



Huadong Medicine Co., Ltd.

Half Year Report 2020

August 2020

Section I. Important Declaration, Contents and Definitions

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

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

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

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

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

According to <Stock Listing Rules of the Shenzhen Stock Exchange>, if listed companies have Chinese or other language versions of public notice, they should ensure the content of versions are the same. In case of discrepancy, the original Chinese version prevails.

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Definitions

Term	refers to	Definition
CSRC	refers to	China Securities Regulatory Commission
SZSE	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 Biopharmaceutical company	refers to	Jiangsu Jiuyang Biopharmaceutical Co., Ltd.
Xi'an Bohua	refers to	Huadong Medicine (Xi'an) Bohua Pharmaceutical 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
Sinclair	refers to	Sinclair Pharma Limited
vTv Company	refers to	vTv Therapeutics LLC
R2	refers to	R2 Technologies, Inc.
MediBeacon	refers to	MediBeacon Inc.
RAPT	refers to	RAPT Therapeutics, Inc.
GMP	refers to	Good Manufacturing Practices
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
NDA	refers to	New Drug Application
ANDA	refers to	(U.S.) Abbreviated New Drug Application
ICH	refers to	International Council for Harmonisation (of Technical Requirements for Pharmaceuticals for Human Use)

IND	refers to	Investigational New Drug
PK/PD	refers to	pharmacokinetics/pharmacodynamics
CMC	refers to	Chemistry, Manufacturing and Control
PMA	refers to	Premarket Application
QA	refers to	Quality Assurance (department)

Section II. Company Profile and Key Financial Indicators

I. Company Profile

Stock name (abbreviation)	Huadong Medicine	Stock code	000963
Changed stock abbreviation(if any)			
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	Liang Lyu		

II. Contact persons and contact information

	Secretary of the Board of Directors	Securities affairs representative
Name	Bo Chen	Lihong Xie
Contact address	866 Moganshan Road, Hangzhou	866 Moganshan Road, Hangzhou
Tel.	0571-89903300	0571-89903300
Fax	0571-89903300	0571-89903300
Email address	hz000963@126.com	hz000963@126.com

III. Other relevant information

1. Company's contact information

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

☐ Applicable ☒ N/A

There is no change in the Company's registered address, office address, zip code, company website or company email address during the reporting period. Please refer to 2019 Annual Report for details.

2. Information disclosure and place of the report

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

☐ Applicable ☒ N/A

The newspaper designated by the Company for information disclosure, website specified by CSRC for release of the half-year report, and the place where the half-year report is available for inspection have not changed during the reporting period, please refer to 2019 Annual Report for details.

IV. Key accounting data and financial indicators

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

☐ Yes ☒ No

	The current reporting period	Same period last year	Change of the current reporting period over the same period last year(%)
Operating revenue (yuan)	16,660,934,157.64	18,248,667,616.98	-8.70%
Net profit attributable to shareholders of listed companies (yuan)	1,731,184,721.25	1,596,283,418.31	8.45%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses (yuan)	1,406,723,973.10	1,474,434,387.97	-4.59%
Net cash flow from operating activities (yuan)	1,255,542,667.29	963,028,336.86	30.37%
Basic earnings per share (yuan/share)	0.9894	0.9123	8.45%
Diluted earnings per share (yuan/share)	0.9894	0.9123	8.45%
Weighted average return on equity (ROE)	13.12%	14.88%	-1.76%
	End of the current reporting period	End of last year	Change of the end of the current reporting period over the end of last year(%)
Total assets (yuan)	22,502,539,982.08	21,463,974,146.63	4.84%
Net assets attributable to shareholders of listed companies (yuan)	13,589,246,070.11	12,309,477,308.00	10.40%

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

Share capital of the Company as of the trading day before disclosure (share)	1,749,809,548
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Fully diluted earnings per share calculated on the basis of the latest Share capital

Dividends paid on preferred shares	0.00
Fully diluted earnings per share calculated on the basis of the latest Share capital (yuan/share)	0.9894

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

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

☐ Applicable ☒ N/A

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

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

☐ Applicable ☒ N/A

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

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

☒ Applicable ☐ N/A

Unit: RMB yuan

Item	Amount	Note
Gains/losses on disposal of non-current assets (including the written-off part of the accrued assets impairment reserve)	301,040,646.87	Mainly due to the sale of the market distribution rights and interests in Western Europe of Sinclair, a wholly-owned subsidiary of the company in the UK.
Government grants included in current gains/losses (excluding those closely related to operating activities and measured according to unified national standards)	93,032,855.48	Mainly due to the confirmation of government grants by subsidiaries in the current period.
Other non-operating revenue or expenditure expect above-mentioned items	-9,757,738.08	
Less: Amount affected by income tax	46,502,562.11	
Amount affected by rights and interests of minority stakeholders (after tax)	13,352,454.01	
Total	324,460,748.15	--

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

non-recurring gain/loss in the announcement as a recurring gain/loss, reasons should be specified.

☐ Applicable ☒ N/A

No such case during the reporting period.

Section III. Overview of the Company's Business

I. Main business of the Company during the reporting period

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

The pharmaceutical industry of the Company focuses on R&D, production and sales of medication for specialist departments, chronic diseases and special purposes. The Company has formed core product pipelines in such fields as chronic kidney diseases, transplantation immunity, internal secretion and gastrointestinal system, and owns a number of first-line clinical medications with market advantages in China. Meanwhile, through independent development, external introduction and project cooperation, the Company focuses on the R&D layout of innovative drugs and generic drugs with high technical barriers in the three core fields of anti-cancer, internal secretion and autoimmunity. The Company continues to carry out international product registration, international certification, consistency evaluation, etc., forming an international pharmaceutical industry system.

The Company's pharmaceutical commerce has four sections: Western Medicine & Traditional Chinese Medicine (TCM), medical equipment, ginseng & herb and health industry, covering medicine wholesale, medicine retail, third-party medicine logistics featured by cold chain, medicine e-commerce, hospital value-added services and featured big health industry, providing customers with integrated solutions.

The Company's aesthetic business focuses on R&D, manufacture and sales of the latest products and devices in facial micro-plastic surgery and skin management. Sinclair, a wholly-owned subsidiary headquartered in the United Kingdom, has facilities in France and Netherlands, and promotes and sells long-acting microspheres for injection, hyaluronic acid, thread lift and other products in the global market. Sinclair is the Company's global operation platform for aesthetic

business. Huadong Ningbo Company, a partially-owned subsidiary, is a comprehensive aesthetic and healthcare platform company integrating R&D, manufacture and sales of aesthetic products and customized services. It acts as the general agent for Korean YVOIRE hyaluronic acid products in the Chinese market.

II. Significant changes in major assets

1. Significant changes in major assets

Major assets	Note on significant changes
Equity assets	The ending balance is 660.95 million yuan, an increase of 42.36% from the beginning of the period, which is mainly due to the increase of long-term equity investments and other equity instrument investment in the current period.
Fixed assets	None
Intangible assets	None
Constructions in progress	None
Short-term borrowing	The ending balance is 1,362.25 million yuan, an increase of 107.80% from the beginning of the period, which is mainly due to the increase in bank financing during the current period to repay mature corporate bonds.
Contract liabilities	The ending balance is 54.13 million yuan, a decrease of 78.68% compared to the beginning of the period, which is mainly due to the decrease in the advance payment for drugs.
Non-current liabilities due within one year	The ending balance is 20.75 million yuan, a decrease of 98.03% from the beginning of the period, which is mainly due to the maturity and repayment of bonds payable in the current period

2. Major overseas assets

√ Applicable □ N/A

Specific content of assets	Reason for formation	Assets size	Location	Operating mode	Control measures to ensure assets safety	Profit or loss	Proportion of overseas assets in the Company's net assets	Whether there are any significant impairment risks
Sinclair Pharma Limited	Acquisition of equity	1,001.16 million yuan	UK	Independent accounting	Control of the Board of Directors and	Profit	7.37%	None

					examination & approval of major decisions; daily supervision of financial matters; entrusting external intermediate s to conduct audits			
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III. Analysis of core competitiveness

1. Open R&D system and continuous improvement of innovation capability

After years of development, the Company has established and improved its independent R&D system, built a global R&D strategy collaboration ecosystem centered on Zhongmei Huadong, established a global new drug R&D center, set up joint research offices in Boston and Silicon Valley in the United States, and cooperated with world-renowned colleges, research institutes, innovative biotech companies, professional technology platforms and other institutions in new drug R&D projects. The Company has continuously increased R&D investment, adjusted its existing product structure in an all-round way, resolutely cleaned up and phased out generic drugs with low barriers and low commercial value, focused on three core areas of anti-cancer、internal secretion and autoimmunity, continued to consolidate the company's position as a domestic industry leader in the fields of diabetes and transplantation immunization drugs, quickly completed the layout of innovative product pipelines in the core areas, and enabled the Company to effectively supplement and take the lead in innovative products in the core areas. Independent R&D, external M&A, and product license-in have rapidly enriched product pipelines in the core areas, forming a good development trend of continuous proposal and market launch of innovative products, providing new momentum for medium and long-term growth.

2. Comprehensive capability in international business development

The company is actively pursuing global expansion. Through acquisition of 100% shares in LSE listed Sinclair, the Company has established a global distribution network for aesthetic products.

Through collaboration with R2 (US), Medibeacon (US) and Kylane (Switzerland), the Company has added to its portfolio of international commercialisation and development rights. The Company has accelerated the international registration of products. All its APIs in production have been certified by FDA or in authoritative markets such as the European Union; its Pantoprazole Sodium Lyophilized Powder for Injection has been temporarily approved by FDA; and its Acarbose Tablets gained access to the Austrian market in the European Union. The Company is the first Chinese medicine enterprise to achieve these results. The Company actively engages itself with international logistics and purchasing suppliers, realizes the internationalization of purchasing ability, strengthens international trade cooperation, and achieves positive results in the expansion of international raw medicine market.

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

Over the years, the Company has been deeply engaged in medication for specialist departments, chronic diseases and special purposes, and has built a good brand effect and solid market foundation in such fields as chronic kidney diseases, transplantation immunity, internal secretion, and digestive system. Its market share remains in the forefront of domestic similar products. At present, the Company has 22 core products on the market and 16 varieties under R&D included in the 2019 National Reimbursement Drug List and 10 core products on the market and 4 varieties under R&D included in the 2018 National Essential Drug List. In the future, the Company will focus on the R&D layout of innovative products in the three core areas of anti-tumor, internal secretion and autoimmunity.

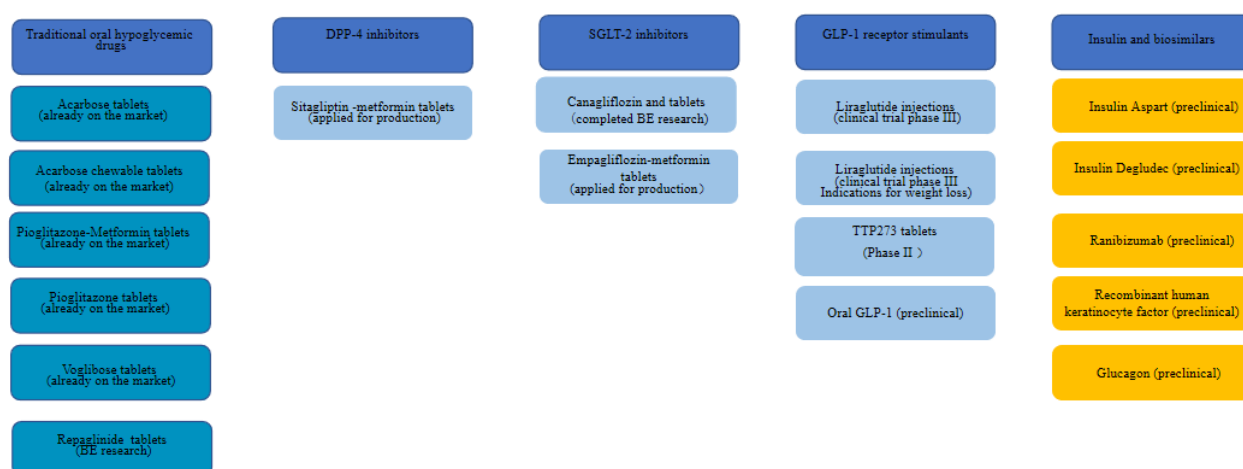
As one of the three major chronic diseases in China, diabetes mellitus has long-term development space for therapeutic drugs, and is the core track of the key layout of domestic and foreign pharmaceutical companies. Diabetes medication has always been the company's core product line and a key field to develop in the future. Zhongmei Huadong has been deeply involved in the domestic diabetes market for more than ten years, and has formed advantages in marketing channels and product brands. It has won a place for domestic drugs in the diabetes market where foreign-funded original research products are strong.

