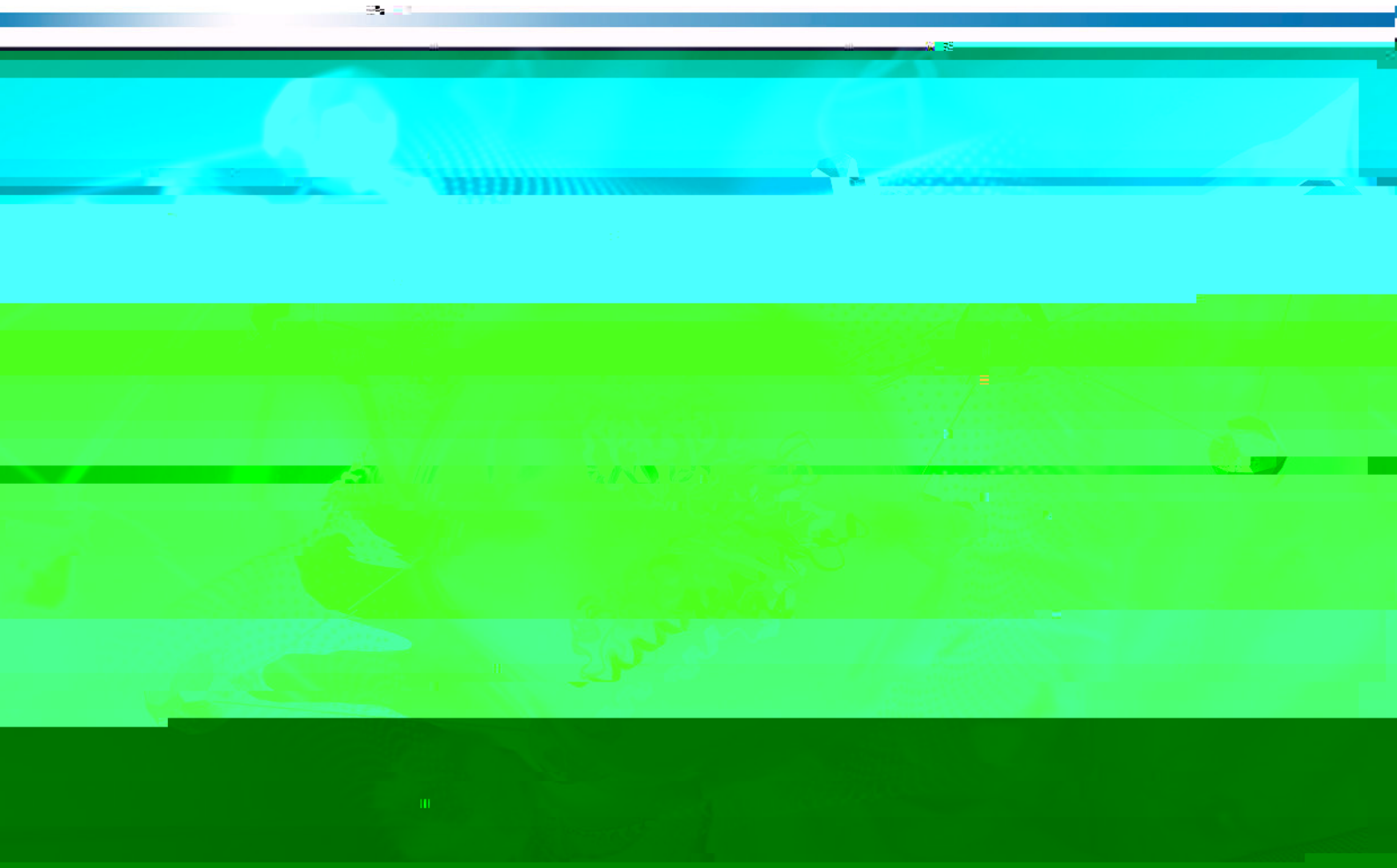
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Stock Code: 2552



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ABOUT THE REPORT

Hua Medicine (the "Company" or "We") hereby presents the fifth Environmental, Social and Governance report (the "ESG Report"). This report aims to objectively and truthfully reflect the Company's initiatives and achievements in environmental, social and corporate governance aspects in 2023 to government, shareholders, employees, partners, the public, and other stakeholders.

Compliance Reference

This report is prepared in compliance with *Environmental, Social and Governance Reporting Guide* set out in Appendix C2 to the *Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("HKEX Listing Rules").

