wholly-owned subsidiaries Sinclair (UK) and High Tech (Spain), and partially-owned companies R2 (USA) and Kylane (Switzerland), and five production bases in the Netherlands, France, the United States, Switzerland and Bulgaria, with the core products launched in more than 60 countries and regions.

During the reporting period, Sinclair (UK), a wholly-owned subsidiary of the Company, acquired 100% equity in High Tech, a Spanish company engaged in energy source aesthetic medicine devices. Since then, the latter officially became a major part of the Company’s landscape of global aesthetic medicine business and is included in the consolidated statements of Sinclair and the Company. Sinclair and High Tech have started to work together on market and business collaboration and integration; the Company is formulating the launching plans for High Tech’s five products on sale overseas and four innovative products under R&D, and plans to start the registration of core products in China in 2021.

During the reporting period, Ellans e<sup>®</sup>, a polycaprolactone microsphere facial filler for injection, the core product of Sinclair, obtained the Medical Device Registration Certificate issued by the National Medical Products Administration (NMPA) in April 2021, and will be officially marketed in Chinese mainland in August. The Company established a wholly-owned subsidiary, Sinclair Aesthetics (Shanghai) Medical Technology Co., Ltd., to undertake the sales and promotion of Ellans e<sup>®</sup>. At present, the latter has assigned a full-time brand manager and set up an independent direct selling team for the product Ellans e<sup>®</sup>. Meanwhile, the preparations for brand and marketing communication, the training and education of the first aesthetic medicine institutions and physicians are being carried out as planned. After launching, 100 hospitals will be the first to use the product, and it is expected to gradually expand to 300-500 domestic hospitals next year. The Company hopes

to lead the Chinese aesthetic medicine industry into the era of regeneration by virtue of the natural, safe and lasting effect of Ellans<sup>®</sup>. It will also make efforts in the domestic terminal market of aesthetic medicine, and carry out both online and offline marketing to diversify the marketing matrix, so that the sales volume can be rapidly expanded after being launched in China.

Moreover, the Company introduced a cold-touch cosmetic instrument from R2 Company, Glacial<sup>®</sup> Spa<sup>™</sup> (F0, life cosmetology version of a frozen freckle-removing medical device), has obtained a marketing approval in Korea and Taiwan of China, and the Management Certification for Non-medical Devices from NMPA. The product is mainly designed to solve skin tone problems, including uneven skin tone, dark yellow and darkened skin, dull skin, sensitive and reddish skin, severe local pigmentation, etc. The Company is sparing no effort to prepare for the launch of the product in China, and it is expected to be officially marketed in China in the third quarter of 2021. Cooperation intentions have been reached with some beauty institutions.

During the reporting period, the Company continued to accelerate the progress of clinical registration of other core aesthetic medicine products at home and abroad, and made positive progress. Silhouette<sup>®</sup> Instalift<sup>™</sup>, a catgut embedding product of Sinclair, was successfully filed with China Human Genetic Resources Administration Office, Ministry of Science and Technology of the People's Republic of China, and officially entered into a registered clinical research, with the subjects being enrolled smoothly. Sinclair's Perfectha<sup>®</sup> series product containing lidocaine and High Tech's Cooltech Define obtained the CE Certification from EU, respectively. Glacial Rx (F1), a frozen freckle-removing medical device developed by R2 (USA) was classified as a Class II Medical Device by Zhejiang Medical Products Administration on July 5, and its registration in China is promoted in an orderly manner. The product was approved for import by Hainan Province and will soon be launched in the hospitals in the Hainan Boao Lecheng International Medical Tourism Pilot Area. The product has successively obtained marketing licenses in Korea and Singapore in the Asia-Pacific region, and applied for marking in Indonesia and Malaysia.

In addition to actively promoting the clinical registration of domestic aesthetic medicine products, the Company is actively following up the latest policies issued by the National Development and Reform Commission on supporting the development of high-end aesthetic medicine industry in Hainan, and a number of aesthetic medicine products of its aesthetic medicine subsidiaries that have been registered, certified and launched in the mainstream markets or regions such as the United States and the EU conform to the standards of the policy. The Company is preparing for the registration and launch of those products in Hainan, including Ellans<sup>®</sup> type M, cryolipolysis energy source product, a new high-end lidocaine-containing hyaluronic acid filler MaiLi<sup>®</sup> series product, etc. It will accelerate the approval and launch of those products in China by

conducting real-world research.

Market Classification	Main Products	Intended Use	Registration and Launch
Minimally Invasive	YVOIRE hyaluronic acid	Facial filler	Launched in China
	Ellansé®	Used for subcutaneous implantation to correct moderate to severe nasolabial folds	Launched in the Chinese mainland in August 2021 Obtained registration certification or marketing access in more than 60 countries or regions
	Catgut-embedding Silhouette®Instalift™	Designed for mid-face tissue lifting surgery, temporarily fixing and lifting the dermis under the cheeks	Certified by FDA, the USA Obtained registration certification or marketing access in more than 60 countries or regions
	MaiLi® series	Facial filler	CE certification of EU, launched in Europe
	Perfectha® series	Facial filler	Obtained registration certification or marketing access in more than 60 countries or regions Perfectha® series product containing lidocaine obtained the CE certification from the EU
	Kylane' s two key R&D products	Facial and body filler	Under R&D
	Botulinum Toxin (kreotoxin type A)	Wrinkle removal	In the process of registration and launch in China
Noninvasive	Lanluma® (PLLA collagen stimulant )	Facial and body filler	CE certification of EU, launched in Europe
	F1 (Glacial Rx™)	To eliminate benign pigmented lesions of the skin, and relieve pain, swelling, inflammation and hematoma through low temperature	USA FDA 510(k) In the process of registration and launch in China
	F2	Whole body whitening	Under R&D
	Glacial Spa™ (F0)	Skin whitening and brightening	Approved for launch in the United States and Korea Filed for launch in Taiwan, China To be launched in the Chinese market in the third quarter of 2021
	Cooltech	Body shaping and fat reduction	CE certification from EU
	Cooltech Define	Body shaping and fat reduction	CE certification from EU, and TGA certification from Australia
	Crystile	Body shaping and fat reduction	Launched overseas
Primelase	Hair removal	Obtained registration certification or marketing	

			access in more than 11 countries or regions
Primelase Pro	Hair removal	In the process of global registration and launch	
Elyson	Hair removal	Obtained registration certification or marketing access in more than 7 countries or regions	
Define 2.0	Skin tightening and shaping	Under R&D overseas	
Define 3.0	Skin tightening and shaping	Under R&D overseas	
Titania	Skin tightening and shaping	Under R&D overseas	

Fig. Launch and R&amp;D of the Company's Main Aesthetic Medicine Products

#### (4) Other matters

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 “Fuguang Hongxin 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. After its establishment, Fuguang Hongxin Pharmaceutical Industry Fund jointly invested in Nuoling Biomedical Technology (Beijing) Co., Ltd., an innovative enterprise focusing on the R&D of a new generation of polymer ADC drugs, with Zhongmei Huadong in April 2021, holding 5.97% and 4.48% of the shares of Nuoling Biomedical, respectively.

Also in April 2021, Zhongmei Huadong, a wholly-owned subsidiary of the Company, reached a cooperation agreement with Zhejiang Provincial Natural Science Foundation Committee (referred to as “Foundation Committee”) and jointly set up the Joint Innovation and Development Fund of Zhejiang Provincial Natural Science Foundation and Huadong Medicine. It became the first enterprise in Zhejiang Province to cooperate with the Foundation Committee. Projects funded by the Joint Innovation and Development Fund fall into three categories: major projects, key projects and exploratory projects. The major projects focus on three core fields, namely, metabolic disease, tumor and immunity, which are highly compatible with the key fields of the Company's R&D layout. The establishment of the Joint Innovation and Development Fund is conducive to attracting and gathering superior scientific research forces inside and outside the province, carry out basic

research and applied basic research, create an open and cooperative development model, and speed up innovation and research process of the Company.

During the reporting period, the Company had been listed on the Fortune China 500 selected by FortuneChina.com for the 10th consecutive year and Top 100 Pharma Companies in China in 2020, reelected one of Top 10 Industrial Enterprises in Chemical-Pharmaceutical Industry in 2020, and was granted many honors and awards, including the “Best Board of Directors”, “Best Investor Relations” and “Best Board Secretary” of the 12th China Listed Company Investor Relations Tianma Award, China’s Top 10 Enterprises for Biomedical Business Development in 2020, etc., which fully shows the market recognition and affirmation of Huadong Medicine’s comprehensive competitive strength, efficient operation, corporate governance level and ability to create value.

In the first half of 2021, despite many obstacles and challenges, the Company unswervingly promoted the development goal of innovation and transformation, and maintained a stable and positive development trend, fully demonstrating its strong development resilience. Looking forward to the second half of 2021, the external situation facing the Company is still grim, the COVID-19 pandemic is still fraught with repetitiveness and uncertainty, and the competition and policy challenges in the pharmaceutical industry are becoming more prominent, resulting in the continuous great development pressure on the Company’s three major business sectors. The road of development is full of hardships, so we must cheer up and strive to be strong. Since the heavy responsibility lies on our shoulders, we must be bold in moving forward. In the second half of 2021, the Company will continue to promote innovation and reform, formulate the development goals of the seventh Three-Year Plan, make great efforts to build its R&D ecosystem, continue to intensify efforts to carry out innovation and R&D, continuously enhance the international capability of the pharmaceutical industry system, improve the efficiency of new drug R&D, and promote the global strategic layout of the aesthetic medicine business. At the same time, all cadres and employees shall work hard for the second half of 2021, show courage to face difficulties in R&D and production, marketing, talent introduction, quality management and other aspects, uphold a pioneering spirit, and make unremitting efforts toward the annual business goals, to achieve the Company’s annual high-quality development.

## **II. 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 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.

华东医药糖尿病领域全产品线布局（研发进度截止2021年7月）

传统口服降糖药	DPP-4抑制剂	SGLT-2抑制剂	GLP-1受体激动剂	GLP-1R和GIPR双靶点激动剂	胰岛素及类似物
阿卡波糖片 (已上市)	西格列汀二甲双胍片 (50/500mg已上市)	卡格列净片 (已申报生产)	利拉鲁肽注射剂 (糖尿病适应症: 临床三期)	SCO-094 (2型糖尿病: 英国临床一期)	门冬胰岛素 (临床前)
阿卡波糖咀嚼片 (已上市)	西格列汀二甲双胍片 (50/850mg已申报生产)	恩格列净二甲双胍片 (已获批上市)	利拉鲁肽注射剂 (减肥适应症: 临床三期)		德谷胰岛素 (临床前)
吡格列酮二甲双胍片 (15mg/500mg已上市)			TTP273片 (临床2期)		胰高血糖素 (临床前)
伏格列波糖片 (已上市)			索马鲁肽 (临床前)		
吡格列酮片 (已上市)					
吡格列酮二甲双胍片 (15/850mg中试研究中)					

#### 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.

#### **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 18 times, with a total value of RMB4.577 billion, far exceeding the RMB250 million raised in its IPO. The Company has brought continuous and stable returns of investment to shareholders.

### III. Analysis of main business

Please refer to the relevant content of "I. Main business of the company during the reporting period".