By relying on comprehensive methods such as independent research and development, cooperative

development, product introduction, and investment market licensing priority, the company has continuously increased R&D investment and continued to enrich its product pipeline in the diabetes field. The company has formed an overall layout of innovative targets and differentiated generic drug product pipelines in the field of diabetes. From the three perspectives of imitation + innovation + biological macro-molecules, the company has built a product that is gradually upgraded and has a full layout of core therapeutic targets and clinical mainstream drugs. matrix. The mechanism of action of products under research covers DPP-4 inhibitors, SGLT-2 inhibitors, GLP-1 innovative drugs and their analogs, insulin analogs, and monoclonal antibodies for the treatment of diabetic complications, which are in line with the mainstream of the international diabetes treatment layout and the trend of development.

The company has completed the planning and layout of diabetes macro-molecular drug production bases in Xiasha and Qiantang new districts of Hangzhou. Compound DPP-4 inhibitors, compound SGLT-2 inhibitors and liraglutide injections will be approved for marketing in 2021-2022, which is expected to give full play to the company's existing channel advantages and achieve synergistic effects. The investment in the company's diabetes pipeline will enter the harvest period, pushing the company's diabetes products into a new growth stage. It is conducive to further expanding the domestic and foreign endocrine drug-related markets, maintaining the domestic market leading position in the field of diabetes drugs, and laying a solid foundation for the company's sustained and stable growth in the future.

Full product line layout of Huadong Medicine in the field of diabetes medication (R&D progress as of August 2020)



4. Leading pharmaceutical professional promotion team and market network in China

The pharmaceutical industry of the company takes the academic promotion of clinical value as the core, promotes a multi-channel marketing model that combines general hospitals, primary medical institutions, retail and third terminals, and Internet online, and has established a nationwide marketing network and market network promotion. It has the leading capability in the country, covering more than 2,400 Class-A hospitals across the country, accounting for about 92% of all Class-A hospitals, covering more than 9,000 Class-II and class lower hospitals, more than 50,000 primary medical institutions, and more than 180,000 retail pharmacies. The pharmaceutical business has achieved full coverage in Zhejiang Province, and the cold chain logistics and distribution business is at the leading level in the industry. In the field of medical beauty, the holding subsidiary Huadong Ningbo Company has a leading market share in the field of domestic medical beauty. The core products of the wholly-owned subsidiary Sinclair of the United Kingdom have been launched in more than 60 countries and regions around the world.

5. Prudent and pragmatic operation style and shareholder return

The Company values management innovation, and strives to meet the demand of market competition by improving its quality of operation. The compliant and efficient marketing services, differentiated market positioning, innovative R&D layout and perfect talent planning promote the Company's lasting and steady development. Since its listing, the Company has maintained steady growth in performance for 20 years. Since 2007, the Company has kept the return on equity (ROE) above 20% for 13 consecutive years, leading A-share listed companies and the medicine industry. Since its listing 20 years ago, the Company has paid dividends for 17 times, around with a total value of 4.2 billion yuan, far exceeding the 250 million yuan raised in its IPO. The Company has brought continuous and stable returns on investment to shareholders.

Section IV. Discussion and Analysis of Operations

I. Overview

For many industries and companies, the first half of 2020 has been an unprecedented and extremely challenging period. Covid-19 outbreak globally has caused unprecedented complications to world political and economic environment. Domestic pharmaceutical companies have not only faced the far-reaching impact of Covid-19 pandemic, but also the complexity caused by rolling out of the government centralized procurement policy, intensifying competition, and increasing difficulties associated with business transformation.

Through this challenging environment, Huadong Medicine has forged ahead and stayed focused on the transition strategy to become an innovative pharmaceutical company, by being resilient to significant operational pressures, implementing a series of adjustments and conquering numerous obstacles. We are pleased to share with our shareholders, investors and all our employees that our Pharmaceutical Manufacturing has continued its growth despite challenging conditions, maintained its market position and business development, and demonstrated sustainable positive performance. This is a solid mid-term result, which is particularly critical in supporting our ongoing transition strategy and development plan.

Phase one of the Company's Research and Development (R&D) reform program has now completed. We have restructured our R&D system, with numerous senior research talents introduced in, created new functions and filled them with qualified personnel. This has significantly expanded and energized our R&D capabilities. A number of R&D projects have achieved the milestone established. We have made fast adjustments to sales and marketing strategies by focusing on community and out-hospital markets and actively expanding new sales channels such as retail pharmacies and self-funded online sales. In the first half of 2020, our Pharmaceutical Manufacturing has achieved growth in both revenue and net profit. The profit model of Pharmaceutical Commerce is continuously evolving. We are focusing on high quality business development, on solidifying core competitive advantages, on increasing differentiated commercial services capabilities and establishing professional cold chain logistics network.

Aesthetic business has continued to expand in high-end aesthetic market, with a pipeline of products with significant market potential that will drive accelerated growth in the future.

The company's unwavering confidence in pursuing the strategy to transform and upgrading is supported by our superior corporate culture, operational strength cumulated over many years, diversified and unique product portfolio, excellent talent pool and strong cash flow and balance sheet. Huadong Medicine, experienced this challenging and stressful environment and the pressure test, has again demonstrated its robust operation and management capability and the strong resilience and flexibility against risks. Step by step, we are dedicated to creating and adhere to the innovation and development pathway with distinctive Huadong Characteristics.

Against the adverse trend, never stopped by any winds or rains, we will continue to advance our strategies and overcome the obstacles. Try to polish ourselves through the challenges to become a stronger and better company!

For this reporting period, the Company has achieved operating revenue of RMB 16.66bn, decrease 8.70% on the prior corresponding period (pcp), and net profit attributable to shareholders of RMB 1.73bn, up 8.45% on the pcp. Our core subsidiary, Zhongmei Huadong, has delivered operating revenue of RMB 6.08bn, up 6.69% on the pcp, and net profit of RMB 1.38bn, up 5.00% on the pcp. Zhongmei Huadong's 2nd quarter results has been impacted by acarbose's unsuccessful tender in national drug procurement. Quarterly sales increased 2.74% on the pcp, and net profit decrease 3.67% on the pcp. Huadong Pharmaceutical Distribution Company has rapidly responded to changing conditions and endured the impacts of the pandemic. For this reporting period, Huadong Pharmaceutical Distribution Company has delivered operating revenue of RMB 10.76bn, decrease 14.40% on the pcp and its business has demonstrated steady recovery since the pandemic in China is under general effective control.

During the reporting period, faced with the abrupt outbreak of Covid-19 in China, the Company rapidly initiated pandemic control and prevention programs, thoroughly implemented the requirements from disease control bodies to prevent inflow of cases while controlling the spread within the organization. Under the leadership of the Company senior management and pandemic

response working group, with collaboration and effort by all Huadong employees, adopted near war time control systems and responses, rapidly established disease control networks, assigned core responsibilities, implemented necessary protocols and procedures, initiated a series of pandemic response programs, ensured health and safety of employees, successfully recovered from disruptions to work and production, achieved a critical success in simultaneous battles in controlling the pandemic and recovering operational activities from the disruptions caused by the pandemic.

1. Pharmaceutical industry

During the reporting period, the company's production system faced changes in national pharmaceutical policies and demand fluctuations caused by centralized drug procurement. In order to overcome the impact of the epidemic and market uncertainty, the company took 'technological innovation and agile production' into the global pharmaceutical industry chain as its goal. Internally, coordinated resources, adopted measures such as emergency resumption of production, shift adjustments and capacity expansion, and promoted outsourcing business externally, ensuring market supply in the first half of the year. At the same time, fully implemented the cost control plan, promoted cost management of the entire value chain, achieved cost reductions through multiple dimensions and levels such as technology upgrades, lean management, bidding negotiations, asset utilization, etc.. Moreover, strived to improve labor efficiency and production efficiency to build a new market value and competitive advantages of Huadong Medicine. Carrying out EHS risk management and controlling around the R&D and production departments to consolidate the company's EHS normalized management foundation. Practicing the 'asset-light' production organization model, successfully developing a number of cooperative production enterprises, and gradually forming an open pharmaceutical manufacturing system of Huadong Medicine. In accordance with the company's strategic development plan, the company will continue to promote the construction of the Jiangdong II project, to pay attention to build the international R&D and manufacturing center. Furthermore, to complete the preliminary feasibility study report and planning design of the Huadong Medicine Life Science Industrial Park, and be fully prepared for the project to be launched in the second half of the year.

During the reporting period, the company continued to develop a number of clinical studies on

innovative medicine, and actively promoted consistency evaluation and listing registration. Anastrozole tablets were approved for drug registration. Engligliflozin metformin tablets and omeprazole sodium bicarbonate capsules were declared for production. Domperidone tablets passed the generic drug consistency evaluation, and the US ANDA data submission for acarbose was completed; Diabetes indications and weight loss indications of liraglutide injection have entered phase III clinical studies, and all subjects have been enrolled in diabetes indications; caspofungin acetate for injection has completed on-site verification, letrozole tablets and micafene for injection Net Sodium completed the process verification and BE of Fabu, Maxitentan tablets, canagliflozin tablets, and sorafenib tosylate tablets; at the same time, completed the line product supplement application and the research work on the issuance and replenishment of related new products. Also fully developed consistency evaluation of each product. Benchmarking internationally, launching the CMO/CDMO model, and promoting the international registration of key varieties such as daptomycin for injection, tacrolimus capsules, and caspofungin for injection as planned. Meanwhile, Zhejiang Huida Biotechnology Co., Ltd., a wholly-owned subsidiary established at the beginning of this year, serves as the company's technology innovation platform in the field of microbial pharmacy, based on the research and development of high-end microbial products and commercialization at home and abroad. The main research projects currently underway include: antibodies Conjugate drug toxin library construction, synthetic biology technology development of anti-tumor and antiparasitic drugs, development of new marine-derived microbial drugs, etc.

Increased the introducing of innovative projects, to achieve new breakthroughs in the field of immunization. On August 14, 2020, the wholly-owned subsidiary Zhongmei Huadong and Qyuns Therapeutics Co., Ltd signed a strategic cooperation agreement on equity investment and product cooperation. (For details, please refer to the 'Announcement of Huadong Medicine on the Signing of Equity Investment Agreement and Product Cooperative Development Agreement between Zhongmei Huadong and Qyuns Therapeutics ', announcement number 2020-032)

The company regarded scientific research and innovation as the top of all work. During the reporting period, the construction of the research and innovation system has made great progress. With the goal of establishing an intensive, efficient, open and shared R&D system, actively promote R&D system reform, relocate R&D functions, adapt R&D personnel, vigorously introduce

high-level R&D talents, and restructure the R&D system with four major R&D function centers, stimulate scientific research and innovation ability and vitality. On the basis of completing the work objectives of the first phase, continue to promote the reform of the second phase of the R&D system, and continue to focus on the three dimensions of R&D management decision-making mechanism, R&D project management system, and R&D performance and evaluation system, and continuously stimulate scientific research and innovation capabilities and vitality.