The information in this report is derived from the Company's internal statistical reports or related documents.

Report Scope

The disclosure scope of this report is consistent with that of the financial statement released by the Company for the same fiscal year, except that it excludes the subsidiary Nanjing AscendRare Pharmaceutical Technology Co., Ltd. from the disclosure scope considering its relatively small scale and minimal impacts on the Company's ESG performance during the entire reporting period.

The reporting period of this report is from January 1, 2023 to December 31, 2023.

Reporting Principles

This report adheres to the following principles as required by Appendix C2 of the HKEX Listing Rules:

Materiality: The Company identifies important ESG issues through a materiality assessment with the involvement of stakeholders and performs disclosure accordingly.

Quantitative: The quantitative indicators in this report are accompanied by corresponding measurement caliber and methodology used.

Balance: The information and data disclosed in this report are summarized based on the actual situation of the Company, without selective misstatement or omission.

Consistency: Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

Report Availability

The electronic version of this report can be accessed on the official websites of the Company (https://www.huamedicine.com) and HKEX (www.hkexnews.hk).

The report is prepared in both Traditional Chinese and English. In case of any ambiguity arising from language differences, the English version shall prevail.

Stakeholder Communication

Hua Medicine attaches great importance to communication with all stakeholders. Through diversified and regular communication channels, we deeply understand the needs and expectations of all stakeholders and actively respond to them.

Stakeholders	Expectations	Communication Channels
Government/Regulatory Agencies	• Comply with laws and cooperate with government regulatory authorities • Promote industry innovation • Policy response and implementation	• Work Report • Government-Enterprise meetings • Policy consultation

Materiality Assessment

Hua Medicine is committed to aligning its business operations with the needs of different stakeholders in order to achieve responsible operations and sustainable development. During the reporting period, based on the "Environmental, Social and Governance Reporting Guide" set out in Appendix C2 to the HKEX Listing Rules and communication with stakeholders, Hua Medicine identified sustainability issues in light of the Company's business characteristics, as well as ESG development trends and general concerns in the biotechnology and pharmaceutical industries, and ranked the materiality of potential sustainability issues through both external and internal assessments:

- External assessment: based on SASB and MSCI's industry materiality map and consultation with experts
- Internal assessment: summarized according to the evaluation of the correlation between various issues and Hua Medicine by each department

In brief, we confirmed that key disclosures will be made on the following issues:

Category	Issues
Environmental	Greenhouse gas emission management
	Efficient utilization of resources
	Waste disposal
Social and governance	Product Safety and Quality Management
	Drug Accessibility
	Business Ethics
	Supply Chain Management
	Employee Health & Safety
	Employee Development & Training
	Intellectual Property Management

MESSAGE FROM CEO



Dr. Li Chen, Founder,
CEO of Hua Medicine

The year 2023 was a milestone in the history of Hua Medicine. During the year, HuaTangNing (6 @ 1 ®), our self-developed first-in-class glucokinase allosteric activator (GKA) for diabetes, was made available in a wide range of channels and successfully achieved full commercialization for the second year with the help of our commercialization partners. HuaTangNing (6 @ 1 ®) has also been successfully included China's National Reimbursement Drug List (NRDL), enabling more patients to use this new medicine at the affordable price via medical insurance, reducing the financial strain brought on by diabetes and its complications to the entire society in the long run. All these progresses are marking a solid step forward for Hua Medicine as an innovative pharmaceutical company towards its mission of contributing to China's healthcare industry and innovation development.

Along with the major breakthroughs in commercialization, we have not forgotten our original vision of sustainable development. During the year, we continued to strengthen our ESG governance, uphold business ethics, promote eco-friendly operations, broaden our product quality management system, improve human health through innovation, and safeguard the career development of our employees through multiculturalism. With this report, we hope to demonstrate to all stakeholders and the public our environmental, social and governance achievements during the year, as well as our commitment to future efforts in the ESG area.

In terms of governance, Hua Medicine has built a comprehensive corporate governance structure. A diversified Board of Directors oversees ESG matters, while senior management and multiple specialized functions collaborate to advance the sustainability goals. The Company ensures responsible operations by developing and continuously updating internal policies and procedures, signing agreements with partners on fair trading, environmental and social responsibility, and providing compliance training to employees.

In terms of environmental responsibility, we insist on preventing environmental pollution, endeavor to enhancing resource utilization efficiency and strictly control the emission and disposal of various types of waste generated in the R&D process. At the same time, we closely monitor the trend of global greenhouse gas emissions, regularly track environmental impacts, and proactively respond to the risks and opportunities brought about by climate change.