Year-on-year changes in major financial data

Unit: RMB yuan

	Current reporting period	Same period last year	Year-on-year percentage increase/decrease	Cause of changes
Operating revenue	17,179,437,902.61	16,660,934,157.64	3.11%	
Operating cost	11,589,419,896.59	10,681,089,643.50	8.50%	
Selling expenses	2,978,753,751.45	3,109,911,383.02	-4.22%	
Administrative expenses	534,683,411.33	506,362,613.35	5.59%	
Financial expenses	9,789,580.87	17,531,072.80	-44.16%	Mainly due to the increase of interest income and the year-on-year decrease of financing cost
Income tax expenses	240,728,486.55	334,125,800.82	-27.95%	
R&D investment	437,556,684.96	479,685,981.21	-8.78%	
Net cash flows from operating activities	1,738,512,372.11	1,255,542,667.29	38.47%	Mainly due to the increase of capital return and the decrease of operating expenses in the current period
Net cash flows from investing activities	-1,297,044,289.24	-374,008,436.39	252.78%	Mainly due to the increase of equity investment and construction assets in the current period
Net cash flows from financing activities	-366,906,114.30	-743,357,031.90	50.55%	Mainly due to the increase of loans in the current period
Net increase in cash and cash equivalents	74,138,062.91	179,100,260.58	-58.61%	Mainly due to the increase of the amount of cash flow paid for investing activities in the current period
Accounts receivable financing	530,122,144.99	828,659,217.25	-36.03%	Mainly due to the increase of banker's acceptance discount in the current period

Other receivables	114,697,517.74	87,269,489.82	31.43%	Mainly due to the increase of suspense accounts receivable
Other current assets	44,928,681.66	85,654,691.58	-47.55%	Mainly due to the decrease of pending input tax in the current period
Goodwill	2,100,106,651.09	1,469,617,262.10	42.90%	Mainly due to the acquisition of Doer Biologics and High Tech in the current period
Notes payable	979,859,751.59	554,336,058.71	76.76%	Mainly due to the increase of bill payments in the current period
Contract liabilities	53,923,017.30	94,384,629.77	-42.87%	Mainly due to the decrease of advance drug payments in the current period
Non-current liabilities due within one year	43,273,480.68	67,813,886.68	-36.19%	Mainly due to the decrease of long-term payables due within one year
Long-term borrowing	477,876,860.08	151,611,367.86	215.20%	Mainly due to the increase of subsidiaries' long-term borrowing
Long-term payables	157,449,847.67	26,812,354.90	487.23%	Mainly due to the increase in contingent and deferred consideration resulting from the acquisition of external companies by the subsidiaries

Significant changes in the company's profit composition or source of profit during the reporting period

Applicable  N/A

There was no major change in the company's profit composition or source of profit during the reporting period.

Composition of operating revenue

Unit: RMB yuan

	The current reporting period		Same period last year		Year-on-year percentage increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating	17,179,437,902.61	100%	16,660,934,157.64	100%	3.11%

revenue					
By sector					
Business	11,765,327,916.99	68.48%	10,760,596,159.30	64.59%	9.34%
Manufacturing	5,599,557,312.42	32.59%	6,238,364,356.65	37.44%	-10.24%
aesthetic medicine [Note]	565,046,106.58	3.29%	386,369,300.00	2.25%	46.25%
International aesthetic medicine	276,081,206.58	1.61%	130,673,336.90	0.78%	111.28%
Offset (inter-sectoral offset)	-461,528,533.38		-468,699,695.21		
By product					
By region					
Domestic sales	16,879,853,037.00	98.26%	16,505,022,711.72	99.06%	2.27%
Overseas sales	299,584,865.61	1.74%	155,911,445.92	0.94%	92.15%

[Note] The aesthetic medicine business of the Company includes both the domestic and the international aesthetic medicine business. There is a little 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 separately.

Sectors, products or regions that account 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	11,765,327,916.99	10,897,355,721.16	7.38%	9.34%	9.57%	-0.20%
Manufacturing	5,599,557,312.42	1,069,513,577.27	80.90%	-10.24%	-2.69%	-1.48%
International aesthetic medicine	276,081,206.58	88,544,271.23	67.93%	111.28%	82.21%	5.12%
Offset (inter-sectoral offset)	-461,528,533.38	-465,993,673.07				
By region						
Domestic sales	16,879,853,037.00	11,485,297,284.73	31.96%	2.27%	8.76%	-4.06%
Overseas sales	299,584,865.61	104,122,611.86	65.24%	92.15%	66.59%	5.33%

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 period should be adjusted according to the specifications at the end of the reporting period.

Applicable  N/A

Explanation of the reason why the relevant data has changed by more than 30% year-on-year.

Applicable  N/A

#### IV. Analysis of non-main business

Applicable  N/A

Unit: RMB yuan

	Amount	Proportion in total profit	Note on reasons	Sustainable or not
Investment income	-54,458,950.28	-3.44%	Mainly due to the increase of bill discount interest and losses of partially-owned enterprises in the current period	No
Other income	137,364,653.52	8.68%	Mainly due to the government subsidies recognized in the current period	No

#### V. Analysis of assets and liabilities

##### 1. Major changes in asset composition

Unit: RMB yuan

	End of the current reporting period		End of last year		Change of proportion	Note on major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	3,269,314,047.58	12.52%	3,198,080,997.82	13.21%	-0.69%	
Accounts receivable	6,871,300,450.79	26.32%	6,137,675,568.82	25.36%	0.96%	
Contract assets		0.00%		0.00%	0.00%	
Inventories	4,130,364,327.93	15.82%	4,067,635,254.80	16.81%	-0.99%	
Real estate properties for investment	17,191,977.46	0.07%	17,792,735.95	0.07%	0.00%	

Long-term equity investments	947,007,338.50	3.63%	850,072,053.02	3.51%	0.12%	
Fixed assets	2,668,749,549.01	10.22%	2,420,366,582.92	10.00%	0.22%	
Constructions in progress	2,000,163,547.28	7.66%	2,240,201,926.65	9.26%	-1.60%	Mainly due to the transfer of part of products under construction to fixed assets
Right-of-use assets	128,934,858.91	0.49%		0.00%	0.49%	
Short-term borrowing	1,386,401,620.12	5.31%	1,416,932,884.87	5.85%	-0.54%	
Contract liabilities	53,923,017.30	0.21%	94,384,629.77	0.39%	-0.18%	
Long-term borrowing	477,876,860.08	1.83%	151,611,367.86	0.63%	1.20%	Mainly due to the increase of Sinclair's long-term borrowing
Lease liability	82,245,770.91	0.32%			0.32%	

## 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	15925.85	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	Loss during the period	9.83%	No

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 invested 30 million US dollars for equity investment in R2 and became its shareholder. As of the date of this disclosure, the company's wholly-owned subsidiary Hangzhou Huasheng Investment Management Co., Ltd. has completed all payment for equity investment, with a shareholding ratio of 27.75%. 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's wholly-owned subsidiary Hangzhou Huasheng Investment Management Co., Ltd. has contributed 15 million US dollars, or 4.3% of its shares.

### 3. Assets and liabilities measured at fair value

Applicable  N/A

Unit: RMB yuan

Item	Opening balance	Change in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued during the current period	Amount purchased in this period	Amount sold in this period	Other Changes	Closing balance
Financial Assets								
Including: Investment in other equity instruments	225,453,120.05	15,091,655.18	7,534,147.03			1,668,836.76	3,119,799.71	235,756,138.76
Total of the above	225,453,120.05	15,091,655.18	7,534,147.03			1,668,836.76	3,119,799.71	235,756,138.76
Financial Liabilities	0.00	0.00	0.00			0.00		0.00

Other changes

During the reporting period, whether the company's main asset measurement attributes have changed significantly

Yes  No

### 4. Limitation of asset rights at the end of the reporting period

Item	Book value at the end of the period	Reason for limitation
Cash and bank balance	37,768,911.41	Cash deposit
Fixed assets	23,619,173.02	Mortgage guarantee for borrowing
Total	61,388,084.43	

## VI. 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
1,485,053,641.17	722,699,019.70	105.48%

### 2. Significant equity investments acquired during the reporting period

√ Applicable □ N/A

Unit: RMB yuan

Name of investee	Main businesses	Way of investment	Investment amount	Shareholding ratio	Capital source	Partner(s)	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)
Hangzhou Fuguan Hongxin Equity Investment Partnership (L.P.)	Equity investment; venture capital investment	Newly established	98,000,000.00	49.00%	Own funds	Fuguan Chengdu Equity Investment Management Co., Ltd., Hangzhou High-Tech Venture Capital Management Co., Ltd., Hangzhou	Long-term	Equity	The Pharmaceutical Industry Fund had completed the initial fund raising, finished the industrial and commercial registration procedures, and	0.00	-996,329.16	No	January 08, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>



						Heda Industrial Fund Investment Co., Ltd., and Shanghai Yuanda Investment Management Co., Ltd.			completed the filing with AMA C on April 2, 2021.					
Zhejiang Doer Biologics Corporation	pharmaceutical R&D	Acquisition	487,500,000.00	75.00%	Own funds	/	Long-term	Equity	Completed equity investment	0.00	-3,566,178.14	No	April 28, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
High Technology Products, S.L.U.	R&D, production and sales of non-invasive EBD (energy source type) medical aesthetic devices	Acquisition	499,603,000.00 [Note]	100.00%	Own funds/external financing	/	Long-term	Equity	Equity delivery has been completed	0.00	10,954,259.92	No	February 18, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Total	--	--	1,085,103,000.00	--	--	--	--	--	--	0.00	6,391,752.62	--	--	--

Note: Conversion is based on the central parity of the Euro to RMB exchange rate on June 30, 2021, which is 7.6862.

### 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 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	25,972,920.50	1,742,304,827.30	Own funds	95.00%	/	/	N/A	March 9, 2017	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Huadong Medicine Life Science Industrial Park	Self-built project	Yes	Pharmaceutical R&D	17,735,278.06	18,871,441.26	Own funds	24.00%	/	/	N/A	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Total	--	--	--	43,708,198.56	1,761,176,268.56	--	--	--	--	--	--	--

### 4. Investment in financial assets

#### (1) Securities Investment

√Applicable □N/A

Type of stock	Stock code	Stock abbreviation	Initial investment cost	Accounting measurement model	Book value at the beginning of the period	Gain/losses from fair value changes in the current period	Accumulative fair value changes included in equity	Purchase amount in the current period	Selling amount in the current period	Gain/losses during the reporting period	Book value at the end of the period	Accounting item	Capital source
---------------	------------	--------------------	-------------------------	------------------------------	---	---	--	---------------------------------------	--------------------------------------	---	-------------------------------------	-----------------	----------------

Domestic and overseas stock	RAPT	RAPT	20,207,400.00	Fair value measurement	23,582,877.56	15,091,655.18	7,534,147.03	0.00	4,788,636.47	0.00	33,885,896.27	Other equity instrument investment	Own funds
Total			20,207,400.00	--	23,582,877.56	15,091,655.18	7,534,147.03	0.00	4,788,636.47	0.00	33,885,896.27	--	--
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 2018, 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. Up to now, Huadong Medicine Investment Holding (Hong Kong) Co., Ltd. holds 165,002 RAPT shares after reducing some of its shares, accounting for 0.575% of the total shares of RAPT Therapeutics, Inc.

## (2) Derivatives investment

Applicable  N/A

No such case during the reporting period.

