Huadong Medicine Co., Ltd.

2021 Annual Report

April 2022

To the shareholders

Dear shareholders,

Time flies. Nearly three years have passed since I served as the Chairman of the Board of Huadong Medicine Co., Ltd, during which I have witnessed the historic changes in the pharmaceutical industry of China. Like most domestic pharmaceutical companies, we are confronted with unprecedented difficulties and dramatic challenges in this ever-changing era. The continued implementation of VBP program and the negotiation on medical insurance put an end to the benefits of generic medicines, moreover， the resurgence of COVID-19 and the instable external environment placed more uncertainties within local pharmaceutical industry. Bearing in mind the major mission of generating business growth, the management team of the Company struggled onward amid the pains that come with changes, reform and transformation. It cannot be denied that the Company's financial statements over the past three years was not as outstanding as that in the previous time. However, all employees in the Company weathered the test of time and flagging market, achieving innovation-driven results that transcend financial statements by focusing on the transformation and innovation.

From 2019 to 2021, while reconsidered its positioning and value, the Company recruited more talents, developed product pipelines faster, made greater progress in R&D capability building and achieved more improvements in comprehensive strength than ever before, introducing tremendous changes in and outside the Company. In the past three years, we implemented in nearly 20 BD transactions with leading international pharmaceutical companies to create a global collaboration network and develop diversified and differentiated innovative product pipeline in pharmaceutical and aesthetic medicine fields, speeding up the progress of internationalization. We wasted no time in R&D, and constantly improved our independent R&D system. At present, the Company has established an open and science-based international R&D ecosystem with Zhongmei Huadong new drug R&D center as the core platform and focused on endocrinology, oncology and immunology disease areas. Now the Company has nearly 40 innovative drugs and biosimilars under development, and proactively created a world-class ADC R&D platform, laying a solid foundation for the development of pharmaceutical industry in the future. It achieved rapid progress in core products development. For instance, we were the first in China to submit the application of domestic Liraglutide injection, which are now under CDE review; the clinical trial of ADC product - Mirvetuximab moved forward in a quick manner; and TGFR system moved to the special review procedure as China's innovative medical device. In addition, we facilitated the development of innovative business despite pressure and created the unique example of the cold-chain, so as to foster a new business model. Implementing the development strategy of domestic and international circulation, we constantly enriched the product lines of aesthetic medicine and expanded overseas business in this field. At present, we own 35 high-end global aesthetic medicine products featuring minimally invasive and non-invasive approaches, and recorded rapid growth in sales revenue. Moreover, the registration of domestic aesthetic medicine products was promoted orderly, and the blockbuster product Ellansé launched in domestic market successfully. At the same time, we also proactively explored the new "blue ocean" of industrial microbiology and new business layout, initiated and reserved more than 100 products, drawing a

second growth curve. Relaying on our endeavors in core business over the past three years, we are now marching forward on an innovative path with the characteristics of Huadong Medicine, gradually forming a new development pattern that is driven by innovation, focusing on global market, and has multiple and diversified business lines. With initial results, we have got attention and appraisal from the industry and market.

We owe these progresses to the deep-rooted concept of innovation and value. All employees in the Company straightly faced the weaknesses, vigorously discovered new value and valorously overcame uncertainties and difficulties. Our working philosophy and thought have been changed tremendously, laying a solid foundation for innovation-driven transformation.

In the next three years, we will continue to uphold the "scientific-based, patient-centered" philosophy, implement high quality development strategy with R&D, innovation and international development at the core, and aim at creating differentiated development features, striving to become a leading international medicine enterprise driven by scientific research and innovation, and ultimately realizing the established long-range vision and strategy of Huadong Medicine.

Innovation and R&D remain the theme of the Company's future roadmap. Therefore, the Company will invest more in clinical value-oriented R&D of innovative drugs in endocrinology, oncology and immunology by adopting a model featuring independent development, license-in and collaboration development. We will implement a "three-step" R&D strategy. To be specific, we have taken the first step over the past three years in establishing and improving an initial R&D pipeline through introduction, building a R&D management team and creating primary R&D competence. By 2025, we will take the second step, integrating introduced products and projects into the Company's special R&D ecosystem by learning and absorbing the advantages of them, strengthening independent R&D capability and improving the building of technical platforms. From 2025 to 2030, we will accomplish the third step, achieving internal innovation on the basis of the first two steps, and establish a R&D management system focusing on introduction and independent development, thus serving to realize the long-term strategy and key objectives.

Aesthetic medicine is one of the core strategic sectors of the Company's mega health industry. Upholding the operation philosophy of "facilitating global operation and layout with domestic and international circulation progressing smoothly", the Company will continue to strengthen the layout of product pipelines and boost the registration and launch process of domestic and international products. With the technological iteration and innovation in the past decade and more, industrial microbiology is developing at a rapid pace. Seeing the promising future of industrial microbiology, the Company endeavors to create an industrialized, large-scale and international industrial cluster and integrate into global industrial chain of industrial microbial drugs R&D. In the future, we will transform our strategy from introduction to global operation based on products and market, and ultimately achieve coordinated development among multiply business sectors, creating a health industry ecosystem with Huadong Medicine characteristics.

We will adopt a forward-looking to tackle with today's difficulties. The year 2022 remains a year of uncertainties. Against the backdrop of rapid global changes unseen in a century and complex

international political and economic landscape, the innovative drug industry in China ushered in a new phase oriented to clinical value. We have set defined goals and clear strategies, and obtained precious experience, but we still face various challenges and risks that come from industry policies, market competition, pandemic and other factors on the way forward as we are in the early stage of innovation and reform.

As long as we press ahead with perseverance, a bright future will beckon and emerge. The year 2022 is also a year of possibilities. We will reap rewards by proactive planning. Having faith in the long-term prospects of China's medical industry, we will seize the opportunity and strive for our best in the path of transformation, continue to establish R&D system with a global view, adhere to the established strategy and plan and focus on refined management and product planning, in a bid to achieve growth against changing environment and a more brilliant future.

Over the past three years, we worked extremely hard and forged ahead. We wish to express sincere appreciation to all employees for their hard work, and all shareholders for their understanding and incomparable trust. To extend our sincere gratitude, the Company has distributed nearly RMB4.6 billion dividends to shareholders in 18 times since listing.

With great ambition in mind, we will never pause our pursuit of a better future. We hope to have the lasting company of investors who looking for long-term value, constantly challenge and change ourselves, and overcome fluctuation and downward cycle, thereby embracing the refreshing and bright future created by Huadong Medicine.

Lv Liang
On Behalf Of Huadong Medicine
April, 2022

Section I. Important Declaration, Contents and Definitions

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

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

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

The future plans, development strategies and other forward-looking statements in this annual report shall not be considered as substantial commitment of the Company to investor，Investors and related parties should be fully aware of the risks, and understand the differences between plans, forecasts and commitments.

The risks the Company faces in operation including industry policy and market operation risk, new drug R&D risk, exchange rate fluctuation risk and goodwill impairment risk. For details, please refer to "v. Potential risks and responses" under "XI. Prospect of the Company's future development" in "Section III. Management Discussion and Analysis". Therefore, investors are kindly reminded to pay attention to possible investment risks

The dividend distribution scheme approved at this meeting of the Board of Directors is as follows: on the basis of 1,749,809,548 ordinary shares of the total share capital of the Company, RMB2.90 (before tax) of cash dividends per ten ordinary shares will be distributed to all shareholders; no bonus share will be issued; and no capital reserve will be converted to increase the capital stock. In case the Company's total share capital changes before the dividend distribution scheme is put in place, the proportion of distribution per share will be adjusted with the shares base unchanged. The aforesaid dividend distribution scheme is subject to the approval at the Annual General Meeting.

According to "Stock Listing Rules of the Shenzhen Stock Exchange", if listed companies have both Chinese and 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

Contents of Reference File

I. Financial statements signed and stamped by the legal representative, the person in charge of accounting work and the head of accounting institution (accounting manager).

II. Original audit report stamped by public accountants, and signed and stamped by certified public accountant.

III. The original of all Company's documents publicly disclosed in the press designated by CSRC during the reporting period and the original of announcements.

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 Co., Ltd.
Huadong Ningbo Company	refers to	Huadong Ningbo Medicine Co., Ltd.
Chongqing Peg-Bio	refers to	Chongqing Peg-Bio Biopharm Co., Ltd.
Qyuns Therapeutics	refers to	Qyuns Therapeutics Co., Ltd.
Nuoling Bio	refers to	Nuoling Biomedical technology (Beijing) Co., Ltd.
Grand Chanrong	refers to	Shanghai Grand Industrial and Financial Investment Management Co., Ltd.
Fuguang Chengdu	refers to	Fuguang Chengdu Equity Investment Management Co., Ltd.
Hangzhou Gaotou	refers to	Hangzhou Hi-Tech Venture Capital Management Co., Ltd.
Grand Huachuang	refers to	Beijing Grand 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 (Limited Partnership)
Huachang Hi-Tech	refers to	Anhui Huachang Hi-Tech Pharmaceutical Co., Ltd.
Meiqi Health	refers to	Hubei Meiqi Health Technology Co., Ltd.
Takeda	refers to	Takeda Pharmaceuticals Company Ltd.
Sinclair	refers to	Sinclair Pharma Limited
vTv	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.
Exscientia	refers to	Exscientia Ltd.
Heidelberg Pharma	refers to	Heidelberg Pharma AG
Kiniksa	refers to	Kiniksa Pharmaceuticals (UK), Ltd.
KiOmed	refers to	KiOmed Pharma SA
Daewon	refers to	Daewon Pharmaceutical Co., Ltd.
AKSO	refers to	AKSO Biopharmaceutical, Inc.
Ashvattha	refers to	Ashvattha Therapeutic, Inc.
SCOHIA	refers to	SCOHIA PHARMA, Inc.
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
NHSA	refers to	National Healthcare Security Administration
NDA	refers to	New Drug Application
ANDA	refers to	Abbreviated New Drug Application (or Generic 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
QA	refers to	Quality Assurance (department)
ADC	refers to	Antibody-Drug Conjugates
BD	refers to	Business Development
EHS	refers to	Environment, Health, Safety

MRCT	refers to	International Multi-center Clinical Trial
OTC	refers to	Over The Counter
Prescription Drugs	refers to	Drugs that require medical prescriptions issued by physicians to be bought and used
Catalogue of Drugs for Insurance（2021）	refers to	Catalogue of Drugs for Basic National Medical Insurance/Employment Injury Insurance/Birth Insurance（2021）
Reporting Period	refers to	From January 1, 2021 to December 31, 2021

Section II. Company Profile and Key Financial Indicators

I. Company information

Stock name (abbreviation)	Huadong Medicine	Stock code	000963
Stock listed on	Shenzhen Stock Exchange		
Company name in Chinese	华东医药股份有限公司		
Company name in Chinese (abbreviation)	华东医药		
Company name in English (if any)	Huadong Medicine Co., Ltd.		
Company name in English (abbreviation, if any)	Huadong Medicine		
Legal representative	Lv Liang		
Registered address	Floor 7, 9 and 10, Gate No. 1, Building No. 1, 468 Yan'an Road, Hangzhou		
Zip code of the registered address	310006		
Changes of registered address	From the date of listing to July 2012, the registered address was "No. 439 Zhongshanbei Road, Xiacheng District, Hangzhou". From July 2012, the registered address was changed to "F9 and 10, Gate No. 1, Building No. 1, 468 Yan'an Road, Hangzhou". From July 2019, the registered address was changed to "F7, 9 and 10, Gate No. 1, Building No. 1, 468 Yan'an Road, Hangzhou".		
Office address	No.866 Moganshan Road, Hangzhou		
Zip code of the office address	310011		
Official website	www.eastchinapharm.com		
Email address	hz000963@126.com		

II. Contact persons and contact information

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

III. Channels of disclosure and location of preparation

Website of the Shenzhen Stock Exchange for publishing the annual	http://www.szse.cn

report	
Media and website for publishing the annual report	*China Securities Journal*, *Securities Times*, *Shanghai Securities News and* http://www.cninfo.com.cn
Location of preparation of the Company's annual report	Office of the Company's Board of Directors

IV. Registration changes

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

V. Other information

Certified public accountants

Name	Pan-China Certified Public Accounts (Special General Partnership)
Office address	F18, Huarun Building B, 1366 Qianjiang Road, Hangzhou, Zhejiang Province
Signing accountants	Wang Fukang and Du Jinyu

Sponsors for continuous supervision and guidance during the reporting period

□ Applicable √ N/A

Financial consultant for continuous supervision and guidance during the reporting period

□ Applicable √ N/A

VI. Key accounting data and financial indicators

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

□Yes √No

	2021	2020	Percentage increase/decrease from last year to this year	2019
Operating revenue (yuan)	34,563,301,233.67	33,683,058,759.75	2.61%	35,445,698,216.15
Net profit attributable to shareholders of listed companies (yuan)	2,301,631,347.64	2,819,861,203.63	-18.38%	2,813,118,702.11
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses (yuan)	2,188,946,362.34	2,429,761,433.56	-9.91%	2,574,437,417.52
Net cash flow from operating	3,169,757,867.95	3,411,447,747.56	-7.08%	2,001,698,170.67

activities (yuan)				
Basic earnings per share (yuan/share)	1.3154	1.6115	-18.37%	1.6077
Diluted earnings per share (yuan/share)	1.3154	1.6115	-18.37%	1.6077
Weighted average return on equity (ROE)	14.75%	20.95%	-6.20%	25.29%
	End of 2021	End of 2020	Percentage increase/decrease from last year to this year	End of 2019
Total assets (yuan)	26,996,403,366.69	24,201,348,154.75	11.55%	21,463,974,146.63
Net assets attributable to shareholders of listed companies (yuan)	16,579,374,323.08	14,619,821,308.60	13.40%	12,309,477,308.00

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

□Yes √No

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

□Yes √No

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

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

□ Applicable √ N/A

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

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

□ Applicable √ N/A

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

VIII. Key financial indicators by quarter

Unit: RMB yuan

	Q1	Q2	Q3	Q4
Operating revenue	8,896,632,277.36	8,282,805,625.25	8,748,039,460.66	8,635,823,870.40
Net profit attributable to shareholders of listed companies	758,380,756.56	541,965,568.29	595,038,254.49	406,246,768.30

Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses	695,792,411.78	498,188,475.40	568,039,187.19	426,926,287.97
Net cash flow from operating activities	302,314,164.48	1,436,198,207.63	367,404,454.61	1,063,841,041.23

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

□ Yes √ No

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

√ Applicable □ N/A

Unit: RMB yuan

Item	2021	2020	2019	Note
Gains/losses on disposal of non-current assets (including the written-off part of the accrued assets impairment reserve)	-2,354,117.13	319,656,661.95	109,574,836.97	
Tax refund and reduction with ultra vires examination and approval or without official approval documents	10,101,524.84	8,424,351.97	4,407,536.93	
Government grants included in current gains/losses (excluding those closely related to daily business operation and distributed constantly in accordance with certain standard quota or quantity in line with national policies and regulations)	173,543,413.54	190,906,656.31	112,527,883.18	
Gains/losses caused by fair value changes for holding financial assets held for trading and financial liabilities held for trading, and investment income for handling financial assets held for trading, financial liabilities held for trading and AFS securities, excluding hedging business related to operating activities	521,193.82			
Reversal of reserve for receivables subject to independent impairment test	4,803,651.87	3,845,312.41	1,896,979.79	
Other non-operating revenue or expenditure expect above-mentioned items	-25,651,193.11	-20,500,748.15	77,976,120.18	
	-32,065,178.00	-4,899,999.00		

Other profit and loss items satisfying the definition of non-recurring gain/loss				
Minus: Amount affected by income tax	20,249,495.43	92,420,221.30	47,542,186.99	
Amount affected by rights and interests of minority stakeholders (after tax)	-4,035,184.90	14,912,244.12	20,159,885.47	
Total	112,684,985.30	390,099,770.07	238,681,284.59	--

Details of other items of gains/losses meet the definition of non-recurring gains/losses:

√ Applicable □ N/A

[Note]: Employment resettlement fees totaled RMB32,065,178.00 for dismissed employees of Huadong Ningbo Medicine Co., Ltd, drawn from due liquidation.

Explanation for recognizing an item listed as a non-recurring gain/loss in the "*Interpretative Announcement No. 1 on Information Disclosure Criteria for Public Companies – Non-Recurring Profit/Loss*" as a recurring gain/loss

□Applicable √ N/A

Explanation for recognizing an item listed as a non-recurring gain/loss in the "*Interpretative Announcement No. 1 on Information Disclosure Criteria for Public Companies – Non-Recurring Profit/Loss*" as a recurring gain/loss

Section III Management Discussion and Analysis

I. The industry profile during the reporting period

In 2021, China's medical industry experienced profound reform and accelerating reshuffle, with industry policies rolling out intensively and innovative results springing up. Cost control of medical insurance remained the main focus of industry policies. In 2021, China continued to promote the VBP Program of drugs and medical consumables, expanding both the scope and depth. VBP Program of generic drugs and high-value consumables became more popular. It is predicted that the coverage of variety and region will be further expanded. In terms of local level, VBP Program by cross-region alliances were accelerated with diversified varieties. Inter-provincial alliances have become another backbone of VBP Program.

The reform of health insurance payment models was in the fast track. NHSA is promoting a compounded medical insurance payment model with category-based payment as the core, and piloting diagnosis related group, or DRG payment and Diagnosis & Intervention Packet, or DIP. In November 2021, NHSA issued the *Three-Year Plan of Reform of DGR/DIP Payment Model*, requiring that by the end of 2025, DRG/DIP payment model should cover all eligible medical institutions providing inpatient services, realizing substantially the full coverage of diseases and medical insurance funds.

From the perspective of long-term developments of the industry, population aging increased the needs for necessary medicine market to expand, and trading up in new categories promoted the development of consumer medical market, releasing more growth opportunities of the industry. Driven by a series of policies, the medical industry is undergoing profound changes, and is gaining speed in innovative transformation. The growth logic and prospects of pharmaceutical companies are also experiencing great changes. More and more traditional pharmaceutical companies defined their transformation direction towards innovative drugs, and kept increasing the investment in R&D, so as to achieve high-quality development.

2022 is the year of deepening reform during the period of 14th Five-Year Plan. The development plan for the pharmaceutical industry will be promulgated and implemented. The innovation iteration cycle of the pharmaceutical industry will be faster, and the challenges and pressures confronted by pharmaceutical companies will also be greater. Facing the opportunities and challenges arising from deepening reform, accelerating technology upgrade, continuous emergence of professionals and increasing capital support, Chinese pharmaceutical companies are like sailing against the current.

Only through upgrade and innovation can they brave the wind and waves.

II. Main businesses of the Company during the reporting period

Huadong Medicine Co., Ltd, headquartered in Hangzhou, Zhejiang province, was established in 1993. It was listed on the Shenzhen Stock Exchange in December 1999 (stock code: 000963). With more than two decades endeavors, the Company has expanded its business covering the whole industrial chain of pharmaceutical industry. While centering on pharmaceutical industry, it also sets foot in pharmaceutical commerce and aesthetic medicine and has developed into a large comprehensive pharmaceutical listed company integrating pharmaceutical R&D, production and distribution.

In terms of pharmaceutical industry, the Company deeply rooted in the R&D, production and sales of specialty medications, chronic disease medications, and medications for special purposes, established a well-established pharmaceutical manufacturing and quality research system, formed core product pipelines focusing on chronic kidney diseases, transplantation immunity, endocrinology, digestive system and other areas, and has a number of first-line clinical drugs with market advantages in China. At the same time, through independent development, introduction, project cooperation and other approaches, it focused on R&D layout of innovative drugs and generic drugs with high-tech barrier in three core sectors including oncology, endocrinology, and autoimmunity. The Company constantly carried out international registration, certification and consistency evaluation, and achieved continuous results. It has formed a pharmaceutical industry system aimed at global market, and maintained R&D and product cooperation with a number of international innovative R&D enterprises.

The Company's pharmaceutical commerce mainly focuses on four business sectors including traditional Chinese medicine and western medicine, medical devices, ginseng and antler, and health industry, covering medicine wholesale, medicine retail, third party medical logistics characterized by cold chain, medical e-commerce, value-added service in hospitals and distinctive comprehensive health industry. In doing so, it went further in product agency and mark expansion, providing comprehensive solutions for customers.

Adhering to the strategy of facilitating global operation and layout with domestic and international circulations progressing smoothly, the Company owns more than 30 minimally invasive and non-invasive products of aesthetic medicine through a global view and forward-looking plan, among which 20 products are on the market inside and outside the country, and 10 are international innovative products under research. The product portfolio covers mainstream non-surgical aesthetic

medicine sectors such as facial fillers, thread lift, skin management, body shaping, hair removal, and cosmetic gynecology, forming an integrated product cluster with the number and scope of products at the forefront of the industry. Sinclair, a wholly-owned subsidiary of the Company, acts as the global operation platform of aesthetic medicine. Headquartered in the UK, it also has manufacturing bases in the Netherlands, France, the United States, Switzerland and Bulgaria. Sinclair promotes and sales products such as sustained-release microspheres for injection, hyaluronic acid (HA), and face thread lift products worldwide, and researches and expands energy based aesthetic devices through its wholly-owned subsidiaries High Tech and Viora in the global market. The Company also wholly owns Sinclair (Shanghai) Co., Ltd., a subsidiary for the operation and sales in domestic market, as well as owns the shares in R2 and Kylane, overseas technical R&D companies located in the America and Switzerland, respectively.

III. Analysis on core competitiveness

i. An open innovative drug R&D system and constant improvement of innovation capacity

The Company highly values innovation and R&D and maintains a high proportion of R&D investment. The average annual R&D investment in pharmaceutical industry in the past three years accounted for more than 10% of the operation revenue of pharmaceutical industry. Upholding the "scientific research-based, patient-centered" philosophy, it strives to create clinical value, medicine economics value and commerce value. After years of development, it has established a relatively complete independent innovation system for drug R&D covering drug discovery, pharmaceutical research, pre-clinical research, clinical research and industrialization, and established a global new drug R&D center.

The Company's innovation and R&D focuses on three core treatment areas, including endocrinology, oncology and autoimmunity. By ways of cooperative drug development and equity investment, it carried out in-depth strategic cooperation with leading pharmaceutical companies both in and outside China, and created a global pharmaceutical R&D ecosystem through introduction, integration and innovation. In particular, in terms of ADC field, the Company further expanded differential layout. It invested in Qyuns Therapeutics, an antibody R&D and production company, and Nuoling Bio, a company specialized in ADC linker and conjugate techniques, incubated Zhejiang Huida Biotech Co., Ltd. (Huida Biotech) which owns the whole product line of ADC payloads, and controlled Doer Biologics, a multi-antibody platform R&D company. It carried out equity investment and product cooperation with Heidelberg Pharma, a global emerging technology company in the ADC field, to form a unique ADC global R&D ecosystem, gradually build a differentiating ADC

independent R&D platform, and strengthen and improve antineoplastic product innovation chain and ADC ecological chain. In the next three years, it plans to develop at least 10 ADC innovative products and actively promote the registration work and clinical studies.

Through independent R&D, cooperation, license-in and other measures, the Company continuously developed and formed differentiating innovative product pipelines covering the lifecycle of R&D. As at the releasing of this report, the Company has nearly 40 innovative drugs and biosimilars under research, among which 5 are in the phase III of clinical trial and 3 are in phase II, covering endocrinology, oncology and autoimmunity and other areas, so as to effectively guarantee the positive momentum of the clinical and launch progress of innovative product, thereby providing new drivers for medium-and long-term development.

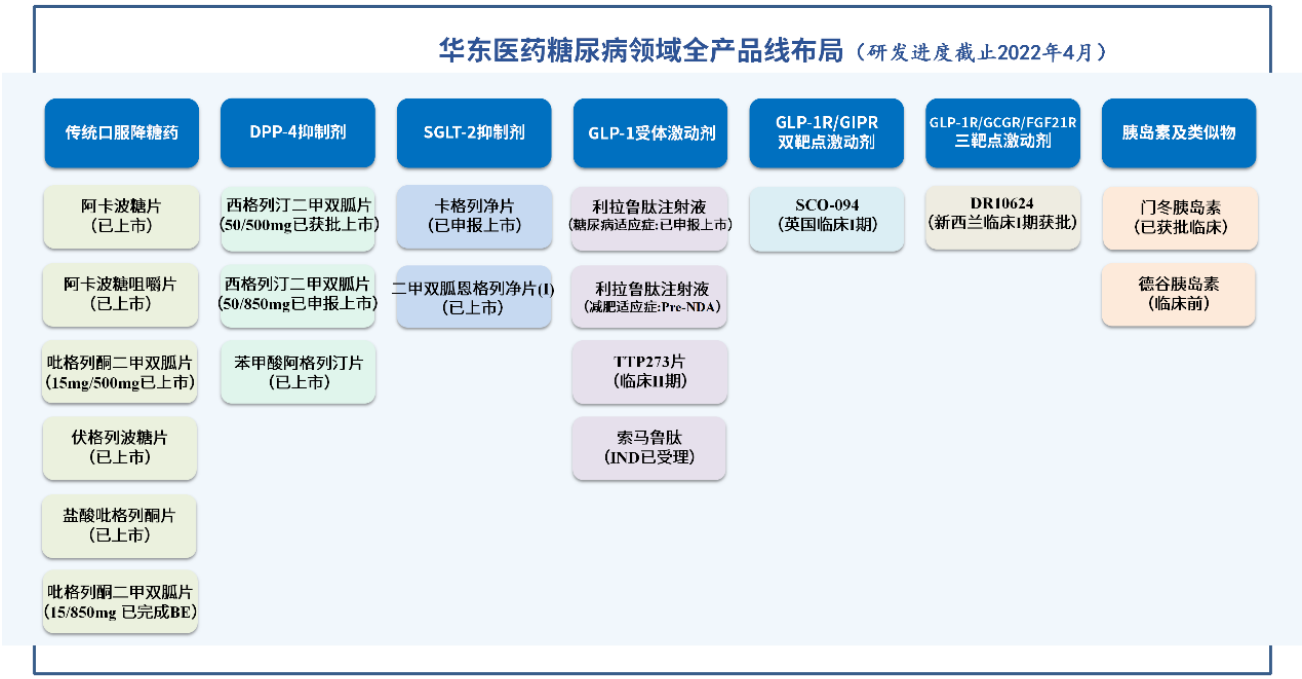
ii. Comprehensive capabilities to develop international business

The company actively promoted the internationalization process. By acquiring 100% equity of Sinclair, High Tech and Viora, the Company realized the global layout of the aesthetic medicine field. Though strategic and equity cooperation with a number of American companies, including R2, MediBeacon, ImmunoGen, Provention Bio and Kiniksa, a Swiss company Kylane, a German company Heidelberg Pharma, etc., it supplemented and enriched the rights of commercial development of innovative drugs and high-end aesthetic medicine products both at home and abroad. It cooperated with Daewon, a South Korean company, to realize the company's first overseas commercialization license-out of innovative product. It accelerated the international registration of products. All online chemical APIs were obtained the market certification of FDA, EU and other

authorities. Daptomycin for Injection, Acarbose Tablets and Pantoprazole Sodium for Injection were all approved by FDA, and some high-end industrial microorganism ingredients were empowered strong competitiveness in the international market. It also actively developed international logistics and procurement suppliers to make its procurement capability keep in line with the international standard. It pushed CMO/CDMO business go global, and has been integrated into the global innovative drugs R&D industrial chain.

iii. Diversified product pipelines for specialty diseases and chronic diseases, and comprehensive competitive advantage of diabetes treatment

Over the years, the Company has been deeply engaged in specialty medications, chronic disease medications, and medications for special purposes and built a favor brand effect and strong market base in the treatment of chronic kidney diseases, transplantation and immunity, endocrinology, digestive system and so on. The market share of these products continuously takes the lead in domestic market. Focusing on the targets of mainstream clinical treatment of diabetes, the Company has formed a comprehensive layout of product pipelines of innovative drugs and differentiating generic drug. At present, it has more than 20 commercialized products and products under development. In organ transplantation, it realized the full coverage of clinical first-line immunosuppressive agents and developed multi-tiered follow-up products. It developed first-in-class drugs in all three core treatment fields, including endocrinology, oncology and autoimmunity. As for antineoplastic ADC drugs, it has established the layout of multiple global innovative drug and a R&D ecosystem, forming differentiating advantages. At present, a total of 26 core products on the market were listed in the *Catalog of Medicines Covered by National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2021)*.



iv. A leading domestic pharmaceutical care professional team and extensive market network

In terms of pharmaceutical industry, the Company owns a professional Pharmaceutical Care (PC) and market development team consisting of 6000 employees. Centering on clinical value and academic promotion, it promoted a marketing model integrating comprehensive hospitals, medical institutions in primary level, retail, the third terminal and the Internet, so as to gradually increase the coverage through multiple channels, thus obtaining good competitive advantages.