In terms of responsible management, Hua Medicine is committed to building a quality management system for the entire life cycle and process of pharmaceutical products, and firmly believing it as a core competency for the Company's future success. In 2023, we have developed a framework of 10 core elements centered on the key processes affecting the quality of pharmaceuticals with "*Full Life Cycle Management of Pharmaceuticals*" as the core management principle, which provides an operational quality management guideline for the Company. We also insist on legal and compliant employment and eliminate all possible discriminatory behaviors. We build an all-round talent training system for our employees, featuring a scientific and reasonable promotion and incentive mechanism, along with a series of targeted training courses. We attach importance to the sense of belonging of employees, provide diversified communication platforms, attentively and timely listen to employee needs, help employees to solve work-related problems, and are committed to building a healthy and safe workplace environment, to realize the Company's vision of growing and achieving together with employees.

We pay close attention to practical social issues, constantly exploring public welfare modes that match the development of society and utilizing our professional and resource advantages to support public welfare activities. In 2023, we supported the China Diabetes Care Project. We also always keep an open mind, participate in industry exchanges, share industry insights, and expand cooperation with various partners to achieve win-win cooperation, and strive to contribute to industry development and the well-being of human health.

Looking ahead, we shall ever carry a heart brimming with gratitude, improve our corporate innovation capability, continue to promote medicine accessibility and affordability, strengthen the fulfillment of our corporate responsibility, and create more value for society.

ABOUT HUA MEDICINE

Hua Medicine (2552.HK) is an innovative drug development and commercialization company with headquarters in Shanghai, China, and divisions in the United States and Hong Kong, China. Hua Medicine focused on developing novel therapies for patients worldwide with unmet medical needs. Based on global resources, Hua Medicine teams up with global high-caliber people to develop breakthrough technologies and products, which contribute a global innovation in diabetes care. Hua Medicine's cornerstone product, HuaTangNing (dorzagliatin tablets, HMS5552), targeting the glucose sensor known as glucokinase. This medication aims to restore glucose sensitivity in individuals with T2D and stabilize the imbalanced blood glucose levels in patients. Notably, the National Medical Products Administration (NMPA) of China granted approval for HuaTangNing on September 30, 2022. It can be used alone or in combination with metformin hydrochloride-tolerated T2D patients. There is no need for dose adjustment in patients diagnosed with chronic kidney disease (CKD). It is an oral hypoglycemic drug that can be used for patients with Type 2 diabetes with varying degrees of renal function impairment (including end-stage renal impairment without dialysis). Hua Medicine has established a collaborative alliance with Bayer, a renowned international pharmaceutical company, in order to facilitate the commercialization of HuaTangNing within the Chinese market. This collaborative effort is anticipated to yield favorable effects for persons afflicted with diabetes, as well as their respective families.

Mission and Vision

Hua Medicine adheres to the mission of "*For Patients, Global Indadjustment in patients diagnose4-d.5 (n)0.5 i EnenteM2De has es to t Td1 416.*

Honors and Recognitions

2023 Honors Awards and Recognition

Hua Medicine



Hua Medicine won the "Top 10 Most Influential Small Molecule Innovative Pharmaceutical Companies" award in the 2023 China Biopharmaceutical Science and Technology Innovation Value List.

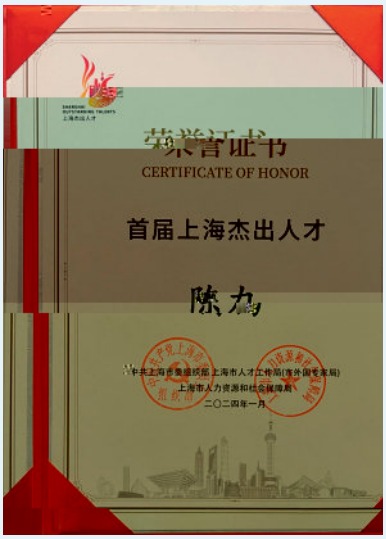


Hua Medicine was honored with the "China Innovative Pharmaceutical Company in 2022" award at the 15th China Pharmaceutical Strategy Conference.



