

# PER ASPERA AD ASTRA

COMPREHENSIVE ADVANTAGE · INNOVATION-DRIVEN · GLOBAL EXPANSION

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We are in the middle of a global pandemic where all industries are struggling, but each crisis always gives birth to new opportunities, which only innovators can seize. The year of 2021 is vital to CGP's new five-year plan. Facing the complex and dynamic external economic environment and China's policy changes, and guided by the overall strategy of "comprehensive strength, global expansion, innovation-oriented", the management philosophy of "fighting for development", we are committed to innovative research, building global compliance system, enhancing comprehensive competitiveness, reserving high-end talents and the balanced development of shareholders, employees and social benefits, and we have been growing faster than the average growth rate of our peers.

Entrepreneurs are the beacon of an enterprise. In a new management environment, entrepreneurs need to improve their cognition and consolidate the underlying logic. The most important difference between enterprises is the vision and perspective of their entrepreneurs. So how to expand the horizons and think outside the box, the 2025 strategic plan also gives a clear answer:

1. Optimize the knowledge structure and give greater internal support to think big;
2. Thinking big does not mean to rash advance, but it does not exclude taking risk;
3. Thinking big needs a big platform to achieve the breakthrough in space;
4. Integrate social resources to achieve the breakthrough in connections in the big picture;
5. Develop strengths and avoid weaknesses to achieve breakthroughs via advantages;
6. Eliminate opportunism and catch opportunities in tactics

As entrepreneurs and corporate executives, we need to contemplate on least six aspects in this complex environment:

1. Growth points: the choices of enterprise business. Where are the opportunities for growth in the future?
2. Strategic planning: What are the business positioning, core competencies and competitive strategies to win the competition and achieve growth?
3. Strategic decoding: How to break down and deliver the responsibility to achieve growth?
4. What kind of organization and team that can be accountable to realize the corporate vision? How to develop such a team to brace for the future?
5. How to stimulate the talent team? How to match responsibilities, rights, interests, abilities and integrity mechanism design to create value?
6. Management means a corporate team implements strategies and achieve growth goals. How to organize employees and translate personal abilities into organizational ability, and temporary ability into lasting ability?

The starlight does not ask those who trudge on their way, and history is created by those who strive for their dreams. CGP has always considered meeting patients' demands as our core, following the market development trend as our direction, and technological innovation as our driving force. We have formulated a forward planning in three global innovative and technological advancing fields (precise cardiocerebrovascular interventional therapy, interventional care, nuclear medicine and gene interventional therapy of anti-tumor, and anti-viral and anti-infection), and formed an innovative strategy of "two bombs and one satellite" to provide leading solutions for unmet clinical needs with creativity, avoided involution and explored blue ocean market. In the future, CGP will further optimize the layout of scientific and technological innovation product pipelines, continue to develop international business, give full play to the synergy and integration effect, seize opportunities, follow the development trend, work in unity and work hard, to become a international leading pharmaceutical corporation in innovation, technology and internationalization.







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# OUR HIGHLIGHTS IN 2021

## 1. COMPLETED STC3141 PHASE IIA CLINICAL TRIAL IN EUROPE

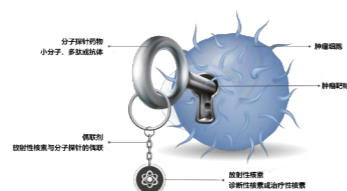
CGP'S OVERALL R&D INNOVATION CAPABILITY CONTINUOUSLY IMPROVED.

- CGP's innovative anti-infection drug STC3141 for COVID-19 has successfully completed the enrollment of all patients in the phase IIA clinical trial in Europe and clinical report is estimated to be completed within 6 months.
- Clinical trails for 4 indications (sepsis/arids' severe covid-19 and arids caused by covid-19) proceed smoothly in multiple locations around the world, including china, australia, belgium, uk, poland.