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

During the reporting period, Zhongmei Huadong Pharmaceutical Service Corporation aimed to establish a 'pharmaceutical service management system adapted to the development of the modern pharmaceutical industry', continued to in-depth organizational structure reform, and comprehensively promoted the layout and construction of the primary market, out-of-hospital market and self-funded market. Facing the epidemic and market challenges, turning pressure into motivation, facing difficulties, rapidly adjusting market strategies, digging deeper into the grassroots market and out-of-hospital markets, actively exploring new retail pharmacies and online sales channels, developing online markets, and seizing the remaining market. At the same time, systematically planned the market expansion strategy of subsequent products on the market. In terms of academic promotion, continue to strengthen patient education around the concept of "patient-centered", and further improve the professional standards of front line marketers; continue to develop clinical re-research of listed products, and improve expert consensus and clinical value recognition through the construction of expert academic platforms. With the gradual implementation of the second batch of centralized procurement, the impact on the original hospital market of the company's acarbose tablets is more obvious, but it has gradually stabilized so far. The company's acarbose chewable tablets are actively developing nationwide sales in the hospital market, based on the current market competition and sales situation, felt confident that the annual sales volume is not lower than last year's level through the differentiated market positioning of acarbose tablets and acarbose chewable tablets and continue to deepen the diabetes basic medicine market and strive for acarbose products. The company's key potential product in the field of diabetes, pioglitazone metformin tablets and indobufen tablets, a key potential product in the cardiovascular field, both doubled their sales revenue during the reporting period. After indobufen

tablets are listed in the 2018 National Essential Drug List and the 2019 National Medical Insurance List, they are recommended as the recommended application varieties of many guidelines such as the National Essential Drug Clinical Application Guide (Chemical Drugs and Biological Products). Increased its academic promotion, the product is currently in the stage of rapid expansion and growth.

2. Pharmaceutical commerce

During the reporting period, Huadong Medicine Commercial Company (hereinafter referred to as “the commercial company”) ,as emergent reserve unit of medicine and medical instrument in Zhejiang province, actively responded to allocation and distribution orders for Commission of Economy and Information Technology (CEIT) by pooling and distributing resources to the particular medical institutions and public services. The job has been highly recognized by Zhejiang National Health Commission (NHC), CEIT, Department of Commerce and other government departments.

During Covid-19 outbreak in China, the commercial company not only highly effectively completed the command of allocating medical materials, but also softened the impact of dramatic order decrease from hospitals in Zhejiang province by taking various effective methods to boost the company’s revenue. One of the methods was to take fully advantage of the commercial company’s large-scale medical supply chain to improve the capacity of business network and the ability to deal with emergent matters.

In term of Nation Volume-Based Procurement Policy, the commercial company ensured the on-time delivery of chosen drugs, but did not give up the market opportunity of unchosen drugs. With the aim to obtain the regional franchise right, the commercial company provided the early-stage market services for innovative drugs, high-level generic drugs and other approved drugs. Following the diversified medical insurance payment reform such as "full coverage of medical insurance payment standard" and ‘payment according to disease type’, the commercial company rolled out drug economics solutions to assist medical institutions to solve various problems. To satisfy the suppliers’ requirement, the services for grassroots medical treatment, private hospitals and retail pharmacies were continuously to be improved. Since the second quarter, the commercial distribution order rate

has almost returned to the normal level and the market share in most hospitals has remained stable or increased. It seemed that the declining trend of sales was gradually reversed.

The company has a competitive advantage in cold chain logistics distribution. Huadong Medicine Supply Chain Management (Hangzhou) Co., LTD (hereinafter referred to as ‘HMSCM’), a wholly-owned subsidiary, and Huadong Ningbo Company, a holding subsidiary, both have gained the qualification to launch the cold chain distribution business. In term of vaccine distribution business, HMSCM was the first one passing the special vaccine inspection arranged by Zhejiang Drug Administration, successfully owning the qualifications to develop a vaccine distribution business. Within Zhejiang Province, the commercial company has the vaccines distribution business with Merck, Pfizer, GlaxoSmithKline, Zhifei Biotechnology, Kangtai Biotechnology, Watson Biotechnology and other famous pharmaceutical companies.

3. Aesthetic business

With the Company’s patient-centered business philosophy, Huadong Medicine’s aesthetic business focuses on the R&D, manufacturing, sales and services of the latest products and devices in the field of non-surgical facial treatments and skin management. The Company actively introduces high-tech products and new technologies all over the world to build a high-end and differentiated aesthetic brand and product portfolio with the characteristics of Huadong’s aesthetic business.

Since the beginning of this year, Covid-19 has affected the Company's aesthetic business at home and abroad. At present, the Company's aesthetic business has stabilized and is gradually recovering. It is expected that with Covid-19 being gradually controlled, the Company's domestic and international aesthetic business will achieve recovery growth. The Company keeps focusing on the global market, continuously optimizes its product pipeline, and strives to accelerate the development of aesthetic business once Covid-19 is effectively controlled, so as to realize the breakthrough of the product launch in China and the Company’s globalization strategy.

During the reporting period, Sinclair, the global operation platform of the Company’s aesthetic business, actively introduced a range of high-end products and expanded its global market. Sinclair reached an agreement with Galderma, the world-famous Swiss dermatology pharmaceutical company, on the transfer of the right of Sculptra® (poly-L-lactic acid microspheres) in western European and completed the transaction, which brought about £30.65 million (after-tax) profit to

Sinclair. Sinclair also signed an agreement with Kylane Laboratories, a Switzerland-based aesthetic R&D company, to obtain the global exclusive license of its hyaluronic acid filler MaiLi® (with Lidocaine). Having obtained CE Mark in June 2020, MaiLi® will be launched in Europe first to provide consumers with an alternative solution for facial volumization. As for Sinclair's core product Ellans®®, its China registration, marketing plan and pre-launch activities are all running smoothly.

In August 2020, the Company signed a strategic cooperation agreement with Jetema, a Korean listed company, and obtained the exclusive right of its BoNT-A product in China, which further completed the product pipeline, marking a solid step forward for the globalization of Huadong's aesthetic business. The Company plans to start the product's China registration within this year, so as to provide better aesthetic products and services to consumers.

During the reporting period, Huadong Ningbo, a holding subsidiary of the Company, developed a number of customized biological skincare products to provide consumers with gene-customized skincare solutions. With the concept of personalized customization of biotechnology and cell skincare, two products of its SANTEMUSE brand were selected for Monde Selection and won the special Gold Award at the beginning of this year.

On August 20th, 2020, the result of the third batch of Nation Volume-Based Procurement was released. Anastrozole tablets (specifications : 1mg) produced by Zhongmei Huadong and Doperidone tablets (specifications : 10mg) manufactured by Xi'an Bohua won the bidding, which would significantly increase market share and sales revenue in future and improve brand influence.

Since this year, the company has been rewarded many honors such as "the 2nd New Wealth Best Listed Company", "the most worthy of the trust of investors of the listed company inventory, the pioneer of biological medicine field of innovation", "2019 China top hundred pharmaceutical industry", "Chinese medicine new epidemic zone spreading outstanding contribution enterprise award" and "the wealth fortune of China's 500 Chinese" ranked at the 273rd.

Experienced Covid-19 and Nation Volume-Based procurement, the company has more clear development goal and more firm confidence to overcome the outside challenges such as dynamic commercial environment, medical policy change and fierce industry competition. The company's commercial business and aesthetic medicine business still face a lot of outside pressure due to the

uncertainty and ongoing of Covid-19. However, all staffs with high enthusiasm will stand with the company to complete the rest of work in 2020. In the latter half of the year, the company will improve operating efficiency and effectiveness to achieve high-quality development, and continue to make efforts to complete the annual business plan.

II. Analysis of main business

1. Overview

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

2. Income and cost

(1) Composition of operating revenue

Unit: RMB yuan

	The current reporting period		Same period last year		Year-on-year percentage increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	16,660,934,157.64	100%	18,248,667,616.98	100%	-8.70%
By sector					
Business	10,760,596,159.30	62.82%	12,570,628,438.98	67.24%	-14.40%
Manufacturing	6,238,364,356.65	36.42%	5,860,721,909.00	31.35%	6.44%
International aesthetic medicine	130,673,336.90	0.76%	264,856,884.91	1.42%	-50.66%
Offset (inter-sectoral offset)	-468,699,695.21		-447,539,615.91		
By product					
By region					
Domestic sales	16,505,022,711.72	99.06%	17,956,938,001.83	98.40%	-8.09%
Overseas sales	155,911,445.92	0.94%	291,729,615.15	1.60%	-46.56%

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

√ Applicable □ N/A

Unit: RMB yuan

	Operating revenue	Operating cost	Gross profit rate	Year-on-year percentage increase/decrease in operating revenue	Year-on-year percentage increase/decrease in operating cost	Year-on-year percentage increase/decrease in gross profit rate
By sector						
Business	10,760,596,159.30	9,945,298,362.46	7.58%	-14.40%	-14.00%	-0.43%
Manufacturing	6,238,364,356.65	1,099,080,469.13	82.38%	6.44%	12.99%	-1.02%
International aesthetic medicine	130,673,336.90	48,595,732.38	62.81%	-50.66%	-33.89%	-9.44%
Offset (inter-sectoral offset)	-468,699,695.21	-470,580,908.44	/	/	/	/
By product						
By region						
Domestic sales	16,505,022,711.72	10,559,889,938.74	36.02%	-8.09%	-12.55%	3.26%
Overseas sales	155,911,445.92	62,503,716.79	59.91%	-46.56%	-29.22%	-9.82%

III. Analysis of non-main business

√ Applicable □ N/A

Unit: RMB yuan

	Amount	Proportion in total profit	Note on reasons	Sustainable or not
Gains on asset disposal	301,166,257.18	14.28%	Mainly due to the transfer of market distribution rights of related products in Western Europe by Sinclair, a wholly owned subsidiary of the Company in the UK	No
Other gains	93,032,855.48	4.41%	Mainly due to the confirmation of government grants in the current period	No

IV. Analysis of assets and liabilities

1. Major changes in asset composition

Unit: RMB yuan

	End of the current reporting period		Same period of last year		Change of proportion	Note on major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Cash and bank balance	2,470,052,752.73	10.98%	2,560,843,974.44	11.97%	-0.99%	
Accounts receivable	6,485,487,088.32	28.82%	6,853,206,048.32	32.04%	-3.22%	Mainly due to the acceleration in the turnover of accounts receivable and the increase in the company's total assets and the corresponding decrease in the proportion of accounts receivable
Inventories	3,527,719,237.10	15.68%	3,623,467,609.69	16.94%	-1.26%	
Real estate properties for investment	21,200,079.95	0.09%	23,112,876.08	0.11%	-0.02%	
Long-term equity investments	419,056,055.31	1.86%	189,629,699.61	0.89%	0.97%	
Fixed assets	2,144,814,526.08	9.53%	1,961,302,016.45	9.17%	0.36%	
Constructions in progress	2,078,384,147.26	9.24%	960,892,180.19	4.49%	4.75%	Mainly due to the increase of Zhongmei Huadong R&D platform construction and Huadong Medicine Biomedical Science and Technology Park Project Phase II
Short-term borrowing	1,362,252,205.85	6.05%	841,400,000.00	3.93%	2.12%	Mainly due to the increase in bank financing in the current period to repay mature corporate bonds
Long-term borrowing	125,199,582.60	0.56%	138,581,674.64	0.65%	-0.09%	