Hua Medicine, HuaTangNing (6 @ 1 ®) Team, HuaTangNing (6 @ 1 ®) and Dr. Li Chen were honored as the winners of the "3rd Awards for Medicine Innovation"

Dr. Li Chen



Dr. Chen Li was awarded the "First Shanghai Outstanding Talent" certificate by Shanghai Municipal Committee of the Communist Party of China-Shanghai Municipal Talent Work Bureau.



Dr. Li Chen was awarded the "2023 Pudong New District Pearl Leader" certificate by the Talent Work Leading Group Office of the CPC Shanghai Pudong New District Committee.

Corporate Qualifications

Specialized, Refined, Differential and Innovative SMEs in Shanghai

R&D Organizations in Pudong NewDistrict

High-tech Enterprise

Government Catalogue

HuaTangNing (华堂宁®) was listed in the "First Batch of Innovative Products Recommendation Catalogue of Shang-hai in 2023

HuaTangNing (华堂宁®) was listed in the "2022 Shanghai Biomedical 'New and Excellent Medicine and Devices' Product Catalogue"

HuaTangNing (华堂宁®) was listed in the "Recommended Catalogue of Innovative Pharmaceutical Products in Pudong New District (First Batch)"

Highlights of 2023

A New Departure of Hua Medicine for 2023

GOVERNANCE, INTEGRITY AND COMPLIANCE

Hua Medicine recognizes the importance of compliant and efficient corporate governance to achieve sustainable development. Guided by legal and regulatory requirements, we have established a sound corporate governance mechanism to continuously strengthen the Board of Directors' ability to strategize and execute business initiatives, while ensuing effective oversight. We emphasize the continuous improvement of our environmental, social and governance performance, and implement a series of efforts based on our ESG objectives.

Board Statement

ESG Governance

Adhering to the mission of "For Patients, Global Innovation, Effective Medicines", the Board of Directors of Hua Medicine is responsible for overseeing the Company's ESG matters and authorizes senior management and relevant departments to carry out specific ESG-related work, with the following specific responsibilities:

ESG Supervision

- Participating in the development of management approaches, strategies, objectives, plans and priorities for ESG-related matters of the Company through communication with senior management and stakeholders and assessment of ESG-related data
- Monitoring whether strategies to regulate ESG are incorporated into the Company's management operations
- Understanding the impact and potential risks of ESG issues on the Company's business and ensure that the Company's ESG-related matters are consistent with the expectations and requirements of investors and regulators
- Supervising the Company's assessments related to environmental and social impacts
- Conducting Board meetings regularly to receive progress reports from responsible department on the achievement of current ESG goals, to approve ESG information to be disclosed to the public, and to assess the needs to adjust the focus areas in the context of the core business model and operational processes

ESG Implementation

- Senior management is responsible for implementing ESG risk management and internal control systems, reporting to the Board on key ESG-related trends, related risks and opportunities, progress and achievements of the Company's ESG efforts, and the annual ESG report.
- The EHS department is responsible for establishing and improving the management system of Hua Medicine in areas related to environmental protection, health and safety, supervising the implementation of various management policies and effectively controlling EHS risks.
- Other departments are responsible for implementing ESG-related plans, collecting and tracking ESG-related data, reporting ESG work progress to senior management, and supporting annual ESG reports.

Sustainable Development Goals

In response to the international community's call for sustainable management and China's historic strategic deployment of carbon peaking and carbon neutrality, we have set the following milestones to provide guidance for our operations and ESG governance:



Corporate Governance

Hua Medicine has built a fully functional corporate governance structure. The Company is led by a well-established Board of Directors, under which there are four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee. Each committee strictly implements its designated responsibilities to safeguard the Company's interests and ensure its sustainable and healthy development. Hua Medicine attaches great importance to the diverse composition of its Board of Directors and has adopted the *Board Diversity Policy*, which stipulates that all Board members are appointed based on the merit while taking into account diversity, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. All of the Company's current directors have extensive industry experience and strong educational backgrounds, with 43% holding doctoral degrees.

Business Ethics

Business ethics is one of the important influencing factors for sustainable development for enterprises. Hua Medicine diligently promotes the construction of business ethics, fosters a positive atmosphere, adheres to bottom lines and upholds ethnical principles to ensure its healthy and virtuous development.

We insist on anti-corruption and abide by the laws and regulations such as the *Criminal Law of the People's Republic of China (PRC)*, the *Law of the PRC Against Unfair Competition*, the *Law of the PRC on Anti-money Laundering*, and the *Anti-monopoly Law of the PRC* and have established a series of policies in line with our own development in order to eliminate bribery, extortion, fraud, money laundering and other illegal acts:

- We have established a *Fraud Policy Statement* that clearly outlines the definition of fraud, investigation responsibilities, investigating and dealing procedures of fraud incidents, aiming to enhance the internal controls and risk management of the Company.