## 2. GOT TLX-591 CDX FDA APPROVAL

THIS LAID A SOLID FUNDATION FOR PRODUCT'S FUTURE REGISTRATION IN CHINA.

The FDA has approved the innovative imaging product TLX591-CDx as a radioactive diagnostic agent for PET of prostate-specific membrane antigen positive lesions in patients with prostate cancer.



## 3. COMPLETED THE FIRST Y-90 OPERATION IN HAINAN, CHINA

R&D WORK FOR TUMOR TREATMENT WAS CARRIED OUT STEADILY.

Clinical efficacy in the clinical trails of our product for HCC patients was recognized by multiple authorities in the world and CGP pushed successfully for the full market launch in China of Y-90.



## 4. COMPLETED 4 SUCCESSFUL BD DEALS IN INTERVENTIONAL DIAGNOSIS AND TREATMENT AREA

ENRICHED THE PIPELINE AROUND CARDIOVASCULAR INTERVENTIONAL TREATMENT AND ACHIEVED ALL-ROUND LAYOUT IN FIVE STRATEGIC MARKETS.

- Exclusive licience obtained for new generation HeartLight X3 from CardioFocus
- Equity acquisition from Fastwave and obtained its novel endovascular therapies for the treatment of calcific artery disease
- Equity investmen into CoRISMA and obtain exclusive rights for its series of products
- Equity investment into InnovHeart and obtained obtain the exclusive rights of Saturn, a global innovative medical device in Greater China Region

## 5. SIGNED COOPERATION AGREEMENT WITH EISAI RELATED TO ITS UBIDECARENONE (PRODUCT)

ENRICHED THE PIPELINE LAYOUT IN CURING CARDIOVASCULAR DISEASES BY PARTNERING WITH WORLD FAMOUS DRUG COMPANY AND WILL BOOST PRODUCTION SYSTEM UPGRADE.

- Obtained the MAH, production technology, patent and commercialization rights for its Ubidecarenone product with 270 million RMB investment and a commitment of 3% sales commission
- This products has huge market potential, good terminal market coverage and it is a leading products in its market segment and has less impact from national centralized purchasing policy

## 6. ACQUIRED HUACHEN BIOTECH, SPEEDING UP THE DEVELOPMENT OF AMINO ACIDS PRODUCTION AND BUSINESS

GAINED NEW BUSINESS STRENGTH AND LAID FOUNDATION FOR TRANSFORMATION INTO A DIVERSIFIED STRATEGY FOR AMINO ACIDS BUSINESS DEVELOPMENT.

- Grand Life Technology acquire 80% equity interests of Huachen BioTech with RMB107.2 million RMB
- Huachen BioTech's main products are glycine and its derivatives. The company now has an annual production capacity of 30,000 tons for industrial-grade glycine, and the food-grade glycine production workshop is in preparation.
- Based on therapeutic amino acids, it will gradually extend to nutritional amino acids, and at the same time, expand to health-related raw materials and terminal preparations to achieve full coverage in the field of big health.

## 7. FINISHED CONSTRUCTION OF XIANTAO ACTIVE INGREDIENT PRODUCTION BASE

SAFEGUARD THE FULL INTEGRATION OF PREPARATION AND API PRODUCTION OF CGP.

- The aim is to build up a fully sealed, automatic plant with advanced production technologies for the production of API for emergency medicine like adrenaline series and for medicines of short supply .
- Total investment is 290 million RMB with construction of 2 phases .
- Currently completed first phase main structure construction, and 2nd phase will be completed in Sep. 2022 based on project plan.



## 8. STRENGTHEN MANAGEMENT AND INTEGRATION WITH OVERSEA COMPANIES

SATISFY COMPANY MANAGEMENT OR BUSINESS INTERACTION NEED FROM BUS AND DEPARTMENTS, HELP THE REALIZATION OF CGP EXPECTATION ON OVERSEA COMPANIES.