## VII. 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

## VIII. 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	10,842,477,302.54	7,154,596,771.52	5,424,176,089.31	1,351,726,436.61	1,192,375,260.78
Huadong Ningbo Medicine Co., Ltd.	Subsidiary	Sales of biological products as proxy	5,000,000	1,002,680,433.29	614,591,609.26	569,093,932.01	68,384,569.49	50,333,683.31
Huadong Medicine Wenzhou Co., Ltd.	Subsidiary	Wholesale of TCM materials, TCM decoction pieces, chemical preparations, etc.	61,300,000	1,297,079,120.10	255,691,676.70	1,294,102,662.82	34,340,365.65	24,584,261.31
Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	Subsidiary	Warehousing and storage services	50,729,863	283,569,835.84	135,556,348.55	84,045,782.21	10,619,118.24	6,166,445.05
Sinclair Pharma Limited	Sub-subsidiary	R&D, production and sales of aesthetic medicine products	219,962,963.92	1,592,584,834.52	474,560,100.47	276,081,206.58	-47,618,961.79	-52,918,540.05

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ N/A

Name of company	Methods of acquisition and disposal of subsidiaries during the reporting period	Impact on the overall production, operation and performance
Zhejiang Doer Biologics Corporation	Acquisition	Polyclonal antibody technology platform

High Technology Products, S.L.U.	Acquisition	International business expansion for the Company's energy source aesthetic medicine products
----------------------------------	-------------	--

## IX. Structured entities controlled by the Company

Applicable  N/A

## X. Research and development (R&D)

### (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 pipelines. During the reporting period, the Company invested RMB536 million in the R&D of the pharmaceutical industry, an increase of 6.38% year on year. The R&D of the Company mainly involved 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, and accelerated the development of innovative drugs and the cooperation on and introduction of innovative drug projects at home and abroad.

Completed the pipeline layout of innovative products in the fields like endocrine/metabolism, tumor, and autoimmune and obtained the approval regarding a number of innovative drug projects with independent intellectual property rights; covered three major drug molecular entities from all aspects: NCE small molecules, biological macromolecules and peptides;

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, endocrine 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, and 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 aesthetic medicine 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. 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, and 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**

From 2020, the Company began to streamline the R&D pipeline of the innovative drug sector, adjust the organizational structure of innovative drug R&D, and introduce high-level external R&D personnel. The Company introduced first-in-class or best-in-class drugs at home and abroad in the three core areas of anti-tumor, endocrine and autoimmunity. At present, the Company has innovative drugs and key biosimilars in those three areas.

#### **Diabetes**

1) TTP273: The world's first oral GLP-1 receptor agonist small-molecule innovative drug, is currently undergoing multi-regional phase II clinical trials in the Chinese mainland and Taiwan region. It is expected that the phase II clinical work will be completed by the end of 2021 and the phase III trial will start in 2022;

2) Semaglutide injection: GLP-1 receptor agonist, a product jointly developed by the Company and its partially-owned company, Peg-Bio Biopharm Co., Ltd. (Chongqing), which is undergoing experiments on animals. It is planned that the investigational new drug (IND) domestic clinical trial application will be launched in 2021;

3) Liraglutide injection: GLP-1 receptor agonist, 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 the application for registration will be submitted in the third quarter of 2021. The registration regarding the indications for weight loss will be submitted before the end of 2021; and

4) The Company has paid attention to the latest R&D progress in the field of diabetes, and

actively planned the global distribution of innovative drugs. It introduced the product SCO-094 of SCOHIA PHARMA, Inc. (Japan) under the development in phase I clinical trial, which is a dual agonist of GLP-1R and GIPR targets used for the treatment of such diseases as type 2 diabetes, obesity and non-alcoholic steatohepatitis.

### **Tumor**

1) HDM2002 (IMGN853): The world's first ADC drug under research for FR $\alpha$ -positive ovarian cancer. The clinical trials of HDM2002 (including MRCT phase III clinical and PK bridging trials) have received approval in China, and various pre-clinical preparations are currently being promoted as planned. The trials are expected to begin in the second half of 2021. Another application for the single-arm clinical trial of the drug in China was approved in July 2021 and is expected to begin in early 2022; and

2) Mefatinib: Mefatinib for the treatment of advanced non-small cell lung cancer is under phase III clinical trial and the enrollment of the subjects for the phase III clinical trial has been completed. It is expected that the phase III clinical trial will end and that the application for registration will be submitted before the end of 2021.

### **Autoimmunity**

1) HDM3002 (PRV-3279): A product under research of Provention Bio (USA). The Company introduced it for the treatment of systemic lupus erythematosus (SLE) and for preventing or reducing the immunogenicity of gene therapy. The phase II international multi-center clinical research of this product is underway. At present, pre-IND materials have been submitted in China; and

2) HDM3001 (QX001S): A biosimilar of the original drug ustekinumab (Stelara®) jointly developed by the Company and its partially-owned company Qyuns Therapeutics, used to treat moderate-to-severe psoriasis of adults. The phase III clinical trial of the drug is underway.

### **Other innovative drugs and major biosimilars**

1) HD-NP-102 (MB102, dynamic TGFR monitoring system): The renal function is evaluated through real-time monitoring of glomerular filtration rate. With its accurate diagnosis and risk assessment of early renal injury, the product is of ground-breaking clinical significance. The application for carrying out the international multi-center phase III clinical trial of MB102 injection (fluorescent tracer), class 1 new drug used in the monitoring system, has been approved by NMPA. The drug will officially enter the clinical stage in the second half of 2021;

2) Other varieties of biosimilars: Clinical trials of ranibizumab injection were approved in April 2021. Insulin degludec injection and insulin aspart injection are under preclinical study; and

3) 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 PROTAC and ADC are underway as planned.

#### **(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: The production of Metformin Hydrochloride and Empagliflozin Tablets (5/500mg) was approved in June 2021. Sitagliptin Phosphate/Metformin Hydrochloride Tablets (50/850mg) and Canagliflozin Tablets (specifications: 0.1g, 0.3g) have been declared for production. Pioglitazone Hydrochloride and Metformin Hydrochloride Tablets (15/850mg) is under pilot scale production;

2) Immunity: Tacrolimus extended-release capsules, tablets, granules and ointment are under pilot scale production. The supplement materials of the ANDA for Tacrolimus have been submitted, and FDA priority review has been accepted;

3) Anti-tumor: The production of letrozole tablets was approved in May 2021. Ibrutinib capsule is under laboratory research. Olaparib tablet is under the pilot scale production. The on-site inspection regarding sorafenib tosylate tablets (0.2g) is pending;

4) Antibiotics: The production of Micafungin Sodium for Injection (50mg) was approved in June 2021. The project of BHFYG-06 was initiated. The information for ANDA application for Caspofungin Acetate for Injection (50mg/vial) is in preparation. The ANDA regarding Caspofungin Acetate for Injection (70mg/vial) is under process validation. The amendment of preparation and API regarding the ANDA for Daptomycin for Injection (500mg/vial) have been completed;

5) Digestion: The production of Omeprazole and Sodium Bicarbonate Capsule (20/1100mg) was approved in June 2021; and

6) Cardiovascular: The materials regarding the ANDA application for Fondaparinux Sodium for Injection are in preparation; Macitentan Tablet (10mg) has been filed for production, and the on-site inspection is in the preparatory stage.

#### **(5) Progress of patent**

The Company has attached great importance to the protection of its intellectual property rights and application of results in recent years, and the number of patent applications and grants is steadily increasing. The Company has applied for more than 600 patents at home and abroad over the years, of which more than 280 were granted. Hangzhou Zhongmei Huadong Pharmaceutical Co.,



Ltd., a wholly-owned subsidiary of the Company, is a national IP demonstration enterprise. 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. In 2020, the Company successfully passed the examination 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 more than 40 patents, among which more than 30 were utility patents, and 9 were authorized in China. In May 2021, 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 China Patent Excellence Award, with the patent number: ZL201110267161.3.

#### **(6) Building of a R&D ecosystem**

The Company has invested, held shares in and incubated a number of domestic biotechnology companies with leading technology. For example, it invested in Peg-Bio Biopharm featuring a peptide technology platform, Qyuns Therapeutics, an antibody company focusing on immune diseases, and Nuoling Biomedical Technology featuring ADC linker and coupling technology; it incubated Huida Biotech which has a full line of toxin ingredients used to develop ADC drugs; and it holds stakes in Doer Biologics which focuses on the development of a Polyclonal antibody platform. Through a series of investments and acquisitions, the Company has gradually formed its own medical R&D ecosystem. Relying on Huida Biotech's antibody-conjugated drug toxin library construction technology, Qyuns Therapeutics' monoclonal antibody R&D and productive capacity, and Nuoling Biomedical Technology's polymer linker coupling technology, the Company has the ability to carry out the R&D of all ADC components. Regarding R&D arrangements, the Company follows the principle of "division of labor and cooperation, collaboration and win-win". That is, through cooperation, all enterprises can interact on their technologies and help each other achieve development and innovation, further allowing the rapid improvement of the Company's overall R&D capability.



## XI. Risks and Countermeasures

### 1. Industry policies and market risks

At present, China has continuously deepened reform in the field of medicine and health, and various policies have been introduced intensively. Policies such as national centralized purchasing, generic drug consistency evaluation, two-vote system, new drug approval, control of the proportion of hospital drugs, secondary price negotiation in hospitals, and close medical association will have a significant impact on the R&D, production, and circulation of drugs. At the same time, with the implementation of medical insurance fee control, the reform of payment methods, and the further implementation of the generic drug centralized purchasing policy, some drugs will face the risk of further price reduction.

**Countermeasures:** The Company will pay close attention to, analyze and grasp major national medicine policies and industry development trends, strengthen the layout of innovative varieties and R&D investment through endogenous development and outward extension, reduce production and operation risks through lean production, fully implement the international development strategy and improve the technological quality advantages of products with international standards. It will

continue to tap the advantageous products and subdivisions of aesthetic medicine to create new profit points. It will vigorously expand grassroots communities and OTC markets, and increase the coverage of primary and retail terminal markets to maintain stable growth in operations.

## **2. New drug R&D risk**

New drug R&D involves a long cycle, large investment and many uncertainties. In the R&D process, there are also risks such as shortage of high-level talents, failure to obtain registration and approval for new drug R&D due to curative effect or safety reasons. After new drugs hit the market, there are also risks such as market demand test, purchasing by bidding, medical insurance payment access, and market competition for similar products. In addition, the investment in R&D will also bring certain pressure to the realization of the Company's current operating objectives.

**Countermeasures:** The Company will continue to increase investment in new drug R&D, optimize the innovation mechanism, improve the scientific new drug research evaluation and decision-making system, and establish close ties with well-known R&D institutions at home and abroad, focus on the core treatment fields, continue to enrich and optimize the product pipelines through independent project establishment and external introduction, vigorously develop innovative drugs and generic drugs with high technical barriers, and gradually eliminate the backward varieties that are not competitive in the market, increase the introduction of high-level research personnel, build a research team that covers the entire development cycle of new drugs, and strengthen the training and encouragement of core technical personnel, and accelerate the construction of high-standard medicine R&D centers and pilot test bases.

## **3. Price reduction risk**

With the intensified competition in the medicine market and the further promotion of the national centralized purchasing policy, domestic medicine enterprises will face the pressure of policy-based price reduction for a long time. There will be more competitive manufacturers of similar products, leading to the risk of failure in bidding.

**Countermeasures:** Focusing on scientific R&D and technological innovation, the Company will improve the technological quality advantages of its products with international standards, strengthen internal management and technological upgrading, strengthen cost competitive advantages, carry out marketing assessment and incentives and channel sinking, continue to expand the professional promotion team of county-level markets, vigorously expand primary communities

and OTC markets, and increase the coverage of primary and retail terminal markets to maintain stable market growth.

## Section IV. Corporate Governance

### I. Annual General Meeting and Extraordinary General Meetings convened during the reporting period

#### 1. Annual General Meeting convened during the current reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
2020 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	59.20%	May 21, 2021	May 21, 2021	No. 2021-045; www.cninfo.com.cn

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

Applicable  N/A

### II. Change of directors, supervisors and senior managers

Applicable  N/A

There are no changes of directors, supervisors and senior management personnel during the reporting period (referring to 2020 annual report).

### III. Profit distribution and capitalization of capital reserves plan or proposal for the current reporting period

Applicable  N/A

The Company did not plan to distribute cash dividends, send bonus shares, or convert capital reserve into share capital during the first half of the year.

### IV. The implementation of Equity Incentive Plan, Employee Stock Incentive Plan, or other incentive plans

Applicable  N/A

No such case during the reporting period.