- We have established a *Whistleblower Policy* and a dedicated reporting email address (whistleblow@huamedicine.com) on our website and other public channels to facilitate employees, suppliers, customers and other external partners to expose and report misconduct. The whistleblower's personal information and report details are treated with utmost confidentiality to mitigate any potential retaliation. In addition, the Internal Audit Department manages the reporting mailbox routinely, overseeing the investigation of reported incidents after reporting them to the Compliance Committee. The results of the investigation are reported to the Company's management, and in the case of management fraud, directly to the Audit Committee as well as to the Board of Directors. There were no reports received during the reporting period.

- We have issued *Anti-Bribery and Anti-Corruption Procedures*, emphasizing zero-tolerance stance on bribery and corruption. These procedures explicitly prohibit the payment or acceptance of any form of facilitation, and detail acceptable norms of conduct and prohibited behaviors in the areas of hospitality, expense reimbursement, personnel recruitment, business engagement and third-party controls. Any exceptions require consultation with the Compliance Committee. Through ongoing enhancements to the anti-bribery and anti-corruption supervising mechanism, we endeavor to avoid potential compliance risks for employees with government officials, Health Care Professionals (HCPs), Health Care Organizations (HCOs), and other business partners.

- We have developed and implemented *Hua Medicine Code of Conduct*, which stipulates requirements on medicine quality, medicine safety, pharmacovigilance, anti-monopoly and fair competition, prohibition of insider trading, anti-bribery, anti-corruption and anti-fraud, personal information protection, information security management, environmental protection, safety, and health management, etc.

- We advocate that "Each of us is accountable for compliance" and every employee is required to study the *Hua Medicine Code of Conduct*, receive relevant training, and commit to comply with its provisions.

- We define the requirements related to occupational conduct of employees, office work guidelines, conflict of interest avoidance, etc. through the *Employee Handbook*, which is signed by each employee as an endorsement.

Hua Medicine is dedicated to developing a culture of compliance and business ethics, tracking updates in relevant laws and regulations, and ensuring employees are familiar with compliance knowledge, policies and risk prevention requirements through daily communication, regular targeted training and other ways. During the reporting period, the Compliance Committee organized two thematic compliance training regulatory training sessions for all employees, aiming to strengthen their compliance awareness and ensure a thorough understanding and implementation of relevant policies and procedures. Furthermore, the Internal Audit Department conducts annual assessments of commercial bribery risks and internal investigations of high-risk situations to provide strong support for integrity building. During the reporting period, the Internal Audit Department conducted a total of four audits. Specifically, during the audit of procurement and sales processes, thorough testing and assessment were undertaken to evaluate the anti-bribery and anti-corruption controls associated with suppliers and distributors. During the reporting period, neither the Company nor its employees were involved in corruption incidents or corruption-related litigation cases.

In addition to enhancing internal anti-corruption efforts, Hua Medicine also extends its anti-corruption efforts to upstream and downstream in the supply chain, working with partners to build a transparent and honest business cooperation environment. We adhere to the highest compliance standards in the selection of our partners, which involves a meticulous evaluation of potential partners, scrutinizing their reputation and past compliance performance through surveys, and actively avoiding collaboration with companies exhibiting deficiencies in business ethics. When establishing a partnership, we sign integrity and compliance agreements with partners involved in key businesses, requiring them to declare any potential conflicts of interest and adhere to their integrity obligations. Furthermore, our service and distributor contracts explicitly mandate that all partners must strictly adhere to all laws and regulations concerning anti-bribery, anti-corruption and internal control, including but not limited to the requirements of the U.S. Foreign Corrupt Practices Act (FCPA) and other relevant international anti-corruption laws.

Fair Competition

Hua Medicine only competes fairly based on true value. We comply with the *Law of the PRC Against Unfair Competition, Anti-monopoly Law of the PRC* and other laws and regulations to ensure that fair competition applies to all of Hua Medicine's competitors, third parties and partners. We promote open and fair markets, free competition and trade. *Hua Medicine Code of Conduct* clearly emphasizes that every employee must seek a competitive advantage through lawful means and should not use unreasonable means to restrict the business practices of distributors. We also value monopolistic market conditions and prohibit any entity from abusing its dominant market power by refusing to deal, tying, discriminating, monopolistic and predatory pricing.