- Differentiate the management based on equity structure, property of investment and management environment .
- Clarify principles and promote the communication, guidance, management to oversea companies respectively.
- Responsibility authorized to different business segments to achieve the best synergy and coordination.
- Clarify roles and responsibilities, and set up the mechnism for regular meetings and regular reports.

## 9. Speeded up R&D platform construction

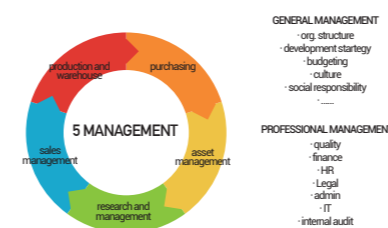
CONTINUOUSLY IMPROVE THE INFRASTRUCTURE AND CONDITIONS FOR R&D WORK.

- Wuhan Optics Valley Internation R&D center completed 1st phase construction and was put into use; 2nd phase construction will be completed in March 2022
- Nanjing AuroRNA Biotech completed the construction of its 2000 m<sup>2</sup> mRNA vaccine production base and will procee with next step technology transfer and pre-clinical studies
- Cardionovum R&D center began construction and after its 4000 m<sup>2</sup> production base completed with domestic equipments the speed for product market launch and CGP's own R&D capability will be improved
- Reached cooperation with FastWave and will jointly build up an advanced R&D platform for advanced innovative medical devices .

## 10 MANAGEMENT UPGRADE -- SET UP INTERNAL CONTROL SYSTEM

PROMOTE CROSS BUSINESS COMMUNICATION AND SORT OUT BUSINESS PROCESSES AND CONTINUOUSLY OPTIMIZE;

Sort our all management activities around 5 main management areas and formulated internal control work manual.



## 10 MANAGEMENT UPGRADE -- SET UP 9 BUSINESS SEGEMENTS

PROMOTE BUSINESS INTEGRATION AND PROFESSIONALISM; IMPROVE SYNERGY AND LAYOUT OF PRODUCT PIPELINES

- 9 business segments are Oncology, cardiovascular and emergence, bio-product, API, Chinese medicine, interventional diagnosis and treatment, and business before commercialization
- Clarify management scope of each segment and its subsidiary companies.
- Roles and key responsibilities defined.

## 10 MANAGEMENT UPGRADE -- SET UP 9 FUNCTIONAL CENTERS

FULLY COMMUNICATE AND REACH CONSENSUS TO IMPROVE THE CONSTRUCTION OF 9 SYSTEMS TO LEAD MANAGEMENT UPGRADE.

- Strengthen core management functions: strategic management, investment and development, compliance, sales management, production and supply chain, finance management, Organization and HR, R&D management, market access management .
- Make up any weakness related to ambiguity, overlapping, missing, inappropriate authorization of responsibilities .
- Clarify positioning of each function and management principle of "centrally design and manage, manage with priorities, giving guidance with professional expertises, closely monitor and giving assessment " .

## 10 MANAGEMENT UPGRADE -- BUILDING UP SALES COMPLIANCE SYSTEM

IMPROVE THE COMPLIANCE OF SALES AND MARKETING AND AVOID ANY COMPLIANCE RISK.

- Set up compliance management office
- Training to sales foreces
- Formulated sales and marketing compliance policy
- Updated sales contract format

## 10 MANAGEMENT UPGRADE -- DESIGNING FOR LONG TERM INCENTIVE

FORMULATED PROJECT PLAN FOR INCENTIVE SYSTEM AND JOB AND POSITION LEVELING OPTIMIZATION WHICH HELPS WITH TALENT ATTRACTION AND RETAIN .

- Job and position leveling project plan
  - standadize job families, position levels and internally algin between group level, business segmanet, subsidiary companies
  - continuously sort out the framework and management principles
- Cash based compensation
  - benchmark with external market and design compensation policy
  - adjust compensation based on own circumstances for the best talent management result
- Mid and long term incentive
  - for better motivation of mid and high level employees, work with consultants and tailor made program

## 10 MANAGEMENT UPGRADE -- BUILDING UP SANDING SYSTEM (PROJECT MANAGEMENT)

CARRY OUT SANDING SPIRIT (THE MOST CLOSELY TRACKING AND SUPERVISING) AND SPEED UP PROJECTS .