## Section V. Environmental and Social Responsibility

### I. Significant environmental problems

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

√ Yes □ No

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	7.56	6-9	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant:: COD	Intermittent discharge	1	Front gate, 866 Moganshan Road	79.6mg/l	500mg/l	25.3 tons	475.5 tons/year	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant: ammonia nitrogen	Intermittent discharge	1	Front gate, 866 Moganshan Road	0.998mg/l	35mg/l	0.317 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	/	/	1885.19 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	/	/	1306.6 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: nitrogen oxide	Organized emission	1	Roof of the boiler room in Building No. 25	26.5mg/ m <sup>3</sup>	60mg/ m <sup>3</sup>	1.27 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 <sup>3</sup>	50mg/ m <sup>3</sup>	0.144 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	4.6mg/ m <sup>3</sup>	20mg/ m <sup>3</sup>	0.221 tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: PH value	Intermittent discharge	1	Along National Highway 310, Liuye River, Huayin City	8.2	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	11.22mg/l	50mg/l	0.1 tons	3 tons	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: ammonia nitrogen	Intermittent discharge	1	Along National Highway 310, Liuye River, Huayin City	0.37mg/l	8mg/l	0.004 tons	0.48 tons	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: total nitrogen	Intermittent discharge	1	Along National Highway 310, Liuye River, Huayin City	6.26mg/l	15mg/l	0.06 tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Solid pollutant: hazardous waste	Compliant disposal by entrusted qualified units	3	In the company	/	/	172.06 tons	/	None
Huadong Medicine	Air pollutant:	Organized emission	1	Raw medicine	/	60mg/ m <sup>3</sup>	/	/	None

(Xi'an) Bohua Pharmaceutical Co., Ltd.	volatile organic compound			No.1 workshop					
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: hydrogen chloride	Organized emission	1	Raw medicine No.1 workshop	/	30mg/ m <sup>3</sup>	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: hydrogen chloride	Organized emission	1	Raw medicine No.2 workshop	/	20mg/ m <sup>3</sup>	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: particulate matter	Organized emission	1	Raw medicine No.2 workshop	/	20mg/ m <sup>3</sup>	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: sulfuric acid mist	Organized emission	1	Raw medicine No.2 workshop	/	45mg/ m <sup>3</sup>	/	/	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: PH value	Intermittent discharge	1	9 Haidubei Road	7.95	6-9	/	/	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: COD	Intermittent discharge	1	9 Haidubei Road	250mg/l	500mg/l	5.83 tons	51.4173 tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: ammonia nitrogen	Intermittent discharge	1	9 Haidubei Road	1.41mg/l	35mg/l	0.0329 tons	3.6819 tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant:	Intermittent discharge	1	9 Haidubei Road	104mg/l	120mg/l	2.424 tons	24.968 tons/year	None



Laboratories Co., Ltd.	SS								
Jiangsu Joyang Laboratories Co., Ltd.	Solid pollutant: hazardous solid waste	Legal disposal by entrusted qualified units	/	In the factory at 9 Haidubei Road	/	/	728.111 tons	3148.7 tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Air pollutant: particulate matter	Organized emission	5	Dosing section of workshop 101, fermentation section of workshop 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)	6.2mg/m <sup>3</sup>	10mg/m <sup>3</sup>	0.416 tons/year	0.797 tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Air pollutant: ethyl acetate	Organized emission	3	Extraction of workshop 101, Extraction of workshop 104, and workshop 303	0.048mg/m <sup>3</sup>	50mg/m <sup>3</sup>	0.007 tons/year	1.074 tons/year	None

**Construction and operation of pollution prevention and control facilities****1. 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 station	Facultative + fluidized bed	Original 600 tons/day; 800 tons/day after technical transformation	November 1993; technical transformation in 2007	Normal
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 CMH	Time of operation	Status of operation
DA010 (35#-1)	Level 2 water spraying + surface cooling + activated carbon adsorption/desorption	15000	2017	Normal
DA011 (35#-2)	Level 2 water spraying	22000	2013	Normal
DA012 (40#-2)	Activated carbon + horizontal spraying	6000	2019	Stopped
DA013 (32#-1)	Level 2 alkali liquor spraying	22000	2013	Stopped
DA014 (36#-1)	Level 2 water spraying + surface cooling + low-temperature plasma + Level 1 water spraying	27000	2017	Normal
DA015 (40#-1)	Level 2 water spraying	24200	/	Normal
DA016 (18#-1)	Two levels of alkali liquor spraying + all-in-one (photocatalytic oxidation + plasma + activated carbon) + inorganic nano catalytic deodorization equipment + Level 1 water spraying	16000	2019	Normal
DA017 (19#-1)	Combustion tower	/	2018	Stopped
DA018 (19#-2)	Combustion tower	/	2018	Stopped
DA019 (3#-1)	Level 1 water spraying + photocatalytic oxidation	20000+52000	2019	Normal
DA020 (36#-2)	Two levels of water spraying + condensation+ photocatalytic oxidation + activated carbon + inorganic nano-catalysis + water spraying	10000	2019	Normal

DA021 (16#-1)	Level 1 water spraying + Level 1 alkali liquor spraying	12000	2012	Stopped
DA022 (16#-2)	Level 1 water spraying + Level 1 plant oil and water spraying	30000	2014	Stopped
DA023 (27#-1)	Condensation + Level 1 alkali liquor spraying + all-in-one + Level 1 alkali liquor spraying	15000	2009	Normal
DA024 (33#-1)	Level 2 alkali liquor spray + condensate tank + common Level 1 alkali liquor spraying	48000	2019	Stopped
DA025 (32#-2)	Dust removal with cloth bag + high-efficiency filter	/	2017	Stopped
DA026 (34#-1)	Level 2 alkali liquor spraying	54000	2008	Stopped
DA027 (7#-1)	Level 2 alkali liquor spraying	26000	2015	Normal
DA028 (6#-1)	Level 1 water spraying	12200	2016	Normal
DA029 (18#-2)	Level 2 alkali liquor spraying + photocatalytic oxidation + activated carbon + Level 1 alkali liquor spraying	16000	2018	Normal
DA030 (18#-3)	Level 1 water spraying + Level 1 alkali liquor spraying	5000	2017	Normal
DA031 (25#-2)	Low-nitrogen combustion + high-altitude emission	8000	2009 (The low nitrogen transformation completed in December 2019.)	Normal
DA032 (25#-1)	Low-nitrogen combustion + high-altitude emission	8000	2009 (The low nitrogen transformation completed in December 2019.)	Normal
DA033 (1#-1)	Oil fume purifier	/	/	Normal
DA034 (27#-2)	Two levels of water spraying + activated carbon adsorption/desorption	15000	2011	Normal
DA035 (27#-3)	Photocatalytic oxidation + Level 1 alkali liquor spraying	22300	2016	Normal
DA036 (8#-1)	Level 2 water spraying	25000	2017	Normal
DA037 (13#-1)	Level 2 water spraying + surface cooling + activated carbon adsorption/desorption	25000	2017	Normal
DA038 (28#-1)	Level 1 water spraying + photocatalytic oxidation	22000	2011	Normal

DA039 (28#-2)	Level 2 water spraying + common photocatalytic oxidation	48000	2011	Normal
DA040 (29#-1)	Level 1 water spraying + Level 1 alkali liquor spraying	22000	2011	Normal
DA041 (33#-2)	Level 1 water spraying	18600	2012	Stopped
DA042 (10#-1)	Level 1 water spraying	20000	2016	Normal
DA043 (15#-1)	Level 1 alkali liquor spraying + photocatalytic oxidation	25000	2018	Normal
DA044 (43#-1)	Level 1 alkali liquor spraying + Level 1 water spraying	45000	2014	Normal
DA045 (46#-1)	Level 1 water spraying	3000	2015	Normal
DA046 (46#-2)	Level 1 water spraying	25000	2015	Normal
DA047 (46#-3)	Level 1 water spraying	30000	2015	Normal
DA048 (23#-1)	Two levels of water spraying	7000	2019	Stopped

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	Two alkali spray + dry filter +UV photolysis + 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. Jiangsu Jiuyang Biopharm 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	Name of pollution prevention and control facilities	Treatment process
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	10000	2014	Normal
Waste gas treatment unit of the fermentation section of workshop 101	Level 1 water spray + moisture separator + level 2 activated	20000	2019	Normal

	carbon adsorption + high-altitude discharge via 25m exhaust pipe			
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	22000	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	5000	2014	Normal
Waste gas treatment unit of the fermentation section of workshop 104/107/108	Level 1 water spray + moisture separator + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	75000	2021	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	10000	2015	Normal
Waste gas treatment unit of the dosing section of workshop 104/107/108	Cyclone separator + level 1 water spray + high-altitude discharge via 15m exhaust pipe	5000	2015	Normal
Waste gas treatment unit of the drying section of workshop 104/107/108	Level 1 water spray + moisture separator + level 2 activated carbon adsorption	20000	2015	Normal
Waste gas treatment unit of the pretreatment pool and hazardous waste warehouse of workshop 103, 303	Level 1 water spray + moisture separator + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	40000	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	10000	2015	Normal
Waste gas treatment unit of the extraction section of workshop 107	Level 1 water spray + moisture separator + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	20000	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	40000	2019	Normal
Waste gas treatment unit of workshop 109	Level 1 water spray + high-altitude discharge via 25m exhaust pipe	20000	2019	Normal
Waste gas treatment unit of sewage station 303	Level 1 water spray + moisture separator + photocatalysis + high-altitude discharge via 25m exhaust pipe	15000	2021	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

1. Zhongmei Huadong completed the independent inspection and acceptance for the environmental protection upon completion of the technical transformation project of the macromolecular medicine R&D laboratory (pilot test), and disclosed the acceptance information in the National Environmental Protection Final Inspection Information System for Construction Projects.

2. All construction projects of Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. have been declared, constructed and accepted in strict accordance with the requirements of "three simultaneous items" for environmental protection, all of which have obtained the official approval of environmental assessment, conforming to the requirements of environmental impact assessment of construction projects.

On June 13, 2019, Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. obtained the approval (W.H.P.F [2019] No.49) from Weinan Environmental Protection Bureau for the environmental impact assessment report on domperidone, seflurane and topiramate pilot test reform projects.

In November 2019, Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. completed the environmental impact post assessment report and submitted it to Weinan Ecological Environment Bureau for filing, with the filing number: W.H.P.B (2020) No.3.

3. All construction projects of Jiangsu Jiuyang Biopharmaceutical Co., Ltd. have been declared, constructed and accepted in strict accordance with the requirements of “three simultaneous items” for environmental protection, all of which have obtained the official approval of environmental assessment, conforming to the requirements of environmental impact assessment of construction projects. Jiangsu Jiuyang Biopharmaceutical Co., Ltd. has obtained the sewage discharge permit and the discharge permit of urban sewage into the drainage pipe network in accordance with the environmental protection requirements.

### Emergency plan for sudden environmental incidents

1. Zhongmei Huadong completed the filing with Gongshu Branch of Hangzhou Ecological Environment Bureau on February 2, 2021.

2. Huadong Medicine (Xi’an) Bohua Pharmaceutical Co., Ltd. prepared an *Emergency Plan for Sudden Environmental Incidents*, with the filing No.61050020183022.

3. Jiangsu Jiuyang Biopharmaceutical Co., Ltd. formulated its *Emergency Plan for Sudden Environmental Incidents* which was first prepared in October 2017. The 2021 plan has been renewed and reviewed, and is being filed.

The *Emergency Plan for Sudden Environmental Incidents* of Jiangsu Jiuyang Bio-pharmaceutical Co., Ltd. can improve the company’s ability to cope with and prevent environmental emergencies. In May 2021, the company organized a drill for its comprehensive emergency plan for safety and environmental protection, standardized the emergency handling of sudden environmental incidents, 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

1. On December 25, 2020, Zhongmei Huadong completed the change and continuation of the pollutant discharge permit, as well as and the revision of the self-monitoring scheme.