Having developed in Zhejiang province for many years, the Company's pharmaceutical commerce owns complete business activities and diversified products, and enjoys comprehensive competitive advantages in market access and network coverage. It constantly improves its four core capabilities including logistics, information, finance and operation, offering high-end value-added services such as policy affairs. In addition, it has established cooperative ties with 90% of mainstream pharmaceutical enterprises at home and abroad, and realized the full coverage of public medical institutions, major private health care and retail pharmacies in Zhejiang province. Its market share takes the lead in Zhejiang province, and industry ranking stands at the forefront for many years in a row. In recent years, the Company has witnessed rapid development of its innovative businesses such as product agency and market expansion, characteristic comprehensive health industry, third-party pharmaceutical logistics featured by cold chain, and pharmaceutical e-commerce. It has built a sound service system and professional ability of cold chain logistics distribution, which takes the lead in China.

v. High-end international aesthetic medicine product pipelines covering main minimally invasive and non-invasive non-surgeries

The Company's strategic plan in aesthetic medicine started in 2018, when it acquired Sinclair, a Britain-based company. As Sinclair acquired High Tech and Viora that are specialized in energy based aesthetic devices in 2021 and 2022, respectively, the Company achieved the full coverage of non-surgical aesthetic medicine injection products and energy based devices in medium and high-end market. It owns the global rights in a number of patented products in the fields of facial filler, body shaping, thread lift, energy based device, etc., and has an international operation and BD team of aesthetic medicine. Focusing on the global high-end aesthetic medicine market, the Company has formed an international aesthetic medicine business network covering R&D, manufacturing and marketing, and built a global aesthetic medicine marketing network by further integrating R&D resources and capabilities, and relying on four global R&D centers, including Sinclair (UK), High Tech (Spain), R2 (USA) and Kylane (Switzerland), as well as Sinclair's five global production bases in the Netherlands, France, the United States, Switzerland and Bulgaria, At present, the Company's products were sold in more than 80 countries and regions around the world. The Company owns 35 high-end minimally invasive and non-invasive products of aesthetic medicine, among which 21 are on the market inside and outside China, and 14 are international innovative products under research. The product portfolio covers mainstream non-surgical aesthetic medicine sectors such as facial fillers, thread lift, skin management, body shaping, hair removal, and cosmetic gynecology, forming an integrated product cluster with the number and scope of products at the forefront of the industry.

vi. Rooted in the strong R&D and industry base and systematically explored the new blue sea of industrial microbiology

The Company has been engaged in the field of industrial microorganisms for more than 40 years with a profound industrial foundation. It has successfully developed and manufactured a variety of microbial drugs and built a system of key technology of microbial products R&D and production. The scale and technology of existing microorganism fermented products are at the forefront of the industry. It established two microorganism R&D base: Zhongmei Huadong and Huida Biotech, five industrial bases including Hangzhou Xiangfu Qiao, Qiantang New Area, Jiuyang Bio, Meiqi Health and Huachang Hi-Tech, the largest ferment singleton workshop in Zhejiang province as well as the leading microbial drugs production capability. Its R&D capability covering the whole stage of microbial engineering, such as bacteria construction, metabolic control, separation and purification, enzyme catalysis and synthesis and modification. It has formed a complete manufacturing system covering microbiology R&D, pilot test, commercial production, engineering and utility system guarantee. At present, the Company has a total of 45 R&D projects of industrial microbiology,

including 7 special functional chemicals projects, 23 API and high-end medicine intermediate projects, 12 mega health and aesthetic medicine ingredients projects and 3 biomaterials projects. Among them, 5 out of special functional chemicals projects are series projects divided in more than 50 sub-projects, and 2 out of API and high-end medicine intermediate projects are series projects divided in more than 10 sub-projects. The total number of all projects exceeded 100. The Company established an industrial microbiology department that has organized structure and operates independently. The department is equipped with a first-class industrial microbiology technical team including 363 researchers, among which 15 hold Ph.D. degrees, and 21% of the researchers have master's degrees or doctor's degrees. Up to now, it has 23 authorized patents and 59 patents are under review.

vii. Prudent and pragmatic business style and stable shareholder returns

The Company pays attention to management innovation and strives to meet the demand arising from market competition by improving management quality. High-quality products, excellent commercialization ability, compliance and efficient marketing services, differentiating market positioning, innovative R&D layout, outstanding talent planning are the engine for the Company's long-term stable development. Over the 21 years since it was listed, the Company distributes dividends for 18 times with a total amount of RMB4,577 million, far exceeding the RMB250 million raised in IPO, and was able to bring sustained and stable investment returns to shareholders.

IV. Analysis on main businesses

1. General information

The year 2021 was a year fraught with challenges from volatile global economic situation, and the resurging COVID-19 pandemic. The reform of national medical insurance went deeper, the VBP program became the mainstream, and market competition was intensified. The year 2021 also presented many opportunities. The 14th Five-Year plan was kicked off, bring the development of pharmaceutical industry into a new phase. For the Company, its sixth "Three-Year Plan" was accomplished in 2021, and its innovative transformation and reform came to a crucial time. The impact caused by policy changes in domestic medical industry and market competition was ongoing, and the Company's operation was also faced by many difficulties and uncertainties. During the reporting period, confronted by complex internal and external environment, the Company fully implemented the principle of annual work meeting and struggled forward by innovation. It was committed to promoting the strategic decision of innovation-driven transformation, took solid steps

to implement all operation and management measures, and constantly deepened the reform of organizational structure. Besides, it continued to strengthened cooperation on overseas projects, accelerated the international industrial layout, proactively explored new business operation model, and expanded to new market sectors. Thanks to the joint efforts of all employees, the Company overcame multiple difficulties and challenges and achieved steady progresses in the overall operation. The business objectives of the year were accomplished, and new breakthroughs were made in all key work.

In 2021, the Company's operating revenue reached RMB34,563 million, a year-on-year increase of 2.61%. Net profit attributable to the shareholders of the Company stood at RMB2,302 million, down by 18.38% year on year, and net profit attributable to shareholders of the Company after deducting non-recurring profits and losses stood at RMB2,189 million, down by 9.91% year on year. If calculated according to the same statistic scope (excluding Huadong Ningbo, a controlled subsidiary entered liquidation), the operating revenue of the Company in 2021 increased by 3.10% year on year, and net profit attributable to shareholders of the Company after deducting non-recurring profits and losses decreased by 7.64% year on year. During the reporting period, net cash flows from operating activities registered RMB3.17 billion, matching with operating revenue and net profit level. CFO/NI stood at 1.36, an increase from 1.17 in the previous reporting period.

In the fourth quarter of 2021, its operating revenue registered RMB8,636 million, up by 5.54% year on year, and the net profit attributable to shareholders of the Company after deducting non-recurring profits and losses registered RMB427 million, up by 7.04% year on year (quarter-on-quarter indicator in the year has been positive growth).

As at the end of 2021, the Company's total assets stood at RMB26,996 million, and the net assets attributable to shareholders of the Company stood at RMB16,579 million. The ratio of liabilities to assets was 37.25% and return on equity (ROE) was 14.75%.

i. Pharmaceutical industry

During the reporting period, since some products lost bid in VBP program or slashed prices in negation, Zhongmei Huadong, the Company's core subsidiary in pharmaceutical industry, recorded operating revenue of RMB10,109 million, a year-on-year decrease of 8.43%, and the net profit of RMB2,092 million, a year-on-year decrease of 10.32%. Its ROE stood at 28.63%, remaining above 25% for 15 consecutive years.

Although the Company's annual operating indicator of pharmaceutical industry suffered temporary decline, the overall operation maintained good momentum despite challenges and shocks. While the sales of main products kept growing, the Company improved the layout of innovative product pipeline through independent R&D and introduction, and took a strategic way to plan and

integrate industrial microbiology sector, drawing the second growth curve of the Company's pharmaceutical manufacturing sector. It seized the market opportunity, made efforts to provide overseas CDMO services, and actively expanded retail and online market, showing strong resilience and potential of its pharmaceutical manufacturing business.

1. Building a new pattern of organizational structure to fuel the Company's strategic development

In 2021, the Company set up Mega Health Business Department, Strategic Marketing Department, Operation Management Department, Industrial Microbiology Business Department and Medical Device Business Department, constantly improving the structural layout. It further adjusted the structure of production system to achieve integrated management, made the allocation of production resources more smoothly, and steadily enhanced the average labor efficiency per capita. Furthermore, it continued to deepen the reform of the organizational structure of R&D system and restructured CMC Center, further improved the Company's generic drug R&D capacity and CMC strength. Through talent review and introduction, innovative drug R&D Center gradually established a professional team versed in the whole process of innovative drug R&D to promote the development of the Company's innovation cause on all fronts. It also gradually built a R&D system with innovative drug R&D center, CMC R&D center and scientific research project management center at the core, further improving the efficiency of R&D project.

2. Building R&D ecosystem with Huadong Medicine characteristics to boost the internationalization of innovation-driven development

During the sixth "Three-Year Plan", the Company intensified efforts to build innovation platform and integrate resources, and invested in, controlled and incubated many biotechnology companies with cutting-edge technologies, including Chongqing Peg-Bio, a company owning polypeptide technology platform, Qyuns Therapeutics, a company focusing on the antibody technology platform against immune diseases, Nuoling Bio, who owns ADC conjugate techniques, Doer Biologics, who owns multi-antibody technology platform, and Ashvattha, an American company specialized in HD technology platform. Gradually, it established an open and science-based R&D ecosystem with Zhongmei Huadong as the core actor and main focus on endocrinology, oncology and autoimmunity. In doing so, it built a R&D and operation model emphasizing sharing and win-win results, significantly enhancing its capabilities in technical platform, product pipelines, R&D team and other aspects and facilitating the implementation of its innovation-driven transformation strategy.

The Company vigorously expanded the scope and coverage of the products, introduced a number of innovative biologic drugs, and kept in line with advanced technologies and productivity at home

and abroad. By cooperating with leading companies, such as Provention Bio (US), AKSO (US), Kiniksa (US), SCOHIA (Japan), Takeda (Japan), Heidelberg PharmaIt (Germany), and Shenogen Pharma Group (China), it acquired the relevant rights of products. It authorized Daewon the exclusive rights to develop, produce and commercialize TTP273, a product in phase II of clinical test. This move marked the Company's first license-out of ongoing product, and was also a milestone in the Company's integration into global pharmaceutical R&D innovation. The Company will continue to uphold the "scientific research-based, patient-centered" philosophy, and persist in promoting the development of innovative drug industry.

3. Exploring the new blue ocean of industrial microbiology to take a forward-looking layout of new business sector

In 2021, the Company formulated the strategic plan of industrial microbial sector based on a key technology system of microbial product R&D and production it built through more than 40 years' endeavors, as well as a strong technology foundation and leading industrial edges in this field. As the leading R&D Company in domestic industrial microbiology, Huida Biotech, the Company's controlled subsidiary, focuses on the development of microbial products with high technical barriers and high added value. Based on synthetic biology and multi-scale microbial metabolic regulation technology, it built system platforms of microorganism construction, metabolite expression and purification and modification, and developed first-class R&D pipelines covering payloads of ADCs, modified nucleosides for mRNA drugs, pharmaceuticals of marine biological origin, health and personal care and other fields. At the same time, it realized the commercialized development of payloads and modified nucleosides, becoming one of the main manufacturers of modified nucleosides for mRNA drugs in the world. It is also the core technology base and R&D innovation platform facilitating the Company's industrial microbiology development. Since its establishment in 2020, Huida Biotech has shown the momentum of rapid growth. It has established business relations with a number of well-known domestic and foreign pharmaceutical enterprises, and over 90% of its businesses are operated in overseas market. It has scored results in both technological innovation and business expansion, laying a solid foundation for the sustainable development of its business.

In November 2021, Zhongmei Huadong, together with Huida Biotech and Hubei Angel Biology Group Co., Ltd ("Angel Bio") jointly invested RMB250 million to establish a joint venture - Hubei Meiqi Health Technology Co., Ltd. which is under construction in 2022 and is expected to be put into operation in 2023. Serving as the Company's first industrialization platform for industrial microbiology other than the pharmaceutical field, Meiqi Health integrated the R&D, production and sales of comprehensive health products. This move represents a milestone of the company's horizontal layout in the field of industrial microbiology.

In December 2021, Zhongmei Huadong and Goho Asset Management Co., Ltd, the manager of Anhui Huachang Hi-Tech Pharmaceutical Co., Ltd. signed the *Agreement on Restructuring Investment* with conditions, agreed that Zhongmei Huadong will acquire 100% of Huachang Hi-Tech's equity after bankruptcy restructuring. Huachang Hi-Tech will become another industrialization platform of the Company in the field of industrial microbiology, which focuses on the industrialization of nucleoside pharmaceuticals, semi-synthetic antiparasitic drug of microbial origin and other drugs.

On the basis of international development, the Company will closely follow the trend of global industrial microbiology and new synthetic biology technology, and strive to become the industry leader in the field of industrial microbiology by creating an "industrialized, large-scale and international" industrial microbiology industrial cluster.

In 2021, the Company's total revenue of industrial microbiology reached RMB418 million, increased by 69.2% year on year. It established the Industrial Microbiology Business Department that has complete organizational structure and operates independently. The department was equipped with a first-class industrial microbiology technical team including 363 researchers, and 21% of them have master's degrees or doctor's degrees, among which 15 hold Ph.D. degrees. Up to now, it has 23 authorized patents and 59 patents are under review.

4. Innovating production and operation model and promoting international registration progress

During the reporting period, the Company continued to innovate operation model, promoted an agile production and operation system, and built an open production and manufacturing system. All employees of the Company followed the principle of refined production and full-cost management in their daily work. It coordinated and integrated various resources including production, procurement, energy, warehousing, engineering and human resource, and focused on and explored technical innovation, so as to effectively reduce the production cost and enhance production efficiency and economic benefits.

It followed the guideline of "compliance, implementation, and speed up" to improve quality system, vigorously strengthened the management of quality compliance and GMP implementation in line with international quality management standard, and promoted international registration progress. In 2021, a total of 6 generic drugs passed consistency evaluation, and 4 varieties of preparations of chemical generic drugs obtained approval letters. Pantoprazole sodium for injection (40mg) and daptomycin for injection (500mg) were approved by FDA and obtained the certification for the American market.

5. Strengthening the development of primary-level, outside-hospital and OTC market, and

constantly improving marketing capability

During the reporting period, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. actively responded to the operation and market pressure brought by the reform of the domestic medical industry, closely followed the policy guidance of the national and provincial health commission to implement various work, and timely adjusted market strategy and marketing team structure. It stabilized the team performance, put intensified efforts in marketing, and vigorously expanded the market. Committed to the strategic policy of "paying equal attention to primary-level market and bigger cities", it continued to extend its marketing channels deep into the public. It strengthened the development of primary-level, outside-hospital and OTC retail market, focused more on the building of outside-hospital team and the coverage of drug stores, intensified patients education and products clinical pharmaceutical care. During the reporting period, the sales of Corbrin products kept growing, sales of Acarbose remained stable, the sales income of Kashuangping (Pioglitazone Hydrochloride and Metformin Hydrochloride) and cardiovascular drugs grew rapidly, and immune products continued to take the lead of the targeted market.

In 2021, positive results were achieved in centralized procurement and medical insurance assess. Pantoprazole Sodium for Injectionand Decitabine for Injection (Xiangke) won the bids in the fourth and fifth national VBP program, respectively. Corbrin Tablets won the bid of Chinese patent medicine VBP program organized by inter-provincial alliance of 19 provinces with Hubei province taking the lead. The bidding prices meet expectations, and it is expected that a sales increase will ensue. Metformin Hydrochloride and Empagliflozin Tablets (I), a drug for diabetes approved to market in June 2021, was listed in the *Catalog of Medicines Covered by National Basic Medical Insurance (2021)* in the negotiation of medical insurance payment standard, for the first time. As a compound drug, it is also a key product in the Company's differentiating layout based on the needs of patients.

6. Making steady progress in key construction projects and expanding the Company's business network

During the reporting period, the phase II production base of Jiangdong Company, after 4 years of construction, went in to operation after Corbrin Capsule and Corbrin Tablets was granted production certification license, fulfilling its strategic goal of product transfer. The domestic and international registrations of other APIs are also proceeding with plan. Jiangdong Company owns the domestic first-class drug production equipment, and is expected to become the Company's main production base of ingredients and preparations.

During the reporting period, the construction of the Company's Life Science Industrial Park based in Gongshu District, Hangzhou, Zhejiang province was carried out as planned. The main earthwork construction was completed, and the main building structure is predicted to be roofed in

December, 2022. The industrial park includes pharmaceutical industry incubation district, aesthetic medicine business district, health center and other supporting commercial projects, and will become a future-oriented high-tech life science industrial park that ensures energy conservation and emission reduction, facilitates innovative development, integrates the industry into the city, and keeps in line with international standards.

7. Taking solid steps to promote internal management and consolidating the foundation of innovation-driven development

In 2021, the Company launched high potentials training project, management trainee project, R&D personal review project, R&D core PM special training project, sailing plan project and other training projects, gradually improving tiered employee training system based on different fields. To be specific, it established special training systems for employees in different tiers, urged that targeted employee development projects should be created in marketing, production, R&D, technology and other fields, and adjusted training method according to business changes, making training system more forward-looking and flexible. At the same time, it established and improved a collectivize management model, in which the parent company sets standards, defines orientation and nurtures core employees, and all subsidiaries control the cost, refine project and focus on efficiency.

It continued to strengthened EHS risk control and emergency management, organized EHS comprehensive examination on a regular basis and carried out special emergency drills in various ways to improve emergency response capacity. What's more, it increased technical input, and actively established the dual system of tiered risk control and potential risk investigation, ensuring that risks are controllable. At the same time, it introduced Automated External Defibrillator (AED) to enhance the Company's capability in handling emergency activities. It actively conducted tired EHS education, and improved training coverage and efficiency through online platform. The investment in safety (facilities, equipment and fire emergency) in the whole year totaled RMB16.238 million, increased by 5.8% year on year, and the investment in occupational health totaled RMB12.804 million, increased by 15.5% year on year.

ii. Pharmaceutical commerce

In 2021, the Company actively innovated business and service model of pharmaceutical commerce, recorded sales income of RMB23,115 million, increased by 5.94% year on year. In the face of multiple influences of intensiveVBP Program, local medical alliance centralized procurement at a lowered price, the implementation of DRGs, and high market demand driven by the stubborn COVID-19 pandemic, the Company strived to change itself in four aspects, consolidated traditional businesses, stabilized its cooperation with hospitals, made the plan of outside-hospital market, and expanded e-commerce. Rooted deeply in Zhejiang market to develop its traditional businesses, it

placed equal emphasis on introducing new products and meeting customers' satisfaction, increased market share by improving production companies in upstream and providing better services for end users in downstream. By focusing on innovative business including agency, e-commerce and high-end third party logistics, it cultivated new profit growth points, built brand reputation in cold chain, and reshaping its core business competitiveness. As a result, its performance in all sectors returned to pre-COVID level, and maintained the position in the industry as the best pharmaceutical service provider in Zhejiang province and the forefront ranking in domestic market.

1. Building a provincial market expansion network and cultivating new profit model

The Company transformed its operation philosophy from pursuing sales volume to pursuing operation efficiency, and adhered to improving its value through profitability. Leveraging on the advantage of "platform + product + Internet", it expanded the service scope of pharmaceutical commerce, built market development network in Zhejiang province, and refined traditional business through various channels such as public institutions, private institutions and retail. Centering on innovative drug introduction, it constantly enriched product lines. It also adjusted procurement strategy in time, optimized product structure, and increased the share of products with high net profit. It integrated procurement and sales, strengthened the expansion of key products, introduced new products through coordination and cooperation, and optimized in-hospital product structure dynamically. Through professional project management, it provided customers with the whole-process supply chain services and market access solutions. In addition, it continued to strengthen the strategic cooperation and special cooperation with a number of international pharmaceutical companies such as Pfizer, AstraZeneca, Roche, Eli Lilly, Sanofi, Novartis and MSD, to extent the layout of their chronic disease drugs in the primary-level of Zhejiang province. In addition, it also enhanced the contract cooperation regarding new launched drugs with domestic emerging innovative drug companies. It cooperated with customers to improve hospital access rate, and put into place cooperation projects at a rapid pace, winning the general recognition of customers. Over the year, the number of cooperation projects with new added suppliers exceeded 40, and the number of new contract products exceeded 200, generating sales income of RMB1.8 billion.

The Company created a new retailing model by reaching into outside hospital market. Its self-management retail focuses on opening drug stores in and near hospitals as well as DTP pharmacies, upgrading community pharmacies, and improving the function of introducing more varieties and providing safe prescription drugs. Based on the channels and network of traditional business, it increased productivity to expanded market coverage and share, so as to maintain high growth rate. Relaying on the network of subsidiaries within Zhejiang, it expanded the sales of medical devices, ginseng and antler, and other high margin products across the province. It promoted centralized and

unified management, optimized organizational structure, and improved operation efficiency. In addition, it strengthened the establishment of tiered talent teams, emphasized on both internal talent training and talent introduction of innovative sectors, cultivated versatile talents through high potentials planning, job dispatching and field training, and accelerated job rotation of young officials and experienced officials. By applying differentiating quantitative assessment in a comprehensive manner, it optimized information-based management methods, and put human resources into good use, so as to raise the average labor efficiency per capita.

2. Promoting business innovation and building a technical service platform of pharmaceutical commerce

Focusing on specialty diseases drugs and special medical devices, the Company started its business innovation with regional agent and expanded to national agent, built an academic promotion team and increased the profitability of agent products. It was committed to innovation-driven transformation, developed rehabilitation and nursing services as the main task, established academic platforms specialized in rehabilitation, repairing and nursing by cooperating with colleges and medical associations, so as to build academic science-led mega health industry with Huadong Medicine characteristics. The Company explored creative products based on the homology of medicine and food to increase the added value of products. Aiming at serving customers, it improved information technology capability and developed e-commerce business. Targeting on B2B and B2C customers, the Company revised and upgraded "Huadong Medicine Online Business Website", create "Huadong Pharmacy" flagship store and improve online sales, providing a platform for developing market outside hospitals. The website was thus elected in the List of Key E-Commerce Platforms in Zhejiang Province of 2021-2022. It strengthened "Internet plus" medical service model, and worked with offline medical institutions to provide online services and undertook prescription drugs online sales business. It integrated pharmaceutical industry and pharmaceutical commerce to build Internet hospital, to put more efforts in products R&D and update, connected with more Internet hospitals on prescription outflow routes, and undertook prescriptions dispensing that were paid by online medical insurance. It built an independent B2B platform – multi-tiered digital pharmaceutical wholesale platform covering the whole channels, which was operated and managed based on big data. It paid attention to the key process of operation and management, constantly optimized the system and improved operation performance, thereby realizing the connection of the whole channels of pharmaceutical wholesale business and digital customer management.

3. Building an advanced and efficient supply chain distribution system and forming a logistics network covering the whole Zhejiang province

During the reporting period, the Jinhua pharmaceutical logistics center, invested by the

Company with a total amount of nearly RMB200 million, was put into operation. This professional and modern logistics center initiated more than two years ago and covering an area of more than 60,000 square meters, has an annual throughput of more than 10 million pieces and is one of the Company's core logistics bases of the centralized and unified logistics distribution system in Zhejiang province. Jinhua logistics center undertakes the Company's logistics distribution business in Jinhua, Quzhou, Lishui, Taizhou, Shaoxing and other areas, and its delivery scope covers as far as township (district)-level health centers and pharmacies, so as to remove the obstacles on the "last mile" of pharmaceutical distribution, significantly improving the distribution support to surrounding areas. A provincial logistics service system relaying on the coordination of the Company's supply chain companies located in Hangzhou, Jinhua, and Wenzhou was thus established. In doing so, the Company realized the full coverage of pharmaceutical logistics distribution throughout the province, and played an important role in improving the capability of ensuring medical supplies guarantee capacity of Zhejiang province.

As a national pilot institution of service standardization, the Company strived to promote high-quality development of digital and intelligent pharmaceutical supply chain, expanded the scale of third-party logistics service, improved the provincial logistics system featured by cold chain, and increased the market share of high-end cold chain, so as to consolidate the brand advantage of the No.1 pharmaceutical cold chain in Zhejiang. Huadong Pharmaceutical Supply Chain Management Co., Ltd. ("Huadong Supply Chain"), a wholly-owned subsidiary of the Company, focuses on professional drug distribution characterized by cold chain logistics and high-end vaccine delivery. Through actively exploring the scientific and technological innovation of cold chain logistics, it won the third prize of Science and Technology Progress Award of Zhejiang Province, obtained 2 patents for utility model and 2 software copyrights. In addition to daily delivery tasks of the Company, it also recorded rapid growth in third-party logistics service business every year. It owns the qualification of vaccine distribution and was the first in Zhejiang province to pass the special unannounced inspection of vaccine by Zhejiang Medical Products Administration, thus becoming one of the vaccine hubs in Zhejiang province. In 2021, it obtained the first express business license of pharmaceutical cold chain company in Zhejiang province, gaining more incentives to Internet distribution business to individual customers. It became the exclusive COVID-19 vaccine distribution partner of Zhejiang Provincial Center for Disease Control and Prevention, and realized the integration of vaccine warehousing and distribution across the province, effectively completing the annual Covid-19 vaccine distribution task in the province.

iii. Aesthetic medicine

Aesthetic medicine is a core strategic sector of the Company's comprehensive health industry.

With global vision and forward-looking layout, it constantly strengthened international industry expansion with Sinclair, a wholly-owned subsidiary of the Company based in Britain, as the global aesthetic medicine operating center, and promoted R&D and innovation through five R&D centers across the world. It also improved product layout through diversified business model integrating external cooperation and equity investment. As a result, its commercial network has covered main aesthetic medicine market in the world and the products were sold to more than 80 countries and regions. At present, overseas employees account for 84% of the total employees in the Company's aesthetic medicine sector. It owns 35 high-end minimally invasive and non-invasive aesthetic medicine products, among which 21 are on the market inside and outside the country, and 14 are international innovative products under research. The product portfolio covers mainstream non-surgical aesthetic medicine sectors such as facial fillers, thread lift, skin management, body shaping, hair removal, and cosmetic gynecology, forming an integrated product cluster with the number and scope of products at the forefront of the industry. Several products with great potential are expected to be sold in domestic and international markets since 2022, which will bring new growth engine for the Company's international aesthetic medicine business.

The year 2021 also marked the Company's breakthrough in developing global strategic layout of aesthetic medicine business, and in accelerating domestic registration and launch process of its own aesthetic medicine products. During the reporting period, by acquiring 100% equity of High Tech, a Spanish company specialized in energy based aesthetic devices, Sinclair extended the product pipeline to energy based aesthetic devices. In February 2022, Sinclair acquired 100% equity of Viora, an international company focusing on energy based aesthetic devices, forming effective synergy with the Company's existing pipeline of the products. This acquisition not only realized the full coverage of energy based aesthetic device varieties, but will also create an independent business segment of Sinclair EBD. High Tech will also relay on the channels and resources of Viora to expand the US market. Based on this acquisition, the Company also puts forward a product idea of "providing professional care for women through leading aesthetic medicine technology, and creating 'V Women Tech'".

During the reporting period, Sinclair also signed an agreement with KiOmed, a Belgian company, to obtain the exclusive license of four ongoing innovative KiOmedine® CM-Chitosan products in global skin aesthetic medicine market (excluding the U.S.). By carrying out technology storage and product layout with forward-looking, it actively expanded its business into upstream field of new biological materials, so as to gain the first-mover advantage, enhancing its competitiveness in novel aesthetic medicine materials.

In 2021, although the overseas pandemic situation still dealt a blow to the Company's

international aesthetic medicine business, recovery growth was achieved in Europe, the America and other major markets as they gradually eased their control measures. Among them, Europe, Latin America and Asia-pacific markets were performed better than expectation, showing a rapid growth, and promoted the overall revenue to maintain fast growth. Sinclair (including the newly acquired Spanish company High Tech) recorded an annual operating revenue of about RMB665 million (or GBP76.07 million), increased by 108.51% year on year. Sinclair's own revenue was increased by 79.24%, with EBITDA reached GBP6.66 million (on consolidated basis), the best performance in its history (net profit loss in its statement were mainly caused by non-operating factors such as acquisition expenses, financial expenses and amortization of assets). The income of its core products Ellans é® in the global market was increased by 99%. Two fillers newly launched in European market, MaiLi® novel high-end HA and Lanluma® poly-L-lactic acid collagen stimulants, also contributed to the rapid growth of overseas revenue. After acquisition, High Tech maintained fast growth in cryolipolysis, laser and radio frequency products, and has the faith to achieve sustained growth and overall profitability of the international aesthetic medicine business in 2022.