- Set up Sanding office and start with R&D projects and gradually cover construction projects to strengthen tracking of projects and improve management
- Visualizatin of project info and status of 135 R&D projects+49 construction proejects+10 investment projects
- Set up operation machnism by attending 3 type of meeting and 3 main activities
- Meeting management, project info display, project status briefing, radom checking, special projects supervising, etc.



# BREAK NEW GROUNDS IN ANTI-TUMOR FIELD, EXPLORE WIDE WORLD FOR NUCLEAR MEDICINE

The global nuclear medicine sales amounts to 4.5 billion USD, of which the US market accounts for 38%, Europe 24%, while China less than 8%. There is massive room for China's nuclear medicine to develop into a mature market. Chinese innovation enterprises are constantly raising up and breaking into the field of radiopharmaceuticals, which has promoted the development of radiopharmaceuticals in China. However, nuclear medicine is an innovative industry with high barrier as well as high growth.

As current situation, the availability and market penetration of nuclear medicine products in China are low, so there is tremendous space for them in the Chinese market. The rapid development of nuclear medicine drives the rapid increase of nuclear medicine. There are 400,000 new cases of primary liver cancer in China every year, which constitutes over 50% of the global patients. However, currently there is a lack of effective liver cancer treatment methods and products of new technology.

On February 9, 2022, SIR-Spheres® Y-90 resin microspheres, a radiopharmaceutical diagnosis and treatment product of Sirtex which were jointly acquired by CGP and CDH Investments, the drug registration certificate approved by the National Medical Products Administration (NMPA). The drug can be used on patients of metastatic hepatic cancer with colorectal carcinoma, who failed the standard treatment yet are not recommended to have surgery. So far, the most important product of the radiopharmaceutical diagnosis and treatment, SIR-Spheres® Y-90 resin microspheres, was successfully launched in China, which became the first therapeutic radiopharmaceutical medicine approved for marketing by the NMPA in 2022.

SIR-Spheres Y-90 resin microspheres are the only radioactive microspheres approved in the world for the treatment of metastatic hepatic cancer with colorectal carcinoma, metastatic colorectal cancer (mCRC). It has been used in the global treatment for two decades and over 120,000 patients are treated. International clinical practice shows that SIR-Spheres Y-90 resin microspheres could effectively shrink the tumor. Based on a large number of high-level evidence-based medical data, SIR-Spheres Y-90 resin microspheres has been recommended by many authorities, such as the National Comprehensive Cancer Network (NCCN), the European Society for Medical Oncology (ESMO), and the National Organization for Healthcare Professionals (NICE) in the United Kingdom, for palliative and translational treatment of colorectal cancer liver metastases. As an international innovative medicine for precise interventional internal radiation therapy, SIR-Spheres Y-90 resin microspheres fill the gap in the treatment of colorectal cancer liver metastases in China, bringing hope of transformational resection and cure to patients who have failed the standard treatment and are not recommended to have surgery.

# VERTICALLY EXTEND THE PORTFOLIO TOWARDS UPSTREAM AND DOWNSTREAM TO OPTIMIZE THE INDUSTRIAL CHAIN WITH SYNERGETIC PRODUCTS, HORIZONTALLY EXPAND THE BUSINESS DOMAINS

The pan-interventional therapy segment has not only laid a solid foundation for CGP to unswervingly follow the path of internationalization and innovation, but has also become a success index of CGP's innovative development.