2. Assets and liabilities measured at fair value

√ Applicable □ N/A

Unit: RMB yuan

Item	Opening balance	Change in fair value for the current period	Cumulative changes in fair value included in equity	Impairment accrued during the current period	Amount purchased in this period	Amount sold in this period	Other Changes	Closing balance
Financial Assets								
Investment in other equity instruments	241,675,712.05	217,909.39						241,893,621.44
Total of the above	241,675,712.05	217,909.39						241,893,621.44
Financial Liabilities	0.00							0.00

Other changes

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

☐ Yes ☒ No

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

Unit: RMB yuan

Item	Book value at the end of the period	Reason for limitation
Cash and bank balance	59,180,945.65	Cash deposit
Notes receivable	78,660,590.65	Bill pledge
Real estate properties for investment	2,022,168.45	Mortgage guarantee for borrowing
Fixed assets	56,761,691.48	Mortgage guarantee for borrowing
Intangible assets	4,457,395.07	Mortgage guarantee for borrowing
Total	201,082,791.30	

V. Investment

1. Overview

√ Applicable ☐ N/A

Investment amount in the reporting period (yuan)	Investment amount in the same period of last year (yuan)	Percentage change
722,699,019.70	737,840,039.17	-2.05%

2. Significant equity investments acquired during the reporting period

√ Applicable □ N/A

Unit: RMB ten thousand yuan

Name of invested company	Main businesses	Way of investment	Investment amount	Shareholding ratio	Capital source	Partner	Term of investment	Product type	Progress as of the balance sheet date	Projected income	Profit or loss of investment in the current period	Involved in litigation or not	Disclosure date (if any)	Disclosure index (if any)
Chongqing Peg-Bio Biopharm Co., Ltd.	R&D of biological chemical product and technologies; R&D of fermentation process optimization technology	Capital increase and equity transfer	21,000	39.80%	Own funds	/	/	R&D	Completed the second capital increase and equity acquisition	/	No profit for the time being	No	N/A	N/A

Note: From December 2018 to January 2020, the wholly-owned subsidiary Zhongmei Huadong made capital increase and equity investment in Chongqing Peg-Bio twice. According to the <Regarding Investment in Chongqing Peg-Bio> signed by Zhongmei Huadong and Chongqing Peg-Bio in December 2018 The Agreement of Chongqing Peg-Bio Biotechnology Co., Ltd. and the <Agreement on Capital Increase and Equity Transfer of Chongqing Peg-Bio Biotechnology Co., Ltd.> signed in January 2020, Zhongmei Huadong has invested a total of 210 million yuan and acquired 39.80% of its shares, becoming the second largest shareholder of Chongqing Peg-Bio. Chongqing Peg-Bio has completed the information changes in State Administration For Market Regulation on January 16, 2020. As of August 26, 2020, Zhongmei Huadong has paid 210 million yuan in equity investment in accordance with the contract.

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

√ Applicable □ N/A

Unit: RMB yuan

Project name	Way of investment	Investment in fixed assets or not	Industry involved in the investment project	Investment amount during the reporting period	Cumulative actual investment amount by the end of the reporting period	Capital source	Project progress	Projected income	Cumulative income realized by the end of the reporting period	Reasons for not meeting the planned schedule and projected income	Disclosure date (if any)	Disclosure index (if any)
Huadong Medicine Biomedical Science and Technology Park Project Phase II	Self-built project	Yes	Pharmaceutical manufacturing	151,511,298.39	1,479,935,537.10	Own funds	70.00%	/	/	N/A	March 9, 2017	http://www.cninfo.com.cn
Total	--	--	--	151,511,298.39	1,479,935,537.10	--	--	/	/	--	--	--

4. Financial assets measured at fair value

☐ Applicable ☒ N/A

5. 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/losses from fair value changes in the current	Accumulative fair value changes included in	Purchase amount in the current period	Selling amount in the current period	Gain/losses during the reporting period	Book value at the end of the period	Accounting item	Capital source
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						period	equity						
Dome stic and overs eas stock	RAPT	RAPT	20,20 7,400. 00	Fair value measu remen t	42,00 9,254. 79	217,9 09.39	217,9 09.39	0.00	0.00	217,9 09.39	42,22 7,164. 18	Other equity instru ment invest ment	Own funds
Total			20,20 7,400. 00	--	42,00 9,254. 79	217,9 09.39	217,9 09.39	0.00	0.00	217,9 09.39	42,22 7,164. 18	--	--
Date of announcement of the Board of Directors on securities investment approval													
Date of announcement of the Board of Shareholders on securities investment approval (if any)													

Note: Huadong Pharmaceutical Investment Holdings (Hong Kong) Co., Ltd., a subsidiary of the company, invested US\$3.00 million in 2019 to purchase 218,102 Series C-2 preferred shares of RAPT Therapeutics, Inc. RAPT Therapeutics, Inc. was listed on the Nasdaq Stock Exchange (stock code: RAPT) on October 30, 2019. As of the end of the reporting period, Huadong Pharmaceutical Investment Holdings (Hong Kong) Co., Ltd. accounted for the total amount of RAPT Therapeutics, Inc. 0.89% of the shares.

(2) Derivatives investment

☐ Applicable ☒ N/A

No such case during the reporting period.

VI. Major assets and equity sales

1. Major assets sales

☐ Applicable ☒ N/A

No such case during the reporting period.

2. Major equity sales

☐ Applicable ☒ N/A

VII. Analysis of wholly-partially owned and shareholding companies

√ Applicable □ N/A

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

Unit: RMB yuan

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Subsidiary	Production and management of Traditional Chinese and Western raw medicines and preparations, and health care products	872,308,130	8,487,267,960.13	5,984,075,731.59	6,083,729,010.89	1,598,130,824.21	1,378,241,277.11
Huadong Ningbo Medicine Co., Ltd.	Subsidiary	Sales of biological products as proxy	5,000,000	987,587,414.88	589,174,647.30	585,927,346.26	93,203,716.69	68,291,730.08
Huadong Medicine Wenzhou Co., Ltd.	Subsidiary	Wholesale of TCM materials, TCM decoction pieces, chemical preparations, etc.	61,300,000	1,243,925,782.13	214,390,964.18	1,186,757,225.88	19,806,454.59	11,988,952.45
Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	Subsidiary	Warehousing and storage services	50,729,863	172,962,842.08	120,038,141.99	68,104,298.18	10,211,727.12	8,042,395.32
Sinclair Pharma Limited	Sub-subsidiary	R&D, production and sales of aesthetic medicine	219,962,963.92	1,001,158,558.93	597,806,137.79	130,673,336.90	195,486,545.46	163,708,849.35

		products						
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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 Huida Biotech Co., Ltd.	New subsidiary company	Technology innovation platform in the field of microbial pharmacy
Shenzhen Xinda Yanchuang Technology Development Co., Ltd.	New subsidiary company	New drug research and development and technical service platform
Ningbo Sinfmuse Medical Investment Management Co., Ltd.	Cancellation	No significant impact

VIII. Structured entities controlled by the Company

□ Applicable √ N/A

IX. Forecast of business performance from January to September 2020

A warning and explanation of the reason for predicting that the cumulative net profit from the beginning of the year to the end of the next reporting period may be a loss or a significant change compared with the same period of the previous year

□ Applicable √ N/A

X. Research and development (R&D)

1. Overview

Adhering to the corporate philosophy of ‘research-oriented, customer-focused’, the Company continued to increase R&D investment, set up the innovative drug R&D center, set up a new drug R&D team with international vision and multinational pharmaceutical enterprise background and accelerated the deployment of innovative drugs and the introduction of innovative drug projects at home and abroad. It has completed the approval of several potential innovative drugs in the fields of anti-tumor, endocrine, immunity and other fields. Company continued to enrich the pipeline layout of innovative drug R&D. At present, the Company has more than 50 projects under study. During the reporting period, the Company invested 0.474 billion yuan in medicine R&D with an increase of 2.50% compared with the same period in 2019.

2. Construction of R&D strategic cooperation ecosystem

The wholly-owned subsidiary Zhejiang Huida Biotech Co., Ltd. was newly established at the beginning of this year. As the Company's technology platform in the field of microbial pharmacy, it is based on the R&D and commercialization of high-end microbial products at home and abroad.

At present, the main research projects include the construction of antibody coupled drug toxin library, the development of anti-tumor and anti-parasitic drugs by synthetic biological technology, and the development of new marine-derived microbial drugs, etc.

On the basis of comprehensively improving independent innovation capabilities, the Company has carried out a full range of joint R&D and industrial cooperation with its shareholding companies Chongqing Peg-Bio, Qyuns Therapeutics Co., Ltd, and Jiuyuan Gene, leveraged their respective advantages, and continued to expand the company's pipeline layout in diabetes peptide drugs and build a R&D strategic cooperation ecosystem with Zhongmei Huadong as the core, featuring win-win cooperation, openness and compatibility.

3. R&D of major innovative drugs and biosimilar projects

The Company has formulated a strategic plan for the development of innovative drugs by 2025, focusing on the existing covered therapeutic areas, clarifying the key direction and number of innovative projects each year during the planning period, and proposing to complete the approval and reserve of no less than 15 innovative varieties (including innovative drugs, modified new drugs, innovative medical beauty products and devices, etc). During the reporting period, the Company rushed to advance the clinical research progress of a number of innovative drugs and key biosimilars under research, and strived to be approved as soon as possible. In addition, the Company is also actively exploring and learning from the construction of an internationally advanced innovative drug R&D system, continuously optimizing and adjusting the Company's overall R&D system structure, and through the introduction of high-end R&D talents, improving the functional modules of innovative project development, and fully protecting the Company achievement of strategic planning goals for innovative projects.

The Company's current clinical research progress of key innovative drugs, innovative medical devices and biosimilar projects are as follows:

(1) Mefatinib: Mefatinib for the treatment of advanced non-small cell lung cancer is undergoing the phase III clinical trial; for the phase II single-arm clinical trial of rare mutations in the first/second line, the communication with CDE was completed on the basis of the good curative effect of the first phase. According to the requirements of CDE communication results, phase II trials were conducted with low doses in the phase II clinical of rare mutations, with the aim to directly report to the market with phase II clinical results of rare mutations.

(2) **TTP273:** Upgrading and improvement of new prescriptions have been completed, and phase II international multi-center clinical trials are planned to be carried out simultaneously in the second half of 2020 to verify the safety and efficacy of the new prescriptions. Relevant preparations are under way.

(3) **HD-NP-102 (dynamic TGFR monitoring system):** Through real-time monitoring of glomerular filtration rate, renal function will be evaluated. IND application will be submitted in China before the end of 2020, and clinical trials will be initiated in 2021.

(4) **Layout of early innovative drug R&D:** Innovative drugs such as oral GLP-1 innovative drugs for the treatment of type 2 diabetes, anti-tumor CDK-targeted innovative drugs, and recombinant human keratinocyte factor for the treatment of diabetic feet have all been approved and initiated in pre-clinical research work, such as pharmacology, pharmacology and toxicology.

(5) **Biosimilar varieties:** The Company's key product in the field of diabetes, Liraglutide injection has been fully launched in the multi-center phase III clinical trial for type 2 diabetes. All subjects have been enrolled and are expected to complete all the clinical work by the end of 2020. The multi-center phase III clinical trial for weight loss indication of this product has been officially launched. HD-IM-0003 (QX001S) is scheduled for phase III clinical trials in early 2021; The clinical application for Ranibizumab injection has been submitted, and the relevant supplementary materials are currently being studied. The supplementary materials are expected to be submitted by the end of 2020, and the clinical approval will be obtained in the first quarter of 2021. Insulin degludec injection, insulin aspart injection and glucagon biological analogues are under preclinical study.