As the operation body of the Company's domestic aesthetic medicine business, Sinclair (Shanghai) Co., Ltd. completed the building of the whole group within a year since the establishment. It now has nearly 200 employees, increased from only 10 at the very beginning. It also formulated sales, market and brand strategies, and developed systems and institutions concerning supply chain, quality, information, human resources, finance, legal affairs, etc., within a short period of time. Adhering to the development strategy of "put beauty-seeker at first", it strictly selected cooperative institutions in the Chinese market, and actively carried out and strengthens the training and certification of doctors, striving to provide safer services with better quality for those seeking beauty. As at the end of 2021, the number of contracted cooperative hospitals reached 280, and the number of doctors received training and certification exceeded 500. In 2021, the operating revenue recorded RMB185 million, and it achieved profits in the first year of operation, overfulfilled annual operating targets, laying a solid foundation for the goal of rapid development in 2022.

The domestic aesthetic medicine industry was constantly reformed and innovated, with rapid product upgrade and intensified customers division. In this context, Ellans é®, the first imported regenerative aesthetic medicine products in China that obtained type III medical equipment certification by NMPA, drew great attention from domestic aesthetic medicine industry since it went on the Chinese market in August 2021. Relaying on the advantages including instant filling, long-term maintenance and natural metabolism, it meets the higher demand of customers of pursuing beauty, and is well recognized by experts and welcomed by professional physicians and the beauty-seekers. It has become the first choice of many well-known domestic aesthetics institutions, set up

the new standard of domestic industry, and touted as the leader in regenerative aesthetic medicine products for injection. With the increase of market coverage and the improvement of brand promotion, the market penetration rate of Ellansé® is expected to be further enhanced, which will drive the constantly growth of the Company's aesthetic medicine business.

During the reporting period, the Company continued to promote the clinical work and registration of core aesthetic medicine products at home and abroad. The cooling treatment beauty device Glacial Spa® (F0, the life-beauty version of a frozen freckle-removing medical device) introduced from an American company R2, has obtained license to launch it to Korean and Taiwan (China) markets. Born in Silicon Valley, Glacial Spa® (F0) was invented by a technical team led by Rox Anderson, M.D., the founder of modern laser medicine, and director of Wellman Center for Photomedicine at Massachusetts General Hospital (an affiliated teaching hospital of Harvard Medical School located in Boston). It is the latest treatment of brightening skin of R2, and also a "rising star" of cryo-technology skin care. Cooltech Define, a cryoadipolysis device, and Perfectha®, a biphase HA filler containing lidocaine, have obtained CE certification of EU. Cooltech Define and Primelase, a laser hair removal device, have obtained TGA certification of Australia, and are about to initiate sample inspection for the registration in China. Laser hair removal device Elysion has obtained TGA certification of Australia. Thread lift product Silhouette Instalift® passed the record of Human Genetic Resources Administration of China in Ministry of Science and Technology of China in February 2021, and is currently undergoing the subject enrollment of clinical trial. Maili Extreme, a high-end HA product, received registration inspection report in December 2021. Glacial Rx (F1), a frozen freckle-removing device, was classified as the Type II medical device by Zhejiang Medical Products Administration in July 2021 and is currently undergoing the registration preparation in China. In the other part of the Asia-Pacific region, Glacial Rx (F1) has obtained market license of Korea and Singapore and has submitted the market application of Indonesia and Malaysia. In addition, the Company is actively selecting suitable products to accelerate its application for the franchise in Hainan Boao Lecheng Pilot Zone of International Medical Tourism.

As the country place stricter supervision on the aesthetic medicine industry, the Company will continue to uphold the operation philosophy of "putting beauty-seekers first and serving them with professional and rigorous medical technology" and make contributions to promoting the standardized and health development of the market. Benefiting from the standardized development of the industry, Sinclair (Shanghai) will continue to lead the development of domestic regenerative aesthetic medicine product amid the new regulatory and marketing environment, and will have more space to release its potentials.

填充							埋线
Ellansé®伊妍仕® 注射用聚己内酯微球	Lanluma® 聚左旋乳酸类胶原蛋白刺激剂	MaiLi®系列 新型高端含利多卡因透明质酸	Perfectha®系列 双相透明质酸	与Kylane公司合作两款重点研发产品	皮肤动能素 天然<非动物源>羧烷基壳聚糖注射剂	3款KiOmedine® 填充剂 天然<非动物源>羧烷基壳聚糖和透明质酸注射剂	美容埋线 Silhouette®Instalift™
				研发中	研发中	研发中	
用于皮下层植入 以纠正中到重度 鼻唇沟皱纹	面部和身体 填充剂	面部填充	面部填充	面部和身体 填充剂	抗衰 改善肤质	唇部、面部 填充塑形	适用于中面部提拉手术 短暂固定并提拉脸颊下真皮位置
中国已上市 全球 60 多个国家或地区获注册认证 或上市准入	欧盟 CE 认证 欧洲已上市	欧盟 CE 认证 欧洲已上市	全球 60 多个国家或地区获注册认证或上市准入 欧盟 CE 认证	研发阶段 预计将于 2026 年获得欧盟CE 认证	研发阶段 预计 2023 年获得欧盟 CE认证	研发阶段 预计 2024 年后陆续获得欧盟 CE认证	美国 FDA 认证 全球 60 多个国家获地区获注册认证或上市准入 预计 2024 年在中国上市

能量源设备									
皮肤管理						紧肤塑形			
酷雪Glacial Spa® (F0)	Glacial Rx™ (F1)	Glacial Ai (F2)	Pristine™	EnerJet	Infusion™	Cooltech	Cooltech Define	Define2.0	Define3.0
		研发中						研发中	研发中
皮肤美白提亮	祛除皮肤的良性色素性病变和低温缓解疼痛、肿胀、炎症和血肿	全身美白	微晶磨皮 抛光皮肤表面 去角质	疤痕修复 面部提拉 真皮增厚	改善各种 皮肤状况	身体减脂塑形	身体减脂塑形	紧肤塑形	紧肤塑形
美国、韩国获批上市 中国已上市	美国已上市 预计 2024 年在中国上市	海外研发阶段 预计 2024 年在美国上市	海外已上市	海外已上市	海外已上市	欧盟 CE 认证 欧洲已上市	欧盟 CE 认证 澳洲 TGA 认证 海外已上市	海外研发阶段 预计 2023 年获得欧盟 CE 认证	海外研发阶段 预计 2024 年获得欧盟 CE 认证

紧肤塑形				脱毛			多功能能量源设备
Safyre	Reaction™	Crystile	Titania	Primelase	Primelase Pro	Elysion	V系列产品 V10、V20、V30
			研发中		研发中		
面部年轻化及身体塑形	身体及面部塑形 皮肤紧致	身体减脂塑形	紧肤塑形	脱毛	脱毛	脱毛	皮肤紧致、身体和面部塑形、 皮肤年轻化、脱毛等
海外已上市	美国FDA认证 欧盟CE认证 海外&中国已上市	海外已上市	海外研发阶段 预计 2022年 获得欧盟 CE 认证	全球 11 个国家或地区获 注册认证 或上市准入	海外研发阶段 预计 2023 年获得欧盟 CE 认证	全球 7 个国家或地区获注册认证 或上市准入	美国FDA认证 欧盟CE认证 海外已上市

The Company's aesthetic medicine products that went to market or under R&D

iv. Major BD projects of the Company

1. Innovative drugs

(1) In February 2021, Zhongmei Huadong, the Company's wholly-owned subsidiary signed an

exclusive clinical development and commercialization agreement with an American company Provention Bio, Inc., and obtained the rights of exclusive clinical development and commercialization in the Greater China of two clinical indications (treat SLE and prevent or reduce the immunogenicity of gene therapy) of bispecific antibody PRV-3279, a product under research of Provention Bio.

(2) In April 2021, Zhongmei Huadong, the Company's wholly-owned subsidiary, and Fuguang Hongxin jointly invested RMB35 million to hold the equity in Nuoling Bio, a company focusing on high molecule-drug conjugates R&D platform, allowing the former to enjoy the priority of the right of assignee of Nuoling Bio's ongoing products before 2026 as agreed.

(3) In April 2021, Zhongmei Huadong, the Company's wholly-owned subsidiary, acquired 75% of the shares of Doer Biologics in RMB487.50 million, to become its controlling shareholder. Doer Biologics is a Chinese company focusing on the R&D platform of innovative biologic drugs and owns independent intellectual property rights.

(4) In June 2021, Zhongmei Huadong, the Company's wholly-owned subsidiary, introduced SCO-094, a product in Phase I clinical trial of SCOHIA PHARMA, Inc., a Japanese company. The product is a global innovative dual agonist targeting at GLP-1R and GIPR, for treating diseases such as type 2 diabetes, obesity and NASH.

(5) In September 2021, Zhongmei Huadong, the Company's wholly-owned subsidiary, granted the exclusive rights of development, production and commercialization in South Korea of TTP273, an oral, small molecule, GLP-1 receptor agonist (for the treatment of type 2 diabetes) that is innovative in the world, to Daewon Pharmaceutical Co., Ltd., a South Korean company, marking the first license-out of innovative products of the Company.

(6) In October 2021, the Company entered into a strategic cooperation with Takeda Pharmaceuticals Company Ltd. ("Takeda") on the rights of commercialization in China, of Nesina® (Alogliptin Benzoate Tablets), a DDP-4 inhibitor that has went into the Chinese market. This move further enriched the Company's anti-diabetes product portfolio, and formed a synergistic effect with the Company's existing key products in the field, consolidating and enhancing the Company's market competitiveness and industry leading position in domestic anti-diabetes drugs. The alliance between the two big companies also demonstrated the industry's recognition of the Company's commercial capability in the field.

(7) In October 2021, Zhongmei Huadong and Huadong Medicine Investment Holding (Hong Kong) Limited, the Company's wholly-owned subsidiaries, entered into an equity investment agreement and an exclusive product license agreement with Ashvattha Therapeutic, Inc. an American company, obtaining the exclusive license of eight products under research in 20 Asian countries and regions, including China, Singapore and Malaysia. One of the product OP-101 is undergoing phase

II clinical trial in America for the treatment of hyperinflammation in hospitalized adults with severe COVID-19.

2. Aesthetic medicine

(1) In February 2021, Sinclair, the Company's wholly-owned subsidiary in Britain, acquired 100% equity of High Technology Products, S.L.U., a Spanish energy based aesthetic devices company, with equity consideration of EUR65 million and milestone payment that does not exceed EUR20 million, expanding the Company's aesthetic medicine product pipeline into energy based aesthetic devices and opening a new era of "minimally invasive and non-invasive" aesthetic medicine.

(2) In September 2021, Sinclair cooperated with KiOmed Pharma SA, a Belgian company, to obtain the exclusive license of four innovative KiOmedine® CM-Chitosan aesthetic medicine products under development and all chitosan-related aesthetic medicine products developed subsequently, in global skin aesthetic medicine market (excluding the U.S.), including the rights of using KiOmed's intellectual property for development, production and commercialization, representing another important global strategic layout of the Company in non-surgical aesthetic medicine.

3. Industrial Microbiology

(1) In November 2021, Zhongmei Huadong, the Company's wholly-owned subsidiary, and its's controlled subsidiary Huida Biotech, signed a joint venture agreement with Hubei Angel Biology Group Co., Ltd. to jointly establish Hubei Meiqi Health Technology Co., Ltd., promoting the R&D, production and sales of health and nutritional ingredients and personal care functional ingredients.

(2) In December 2021, Zhongmei Huadong, the Company's wholly-owned subsidiary, acquired 100% equity of Huachang Hi-Tech after it claimed bankruptcy and restructuring, and invested RMB108 million as capital increase to repay and clear the expenses for bankruptcy proceedings, the debts incurred for the common good of creditors and claims in bankruptcy as per *Reconstructing Plan* of Huachang Hi-Tech. Huachang Hi-Tech will become another industrialization platform of the Company in the field of industrial microbiology, which focuses on the industrialization of nucleoside pharmaceuticals, semi-synthetic antiparasitic drug of microbial origin and other drugs.

For detailed BD transaction of the Company in the first quarter of 2022, please refer to the First Quarterly Report 2022 of Huadong Medicine Co., Ltd. which was released on the same day as this report.

v. Awards

During the reporting period, as the Company's comprehensive competitive strength, efficient operation and governance, and value creation ability were recognized by the market, it won a number

of awards and honors:

Ranked 314th in *Fortune China Top 500 Companies*, the tenth consecutive year for being listed.

Listed in *Top 100 of Chinese Pharmaceutical Companies in 2020 of Menet*, maintaining its ranking as Top 10.

Top 500 Chinese Private Enterprises in 2021 and *Top 100 Chinese Pharmaceutical Businesses in 2020*, All-China Federation of Industry and Commerce

Top 100 Chinese Large Enterprises for Innovation in 2021 and *Top 500 Chinese Enterprises in Service Industry in 2021*, China Enterprise Confederation

Top 10 Chinese Biomedical Enterprises of Business Development, Pharmcube

"Evergreen Award" of Annual Pharmaceutical R&D Enterprise in 2021, Jiemian.com

"GoldenWis" Award of Outstanding Performance in Chinese Pharmaceutical and Biological Industry Segments, JRJ. Com

In terms of investor relations management:

The Best Board of Directors, the *Best Investor Relations, and the Best Secretary of the Board*, the 12th Tianma Award-Investor Relations of Chinese Companies Listed on the Main Board

Investor Relations Management Award of the Year 2020 and Secretary of the Board Award of the Year 2020, Jinniu Award

The Most Valuable Company in Investor Relations, the *Most Favored Listed Company by Insurance Funds and Annual Elite Secretary of the Board TOP200*, Jinglun Award

In terms of ESG management:

Top 100 A Share Companies in ESG, Securities Times

Outstanding Social Responsibility Award, Quanjing Net

2. Income and cost

(1) Composition of operating revenue

Unit: RMB yuan

	2021		2020		Year-on-year percentage increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	34,563,301,233.67	100%	33,683,058,759.75	100%	2.61%
By sector					
Business	24,203,730,039.28	70.03%	23,010,850,986.99	66.26%	5.18%

Manufacturing	10,519,190,765.06	30.43%	11,398,357,479.02	32.82%	-7.71%
Aesthetic medicine[Note1]	1,002,027,972.65	2.90%	448,777,191.66 [Note2]	1.33%	123.28%
Including: International aesthetic medicine	665,510,309.09	1.93%	319,167,474.26	0.95%	108.51%
Domestic aesthetic medicine	366,560,098.82	1.06%	129,609,717.40	0.38%	182.82%
Offset (inter-sectoral offset)	-971,513,302.13		-1,045,317,180.52		
By product					
By region					
Domestic sales	33,883,474,489.91	98.03%	33,321,963,372.21	98.93%	1.69%
Overseas sales	679,826,743.76	1.97%	361,095,387.54	1.07%	88.27%
By sales model					

[Note1] The domestic aesthetic medicine business includes the income from the self-operated products of Sinclair (Shanghai), the income from the aesthetic medicine products of the Company's pharmaceutical commercial agency and the income from the OTC weight-loss products of the Company, and excluding the income from the aesthetic medicine products of the holding subsidiary, Huadong Ningbo Company. The data scope in 2021 is the same as that in 2020.

[Note 2] The revenue of the Company's aesthetic medicine business (including Huadong Ningbo Company) was amounted to RMB943 million.

(2) The operating revenue or profit accounts for more than 10% of the total by industry, product, region or sales model

√ 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	24,203,730,039.28	22,451,262,640.00	7.24%	5.18%	5.50%	-0.28%
Manufacturing	10,519,190,765.06	2,233,384,937.73	78.77%	-7.71%	1.37%	-1.90%
By product						
By region						

Domestic sales	33,883,474,489.91	23,721,443,647.68	29.99%	1.69%	5.79%	-2.72%
Overseas sales	679,826,743.76	235,927,081.30	65.30%	88.27%	85.51%	0.52%
By sales model						

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

□ Applicable √ N/A

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

√ Yes □ No

(4) Performance of major sales contracts and major procurement contracts signed by the Company as at the reporting period

□ Applicable √ N/A

(5) Composition of operating cost

□ Applicable √ N/A

Unit: RMB yuan

Sector	Item	2021		2020		Year-on-year percentage increase/decrease
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Business	Operating cost	22,451,262,640.00	90.10%	21,279,818,471.97	90.22%	5.50%
Manufacturing	Operating cost	2,233,384,937.73	8.96%	2,203,096,679.98	9.34%	1.37%
International aesthetic medicine	Operating cost	234,272,299.70	0.94%	104,350,496.25	0.44%	124.51%
Offset (inter-sectoral offset)	Operating cost	-961,549,148.45		-1,036,783,957.47		

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

√ Yes □ No

For details, please refer to "VIII. Change of consolidation scope" in "Section X. Financial Report".

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

□ Applicable √ N/A

(8) Major customers and major suppliers

The Company's major customers

Total sales amount of the top five customers (yuan)	6,621,074,103.66
Proportion of the total sales amount of the top five customers in the total annual sales amount	19.16%
Proportion of related parties' sales amount of the top five customers' sales amount in the total annual sales amount	0.00%

Information of the Company's top five customers

No.	Customer name	Sales amount (yuan)	Proportion in the total annual sales amount
1	Customer a1	2,864,964,134.63	8.29%
2	Customer a2	1,155,703,314.04	3.34%
3	Customer a3	965,022,865.70	2.79%
4	Customer a4	870,068,940.06	2.52%
5	Customer a5	765,314,849.23	2.21%
Total	--	6,621,074,103.66	19.16%

Other information of major customers

□ Applicable √ N/A

Information of the Company's major suppliers

Total purchase amount of the top five suppliers (yuan)	2,896,604,848.61
Proportion of the total purchase amount of the top five suppliers in the total annual purchase amount	12.09%
Proportion of related parties' purchase amount of the top five customers' purchase amount in the total annual purchase amount	0.00%

Information of the Company's top five suppliers

No.	Supplier name	Purchase amount (yuan)	Proportion in the total annual purchase amount
1	Supplier b1	773,982,594.17	3.23%
2	Supplier b2	757,701,231.02	3.16%
3	Supplier b3	567,845,383.99	2.37%
4	Supplier b4	400,190,983.58	1.67%
5	Supplier b5	396,884,655.85	1.66%
Total	--	2,896,604,848.61	12.09%

Other information of major suppliers

□ Applicable √ N/A

3. Expenses

Unit: RMB yuan

	2021	2020	Year-on-year percentage increase/decrease	Note on changes
Sales expenses	5,424,051,895.28	5,970,614,819.26	-9.15%	No significant changes
Administrative expenses	1,166,941,288.41	998,746,330.35	16.84%	No significant changes
Financial expenses	22,075,055.28	34,200,637.61	-35.45%	Mainly due to the increase of interest income and the decrease of exchange loss
R&D expenses	979,644,017.93	926,725,468.93	5.71%	No significant changes

4. R&D investment

√Applicable □ N/A

(1) Overall situation of R&D

Adhering to the corporate the "scientific research-based, patient-centered" philosophy, the Company constantly increased the investment in R&D and enriched the layout of innovative drug R&D pipeline, At present, the Company has a R&D team of 1,285 employees, and 36.58% of them have master's degrees or doctor's degrees. In 2021, it recruited more than 100 R&D personnel to join the team. As at the release of the report, there were a total of 70 pharmaceutical projects under research, including nearly 40 innovative drugs and biosimilars, among which 5 products are in phase III clinical trial and 3 are in phase II. During the reporting period, the Company invested RMB1,253 million in pharmaceutical industry R&D, including RMB963 million in direct R&D, which was increased by 4.87% compared with that of 2020 (RMB918 million). The main R&D work is as follows.

1) Committed to the new drug R&D model integrating independent R&D, cooperative and commissioned development and license-in, stayed current with the latest drug mechanism of action and targets, as well as clinical application research progress in the world, accelerated the layout of innovative drugs and the introduction of innovative drug projects at home and abroad, and initiated several innovative drug projects with potential.

2) Aimed at clinical value, pharmacoeconomic value and commercial value, and developed a

number of innovative products in autoimmunity, endocrinology and anti-tumor.

3) Focused on varieties of clinical superiority and specialty drugs, and accelerated the R&D layout of generic drugs with high-tech barriers and modified new drugs.

4) Constantly improved the process and quality of APIs and preparations, reduced costs and actively expanded the dosage forms of on-market drugs to strengthen market competitiveness.

5) Strengthened the comprehensive dynamic evaluation of the varieties under research, and speeded up the R&D progress of key ongoing varieties through getting projects' priorities straight and allocating R&D resources rationally.

6) Established polypeptide differentiating innovation technical platform, immune disease antibody technical platform, cytotoxins of microbial fermentation technical platform, and innovative linker and conjugate technical platform to build R&D ecosystem featured by win-win cooperation.

(2) Innovative drugs development plan

The Company established a strategic plan of innovative drug development for the next five years. Centering on the current treatment areas, it clarified the direction and quantity of innovative projects initiated each year during this period, put forward that at least 15 innovative projects (including innovative drugs, modified new drugs and innovative medical devices) shall be initiated and reserved each year during this period. During the reporting period, the Company spared no efforts in promoting the progress of clinical trial of innovative drugs under research and key biosimilars, striving to get approved and go to the market as soon as possible. In addition, by drawing wisdom from international advanced practice, the Company explored the establishment of a leading innovative drugs R&D system. It transformed the R&D strategy from "relaying on license-in" to "integrating independent R&D and license-in", and from "emphasizing on fast follow" to "identifying differentiating advantages and innovating at the source", so as to constantly adjust and optimize the Company's overall R&D system structure. Moreover, through introducing high-end R&D talents, it established a scientific research team covering the lifecycle of innovative drug R&D, so as to improve all functional modules of innovative project R&D, fully ensuring that the strategic planning objectives of innovative projects could be achieved.

(3) Progress of clinical trials of key innovative drugs, innovative medical device and biosimilars

During the reporting period, the Company achieved several R&D processes in innovative drugs, innovative medical device and biosimilars. The main progress is as follows:

Endocrinology field

TTP273: the first oral GLP-1 receptor agonist small molecule innovative drug in the world, being developed in Phase II clinical trials in mainland and Taiwan of China.

HDM1003 (SCO-094): In June 2021, the Company signed an agreement with SCOHIA PHARMA, Inc., a Japanese company, to jointly develop SCO-094, a dual agonist targeting at GLP-1R and GIPR for the treatment of diseases such as type 2 diabetes, obesity and NASH. The product is undergoing phase I clinical trials in the UK and the Company has submitted Pre-IND application in China and received a reply.

Liraglutide Injection: a GLP-1 receptor agonist. The application of market license of its diabetes indication has been processed in September 2021.

Ranibizumab Injection: The product has been approved for clinical trial in April 2021, and is currently undergoing phase III clinical trial.

Oncology field

HDM2002 (Mirvetuximab): Jointly developed by the Company and ImmunoGen, Inc. an American company, the product is a first-in-class ADC used for the treatment of FRα-high platinum-resistant ovarian cancer. In November 2021, ImmunoGen announced that its pivotal single-arm clinical trial (SORAYA trial) met its primary endpoint. The first application for clinical trial in China was approved by NMPA in March 2021, including a multi-regional phase III clinical trial and a phase I study to evaluate the safety, tolerability, and pharmacokinetics in Chinese adult patients. A pivotal single-arm clinical trial in China was also approved by NMPA in August 2021. In December 2021, the phase I clinical trial PK study and MRCT phase III all announced that the first subject was enrolled and administrated.

Mefatinib Tablet: a product for the treatment of advanced non-small cell lung cancer. The overall subjects enrollment in phase III clinical trial has been completed and phase III clinical trials is expected to be ended in 2022 for the following market license application.

Autoimmunity field

HDM3002 (PRV-3279): In February 2021, the Company introduced American company Provention Bio, Inc.'s PRV-3279 that was under research. It is used for treating SLE and preventing or reducing the immunogenicity of gene therapy. The Company has submitted pre-IND application and received response.

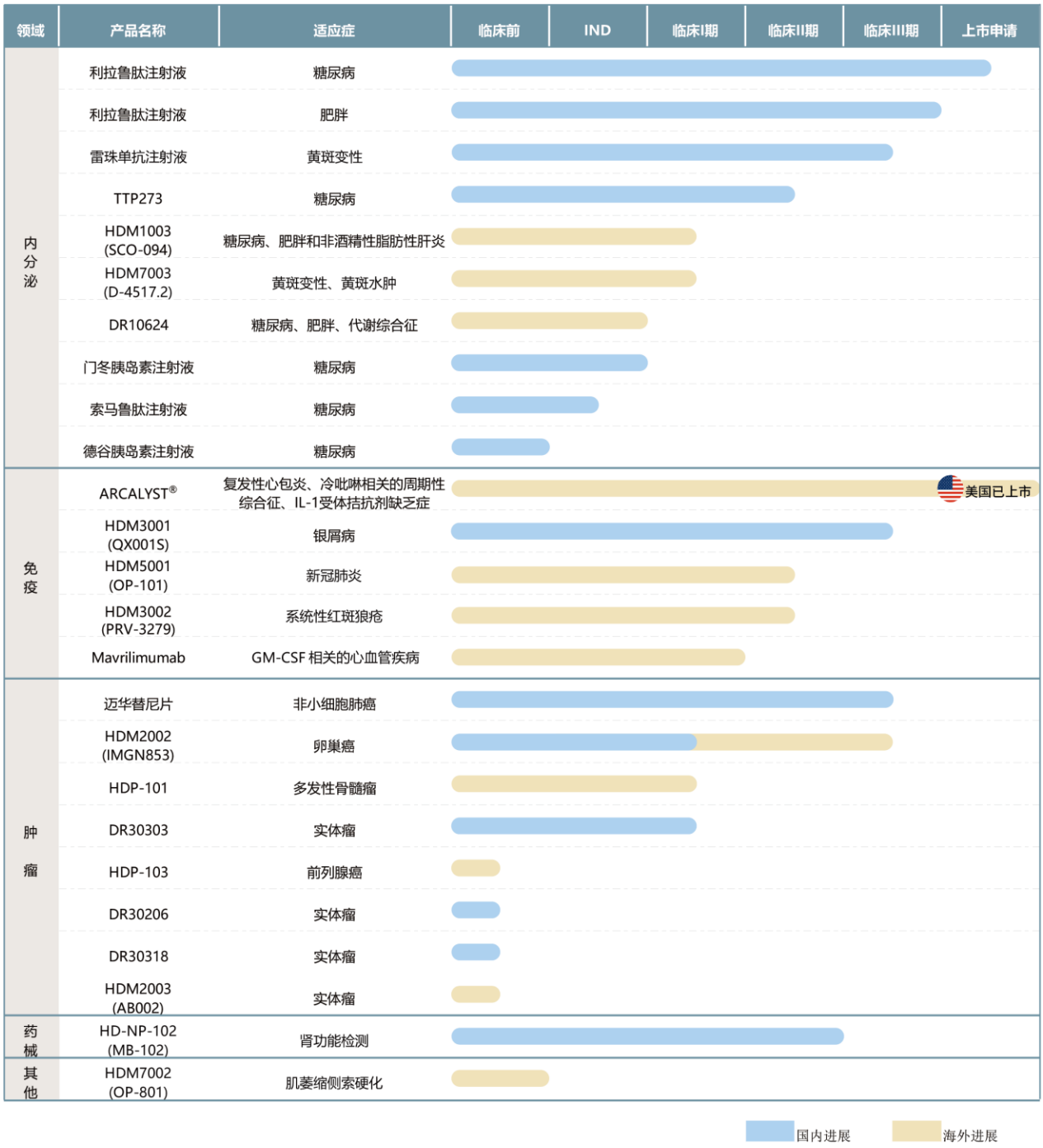
HDM5001 (OP-101): The Company cooperated with Ashvattha Therapeutic, Inc., an American company it holds shares in, to jointly develop OP-101, which is used for the treatment of hyperinflammation in hospitalized adults with severe COVID-19. The product is undergoing phase II clinical trial in America.

HDM3001 (QX001S): Jointly developed by the Company and Qyuns Therapeutics, QX001S is a biosimilar of innovator drug ustekinumab (Stelara®) used for the treatment of moderate and sever plaque psoriasis of adults. It has been in phase III clinical trials since May 2021.

Innovative Medical Device

HD-NP-102 (MB102 and TGFR): Jointly developed by the Company and the American company MediBeacon, Inc., the product is designed to measure kidney function through Transdermal Glomerular Filtration Rate Measurement System (TGFR). It was approved by NMPA to enter the special review procedure for innovative medical devices in November 2021. The novel fluorescent tracer agent used with the system, or MB-102 injection (Relmapirazin), is classified as Type I new drug. The application of phase III MRCT was approved by NMPA in May 2021 and the trail is expected to be carries in both China and the U.S. in 2022.

For the R&D process of innovative drugs and biosimilars of the Company in the first quarter of 2022, please refer to the *First Quarterly Report 2022 of Huadong Medicine Co., Ltd.*, which was released on the same day as this report.