In 2015, CGP signed the first cross-border acquisition deal with world's top medical device projects, which are RESTORE®, APERTO®, LEGFLOW® drug-coated balloons for intravascular interventional therapy from Germany; In 2017, it obtained the exclusive license of an innovative intravascular imaging diagnostic system with combined IVUS and OCT modalities from Canada, which is the world's first commercial available integrated IVUS and OCT imaging diagnostic technology; In 2019, it acquired a domestic company with stent retriever system for neuro-intervention therapy which located in Changzhou; In 2021, it becomes the exclusive partner in Greater China area of a US based company with electrophysiological laser ablation technology - HeartLight X3 laser ablation system; In the same year, it entered into collaboration with a European company with mitral valve replacement technology in the field of structural heart disease treatment, the Saturn project, etc. Additionally, it has devoted itself to establish an innovative medical device R&D and production platform for both passive + active devices. Currently,

it already forms a strategic layout with diagnostic and therapeutic products in 6 business domains, including coronary vascular intervention: RESTORE DCB, new generation drug coated balloon and shockwave balloon (Coronary Calcification Lesion), Novasight Hybrid (IVUS-OCT) Intravascular Imaging System; Peripheral Vascular Intervention: APERTO HDCB, LEGFLOW, new generation drug coated balloon and shockwave balloon (Peripheral calcification lesions); Neuro intervention: stent retriever system; Electrophysiology: HeartLight X3 (Laser Ablation Catheter); Structural Heart Disease: Mitra Valve Replacement System ; Heart Failure: Ventricular Assist System. CGP has also established a complete global R&D, production and marketing industrial system with the characteristics of "three highs" (high starting point, high quality, and high speed).

These products feature strong innovation and high technical barriers. In the future, while strengthening independent research, development and production in China, the group company will gradually extend its overseas sales and production. Driven by the "Dual Circulation System" which is composed of the domestic market and overseas market, CGP will walk more steadily in the path of internationalization.



# STAY COMMITTED TO R&D, GALLOPING ON THE HIGH- QUALITY DEVELOPMENT PATH WITH “Acceleration”

With 82 years of intensive engagement in the pharmaceutical field, CGP has not only gathered advanced R&D technology and rich industrial experience, but also forward-lookingly deployed the global innovation and technology leadership competition through the two-wheel drive of "independent research and development" and "global expansion", optimizing pipeline construction, and focusing on platform construction.

## 1. PIPELINE CONSTRUCTION:

CGP emphasizes original innovation of innovative products, focuses on creating real first-in-class products in the pipeline, and transforms new discoveries in basic research and new breakthroughs in scientific frontiers into breakthroughs in innovative products. We adhere to three principles: Cultivate major varieties, meet major needs, and solve major problems.

## 2. PLATFORM CONSTRUCTION: BASED ON CLINICAL VALUE ORIENTATION

(1) RDC diagnosis and treatment integrated platform: Currently, 4 products are being communicated with the Center for Drug Evaluation (CDE) of NMPA;

(2) mRNA R&D technology platform: The pilot-scale R&D platform of Nanjing AuroRNA was delivered in 2021. It is estimated that Nanjing AuroRNA will complete the transfer of mRNA production technology and LNP preparation technology from eTheRNA Company, and initially form a complete R&D platform in mid-2022;

(3) Pharmaceutical technology platform: This platform is located in the Optics Valley R&D Center, which encompass the glycomic R&D technology platform, the peptide platform and other complicated preparation platforms. It focuses on the improvement of carbohydrate compounds, high-end pharmaceutical preparations and peptide technologies, and supports the R&D horizontal expansion of CGP with technological advances.

The product R&D of CGP has

already achieved transformation, and is on its way to achieve more precise, more intensive and more rapid development. At this stage, it is paramount to establish an integral R&D management system, optimize the R&D management process, manage the globalization of R&D, and reduce relevant risks. Through an innovative strategy combining independent research and development and global expansion, CGP has continuously developed and enriched product lines in cutting-edge technologies such as precise interventional diagnosis and treatment, radionuclide-conjugated drugs (RDC), severe anti-infection, and immunotherapy, and comprehensively builds RDC, R&D technology platform for DNA, mRNA and glycomics.

In the future, the overall R&D management of CGP should be further improved. It will persist in leading its member companies and partners to brace future ecological competition and cooperation, empower and promote each other, and bring about breakthroughs in R&D.