4. R&D of major generic drugs

During the reporting period, the Company carefully carried out dynamic evaluation and sorting of the existing generic drugs under R&D in a scientific manner, and further clarified the key and priority varieties. The progress of key varieties are as follows:

(1) In the field of diabetes: Sitagliptin-Metformin Compound Tablets (50/500mg) have passed the technical review and are expected to get the production approval by the end of 2020; Empagliflozin-Metformin Compound Tablets (5/500mg) have been applied for production; Canagliflozin Tablets (0.1g and 0.3g) have been completed BE test and process verification and are expected to apply for production by the end of 2020. Repaglinide tablets and Sitagliptin-

Metformin tablets (50/850mg) are in the process of formulation optimization, while Pioglitazone-Metformin tablets (15/850mg) are in a pilot study.

(2) In the field of immunity: the new project of Tacrolimus sustained-release tablets and granules are preparing for pilot studies.

(3) Anti-tumor field: Anastrozole tablets have been approved for drug production in July 2020; Letrozole tablets have completed the submission of supplementary materials and are waiting for on-site verification; Sorafenib tablets have completed the BE test and process verification. It is expected to declare production at the end of 2020. Ibrutinib capsules and Olaparib tablets are in the pilot study stage.

(4) Super antibiotic field: Caspofungin acetate for injection has completed the on-site inspection and is expected to obtain production approval by the end of 2020; Micafungin sodium for injection has completed the research on issuing supplementary materials.

(5) Digestive tract field: the compound Omeprazole and Sodium Bicarbonate capsules have been declared for production.

(6) Cardiovascular field: Macitentan tablets have completed the BE test and process verification and are expected to declare for production by the end of 2020.

5. External cooperation in R&D

During the reporting period, the Company actively cooperated and negotiated new drug projects with domestic and foreign innovative drug research and development companies and scientific research institutes, as follows:

(1) As of the disclosure date of this report, Zhongmei Huadong completed the second equity investment in Chongqing Peg-Bio Biotechnology Co., Ltd.. The shares held by Zhongmei Huadong have increased from 19.35% to 39.80%. Its two core technologies, PEG-modification platform and high-efficiency polypeptide tandem expression platform will effectively promote the Company's product strategic layout in the field of biological macromolecules.

(2) Increase the introduction of innovative projects to achieve new breakthroughs in the field of immunization. On August 14, 2020, the wholly-owned subsidiary Zhongmei Huadong and Qyuns Therapeutics Co., Ltd signed a strategic cooperation agreement on equity investment and product cooperation. Zhongmei Huadong invested 370 million yuan in equity investment in Qyuns Therapeutics Co., Ltd through capital increase. After the investment, it accounted for 20.56% of the

shares and became the second largest shareholder of Qyuns Therapeutics Co., Ltd. By virtue of their respective advantages in their respective fields, the two parties will carry out extensive and in-depth cooperative development and commercialization of the ongoing research product line of Qyuns Therapeutics Co., Ltd. Since then, the Company has officially entered the monoclonal antibody field, enriched its innovative product pipeline, and expanded its product portfolio in the field of autoimmune diseases. At the same time, the two parties have signed an agreement on product cooperation development and commercialization for HD-IM-0003 (QX001S) (A biological analogue of the original drug Stelara®/Ustekinumab, used for the treatment of psoriasis and Crohn's disease, etc.) under development by Qyuns Therapeutics Co., Ltd in mainland China. HD-IM-0003 (QX001S) is expected to become the world's first biosimilar of the original drug Ustekinumab with annual sales of more than USD 6 billion. The two major indications, psoriasis and Crohn's disease, span the two dominant clinical departments of Zhongmei Huadong, the department of immunology and gastroenterology. HD-IM-0003 (QX001S) is scheduled to begin phase III clinical trials early next year.

6. R&D of medical beauty products

During the reporting period, the core products of the Company's wholly-owned subsidiary Sinclair and its shareholding subsidiary U.S. R2 have achieved positive registration progress in overseas countries. The new hyaluronic acid of the MaiLi series containing lidocaine has obtained the CE certification of the European Union in June 2020; F1, a medical device related to frozen freckle removal and whitening introduced from American R2 Company in the field of medical beauty, has been approved by US FDA for 510(k) and is expected to be on the market in the US by the end of 2020. The Chinese clinical plan design of the above two products is progressing in an orderly way. Sinclair's core product, Ellans®e, a new long-action micropellet for injection for facial subcutaneous implantation, can stimulate the production of collagen in beauty seekers' own skin, and improve wrinkles permanently. Registered clinical trials have been completed in China, and the application for marketing registration is progressing as planned. Silhouette® cosmetic embedding is suitable for mid-face lifting surgery and reshaping facial reconstruction. The registration in China has started, and the clinical registration development plan and trial scheme are in preparation.

In August 2020, the Company signed a strategic cooperation agreement with Jetema, a listed company in South Korea, to introduce its type A botulinum toxin products. The plan will start the

registration and declaration in China within this year.

7. Progress of consistency evaluation

During the reporting period, the Company generic quality consistency and curative effect evaluation work goes well. Pioglitazone hydrochloride (30mg, 15mg) received a consistency evaluation supplementary application acceptance notice. Mycophenolate mofetil capsules (0.25g) received a consistency evaluation supplement application acceptance notice. Clarithromycin tablets (0.25g) and Pioglitazone-Metformin tablets (15mg/500mg) completed the research and submission of supplementary materials. Domperidone tablets (10mg) passed the consistency evaluation. Other varieties to be evaluated are in the stage of pharmaceutical research, pilot scale-up or process verification.

8. Patent work

In recent years, the Company attaches great importance to its own intellectual property protection and achievements transformation application work. The number of patent applications and authorization has increased steadily. Over the years, the Company has applied for more than 500 patents at home and abroad, among which more than 260 patents are authorized.

During the reporting period, the Company submitted a total of 20 patent applications and obtained 5 authorized patents.

XI. Risks and countermeasures

1. Industry policies and market impact

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

Countermeasures: The Company will pay close attention to, analyze and grasp major

national medicine policies and industry development trends, strengthen the layout of innovative varieties and R&D investment through endogenous development and outward extension, reduce production and operation risks through lean production, fully implement the international development strategy and improve the technological quality advantages of products with international standards. It will continue to tap the advantageous products and subdivisions of aesthetic medicine to create new profit points. It will vigorously expand grassroots communities and OTC markets, and increase the coverage of primary and retail terminal markets to maintain stable growth in operations.

2. New drug R&D risk

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

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

3. Price reduction risk

With the intensified competition in the medicine market and the further promotion of the national centralized purchasing policy, domestic medicine enterprises will face the pressure of policy-based

price reduction for a long time. There will be more competitive manufacturers of similar products, leading to the risk of failure in bidding, which is also a negative factor affecting the Company's business performance.

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

Section V Important Matters

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

1. Annual General Meeting convened during the current reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
2019 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	59.61%	June 5 th , 2020	June 5 th , 2020	No. 2020-026; www.cninfo.com.cn

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

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

The Company did not plan to distribute cash dividends, send bonus shares, or convert capital reserve into share capital during the first half of 2019.

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

☐ Applicable ☒ N/A

No such case during the reporting period.

IV. Engagement and disengagement of the accounting firm

Whether the half year report was audited

☐ Applicable ☒ N/A

The Company's half year report was not audited.

V. Explanation given by the board of directors and supervisory committee regarding the "non-standard auditor's report" issued by the accounting firm for the current reporting period

☐ Applicable ☒ N/A

VI. Explanation given by the board of directors regarding the "non-standard auditor's report" issued by the accounting firm for the prior year

☐ Applicable ☒ N/A

VII. Bankruptcy and restructuring

☐ Applicable ☒ N/A

No such case during the reporting period.

VIII. Litigations

Material litigation and arbitration

☐ Applicable ☒ N/A

No such case during the reporting period.

Other litigations

☐ Applicable ☒ N/A

IX. Media queries

☐ Applicable ☒ N/A

There was no prevalent media query during the reporting period.

X. Punishments and rectifications

☐ Applicable ☒ N/A

No such case during the reporting period.

XI. Integrity of the Company and its controlling shareholders and actual controllers

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

No such case during the reporting period

XIII. Significant related-party transaction

1. Related-party transactions arising from routine operation

☒ Applicable ☐ N/A

During the reporting period, the company's daily related-party transactions were implemented in accordance with the resolutions of the shareholders' meeting.

2. Related-party transactions regarding purchase and disposal of assets or equity

☐ Applicable ☒ N/A

No such case in the reporting period.

3. Significant related-party transactions arising from joint investments on external parties

☐ Applicable ☒ N/A

No such case in the reporting period.

4. Related credit and debt transactions

☐ Applicable ☒ N/A

No related-parties' creditor's rights or debts during the reporting period

5. Other significant related party transactions

☐ Applicable ☒ N/A

No other significant related party transactions during the reporting period.

XIV. The Company's funds used by the controlling shareholder or its related parties for non-operating purpose.

☐ Applicable ☒ N/A

No such case during the reporting period.

XV. Significant contracts and their execution

1. Trusteeship, contracting and leasing

(1) Trusteeship

☐ Applicable ☒ N/A

No such case in the reporting period.

(2) Contracting

☐ Applicable ☒ N/A

No such case in the reporting period.

(3) Leasing

☐ Applicable ☒ N/A

No such case in the reporting period.

2. Significant guarantees

☒ Applicable ☐ N/A

(1) Details of guarantees

During the reporting period, the company did not have any external guarantees except for providing guarantees for funds and loans required for the daily operating activities of its subsidiaries in accordance with the resolutions of the board of directors and shareholders.

(2) Illegal provision of guarantees for external parties

☐ Applicable ☒ N/A

No such case in the reporting period.

3. Entrusted financial management

☐ Applicable ☒ N/A

No entrusted finance during the reporting period.

4. Other significant contracts

☐ Applicable ☒ N/A

XVI. Social responsibility

1. Significant environmental problems

Whether the Company or the Company's subsidiaries are critical pollution enterprises disclosed by national environmental protection department

Yes

2. Fulfillment of the social responsibility of targeted poverty alleviation

☐ Applicable ☒ N/A

XVII. Other significant events

☐ Applicable ☒ N/A

No such case in the reporting period.

XVIII. Other significant events of the Company's subsidiaries

☐ Applicable ☒ N/A

Section VI Share Change and Shareholders

I. Changes in Share Capital

1. Table of changes in share capital

Unit: Share

	Before the change		Changes in the period (+, -)					After the change	
	Number of shares	Proportion	New shares	Bonus shares	Conversion of capital reserve into shares	Others	Subtotal	Number of shares	Proportion
I. Shares subject to conditional restriction	25,245	0.00%	0	0	0	0	0	25,245	0.00%
1. Shares held by the state	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned corporations	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic investors	25,245	0.00%	0	0	0	0	0	25,245	0.00%
Including: held by domestic corporations	0	0.00%	0	0	0	0	0	0	0.00%
held by domestic natural persons	25,245	0.00%	0	0	0	0	0	25,245	0.00%
4. Shares held by overseas investors	0	0.00%	0	0	0	0	0	0	0.00%
Including: held by overseas corporations	0	0.00%	0	0	0	0	0	0	0.00%
held by overseas natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares without restriction	1,749,784,303	100.00%	0	0	0	0	0	1,749,784,303	100.00%
1. RMB ordinary shares	1,749,784,303	100.00%	0	0	0	0	0	1,749,784,303	100.00%
2. Domestically listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Foreign shares listed overseas	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	1,749,809,548	100.00%	0	0	0	0	0	1,749,809,548	100.00%