R&D pipelines of main innovative drugs and biosimilars as at the release of this report

(4) R&D progress of main generic drugs

During the reporting period, the Company seriously sorted out and evaluated the current varieties of genetic drugs, and further defined the focus and priority of the ongoing process. As at the release of the report, the progress of key varieties is as follows:

No.	Treatment field	Item	Strengths	Latest progress
1	Endocrinology	Metformin Hydrochloride and Empagliflozin Tablets (I)	500/5mg	Approved by NMPA in June

				2021
2	Endocrinology	Canagliflozin Tablets	0.1g, 0.3g	Supplementary materials were submitted and is expected to be approved in 2022
3	Endocrinology	Sitagliptin Phosphate and Metformin Hydrochloride Tablets	50/850mg	Completed Zhejiang Provincial local Specification review and is expected to be approved in 2022
4	Endocrinology	Pioglitazone Hydrochloride and Metformin Hydrochloride Tablets	15/850mg	Completed BE trial and application is expected to be submitted in 2022
5	Immunity	Tacrolimus Ointment	0.03%, 0.1%	application has been submitted and has been processed in April 2022
6	Immunity	Tacrolimus Granules	1mg	Is undergoing BE trial
7	Oncology	Letrozole Tablets	2.5mg	Approved by NMPA in May 2021
8	Oncology	Sorafenib Tosylate Tablets	0.2g	Supplementary materials were submitted and is expected to be approved in 2022
9	Oncology	Olaparib Tablets	150mg	Completed BE trial filing and is about to start BE trial
10	Oncology	Ibrutinib Capsules	140mg	Pilot Scale study stage
11	Anti-infection	Micafungin Sodium for Injection	50mg	Approved by NMPA in June 2021
12	Digestion	Omeprazole and Sodium Bicarbonate Capsules	20/1100mg	Approved by NMPA in June 2021
13	Cardiovascular diseases	Macitentan Tablets	10mg	Supplementary materials were submitted and is expected to be approved in 2022

(5) Progress of international registration

During the reporting period, the company actively carried out international registration, and the main progress is as follows:

No.	Treatment field	Item	Strengths	Note
1	Digestion	Pantoprazole Sodium for Injection	40 mg	Approved by FDA in August 2021
2	Anti-infection	Daptomycin for Injection	500 mg	Approved by FDA in November 2021
3	Anti-infection	Caspofungin Acetate for Injection	50 mg, 70 mg	Submitted ANDA in September 2021 and December 2021, respectively

(6) Progress of consistency evaluation

During the reporting period, the Company carried out the consistency evaluation of generic drug smoothly, and the supplementary applications for consistency evaluation of the following varieties were approved by NMPA:

No.	Treatment field	Item	Strengths	Note
1	Immunity	Ciclosporin Soft Capsules	10mg	Supplementary application for consistency evaluation was approved in March 2021
2	Oncology	Decitabine for Injection	50mg	Supplementary application for consistency evaluation was approved in June 2021
3	Endocrinology	Pioglitazone Hydrochloride Tablets	15mg, 30mg	Supplementary application for consistency evaluation was approved in August 2021
4	Digestion	Pantoprazole Sodium for Injection	80mg	Supplementary application for consistency evaluation was approved in September 2021
5	Anti-infection	Ornidazole Tablets	0.5g	Supplementary application for consistency evaluation was approved in September 2021
6	Anti-infection	Daptomycin for Injection	0.5g	Supplementary application for consistency evaluation was approved in November 2021

(7) Progress of Patents

In recent years, the Company attached great importance to the protection of intellectual property and the commercialization and application of achievements, and the number of patent applications and authorization were steadily increased. Over the years the Company applied for more than 620 patents at home and abroad, including over 280 authorized invention patents. Zhongmei Huadong, the Company's wholly-controlled subsidiary, is a national intellectual property demonstration enterprise. In November 2014, it passed the external audit of Zhongzhi (Beijing) Certification Co., Ltd., becoming one of the first 147 companies that passed the standards implementation certification. During the reporting period, the Company successfully passed the reexamination review on supervising the standard implementation of corporates' intellectual property.

During the reporting period, the Company's patent application and maintenance proceeded

smoothly. Zhongmei Huadong, a wholly-owned subsidiary of the Company, applied and submitted a total of 61 patents, among which 57 were invention patents, 12 were authorized in China.

(8) Progress of aesthetic medicine products R&D and registration

During the reporting period, the progress of aesthetic medicine products R&D and registration of the Company is as follows:

No.	Product Name	Type	Purpose	Progress during the reporting period
1	Ellans e®	Injection filler	Repairing medium and severe nasolabial wrinkles	Obtained Type III medical device certification by NMPA in April 2021
2	Glacial Spa®	Energy based device	Skin lightening and brightening	Market application in South Korea and Taiwan (China) was approved
3	Glacial Rx（F1）	Energy based device	Removing benign pigmented skin lesions ect.	Classified as the Type II medical device by Zhejiang Medical Products Administration in July 2021, and is currently undergoing the registration preparation in China. It obtained market license of Korea and Singapore, and has submitted the market application of Indonesia and Malaysia.
4	Cooltech Define	Energy based device	Fat reduction and body shaping	Obtained CE and TGA certification and is about to initiate sample inspection for the registration in China.
5	Perfectha® Biphase HA	Injection filler	Facial filler	Obtained CE certification
6	Primelase	Energy based device	Hair removal	Obtained TGA certification and is about to initiate sample inspection for the registration in China.
7	Elysion	Energy based device	Hair removal	Obtained TGA certification
8	Silhouette Instalift®	Thread lift	Mid-face lifting	Passed the record of Human Genetic Resources Administration of China in Ministry of Science and Technology of the People's Republic of China in February 2021, and is currently undergoing the subject enrollment of clinical trial.
9	Maili Extreme HA	Injection filler	Facial filler	Received registration inspection report in December 2021.

R&D personnel of the Company

	2021	2020	Percentage change
Number of R&D personnel (person)	1,285	1,207	6.46%
Proportion of R&D personnel	12.92%	12.79%	0.13%

R&D personnel structure by education	——	——	——
Bachelor	632	604	4.64%
Master and above	470	380	23.68%
R&D personnel structure by age	——	——	——
＜30	458	444	3.15%
30-40	628	629	-0.16%
>40	199	134	48.51%

R&D investment of the Company

	2021	2020	Percentage change
R&D investment amount (yuan) [Note]	962,881,963.61	918,180,946.98	4.87%
Proportion of R&D investment in operating revenue	9.52%	8.06%	1.46%
Capitalized R&D investment amount (yuan)	0.00	0.00	0.00%
Proportion of capitalized R&D investment in R&D investment	0.00%	0.00%	0.00%

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

In 2021, the Company's total R&D investment in the pharmaceutical industry was RMB1,253 million, accounting for 12.40% of the revenue of pharmaceutical industry; of which, RMB963 million was used directly for R&D, an increase of 4.87% from 2020 (RMB918 million), and RMB291 million was used for the introduction of external new drug technologies and rights.

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

(3) The above-mentioned R&D personnel for 2021 are: The total of R&D personnel of the Company's R&D system and R&D personnel of the production system.

Reasons and impacts of major changes in the composition of R&D personnel

□ Applicable √ N/A

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

□ Applicable √ N/A

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

□ Applicable √ N/A

5. Cash flows

Unit: RMB yuan

Item	2021	2020	Year-on-year change
Cash inflows from operating activities	38,296,617,059.25	37,110,493,946.97	3.20%
Cash outflows for operating activities	35,126,859,191.30	33,699,046,199.41	4.24%
Net cash flow from operating activities	3,169,757,867.95	3,411,447,747.56	-7.08%
Cash inflows from investing activities	251,785,859.22	385,678,726.69	-34.72%
Cash outflows for investing activities	2,238,468,503.37	2,124,316,150.63	5.37%
Net cash flow from investing activities	-1,986,682,644.15	-1,738,637,423.94	-14.27%
Cash inflows from financing activities	2,264,348,880.01	2,211,047,477.21	2.41%
Cash outflows for financing activities	3,031,802,182.50	2,936,777,488.44	3.24%
Net cash flow from financing activities	-767,453,302.49	-725,730,011.23	-5.75%
Net increase in cash and cash equivalents	422,733,564.91	925,635,526.76	-54.33%

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

√ Applicable □ N/A

The cash inflows from investing activities in the current period are RMB250 million, a decrease of 34.72 % compared with that in the same period last year (RMB390 million), mainly due to the transfer of distribution rights in the Western European market of related products of Sinclair, a wholly-owned subsidiary of the Company in Britain, during the current reporting period.

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

□ Applicable √N/A

V. Analysis of non-main business

√ Applicable □ N/A

Unit: RMB yuan

	Amount	Proportion in total profit	Note on reasons	Sustainable or not
Investment gains	-96,311,975.25	-3.41%		
Asset impairment losses	-16,908,408.55	-0.60%		
Non-operating income	2,682,255.28	0.09%		No
Non-operating expenses	30,860,834.95	1.09%		No
Other gains	174,690,581.52	6.18%	Mainly due to the confirmation of government grants in the current period	No
Gains on asset disposal	-31,626.51	0.00%		

VI. Assets and liabilities

1. Major changes in asset composition

Unit: RMB yuan

	End of 2021		Beginning of 2021		Change of proportion	Note on major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	4,032,424,555.22	14.94%	3,198,080,997.82	13.21%	1.73%	Mainly due to the increase of inflow of operating net cash during the current period and the increase of balance of monetary capital at the end of the period.
Accounts receivable	6,430,482,175.97	23.82%	6,137,675,568.82	25.36%	-1.54%	Mainly due to the increase of the total assets during the current period and the decrease of the proportion of accounts receivable.
Inventories	3,974,549,648.96	14.72%	4,067,635,254.80	16.81%	-2.09%	Mainly due to the increase of total assets during the current period and the decrease of the proportion of inventory.
Real estate properties for investment	14,569,533.94	0.05%	17,792,735.95	0.07%	-0.02%	
Long-term equity	984,927,398.68	3.65%	850,072,053.02	3.51%	0.14%	

investments						
Fixed assets	3,077,227,759.84	11.40%	2,420,366,582.92	10.00%	1.40%	Mainly due to the transfer of construction work in process to fixed assets
Constructions in progress	1,582,125,201.25	5.86%	2,240,201,926.65	9.26%	-3.40%	Mainly due to the transfer of construction work in process to fixed assets
Right-of-use assets	153,724,197.81	0.57%	191,718,186.92	0.58%	-0.01%	
Short-term borrowing	1,237,843,228.13	4.59%	1,416,932,884.87	5.85%	-1.26%	
Contract liabilities	118,341,141.48	0.44%	94,384,629.77	0.39%	0.05%	
Long-term borrowing	139,178,905.04	0.52%	151,611,367.86	0.63%	-0.11%	
Lease liabilities	80,889,403.39	0.30%	112,194,637.40	0.53%	-0.23%	
Other non-current assets	911,062,879.83	3.37%	712,069,194.08	2.94%	0.43%	

Foreign assets account for a relatively high proportion

□ Applicable √N/A

2. Assets and liabilities measured at fair value

√Applicable □ N/A

Unit: RMB yuan

Item	Amount at the beginning of the period	Gains and losses from changes in fair value	Accumulated fair value changes recognized in equity	Depreciation reserves withdrawn during the period	Amount of buying in during the period	Amount of selling out during the period	Other changes	Amount at the end of the period
Financial assets								
Other equity instrument investments	225,453,120.05	20,549,224.62	8,727,227.92		125,695,722.50	92,381,381.75	21,500,840.74	257,815,844.68
Total	225,453,120.05	20,549,224.62	8,727,227.92		125,695,722.50	92,381,381.75	21,500,840.74	257,815,844.68
Financial	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

liabilities								

Other changes

Note: Huadong Medicine Investment Holding (Hong Kong) Limited, a subsidiary of the Company, purchased 218,102 Series C-2 preferred shares of RAPT Therapeutics, Inc. in a total of USD3 million in 2018. RAPT Therapeutics, Inc. listed on NASDAQ exchange on October 30, 2019 (stock code: RAPT). To date, Huadong Medicine Investment Holding (Hong Kong) Limited holds 60,500 shares in RAPT after it reduced its stake, accounting for 0.204% of the total shares of RAPT Therapeutics, Inc.

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

□ Yes √ No

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

Unit: RMB yuan

Item	End of the period	Reason for limitation
Cash in bank	422,257,330.57	Certificate of deposit
Other monetary funds	30,026,586.48	Cash deposit
Bills receivable	874,373.29	Bill pledge
Total	453,158,290.34	

VII. 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
1,793,453,494.62	2,195,588,789.55	-18.32%

2. Significant equity investments acquired during the reporting period

√ Applicable □ N/A

Unit: RMB yuan

Name of invested company	Main business	Way of investment	Investment amount	Shareholding ratio	Capital source	Partner	Term of investment	Product type	Progress as of the balance sheet date	Projected income	Profit or loss of investment in the current period	Involved in litigation or not	Disclosure date (if any)	Disclosure index (if any)
Hangzh	Equity	Newly	98,000,	49.00%	Own	Fuguang	Long	Equity	The	0.0	-	No	January	cninfo

ou Fuguang Hongxin Equity Investment Partnership (Limited Partnership)	investment; Venture investment	established	000.00		funds	Chengdu Equity Investment Management Co., Ltd., Hangzhou Hi-Tech Venture Capital Management Co., Ltd., Hangzhou Heda Industrial Fund Investment Co., Ltd., Shanghai Grand Industrial and Financial Investment Management Co., Ltd.	term		Pharmaceutical Industry Fund has completed the first phase of fund raising, the industrial and commercial registration of the fund has been completed. The fund has completed the filing with Asset Management Association of China on April 2, 2021.	0	2,458,621.86		8, 2021	(http://www.cninfo.com.cn)
Zhejiang Doer Biologics Co., Ltd.	Pharmaceutical R&D	Acquisition	487,500,000.00	75.00%	Own funds	/	Long term	Equity	Equity Investment was completed	0.00	-42,247,286.36	No	April 28, 2021	cninfo (http://www.cninfo.com.cn)
High Technology Product	Non-invasive energy	Acquisition	596,511,747.89	100.00%	Own funds /externa	/	Long term	Equity	Equity settlement was	0.00	26,866,182.85	No	April 30, 2021	cninfo (http://www.cninfo.c

s, S.L.U.	based aesthetic devices, integrating R&D, production and sales				l financing				completed					om.cn)
Total	--	--	1,182,011,747.89	--	--	--	--	--	--	0.00	-17,839,725.37	--	--	--

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

√ Applicable □ N/A

Unit: RMB yuan

Project name	Way of investment	Investment in fixed assets or not	Industry involved in the investment project	Investment amount during the reporting period	Cumulative actual investment amount by the end of the reporting period	Capital source	Project progress	Projected income	Cumulative income realized by the end of the reporting period	Reasons for not meeting the planned schedule and projected income	Disclosure date (if any)	Disclosure index (if any)
Huadong Medicine Biomedical Science and Technology Park Project Phase II	Self-built project	Yes	Pharmaceutical manufacturing	37,233,865.88	1,753,565,772.68	Own funds	98.00%	0.00	0.00	N/A	March 9, 2017	cninfo (http://www.cninfo.com.cn)
Huadong Medicine Life	Self-built project	Yes	Pharmaceutical R&D	79,707,624.77	80,843,787.97	Own funds	20.00%	0.00	0.00	N/A	April 21, 2021	cninfo (http://www.cninf

Science Industrial Park (Xiangfu south plot) project												o.com.cn)
Total	--	--	--	387,907,668.09	1,716,331,906.80	--	--	/	/	--	--	--

4. Investment in financial assets

(1) Securities Investment

√ Applicable □ N/A

Unit: RMB yuan

Type of stock	Stock code	Stock abbreviation	Initial investment cost	Accounting measurement model	Book value at the beginning of the period	Gain/loss 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/loss 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	2,228,824.61	8,856,357.36	0.00	11,349,950.55		14,461,751.62	Other equity instrument investment	Own funds
Total			20,207,400.00	--	23,582,877.56	2,228,824.61	8,856,357.36	0.00	11,349,950.55	0.00	14,461,751.62	--	--
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

(2) Derivatives investment

□ Applicable √ N/A

No such case during the reporting period.

5. Use of raised funds

□ Applicable √ N/A

No such case during the reporting period.

VIII. 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

IX. 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,	872,308,130	11,335,945,934.96	8,149,184,791.88	10,109,229,375.51	2,398,280,862.46	2,091,718,531.92

		and health care products						
Huadong Medicine Wenzhou Co., Ltd.	Subsidiary	Wholesale of TCM materials, TCM decoction pieces, chemical preparations, etc.	61,300,000	1,261,588,194.25	272,616,982.13	2,751,905,977.50	56,291,104.42	41,509,566.74
Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	Subsidiary	Warehousing and storage services	50,729,863	351,774,456.99	149,575,767.22	182,772,941.57	31,218,716.14	20,186,268.79
Sinclair Pharma Limited	Sub-subsidiary	R&D, production and sales of aesthetic medicine products	219,962,963.92	1,718,716,643.29	322,699,871.17	665,510,309.09	-116,989,531.06	-133,857,951.86

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ N/A

Company name	Methods of acquisition and disposal of subsidiaries during the reporting period	Impact on the overall production, operation and performance
Zhejiang Doer Biologics Co., Ltd.	Acquisition	Multi-antibody technical platform
High Technology Products, S.L.U.	Acquisition	International BD of the Company's energy based aesthetic devices
Hubei Meiqi Health Technology Co., Ltd.	Newly established	Industrial microbiology comprehensive health business operation platform
Chengdu Haili Internet Hospital Co., Ltd.	Newly established	International hospital operation platform

X. Structured entities controlled by the Company

□ Applicable √ N/A

XI. Prospect of the Company's future development

i. Prospect of macro economy and pharmaceutical industry

In 2021, the world entered a period of turbulence and reform amid resurgent global pandemic and rapid global changes unseen in a century. The international landscape experienced profound and complex evolution, and major powers in the world engaged in sever competition over international rules-setting and regional hotspot issues. Geopolitical maneuvering was intensified, regional hotspot issues were increased, and international governance were in trouble. Human society is in an era with endless challenges and increasing risks. In the face of unprecedented challenges, all countries are exploring a way out. Peace and development remain the themes of our times. World multi-polarization, economic globalization, IT application and cultural diversity keeps developing. Since the outbreak of COVID-19, countries have attached greater importance to the strategic position of the pharmaceutical industry, and international competition in talent, technology and other areas has become increasingly fierce. At the same time, economic globalization is battling against headwinds, and industrial chain and supply chain are being reshaped at a faster pace, posing challenges to the export of China's traditional products and the extension to higher value chain.

In 2021, China's economy as a whole was going steadily the track of recovery. Its economic performance and pandemic response both led the world, and major indicators meet the annual targets. China's pharmaceutical industry also faced increasing changes. External environment, policy changes, technological innovation and other factors continued to, on the one hand, exert an important influence on pharmaceutical companies, and on the other hand, led the industry to an era of innovation.

According to IQVIA's latest data and prediction, global expense on drugs amounted to about USD1.4 trillion in 2021. It is predicted that global drug market will grow at 3%-6% CAGR from 2022 to 2026, with total drug expense in 2026 reaching nearly USD1.8 trillion (including that of COVID-19 vaccine). Among it, the CAGR for drug expense of emerging markets will stand at 5%-8%, slightly higher than that of developed markets of 2%-5%. In terms of treatment field, oncology, immunity, diabetes and neurology will be the key areas of drug expense in the next five years. With the upgrading innovation environment and strong policy incentives, China's pharmaceutical industry is gaining speed in innovation, leading the development of emerging markets. In 2021, China's pharmaceutical industry persisted in innovation despite resurgence COVID-19. More and more innovative drugs were covered by the catalog of medical insurance, and innovation achievements are benefiting more patients.

According to IQVIA, China spent USD169 billion on drugs in 2021, up more than USD100 billion from USD68 billion in 2011. In the next five years, driven by the increase of the number and consumption of innovative drugs, China's drug expense will grow at 3.8% CAGR, or USD35 billion, and is expected to reach USD205 billion in 2026.

ii. Industry development tend

1. Domestic pharmaceutical industry

Population aging is a major national condition goes throughout China's social and economic development. Data from the seventh national census showed that the number of people aged 60 and above has reached 264 million, accounting for 18.7% of the total population and increased 10 million compared with that in the end of 2019, which indicates an obvious trend of population aging. This situation leads to a strong rigid demand for drugs, as well as an increasing demand for medical care and chronic disease drugs. With the increase of per capita disposable income, accelerating population aging, rising medical insurance income and higher participation in the basic medical insurance system, China's pharmaceutical industry will maintain long-term development.

At the same time, as China continues to deepen the reform of national health care system, improve drug review and approval system, implement the VBP Program of medicines and medical devices, reform health care insurance payment model, and promote rational clinical drug use, pharmaceutical industry will face active and profound influence in its development. Since 2019, pharmaceutical manufacturing industry has slowed down its growth, and relevant enterprises suffered from short-term operation pressure. Since 2021, medical reform policies were constantly improved and extended, and the general principle of price control and reduction stayed unchanged. Dynamic adjustment mechanism of national drug reimbursement list was basically established, and volume-based centralized procurement of drugs and high-value medical consumables has become the mainstream.

With the deepening reform of VBP program system, this type of drug procurement will become the primary model of public healthcare institutions. In the future, the more innovative procurement measures will be developed. For example, centralized procurement will be conducted according to unified rules for varieties with strong universality. Differentiating procurement policies will be applied for different high-value medical consumables according to their varieties. Special centralized procurement policy will be applied for varieties with strong characteristics. Drugs for the treatment of similar indication will be integrated. Price negotiation will be taken in different stage according to market dynamics for varieties that be influenced significantly by supply and demand. At the same time, the category has also been expanded from chemical drugs to biological drugs, high-value medical consumables and so on. In this context, the profits of generic drugs were largely squeezed, and it is a crucial issue for companies, who have to follow the trend of VBP program, to overcome the difficulties by transformation and reform.

At present, China has stepped in the second tier of pharmaceutical innovation in the world. The number of innovative drugs only ranked after the United State, but with relatively large gap. In recent years, with the rapid improvement of R&D capability of domestic pharmaceutical companies, the gap

of clinical practices compared with foreign companies was further narrowed, but some sever phenomena, such as overcrowded targets, overlapped indications, and increasing homogeneity still exist, underscoring the problems of the waste of resources and fierce competition in similar drugs. In November 2021, the official draft of the *Guiding Principles for Clinical Research and Development of Anti-tumor Drugs Oriented by Clinical Value* is released by CDE, in which the core value of "driven by the demand of patients and oriented by clinical value to meet the unfulfilled clinical demands" was recognized by all walks of society. This policy adjustment emphasizing on clinical value will have a lasting impact on the development of innovative drugs and CXO industry and directly affect pharmaceutical companies' R&D logistic and strategies, leading them to a virtuous cycle of R&D to increase the benefits for patients, and promoting the orderly long-term development of pharmaceutical innovation in China.

In the long run, the transition from Me-too/Me-better to BIC, and finally to FIC, is an important way for China to transform from a country with large pharmaceutical industry to a country with advanced pharmaceutical industry.

In January 2022, nine ministries, including the Ministry of Industry and Information Technology and National Development and Reform Commission, released the *"14th Five-Year Plan" Outline for the Development of Pharmaceutical Industry* ("the Outline"), and put forward the development objectives in the next five year and the long-range objectives through next 15 years. By 2025, major economic indicators will achieve medium-high growth, innovation achievements in frontier fields will be prominent, innovation impetus will be strengthened, modernization of industrial chain will be significantly improved, the supply guarantee system of pharmaceutical devices will be further improved, and internationalization level will be comprehensively improved. By 2035, the overall strength of the pharmaceutical industry will improve. Innovation-driven development will take shape, the industrial structure will be upgraded, and more products will be produced with better quality to meet people's health needs at a higher level, providing solid support for building a healthy China in all respects. A series of specific targets are also set in the Outline: In terms of economies of scale, the Outline proposes that during the 14th Five-Year Plan period, the average annual growth rate of operating revenue and total profits of the pharmaceutical industry should be kept above 8%, the proportion of added value in all industries should be increased to about 5%, and the concentration degree of leading enterprises in the industry should be further improved. In terms of R&D investment, the Outline proposed that R&D investment in the whole industry will increase by more than 10% annually during the 14th Five-Year Plan period. By 2025, sales growth volume of innovative products will account for a higher proportion in the growth volume of industry's operating revenue

2. Aesthetic medicine

China's aesthetic medicine industry has grown rapidly in recent years, thanks to the increase of per capita disposable income, the significant development of medical technology, demographic changes, and the higher social acceptance of medical aesthetic services. According to the report of Frost & Sullivan, a world-renowned market research agency, China's market share of aesthetic medicine ranks second only to that of the United State. China's aesthetic medicine market grows much faster than the global market. It has a huge consumption base and is the world's fastest growing market with great growth potential. Frost & Sullivan predicts that the compound growth rate of global aesthetic medicine market over the five-year period from 2018 to 2023 will be 7%, while the compound growth rate of China's aesthetic medicine market over the five-year period from 2019 to 2024 will reach 17.3%, much higher than global average. In terms of market scale, global aesthetic medicine market was worth USD135.7 billion in 2018, and China's aesthetic medicine market in 2024 is estimated to be worth USD315.8 billion, becoming the world's largest market in this field. The blooming China's medical aesthetic market is not only a result of the local, social and economic transformation, but also a result of the globalization of cultural, aesthetic ideology and medical cosmetology technology. Frost & Sullivan estimates that an RMB653.5 billion market in China will be developed by 2030, and the CGAR of China's aesthetic medicine market from 2020 to 2030 will be 15.5%. At the same time, the market penetration rate of aesthetic medicine in China is far lower than that of the US, Brazil, South Korea and other countries, meaning that aesthetic medicine industry in China will continue to grow rapidly for a long time in the future. Measured by the times of aesthetic medical treatment per thousand people, the penetration of in China is significantly lower than that in Japan, Brazil, the US and South Korea, and is less than one-fifth of that in South Korea, and one-third of that in the US.

The rapid growth of domestic aesthetic medicine industry also underscores the problems such as illegal operation, false publicity, damage to the personal safety and the rights and interests of consumers. The chaos of the industry has been outside the supervision of authorities for a long time, and it is urgent to standardize the regulation of the industry. During the reporting period, the relevant departments of the state released several documents and regulations to expand the scope of supervision and strengthen supervision, guiding and promoting the standardized development of the aesthetic medicine industry. In June 2021, eight ministries, including NHSA, jointly released the *Special Rectification Work Plan on Cracking Down on Illegal Aesthetic medicine Services* to take relevant actions. In 2021, State Administration for Market Regulation released the *Guidelines for Law Enforcement regarding Advertising in the Aesthetic medicine*, in order to standardize and strengthen the supervision on aesthetic medicine advertising and effectively maintain the order of aesthetic medicine advertising market, protecting the legitimate rights and interests of consumers.

The guideline also defines the detailed requirements and regulatory responsibilities of the publication of medical beauty advertisements, and particularly discourages the promotion that causes anxiety about appearance. In November 2021, the Ministry of Public Security of China issued a notice on fight against the crime of illegal production and sale of medical cosmetic products, such as manufacturing and selling fake and inferior products, and selling medical cosmetic products imported from illegal ways. As the supervision on aesthetic medicine industry becomes more intensified, industry supervision and policy guidance are expected to become normal, and standardized operation will be the inevitable choice of related organizations. Under the guidance of policies, the industry will be led to a path of healthy and orderly development, and will become more centralized, eco-concerned, transparent and standardized

iii. Innovative development strategy of the Company's business sectors

1. Development plan of pharmaceutical industry

In the future development, the Company will emphasize on meeting the clinical demands in scientific research and R&D, and pursue innovation and differencing competitiveness in new drug R&D and project launching as well as decision-making. It will focus on clinical value, clinical pharmacoeconomic characteristics, commercial value, aim at long-term pipeline layout and place equal importance on generic drugs upgrade and innovative drugs development. Innovative drug development will be our foundation and priority in creating core competitiveness. In other words, the Company will closely follow up the global trend of technology development and product R&D in the cutting-edge fields such as biological drugs, gene therapy and antibody drugs, focus on the layout and development of innovative drugs with outstanding clinical value and generic drugs with high-tech barriers targeted on serious diseases and chronic diseases such as antineoplastic drugs, endocrine drugs and autoimmune drugs, forming differentiating and advanced pipeline layout of innovative products. It will transform its R&D philosophy from "emphasizing on fast follow" to "identifying differentiating advantages and innovating at the source". We will deepen global cooperation and product introduction on all fronts, accelerate our capabilities of learning from and integrating external advanced resources and technologies and make more connection with them, and establish a global ecosystem of strategic R&D cooperation with Zhongmei Huazhong at its core. We will shift from relaying on license in to emphasizing on independent R&D while maintaining license in, creating the dual engine of innovation and R&D to constantly enrich product pipelines and improve the medium- and long-term plan of innovative products. At the same time, we will continue to enhance our capability of international operation and make more efforts in the license-out of our distinctive products and advanced technologies and patents.