2. Huadong Medicine (Xi’an) Bohua Pharmaceutical Co., Ltd. prepared the “Self-monitoring Scheme for Pollution Sources” which was put on record in the environmental protection authorities, and all the monitoring data was reported according to the regulations.

3. Jiangsu Jiuyang Biopharmaceutical Co., Ltd. prepared the “Self-monitoring Scheme for Pollution Sources” which was put on record in the environmental protection authorities.

The scheme was prepared in accordance with the relevant national requirements for environmental protection, and the company reported all the monitoring data every day according to the regulations.

### Administrative penalties imposed for environmental issues during the reporting period

Name of company or subsidiary	Reason for penalty	Violation	Result of penalty	Impact on the production and operation of listed	Corrective measures of the company



				company	
Jiangsu Jiuyang Biopharmaceutical Co., Ltd.	Discharged industrial wastewater that failed to meet the process requirements to the centralized sewage treatment facilities	The concentration of ammonia nitrogen in the wastewater from the general discharge outlet failed to meet the treatment process requirements of Sheyang County Wastewater Treatment Co., Ltd.	A fine of 100,000 yuan	Did not constitute a significant impact	The company immediately stopped discharging sewage and re-processed the unqualified sewage. After the sewage reached the standard, the environmental protection authority sampled and tested it. After passing the test, the sewage was discharged according to regulations.

### Other environmental information that should be made public

/

### Other information related to environmental protection

Zhongmei Huadong completes the carbon emission verification report during the period from July to August every year according to the requirements of the superior environmental protection authorities, and reports it to the carbon emission system of the ecological environment authority for filing.

## II. Social responsibilities

The Company actively performed corporate social responsibilities, took the initiative to participate in social public welfare activities, and made a contribution to society with actions.

In July 2021, many areas in Henan Province suffered from extremely heavy rainfall, which caused severe floods and heavy casualties and property losses. Zhongmei Huadong, the Company's wholly-owned subsidiary, immediately donated RMB2 million in cash to the Henan Red Cross Society to support the flood relief and the construction of the post-disaster public health service system in the province.

In July 2021, Zhongmei Huadong, the Company's wholly-owned subsidiary, donated RMB1 million in cash to Zhejiang Shulan Charity Foundation to help poor patients with major diseases, especially those who need organ transplants or have other major diseases.

The Company actively responded to the "Connecting the Villages" activity organized by the government, and launched targeted support projects. It formed a pair with Linqi Town, Chun'an

County, Hangzhou, and provided support to boost the economic and social development of Linqi Town through targeted poverty alleviation. From 2017 to 2020, the Company donated a total of RMB1.2 million to the “Connecting the Villages” poverty alleviation project, and it is expected to donate another RMB300,000 in 2021.

## Section VI. Important Matters

### **I. Fulfilled and Unfulfilled commitments from the related committed parties such as the Company's actual controller, shareholders, related parties, acquirer(s), and the Company during the current reporting period**

Applicable  N/A

No such case during the reporting period.

### **II. 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.

### **III. External guarantees in violation of provisions**

Applicable  N/A

No such case during the reporting period.

### **IV. Employment and dismissal of accounting firms**

Whether the half year report was audited

Yes  No

The Company's half year report was not audited.

### **V. Explanation given by the Board of directors and the Board of Supervisors regarding the "non-standard auditor's report" issued by the accounting firm for the current reporting period**

Applicable  N/A

### **VI. Explanation given by the Board of Directors regarding the "non-standard auditor's report" for the prior year**

Applicable  N/A

### **VII. Bankruptcy reorganization**

Applicable  N/A

No such case during the reporting period.

**VIII. Litigations**

Major litigation and arbitration

 Applicable  N/A

No such case during the reporting period.

Other litigations

 Applicable  N/A

Basic litigation (arbitration) information	Amount involved (unit: RMB10,000)	Whether estimated liabilities are formed as a result	Progress of litigation (arbitration)	Litigation (arbitration) result and impact	Litigation (arbitration) judgment execution	Disclosure date	Disclosure index
Summary of matters that do not meet the disclosure standards for major litigation (arbitration) (domestic)	783.33	No	Some cases are being filed, some are under trial, and some have taken effect	The summary of litigation matters has no material impact on the Company	Some judgments have taken effect and are under execution, some have not yet taken effect, some are pending, and some are in progress	Not meet the disclosure standards for major litigation	/
Summary of matters that do not meet the disclosure standards for major litigation (arbitration) (overseas)	117.6	No	In trial	The summary of litigation matters has no material impact on the Company	In trial, with no decision made	Not meet the disclosure standards for major litigation	/

**IX. Punishment and rectification** Applicable  N/A

No such case during the reporting period.

**X. Integrity of the Company and its controlling shareholder and actual controller** Applicable  N/A

## XI. 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	3,831.33	0.33%	7,500	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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	3,006.94	0.26%	4,500	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Sichuan Yuanda Shuyang Pharmacy	Subsidiary of the Company	Drug purchase	Drug purchase	Market price determined by	Market price	2,468.59	0.21%	6,500	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

eutical Co., Ltd.	controlling shareholder			the Company's related transaction decision-making process									
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	1,110.83	0.10%	4,000	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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	1,037.95	0.09%	2,000	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Hangzhou Grand Biologic Pharmaceutical Inc	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related	Market price	920.86	0.08%	2,000	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

				transacti on decision -making process									
Penglai Nuokan g Pharmac eutical Co. Ltd.	Subsidi ary of the Compan y's controlli ng sharehol der	Drug purchas e	Drug purchas e	Market price determi ned by the Compan y's related transacti on decision -making process	Market price	880.23	0.08%	3,000	No	Cash, banker's acceptan ce bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http:// www.c ninfo.c om.cn</a>
Yunnan Leiyun hang Lixiang Pharmac eutical Co., Ltd.	Subsidi ary of the Compan y's controlli ng sharehol der	Drug purchas e	Drug purchas e	Market price determi ned by the Compan y's related transacti on decision -making process	Market price	850.27	0.07%	2,000	No	Cash, banker's acceptan ce bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http:// www.c ninfo.c om.cn</a>
Shangha i Xudong Haipu Pharmac eutical Co., Ltd	Subsidi ary of the Compan y's controlli ng sharehol der	Drug purchas e	Drug purchas e	Market price determi ned by the Compan y's related transacti on decision -making process	Market price	240.72	0.02%	500	No	Cash, banker's acceptan ce bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http:// www.c ninfo.c om.cn</a>

				process									
Leiyunshang Pharmaceutical Group 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	230.9	0.02%	500	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Shenyang Yaodang 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	221.82	0.02%	700	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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	206.18	0.02%	350	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Xi'an Yuandao New	Subsidiary of the Company	Drug purchase	Drug purchase	Market price determined	Market price	104.13	0.01%	300	No	Cash, banker's acceptance	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>



Beilin Pharmaceutical Co., Ltd	y's controlling shareholder			ned by the Company's related transaction decision-making process						ce bill			om.cn
Changshu Leiyunhang 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	70.47	0.01%	200	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Changshu Leiyunhang 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	68.51	0.01%	150	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Beijing Huajin Pharmaceutical Co., Ltd	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's	Market price	28.1	0.00%	100	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

	der			related transaction decision-making process									
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	24.82	0.00%	150	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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	5.41	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Grandpharma Huangshi Feiyun Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision	Market price	3.29	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

				-making process									
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	4,526.18	0.26%	14,000	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Leiyunshang 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	251.55	0.01%	450	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Guangdong 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	36.34	0.00%	400	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Yunnan Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price	Market price	66.06	0.00%	250	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

hang Lixiang Pharmac eutical Co., Ltd.	Compan y's controlli ng sharehol der			determi ned by the Compan y's related transacti on decision -making process						acceptan ce bill			ninfo.c om.cn	
Change hun hang Pharmac eutical Co., Ltd.	Subsidia ry of the Compan y's controlli ng sharehol der	Drug sales	Drug sales	Market price determi ned by the Compan y's related transacti on decision -making process	Market price	5.69	0.00%			Yes	Cash, banker's acceptan ce bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http:// www.c ninfo.c om.cn</a>
Changsh u hang Pharmac eutical Co., Ltd.	Subsidia ry of the Compan y's controlli ng sharehol der	Drug sales	Drug sales	Market price determi ned by the Compan y's related transacti on decision -making process	Market price	8.58	0.00%			Yes	Cash, banker's acceptan ce bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http:// www.c ninfo.c om.cn</a>
Hangzh ou Jiuyuan Gene Enginee ring	Joint venture of the Compan y	Drug sales	Drug sales	Market price determi ned by the Compan	Market price	0.66	0.00%	600		No	Cash, banker's acceptan ce bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http:// www.c ninfo.c om.cn</a>

Co., Ltd.				y's related transaction decision-making process									
Hangzhou Tangyuan 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	462.48	0.03%	1,200	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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	74.1	0.00%	150	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Grand Resources Group Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction	Market price	5.65	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

				decision-making process									
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	6.42	0.00%	5	Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
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	43.09	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Hangzhou Huadong Medicine Group Co., Ltd.	The Company's second largest shareholder	House leasing	House leasing	Market price determined by the Company's related transaction decision-making process	Market price	10.86	0.00%	25	No	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Hangzhou	Subsidiary	Technol	Technol	Market	Market	8.08	0.00%		Yes	Cash,	Market	April	<a href="http://">http://</a>

Grand Biologic Pharmaceutical Inc.	Company's controlling shareholder	Development Service	Development Service	price determined by the Company's related transaction decision-making process	price					banker's acceptance bill	price	21, 2021	www.cninfo.com.cn
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Agency Service	Agency Service	Market price determined by the Company's related transaction decision-making process	Market price	794.75	0.07%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	http://www.cninfo.com.cn
Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Transport warehouse service	Transport warehouse service	Market price determined by the Company's related transaction decision-making process	Market price	18.5	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	http://www.cninfo.com.cn
Beijing Yuanda Chuangxin Property	Subsidiary of the Company's controlling shareholder	Property management fee	Property management fee	Market price determined by the	Market price	9.64	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	http://www.cninfo.com.cn

Management Co., Ltd.	ng shareholder			Company's related transaction decision-making process									
Beijing Haiwan Banshan Hotel Management Co., Ltd.	Subsidiary of the Company's controlling shareholder	conference fee	conference fee	Market price determined by the Company's related transaction decision-making process	Market price	9.08	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Total				--	--	21,649.06	--	51,530	--	--	--	--	--
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

No such case during the reporting period.