INNOVATION AND HEALTH CARE

Hua Medicine is committed to providing affordable, high-quality medicines to patients around the world. We strive to promote product development and innovation, and actively expand our product pipeline, in order to bring high-quality and innovative medicines to more patients with different needs. We work with all parties to improve accessibility of products in material warehousing, supply chain management, etc. In addition, we aim to improve the affordability of innovative medicines for patients through cooperation with governments and medical institutions. As a matter of fact, we insist on benchmarking against international quality standards to ensure that our quality-first management philosophy and actions are carried out throughout the entire life cycle of our products.

Innovative R&D

Innovation Progress

Set out below are the key stages of our product candidates under development:



Hua Medicine continue to focus on the expansion of glucokinase (GK) therapy in restoring glucose homeostasis which may lead

Innovative R&D Model

In the medication discovery phase, we adopt the innovative "VIC" model: VC (Venture Capital) + IP (Intellectual Patent) + CRO (Clinical Research Organization). In the medication development phase, we adopt the "PPR" Model: Policy + Practice + Regulation. Throughout the medication's full life cycle, our team has always placed an emphasis on the management of "Q" (Quality). Hua Medicine has established the Quality Committee, which focus on medication safety and quality issues throughout our clinical trials, manufacturing, and sales, to ensure that the trial design, research execution and operations performed by our partners can all be in accordance with international standards. Our R&D model not only enables us to improve efficiency and reduce costs of medication innovation but also ensures the medication quality and data rigorousness.

Innovative Drug Developing Model

- VIC: VC (Venture Capital) + IP (Intellectual Patent) + CRO (Clinical Research Organization)
- PPR: Policy + Practice + Regulation
- Q: Quality

Medicine Accessibility

Adhering to the Company's tenet of "*For Patients, Global Innovation, Effective Medicines*", Hua Medicine continues to pay attention to the health needs of patients, joins hands with various sectors of the society, and actively promotes the accessibility of medicines to satisfy the needs of patients by constructing an all-around, deep-level, and multidisciplinary strategic cooperation mechanism, integrating resources from various parties, and carrying out a wide variety of forms of industry cooperation.

Commitment to Unmet Medical Needs

Hua Medicine focuses on unmet medical needs and develops novel therapies for patients worldwide. According to WHO, diabetes is perennially ranked as one of the top 10 causes of disability adjusted life year (DALY) in the world, and its treatment has become a major healthcare challenge affecting the nation's health. In order to benefit diabetes patients and their families, Hua Medicine launched HuaTangNing (6 @ $^{1®}$) in October 2022, which represents the first time globally in almost ten years that a new mechanism of action to treat Type 2 diabetes(T2D) is introduced, and the first time in history that a global first-in-class drug for Type 2 diabetes is introduced first in China. Currently, HuaTangNing (6 @ $^{1®}$) has been approved for two indications and three permits, and has been found to be efficacious in the treatment of Type 2 diabetes (T2D) in adults, either on its own or in combination with metformin or other drugs. Moreover, for patients with chronic kidney disease (CKD) and Type 2 diabetes (i.e., diabetes kidney disease), no dose adjustment is required. During the initial launch of HuaTangNing (6 @ $^{1®}$), due to significant demand and supply constraints, we adjusted our sales cadence after the first week of launch to ensure that patients who successfully obtained prescriptions for HuaTangNing (6 @ $^{1®}$) could maintain adequate supply and use of the medication. At the beginning of 2023, the Company was able to achieve a widespread and orderly supply of the new batch of HuaTangNing (6 @ $^{1®}$) across all channels.

In addition to the commercialization of HuaTangNing (6 @ $^{1®}$) in China, we have continued to advance the development of our second-generation glucokinase activator (GKA) under the innovative approach of "repairing the sensor, restoring homeostasis, and treating the underlying cause of diabetes" and have submitted an Investigational New Drug(IND) application to the U.S. Food and Drug Administration. The 2nd Gen GKA is was designed as a novel drug to allow for once daily administration, increasing the duration of the drug in the intestinal organs to improve patient compliance and provide more convenience to patients.

Improving Medication Affordability

Based on the *Circular on the Issuance of Opinions on Promoting Medication Price Reforms* mainly issued by the National Development and Reform Commission, and the *Recommendations for Improving the Current Management of Medication Prices* issued by the National Healthcare Security Administration of The People's Republic of China, Hua Medicine comprehensively evaluates the patient's affordability to formulate the price of their products.