It will continue to increase R&D investment, and enrich and optimize product pipelines. In

addition, it will strive to raise the proportion of R&D investment to sales income of pharmaceutical industry to over 10% per year, and use R&D funds more effectively. Through independent R&D and license-in, it will initiate and reserve at least 15 innovative projects (including drugs and medical devices, ect.) every year, and ensure that each existing product line has innovative product supplement and is led by innovative products, thus forming diversified product pipelines and sound product structure. A virtuous development trajectory with constant stream of innovative products to be launched will be created in 2022, helping to realize the phased target that 30% of the total revenue of pharmaceutical industry are generated by innovative business in 2025.

It will introduce high-end talents at a faster pace to create a high level scientific research team, and foster a cultural environment that values innovation, encourages success, and allows failure. It will strengthen the establishment of internal R&D systems and technical platforms, and build a success-oriented and market-based performance mechanism. It will also promote the implementation of innovation-driven international strategy by creating an open-minded scientific team with prominent competence, great passion and strong responsibility that forges ahead in an innovative and enterprising spirit. It will establish dynamic evaluation mechanism of R&D projects. By setting up an external expert academic committee, the Company will improve the decision-making and management of R&D and product introduction, ensuring that scientific research innovation work are science-based, advanced and feasible.

2. Development plan of pharmaceutical commerce

Upholding the principle of focusing on services and promoting transformation through innovation, it will keep our business base in Zhejiang province, constantly increase brand influence, and maintain our leading industry position in Zhejiang province. It will not simply pursue the expansion in scale, but emphasize both scale and efficiency. It will strength the establishment of systems and improve operating capability by refining operation and management. Besides, it will build a modern pharmaceutical logistic network covering the whole province, go all out to create high-end third party pharmaceutical logistics featured by cold chain, thus enhancing our value added service capability. It will vigorously develop new business model such as general agency, business custody and BTC pharmacies, so as to cultivate innovative business. It will consolidate in-hospital market, expand outside-hospital market, and apply Internet platforms. Through new technologies such as big data, AI and IoT, it will innovate our services for suppliers, and extent service supply chain. Relaying on the platform and network of pharmaceutical circulation linking upstream manufacturers and downstream users, it will upgrade and improve traditional operation model, build a pharmaceutical supply chain that keeps in line with the time, and gradually become a provider of modern value-added pharmaceutical services, pursuing sustainable high-quality development.

3. Development plan of aesthetic medicine

The Company will stick to the principle of "facilitating global operation and layout with domestic and international circulations progressing smoothly" in aesthetic medicine development. To be specific, it will take its core subsidiary Sinclair as the main global operating platform, and build it into a world-class aesthetic medicine enterprise, so as to create new development space, realizing global operation and layout. Chinese aesthetic medicine market is of great importance to the Company. It will introduce more high-tech products with great potentials into China, and relay on its strong domestic registration and marketing competence to expand domestic market. Internationally, based on its marketing foundation in China and the rapid growth of the industry, it will promote the approval and commercialization of more competitive aesthetic medicine product in international markets. In doing so, it will create a new development pattern featuring dual circulation, in which domestic and overseas markets reinforce each other.

In the future, the Company will continue to focus on global high-end aesthetic medicine market. By developing four global R&D centers in Sinclair (UK), High Tech (Spain), R2 (US) and Kylane (Switzerland), it will further integrate R&D resources and capabilities, upgrade and optimize product structure in active, and enrich and improve industrial layout. In addition, five global production bases in the Netherlands, France, the United States, Switzerland and Bulgaria will ensure the productivity of aesthetic medicine products in the way toward internationalization, so as to better fulfill the market demand for future development.

iv. Operation plan of 2022

The year 2022 kicks off the Company's seventh "Three-Year Plan", and its innovation-driven transformation comes to a crucial time. In 2022, the Company will adhere to the development philosophy of all business sectors clarified in the seventh "Three-Year Plan", implement it in a pragmatic and unswervingly manner, and strive to get its overall operation performance back to growth trajectory.

1. Pharmaceutical manufacturing and quality

In 2022, the Company will vigorously innovate production and operation model, improve technology with priority given to increasing the preparation yield, constantly promote lean production, reduce costs and optimize process, and bolster production efficiency, further reducing production costs.

It will continue to increase investment in fixed assets in a coordinated manner and pay attention to major projects such as the construct of Life Science Industrial Park and the industrialization of semaglutide API. It will strengthen the management of project schedule, cost, quality and safety, and ensure the advances in technology while meeting the target of investment income.

Quality system shall be updated to keep pace with transformation. The Company will further consolidate its quality management system and collectivize management capability, and reform its management in terms of compliance, risk control, and cost and benefit, ensuring the realization of international development. It will continue to implement international standards in production, take FDA standard as the goal of quality control, enhance its capability of international registration, shorten registration period, and improve the efficiency of submit for approval.

2. Pharmaceutical R&D and BD

Adhering to clinical value, the Company will improve assessment system of innovation and R&D projects, and develop a dynamic system of R&D resource allocation. It will comprehensively implement the establishment of R&D security systems and institutions of innovation center, make innovation and R&D more professional, international and standardized, and build science-based sound IT systems in all R&D centers in a comprehensive manner, so as to effectively protect core data and information. It will set up a Science and Technology Expert Committee, and strengthen the management prior to project implementation with the help of internal and external experts, to maximize clinical value, pharmacoeconomic value and commerce value.

Relying on its R&D capability and commercialization capability, and focusing on anti-tumor, endocrinology and immunity, the Company will strengthen the cooperation with leading enterprises at home and abroad on all fronts such as R&D, production and commercialization. With the help of its brand advantages and BD capability, it will realize innovative products license out and continuously improve the brand influence.

3. Pharmaceutical care

Sticking to the “scientific research-based, patient-centered” philosophy, it will promote academic transformation, upgrade training system, and enrich training content, significantly enhancing academic promotion capabilities. It will further deepen the reform of marketing organization, continue to push forward the layout outside hospital and in primary-level, and implement refined marketing of products, so as to comprehensively bolster the marketing capability inside and outside hospital, at primary-level and online. It will further strengthen the establishment of outside-hospital organizational structure, optimize the system of outside hospital promotion and primary-level promotion, foster a sales team owning expertise, and explore and create academic promotion model suitable for outside-hospital market based on Internet data. Through a good enterprise image and brand exposure, it will actively respond to the adjustment of Catalogue of Drugs for Basic National Medical Insurance and Catalogue of National Basic Drugs, as well as centralized drug procurement policies at all levels, creating a sound academic promotion ecosystem.

4. Pharmaceutical commerce

The Company will continue to develop traditional commerce distribution in Zhejiang province, and maintain the growth of sales and profitability. At the same time, it will provide a full range of quality services to meet the demands of upstream and downstream customers, explore the market outside Zhejiang with innovative businesses, and reshape it core competitiveness. It will expand its share in national agency or regional agency business, and enhance profitability by making more efforts in building e-commerce platform and its own brand. While consolidate traditional business, stabilize in-hospital market and plan outside-hospital market, it will constantly pursue value creation by realizing innovation-driven transformation and expanding e-commerce and new platform. It will integrate procurement and sales, jointly promote innovation drug introduction, focus on increasing the share of high-margin products in the hospital, and gradually adjust the product structure. In terms of pharmaceutical retail business, it will focus on designated pharmaceutical stores, hospital associated drugstores and chain drugstores, and expand its coverage and shares, maintaining high growth rate. In terms of self-operate retail business, it will focus on drugstores inside and nearby hospitals, DTP stores, and upgrade community drugstores. It will expand the share of medical devices, ginseng antler and other high value products in all parts of the province, strive to cultivate innovative business, and intensified efforts in expanding specialty product pipeline agency from Zhejiang to the whole country. Ginseng antler under private label will be the key product of self-operate e-commerce platform, and more efforts will be put in product R&D and upgrade. It Supply Chain Company will improve provincial logistics system featured by cold chain, continue to expand third-party logistics business, consolidating its position as the leading pharmaceutical cols chain in Zhejiang.

5. Aesthetic medicine

Sinclair (Shanghai) will formulate a clear brand building plan, strengthen the education of beauty seekers and doctors, train more registered doctors that meet the requirements, and strive to train more than 1000 certified doctors in 2022. It will constantly expand the number of institutions, striving to cooperate with more than 500 aesthetic medicine institutions in 2022. At the same time, it will give priority to the feedback from beauty-seekers, and continue to pay attention to AE dynamics. On the basis of the good start in 2021, it will continue to deepen market expansion and brand building, and establish a sound return visit mechanism. It will establish and improve a professional registration system, accelerate the domestic registration progress of foreign products under development and products launched in overseas markets. Sinclair will continue to enrich the product pipeline in the field of aesthetic medicine, and at the same time firmly implement the business philosophy of double circulation of domestic and international development, and strengthen the communication, exchange and learning among employees at home and abroad.

6. Industrial microbiology

The Company will stabilize quality, optimize costs, and build leading scale production capability of microbiology through technical advantages, operation control and scale effect. At the same time, it will accelerate product R&D speed and improve product profile, so as to gain competitive advantage.

7. Management work

Focusing on the Company's overall interests, it will build an efficient management system in a scientific way, and systematically improve the Company's operation efficiency through system building. It will value details and key links, establish a sound and united work style, and identify job responsibilities, further enhancing management efficiency. It will underscore vision and the overall plan, and build a talent team values science, innovation, responsibility and mission. It will promote integrity, adhere to principle and build a clean working environment. It will further enrich corporate culture and lead the healthy development of the company.

It will introduce and train talents, strengthen a tiered talent team, build a professional, international and younger organizational team, establish a diversified and multi-level talent training system, and facilitate innovation-driven transformation by emphasizing on talents building. It will accelerate the layout of international talents and capacity building of international talents, and foster s talent team with global thinking and overseas operation capacity, ensuring that the Company's international operation goes smoothly. It will constantly improve the establishment of HR system, carry out talent review and training, and pay more attention to the development of core talents. It will establish and improve performance and feedback mechanisms centering on organization and projects, boost its own development capability, and form the core competitiveness of the organization.

The overall work plan of financial management system in 2022 is as follows. It will adhere to long-term development and closely follow the Company's strategy. It will implement the guiding principle of economic work, and intensify efforts in system building. It will keep pushing the overall financial planning objectives that is collectivized, compliance, information-based and oriented to international market. It will focus on reducing cost and improving efficiency and operation, support innovation-driven transformation and compliance bottom line, and build a refined and efficient financial talent team, so as to constantly create financial value.

v. Potential risks and responses

1. Industry policies and market operation risks

The pharmaceutical industry is one of the most important industries related to the national economy and people's livelihood, and also significantly influenced by national policies. In recent years, the reform of healthcare sectors has been deepened, and various policies were strengthened to become more standardized, normal and systematic. The national supervision of pharmaceutical

industry has a profound impact on the development of the domestic pharmaceutical industry, which has become even more uncertain as the COVID-19 pandemic kept resurging and pandemic response became more severe. With the further promotion of the policies such as volume-based procurement and health insurance negotiation, the production costs and profitability in the pharmaceutical industry are also facing challenges, and the price of new drug products could be lowered.

Responses:

The Company will pay close attention to and study the national pharmaceutical policies and industrial development trends, increase the investment in R&D, and integrate independent R&D and license in. It will speed up the layout of innovative varieties centering on core treatment areas, enrich the product pipelines, and enhance core competitiveness. At the same time, it will lower production and operation risks through lean production management and cost reduction and efficiency improvement. Besides, it will make great efforts to expand the primary-level and self-funded market to increase the market coverage. It will also focus on dominant aesthetic medicine and industrial microbiology sectors, improve brand competitiveness, and create new profit points.

2. New drug R&D risk

The R&D of new drugs requires high investment, takes long term and may cause high risks. Before a new product is launched, it needs to engage in a long process including nonclinical studies, clinical trials, submission and registration, and approval for launch, which will consume a lot of time. Besides, it is subject to the influence of national policies, market, supervision and approval, and so on. In addition, the R&D of new medicine has extremely high requirements of personnel quality. The HR and R&D expenses at the early stage will lead to some pressure on the Company for the current operation goal, and new drugs will be examined by market demands when goes on the market, which will result in consequences such as the return of R&D investment lower than expectation.

Responses:

The Company will continue to increase investment in the R&D of new drugs, optimize the innovation mechanism, constantly improve the research and evaluation and decision-making system of new drugs in a scientific way, and strengthen relationship with well-known R&D institutions at home and abroad. Focusing on core treatment areas, it will enrich and improve product pipelines through independent project initiation and license in, enhance independent R&D competence, and build its own R&D ecosystem. It will continue to increase the introduction of high-level scientific research talents, strengthen the training and incentives of internal core technical personnel, and build a scientific research team covering the whole cycle of new drug development.

3. Risk of exchange rate fluctuation

In recent years, with the continuous promotion of the Company’s internationalization,

international cooperation and communication continue to increase. The aesthetic medicine marketing network covers all around the world, and the proportion of business settled by foreign currencies is increasing. The changes in exchange rate have a profound and long-lasting impact on companies, which can not only bring good economic benefits but also cause serious economic risks. Exchange rate fluctuations will affect the prices of the Company's export products, and will also cause exchange gains and losses to the company, directly affecting the Company's assets, liabilities and earnings, and further affecting the operation capacity, debt repayment capacity, and profitability

Responses:

The Company will pay attention to exchange rate fluctuations all the time, and adjust the operation strategies and resolve negative impacts in a timely manner based on its own condition. It will foster the awareness of exchange rate risk prevention, and improve management system of foreign exchange risks. At the same time, it will strengthen the training of financial personnel in terms of professional skills and risk awareness, enhance risk avoid awareness, and avoid exchange rate risks by financial methods.

4. Goodwill impairment risk

In recent years, in order to realize the development strategy of innovation-driven transformation, the Company has carried out several investment and merger activities in the field of innovative medicine and aesthetic medicine, thus forming goodwill. As at the end of the reporting period, the Company conducted an impairment test on goodwill, and found no sign of impairment of goodwill. If the business condition of the acquired companies shows fluctuations, there may be a risk of goodwill impairment, thus adversely affecting the current business performance of the Company.

Responses:

The company will strive to comprehensively improving its coordination capability of operation planning, management structure and financial management, constantly strengthen resource sharing and synergies with overseas subsidiaries such as Sinclair, a global aesthetic medicine operating platform of the Company, and continuously enhance the Company's business integration capabilities in overall operation and governance.

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

√ Applicable □ N/A

Reception Date	Reception Address	Reception Method	Type of visitor	Reception object	Main content of discussion and	Index of basic information of the research

					information provided	
February 18,2021	Company conference room	Field research and communication by phone	Institution, individual	China International Capital Corporation Limited., etc.	Interpretation on Huadong Medicine's introduction of autoimmunity innovative drugs and acquisition of overseas energy based aesthetic devices company	Please refer to "Huadong Medicine: record of investor relations activities: February 18, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
February 25,2021	Company conference room	Field research and communication by phone	Institution, individual	Harvest Fund, Huatai Securities, etc.	Business communication	Please refer to "Huadong Medicine: record of investor relations activities: February 25, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
March 3,2021	Company conference room	Field research and communication by phone	Institution, individual	Industrial Securities, Zheshang Securities, Huatai Securities, etc.	Business communication	Please refer to "Huadong Medicine: record of investor relations activities: March 3, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
April 21, 2021	Company conference room	Communication by phone	Institution, individual	Industrial Securities, GF Securities, etc.	Interpretation of 2020 Annual Report of Huadong Medicine	Please refer to "Huadong Medicine: record of investor relations activities: April 21, 2021" presented on the websites of irm.cninfo.com.cn

						and cninfo.com.cn for details.
April 27-28, 2021	Company conference room	Field research and communication by phone	Institution, individual	UBS Securities, Huatai Securities, Essence Securities, etc.	Online discussion on China A-shares, interpretation of 2021 First Quarterly Report of Haudong Medicine	Please refer to "Huadong Medicine: record of investor relations activities: April 27-28, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
May 11, 2021	Company conference room	Others	Institution, individual	Individual investors and institutional investors	Interpretation of 2020 annual and 2021 First quarter online performance	Please refer to "Huadong Medicine: record of investor relations activities: May 11, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
May 21, 2021	Company conference room	Field research	Institution, individual	China International Capital Corporation Limited., etc.	Activities of investors' reception day of the Company	Please refer to "Huadong Medicine: record of investor relations activities: May 21, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
June 29-July 5, 2021	Company conference room	Field research and communication by phone	Institution	Kaiyuan Securities, Guotai Junan Securities, SWS Research, etc.	Business communication	Please refer to "Huadong Medicine: record of investor relations activities: June 29-July 5, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
August 10. 11.	Company	Communication by	Institution,	Hua	Interpretation	Please refer to

13, 2021	conference room	phone	individual	Chuang Securities, Goldman Sachs, TF Securities, etc.	of Half Year Report performance of Huadong Medicine, communication of overseas investors	"Huadong Medicine: record of investor relations activities: August 10. 11. 13, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
October 27, 2021	Company conference room	Communication by phone	Institution	Huatai Securities, etc.	Interpretation of Third Quarter Report performance of Huadong Medicine	Please refer to "Huadong Medicine: record of investor relations activities: October 27, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
December 23,2021	Swissotel Grand Shanghai	Field research	Institution	Huatai Securities, etc.	Special communication on aesthetic medicine business of the Company	Please refer to "Huadong Medicine: record of investor relations activities: December 23, 2021" presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.

Section IV. Corporate Governance

I. Basic situation of corporate governance

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

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

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

□ Yes √ No

No such case during the reporting period.

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

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

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

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

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

III. Horizontal competition

□ Applicable √ N/A

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

1. Shareholders' meetings in the reporting period

Meeting	Meeting type	Proportion of investors present	Convene date	Disclosure date	Meeting resolution
2020 annual General Meeting	annual General Meeting	59.20%	May 21, 2021	May 21, 2021	*Announcement of Resolutions of 2020 Annual General Meeting* (Announcement No.: 2021-045) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)

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

□ Applicable √ N/A

V. Directors, Supervisors and Senior Managers

1. Brief Information

Name	Title	Tenure status	Gender	Age	Commencement of term of duty	Commencement of term of duty	Shares held at the beginning of the period (shares)	Shares increased during the Period(shares)	Shares decreased during the Period(shares)	Other changes(shares)	Shares held at the end of the Period (shares)	Reasons of changes in shareholding
Lv Liang	Chairman	Incumbent	Male	48	June 06, 2019	June 05, 2022	0	0	0	0	0	/
Li Bangliang	Honorary Chairman	Incumbent	Male	76	June 06, 2019	June 05, 2022	0	0	0	0	0	/
Li Yuedong	Director, General Manager(CEO)	Departing	Male	50	June 06, 2019	August 16, 2021	0	0	0	0	0	/
Niu Zhanqi	Director	Incumbent	Male	55	June 03, 2016	June 05, 2022	0	0	0	0	0	/
Kang Wei	Director	Incumbent	Female	54	December 05, 2016	June 05, 2022	0	0	0	0	0	/
Jin Xuhu	Director	Incumbent	Male	59	June 06, 2019	June 05, 2022	0	0	0	0	0	/
Zhu Liang	Director	Incumbent	Male	45	June 06, 2019	June 05, 2022	0	0	0	0	0	/
Zhong Xiaoming	Independent Director	Incumbent	Male	60	January 6, 2016	June 05, 2022	0	0	0	0	0	/
Yang Lan	Independent Director	Incumbent	Female	53	April 27, 2017	June 05, 2022	0	0	0	0	0	/

Yang Jun	Independent Director	Incumbent	Female	50	June 06, 2019	June 05, 2022	0	0	0	0	0	/
Bai Xinhua	Supervisor	Incumbent	Female	56	January 20, 1998	June 05, 2022	0	0	0	0	0	/
Liu Chengwei	Supervisor	Incumbent	Male	49	January 6, 2016	June 05, 2022	0	0	0	0	0	/
Qin Yun	Supervisor	Incumbent	Female	52	May 19, 2006	June 05, 2022	0	0	0	0	0	/
Hu Baozhen	Supervisor	Incumbent	Female	49	June 06, 2019	June 05, 2022	0	0	0	0	0	/
He Rufen	Supervisor	Incumbent	Female	54	June 06, 2019	June 05, 2022	33,660	0	0	0	33,660	/
Xu Zhifeng	Supervisor	Incumbent	Male	47	June 06, 2019	June 05, 2022	0	0	0	0	0	/
Zhou Shunhua	Deputy General Manager	Incumbent	Male	62	June 30, 2009	June 05, 2022	0	0	0	0	0	/
Wu Hui	Deputy General Manager	Incumbent	Male	53	June 06, 2019	June 05, 2022	0	0	0	0	0	/
Zhu li	Deputy General Manager	Incumbent	Male	47	October 12, 2020	June 5, 2022	30,000	0	0	0	30,000	/
Chen Bo	Board Secretary	Incumbent	Male	50	June 30, 2009	June 05, 2022	0	0	0	0	0	/
Qiu Renbo	Person in Charge of Finance	Incumbent	Male	40	November 28, 2019	June 05, 2022	0	0	0	0	0	/
Total	--	--	--	--	--	--	63,660	0	0	0	63,660	--

Whether directors and supervisors left office or senior management members were dismissed during their terms of office during the reporting period

√ Yes □ No

The Board of Directors of the Company received the written resignation from Mr. Li Yuedong, Director of the 9th Board of Directors and General Manager of the Company, in August 2021. Mr. Li Yuedong applied for resigning from the positions of Director of the 9th Board of Directors and General Manager of the Company due to personal health reasons, and ceased to hold any position in the Company and its subsidiaries after leaving office.

Change of directors, supervisors and senior managers of the Company

√ Applicable □ N/A

Name	Title	Type	Date	Reason
Li Yuedong	Director, General Manager(CEO)	Departing	August 16, 2021	Personal physical reasons

2. Positions and Incumbency

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

(1) Profile of directors

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

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

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

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

Director - Mr. Zhu Liang: born in 1977, holds a bachelor's degree. He has served as Director of the Labor Union of Hangzhou Huadong Medicine Group Co., Ltd., Vice Chairman of the Labor Union of Hangzhou Huadong Medicine Group Co., Ltd., Chairman

of the Labor Union of Hangzhou Huadong Medicine Group Co., Ltd. and Huadong Medicine Co., Ltd.; Supervisor of the Company from April 2017 to June 2019; and Director of the Company since June 2019.

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

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

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

(2) Profile of supervisors

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

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

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

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

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

Employee Supervisor - Mr. Xu Zhifeng: born in 1975, holds a bachelor's degree, economist. Commissioner of the Business Administration Office and Director Assistant of the General Manager Office of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. from August 1997 to July 2011; Manager of the Risk Management and Audit Department of the Company from August 2011 to January 2018; Director of the Risk Management and Audit Department of the Company since February 2018; Employee Supervisor of the Company since June 2019.

(3) Profile of senior managers

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

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

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

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

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

Positions in shareholders' entities

√ Applicable □ N/A

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

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

Position in other entities

√ Applicable □ N/A

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

		Director			

Incumbent and off-office directors, supervisors and senior management personnel during the reporting period that have been imposed administrative penalties by the SCRC during the last three years.

□ Applicable √ N/A

3. Remuneration of directors, supervisors and senior managers

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

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

In 2021, the annual allowance for the independent directors of the Company was 80,000 yuan (before tax), paid in a lump sum at the end of the year. The directors and supervisor appointed by shareholders will receive allowance of 30,000yuan (before tax), paid in a lump sum at the end of the year. Other directors, supervisors and senior managers of the Company will receive benefits in accordance with the Company's current Salary System and Performance Appraisal Schemes.

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

Unit: RMB ten thousand yuan

Name	Title	Gender	Age	Holding of positions	Total pretax remuneration received from the Company	Receive remuneration from related parties of the Company or not
Lv Liang	Chairman of the Board	Male	48	Incumbent	240	No
Li Yuedong	Director, General Manager	Male	50	Departing	126	No
Niu Zhanqi	Director	Male	55	Incumbent	3	Yes
Kang Wei	Director	Female	54	Incumbent	3	Yes
Jin Xuhu	Director	Male	59	Incumbent	3	Yes
Zhu Liang	Director	Male	45	Incumbent	65	No
Zhong Xiaoming	Independent Director	Male	60	Incumbent	8	No
Yang Lan	Independent Director	Female	53	Incumbent	8	No
Yang Jun	Independent Director	Female	50	Incumbent	8	No
Bai Xinhua	Supervisor	Female	56	Incumbent	3	Yes
Qin Yun	Supervisor	Female	52	Incumbent	3	Yes

Liu Chengwei	Supervisor	Male	49	Incumbent	3	Yes
Hu Baozhen	Supervisor	Female	49	Incumbent	3	Yes
He Rufen	Supervisor	Female	54	Incumbent	100	No
Xu Zhifeng	Supervisor	Male	47	Incumbent	65	No
Zhou Shunhua	Deputy General Manager	Male	62	Incumbent	130	No
Wu Hui	Deputy General Manager	Male	53	Incumbent	120	No
Zhu Li	Deputy General Manager	Male	47	Incumbent	120	No
Chen Bo	Secretary of the Board of Directors	Male	50	Incumbent	120	No
Qiu Renbo	Officer in Charge of Financial Affairs	Male	40	Incumbent	120	No
Total	--	--	--	--	1251	--

VI. Performance of duties of directors during the reporting period

1. Board meetings during the reporting period

Sessions	Convene date	Disclosure date	Meeting resolution
The interim session of the 9th Board meeting	January 7, 2021	January 7, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-001) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The interim session of the 9th Board meeting	February 10, 2021	February 17, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-007) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)

The interim session of the 9th Board meeting	February 17, 2021	February 18, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-009) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The interim session of the 9th Board meeting	March 12, 2021	March 15, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-013) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The interim session of the 9th Board meeting	April 19, 2021	April 19, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-019) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 10th session of the 9th Board meeting	April 19, 2021	April 21, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-021) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 11th session of the 9th Board meeting	April 26, 2021	April 28, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-033) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The interim session of the 9th Board meeting	April 29, 2021	April 29, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of*

			Directors (announcement No.: 2021-037) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The interim session of the 9th Board meeting	May 31, 2021	June 1, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-049) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 12th session of the 9th Board meeting	July 14, 2021	July 15, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-057) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 13th session of the 9th Board meeting	August 9, 2021	August 9, 2021	The Half Year Report 2021 of Huadong Medicine Co., Ltd
The 14th session of the 9th Board meeting	October 26, 2021	October 27, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-075) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The interim session of the 9th Board meeting	December 20, 2021	December 20, 2021	*Announcement of the Resolutions of the 9th interim meeting of the Board of Directors* (announcement No.: 2021-086) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)

2. Attendance of directors at Board meetings and general meetings

Attendance of directors at Board meetings and general meetings							
Name of directors	Number of Board meetings to be attended during the reporting period	Number of Board meetings attended on site	Number of Board meetings attended virtually	Number of Board meetings attended by proxy	Times of absent from Board meetings	Whether or not attend Board meetings in person for two consecutive times	Times of attendance of general meeting
Lv Liang	13	13	0	0	0	No	1
Li Yuedong	11	11	0	0	0	No	1
Niu Zhanqi	13	1	12	0	0	No	1
Kang Wei	13	1	12	0	0	No	1
Jin Xuhu	13	1	12	0	0	No	1
Zhu Liang	13	13	0	0	0	No	1
Zhong Xiaoming	13	1	12	0	0	No	1
Yang Lan	13	1	12	0	0	No	1
Yang Jun	13	0	13	0	0	No	1

3. Objections from directors on relevant issues of the Company

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

□ Yes √ No

No such case during the reporting period.

4. Other details about the performance of duties by directors

Whether the directors' suggestions were adopted or not

√ Yes □ No

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

During the reporting period, in strict accordance with the relevant laws and regulations, normative documents, the *Articles of Association*, *Rules of Procedure of the Board of Directors*, and other relevant provisions, all directors of the Company preformed duties and exercise their functions and power earnestly, strictly implemented the resolution of the general meeting of shareholders, and actively carries out all works of the Board of Directors. They also conscientiously reviewed and approved various proposals of the Board of Directors, exercised right to vote according to law, actively participated in corporate governance and decision-making activities, and constantly

standardized corporate governance. With a responsible attitude towards the Company and all shareholders, the independent directors performed their duties and obligations diligently and faithfully, and carefully deliberated various proposals of the Board of Directors. In addition, they expressed objective opinions on relevant matters under deliberation based on independent position, actively promoted the standardized operation of the Board of Directors and improved corporate governance, safeguarding the interests of the Company and all investors. All suggestions above have been adopted by the Company.