## 3. Related transactions of joint external investment

Applicable  N/A

Joint	Related	Name of investee	Main business	Registered	Total assets	Net assets of	Net profits of
-------	---------	------------------	---------------	------------	--------------	---------------	----------------



investors	relations		of investee	capital of investee	of investee (unit: RMB10,000)	investee (unit: RMB10,000)	investee (unit: RMB10,000)
Shanghai Yuanda Investment Management Co., Ltd., Fuguang Chengdu Equity Investment Management Co., Ltd., Hangzhou High-Tech Venture Capital Management Co., Ltd., and Hangzhou Heda Industrial Fund Investment Co., Ltd.	Yuanda Investment Management and Fuguang Chengdu are subsidiaries of Beijing Yuanda Huachuang Investment Co., Ltd., the controlling shareholder of China Grand Enterprises, Inc. (the controlling shareholder of the Company). According to the provisions of <i>Rules Governing the Listing of Shares on Shenzhen Stock Exchange</i> and other relevant laws and regulations, Yuanda Investment Management, Fuguang Chengdu and the Company constitute related	Hangzhou Fuguang Hongxin Equity Investment Partnership (L.P.)	General projects: Equity investment; venture capital investment (investment in unlisted companies only)	200 million yuan	7,900.37	7,900.37	-99.63

	parties.						
Hangzhou Fuguang Hongxin Equity Investment Partnership (L.P.)	Since Fuguang Chengdu, the managing partner and fund manager of Fuguang Hongxin, and Yuanda Investment Management, one of Fuguang Hongxin's limited partner, are subsidiaries of Yuanda Huachuang, the controlling shareholder of China Grand Enterprises, Inc. (the controlling shareholder of the Company), and the Company is a limited partner of Fuguang Hongxin, Fuguang Hongxin and the Company constitute related parties in accordance with the	Nuoling Biomedical Technology (Beijing) Co., Ltd.	Development, transfer, consulting and services regarding biological and medical technologies	4.981729 million yuan	7,537.97	7,443.61	-534.41

	provisions of <i>Rules Governing the Listing of Shares on Shenzhen Stock Exchange</i> and other relevant laws and regulations.						
Progress of major ongoing projects (if any) of the investee	<p>1. In order to further increase the integration of industry and finance and industrial innovation, build an incubation and introduction platform for diversified high-quality R&amp;D and innovation projects, and quickly enrich the Company's core product pipelines, the Company signed the <i>Partnership Agreement of Hangzhou Fuguang Hongxin Equity Investment Partnership (L.P.)</i> with Shanghai Yuanda Investment Management Co., Ltd., Fuguang Chengdu Equity Investment Management Co., Ltd., Hangzhou High-Tech Venture Capital Management Co., Ltd., and Hangzhou Heda Industrial Fund Investment Co., Ltd., jointly establishing "Hangzhou Fuguang Hongxin Equity Investment Partnership (L.P.)" on January 7, 2021. 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. For details, please refer to No. 2021-002 <i>Announcement on Participation in Investment in the Establishment of Pharmaceutical Industry Investment Fund and Related Party Transactions</i> issued by the Company on January 7, 2021.</p> <p>2. As of April 6, 2021, the Pharmaceutical Industry Fund completed the initial fund raising, finished the industrial and commercial registration procedures, and it was successfully filed with AMAC on April 2, 2021. For details, please refer to No. 2021-016 <i>Announcement on the Progress of Participation in Investment in the Establishment of Pharmaceutical Industry Investment Fund</i> issued by the Company on April 6, 2021.</p> <p>3. Zhongmei Huadong, a wholly-owned subsidiary of the Company, and Hangzhou Fuguang Hongxin Equity Investment Partnership (L.P.) jointly contributed a total of RMB35 million to increase the capital of Nuoling Biomedical Technology (Beijing) Co., Ltd. and subscribed for the newly increased registered capital of RMB520,479 of Nuoling Biomedical Technology, which corresponds to 10.4478% of its equity after the completion of the financing. Specifically, Zhongmei Huadong invested RMB15 million and subscribed for Nuoling Biomedical Technology's newly registered capital of RMB223,062, while Fuguang Hongxin invested RMB20 million and subscribed for RMB297,417. Upon completion of the transaction, Zhongmei Huadong held 4.4776% of the equity of Nuoling Biomedical Technology, while Fuguang Hongxin held 5.9702%. On April 19, 2021, all existing shareholders of Nuoling Biomedical Technology signed a Capital Increase Agreement and a Shareholders Agreement with Zhongmei Huadong and Fuguang Hongxin. For details, please refer to No. 2021-020 <i>Announcement on Joint External Investment and Related Party Transactions with the Pharmaceutical Industry Investment Fund</i> issued by the Company on April 19, 2021. <sup>Note 1</sup></p>						

Note 1: Related inquiries on the disclosure website of interim reports on major related party transactions

Title of provisional announcement	Disclosure date of provisional	Disclosure website of provisional
-----------------------------------	--------------------------------	-----------------------------------

	announcement	announcement
Announcement on Participation in Investment in the Establishment of Pharmaceutical Industry Investment Fund and Related Party Transactions	January 08, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on the Progress of Participation in Investment in the Establishment of Pharmaceutical Industry Investment Fund	April 07, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Joint External Investment and Related Party Transactions with the Pharmaceutical Industry Investment Fund	April 20, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

#### 4. Associated claim and debt transactions

Applicable  N/A

No such case during the reporting period.

#### 5. Deals with related financial companies and financial companies controlled by the company

Applicable  N/A

There are no deposits, loans, credits, or other financial services between the company and the financial company that has an affiliated relationship, and the financial company controlled by the company and the affiliated party.

#### 6. Other major related transactions

Applicable  N/A

No such case during the reporting period.

## XII. 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

No such case during the reporting period.

**2. Important guarantees**

√Applicable □ N/A

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	Collateral (if any)	Counter-guarantee situation (if any)	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 related to the guarantee Cap	Guarantee Cap	Actual date of occurrence	Actual guaranteed amount	Type of guarantee	Collateral (if any)	Counter-guarantee situation (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
Hangzhou Zhongmei Huadong Pharmaceutical Co.,	April 21, 2021	80,000	June 01, 2021	27,652	Joint liability guarantee			One year	No	No

Ltd.										
Huadong Ningbo Medicine Co., Ltd.	April 21, 2021	50,000	June 01, 2021	533	Joint liability guarantee	Yes	One year	No	No	
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	December 18, 2020	2,009	Joint liability guarantee	Yes	One year	No	No	
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	November 20, 2020	1,591	Joint liability guarantee	Yes	One year	No	No	
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	October 23, 2020	1,030	Joint liability guarantee	Yes	One year	No	No	
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	October 28, 2020	375	Joint liability guarantee	Yes	One year	No	No	
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	October 21, 2020	995	Joint liability guarantee	Yes	One year	No	No	
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	October 14, 2020	995	Joint liability guarantee	Yes	One year	No	No	
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	September 23, 2020	255	Joint liability guarantee	Yes	One year	No	No	
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	September 04, 2020	675	Joint liability guarantee	Yes	One year	No	No	
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	September 25, 2020	855	Joint liability guarantee	Yes	One year	No	No	

Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	February 03, 2021	1,702	Joint liability guarantee		Yes	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	June 28, 2020	1,200	Joint liability guarantee		Yes	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	June 28, 2020	800	Joint liability guarantee		Yes	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	July 02, 2020	1,000	Joint liability guarantee		Yes	One year	No	No
Huadong Ningbo Medicine Co., Ltd.	April 28, 2020	50,000	July 02, 2020	1,000	Joint liability guarantee		Yes	One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000		0	Joint liability guarantee			One year	No	No
Hangzhou Huadong Pharmacy Chain Co., Ltd.	April 21, 2021	5,000	May 31, 2021	2,300	Joint liability guarantee			One year	No	No
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	April 21, 2021	5,000		0	Joint liability guarantee			One year	No	No
Jiangsu Jiuyang Biopharm Co., Ltd.	April 21, 2021	7,000		0	Joint liability guarantee			One year	No	No
Huadong	April 21,	15,000			Joint			One year	No	No

Medicine Ningbo Sales Co., Ltd.	2021				liability guarantee					
Huadong Medicine Huzhou Co., Ltd.	April 21, 2021	19,000			0 Joint liability guarantee			One year	No	No
Huadong Medicine Shaoxing Co., Ltd.	April 21, 2021	18,000			12 Joint liability guarantee			One year	No	No
Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	April 21, 2021	6,000			0 Joint liability guarantee			One year	No	No
Huadong Medicine Supply Chain Management (JinHua) Co., Ltd.	April 19, 2019	20,000			0 Joint liability guarantee			Ten years	No	No
Huadong Medicine Lishui Co., Ltd.	April 21, 2021	15,000	May 31, 2021	6,000	Joint liability guarantee			One year	No	No
Huadong Medicine Lishui Co., Ltd.	April 21, 2021	15,000	May 11, 2021	2,900	Joint liability guarantee			One year	No	No
Huadong Medicine (Hangzhou) Biological Products Co., Ltd.	April 21, 2021	3,200			0 Joint liability guarantee			One year	No	No
Hangzhou	April 21,	70,000	June 01,	25,162	Joint			One year	No	No



Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	2021		2021		liability guarantee					
Huadong Medicine Jinhua Co., Ltd.	April 21, 2021	12,000			Joint liability guarantee			One year	No	No
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	April 21, 2021	12,000			Joint liability guarantee			One year	No	No
Huadong Medicine Daishan Co., Ltd.	April 21, 2021	5,500			Joint liability guarantee			One year	No	No
Sinclair Pharma Limited	September 15, 2020	15,000	April 01, 2021	9,586	Joint liability guarantee			three years	No	No
Sinclair Pharma Limited	November 23, 2018	40,000	May 01, 2020	17,429	Joint liability guarantee			three years	No	No
Sinclair Pharma Limited	March 16, 2021	50,050	April 01, 2021	35,824	Joint liability guarantee			three years	No	No
Total guarantee cap for subsidiaries approved during the reporting period (B1)			396,750		Total actual guarantee amount for subsidiaries during the reporting period (B2)					111,659
Total approved guarantee cap for subsidiaries at the end of the reporting period (B3)			471,750		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)					141,880
Subsidiaries guarantee for subsidiaries										
guaranteed party	Disclosure date of the announcement related	Guarantee Cap	Actual date of occurrence	Actual guaranteed amount	Type of guarantee	Collateral (if any)	Counter-guarantee situation	Period of guarantee	Fulfilled or not	Guarantee for a related party or

	to the guarantee Cap					n (if any)			not
Hangzhou Zhongmei Huadong Pharmaceut ical Jiangdong Co., Ltd.	April 21, 2021	20,000			Joint liability guarantee		One year	No	No
Total guarantee cap for subsidiaries approved during the reporting period (C1)		20,000	Total actual guarantee amount for subsidiaries during the reporting period (C2)						0
Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)		20,000	Total actual guarantee balance for subsidiaries at the end of the reporting period (C4)						0
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)		416,750	Total actual guarantee amount during the reporting period (A2+B2+C2)						111,659
Total approved guarantee cap at the end of the reporting period (A3+B3+C3)		491,750	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)						141,880
Proportion of the actual guarantee amount (i.e. A4+B4+C4) in the Company's net assets									9.11%
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)									112,000
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)									112,000
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)	/

### 3. Entrusted finances

Applicable  N/A

No such case during the reporting period.

### 4. Daily significant contracts

Applicable  N/A

### 5. Other significant contracts

Applicable  N/A

No such case during the reporting period.

## XIII. Other major events

Applicable  N/A

During the reporting period, the company did not have other major matters that need to be explained.