Reason for the changes in share capital

□ Applicable √ N/A

Approval for changes in share capital

☐ Applicable ☒ N/A

Transfer of shares

☐ Applicable ☒ N/A

Progress of share repurchase

☐ Applicable ☒ N/A

Progress of reducing repurchased shares through centralized bidding

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

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

☐ Applicable ☒ N/A

2. Changes in restricted shares

☐ Applicable ☒ N/A

II. Issuance and listing of securities

☐ Applicable ☒ N/A

III. Total number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period	132,086				Total number of preference shareholders with restoration of the voting rights at the end of the reporting period (if any)		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	Amount
China Grand Enterprises, Inc. 中国远大集团有限责任公司	Domestic non-state-owned corporation	41.77%	730,938,157	0	0	730,938,157	Pledged	263,884,000
Hangzhou Huadong Medicine Group Co., Ltd. 杭州华东医药集团有限公司	State-owned corporation	16.46%	288,000,000	0	0	288,000,000		
Hong Kong Securities Clearing Company Ltd. 香港中央结算有限公司	Overseas corporation	2.02%	35,403,136	-1,383,584	0	35,403,136		
National Social Security Fund Portfolio 106 全国社保基金一零六组合	Other	1.59%	27,797,163	4,455,650	0	27,797,163		
China Securities Finance Co., Ltd. 中国证券金融股份有限公司	Other	1.27%	22,186,818	0	0	22,186,818		
Taikang Life Insurance Co., Ltd. – Unit-linked – Proactive growth 泰康人寿保险有限责任公司—投连—积极成长	Other	0.56%	9,815,785	-50,926	0	9,815,785		
Basic Endowment Insurance Fund Portfolio 807 基本养老保险基金八零七组合	Other	0.51%	8,873,423	3,522,910	0	8,873,423		
#Yi, Jiandong 易建东	Domestic natural person	0.47%	8,279,987	8,279,987	0	8,279,987		
Basic Endowment Insurance Fund Portfolio 15041 基本养老保险基金一五零四一组合	Other	0.44%	7,623,568	2,505,480	0	7,623,568		
Bank of China Ltd- Harvest Healthcare Equity Securities Investment Fund 中国银行股份有限公司	Other	0.28%	4,848,229	180,000	0	4,848,229		

司一嘉实医疗保健股票型证券投资基金							
Strategic investors or general corporations become the top 10 shareholders due to the placement of new shares (if any)	N/A						
Explanation on associated relationship 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.						
Particulars about the Top 10 common shareholders holding unrestricted shares							
Name of shareholder	Number of unrestricted common shares at the end of reporting period	Type of shares					
		Type	Number				
China Grand Enterprises, Inc. 中国远大集团有限责任公司	730,938,157	RMB common shares	730,938,157				
Hangzhou Huadong Medicine Group Co., Ltd. 杭州华东医药集团有限公司	288,000,000	RMB common shares	288,000,000				
Hong Kong Securities Clearing Company Ltd. 香港中央结算有限公司	35,403,136	RMB common shares	35,403,136				
National Social Security Fund Portfolio 106 全国社保基金一零六组合	27,797,163	RMB common shares	27,797,163				
China Securities Finance Co., Ltd. 中国证券金融股份有限公司	22,186,818	RMB common shares	22,186,818				
Taikang Life Insurance Co., Ltd. – Unit-linked – Proactive growth 泰康人寿保险有限责任公司—投连—积极成长	9,815,785	RMB common shares	9,815,785				
Basic Endowment Insurance Fund Portfolio 807 基本养老保险基金八零七组合	8,873,423	RMB common shares	8,873,423				
#Yi, Jiandong 易建东	8,279,987	RMB common shares	8,279,987				
Basic Endowment Insurance Fund Portfolio 15041 基本养老保险基金一五零四一组合	7,623,568	RMB common shares	7,623,568				
Bank of China Ltd- Harvest Healthcare Equity Securities Investment Fund 中国银行股份有限公司一嘉实医疗保健股票型证券投资基金	4,848,229	RMB common shares	4,848,229				
Explanation on associated relationships and concerted actions among the Top 10 common shareholders without trading restriction, and between the Top 10 common shareholders without trading restriction and the Top 10 common shareholders	The Company does not know whether the above-mentioned common shareholders are related parties or whether they are acting-in-concert parties.						
Notes on financing and securities loan conducted by top 10 shareholders (if any)	At the end of the current reporting period, Yi Jiandong, the eighth shareholder of the Company, held 8,250,087 shares of the Company through financing and securities loan.						

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

☐ Yes ☒ No

No such case during the reporting period.

IV. Particulars about change in the controlling shareholder

Change of the controlling shareholder during the current reporting period

☐ Applicable ☒ N/A

No such cases in the reporting period

Change of the actual controller during the reporting period

☐ Applicable ☒ N/A

No such cases in the reporting period

Section VII Preferred Shares

☐ Applicable ☒ N/A

No such case during the reporting period.

Section VIII Convertible Corporate Bonds

☐ Applicable ☒ N/A

No such case during the reporting period.

Section IX Directors, Supervisors, Senior Managers

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

☐ Applicable ☒ N/A

There are no shareholding changes of directors, supervisors and senior management personnel during the reporting period (referring to 2019 annual report).

II. Change of directors, supervisors and senior managers

☐ Applicable ☒ N/A

There are no changes of directors, supervisors and senior management personnel during the reporting period (referring to 2019 annual report).

Section X Information about Corporate Bonds

Whether the Company has publicly issued corporate bonds on stock exchange place, which has not terminated or terminated but fail to collect the full payment before the half year report authorized disclosure date.

No

Section XI. Financial Report

I. Audit report

Has the half year report been audited?

☐ Yes ☒ No

The half year report has not been audited.

II. Financial statements

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

1. Consolidated balance sheet

Prepared by: Huadong Medicine Co., Ltd.

June 30th, 2020

Unit: RMB yuan

Item	June 30 th , 2020	December 31 st , 2019
Current assets:		
Cash and bank balances	2,470,052,752.73	2,402,730,395.39
Settlement reserve	-	-
Lending to other banks and other financial institutions	-	-
Financial assets for trade	-	-
Financial assets that are measured at fair value and whose changes are included in current gains/losses	-	-
Derivative financial assets	-	-
Notes receivable		
Accounts receivable	6,485,487,088.32	6,092,305,184.47
Accounts receivable for financing	1,223,857,309.55	683,884,625.14
Prepayments	447,717,238.96	363,246,612.94
Premiums receivable	-	-
Reinsurance accounts receivable	-	-
Reinsurance contract reserve receivable	-	-
Other receivables	121,818,122.97	92,201,271.22
Including: Interests receivable	-	-
Dividends receivable	815,965.44	815,965.44
Financial assets purchased for resale	-	-

Item	June 30 th , 2020	December 31 st , 2019
Inventories	3,527,719,237.10	4,038,975,496.93
Contract assets	-	-
Assets held for sale	-	-
Non-current assets due within one year	-	-
Other current assets	19,200,711.58	62,526,471.96
Total current assets	14,295,852,461.21	13,735,870,058.05
Non-current assets:		
Loans and prepayments issuance	-	-
Debt investments	-	-
Financial assets available for sale	-	-
Other debt investments	-	-
Held-to-maturity investments	-	-
Long-term receivables	-	-
Long-term equity investments	419,056,055.31	222,595,018.54
Other equity instrument investments	241,893,621.44	241,675,712.05
Other non-current financial assets	-	-
Real estate properties for investment	21,200,079.95	21,701,908.75
Fixed assets	2,144,814,526.08	2,175,216,842.65
Constructions in progress	2,078,384,147.26	1,829,808,233.19
Biological assets for production	-	-
Oil & gas assets	-	-
Right-of-use assets	-	-
Intangible assets	1,491,462,256.94	1,454,900,160.45
Development expenditures	-	-
Goodwill	1,469,617,262.10	1,469,617,262.10
Long-term unamortized expenses	9,932,911.76	12,289,677.31
Deferred tax assets	130,993,835.87	116,157,614.47
Other non-current assets	199,332,824.16	184,141,659.07
Total non-current assets	8,206,687,520.87	7,728,104,088.58
Total assets	22,502,539,982.08	21,463,974,146.63
Current liabilities:		
Short-term borrowings	1,362,252,205.85	655,549,973.27
Borrowing from the central bank	-	-

Item	June 30 th , 2020	December 31 st , 2019
Borrowing from other banks and other financial institutions	-	-
Financial liabilities for trade	-	-
Financial liabilities that are measured at fair value and whose changes are included in current gains/losses	-	-
Derivative financial liabilities	-	-
Notes payable	422,541,634.85	613,374,356.61
Accounts payable	3,708,563,900.91	3,789,054,234.58
Receipts in Advance	1,615,154.91	254,888,911.30
Contract liabilities	54,134,614.38	-
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	173,771,385.76	132,584,982.71
Taxes payable	359,453,727.61	532,802,157.61
Other payables	1,932,519,496.00	1,365,152,290.99
Including: Interests payable	-	-
Dividends payable	224,219.60	224,219.60
Handling fees and commissions payable	-	-
Reinsurance accounts payable	-	-
Liabilities held for sale	-	-
Non-current liabilities due within one year	20,746,317.77	1,053,231,727.73
Other current liabilities	-	-
Total current liabilities	8,035,598,438.04	8,396,638,634.80
Non-current liabilities:		
Insurance policy reserve	-	-
Long-term borrowings	125,199,582.60	-
Bonds payable	-	-
Including: Preferred shares	-	-
Perpetual bonds	-	-
Lease liabilities	-	-
Long-term payables	49,079,373.13	48,080,030.00
Long-term employee benefits payable	-	-

Item	June 30 th , 2020	December 31 st , 2019
Provisions	51,482,784.16	52,066,643.01
Deferred income	56,436,438.73	60,960,255.68
Deferred tax liabilities	45,635,531.26	39,604,343.27
Other non-current liabilities	-	-
Total non-current liabilities:	327,833,709.88	200,711,271.96
Total liabilities	8,363,432,147.92	8,597,349,906.76
Owners' Equity:		
Share capital	1,749,809,548.00	1,749,809,548.00
Other equity instruments	-	-
Including: Preferred shares	-	-
Perpetual bonds	-	-
Capital reserves	2,157,862,037.14	2,158,080,661.07
Less: Treasury shares	-	-
Other comprehensive income	61,541,827.03	22,792,488.80
Special reserve	-	-
Surplus reserves	710,359,967.51	710,359,967.51
General risk reserve	-	-
Retained earnings	8,909,672,690.43	7,668,434,642.62
Total owners' equity attributable to owner of the Company	13,589,246,070.11	12,309,477,308.00
Minority interest	549,861,764.05	557,146,931.87
Total owners' equity	14,139,107,834.16	12,866,624,239.87
Total liabilities & owners' equity	22,502,539,982.08	21,463,974,146.63

Legal representative: Liang Lyu

Person in charge of accounting work: Liang Lyu

Person in charge of the Accounting Department: Renbo Qiu

2. Balance sheet of the parent company

Unit: RMB yuan

Item	June 30 th , 2020	December 31 st , 2019
Current assets:		
Cash and bank balances	1,336,541,043.66	893,939,724.56
Financial assets for trade	-	-
Financial assets measured at fair value and whose changes are included in current gains/losses	-	-
Derivative financial assets	-	-
Notes receivable	-	-
Accounts receivable	3,550,755,741.36	3,601,796,850.84
Accounts receivable for financing	375,970,101.31	102,285,661.94
Prepayments	111,464,181.52	183,776,687.98
Other receivables	737,320,561.71	857,127,207.17
Including: Interests receivable	-	-
Dividends receivable	-	-
Inventories	1,422,056,544.16	1,726,815,773.41
Contract assets	-	-
Assets held for sale	-	-
Non-current assets due within one year	-	-
Other current assets	-	4,529,331.87
Total current assets	7,534,108,173.72	7,370,271,237.77
Non-current assets:		
Debt investments	-	-
Financial assets available for sale	-	-
Other debt investments	-	-
Held-to-maturity investments	-	-
Long-term receivables	-	-
Long-term equity investments	4,883,803,099.45	4,809,521,228.65
Other equity instrument investments	92,108,957.26	92,108,957.26
Other non-current financial assets	-	-
Real estate properties for investment	8,358,692.86	8,591,809.18
Fixed assets	143,430,012.76	144,102,366.02
Constructions in progress	21,973,342.44	15,728,406.26

