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HUA MEDICINE

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(Incorporated in the Cayman Islands with limited liability)

(stock code: 2552)

SUPPLEMENTAL ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTION
SALES AND DISTRIBUTION FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated April 10, 2023 (the "Announcement") in relation to the Sales and Distribution Framework Agreement with 111, Inc. Unless otherwise defined, all capitalized terms used herein shall have the same meanings as defined in the Announcement.

The Company wishes to provide the following additional information in relation to the continuing connected transaction contemplated under the Sales and Distribution Framework Agreement.

INTERNAL CONTROLS FOR THE CONTINUING CONNECTED TRANSACTION

As disclosed in the Announcement, the Company will adopt adequate internal control measures to comply with the Listing Rules requirements with respect to the supervision and monitoring of the annual cap of the transaction contemplated under the Sales and Distribution Framework Agreement. In particular, the Company's pharmaceutical commercialization team will coordinate with the Company's distributors and report its monthly transactions and projections to the legal department, financial management department and senior management of the Group, where the breakdowns of the sales amount to each distributor and total sales amount will be made available and the senior management will review the figures generated from connected persons (the list of which shall be reviewed and updated by the legal department from time to time). This measure has been implemented for the April 2023 and year-to-date results, and each subsequent month's reporting will be conducted within seven business days after the end of each month. The financial management department and the legal team will also review the distribution agreements signed and to be signed with other distributors to ensure that the pricing terms in the Sales and Distribution Framework Agreement are no more favourable than those offered to other independent third parties.

In addition, as consistent with the Company's current internal control policies, the underlying transaction agreements of the Sales and Distribution Framework Agreement are to be executed by the vice president of pharmaceutical commercialization team of the Company. Prior to execution of such underlying transaction agreements by the vice president of pharmaceutical commercialization team, the Group also requires electronic approval by each of the aforementioned departments and the chief executive officer of the Company, through the Company's internal electronic file and approval program, and before such approval each department will confirm that the underlying transaction agreements are compliant with the pricing policy and the terms of the Sales and Distribution Framework Agreement.