# GREAT PRODUCTS BUILD GREAT BRANDS

Consistency evaluation of quality and efficacy is the first step for pharmaceutical preparation products to compete internationally. Only great products can build great brands. We must therefore improve the quality of generic drugs and the overall development level of the pharmaceutical industry, to approach international standards.

CGP initiated generic consistency evaluation in 2016 by establishing a R&D team, building a R&D system, and actively promoting the research and development of generic drugs. It took 5 years for the entire R&D team to grow from scratches, from weak to strong, and reached the overall goal assigned the CGP with satisfying results. Up to now, 11 oral solid dosage forms have been evaluated (4 of which are the first in China and 3 are among the top three), and the BE test pass rate is 100%; 6 core injection varieties (3 of which are the first and 1 are among top three) are all overrated. 2021 is a year of cornucopia for CGP's consistency evaluation work: the core injection products are strictly in line with the project R&D plan, and have obtained the supplementary

registration approval for consistency evaluation through the review and approval of the State Food and Drug Administration. Norepinephrine tartrate injection was the first domestic company to pass the consistency evaluation, and epinephrine hydrochloride injection was the second Chinese company to pass the consistency evaluation, which is at the same quality level as the original research drug, laying a solid foundation for subsequent participation in market competition.

Against the backdrop of consistency evaluation and centralized procurement, the competitiveness model of enterprises in the future will become a "clinical value-oriented differentiated development model of innovative products" and a "standardized and differentiated generic drug development model at low cost". CGP will be committed to the research and development strategy of "innovation and imitation", continuously enrich the product structure, establish a complete product pipeline, build a reasonable product ladder, to ensure growth and profitability.



# LET MARKETING TAKE WINGS OF IT

The CGP Group issued a marketing effectiveness evaluation management system, requiring member companies to establish a Sales Force Effectiveness (SFE) evaluation system. CGP has established a marketing information management platform with CRM and flow management system as its core, based on industry big data, business owner data management, unified jurisdiction management etc., aiming to further improve the efficiency of sales management and marketing activities. Empower front-line representatives through functions such as industry big data, customer portraits, and training support; improve collaboration efficiency and reduce management costs for middle-level and low-level management through functions such as visit management, flow management, and performance analysis; Provides decision support for the senior management with functions such as analysis. In July 2021, the marketing informatization project of CGP was approved by China Grand Enterprises, and the project was officially launched in August. With the

support of company leaders and various business divisions, the flow and sales behavior management system has been launched on December 1.

To achieve SFE management, what the company needs to do is: to discover the KPIs of each stage of the sales force management, and ensure the continuous improvement of performance; to provide various management solutions for the sales force, especially sales management, provide management tools and methods, and to follow-up and implement; constantly follow up and improve the company's strategic plans that have a significant impact on sales; based on projects, interdepartmental cooperation to improve the execution of the sales force and the effectiveness of sales management; project-based, to sales managers and representatives to provide training and consultation to effectively improve their performance; supervise the maintenance of information systems and data by the team, ensure the operation of the system platform, and continuously improve efficiency.

# WHERE ARE PHARMACEUTICAL COMPANIES HEADING UNDER THE CENTRALIZED PROCUREMENT POLICY?

The centralized procurement of medicines by the national government or inter-provincial alliances will become the new normal, and the scope of centralized procurement will continue to expand, the scale of centralized procurement will also become larger, and the reshuffling in the pharmaceutical industry will persist.

Under such circumstances, pharmaceutical companies need to accelerate their transformation according to their own conditions: on the one hand, they can obtain greater profit margins by controlling costs. For example, the integration of raw materials in internal transformation can give more initiative to the procurement of products, and help take a more advantageous position in the centralized procurement bidding, so as to obtain the positive result that is in line with the company's interests. On the other hand, innovation is the first driving force for development. By continuously improving innovation

and enriching product pipelines, we can enhance competitiveness and create broader potential for the company. For example, external transformation has become the first choice of most enterprises. External transformation is about innovation, and innovative transformation is divided into two categories: product innovation and sales channel innovation.