VII. Performance of special committees under the Board of Directors during the reporting period

Committee name	Members	Number of meetings	Convene day	Meeting content	Important comments and suggestions	Other performance of duties	Details of objection (if any)
Audit Committee of the 9th Board of Directors	Yang Lan (Chairman of Committee), Zhong Xiaoming, Jin Xuhu	6	March 23, 2021	1. Publish review opinion on *2020 Annual Financial Report of Huadong Medicine (unaudited)*; 2. Review the 2021 work plan of Internal Audit Department.	1. It believes that the Company's 2021 annual financial statements (unaudited) reflect the Company's financial position as at December 31, 2020 and the operating results and cash flows of the year 2020, and agrees to carry out the financial audit of the year 2020 on the basis of the financial statements; 2. Agree to the 2021 annual	No	No

					audit plan.		
			April 19, 2021	1. Review the work report of the Internal Audit Department for the first quarter of 2021; 2. Communicated and discussed with Pan-China Certified Public Accounts about the major issues concerned in the audit of the Company's 2020 annual report, and issued review opinions on the *2020 Annual Financial Report of Huadong Medicine (audited);* 3. Deliberated on the *2020 Corporate Social Responsibility Report*; 4. Reviewed the *Motion on Reappointing Pan-China Certified Public Accounts as the Audit*	1. The Company's internal audit work was carried out in an orderly manner according to the plan, and no major problems were found; 2.No dispute with the contents of the Company's annual financial report and annual audit accountant, that (1) the basis, ground, principle and methods of the preparation of financial statements comply with new *Accounting Standard for Business Enterprises*, *Accounting System for Business Enterprises,* relevant laws and regulations and the company's internal	No	No

				Institution for the Company's 2021 Annual Financial Report and Internal Control Report.	management system; (2) The content and format of the financial statements comply with the relevant provisions of China Securities Regulatory Commission, Shenzhen Stock Exchange and *Accounting Standards for Business Enterprises*, and fairly reflect the Company's financial position as at December 31, 2020, and operating results and cash flow in 2020; 3. Reviewed and approved the *2020 Corporate Social Responsibility Report*; 4. Reviewed and approved the *Motion on Reappointing Pan-China Certified Public*		

					*Accounts as the Audit Institution for the Company's 2021 Annual Financial Report and Internal Control Repor*t.		
			April 26, 2021	Deliberated the Company's *Report for the First Quarter of 2021*.	The Audit Committee carried out its work in strict accordance with the *Company Law*, CSRC regulatory rules, *Articles of Association* and *Rules of Procedure of the Audit Committee*, and approved the proposal with diligence and responsibility.	No	No
			August 9, 2021	1. Deliberated the Company's *2021 Semi-Annual Report*; 2. Review the Second Quarter of 2021 work report of the Internal Audit Department.	1. The Audit Committee carried out its work in strict accordance with the *Company Law*, CSRC regulatory rules, *Articles of Association* and *Rules of Procedure of the Audit Committee*, and approved the	No	No

					proposal with diligence and responsibility; 2. The internal audit was carried out in accordance with the plan and no major problems were found.		
			October 26, 2021	1. Review the Company's *Third Quarter 2021 Report*; 2. Review the work report of Internal Audit Department for the third quarter of 2021.	1. The Audit Committee carried out its work in strict accordance with the *Company Law*, CSRC regulatory rules, *Articles of Association* and *Rules of Procedure of the Audit Committee*, and approved the proposal with diligence and responsibility; 2. The internal audit was carried out in accordance with the plan and no major problems were found.	No	No
			December 9, 2021	1. Communicated and discussed the major issues concerned in	1. Discussed the major issues concerned by accountants and put	No	No

				the pre-audit of the company's annual report; 2. Review the 2022 work plan of the Internal Audit Department.	forward suggestions; 2. Agreed to the annual audit plan for 2022		
Nomination Committee of the 9th Board of Directors	Zhong Xiaoming (Chairman of Committee), Kang Wei, Yang Lan	1	October 26, 2021	Published the review opinions on the *Appointment of Chairman and General Manager*	The Nomination Committee verified and deliberated the matters under review, agree to the nomination of the Chairman and General Manager, and submit the proposal to the Board of Directors for deliberation.	No	No
Remuneration and Approval Committee of the 9th Board of Directors	Yang Jun (Chairman of Committee), Lv Liang, Zhong Xiaoming	1	April 19, 2021	Review the *2021 Annual Compensation Assessment Plan for Senior Executives of the Company*	Remuneration and Approval Committee verified and deliberated the matters under review, and unanimously agreed on the relevant proposals.	No	No

VIII. Performance of duties by the Board of Supervisors

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

□ Yes √ No

No such case during the reporting period.

IX. Employees of the Company

1. Number of employees, profession composition and education level

Number of incumbent employees in the parent company (person)	915
Number of incumbent employees in major subsidiaries (person)	11,512
Total number of incumbent employees (person)	12,427
Total number of employees receiving salaries in the current period (person)	12,389
Number of retired employees requiring the parent Company and its subsidiaries to bear costs (person)	18
Professional structure	
Category	Number (person)
Category	1,207
Production staff	6,608
Sales staff	2,196
Technical staff	219
Financial staff	1,599
Administrative staff	598
Total	12,427
Educational background	
Category	Number (person)
Master's degree or above	845
Bachelor's degree	5,010
Junior college (professional training)	5,663
Other	909
Total	12,427

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

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

2. Staff remuneration policy

Based on strategic development planning and talent strategy, the Company builds a market-oriented differentiating remuneration system, establishes a flexible and diversified incentive

mechanism, and makes its talent teem younger, professional and international. It upgrades and optimizes employee structure, encourages employees to stick to innovation and value creation, and enables employees themselves and as a whole to achieve sustainable development and strategic goals.

3. Training program

In order to meet the requirements of the sustainable development and international strategies of the Company, speed up the talent transformation, further improve the cultivation and development system for various talents, the Company's Learning and Development Department formulated the relevant training program for 2022 following collecting the extensive training demands of the Company's middle and senior management and employees. The Department divided various talent cultivation projects into professional talent training programs and management talent training programs with the guiding concept of "cost control, project refinement, effectiveness-oriented, and resource sharing". At the same time, it will constantly carry out the establishment of training system.

In terms for professional talent training programs, considering that the Company is on the crucial period of strategic transformation and scientific research and innovation, the training of scientific personnel is of great urgency. The Company will place higher requirements on this new kind of training to better meet the demands of business department, and give priority to R&D personnel review and IDP training, as well as R&D project manager training program. As for other mature professional talent training programs, including the business strengthen and leadership improvement programs related to production, quality, marking and other sectors, it will aim at the 2025 development strategic plan, strictly control costs, refine projects, and ensure that the costs and expenses of all programs only reduce, and not increase.

As for management talent training programs, the Company will carry out internal cultivation such as management case study, on-duty development and cultivation, and rotation and assignment, combined with certain advanced management concepts of external industries, so as to guide the officials to innovate their management and concept, and assist in the establishment of reserve teams for middle-and high-level officials. The programs will mainly include enterpriser reserve training program, high potentials training program and management trainee training program.

In the system building, in order to better connect all project resources of various companies, the Company will consider the system building and the implementation of various cultivation programs from the perspective of the entire joint-stock company, continuously improve internal trainer and tutor teams and various courses, make overall planning for the demands of the subsidiaries, and provide branches and subsidiaries with courses and teaching resources to create the sharing culture

and promote the establishment of collectivized and learning-oriented organizations. At the same time, online course resources will be open to all employee platforms of branches and subsidiaries.

4. Labor outsourcing

□ Applicable √ N/A

X. The Company's profit distribution and increase of capital stock by capital reserve conversion

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

□ Applicable √ N/A

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

□ Applicable √ N/A

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

√ Applicable □ N/A

Number of bonus shares every 10 shares (share)	0
Dividends paid every 10 shares (tax included)	2.90
Number of shares added for every 10 shares by capital reserve conversion	0
Capital stock base of the distribution plan (share)	1,749,809,548
Cash dividends (yuan) (tax included)	507,444,768.92
Cash dividends by other means (such as share repurchase) (yuan)	0.00
Total cash dividends (yuan)	507,444,768.92
Distributable profit (yuan)	5,340,988,582.88
Proportion of total cash dividends (including those by other means) in the total profit distributed	100%
Current cash dividends	
If the Company is in a mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the current profit distribution should be at least 80%.	
Details of the profit distribution plan or the plan for capital stock increase by capital reserve conversion	
On the basis of 1,749,809,548 ordinary shares of the total share capital of the Company on December 31, 2021, RMB2.90 (before tax) of cash dividends per ten ordinary shares will be distributed to all shareholders; no bonus share will be issued; and no capital reserve will be converted to increase the capital stock. A Total of RMB507,444,768.92 (before tax) cash bonus will be distributed, and the remaining undistributed profit will be distributed in future years. In case the Company's total share capital changes before the profit distribution scheme is put in place, the proportion of distribution per share will be adjusted with the shares base unchanged.	

The aforesaid profit distribution scheme is subject to the approval at the annual General Meeting.

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

□ Applicable √N/A

There is no equity incentive plan, employee stock ownership plan or other employee incentive measures and the implementation situation during the reporting period.

XII. The establishment and implementation of internal control during the reporting period

1. The establishment and implementation of internal control

In accordance with the *Basic Norms for Enterprise Internal Control*, *Self-Regulatory Guidelines for Listed Companies on the Shenzhen Stock Exchange No.1 - Standardized Operation of Listed Companies on the Main Board*, and other relevant laws, regulations and normative documents, the Company constantly promoted the establishment of internal control, improved internal control institutions, and normalized the implementation of internal control institutions. It strengthened the supervision and inspection of internal control, improve the corporate governance structure, and ensure that the Company's operation and management level was constantly improved. During the reporting period, the Company's internal control system design is sound and reasonable. It maintained effective internal control in all major aspects in accordance with the requirements of internal control standard system and relevant regulations, and there is no major omission. Please refer to the *Self-Evaluation Report on Internal Control* published on http://www.cninfo.com.cn/ on April 28, 2022.

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

□ Yes √ No

XIII. The Company's management control over subsidiaries during the reporting period

In strict accordance with relevant laws and regulations of CSRC and SZSE, and the provisions of the *Articles of Associatio*n, the Company provided guidance on the standardized operation of the subsidiaries in terms of organizational setup, personnel adjustment, internal control and financial system and other aspects, and timely tracked various major issues of the subsidiaries to exercise management control over the subsidiaries.

During the reporting period, the Company exerted effective supervision on its subsidiaries. Huadong Ningbo Medicine Co., Ltd. ("Huadong Ningbo Company"), the Company's controlled

subsidiary, reached the expiration of the operation term (December 31, 2021). After the deliberation and approval by the Board of Directors of the Company, the Company decided not to extend its operation period, and liquidate and cancel it according to the law. In accordance with relevant regulations of the *Company Law of the People's Republic of China* and *Accounting Standard for Business Enterprises*, and confirmed by Pan-China Certified Public Accountants (special general partnership), the Company's audit services and internal control audit services institution, Huadong Ningbo Company will no longer be included in the consolidated financial statements of the Company since December 31, 2021. As at the date of disclosure of the Company's 2021 annual report, Huadong Ningbo Company is still in the liquidation phase under the court. The Company will continue to participate in and cooperate with the subsequent liquidation work of Huadong Ningbo Company.

XIV Self-evaluation report on internal control or Audit report on internal control

1. Self-evaluation report on internal control

Disclosure date of the full text of self-evaluation report on internal control	April 28, 2022	
Disclosure index of the full text of self-evaluation report on internal control	www.cninfo.com.cn	
Proportion of assets evaluated in total assets	95.00%	
Proportion of revenue evaluated in total revenue per consolidated financial statement	90.00%	
Recognition standard of deficiencies		
Category	Category	Category
Qualitative criteria	The Company stipulates that internal control deficiencies involving the following fields shall be identified as at least "important deficiencies": anti-fraud procedure and control; internal control over unconventional or unsystematic transactions; internal control over the selection and application of accounting policies in relation to GAAP; internal control over the end-of-period financial reporting process. The Company stipulates that internal control deficiencies involving the	The Company stipulates that internal control deficiencies involving the following fields shall be considered as "material deficiencies": serious violation of laws and regulations; in addition to policy reasons, the Company has been losing money for years, and its continuous operation has been challenged; lack of system control or systematic failure in important business; M&A and restructuring failure; the operation of newly expanded subordinate units is

	following fields shall be identified as at least "important deficiencies", and has strong indications of "material deficiencies": restatement of previously published financial statements to reflect correction of misstatements resulting from error or fraud; the auditor found material misstatement in the Company's financial statements for the current period that was not initially detected by the Company's internal control over financial reporting. The Audit Committee's failed to supervise the Company's external financial reports and internal control over financial reports; Compliance supervision function is invalid, and the violation of laws and regulations may have a significant impact on the reliability of financial reports; finding any level of malpractice involving senior management; Management failed to correct important defects in a reasonable period of time after reporting to management.	unsustainable; lack of internal control construction and disorderly management in subsidiaries; middle and senior managers have left their posts, or serious staff turnover in key positions; frequent exposure of negative news in the media; internal control evaluation results, especially major or significant deficiencies have not been corrected. The Company stipulates that internal control deficiencies involving the following fields shall be considered as "important deficiencies": there were a few negative news in the major media at provincial level and above; the general defects identified last year have not been rectified and there is no reasonable explanation; middle management or operating personnel are not competent enough.
Quantitative criteria	Potential misstatement of total profit; potential misstatement of total assets	Impact on total assets; significant negative impact
Number of material deficiencies in financial reporting	0	
Number of material deficiencies in non-financial reporting	0	
Number of important deficiencies in financial reporting	0	
Number of important deficiencies in non-financial reporting	0	

2. Audit report on internal control

√ Applicable □ N/A

Comments of Internal Control Audit Report	
On December 31, 2021, Huadong Medicine has maintained effective internal control over financial reporting in all major respects in accordance with the "Basic Norms for Enterprise Internal Control" and relevant regulations.	
Disclosure of internal control audit report	Disclosure

Disclosure date of the full audit report on internal control	April 28, 2022
Disclosure index of the full audit report on internal control	cninfo (www.cninfo.com.cn)
Type of opinions in the internal control audit report	Unmodified unqualified opinions
Whether there are material deficiencies in non-financial reporting	None

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

□ Yes √ No

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

√ Yes □ No

XV.Rectification of Self-Detected Problems through the Special Campaign to Improve Governance of Listed Companies

N/A

Section V. Environment and Social Responsibility

I. Major environmental issues

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 Mogansh an Road	7.65	6-9	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant:: COD	Intermittent discharge	1	Front gate, 866 Mogansh an Road	54.35mg/l	500mg/l	9.003tons	33.3tons/ year	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant: ammonia nitrogen	Intermittent discharge	1	Front gate, 866 Mogansh an Road	0.96mg/l	35mg/l	0.074tons	2.38tons/ year	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Solid pollutant: hazardous solid waste	Legal disposal by entrusted qualified units	/	In the factory at 866 Mogansh an Road	/	/	2243.14tons	/	None
Hangzhou Zhongmei Huadong	Solid pollutant: general	Legal disposal by entrusted	/	In the factory at 866	/	/	1701.6tons	/	None

Pharmaceutical Co., Ltd.	solid waste	qualified units		Mogansh an Road					
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: nitrogen oxide	Organized emission	2	Roof of the boiler room in Building No. 25	22.75 mg/ m^3	60mg/ m^3	1.909tons	17.7tons/ year	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: sulfur dioxide	Organized emission	2	Roof of the boiler room in Building No. 25	3 mg/ m^3	50mg/ m^3	0.245tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: dust and fume	Organized emission	2	Roof of the boiler room in Building No. 25	4.65mg/ m^3	20mg/ m^3	0.34tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: PH value	Intermitten t discharge	1	Along National Highway 310, Liuye River, Huayin City	8.1	6-9	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: COD	Intermitten t discharge	1	Along National Highway 310, Liuye River, Huayin City	11.41mg/l	50mg/l	0.188tons	3tons	None
Huadong Medicine (Xi'an) Bohua Pharmace	Water pollutant: ammonia nitrogen	Intermitten t discharge	1	Along National Highway 310, Liuye	0.23mg/l	8mg/l	0.004tons	0.48tons	None

utical Co., Ltd.				River, Huayin City					
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant: total nitrogen	Intermittent discharge	1	Along National Highway 310, Liuye River, Huayin City	6.04mg/l	15mg/l	0.103tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Solid pollutant: hazardous waste	Compliant disposal by entrusted qualified units	3	In the company	/	/	218.41tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: volatile organic compound	Organized emission	1	Raw medicine No.1 workshop	20.8mg/ m^3	60mg/ m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: hydrogen chloride	Organized emission	1	Raw medicine No.1 workshop	3.55mg/ m^3	30mg/ m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: particulate matter	Organized emission	1	Raw medicine No.1 workshop	1.03mg/ m^3	20mg/ m^3	/	/	None
Huadong Medicine (Xi'an)	Air pollutant: sulfuric	Organized emission	1	Raw medicine No.2	/	45mg/ m^3	/	/	None

Bohua Pharmaceutical Co., Ltd.	acid mist			workshop					
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: hydrogen chloride	Organized emission	1	Raw medicine No.2 workshop	/	30mg/ m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant: particulate matter	Organized emission	1	Raw medicine No.2 workshop	2.8mg/ m^3	20mg/ m^3	/	/	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: PH value	Intermittent discharge	1	Haidubei Road	8.29	6-9	/	/	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: COD	Intermittent discharge	1	Haidubei Road	221mg/l	500mg/l	8.394tons	51.4173tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: ammonia nitrogen	Intermittent discharge	1	Haidubei Road	3.65mg/l	35mg/l	0.139tons	3.6819tons/year	None
Jiangsu Joyang Laboratories Co., Ltd.	Water pollutant: SS	Intermittent discharge	1	Haidubei Road	98mg/l	120mg/l	3.722tons	24.968tons/year	None
Jiangsu Joyang Laboratories Co.,	Solid pollutant: hazardous solid	Legal disposal by entrusted qualified	/	In the factory at Haidubei Road	/	/	1516.985tons	3148.7tons/year	None

Ltd.	waste	units							
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)	2.4mg/m^3	10mg/m^3	0.473tons/year	0.797tons/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	0.029mg/m^3	50mg/m^3	0.0008tons/year	1.074tons/year	None

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant: pH	East factory intermittent emission, west factory continuous emission	2	West side of the south gate of east factory, southeast corner of west factory	8.39	6-9	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant: COD	East factory intermittent emission, west factory continuous emission	2	West side of the south gate of east factory, southeast corner of west factory	235 mg/l	500mg/l	141.455tons	25.897tons	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant: ammonia nitrogen	East factory intermittent emission, west factory continuous emission	2	West side of the south gate of east factory, southeast corner of west factory	7.08 mg/l	35mg/l	12.5tons	2.59tons	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant: total phosphorus	East factory intermittent emission, west factory continuous emission	2	West side of the south gate of east factory, southeast corner of west factory	2.74 mg/l	8mg/l	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: sulfur dioxide	Continuous emission	1	East factory RTO waste gas outlet	/	100mg/m^3	0.38tons	/	The project involved was not in production, no emission
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant: nitrogen oxide	Continuous emission	1	East factory RTO waste gas outlet	/	200mg/m^3	7.545tons	/	The project involved was not in production, no emission
Hangzhou Zhongmei Huadong Pharmaceuti	Air pollutant: non-methane	Continuous emission	6	West factory quality inspection	/	60mg/m^3	5.14tons	0.40404tons	None

cal Co., Ltd.	hydrocarbon			building, east factory quality inspection building, Daptomycin refining building, Acarbose refining building, tank area, RTO waste gas outlet					

Construction and operation of pollution prevention and control facilities

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

(1) Waste water

Name of pollution prevention and control facilities	Treatment process	Processing capacity	Time of operation	Status of operation
Waste water treatment system of the old sewage 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	Time of operation	Status of operation
DA010（35#-1）	Level 2 water spray + surface cooler + activated carbon adsorption and desorption	15000	2017	Normal
DA011（35#-2）	Level 2 water spray	22000	2013	Normal
DA012（40#-2）	Activated carbon + horizontal spray	6000	2019	Dismantled
DA013（32#-1）	Level 2 alkaline water spray	22000	2013	Dismantled
DA014（36#-1)	Level 2 clean water spray + surface cooler + low-temperature plasma + level 1 water spray	27000	2017	Normal
DA015（40#-1）	Level 2 clean water spray	24200	/	Dismantled

DA016（18#-1）	Level 2 alkaline water spray + all-in-one machine（photocatalytic oxidation + plasma + activated carbon）+ inorganic nano catalytic deodorization device + level 1 water spray	16000	2019	Normal
DA017（19#-1）	Burner	/	2018	Dismantled
DA018（19#-2）	Burner	/	2018	Dismantled
DA019（3#-1）	Level 1 water spray + photoxide	20000+52000	2019	Normal
DA020（36#-2）	Level 2 water spray + condensation + photocatalytic oxidation + activated carbon + inorganic nano catalysis + water spray	10000	2019	Normal
DA021（16#-1）	Level 1 water spray + level 1 alkali spray	12000	2012	Shutdown
DA022（16#-2）	Level 1 water spray + level 1 plant oil and water spray	30000	2014	Shutdown
DA023（27#-1）	Condensation + level 1 alkali spray+ all-in-one machine + level 1 alkali spray	15000	2009	Shutdown
DA024（33#-1）	Level 2 alkaline water spray + condensation water tank +common 1evel 1 alkaline water spray	48000	2019	Dismantled
DA025（32#-2）	Bag dust removal + high efficiency filtration	/	2017	Dismantled
DA026（34#-1）	Level 2 alkaline water spray	54000	2008	Dismantled
DA027（7#-1）	Level 2 alkaline water spray	26000	2015	Normal
DA028（6#-1）	Level 1 clean water spray	12200	2016	Normal
DA029（18#-2）	Level 2 alkaline water spray + photocatalytic oxidation + Activated carbon + Level 1 alkaline water spray	16000	2018	Normal
DA030（18#-3）	Level 1 clean water spray + Level 1 alkaline water spray	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	Normal

			December 2019.)	
DA033（1#-1）	Oil fume purifier	/	/	Normal
DA034（27#-2）	Level 2 water spray + activated carbon adsorption and desorption	15000	2011	Shutdown
DA035（27#-3）	Photocatalytic oxidation + Level 1 alkaline water spray	22300	2016	Shutdown
DA036（8#-1）	Level 1 water spray	25000	2017	Normal
DA037（13#-1）	Level 2 water spray +surface cooler+ activated carbon adsorption and desorption	25000	2017	Normal
DA038（28#-1）	Level 1 water spray + photocatalytic oxidation	22000	2011	Shutdown
DA039（28#-2）	Level 2 water spray + common photocatalytic oxidation	48000	2011	Shutdown
DA040（29#-1）	Level 1 water spray + Level 1 alkaline water spray	22000	2011	Shutdown
DA041（33#-2）	Level 1 water spray	18600	2012	Dismantled
DA042（10#-1）	Level 1 clean water spray	20000	2016	Normal
DA043（15#-1）	Level 1 alkaline water spray + photocatalytic oxidation	25000	2018	Normal
DA044（43#-1）	Level 1 alkaline water spray + level 1 water spray	45000	2014	Normal
DA045（46#-1）	Level 1 clean water spray	3000	2015	Normal
DA046（46#-2）	Level 1 clean water spray	25000	2015	Normal
DA047（46#-3）	Level 1 clean water spray	30000	2015	Normal
DA048（23#-1）	Level 2 water spray	7000	2019	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	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. Construction and operation of pollution prevention and control facilities of 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	Level 2 alkaline water 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. Construction and operation of pollution prevention and control facilities of Jiangsu Joyang Laboratories Co., Ltd.:

(1) Waste water

Name of pollution prevention and control facilities	Treatment process	Processing capacity	Time of operation	Status of operation
Waste water treatment system of the sewage station	Air floatation tank + hydrolysis acidification + IC tower + UASB pool + A/O pool + O pool + secondary sedimentation tank	300 tons/day	December 2014	Normal

(2) Waste gas

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

Waste gas treatment unit of the fermentation section of workshop 101	Level 1 water spray + moisture separator + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	2,000	2019	Normal
Waste gas treatment unit of the drying section of workshop 101	Level 1 water spray + moisture separator + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	22,000	2017	Normal
Waste gas treatment unit of the dosing section of workshop 101	Cyclone separator + level 1 water spray + high-altitude discharge via 15m exhaust pipe	5,000	2014	Normal
Waste gas treatment unit of the fermentation section of workshop 104/107/108	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	10,000	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 pretreatment basin and domestic waste yard of workshop 103 and 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	10,000	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	20,000	2019	Normal

	discharge via 25m exhaust pipe			
Waste gas treatment unit of the extraction section of workshop 108	Level 1 water spray + moisture separator + photocatalytic oxidation + level 2 activated carbon adsorption + high-altitude discharge via 25m exhaust pipe	40,000	2019	Normal
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 + photocatalytic +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	October 2020	Standardized storage; legal disposal by entrusted qualified units
Domestic waste yard	Standardized storage	3 tons	March 2015	Chengdong Garbage Disposal Station

4. Construction and operation of pollution prevention and control facilities of Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong 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 unit in east factory	Primary sedimentation + anaerobic EGSB+AO+ advanced treatment	1500tons/day	May 2016	Normal
Waste water treatment unit in west factory	pretreatment+ anaerobic EGSB+AO+ advanced treatment	8500tons/day	November 2019	Normal

(2) Waste gas

Name of pollution prevention and control facilities	Treatment process	Processing capacity CMH	Time of operation	Status of operation
Waste gas system of the dosing section in west factory	Level 1 alkali spray	10000	May 2016	Normal
Other waste gas system of the dosing	Level 1 alkali spray +	20000	May 2016	Normal

section in west factory	photocatalytic oxidation + level 2 alkali spray			
Waste gas system between plate and frame in west factory	Level 1 alkali spray + photocatalytic oxidation + level 2 alkali spray	40000	June 2017	Normal
Waste gas system of east fermentation section in west factory	Level 1 alkali spray + photocatalytic oxidation + level 2 alkali spray	45000	May 2016	Normal
Waste gas system of west fermentation section in west factory	Level 1 alkali spray + photocatalytic oxidation + level 2 alkali spray	40000	May 2016	Normal
Waste gas system of south refining section in west factory	Level 2 alkali spray	80000	May 2016	Normal
Waste gas system of north refining section in west factory	Level 2 alkali spray	80000	May 2016	Normal
Waste gas system of 7m interlayer in west factory	Level 1 alkali spray	20000	May 2016	Normal
Waste gas system of 18m interlayer in west factory	Level 1 alkali spray	20000	May 2016	Normal
Waste gas system of cooling bin in west factory	Level 1 alkali spray + level 2 alkali spray	40000	June 2017	Normal
Waste gas system of quality inspection building in west factory	Photocatalytic oxidation + level 1 alkali spray	20000	May 2016	Normal
Waste gas system of sewage station 1# in west factory	Level 1 alkali spray + photocatalytic oxidation + level 2 alkali spray	30000	May 2016	Normal
Waste gas system of sewage station 2# in west factory	Level 2 alkali spray	20000	June 2017	Normal
Waste gas treatment system of north AK fermentation in east factory	Level 1 alkali spray + photocatalytic oxidation + level 2 water spray	90000	September 2020	Suspend
Waste gas treatment system of south AK fermentation in east factory	Level 1 alkali spray + photocatalytic oxidation + level 2 water spray	90000	September 2020	Suspend
Waste gas treatment system of super anti fermentation in east factory	Level 1 alkali spray + photocatalytic oxidation +level 2 water spray	20000	March 2021	Suspend
Waste gas treatment system of central control laboratory in east factory	Level 1 alkali spray + photocatalytic oxidation + level 2 water spray	8000	October 2020	Suspend
Waste gas treatment system of quality inspection building in east factory	Level 1 alkali spray + photocatalytic oxidation + level 2	30000	August 2020	Normal

	water spray			
Waste gas treatment system of AK refined hydrochloric acid in east factory	Level 1 alkali spray + level 2 water spray	10000	November 2020	Suspend
Waste gas treatment system of AK refined ethyl alcohol in east factory	Level 1 alkali spray + level 2 water spray	1000	November 2020	Suspend
Waste gas treatment system of X8 precipitation filtration in east factory	Level 1 alkali spray + level 2 water spray	6000	March 2021	Suspend
Waste gas treatment system of YT ethanol in east factory	Level 1 alkali spray + level 2 water spray	4000	June 2021	Suspend
Waste gas treatment system of MP space ventilation in east factory	Photocatalytic oxidation	44000	May 2021	Suspend
Waste gas treatment system of tank area in east factory	Active carbon+ alkali spray	A small amount	February 2021	Normal
Waste gas treatment system of preparation 1 department in east factory	Condensation + level 2 water spray	20000	December 2021	Normal
Waste gas treatment system of sewage station in east factory	Level 1 alkali spray + level 2 water spray	36800	March 2021	Normal
Waste gas treatment system of RTO in east factory	Water spray +RTO+ alkali spray	100000	/	Suspend

(3) Solid waste

Name of pollution prevention and control facilities	**Treatment process**	**Processing capacity**	**Time of operation**	**Status of operation**
General solid waste yard in west factory	Standardized storage	10tons	October 2016	Standardized storage; legal disposal by entrusted qualified units
	Standardized storage	15tons	May 2016	Standardized storage; legal disposal by entrusted qualified units
General solid waste yard in east factory	Standardized storage	80tons	Not Running yet	Standardized storage; legal disposal by entrusted qualified units
	Standardized storage	20tons	May 2021	Standardized storage; legal disposal by entrusted qualified units
Hazardous waste warehouse in west factory	Standardized storage	10tons	May 2016	Standardized storage; legal disposal by entrusted qualified units
Hazardous waste warehouse in east factory	Standardized storage	120tons	June 2021	Standardized storage; legal disposal by entrusted qualified units

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

All construction projects of the above four subsidiaries of the Company have be declared, constructed and accepted in strict accordance with the requirements of "three simultaneous" for environmental protection, have passed environmental impact assessment, and met the requirements of environmental impact assessment for construction projects. The Company has obtained the pollutant discharge permit and the discharge permit of urban sewage into the drainage pipe network according to the environmental protection requirements. Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. complete the filling of technical transformation project of Life Science Industrial Park (Hedong Block) on July 14, 2021 (HZMEE Gongshu Branch filling (2021) No.2). Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. received the approval by Weinan MEE about the environmental impact report of Olaparib pilot test site renovation project on November 10, 2021 (Weinan MEE approval (2021) No.66).