In order to improve medication affordability, Hua Medicine actively explored the possibility of medication price control and successfully promoted the inclusion of HuaTangNing (6 @ $^{1®}$) in China's National Reimbursement Medication List (NRDL) by the National Healthcare Security Administration (NHSA) in December 2023, with the retail price reduced by 67%. This means that more than 140 million Type 2 diabetes (T2D) patients in China will be able to obtain medicines with government-insured prices at designated medical institutions and pharmacies. The widespread use of glucose stabilization therapy for the treatment of Type 2 diabetes (T2D) reduced the patients' personal financial burdens from "30 RMB a day" to "30 RMB a month" in the majority of regions in China. The successful inclusion of HuaTangNing (6 @ $^{1®}$) into the NRDL marks an important milestone in Hua Medicine's corporate mission to reduce the burden on patients, while also enhancing the universality of medicines.

Implementing Supply Chain Informatization and Expanding Channel Coverage

In the early stage of commercialization, Hua Medicine launched a self-developed business operation management system, which covers the online collaboration from upstream to downstream, from internal to external, with the interconnection with systems of multiple parties. It has realized a paperless office for its main distribution business operations and the online electronic signature and preservation of the sales order/contract through the e-signature platform, which greatly enhances the accuracy and efficiency of the process while minimizing the consumption of resources, such as the use of paper documents and remote transmission.

Meanwhile, we carry out in-depth cooperation with our strategic supply chain partner Sinopharm Group in the areas of supply chain expansion, warehousing and logistics management, and channel informatization, etc. We jointly explore the green and low-carbon supply chain and the landing of efficient and high-quality transportation modes and are committed to the formation of aut ie gtm.3ating capacity in the links of logistics and distribution, so that the medicines can be brought to the patients all over China in autafe and convenient way.

To broaden the coverage of our pharmaceutical products, we also maintain close cooperation with our distributors and continue to expand our transportation channels and increase the number of endpoints of contact for our pharmaceutical products. As at the end of the reporting period, the national channel distribution network had covered 31 provincial administrative regions and over 200 cities in China.

Hua Medicine Distribution Channels

70+	5000+	500+
Primary Distributors	Hospitals	Pharmacies (predominantly hospital side stores)

We also care about patients in remote areas and continue to cover remote areas in depth in an effort to provide medicines to more patients. In 2023, Hua Medicine is actively promoting the work related to the popularization of medicines in remote areas by increasing the number of cities covered and expanding the supply chain. As of the end of the reporting period, the market footprint of HuaTangNing (6 @ ¹ ®) has covered 23 provinces in mainland China, including Inner Me golia, Gansu, Guizhou, Ningxia, Qinghai, Xinjiang, and Yunnan.

In addition, Hua Medicine has established an online flagship store in collaboration with 111, Inc. (NASDAQ: YI), a leading tech-enabled healthcare platform in China. We are also actively expanding innovative solutions in pharmaceutical e-commerce and internet channels to benefit the majority of diabetes patients to a greater extent. HuaTangNing (6 @ 1 ®)'s online business continues to grow even after the implementation of National Reimbursement Medication List (NRDL).

In February 2023, Dr. Li Chen, the founder and CEO of Hua Medicine, and Dr. Gang Yu, the co-founder and executive chairman of 111, Inc. , jointly announce a grand opening of Hua Medicine's first online flagship store at the Commercial Launch Event of HuaTangNing (6 @ 1 ®). This flagship store takes multiple roles. Firstly, patient education. The store systematically shows Hua Medicine's innovative treatment concepts; Secondly, the flagship store serves as an official window of information release. Thirdly, patient education in drug safety. In the light of China's new regulations on the online sales of prescription drug, this flagship store jointly launched with 111, Inc. is one of Hua Medicine's major initiatives to expand its commercial presence and distribution network as it explores diversified supply and service models online and offline. The flagship store is an official representation of Hua Medicine's brand image, and it will be an important platform for Hua Medicine to better serve patients and doctors in the future.

Quality Assurance

Bearing in mind the mission of "For Patients", Hua Medicine always believes that only by improving quality awareness and strengthening quality management can we promote the sustainable development of the Company. We regard quality as one of the core values, constantly improve quality control, supervision, and inspection mechanism, implement high standard quality requirements, and strive to provide the society with excellent-quality, safe and reliable products.