In a nutshell, struck by the industry reshuffle under the centralized procurement, no matter which transformation path a pharmaceutical company chooses, it will need to go through a painful period of transformation in the short term, during which its performance will also be tested. However, in the long run, the "quantity" benefit of centralized procurement is not the pathway to success. Focusing on R&D, and winning with quality and innovation will be the solution for pharmaceutical companies in the future, who will increase corporate competitiveness and expand the market.



# WORK TOGETHER TO ACCELERATE THE GLOBALIZATION OF AMINO ACIDS INDUSTRY DEVELOPMENT OF GLOBALIZED AMINO ACID INDUSTRY

The biological segment(plate?) of CGP has been intensively engaged in the field of amino acids for many years, with its main products have covered more than half of conventional amino acid varieties. Under the guidance of the business philosophy of "new technology, high quality, industrial chain, and internationalization", the biological sector started from chemical-grade amino acids as basis, gradually moved up to feed-grade and pharma-grade amino acids. The development goes in three directions: pharmacy (drugs), nutrition and special medicine (food), skin care and cosmetics, forming an all-round strategic layout of the amino acids industry.

Under the guidance of CGP's 5-year strategy, the biological segment(palte?) has been sticking to innovation-oriented, green and low-carbon, industrial synergy, and global expansion. Over 20 amino acids and derivative products have been sold to more than 60 countries and regions all over the world. A long-term and stable cooperative relationship has been established, and the core products have passed the drug/food certification of many countries and regions. At the same time, in order

to match the resource integration of existing segments and the rapid development they will face in the future, the biological segment (plate?) has determined the orientation of "co-existence culture", focusing on opening boundaries, leading changes, mutual support, interactive growth, and ultimately to achieve value co-creation.

In terms of the future layout of the amino acids industry, the biological segment(plate) will focus on five aspects to enhance the management in five areas: product pipeline construction, platform construction, talent development, system construction and strategic management. Facing the massive and strong global market demand, the biological plate will follow the trend, to accelerate its integration into the global market by innovating technologies and expanding production capacity. And under the guidance of the precise strategic layout, and the concept "differentiated innovation, professional development", the biological plate will continue developing into a world-class leading corporation in the field of amino acids,

# BUCK THE TREND, TRANSFORM AND UPGRADE, EYES ON THE FUTURE

The unexpected Covid-19 pandemic has hit the economy so hard, that in the face of the complex and dynamic external economic environment and the China's policy changes, CGP has been concentrating on our main responsibilities and main businesses, to explore ways to break the situation, and help them grow and thrive.

In 2021, Wuhan Wuyao Pharmaceuticals has been sticking to the strategic focus on professionalism and concentration, and is committed to focusing on the expansion of the market share of specialty APIs, emergency medicines and small variety medicines, and continuously consolidating and developing core competitive advantages. Wuyao implements precise market prediction and decisive market control, detailed external operation, strict internal cost control, digest the negative variables caused by the impact of COVID-19 and severe market fluctuations, and firmly hold on to the company's business initiative and the the completion progress of business indicators. In terms of achieving the annual business goals, it is expected to achieve sales revenue of 550 million CNY with net profit of 105 million CNY, respectively completing 115% and 128% of the annual budget target, making it the best business performance in the same period in history.

Xi'an Beilin Pharmaceutical has formulated a dual development strategy of "traditional Chinese medicine + big health", and resolutely embarked on the road of transformation. While doing a good job in the intensive exploration of their core products, it also expanded into the OTC market and quickly entered the field of big health. On November 11, 2021, Shubang completed the annual sales target of 10 million CNY and won the first battle.

Shanghai Xudong Haipu Pharmaceutical has transformed its strategy, to fully take advantage of the continuous approval and listing of new products and the products with unanimous good ratings, systematically adjusted the main product portfolio, found new opportunities, and adopted a combination of direct sales and precise investment, to promote its marketing transformation.