## XIV. Major events of subsidiaries

Applicable  N/A

## Section VII. 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	Bonus share	Capital reserve conversion	Other	Subtotal	Number of shares	Proportion
I. Shares subject to conditional restriction	47,745	0.00%	0	0	0	0	0	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	47,745	0.00%	0	0	0	0	0	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	47,745	0.00%	0	0	0	0	0	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	1,749,761,803	100.00%	0	0	0	0	0	1,749,761,803	100.00%
1. RMB ordinary shares	1,749,761,803	100.00%	0	0	0	0	0	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	0.00%
III. Total number of shares	1,749,809, 548	100.00%	0	0	0	0	1,749,809, 548	100.00%

Reasons for the changes in share capital

Applicable  N/A

Approval for changes in share capital

Applicable  N/A

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

## II. Issuance and listing of securities

Applicable  N/A

## III. Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the end of the reporting period	194,208	Total number of preference shareholders with restoration of the voting rights at the end of the reporting period (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	Share-holding ratio	Total common shares held at the end of the reporting period	Changes in the reporting period	The number of common shares held with	The number of common shares held without trading	Pledged, marked or frozen	
							Status	Amount

			reporting period		trading restriction s	restriction		
China Grand Enterprises, Inc.	Domestic non-state-owned corporation	41.77%	730,938,157	0	0	730,938,157	Pledged	220,450,000
Hangzhou Huadong Medicine Group Co., Ltd.	State-owned corporation	16.23%	284,000,000	5,380,000	0	284,000,000		
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	2.10%	36,743,863	-1,555,752	0	36,743,863		
China Securities Finance Co., Ltd.	Domestic non-state-owned corporation	1.27%	22,186,818	0	0	22,186,818		
National Social Security Fund Portfolio 602	Others	0.45%	7,926,311	0	0	7,926,311		
# Yang Yushan	domestic natural persons	0.29%	5,000,000	5,000,000	0	5,000,000		
Industrial and Commercial Bank of China — CUAM 3-year Closed Operation Strategy Placement Flexible Allocation Mixed Securities Investment Fund (LOF)	Others	0.28%	4,835,665	4,835,665	0	4,835,665		
Hua Life Insurance Co., Ltd. — own funds	Others	0.22%	3,780,104	3,780,104	0	3,780,104		
#Chen	domestic natural	0.21%	3,744,388	-20,000	0	3,744,388		

Shaoming	persons							
National Social Security Fund Portfolio 503	Others	0.17%	3,000,000	-3,999,773	0	3,000,000		
Strategic investors or general corporations become the top 10 shareholders due to the placement of new shares (if any) (see Note 3)	N/A							
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	N/A							
Special instructions for the existence of special repurchase accounts among the top 10 shareholders (if any) (see Note 11)	N/A							
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	Amount					
China Grand Enterprises, Inc.	730,938,157	RMB ordinary stocks	730,938,157					
Hangzhou Huadong Medicine Group Co., Ltd.	284,000,000	RMB ordinary stocks	284,000,000					
Hong Kong Securities Clearing Company Ltd.	36,743,863	RMB ordinary stocks	36,743,863					
China Securities Finance Co., Ltd.	22,186,818	RMB ordinary stocks	22,186,818					
National Social Security Fund Portfolio 602	7,926,311	RMB ordinary stocks	7,926,311					
# Yang Yushan	5,000,000	RMB ordinary stocks	5,000,000					
Industrial and Commercial Bank of China — CUAM 3-year Closed Operation Strategy Placement Flexible Allocation Mixed Securities Investment Fund (LOF)	4,835,665	RMB ordinary stocks	4,835,665					

Hua Life Insurance Co., Ltd. — own funds	3,780,104	RMB ordinary stocks	3,780,104
#Chen Shaoming	3,744,388	RMB ordinary stocks	3,744,388
National Social Security Fund Portfolio 503	3,000,000	RMB ordinary stocks	3,000,000
Description of the related relationship or concerted action between the top 10 common shareholders of unrestricted shares, and between the top 10 common shareholders of unrestricted shares and the top 10 common 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 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, 4,000,000 shares thereof were subject to refinancing securities lending transactions in China Securities Finance Corporation Limited. As of the end of the reporting period, Yang Yushan, the sixth shareholder among the Company's Top 10 common shareholders, held 5,000,000 shares of the Company through securities margin accounts, and Chen Shaoming, the ninth shareholder, held 3,651,388 shares of the Company in the same manner.		

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.

#### IV. Changes in shareholding of directors, supervisors and senior managers

Applicable  N/A

No such case during the reporting period. For details, please refer to the 2020 Annual Report.

#### V. Changes in controlling shareholders or actual controllers

Change of controlling shareholder during the reporting period

Applicable  N/A

No such case during the reporting period.

Change of actual controller during the reporting period

Applicable  N/A

No such case during the reporting period.



## **Section VIII. Preferred Shares**

Applicable  N/A

No such case during the reporting period.

## **Section IX. Information about Bonds**

Applicable  N/A

## Section X. Financial Report

### I. Audit report

Whether the half year report was audited

Yes  No

The Company's half year report was not audited.

### II. Financial statements

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

#### 1. Consolidated balance sheet

Prepared by: Huadong Medicine Co., Ltd.

June 30, 2021

Unit: RMB yuan

Item	June 30, 2021	December 31, 2020
Current assets:		
Cash and bank balances	3,269,314,047.58	3,198,080,997.82
Settlement reserve		
Lending to other banks and other financial institutions		
Financial assets for trade		
Derivative financial assets		
Notes receivable		
Accounts receivable	6,871,300,450.79	6,137,675,568.82
Accounts receivable for financing	530,122,144.99	828,659,217.25
Prepayments	213,421,350.99	250,916,482.07
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	114,697,517.74	87,269,489.82
Including: Interests receivable	6,326,425.78	
Dividends receivable	832,286.37	4,195,666.37

Financial assets purchased for resale		
Inventories	4,130,364,327.93	4,067,635,254.80
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	44,928,681.66	85,654,691.58
Total current assets	15,174,148,521.68	14,655,891,702.16
Non-current assets:		
Loans and prepayments issuance		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	947,007,338.50	850,072,053.02
Other equity instrument investments	235,756,138.76	225,453,120.05
Other non-current financial assets		
Real estate properties for investment	17,191,977.46	17,792,735.95
Fixed assets	2,668,749,549.01	2,420,366,582.92
Constructions in progress	2,000,163,547.28	2,240,201,926.65
Biological assets for production		
Oil & gas assets		
Right-of-use assets	128,934,858.91	
Intangible assets	1,645,727,476.51	1,463,242,463.99
Development expenditures		
Goodwill	2,100,106,651.09	1,469,617,262.10
Long-term unamortized expenses	11,043,633.03	8,811,339.43
Deferred tax assets	151,508,607.37	137,829,774.40
Other non-current assets	1,027,839,790.27	712,069,194.08
Total non-current assets	10,934,029,568.19	9,545,456,452.59
Total assets	26,108,178,089.87	24,201,348,154.75
Current liabilities:		
Short-term borrowing	1,386,401,620.12	1,416,932,884.87

Borrowing from the central bank		
Borrowing from other banks and other financial institutions		
Financial liabilities for trade		
Derivative financial liabilities		
Notes payable	979,859,751.59	554,336,058.71
Accounts payable	4,018,087,903.17	3,947,044,331.68
Receipts in Advance	2,002,944.53	951,926.56
Contract liabilities	53,923,017.30	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	116,950,830.93	152,106,819.91
Taxes payable	623,460,837.87	571,792,475.80
Other payables	1,764,290,228.84	1,817,529,820.99
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	43,273,480.68	67,813,886.68
Other current liabilities	6,752,043.58	10,786,034.37
Total current liabilities	8,995,002,658.61	8,633,678,869.34
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowing	477,876,860.08	151,611,367.86
Bonds payable		
Including: Preferred shares		
Perpetual bonds		

Lease liabilities	82,245,770.91	
Long-term payables	157,449,847.67	26,812,354.90
Long-term employee benefits payable		
Provisions	38,277,744.27	39,467,829.23
Deferred income	86,144,877.82	81,628,032.54
Deferred tax liabilities	83,108,397.29	88,738,187.41
Other non-current liabilities		
Total non-current liabilities	925,103,498.04	388,257,771.94
Total liabilities	9,920,106,156.65	9,021,936,641.28
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	44,251,842.19	-2,191,069.45
Special reserve		
Surplus reserves	861,680,578.42	861,680,578.42
General risk reserve		
Retained earnings	10,753,451,519.08	9,852,441,590.56
Total owners' equity attributable to owner of the Company	15,567,274,148.76	14,619,821,308.60
Minority interest	620,797,784.46	559,590,204.87
Total owners' equity	16,188,071,933.22	15,179,411,513.47
Total liabilities & owners' equity	26,108,178,089.87	24,201,348,154.75

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	June 30, 2021	December 31, 2020
Current assets:		
Cash and bank balances	1,500,810,612.41	1,889,264,142.30
Financial assets for trade		
Derivative financial assets		
Notes receivable		
Accounts receivable	3,572,579,601.70	3,287,882,027.51
Accounts receivable for financing	231,103,545.66	214,871,707.01
Prepayments	54,030,047.36	121,268,106.62
Other receivables	863,943,656.30	798,152,353.96
Including: Interests receivable	3,810,555.56	
Dividends receivable		3,363,380.00
Inventories	1,875,097,391.72	1,845,977,070.46
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	14,830.80	
Total current assets	8,097,579,685.95	8,157,415,407.86
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	4,925,884,087.36	4,847,172,288.65
Other equity instrument investments	94,312,742.49	94,312,742.49
Other non-current financial assets		
Real estate properties for investment	7,892,460.22	8,125,576.54
Fixed assets	156,295,538.13	159,486,234.04
Constructions in progress	2,016,101.54	342,161.41
Biological assets for production		
Oil & gas assets		
Right-of-use assets	11,446,169.18	
Intangible assets	52,496,891.26	56,448,575.54

Development expenditures		
Goodwill		
Long-term unamortized expenses	486,793.30	645,902.07
Deferred tax assets	50,432,935.67	45,918,388.57
Other non-current assets	137,966,017.50	96,882,664.08
Total non-current assets	5,439,229,736.65	5,309,334,533.39
Total assets	13,536,809,422.60	13,466,749,941.25
Current liabilities:		
Short-term borrowing	610,340,666.97	930,813,369.36
Financial liabilities for trade		
Derivative financial liabilities		
Notes payable	201,919,106.24	180,042,270.63
Accounts payable	2,476,104,386.33	2,421,476,904.57
Receipts in advance		
Contract liabilities	19,475,506.65	32,577,236.92
Payroll payable	2,907,977.80	8,530,961.48
Taxes payable	73,709,247.43	154,676,067.87
Other payables	200,923,749.27	518,390,330.44
Including: Interests payable		
Dividends payable	224,219.60	224,219.60
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities	2,484,687.36	4,273,258.99
Total current liabilities	3,587,865,328.05	4,250,780,400.26
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	9,417,965.84	
Long-term payables		
Long-term employee benefits payable		
Provision		



Deferred income	39,415,973.49	40,698,910.95
Deferred tax liabilities	10,888,106.00	10,888,106.00
Other non-current liabilities		
Total non-current liabilities	59,722,045.33	51,587,016.95
Total liabilities	3,647,587,373.38	4,302,367,417.21
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	3,051,311.29
Special reserve		
Surplus reserves	939,536,337.86	939,536,337.86
Retained earnings	5,028,373,324.06	4,303,533,798.88
Total owners' equity	9,889,222,049.22	9,164,382,524.04
Total liabilities & owners' equity	13,536,809,422.60	13,466,749,941.25

### 3. Consolidated income statement

Unit: RMB yuan

Item	Current period in 2021	Previous period in 2020
I. Total operating income	17,179,437,902.61	16,660,934,157.64
Including: Operating revenue	17,179,437,902.61	16,660,934,157.64
Interests received		
Premiums earned		
Handling fees and commissions received		
II. Total operating cost	15,638,788,710.40	14,896,020,510.59
Including: Operating cost	11,589,419,896.59	10,681,089,643.50
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	88,585,385.20	101,439,816.68
Selling expenses	2,978,753,751.45	3,109,911,383.02
Administrative expenses	534,683,411.33	506,362,613.35
Research and Development(R&D) expenses	437,556,684.96	479,685,981.21
Financial expenses	9,789,580.87	17,531,072.80
Including: Interests expenses	37,214,555.56	47,068,116.52
Interests income	38,453,252.17	30,675,897.56
Add: Other income	137,364,653.52	93,032,855.48
Investment income (Losses are indicated by “-”)	-54,458,950.28	-10,002,163.90
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-22,852,478.03	-3,173,963.23
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 “-”)	-38,263,673.24	-29,841,283.63
Impairment losses of assets (Losses are indicated by “-”)	3,054,806.20	
Gains on assets disposal (Losses are indicated by “-”)	182,307.80	301,166,257.18
III. Operating profit (Losses are indicated	1,588,528,336.21	2,119,269,312.18

by “-”)		
Add: Non-operating income	834,874.23	10,190,295.80
Less: Non-operating expenses	6,126,908.04	20,122,066.85
IV. Total profit (Total losses are indicated by “-”)	1,583,236,302.40	2,109,337,541.13
Less: Income tax expenses	240,728,486.55	334,125,800.82
V. Net profit (Net losses are indicated by “-”)	1,342,507,815.85	1,775,211,740.31
(I) Classification by continuous operations		
1. Net profit from continued operations (Net losses are indicated by “-”)	1,342,507,815.85	1,775,211,740.31
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	1,300,346,324.85	1,731,184,721.25
2. Profit or loss attributable to minority shareholders	42,161,491.00	44,027,019.06
VI. Other comprehensive income, net of income tax	49,562,711.35	38,749,338.23
Other comprehensive income attributable to owners of the parent company, net of tax	49,562,711.35	38,749,338.23
(I) Other comprehensive income that cannot be reclassified into gains/losses	15,091,655.18	217,909.39
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	15,091,655.18	217,909.39
4. Changes in fair value of credit risk of the enterprise		
5. Others		