Emergency plan for environmental emergencies

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

The company has comprehensively established the emergency plan for environmental emergencies, standardized the emergency treatment of environmental emergencies, minimized the harm to human health and environment caused by the leakage of environmental risk substances to air, water or soil due to fire, explosion, leakage or other unexpected emergencies, and continuously improved the emergency response capacity of the company for environmental pollution emergencies. The above four subsidiaries of the Company have compiled and established the mechanism of "Emergency Plan for Environmental Emergencies", revised and improved it regularly according to the requirements. Jiangsu Jiuyang Biopharm Co., Ltd. organized a comprehensive environmental emergency plan drill in July 2021.

Environmental self-monitoring scheme

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

Administrative punishment caused by environmental problems during the reporting period

Company/subsidiary name	Reasons	Violation description	Punishment	Impact on the production and operation of the listed Company	Rectification measures
Jiangsu Joyang Laboratories Co., Ltd	Discharged industrial waste water that did not meet the process requirements to the centralized sewage treatment facilities	The ammonia nitrogen concentration of discharge wastewater from outlet header did not meet the treatment process requirements of Sheyang Sewage Treatment Co., Ltd.	A fine of RMB100,000	No major impact	Stopped discharging sewage immediately and returned unqualified sewage to the front channel for retreatment; sewage was sampled and tested by the environmental protection department after reaching the standard; sewage was then discharged

					according to regulations after passed the test.
Jiangsu Joyang Laboratories Co., Ltd	Discharged of water pollutants in a way that evaded regulation	Rainwater and sewage diversion measures did not well implemented, and part of the surface flushing water and process cooling water are discharged into the rainwater pipe network without treatment	A fine of RMB320,000	No major impact	Carried out self-examination and self-rectification, and initiated renovation project of rainwater and sewage diversion according to the requirements of environmental regulators.

Other environmental information that should be made public

None

Carbon emissions reduction measures and effects during the reporting period

√ Applicable □ N/A

In 2021, Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd. a wholly-owned subsidiary of the Company, constantly improved the efficiency of energy supply and consumption system through lean project management, and reduced power consumption by more than 6.5 million kWh, steam by more than 3,500 GJ, tap water consumption by about 130,000 tons, and carbon dioxide emissions by more than 6,700 tons.

In 2021, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, carried out lean project management, and reduced boiler natural gas consumption by using boiler flue gas to heat boiler water supply, saving about 500,000 cubic meters of natural gas in the year. It also conducted the upgrade of sewage tank temperature automatic control, which can save 1474 tons of steam annually. It conducted energy saving transformation of air pretreatment device in fermentation workshop, which can reduce the consumption of chilled water and steam and reduce air loss annually.

In 2021, Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd., a subsidiary of the Company, implemented flow restriction measures of cooling water in preparation workshops, which can save 1,000 tons of tap water annually. It recycled purified water secondary concentrated water, which can save 500 tons of tap water annually. It added sprinklers to save steam and water, which can save 100 tons of steam and 500 tons of water annually. It inspected and repaired steam traps for steam equipment in preparation workshop, saving 100 tons of steam.

Other information related to environmental protection

None

II. Social responsibilities

In 2021, the Company's innovation-driven transformation came to a crucial moment. It faced challenges directly, and strived forward despite difficulties, thus gaining remarkable fruits. All members in Huadong Medicine innovated business management ideas, empowered the Company with wisdom and hard work, and spared no efforts to ensure the stable improvement of the Company.

In the process of strategic transformation, the company strictly performed its social responsibility as a corporate citizen and paid attention to the demands of stakeholders such as shareholders, employees, customers, suppliers and communities. It undertook the social responsibility of environmental protection, energy conservation and emission reduction, promoted the efficient and stable operation of EHS system, actively engaged in public welfare, and gave back to society with practical actions.

The Company's fulfillment of social responsibility in 2021 can be found in the *2021 Social Responsibility Report of Huadong Medicine.*

III. Performance of consolidating and expanding the achievement of poverty alleviation, and supporting rural revitalization

Actively responding to local government's activities of "uniting townships and connecting villages", the Company paired up with Linqi Town, located in Chun'an County, Hangzhou city, Zhejiang, and supported and promoted its economic and social development through targeted actions. From 2017 to 2021, the Company donated a total of RMB1.5 million to this poverty alleviation project.

Section VI. Important Matters

I. Fulfillment of commitments

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

□ Applicable √ N/A

The Company does not have commitments made by interested parties such as the Company's de facto controller, shareholders, related

parties, acquirer(s), and the Company that are fulfilled during the reporting period or unfulfilled by the end of the reporting period.

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

□ Applicable √ N/A

II. Controlling shareholders' 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. Explanation by the Board of Directors on the latest "modified auditor report"

□ Applicable √ N/A

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

□ Applicable √ N/A

VI. Explanation of changes in accounting policies and estimation, or the correction of significant accounting errors as compared with the previous financial report

□ Applicable √ N/A

The Company does not have changes in accounting policies and estimation, or the correction of significant accounting errors during the reporting period.

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

√ Applicable □ N/A

Refer to "VIII. Changes in the scope of consolidated statements" in "Section X. Financial Report" of this report for details.

VIII. Employment and dismissal of accounting firms

Accounting firm employed by the Company for now

Name of the domestic accounting firm	Pan-China Certified Public Accountants (special general partnership)
Continuous number of years of audit services provided by the domestic accounting firm	165
Remuneration of the domestic accounting firm (ten thousand yuan)	24
Certified public accountants of the domestic accounting firm	Wang Fukang, Du Jinyu
Continuous number of years of audit services provided by certified public accountants of the domestic accounting firm	5
Name of the overseas accounting firm (if any)	None
Remuneration of the overseas accounting firm (ten thousand yuan) (if any)	0
Continuous number of years of audit services provided by the overseas accounting firm (if any)	None
Certified public accountants of the overseas accounting firm (if any)	None
Continuous number of years of audit services provided by certified public accountants of the overseas accounting firm (if any)	None

Whether the accounting firm employed was replaced in the current period

□ Yes √ No

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

√ Applicable □ N/A

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

IX. Delisting after annual report disclosure

□ Applicable √ N/A

X. Bankruptcy reorganization

□ Applicable √ N/A

The Company does not have related matters of bankruptcy reorganization during the reporting period.

XI. Major litigation and arbitration

√ Applicable □ N/A

Litigation (arbitration) general information	Amount involved (in ten thousand yuan)	Whether an estimated liability is formed	Litigation (arbitration) progress	Litigation (arbitration) adjudication result and impact	Execution of litigation (arbitration) judgments	Disclosure date	Disclosure index
Case of individual Shareholders of Huadong Ningbo Medicine Co., Ltd. requesting dissolution of the company: In August 2021, a total of 20 individual shareholders of Huadong Ningbo Company filed a lawsuit against Huadong Ningbo Company as the defendant and Huadong Medicine as the third party to the People's Court of Beilun District of Ningbo city for requesting the dissolution of the company. The case was accepted by the court.	0	No	On November 16, 2021, the People's Court of Beilun District of Ningbo made a first-instance judgment on this case (2021) Zhe 0206 Minchu No.5792.	The first-instance judgment rejected the plaintiff's claim, and the costs of this case shall be borne by the plaintiff. The plaintiff appealed against the first verdict, and the second trial has yet to be held.	Has not yet executed	August 24, 2021	*Announcement of civil complaint received by the Company and its controlled subsidiaries*(Announcement No: 2021-065) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
Summary of matters that do not meet the disclosure standards for major litigation (arbitration) (within China）	2,557.55	No	Some cases are under filling, some are under trials and some have come into force	The summary of the litigation matters has no significant impact on the Company	Some of the judgment have come into force and are being executed; some have been adjudicated but have not yet come into force; some are not	Do not meet the disclosure standards for major litigation	/

					adjudicated; some are in progress		
Summary of matters that do not meet the disclosure standards for major litigation (arbitration) (overseas）	117.6	No	Under trials	The summary of the litigation matters has no significant impact on the Company	Under trials and are not adjudicated	Do not meet the disclosure standards for major litigation	/

XII. Punishment and rectification

□ Applicable √ N/A

No such case during the reporting period.

XIII. Integrity of the Company and its controlling shareholder and de facto controller

√ Applicable □ N/A

There is no case of the Company, its controlling shareholders and de facto controller failed to comply with the effective judgement of the court, or failed to repay the due debts of a large amount during the reporting period.

XIV. 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	Drug purchase	Drug purchase	Market price determined by the	Market price	6,273.24	0.26%	7,500	No	Cash, banker's acce	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

	controlling shareholder			Company's related transaction decision-making process						ptance bill			
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	6,214.95	0.26%	4,500	Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	4,559.61	0.19%	6,500	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Beijing Grand Johamu Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholde	Drug purchase	Drug purchase	Market price determined by the Company's related transact	Market price	1,524.71	0.06%	4,000	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

	r			ion decision -making process								
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	2,426.57	0.10%	2,000	Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Hangzhou Grand Biologic Pharmaceutical Inc	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	1,364.05	0.06%	2,000	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	2,259.25	0.09%	3,000	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	2,046.66	0.09%	2,000	Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
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	419.15	0.02%	500	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Shenyang Yaoda Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	436.27	0.02%	700	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Guangdong Leiyunshang	Subsidiary of the Comp	Drug purchase	Drug purchase	Market price determined by	Market price	356.76	0.01%	350	Yes	Cash, banker's	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

Pharmaceutical Co., Ltd.	any's controlling shareholder			the Company's related transaction decision-making process						acceptance bill			
Xi'an Yuandanew Beilin Pharmaceutical Co., Ltd	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	215.05	0.01%	300	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Changshu 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	160.36	0.01%	200	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Changchun Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling share	Drug purchase	Drug purchase	Market price determined by the Company's related	Market price	154.61	0.01%	150	Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

	holder			transaction decision-making process								
Beijing Huajin Pharmaceutical Co., Ltd	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	30.88	0.00%	100	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Hangzhou Huadong Medicine Group Guizhou TCM Development Co., Ltd.	Subsidiary of the Company's second largest shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	24.82	0.00%	150	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
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	Market price	8.97	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

				process									
Grandpharma Huangshi Feiyun 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	12.04	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Anhui Leiyun Shangpharmaceutical 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	77.75	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Grand Life Science (Wuhan) 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	205.05	0.01%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Grand Biopharmaceu	Subsidiary of the	Drug purchase	Drug purchase	Market price determi	Market price	190.38	0.01%		Yes	Cash, bank	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

tical (Chongqing) Co., Ltd.	Company's controlling shareholder			ned by the Company's related transaction decision-making process					er's acceptance bill			
Peg-Bio Biopharm Co., Ltd. (Chongqing)	Joint venture of the Company	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	1.77	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Hangzhou Junlan Pharmaceutical Trading Co. Ltd.	Shareholding enterprise	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	9,638.39	0.28%	14,000	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Leiyunshang Pharmaceutical Group Co. Ltd.	Subsidiary of the Company's controlling	Drug sales	Drug sales	Market price determined by the Company's	Market price	267.06	0.01%	450	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

	shareholder			related transaction decision-making process								
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	207.14	0.01%	400	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	188.97	0.01%	250	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Changchun Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision	Market price	39.34	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

				-making process									
Changshu Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	8.58	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	1,152	0.03%	600	Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Hangzhou Tangyangyuan 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	257.9	0.01%	1,200	No	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Hangzhou	Subsidiary	Drug sales	Drug sales	Market price	Market	87.31	0.00%	150	No	Cash,	Market	April 21,	cninfo (http://www.c

Grand Biologic Pharmaceutical Inc.	of the Company's controlling shareholder			determined by the Company's related transaction decision-making process	price					banker's acceptance bill	price	2021	ninfo.com.cn)
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 decision-making process	Market price	8.27	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Hangzhou Tangyangyuan TCM Outpatient Department Co., Ltd.	Subsidiary of the Company's joint venture Hangzhou Tangyangyuan Pharmaceutical Co., Ltd.	Drug sales	Drug sales	Market price determined by the Company's related transaction decision-making process	Market price	749.61	0.02%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Grand	Subsi	Drug	Drug	Market	Mark	1.44	0.00		Yes	Cash	Mark	Apri	cninfo

Holding Co., Ltd.	diary of the Company's controlling shareholder	sales	sales	price determined by the Company's related transaction decision-making process	et price		%			, banker's acceptance bill	et price	l 21, 2021	(http://www.cninfo.com.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	House rental	House rental	Market price determined by the Company's related transaction decision-making process	Market price	6.42	0.00%	5	Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
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	133.93	0.01%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Hangzhou Huadong Medici	Joint venture of the Comp	House leasing	House leasing	Market price determined by the	Market price	10.86	0.00%	25	No	Cash, banker's acce	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

ne Group Co., Ltd.	any			Company's related transaction decision-making process						ptance bill			
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	House leasing	House leasing	Market price determined by the Company's related transaction decision-making process	Market price	198.17	0.01%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Agent service fee	Agent service fee	Market price determined by the Company's related transaction decision-making process	Market price	1,655.01	0.07%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Peg-Bio Biopharm Co., Ltd. (Chongqing)	Joint venture of the Company	Preparation filling Service	Preparation filling Service	Market price determined by the Company's related transact	Market price	170.75	0.01%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)

				ion decision -making process									
Hangzhou Grand Biologic Pharmaceutical Inc.	Subsidiary of the Company's controlling shareholder	processing charge	processing charge	Market price determined by the Company's related transaction decision -making process	Market price	60.08	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
Beijing Yuanda Chuangxin Property Management Co., Ltd.	Subsidiary of the Company's controlling shareholder	Property management fee	Property management fee	Market price determined by the Company's related transaction decision -making process	Market price	19.28	0.00%		Yes	Cash, banker's acceptance bill	Market price	April 21, 2021	cninfo (http://www.cninfo.com.cn)
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	cninfo (http://www.cninfo.com.cn)

Total	--	--	44,311.43	--	44,379	--	--	--	--	--
Details of bulk sales returns	N/A									
Actual performance during the reporting period where the total amount of daily related transactions is estimated by category for the current period (if any)	N/A									
Reasons for the large difference between the transaction price and the market reference price (if applicable)	N/A									

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

□ Applicable √N/A

No such case during the reporting period.

3. Related transactions of joint external investment

√ Applicable □ N/A

Joint investors	Related relations	Name of investee	Main business of investee	Registered capital of investee	Total assets of investee (unit: RMB10,000)	Net assets of investee (unit: RMB10,000)	Net profits of investee (unit: RMB10,000)
Shanghai Yuanda Investment Management Co., Ltd., Fuguang Chengdu Equity Investment Management Co., Ltd., Hangzhou High-Tech Venture Capital	Yuanda Investment Management and Fuguang Chengdu are subsidiaries of Beijing Yuanda Huachuang Investment Co., Ltd., the controlling shareholder of China Grand	Hangzhou Fuguang Hongxin Equity Investment Partnership (L.P.)	General projects: Equity investment; venture capital investment (investment in unlisted companies only)	200 million yuan	7,754.14	7,754.14	-245.86

Management Co., Ltd., and Hangzhou Heda Industrial Fund Investment Co., Ltd.	Enterprises, Inc. (the controlling shareholder of the Company). According to the provisions of *Rules Governing the Listing of Shares on Shenzhen Stock Exchange* and other relevant laws and regulations, Yuanda Investment Management, Fuguang Chengdu and the Company constitute related 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	Nuoling Biomedical Technology (Beijing) Co., Ltd.	Retail pharmaceuticals; biological and pharmaceutical technology development, technology transfer, technical consultation and technical services; sales of biological reagents (excluding drugs),	5.197356 million yuan	8,170.99	7,845.81	-1,582.21

	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 provisions of *Rules Governing the Listing of Shares on Shenzhen Stock Exchange* and other relevant laws and regulations.		instruments and meters, type I medical equipment; conference services; exhibitions and shows; import and export of goods and technology.				
Progress of major ongoing projects (if any) of the investee		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&D and innovation projects, and quickly enrich the Company's core product pipelines, the Company signed the *Partnership Agreement of Hangzhou Fuguang Hongxin Equity Investment Partnership (L.P.)* 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 *Announcement on Participation in Investment in the Establishment of Pharmaceutical Industry Investment Fund and Related Party Transactions* issued by the Company on January 7, 2021. 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 *Announcement on the Progress of Participation in Investment in the Establishment of Pharmaceutical Industry Investment Fund* issued by the Company on April 6, 2021. 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 *Announcement on Joint External Investment and Related Party Transactions with the Pharmaceutical Industry Investment Fund* issued by the Company on April 19, 2021. 4. In August 2021, Nuoling Bio carried out a new round of capital increase. After this action, Zhongmei Huadong holds 4.2918% equity of Nuoling Bio, and Fuguang Hongxin holds 5.7225%.

4. Associated claim and debt transactions

□ Applicable √N/A

No such case during the reporting period.

5. Transactions with financial companies who are related parties of the Company

□ Applicable √N/A

No deposit, loan, credit or other financial business between the Company and the related financial companies

6. Transactions between the financial companies controlled by the Company and the related parties

□ Applicable √N/A

No deposit, loan, credit or other financial business between the financial companies controlled by the Company and the related parties.

7. Other major related transactions

□ Applicable √N/A

No such case during the reporting period.

XV. 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 (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		/		Total actual balance of external		/				

end of the reporting period (A3)			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-guaranty (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 28, 2020	80,000	May 22, 2020	58	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 28, 2020	80,000	June 9, 2020	708	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 28, 2020	80,000	October 13, 2020	14	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 28, 2020	80,000	April 9, 2021	974	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 21, 2021	80,000	June 25, 2021	25,488	Joint liability guarantee			One year	No	No
Hangzhou	April 21,	80,000	Novembe	10,000	Joint			One year	No	No

Zhongmei Huadong Pharmaceutical Co., Ltd.	2021		r 30, 2021		liability guarantee					
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 21, 2021	80,000	December 10, 2021	72	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	June 2, 2021	9,564	June 1, 2021	9,564	Joint liability guarantee				No	No
Huadong Ningbo Medicine Co., Ltd.	April 21, 2021	50,000						One year		
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	April 21, 2021	5,000						One year		
Huadong Medicine Ningbo Sales Co., Ltd.	April 21, 2021	15,000	Novembe r 26, 2021	3,800	Joint liability guarantee			One year	No	No
Huadong Medicine Huzhou Co., Ltd.										
Huadong Medicine Shaoxing Co., Ltd.	April 21, 2021	18,000	Novembe r 26, 2021	4,988	Joint liability guarantee			One year	No	No

Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	April 21, 2021	6,000						One year		
Huadong Medicine Supply Chain Management (JinHua) Co., Ltd.	April 19, 2019	20,000						Ten years		
Huadong Medicine (Hangzhou) Biological Products Co., Ltd.	April 21, 2021	3,200						One year		
Jiangsu Jiuyang Biopharm Co., Ltd.	April 21, 2021	7,000						One year		
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000	December 20, 2021	990	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000	December 16, 2021	990	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000	December 15, 2021	990	Joint liability guara			One year	No	No

					ntee					
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000	December 14, 2021	990	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000	October 21, 2021	1,980	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000	November 23, 2021	990	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000	November 22, 2021	990	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000	September 15, 2021	2,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 21, 2021	24,000	September 9, 2021	2,000	Joint liability guarantee			One year	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 Daishan Co., Ltd.	April 21, 2021	5,500	November 29, 2021	370	Joint liability guarantee			One year	No	No

Huadong Medicine Cunde (Zhoushan) Co., Ltd.	April 21, 2021	12,000	November 26, 2021	1,900	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	April 21, 2021	70,000	July 27, 2021	1,874	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 Jinhua Co., Ltd.	April 21, 2021	12,000	November 26, 2021	1,140	Joint liability guarantee			One year	No	No
Huadong Pharmaceutical Investment Holding (Hong Kong) Limited	July 16, 2021	60,569						Three years		
Sinclair Pharma Limited	November 23, 2018	40,000	May 21, 2020	10,328	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	November 23, 2018	40,000	July 30, 2020	2,582	Joint liability			Three years	No	No

					guarantee					
Sinclair Pharma Limited	November 23, 2018	40,000	November 16, 2020	1,721	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	November 23, 2018	40,000	February 4, 2021	2,582	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,910	March 30, 2021	2,582	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,910	April 19, 2021	3,443	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,910	May 26, 2021	3,443	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,910	August 11, 2021	1,721	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,910	September 14, 2021	1,721	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	March 16, 2021	21,516	March 5, 2021	18,049	Joint liability guarantee			Three years	No	No

Sinclair Pharma Limited	March 16, 2021	14,439	April 8, 2021	14,439	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	March 16, 2021	14,439	March 17, 2021	14,439	Joint liability guarantee			Until December 31, 2024	No	No
Sinclair Pharma Limited	July 16, 2021	35,066			Joint liability guarantee			Three years		
Total guarantee cap for subsidiaries approved during the reporting period (B1)			502,294	Total actual guarantee amount for subsidiaries during the reporting period (B2)						142,809
Total approved guarantee cap for subsidiaries at the end of the reporting period (B3)			706,842	Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)						158,220
Subsidiaries guarantee 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 (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	April 21, 2021	20,000	September 15, 2021	4,015	Joint liability guarantee			One year	No	No
Total guarantee cap for subsidiaries approved during the reporting period (C1)			20,000	Total guarantee cap for subsidiaries approved during the reporting period (C1)						4,015

Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)	20,000	Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)	4,015
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)	522,294	Total actual guarantee amount during the reporting period (A2+B2+C2)	146,824
Total approved guarantee cap at the end of the reporting period (A3+B3+C3)	726,842	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	162,235
Proportion of the actual guarantee amount (i.e. A4+B4+C4) in the Company's net assets		9.79%	
Including:			
Balance of guarantees for shareholders, de facto 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)		26,290	
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)		26,290	
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 management of cash assets

(1) Entrusted finances

□ Applicable √ N/A

No such case during the reporting period.

(2) Entrusted loans

□ Applicable √ N/A

No such case during the reporting period.

4. Other significant contracts

□ Applicable √ N/A

No such case during the reporting period.

XVI. Other major events

□ Applicable √ N/A

No such case during the reporting period.

XVII. 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		Number of shares	Proportion	New shares		Number of shares
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	0.00%
III. Total number of shares	1,749,8	100.00	0	0	0	0	0	1,749,8	100.00%

	09,548	%						09,548	

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

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

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

□ Applicable √ N/A

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

□ Applicable √ N/A

3. Existent shares held by internal staff of the Company

□ Applicable √ N/A

III. Particulars about shareholders and the de facto controller

1. Total number of shareholders and their shareholdings

Unit: share

Total number of common shareholders at the end of the reporting period	155,939	Total number of common shareholders at the end of the previous month before the disclosure of the annual report	131,993	Total number of preference shareholders with restoration of the voting rights at the end of the reporting period (if any) (see Note 8)	0	Total number of preference shareholders with restoration of the voting rights at the end of the previous month before the disclosure of the annual report (if any) (see Note 8)	0

Particulars about shareholders with a shareholding ratio over 5% or the Top 10 shareholders

Name of shareholder	Nature of shareholder	Share-holding ratio	Total shares held at the end of the reporting period	Changes in the reporting period	The number of common shares held with trading restrictions restricted shares held	The number of shares held without trading restriction	Pledged or frozen	
							Status	Status
China Grand Enterprises, Inc.	Domestic non-state-owned corporation	41.77%	730,938,157	0	0	730,938,157	Pledged	238,450,000
Hangzhou Huadong Medicine Group Co., Ltd.	State-owned corporation	16.46%	288,000,000	9,380,000	0	288,000,000		
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	1.86%	32,460,513	-5,839,102	0	32,460,513		
China Securities Finance Co.,	Domestic non-state-owned corporation	1.27%	22,186,818	0	0	22,186,818		

China Construction Bank Co., Ltd. - ICBC Credit Suisse Frontier Medical Equity Fund	Others	0.57%	10,000,050	10,000,050	0	10,000,050		
National Social Security Fund Portfolio 503	Others	0.46%	7,999,959	1,000,186	0	7,999,959		
China Merchants Bank Co., Ltd. – Xingquan Heyuan Two-Year Mixed Fund	Others	0.33%	5,833,335	5,833,335	0	5,833,335		
Taikang Life Insurance Co., Ltd. - Equity Linked - Industry allocation	Others	0.31%	5,409,029	5,409,029	0	5,409,029		
Liu Li	domestic natural persons	0.30%	5,310,000	5,310,000	0	5,310,000		
Basic Endowment Insurance Fund Portfolio 15041	Others	0.27%	4,682,950	-2,940,618	0	4,682,950		

Strategic investors or general corporations become the top 10 shareholders due to the placement of new shares (if any) (see Note 3)	None
Explanation on associated relationships or concerted actions among the above-mentioned shareholders	The Company does not know whether the above-mentioned shareholders are related parties or whether they are acting-in-concert parties with one another.
Description about above-mentioned shareholders' entrusting/being entrusted with and waiving voting rights t	None
Explanation of special account for repurchase among the top 10 shareholders (if any) (see Note 10)	None
Shareholding of the top 10 shareholders without trading restriction conditions	

Name of shareholder	Number of the trading unrestricted stocks held at the end of the Report Period	Type of stocks	
		Type of stocks	Qty
China Grand Enterprises, Inc.	730,938,157	RMB ordinary stocks	730,938,157
Hangzhou Huadong Medicine Group Co., Ltd.	288,000,000	RMB ordinary stocks	288,000,000
Hong Kong Securities Clearing Company Ltd.	32,460,513	RMB ordinary stocks	32,460,513
China Securities Finance Co.,	22,186,818	RMB ordinary stocks	22,186,818
China Construction Bank Co., Ltd. - ICBC Credit Suisse Frontier Medical Equity Fund	10,000,050	RMB ordinary stocks	10,000,050
National Social Security Fund Portfolio 503	7,999,959	RMB ordinary stocks	7,999,959
China Merchants Bank Co., Ltd. – Xingquan Heyuan Two-Year Mixed Fund	5,833,335	RMB ordinary stocks	5,833,335
Taikang Life Insurance Co., Ltd. - Equity Linked - Industry allocation	5,409,029	RMB ordinary stocks	5,409,029
Liu Li	5,310,000	RMB ordinary stocks	5,310,000
Basic Endowment Insurance Fund Portfolio 15041	4,682,950	RMB ordinary stocks	4,682,950
Description for affiliated relationship or concerted action among the top 10 shareholders holding tradable stocks without trading restriction conditions and between the top 10 shareholders holding tradable stocks without trading restriction conditions and	The Company does not know whether the above-mentioned shareholders are related parties or whether they are acting-in-concert parties with one another.		
Description of the participation in margin trading business of the top 10 common shareholders (if any) (see Note 4)	At the end of the reporting period, Liu Li, the 9th shareholder among the top 10 ordinary shareholders of the Company, held		

	5,310,000 shares of the company through margin account.

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

□ Yes √ No

No such case during the reporting period.

2. Particulars about controlling shareholder of the Company

Nature of controlling shareholder: Natural individual holding

Type of controlling shareholder: Corporation

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

Change of the controlling shareholder during the reporting period

□ Applicable √ N/A

No such case during the reporting period.