Item	June 30 th , 2020	December 31 st , 2019
Biological assets for production	-	-
Oil & gas assets	-	-
Right-of-use assets	-	-
Intangible assets	45,140,968.27	45,226,361.12
Development expenditures	-	-
Goodwill	-	-
Long-term unamortized expenses	810,795.60	975,689.14
Deferred tax assets	48,924,184.37	48,849,165.52
Other non-current assets	8,076,419.28	8,076,419.28
Total non-current assets	5,252,626,472.29	5,173,180,402.43
Total assets	12,786,734,646.01	12,543,451,640.20
Current liabilities:		
Short-term borrowings	930,707,405.39	55,000,000.80
Financial liabilities for trade	-	-
Financial liabilities that are measured at fair value and whose changes are included in current gains/losses	-	-
Derivative financial liabilities	-	-
Notes payable	53,979,780.29	81,036,745.94
Accounts payable	2,211,018,826.31	2,469,675,798.54
Receipts in advance	-	52,914,932.34
Contract liabilities	57,464,001.86	-
Payroll payable	3,148,520.04	3,203,215.95
Taxes payable	71,670,406.44	32,881,935.68
Other payables	446,072,333.60	638,551,969.04
Including: Interests payable	-	-
Dividends payable	224,219.60	224,219.60
Liabilities held for sale	-	-
Non-current liabilities due within one year	-	1,028,002,952.88
Other current liabilities	-	-
Total current liabilities	3,774,061,273.93	4,361,267,551.17
Non-current liabilities:		
Long-term borrowing	-	-
Bonds payable	-	-

Item	June 30 th , 2020	December 31 st , 2019
Including: Preferred shares	-	-
Perpetual bonds	-	-
Lease liabilities	-	-
Long-term payables	-	-
Long-term employee benefits payable	-	-
Provision	-	-
Deferred income	41,981,848.41	43,264,785.87
Deferred tax liabilities	-	-
Other non-current liabilities	-	-
Total non-current liabilities	41,981,848.41	43,264,785.87
Total liabilities	3,816,043,122.34	4,404,532,337.04
Owners' Equity:		
Share capital	1,749,809,548.00	1,749,809,548.00
Other equity instruments	-	-
Including: Preferred shares	-	-
Perpetual bonds	-	-
Capital reserves	2,168,451,528.01	2,168,451,528.01
Less: Treasury shares	-	-
Other comprehensive income	847,526.06	847,526.06
Special reserve	-	-
Surplus reserves	788,215,726.95	788,215,726.95
Retained earnings	4,263,367,194.65	3,431,594,974.14
Total owners' equity	8,970,691,523.67	8,138,919,303.16
Total liabilities & owners' equity	12,786,734,646.01	12,543,451,640.20

3. Consolidated income statement

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Total operating income	16,660,934,157.64	18,248,667,616.98
Including: Operating revenue	16,660,934,157.64	18,248,667,616.98
Interests received	-	-
Premiums earned	-	-
Handling fees and commissions received	-	-
II. Total operating cost	14,896,020,510.59	16,371,950,305.33
Including: Operating cost	10,622,393,655.53	12,163,207,615.70
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	101,439,816.68	105,568,634.37
Selling expenses	3,168,607,371.02	3,053,727,531.60
Administrative expenses	506,362,613.35	526,657,630.43
Research and Development(R&D) expenses	479,685,981.21	468,669,112.56
Financial expenses	17,531,072.80	54,119,780.67
Including: Interests expenses	47,068,116.52	66,248,306.83
Interests income	30,675,897.56	19,838,565.33
Add: Other income	93,032,855.48	86,070,226.02
Investment income	-10,002,163.90	-6,159,135.96
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-3,173,963.23	8,057,080.97
Gains on the derecognition of financial assets measured at amortized cost	-	-
Gains on exchange	-	-
Gains on net exposure hedging	-	-
Gains on changes in fair value	-	-

Item	Amount incurred during the current period	Amount incurred during the previous period
Credit impairment gains (losses)	-29,841,283.63	-64,662,855.38
Impairment gains (losses) of assets	-	4,216,269.24
Gains (Losses) on assets disposal	301,166,257.18	111,195,572.05
III. Operating profit	2,119,269,312.18	2,007,377,387.62
Add: Non-operating income	10,190,295.80	4,163,247.36
Less: Non-operating expenses	20,122,066.85	16,437,354.10
IV. Total profit	2,109,337,541.13	1,995,103,280.88
Less: Income tax expenses	334,125,800.82	331,912,875.38
V. Net profit	1,775,211,740.31	1,663,190,405.50
(I) Classification by continuous operation		
1. Net profit (losses) from continuous operation	1,775,211,740.31	1,663,190,405.50
2. Net profit (losses) from terminational operation	-	-
(II) Classification by attribution of ownership		
1. Net profit attributable to owners of the parent company	1,731,184,721.25	1,596,283,418.31
2. Profit or loss attributable to minority shareholders	44,027,019.06	66,906,987.19
VI. Other comprehensive income, net of income tax	38,749,338.23	-7,518,326.61
Other comprehensive income attributable to owners of the parent company, net of tax	38,749,338.23	-7,518,326.61
(I) Other comprehensive income that cannot be reclassified into gains (losses)	217,909.39	-
1.Changes in remeasurement on the defined benefit plan	-	-
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method	-	-
3. Changes in fair value of other equity instrument investments	217,909.39	-
4. Changes in fair value of credit risk of the enterprise	-	-
5. Others	-	-
(II) Other comprehensive income to be reclassified into gains (losses)	38,531,428.84	-7,518,326.61
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	-	-

Item	Amount incurred during the current period	Amount incurred during the previous period
6. Exchange differences arising on conversion of financial statements denominated in foreign currencies	38,531,428.84	-7,518,326.61
7. Others	-	-
Net amount after tax of other comprehensive income attributable to minority shareholders	-	-
VII. Total comprehensive income	1,813,961,078.54	1,655,672,078.89
Total comprehensive income attributable to owners of the parent company	1,769,934,059.48	1,588,765,091.70
Total comprehensive income attributable to minority shareholders	44,027,019.06	66,906,987.19
VIII. Earnings per share (EPS):		
(I) Basic EPS	0.9894	0.9123
(II) Diluted EPS	0.9894	0.9123

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: Liang Lyu

Person in charge of accounting work: Liang Lyu

Person in charge of the Accounting Department: Renbo Qiu

4. Income statement of the parent company

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Total operating income	7,916,714,385.48	9,210,400,098.69
Less: Total operating cost	7,466,214,287.18	8,669,204,076.13
Business taxes and surcharges	12,247,764.43	9,947,706.39
Selling expenses	176,753,942.93	203,130,230.54
Administrative expenses	69,866,518.00	63,897,687.26
Research and Development (R&D) expenses	-	-
Financial expenses	17,433,290.41	25,124,191.50
Including: Interests expenses	37,898,542.00	39,884,052.06
Interests income	19,437,282.41	15,767,836.91

Item	Amount incurred during the current period	Amount incurred during the previous period
Add: Other income	10,042,695.77	2,774,983.45
Investment income	1,167,513,101.57	852,147,856.57
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-	-
Gains on the derecognition of financial assets measured at amortized cost	-	-
Gains on net exposure hedging	-	-
Gains from changes in fair values	-	-
Credit impairment gains (Losses)	25,531,116.40	-62,996,903.82
Impairment gains (losses) of assets	-	-
Asset disposal income	-6,556.33	111,184,666.83
II. Operating profit	1,377,278,939.94	1,142,206,809.90
Add: Non-operating income	4,902,319.33	3,202,697.60
Less: Non-operating expenses	6,681,349.13	4,336,092.12
III. Total profit	1,375,499,910.14	1,141,073,415.38
Less: Income tax expenses	53,781,016.19	87,991,470.88
IV. Net profit	1,321,718,893.95	1,053,081,944.50
(I) Net profit (losses) from continuous operations	1,321,718,893.95	1,053,081,944.50
(II) Net profit (losses) from discontinued operations	-	-
V. Other comprehensive income, net of income tax	-	-
(I) Other comprehensive income that cannot be reclassified into gains/losses	-	-
1. Changes in remeasurement on the defined benefit plan	-	-
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method	-	-
3. Changes in fair value of other equity instrument investments	-	-
4. Changes in fair value of credit risk of the enterprise	-	-
5. Others	-	-
(II) Other comprehensive income to be reclassified into gains/losses	-	-
1. Other comprehensive income that can be reclassified into gains/losses under equity method	-	-
2. Changes in fair value of other debt investments	-	-
3. Gains/losses on changes in fair value of financial assets	-	-

Item	Amount incurred during the current period	Amount incurred during the previous period
available for sale		
4. Amount of financial assets reclassified into other comprehensive income	-	-
5. Gains/losses on held-to-maturity investments reclassified as financial assets available for sale	-	-
6. Credit impairment reserve of other debt investments	-	-
7. Cash flow hedging reserve	-	-
8. Exchange differences from translation of foreign currency financial statements	-	-
9. Others	-	-
VI. Total comprehensive income	1,321,718,893.95	1,053,081,944.50
VII. Earnings per share (EPS):	-	-
(I) Basic EPS	-	-
(II) Diluted EPS	-	-

5. Consolidated cash flow statement

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	17,305,533,832.79	18,923,396,329.01
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	-	-

Item	Amount incurred during the current period	Amount incurred during the previous period
Net cash received for buying and selling securities as proxy	-	-
Receipts of tax refunds	15,546,329.17	3,229,994.72
Other cash receipts to operating activities	510,015,283.23	611,030,274.34
Sub-total of cash inflows from operating activities	17,831,095,445.19	19,537,656,598.07
Cash payments for goods purchased and services received	10,990,145,679.18	12,781,285,389.24
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 payment to and on behalf of employees	1,139,977,576.42	1,131,751,688.96
Payments of various types of taxes	1,417,914,481.02	1,239,844,402.86
Other cash payments in relation to operating activities	3,027,515,041.28	3,421,746,780.15
Sub-total of cash outflows from operating activities	16,575,552,777.90	18,574,628,261.21
Net cash flow from Operating Activities	1,255,542,667.29	963,028,336.86
II. Cash flows from Investing Activities		
Cash receipts from recovery of investments	-	-
Cash receipts from investment income	900,000.00	900,000.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	347,790,583.31	54,262,567.55
Net cash from disposal of subsidiaries and other business units	-	-
Other cash receipts in relation to investing activities	-	-
Sub-total of cash inflows from investing activities	348,690,583.31	55,162,567.55
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	522,164,019.70	617,252,846.16
Cash payments for investment	70,535,000.00	119,387,400.00
Net increase in pledge loans	-	-
Net cash paid for acquisition of subsidiaries and other business units	130,000,000.00	1,199,793.01
Other cash payments in relation to investing activities	-	50,000,000.00
Sub-total of cash outflows for investing activities	722,699,019.70	787,840,039.17
Net cash flow from Investing Activities	-374,008,436.39	-732,677,471.62

Item	Amount incurred during the current period	Amount incurred during the previous period
III. Cash flows from Financing Activities:		
Cash receipts from capital contributions	-	9,800,000.00
Including: Cash receipts from capital contributions from minority owners of subsidiaries	-	9,800,000.00
Cash receipts from borrowings	1,681,800,534.35	1,311,739,655.44
Other cash receipts in relation to financing activities	340,000,000.00	4,000,000.00
Sub-total of cash inflows from financing activities	2,021,800,534.35	1,325,539,655.44
Cash repayment of borrowings	1,851,002,797.43	950,935,633.74
Cash payments for distribution of dividends or profits or settlement of interest expenses	605,214,724.28	634,868,602.38
Including: Dividends and profits paid by subsidiaries to minority shareholders	49,000,000.00	49,000,000.00
Other cash payments in relation to financing activities	308,940,044.54	17,862,528.23
Sub-total of cash outflows from financing activities	2,765,157,566.25	1,603,666,764.35
Net cash flows from Financing Activities	-743,357,031.90	-278,127,108.91
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents	40,923,061.58	-9,291,082.20
V. Net increase in cash and cash equivalents	179,100,260.58	-57,067,325.87
Add: Opening balance of cash and cash equivalents	2,231,771,546.50	2,398,709,506.06
VI. Closing balance of cash and cash equivalents	2,410,871,807.08	2,341,642,180.19