(II) Other comprehensive income to be reclassified into gains/losses	34,471,056.17	38,531,428.84
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	34,471,056.17	38,531,428.84
7. Others		
Net amount after tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	1,392,070,527.20	1,813,961,078.54
Total comprehensive income attributable to owners of the parent company	1,349,909,036.20	1,769,934,059.48
Total comprehensive income attributable to minority shareholders	42,161,491.00	44,027,019.06
VIII. Earnings per share (EPS):		
(I) Basic EPS	0.7431	0.9894
(II) Diluted EPS	0.7431	0.9894

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	Current period in 2021	Previous period in 2020
I. Total operating income	8,825,456,287.77	7,916,714,385.48
Less: Total operating cost	8,358,026,557.10	7,486,315,469.35
Business taxes and surcharges	8,620,356.90	12,247,764.43
Selling expenses	183,609,392.52	156,652,760.76
Administrative expenses	84,417,643.06	69,866,518.00
Research and Development (R&D) expenses		
Financial expenses	3,945,113.42	17,433,290.41
Including: Interests expenses	28,654,116.50	37,898,542.00
Interests income	25,469,215.21	19,437,282.41
Add: Other income	3,491,044.84	10,042,695.77
Investment income (Losses are indicated by “-”)	1,013,064,044.10	1,167,513,101.57
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-488,201.29	
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 “-”)	-37,061,514.45	25,531,116.40
Impairment gains (losses) of assets (Losses are indicated by “-”)		
Asset disposal income (Losses are indicated by “-”)	-24,172.29	-6,556.33
II. Operating profit (Losses are indicated by “-”)	1,166,306,626.97	1,377,278,939.94
Add: Non-operating income	3,934.06	4,902,319.33

Less: Non-operating expenses	232,283.92	6,681,349.13
III. Total profit (Total losses are indicated by “-”)	1,166,078,277.11	1,375,499,910.14
Less: Income tax expenses	38,782,555.89	53,781,016.19
IV. Net profit (Net losses are indicated by “-”)	1,127,295,721.22	1,321,718,893.95
(I) Net profit from continuous operations (Net losses are indicated by “-”)	1,127,295,721.22	1,321,718,893.95
(II) Net profit from discontinued operations (Net losses are indicated by “-”)		
V. Other comprehensive income, net of income tax		
(I) Other comprehensive income that cannot be reclassified into gains/losses		
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		
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	1,127,295,721.22	1,321,718,893.95
VII. Earnings per share (EPS):		
(I) Basic EPS		
(II) Diluted EPS		

## 5. Consolidated cash flow statement

Unit: RMB yuan

Item	Current period in 2021	Previous period in 2020
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	19,260,978,489.19	17,305,533,832.79
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	1,862,175.25	15,546,329.17
Other cash receipts to operating activities	320,057,319.74	510,015,283.23
Sub-total of Cash inflows from operating activities	19,582,897,984.18	17,831,095,445.19
Cash payments for goods purchased and services received	12,667,873,491.42	11,048,841,667.18
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	1,324,178,305.24	1,139,977,576.42
Payments of various types of taxes	1,022,924,459.48	1,417,914,481.02
Other cash payments in relation to operating activities	2,829,409,355.93	2,968,819,053.28
Sub-total of cash outflows for operating activities	17,844,385,612.07	16,575,552,777.90
Net cash flow from operating activities	1,738,512,372.11	1,255,542,667.29
II. Cash flows from investing activities		
Cash receipts from recovery of investments		
Cash receipts from investment income	4,281,616.49	900,000.00
Net cash from disposal of fixed assets, intangible assets and other long-term assets	407,737.22	347,790,583.31
Net cash from disposal of subsidiaries and other business units		



Other cash receipts in relation to investing activities	4,788,636.47	
Sub-total of cash inflows from investing activities	9,477,990.18	348,690,583.31
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	403,137,637.26	522,164,019.70
Cash payments for investment	120,706,000.00	70,535,000.00
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business units	756,550,801.75	130,000,000.00
Other cash payments in relation to investing activities	26,127,840.41	
Sub-total of cash outflows for investing activities	1,306,522,279.42	722,699,019.70
Net cash flow from investing activities	-1,297,044,289.24	-374,008,436.39
III. Cash flows from financing activities:		
Cash receipts from capital contributions		
Including: Cash receipts from capital contributions from minority owners of subsidiaries		
Cash from borrowing	1,421,047,085.43	1,681,800,534.35
Other cash receipts in relation to financing activities		340,000,000.00
Sub-total of cash inflows from financing activities	1,421,047,085.43	2,021,800,534.35
Cash repayment of borrowings	1,309,701,912.43	1,851,002,797.43
Cash payments for distribution of dividends or profits or settlement of interest expenses	472,827,211.26	605,214,724.28
Including: Dividends and profits paid by subsidiaries to minority shareholders		49,000,000.00
Other cash payments in relation to financing activities	5,424,076.04	308,940,044.54
Sub-total of cash outflows from	1,787,953,199.73	2,765,157,566.25

financing activities		
Net cash flows from financing activities	-366,906,114.30	-743,357,031.90
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents	-423,905.66	40,923,061.58
V. Net increase in cash and cash equivalents	74,138,062.91	179,100,260.58
Add: Opening balance of cash and cash equivalents	3,157,407,073.26	2,231,771,546.50
VI. Closing balance of cash and cash equivalents	3,231,545,136.17	2,410,871,807.08

## 6. Cash flow statement of the parent company

Unit: RMB yuan

Item	Current period in 2021	Previous period in 2020
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	9,547,450,716.13	8,598,969,576.40
Receipts of tax refund		
Other cash receipts in relation to operating activities	257,412,395.37	325,891,677.56
Sub-total of cash inflows from operating activities	9,804,863,111.50	8,924,861,253.96
Cash payments for goods acquired and services received	9,463,890,457.11	8,095,291,298.89
Cash payments to and on behalf of employees	131,308,524.66	123,512,245.38
Payments of various types of taxes	199,085,236.17	120,889,907.22
Other cash payments in relation to operating activities	440,569,707.04	375,568,357.02
Sub-total of cash outflows for operating activities	10,234,853,924.98	8,715,261,808.51
Net cash flow from operating activities	-429,990,813.48	209,599,445.45
II. Cash flows from investing activities		
Cash receipts from recovery of investments		
Cash receipts from investment	1,003,363,380.00	601,000,000.00

income		
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	237,307.57	45,538.08
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities	289,814,850.52	691,791,772.13
Sub-total of cash inflows from investing activities	1,293,415,538.09	1,292,837,310.21
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	23,188,911.97	13,910,582.10
Cash payments for investment	79,200,000.00	74,281,870.80
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments in relation to investing activities	360,086,340.00	549,000,000.00
Sub-total of cash outflows for investing activities	462,475,251.97	637,192,452.90
Net cash flows from investing activities	830,940,286.12	655,644,857.31
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		
Cash receipts from borrowing	559,345,278.50	1,040,651,082.42
Other cash receipts in relation to financing activities	1,012,500,000.00	673,000,000.00
Sub-total of cash inflows from financing activities	1,571,845,278.50	1,713,651,082.42
Cash repayments of borrowings	879,341,384.32	1,165,656,610.43
Cash payments for distribution of dividends or profits or settlement of interest expenses	456,826,281.28	545,718,585.88
Other cash payments in relation to financing activities	1,025,043,198.88	434,406,787.51
Sub-total of cash outflows from financing activities	2,361,210,864.48	2,145,781,983.82

Net cash flow from financing activities	-789,365,585.98	-432,130,901.40
IV. Effect of foreign exchange rate changes on Cahs and Cash Equivalents	-37,416.55	1,987,917.74
V. Net increase in cash and cash equivalents	-388,453,529.89	435,101,319.10
Add: Opening balance of cash and cash equivalents	1,889,254,142.30	893,929,724.56
VI. Closing balance of cash and cash equivalents	1,500,800,612.41	1,329,031,043.66

## 7. Consolidated statement of changes in owners' Equity

Amount in the current period

Unit: RMB yuan

Item	Amount for the first half of 2021														
	Ownership interest attributable to the parent company												Minority interest	Total ownership interest	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others			Total
	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		-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
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				861,680,578.42			9,852,441,590.56			14,619,821,308.60	559,590,204.87	15,179,411,513.47
III. Amount of change in the current period (Decreases are indicated by “-”)																	
(I) Total comprehensive income																	
(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																	
1. Withdrawal of surplus reserve																	

2. Withdrawal of general risk reserve																
3. Distribution to owners (or shareholders)										-402,456,196.04			-402,456,196.04			-402,456,196.04
4. 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				2,158,080,661.07		44,251,842.19		861,680,578.42		10,753,451.519.08		15,567,274.148.76	620,797,784.46	16,188,071.933.22

Amount in the previous period

Unit: RMB yuan

Item	Amount for the first half of 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	





4. 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					-218,6							-218,6	-2,312,	-2,530,	
					23.93							23.93	186.88	810.81	

IV. Balance at the end of the current period	1,749,809.548.00				2,157,862.037.14		61,541,827.03		710,359,967.51		8,909,672.690.43		13,589,246,070.11	549,861,764.05	14,139,107,834.16
--	------------------	--	--	--	------------------	--	---------------	--	----------------	--	------------------	--	-------------------	----------------	-------------------

### 8. Statement of changes in ownership interest of the parent company

Amount in the current period

Unit: RMB yuan

Item	Amount for the first half of 2021											
	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	1,749,809,548.00				2,168,451,528.01		3,051,311.29	939,536,337.86		4,303,533,798.88		9,164,382,524.04
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		3,051,311.29	939,536,337.86		4,303,533,798.88		9,164,382,524.04
III. Amount of change in the current period (Decreases are indicated by "-")										724,839,525.18		724,839,525.18
(I) Total comprehensive income										1,127,295,721.22		1,127,295,721.22
(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										-402,456,196.04		-402,456,196.04
1. Withdrawal of surplus reserve												
2. Distribution to owners (or shareholders)										-402,456,196.04		-402,456,196.04
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		5,028,373,324.06		9,889,222,049.22

Amount in the previous period

Unit: RMB yuan

Item	Amount for the first half of 2020											
	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	1,749,809,548.00				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 “-”)										831,772,220.51		831,772,220.51
(I) Total comprehensive income										1,321,718,893.95		1,321,718,893.95
(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										-489,946,673.44		-489,946,673.44

1. Withdrawal of surplus reserve												
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		847,526.06		788,215,726.95	4,263,367,194.65		8,970,691,523.67

**Huadong Medicine Co., Ltd.**

**Chairman of the Board: Lv Liang**

August 10, 2021