In the future, CGP will brace itself for the upcoming changes in the pharmaceutical industry, optimize product layout, enrich product pipelines, create core products with high technical barriers, work on market expansion, enhance brand value, and fully mobilize internal and external initiative of the company to make concerted efforts, accelerate our transformation and upgrading, and contribute to the successful realization of the five-year strategic plan.



# BOOST UP BUSINESS AND ENERGIZE OUR TALENTS BY UPDATING THE INCENTIVE MECHANISM

Talents is an important strategic resource for business development, and the establishment of an effective incentive mechanism is an important driving force for motivating talents, improving organizational vitality and promoting business development, as well as an important thrust for the sustainable development of enterprises.

In order to support its 5-year plan, CGP following the "pressure and incentive" double helix value distribution principle, is setting up

the long-term incentive mechanism, optimizing and improving short-term incentive system, guiding and participating in overseas companies' incentive system construction and together with other relevant measures, CGP further build a flexible and diversified compensation incentive model combining short-term and long-term incentive approaches, which will further enhance the competitiveness of our compensation policy for talent attraction and retain and business development.

# ABOUT INTERNATIONAL HR MANAGEMENT AND INTEGRATION

There is no best practice but best fit. We need to combine mother company expectation and oversea company's circumstance and explore. In the process, what is needed is to be proactive in thinking, work with a forward-looking perspective and continuously improve our work.

Currently, what we pursue for is to achieve better effect in global resources sharing and work coordination and to improve management efficiency and capabilities thorough cohesion of mindsets and concepts and sorting out of management processes.

True integration if the integration of minds and culture. Culture reshaping happens in the process with the melting, adjusting and getting-along of different cultures and only after successful culture

integration, we say company integration is complete. Good communication is not to yield to others or to hide own thoughts but to be open and welcome open discussion. Mind and culture is at the bottom part of the iceberg, whether we are willing to show the deeper and inner side is a signal where we are at the integration process.

Seeking the common and accepting the difference requires us to, on the basis of comprehensive acknowledgement of circumstance and environment, allow contradiction for constructive debate and discussion, because we have one same objective: to achieve the company development plan and for sustainable development.

# BUILD TO LAST, RATHER THAN A FLASH IN THE PAN

——FOCUS ON PROMOTING THE SYSTEM CONSTRUCTION, HELP THE TRANSFORMATION AND UPGRADING OF THE COMPANY

At this time, it is particularly important for us to talk about system construction and work around this topic should be deeply understood and conscientiously implemented to build an iron barracks of CGP, said by Forrest Shi, Chairman of CGP.

When we talk about the system, the core we pursue for is the system's dynamics, that is focusing on the organization capabilities, establishing a dynamic operating system to achieve "From doing things by people to doing things by system". So what is the system? It is the composition of organization (structure, position, regulation, process), talent and culture.

Presently, CGP has clarified the plan of nine functional centers and nine business units, marking the first step of system construction. CGP has confirmed the framework of positions and positions ranks and the systematic and market-oriented position system and career development channels will be gradually improved, promoting talent attracting, selecting training, appointing and retention. Additionally, CGP will strengthen overseas

business and companies management starting from classified management. We gradually optimized management policies and regulations and processes to make all the key activities on track. We strengthened the project management processes and abilities in comprehensive management improvement after the establishment of Sanding Office. The transition from financial operation to strategic financial operation has been promoted the in progress. The companies are making good use of corporate culture to effectively support the system construction. Moreover, all employees are integrating the systematic thinking of "Closed-loop management, slow is fast, begin with the end in mind" into daily work.

Through construction of these systems, we are building up organization's capabilities by constantly liberating individuals minds to push everyone go beyond themselves, activating individuals' potentials, helping the company to transform, upgrade and develop not only in organic way. This helps us to achieve sustainable and long term successes.