6. Cash flow statement of the parent company

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Cash flows from Operating Activities:		
Cash receipts from the sale of goods and the rendering of services	8,598,969,576.40	9,926,893,044.27
Receipts of tax refund	-	223,445.99
Other cash receipts in relation to operating activities	325,891,677.56	399,652,059.84
Sub-total of cash inflows from operating activities	8,924,861,253.96	10,326,768,550.10
Cash payments for goods acquired and services received	8,075,190,116.72	9,719,493,832.22

Item	Amount incurred during the current period	Amount incurred during the previous period
Cash payments to and on behalf of employees	123,512,245.38	100,710,485.52
Payments of various types of taxes	120,889,907.22	165,549,358.69
Other cash payments in relation to operating activities	395,669,539.19	490,571,282.82
Sub-total of cash outflows for operating activities	8,715,261,808.51	10,476,324,959.25
Net cash flow from Operating Activities	209,599,445.45	-149,556,409.15
II. Cash flows from Investing Activities		
Cash receipts from recovery of investments	-	-
Cash receipts from investment income	601,000,000.00	431,000,000.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	45,538.08	53,784,248.61
Net cash from disposal of subsidiaries and other business units	-	-
Other cash receipts in relation to investing activities	691,791,772.13	381,500,000.00
Sub-total of cash inflows from investing activities	1,292,837,310.21	866,284,248.61
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	13,910,582.10	28,586,755.97
Cash payments for investment	74,281,870.80	245,607,400.00
Net cash paid for acquisition of subsidiaries and other business units	-	-
Other cash payments in relation to investing activities	549,000,000.00	491,750,000.00
Sub-total of cash outflows for investing activities	637,192,452.90	765,944,155.97
Net cash flows from Investing Activities	655,644,857.31	100,340,092.64
III. Cash flows from Financing Activities:		
Cash receipts from absorbing investments	-	-
Cash receipts from borrowings	1,040,651,082.42	654,529,856.00
Other cash receipts in relation to financing activities	673,000,000.00	70,000,000.00
Sub-total of cash inflows from financing activities	1,713,651,082.42	724,529,856.00
Cash repayments of borrowings	1,165,656,610.43	374,529,856.00
Cash payments for distribution of dividends or profits or settlement of interest expenses	545,718,585.88	548,199,746.43
Other cash payments in relation to financing activities	434,406,787.51	77,000,000.00
Sub-total of cash outflows from financing activities	2,145,781,983.82	999,729,602.43
Net cash flow from Financing Activities	-432,130,901.40	-275,199,746.43
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents	1,987,917.74	5,850.73

Item	Amount incurred during the current period	Amount incurred during the previous period
V. Net increase in cash and cash equivalents	435,101,319.10	-324,410,212.21
Add: Opening balance of cash and cash equivalents	893,929,724.56	1,384,560,116.18
VI. Closing balance of Cash and Cash Equivalents	1,329,031,043.66	1,060,149,903.97

7. Consolidated statement of changes in owners' Equity

Amount in the current period

Unit: RMB yuan

Item	Amount for the first half of 2020							
	Ownership interest attributable to the parent company						Minority interests	Total owners' equity
	Share capital	Capital Reserves	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total		
I. Closing balance 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. Opening balance of the current year	1,749,809,548.00	2,158,080,661.07	22,792,488.80	710,359,967.51	7,668,434,642.62	12,309,477,308.00	557,146,931.87	12,866,624,239.87
III. Amount of change in the current period	-	-218,623.93	38,749,338.23	-	1,241,238,047.81	1,279,768,762.11	-7,285,167.82	1,272,483,594.29
(I) Total comprehensive income	-	-	38,749,338.23	-	1,731,184,721.25	1,769,934,059.48	44,027,019.06	1,813,961,078.54
(II) Capital contributed by owners and capital decreases	-	-	-	-	-	-	-	-
1. Common shares invested by owners	-	-	-	-	-	-	-	-

Item	Amount for the first half of 2020							
	Ownership interest attributable to the parent company						Minority interests	Total owners' equity
2. Capital invested by holders of other equity instruments	-	-	-	-	-	-	-	-
3. Amount of share-based payment included in ownership interest	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-489,946,673.44	-489,946,673.44	-49,000,000.00	-538,946,673.44
1. Withdrawal to surplus reserves	-	-	-	-	-	-	-	-
2. Withdrawal of general risk reserve	-	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-489,946,673.44	-489,946,673.44	-49,000,000.00	-538,946,673.44
4. Others	-	-	-	-	-	-	-	-
(IV) Internal conversion of ownership interest	-	-	-	-	-	-	-	-
1. Capital (or share capital) increase from capital reserve conversion	-	-	-	-	-	-	-	-
2. Capital (or share capital) increase from surplus reserve conversion	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-
4. Retained earnings from transfer of changes in the defined benefit plan	-	-	-	-	-	-	-	-

Item	Amount for the first half of 2020							
	Ownership interest attributable to the parent company						Minority interests	Total owners' equity
5. Retained earnings from transfer of other comprehensive income	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Withdrawal in the current period	-	-	-	-	-	-	-	-
2. Use in the current period	-	-	-	-	-	-	-	-
(VI) Others	-	-218,623.93	-	-	-	-218,623.93	-2,312,186.88	-2,530,810.81
IV. Closing balance of the current period	1,749,809,548.00	2,157,862,037.14	61,541,827.03	710,359,967.51	8,909,672,690.43	13,589,246,070.11	549,861,764.05	14,139,107,834.16

Amount in the prior period

Unit: RMB yuan

Item	Amount for the first half of 2019							
	Ownership interest attributable to the parent company						Minority interests	Total owners' equity
	Share capital	Capital Reserves	Other	Surplus reserve	Retained	Sub-total		

Item	Amount for the first half of 2019							
	Ownership interest attributable to the parent company						Minority	Total owners'
			comprehensive income		earnings			
I. Closing balance of the prior year	1,458,174,624.00	2,455,526,993.18	-22,426,154.59	592,903,007.98	5,453,970,525.96	9,938,148,996.53	487,379,570.98	10,425,528,567.51
Add: changes in accounting policies	-	-	-	-	-	-	-	-
Error correction in the prior periods	-	-	-	-	-	-	-	-
Merger of enterprises under the same control	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Opening balance of the current year	1,458,174,624.00	2,455,526,993.18	-22,426,154.59	592,903,007.98	5,453,970,525.96	9,938,148,996.53	487,379,570.98	10,425,528,567.51
III. Amount of change in the current period	291,634,924.00	-297,694,046.61	-7,518,326.61	-	1,117,800,483.46	1,104,223,034.24	26,766,109.81	1,130,989,144.05
(I) Total comprehensive income	-	-	-7,518,326.61	-	1,596,283,418.31	1,588,765,091.70	66,906,987.19	1,655,672,078.89
(II) Capital contributed by owners and capital decreases	-	-	-	-	-	-	8,859,122.62	8,859,122.62
1.Common shares invested by owners	-	-	-	-	-	-	9,800,000.00	9,800,000.00
2. Capital invested by	-	-	-	-	-	-	-	-

Item	Amount for the first half of 2019							
	Ownership interest attributable to the parent company						Minority	Total owners'
holders of other equity instruments								
3. Amount of share-based payment included in ownership interest	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-940,877.38	-940,877.38
(III) Profit distribution	-	-	-	-	-478,482,934.85	-478,482,934.85	-49,000,000.00	-527,482,934.85
1. Withdrawal to surplus reserves	-	-	-	-	-	-	-	-
2. Withdrawal of general risk reserve	-	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-478,482,934.85	-478,482,934.85	-49,000,000.00	-527,482,934.85
4. Others	-	-	-	-	-	-	-	-
(IV) Internal conversion of ownership interest	291,634,924.00	-291,634,924.00	-	-	-	-	-	-
1. Capital (or share capital) increase from capital reserve conversion	291,634,924.00	-291,634,924.00	-	-	-	-	-	-
2. Capital (or share capital) increase from surplus reserve conversion	-	-	-	-	-	-	-	-
3. Recovery of losses by surplus reserve	-	-	-	-	-	-	-	-

Item	Amount for the first half of 2019							
	Ownership interest attributable to the parent company						Minority	Total owners'
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	-	-6,059,122.61	-	-	-	-6,059,122.61	-	-6,059,122.61
IV. Closing balance of the current period	1,749,809,548.00	2,157,832,946.57	-29,944,481.20	592,903,007.98	6,571,771,009.42	11,042,372,030.77	514,145,680.79	11,556,517,711.56

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

Amount in the current period

Unit: RMB yuan

Item	Amount for the first half of 2020					
	Share capital	Capital Reserves	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity

Item	Amount for the first half of 2020					
I. Closing balance 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	-	-	-	-	-	-
Merger of enterprises under the same control	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Opening balance 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	-	-	-	-	831,772,220.51	831,772,220.51
(I) Total comprehensive income	-	-	-	-	1,321,718,893.95	1,321,718,893.95
(II) Capital contributed by owners and capital decreases	-	-	-	-	-	-
1. Common shares invested by owners	-	-	-	-	-	-
2. Capital invested by holders of other equity instruments	-	-	-	-	-	-
3. Amount of share-based payment included in ownership interest	-	-	-	-	-	-
4. Others	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-489,946,673.44	-489,946,673.44
1. Withdrawal to surplus reserves	-	-	-	-	-	-
2. Distributions to 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	-	-	-	-	-	-

Item	Amount for the first half of 2020					
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. Closing balance of the current period	1,749,809,548.00	2,168,451,528.01	847,526.06	788,215,726.95	4,263,367,194.65	8,970,691,523.67

Amount in the prior period

Unit: RMB yuan

Item	Amount for the first half of 2019					
	Share capital	Capital Reserves	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity
I. Closing balance of the prior year	1,458,174,624.00	2,460,086,452.01	-	670,758,767.42	2,855,679,964.25	7,444,699,807.68
Add: Changes in accounting policies	-	-	-	-	-	-

Item	Amount for the first half of 2019					
Error correction in the prior periods	-	-	-	-	-	-
Merger of enterprises under the same control	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Opening balance of the current year	1,458,174,624.00	2,460,086,452.01	-	670,758,767.42	2,855,679,964.25	7,444,699,807.68
III. Amount of change in the current period	291,634,924.00	-291,634,924.00	-	-	574,599,009.65	574,599,009.65
(I) Total comprehensive income	-	-	-	-	1,053,081,944.50	1,053,081,944.50
(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	-	-	-	-	-478,482,934.85	-478,482,934.85
1. Withdrawal to surplus reserves	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-478,482,934.85	-478,482,934.85
3. Others	-	-	-	-	-	-
(IV) Internal conversion of ownership interest	291,634,924.00	-291,634,924.00	-	-	-	-
1. Capital (or share capital) increase from capital reserve conversion	291,634,924.00	-291,634,924.00	-	-	-	-
2. Capital (or share capital) increase from surplus reserve conversion	-	-	-	-	-	-
3. Recovery of losses by surplus reserve	-	-	-	-	-	-

Item	Amount for the first half of 2019					
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. Closing balance of the current period	1,749,809,548.00	2,168,451,528.01	-	670,758,767.42	3,430,278,973.90	8,019,298,817.33

Huadong Medicine Co., Ltd.

Chairman of the Board: Liang Lyu

August 28, 2020