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

Nature of de facto controller: Domestic natural individual holding

Type of de facto controller: Natural individual

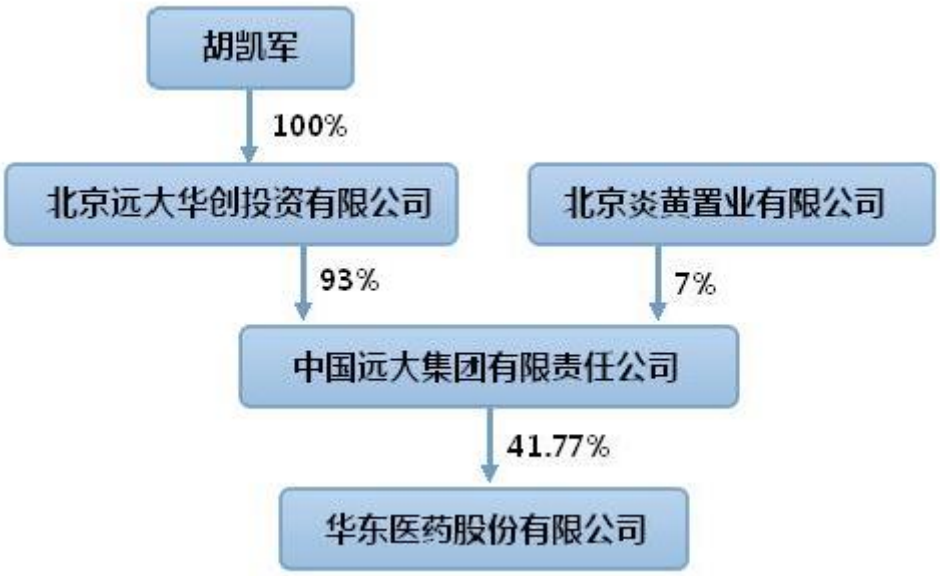
Name of de facto controller	Relationship with the de facto controller	Nationality	Whether the de facto controller has obtained the right of abode in another country or region
Hu Kaijun	Hu Kaijun	China	No
Main occupation and position	Chairman of the Board and General Manager of China Grand Enterprises, Inc.; Chairman of the Board and General Manager of Beijing Yuanda Huachuang Investment Co., Ltd.		
Share held by the de facto controlling shareholder in domestic or overseas listed companies in the past the years	The three listed companies controlled by de facto controller are Huadong Medicine Co., Ltd., Grand Industrial Holding Co., Ltd., and China Grand Pharmaceutical and Grand Pharmaceutical Group Limited.		

Change of the de facto controller during the reporting period

□ Applicable √ N/A

No such case during the reporting period.

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



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

□ Applicable √ N/A

4. The amount of shares pledged by the Company's controlling shareholder or the largest shareholder and its parties acting in concert accounts for 80% of the total shares of the Company held by them

□ Applicable √ N/A

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

√ Applicable □ N/A

Name of corporate shareholders	Legal representative/person in charge	Date of establishment	Registered capital	Main business or management activities
Hangzhou Huadong Medicine Group Co., Ltd.	Jin Xuhu	December 21, 1992	60 million yuan	The production and processing of compound wine, bagged tea, and donkey-hide glue products (the branches can operate only with licenses), and the state-owned asset operation within the authorized scope of the municipal government; industrial investment; wholesale and retail: chemical raw materials and products (except dangerous chemicals and precursor chemicals), package materials, medical intermediates (except dangerous chemicals and precursor

				chemicals); other legal items that need no submission for approval.

6. Reduction of restricted shares held by controlling shareholder, de facto controller, restructuring parties and other commitment subjects

□ Applicable √ N/A

IV. Progress of share repurchase during the reporting period

Progress of share repurchase

□ Applicable √ N/A

Progress of reducing repurchased shares through centralized bidding

□ Applicable √ N/A

Section VIII. Information on Preferred Shares

□ Applicable √ N/A

No such case during the reporting period.

Section IX. Information on Bonds

□ Applicable √ N/A

Section X. Financial Report

I. Audit report

Audit Opinion	Unmodified unqualified audit opinion
Audit Report sign-off Date	April 19, 2021
Audit Institution Name	Pan-China Certified Public Accountants
Audit Report Number	T. J. S. (2022) No. 4078
Certified Public Accounts Name	Wang Fukang, Du Jinyu

Main body of the audit report

Audit Report

T. J. S. (2022) No. 4078

Shareholders of Huadong Medicine Co., Ltd.:

I. Audit opinion

We audited the financial statements of Huadong Medicine Co., Ltd. (hereinafter referred to as "Huadong Medicine"), including the consolidated and the parent company's balance sheets as at December 31, 2021, the consolidated and the parent company's income statements for the year 2021, the consolidated and the parent company's cash flow statements, the consolidated and the parent company's statements of changes in ownership interest, and the notes to relevant financial statements.

In our opinion, the attached financial statements are prepared in accordance with the accounting standards for business enterprises in all material aspects and fairly reflect the consolidated and the parent company's financial condition of Huadong Medicine as at December 31, 2021, as well as the consolidated and the parent company's operating results and cash flows in 2021.

II. Basis opinion

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

III. Key audit matters

The key audit matters are those we consider most important to the audit of the financial statements for the current period in our professional judgment. The response to these items is based

on an audit of the financial statements as a whole and the formation of auditor's opinion. We do not comment on these items separately.

(I) Revenue recognition

1. Description

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

The operating revenue of Huadong Medicine mainly comes from the production and sales of drugs. The operating revenue of Huadong Medicine in 2021 is RMB 345.63 hundred million yuan.

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

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

2. Audit response

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

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

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

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

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

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

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

(7)The medicine sales business of Huadong Medicine is a performance obligation to be

performed at a certain time.

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

(II) Impairment of accounts receivable

1. Description

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

As of December 31, 2021, the book balance of accounts receivable of Huadong Medicine was RMB 67.98 hundred million yuan, the bad debt reserve was 3.67 hundred million yuan, and the book value was 64.31 hundred million yuan.

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

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

2. Audit response

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

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

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

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

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

(5) For the accounts receivable with expected credit loss measured based on the combined items, evaluating the rationality of the Management's division of combinations according to the credit risk characteristics; evaluating the rationality of the comparison table of accounts receivable ages and expected credit loss rates determined by the Management based on historical credit loss experience and prospective estimates; testing the accuracy and completeness of the Management's data

(including the age of accounts receivable, historical loss rate, migration rate, etc.) and whether the calculation of bad debt reserve is accurate;

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

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

(III) Goodwill impairment

1. Description

The relevant information disclosure is detailed in Notes III (V), III (XIX) and V (I) 15 to the financial statements.

As of December 31, 2021, the original book value of goodwill of Huadong Medicine was 21.44 hundred million yuan, the impairment reserve was 0.05 hundred million yuan, and the book value was 21.39 hundred million yuan.

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

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

2. Audit response

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

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

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

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

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

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

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

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

(8) Checking whether the information relating to the goodwill impairment has been properly

presented in the financial statements.

IV. Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

(III) Evaluate the appropriateness of accounting policies used and the rationality of accounting

estimates and related disclosures made by the Management.

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

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

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

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

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

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

Pan-China Certified Public Accountants (special general partnership)	Chinese Certified Public Accountant: Wang Fukang (Project partner)
Hangzhou, China	Chinese Certified Public Accountant: Du Jinyu
April 26, 2022	

II. Financial statements

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

1. Consolidated balance sheet

Prepared by: Huadong Medicine Co., Ltd.

December 31, 2021

Unit: RMB yuan

Item	December 31, 2021	December 31, 2020
Current assets:		
Cash and bank balances	4,032,424,555.22	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	6,430,482,175.97	6,137,675,568.82
Accounts receivable for financing	509,190,888.54	828,659,217.25
Prepayments	275,353,134.69	250,916,482.07
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	223,707,267.30	87,269,489.82
Including: Interests receivable		
Dividends receivable	877,734.45	4,195,666.37
Financial assets purchased for resale		
Inventories	3,974,549,648.96	4,067,635,254.80
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	40,907,922.76	85,654,691.58
Total current assets	15,486,615,593.44	14,655,891,702.16
Non-current assets:		
Loans and prepayments issuance		
Debt investments		
Other debt investments		
Long-term receivables		

Long-term equity investments	984,927,398.68	850,072,053.02
Other equity instrument investments	257,815,844.68	225,453,120.05
Other non-current financial assets		
Real estate properties for investment	14,569,533.94	17,792,735.95
Fixed assets	3,077,227,759.84	2,420,366,582.92
Constructions in progress	1,582,125,201.25	2,240,201,926.65
Biological assets for production		
Oil & gas assets		
Right-of-use assets	153,724,197.81	
Intangible assets	2,233,450,369.34	1,463,242,463.99
Development expenditures		
Goodwill	2,138,808,037.01	1,469,617,262.10
Long-term unamortized expenses	12,425,364.03	8,811,339.43
Deferred tax assets	143,651,186.84	137,829,774.40
Other non-current assets	911,062,879.83	712,069,194.08
Total non-current assets	11,509,787,773.25	9,545,456,452.59
Total assets	26,996,403,366.69	24,201,348,154.75
Current liabilities:		
Short-term borrowing	1,237,843,228.13	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	671,964,504.00	554,336,058.71
Accounts payable	3,847,719,574.86	3,947,044,331.68
Receipts in Advance	1,147,425.45	951,926.56
Contract liabilities	118,341,141.48	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	168,210,088.82	152,106,819.91
Taxes payable	1,029,610,563.41	571,792,475.80
Other payables	1,935,116,784.93	1,817,529,820.99
Including: Interests payable		
Dividends payable	2,184,219.60	224,219.60
Handling fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	244,256,705.59	67,813,886.68
Other current liabilities	11,386,267.11	10,786,034.37
Total current liabilities	9,265,596,283.78	8,633,678,869.34
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowing	139,178,905.04	151,611,367.86
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	80,889,403.39	
Long-term payables	261,903,489.09	26,812,354.90
Long-term employee benefits payable		
Provisions	39,086,238.25	39,467,829.23
Deferred income	83,521,649.96	81,628,032.54
Deferred tax liabilities	184,908,391.50	88,738,187.41
Other non-current liabilities		
Total non-current liabilities	789,488,077.23	388,257,771.94
Total liabilities	10,055,084,361.01	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	2,229,868,312.11	2,158,080,661.07
Less: Treasury shares		
Other comprehensive income	-47,768,225.80	-2,191,069.45
Special reserve		
Surplus reserves	1,021,670,687.31	861,680,578.42
General risk reserve		
Retained earnings	11,625,794,001.46	9,852,441,590.56
Total owners' equity attributable to owner of the Company	16,579,374,323.08	14,619,821,308.60
Minority interest	361,944,682.60	559,590,204.87
Total owners' equity	16,941,319,005.68	15,179,411,513.47
Total liabilities & owners' equity	26,996,403,366.69	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	December 31, 2021	December 31, 2020
Current assets:		
Cash and bank balances	2,280,519,812.31	1,889,264,142.30
Financial assets for trade		
Derivative financial assets		
Notes receivable		
Accounts receivable	3,369,254,003.85	3,287,882,027.51
Accounts receivable for financing	196,523,246.00	214,871,707.01
Prepayments	140,828,160.14	121,268,106.62
Other receivables	986,757,703.19	798,152,353.96
Including: Interests receivable		
Dividends receivable		3,363,380.00
Inventories	1,946,036,027.82	1,845,977,070.46

Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	20,289.53	
Total current assets	8,919,939,242.84	8,157,415,407.86
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	5,079,071,023.37	4,847,172,288.65
Other equity instrument investments	10,100,870.56	94,312,742.49
Other non-current financial assets		
Real estate properties for investment	7,659,343.90	8,125,576.54
Fixed assets	160,678,584.54	159,486,234.04
Constructions in progress	211,760.72	342,161.41
Biological assets for production		
Oil & gas assets		
Right-of-use assets	11,020,708.66	
Intangible assets	218,720,898.11	56,448,575.54
Development expenditures		
Goodwill		
Long-term unamortized expenses	321,067.34	645,902.07
Deferred tax assets	47,289,929.98	45,918,388.57
Other non-current assets	406,493,149.98	96,882,664.08
Total non-current assets	5,941,567,337.16	5,309,334,533.39
Total assets	14,861,506,580.00	13,466,749,941.25
Current liabilities:		
Short-term borrowing	630,446,420.72	930,813,369.36
Financial liabilities for trade		
Derivative financial liabilities		
Notes payable	311,085,944.14	180,042,270.63
Accounts payable	2,416,471,973.20	2,421,476,904.57

Receipts in advance		
Contract liabilities	19,690,922.48	32,577,236.92
Payroll payable	9,353,991.58	8,530,961.48
Taxes payable	176,633,138.73	154,676,067.87
Other payables	877,397,177.28	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	5,939,175.02	
Other current liabilities	2,494,822.02	4,273,258.99
Total current liabilities	4,449,513,565.17	4,250,780,400.26
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	2,701,526.22	
Long-term payables		
Long-term employee benefits payable		
Provision		
Deferred income	38,133,036.03	40,698,910.95
Deferred tax liabilities	12,511,476.38	10,888,106.00
Other non-current liabilities		
Total non-current liabilities	53,346,038.63	51,587,016.95
Total liabilities	4,502,859,603.80	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	-129,129.44	3,051,311.29

Special reserve		
Surplus reserves	1,099,526,446.75	939,536,337.86
Retained earnings	5,340,988,582.88	4,303,533,798.88
Total owners' equity	10,358,646,976.20	9,164,382,524.04
Total liabilities & owners' equity	14,861,506,580.00	13,466,749,941.25

3. Consolidated income statement

Unit: RMB yuan

Item	2021	2020
I. Total operating income	34,563,301,233.67	33,683,058,759.75
Including: Operating revenue	34,563,301,233.67	33,683,058,759.75
Interests received		
Premiums earned		
Handling fees and commissions received		
II. Total operating cost	31,727,336,299.43	30,666,230,281.53
Including: Operating cost	23,957,370,728.98	22,550,481,690.73
Interests paid		
Handling fees and commissions paid		
Surrender value		
Net payment of insurance claims		
Net appropriation of policy reserve		
Policy dividends paid		
Reinsurance expenses		
Business taxes and surcharges	177,253,313.55	185,461,334.65
Selling expenses	5,424,051,895.28	5,970,614,819.26
Administrative expenses	1,166,941,288.41	998,746,330.35
Research and Development(R&D) expenses	979,644,017.93	926,725,468.93
Financial expenses	22,075,055.28	34,200,637.61
Including: Interests expenses	68,478,439.03	68,639,542.18

Interests income	80,402,140.26	60,990,405.57
Add: Other income	174,690,581.52	191,999,829.91
Investment income (Losses are indicated by “-”)	-96,311,975.25	-27,525,224.08
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-53,433,345.46	-10,825,814.85
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 “-”)	-41,689,977.06	-22,826,566.73
Impairment losses of assets (Losses are indicated by “-”)	-16,908,408.55	-4,537,552.17
Gains on assets disposal (Losses are indicated by “-”)	-31,626.51	322,636,323.26
III. Operating profit (Losses are indicated by “-”)	2,855,713,528.39	3,476,575,288.41
Add: Non-operating income	2,682,255.28	12,497,148.79
Less: Non-operating expenses	30,860,834.95	35,681,896.22
IV. Total profit (Total losses are indicated by “-”)	2,827,534,948.72	3,453,390,540.98
Less: Income tax expenses	488,907,390.69	543,673,981.58
V. Net profit (Net losses are indicated by “-”)	2,338,627,558.03	2,909,716,559.40
(I) Classification by continuous operations		
1. Net profit from continued operations (Net losses are indicated by “-”)	2,338,627,558.03	2,909,716,559.40
2. Net profit from terminational operations (Net losses are indicated by		

“-”)		
(II) Classification by attribution of ownership		
1. Net profit attributable to owners of the parent company	2,301,631,347.64	2,819,861,203.63
2. Profit or loss attributable to minority shareholders	36,996,210.39	89,855,355.77
VI. Other comprehensive income, net of income tax	-24,076,315.61	-19,570,529.59
Other comprehensive income attributable to owners of the parent company, net of tax	-24,076,315.61	-19,570,529.59
(I) Other comprehensive income that cannot be reclassified into gains/losses	20,549,224.62	-7,557,508.15
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	20,549,224.62	-7,557,508.15
4. Changes in fair value of credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses	-44,625,540.23	-12,013,021.44
1. Other comprehensive income that can be reclassified into gains/losses under equity method	13,371.08	
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	-44,638,911.31	-12,013,021.44

statements denominated in foreign currencies		
7. Others		
Net amount after tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,314,551,242.42	2,890,146,029.81
Total comprehensive income attributable to owners of the parent company	2,277,555,032.03	2,800,290,674.04
Total comprehensive income attributable to minority shareholders	36,996,210.39	89,855,355.77
VIII. Earnings per share (EPS):		
(I) Basic EPS	1.3154	1.6115
(II) Diluted EPS	1.3154	1.6115

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	2021	2020
I. Total operating income	18,244,390,942.29	16,872,181,187.37
Less: Total operating cost	17,251,703,368.39	15,944,922,632.47
Business taxes and surcharges	21,076,198.14	22,247,894.47
Selling expenses	377,727,331.87	376,745,334.88
Administrative expenses	179,218,304.43	149,533,857.93
Research and Development (R&D) expenses		
Financial expenses	8,473,695.73	16,997,550.09
Including: Interests	53,611,690.17	55,351,840.15

expenses		
Interests income	58,998,380.29	42,365,020.49
Add: Other income	11,127,440.65	12,869,243.56
Investment income (Losses are indicated by “-”)	1,047,838,931.11	1,230,298,386.30
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-3,572,410.52	
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 “-”)	-37,258,383.02	20,604,531.85
Impairment gains (losses) of assets (Losses are indicated by “-”)	-2,923,308.83	
Asset disposal income (Losses are indicated by “-”)	10,369.02	-6,255.56
II. Operating profit (Losses are indicated by “-”)	1,424,987,092.66	1,625,499,823.68
Add: Non-operating income	4,529.76	1,052,923.08
Less: Non-operating expenses	5,472,564.05	8,012,091.67
III. Total profit (Total losses are indicated by “-”)	1,419,519,058.37	1,618,540,655.09
Less: Income tax expenses	120,747,280.50	105,334,546.00
IV. Net profit (Net losses are indicated by “-”)	1,298,771,777.87	1,513,206,109.09
(I) Net profit from continuous operations (Net losses are indicated by “-”)	1,298,771,777.87	1,513,206,109.09
(II) Net profit from discontinued operations (Net losses are indicated by “-”)		
V. Other comprehensive income, net of income tax	65.17	2,203,785.23

(I) Other comprehensive income that cannot be reclassified into gains/losses	65.17	2,203,785.23
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	65.17	2,203,785.23
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	1,298,771,843.04	1,515,409,894.32
VII. Earnings per share (EPS):		
(I) Basic EPS		
(II) Diluted EPS		

5. Consolidated cash flow statement

Unit: RMB yuan

Item	2021	2020
I. Cash flows from operating activities：		
Cash received from sale of goods or rendering of services	37,705,732,220.73	36,213,324,706.96
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	56,001,263.57	21,366,495.17
Other cash receipts to operating activities	534,883,574.95	875,802,744.84
Sub-total of Cash inflows from operating activities	38,296,617,059.25	37,110,493,946.97
Cash payments for goods purchased and services received	25,581,019,339.56	23,428,048,137.78
Net increase in customer loans and prepayments		
Net increase in deposits of central bank and due from banks		

Cash payments for original insurance claims		
Net increase in lending to other banks and other financial institutions		
Cash payments for interests, handling fees and commissions		
Cash payments for policy dividends		
Cash payments to and on behalf of employees	2,642,677,316.23	2,292,509,541.65
Payments of various types of taxes	1,595,252,332.08	2,186,582,342.29
Other cash payments in relation to operating activities	5,307,910,203.43	5,791,906,177.69
Sub-total of cash outflows for operating activities	35,126,859,191.30	33,699,046,199.41
Net cash flow from operating activities	3,169,757,867.95	3,411,447,747.56
II. Cash flows from investing activities		
Cash receipts from recovery of investments	92,381,381.75	1.00
Cash receipts from investment income	43,721,334.71	900,000.00
Net cash from disposal of fixed assets, intangible assets and other long-term assets	79,161,948.94	373,808,641.84
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities	36,521,193.82	10,970,083.85
Sub-total of cash inflows from investing activities	251,785,859.22	385,678,726.69
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	819,095,124.00	1,472,983,747.79
Cash payments for investment	246,401,722.50	638,463,000.00
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business units	791,857,512.24	
Other cash payments in relation to	381,114,144.63	12,869,402.84

investing activities		
Sub-total of cash outflows for investing activities	2,238,468,503.37	2,124,316,150.63
Net cash flow from investing activities	-1,986,682,644.15	-1,738,637,423.94
III. Cash flows from financing activities:		
Cash receipts from capital contributions	5,000,000.00	
Including: Cash receipts from capital contributions from minority owners of subsidiaries	5,000,000.00	
Cash from borrowing	2,110,032,213.34	2,194,671,377.21
Other cash receipts in relation to financing activities	149,316,666.67	16,376,100.00
Sub-total of cash inflows from financing activities	2,264,348,880.01	2,211,047,477.21
Cash repayment of borrowings	2,296,363,034.67	2,258,202,628.26
Cash payments for distribution of dividends or profits or settlement of interet expenses	463,028,834.38	655,696,970.33
Including: Dividends and profits paid by subsidiaries to minority shareholders	2,920,000.00	89,969,437.98
Other cash payments in relation to financing activities	272,410,313.45	22,877,889.85
Sub-total of cash outflows from financing activities	3,031,802,182.50	2,936,777,488.44
Net cash flows from financing activities	-767,453,302.49	-725,730,011.23
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents	7,111,643.60	-21,444,785.63
V. Net increase in cash and cash equivalents	422,733,564.91	925,635,526.76
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	3,580,140,638.17	3,157,407,073.26

6. Cash flow statement of the parent company

Unit: RMB yuan

Item	2021	2020
I. Cash flows from operating activities：		
Cash receipts from the sale of goods and the rendering of services	19,578,902,300.31	18,468,734,907.54
Receipts of tax refund	2,136,711.19	62.38
Other cash receipts in relation to operating activities	194,135,943.58	75,204,158.10
Sub-total of cash inflows from operating activities	19,775,174,955.08	18,543,939,128.02
Cash payments for goods acquired and services received	18,617,179,307.59	17,189,413,934.83
Cash payments to and on behalf of employees	251,434,357.34	221,958,975.19
Payments of various types of taxes	268,426,804.41	141,082,140.82
Other cash payments in relation to operating activities	320,447,047.23	305,941,397.18
Sub-total of cash outflows for operating activities	19,457,487,516.57	17,858,396,448.02
Net cash flow from operating activities	317,687,438.51	685,542,680.00
II. Cash flows from investing activities		
Cash receipts from recovery of investments	81,031,431.20	4,277,665.48
Cash receipts from investment income	1,028,872,757.80	252,569,238.79
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	423,127.11	51,043.55
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities	608,901,831.03	1,008,662,454.55
Sub-total of cash inflows from investing activities	1,719,229,147.14	1,265,560,402.37

Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	96,179,759.09	117,614,594.72
Cash payments for investment	238,516,032.77	45,563,072.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments in relation to investing activities	979,989,850.00	883,840,800.00
Sub-total of cash outflows for investing activities	1,314,685,641.86	1,047,018,466.72
Net cash flows from investing activities	404,543,505.28	218,541,935.65
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		
Cash receipts from borrowing	960,000,000.00	1,290,651,754.99
Other cash receipts in relation to financing activities	3,883,416,666.67	8,284,000,000.00
Sub-total of cash inflows from financing activities	4,843,416,666.67	9,574,651,754.99
Cash repayments of borrowings	1,389,996,025.48	1,415,656,441.26
Cash payments for distribution of dividends or profits or settlement of interest expenses	423,529,087.27	555,848,349.12
Other cash payments in relation to financing activities	3,722,279,458.85	7,511,907,162.52
Sub-total of cash outflows fromfinancing activities	5,535,804,571.60	9,483,411,952.90
Net cash flow from financing activities	-692,387,904.93	91,239,802.09
IV. Effect of foreign exchange rate changes on Cahs and Cash Equivalents		
V. Net increase in cash and cash equivalents	29,843,038.86	995,324,417.74
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	1,919,097,181.16	1,889,254,142.30

7. Consolidated statement of changes in owners' Equity

Amount in the current period

Unit: RMB yuan

Item	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		-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
III. Amount of change in the current period (Decreases are indicated by "-")					71,787,651.04		-45,577,156.35		159,990,108.89		1,773,352,410.90		1,959,553,014.48	-197,645,522.27	1,761,907,492.21
(I) Total							-				2,301,		2,277,	36,996	2,314,

comprehensive income							24,076,315.61				631,347.64		555,032.03	,210.39	551,242.42
(II) Capital contributed by owners and capital decreases														5,000,000.00	5,000,000.00
1. Common shares invested by owners														5,000,000.00	5,000,000.00
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payment included in ownership interest															
4. Others															
(III) Profit distribution									129,877,177.79		-532,333,373.83		-402,456,196.04	-4,880,000.00	-407,336,196.04
1. Withdrawal of surplus reserve									129,877,177.79		-129,877,177.79				
2. Withdrawal of general risk reserve															
3. Distribution to owners (or shareholders)											-402,456,196.04		-402,456,196.04	-4,880,000.00	-407,336,196.04
4. Others															
(IV) Internal conversion of							-21,500		28,846,278.3		-7,345,				

ownership interest							,840.74		6		437.62				
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							-21,500,840.74		318,050.59		21,182,790.15				
6. Others									28,528,227.77		-28,528,227.77				
(V) Special reserve															
1. Withdrawal in the current period															
2. Use in the current period															
(VI) Others					71,787,651.04				1,266,652.74		11,399,874.71		84,454,178.49	-234,761,732.66	-150,307,554.17

IV. Balance at the end of the current period	1,749,809,548.00				2,229,868,312.11		-47,768,225.80		1,021,670,687.31		11,625,794,001.46		16,579,374,323.08	361,944,682.60	16,941,319,005.68

Amount in the prior period

Unit: RMB yuan

Items	2020														
	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		22,792,488.80		710,359,967.51		7,668,434,642.62		12,309,477,308.00	557,146,931.87	12,866,624,239.87
Add: Changes in accounting policies															
Error correction in the prior periods															
Merger of enterprises under the same control															
Others															
II. Balance at the beginning of the period of the current year	1,749,809,548.00				2,158,080,661.07		22,792,488.80		710,359,967.51		7,668,434,642.62		12,309,477,308.00	557,146,931.87	12,866,624,239.87
III. Amount of							-		151,32		2,184,		2,310,	2,443,2	2,312,7

change in the current period (Decreases are indicated by "-")							24,983,558.25		0,610.91		006,947.94		344,000.60	73.00	87,273.60
(I) Total comprehensive income							-19,570,529.59				2,819,861,203.63		2,800,290,674.04	89,855,355.77	2,890,146,029.81
(II) Capital contributed by owners and capital decreases														4,900,000.00	4,900,000.00
1. Common shares invested by owners														4,900,000.00	4,900,000.00
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payment included in ownership interest															
4. Others															
(III) Profit distribution									151,320,610.91		-641,267,284.35		-489,946,673.44	-89,969,437.98	-579,916,111.42
1. Withdrawal of surplus reserve									151,320,610.91		-151,320,610.91				
2. Withdrawal of general risk reserve															
3. Distribution											-		-	-	-

to owners (or shareholders)											489,946,673.44		489,946,673.44	89,969,437.98	579,916,111.42
4. Others															
(IV) Internal conversion of ownership interest							-5,413,028.66				5,413,028.66				
1. Capital (or share capital) increase from capital reserve conversion															
2. Capital (or share capital) increase from surplus reserve conversion															
3. Recovery of losses by surplus reserve															
4. Retained earnings from transfer of changes in the defined benefit plan															
5. Retained earnings from transfer of other comprehensive income							-5,413,028.66				5,413,028.66				
6. Others															
(V) Special reserve															
1. Withdrawal in the current period															
2. Use in the current period															

(VI) Others														-2,342,644.79	-2,342,644.79
IV. Balance at the end of the current period	1,749,809,548.00				2,158,080,661.07		-2,191,069.45		861,680,578.42		9,852,441,590.56		14,619,821,308.60	559,590,204.87	15,179,411,513.47

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

Amount in the current period

Unit: RMB yuan

Item	2021											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total ownership interest
		Preferred shares	Perpetual 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 "-")							-3,180,440.73		159,990,108.89	1,037,454,784.00		1,194,264,452.16
(I) Total comprehensive income							65.17			1,298,771,777.87		1,298,771,843.04

(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									129,877,177.79	-532,333,373.83		-402,456,196.04
1. Withdrawal of surplus reserve									129,877,177.79	-129,877,177.79		
2. Distribution to owners (or shareholders)										-402,456,196.04		-402,456,196.04
3. Others												
(IV) Internal conversion of ownership interest							-3,180,505.90		28,846,278.36	-25,665,772.46		
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							-3,180,505.90		318,050.59	2,862,455.31		
6. Others									28,528,227.77	-28,528,227.77		
(V) Special reserve												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others									1,266,652.74	296,682,152.42		297,948,805.16
IV. Balance at the end of the current period	1,749,809,548.00				2,168,451,528.01		-129,129.44		1,099,526,446.75	5,340,988,582.88		10,358,646,976.20

Amount in the prior period

Unit: RMB yuan

Item	2020									
	Share capital	Other equity instruments	Capital reserve	Less: Treasur	Other compre	Special reserve	Surplus reserve	Undistributed	Others	Total ownership

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

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

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

Huadong Medicine Co., Ltd.

Chairman of the Board: Lv Liang

April 28, 2022