Optimization of Quality Management System

Hua Medicine complies with the laws and regulations related to product health and safety, strictly implements the *Medicinal Product Administration Law of the People Republic of China (PRC)*, *Provisions for Drug Registration* and other national regulations. The Company consistently refines its quality management system to align with national standards while also addressing the evolving requirements of its operational objectives.

In 2023, Hua Medicine celebrated its second year of full commercial operations. During this pivotal period, the Company's Quality Assurance Department diligently monitored the latest national requirements and regulations concerning medicine quality management, ensuring alignment of the Company's operations with national guidelines. During the reporting period, Hua Medicine expanded its operations to encompass comprehensive quality management across the entire medicine life cycle of pharmaceuticals. The Company implemented strict quality management measures at every stage of medicine development, production, operation, and utilization, ensuring that each stage meet the highest quality standards. Hua Medicine has established a robust pharmaceutical quality management system in accordance with the guidelines of the *Code of Practice for the Quality Management of Non-clinical Research of Pharmaceuticals*, the *Code of Practice for the Management of Clinical Trials of Pharmaceuticals*, the *Code of Practice for the Quality Management of Pharmaceutical Manufacturing*, the *Code of Practice for the Quality Management of Pharmaceutical Operations*, and the *Code of Practice for the Qualiheifbm(O)0.6 (p)0.5 (e)5 (o)0.6 m(o)0.5 (d)0.6n(a)0.6 (c)0.5 (e)0.5 (o)6.5 (f)0.5* ossf Tdd utieuticarisk niclyperation 7

During the reporting period, Hua Medicine reviewed and optimized its quality management system to align with the requirements

For the implementation of quality management for distributors, Hua Medicine employs a comprehensive assessment framework to conduct periodic qualification reviews, risk assessments, and performance evaluations of distribution partners to ensure compliance with and enforcement of quality control standards. This assessment process covers the efficacy of Quality Assurance (QA), changes in key operational domains (such as changes in warehouse management or key personnel), and the promptness and effectiveness of distributors in addressing quality incidents. During the reporting period, Hua Medicine completed assessment of 72 distributors, all of which met the Company's predetermined quality benchmarks, with no significant quality issues identified. Through continual monitoring, Hua Medicine further consolidated the quality and safety of the pharmaceutical distribution chain, ensuring the integrity and safety of our products from suppliers to end-users.

The Implementation of Quality Management Laws and Regulations

Hua Medicine strictly follows the laws and regulations governing drug management, and continuously monitors the updates and changes in these standards. The Company is dedicated to internalizing external regulations into its operational standards, ensuring ongoing compliance with the latest legal requirements to uphold its commitment to regulatory adherence and social responsibility. During the reporting period, in response to the *Announcement on Strengthening the Supervision and Management of Entrusted Manufacturing by Holders of Listed Licenses of Medicines*, Hua Medicine formulated a detailed response plan. This involved conducting extensive research on the new legislative measures, internally discussing the disparities between existing systems and the regulations and facilitating cross-departmental meetings to assess the feasibility of implementation strategies. Concurrently, the Company developed and refined system regulations tailored to its operational objective. Along with the implementation of internal systems, Hua Medicine actively organizes education and training programs for employees on relevant systems and policies to ensure that every employee understands and complies with the latest laws and regulations in a timely manner. In order to continuously monitor the implementation of the policy, the Company provides progress reports during quarterly Quality Committee meetings, facilitating effective execution and continuous enhancement of the system.

Consumer Rights Protection

Hua Medicine always adheres to the principle of honesty and trustworthiness and makes every effort to protect all rights and interests of consumers. Hua Medicine has established a complete and effective adverse reaction management system. The Company comprehensively collects adverse events, timely evaluates, and submits adverse reaction reports to regulatory authorities after our product is marketed. Simultaneously, the Company actively detects signals related to drug safety, assesses potential risks, and takes necessary risk-minimizing management measures to ensure that public health and the safety of patient medication are comprehensively safeguarded.

Hua Medicine advocates for all employees to strictly adhere to the adverse event reporting system, and utilizes various channels, such as the Company's official website, email, and hotline to collect drug safety information as comprehensively as possible. The Company is dedicated to refining the *Quality Problems and Recall Handling Procedures* to enhance communication skills and standardized response documentation, thereby elevating the quality of after-sales service and establishing a robust customer support framework aimed at maximizing consumer's interests. Moreover, regular training sessions are conducted for all employees on the *Introduction to the Handling Process of Medicine Emergencies and Safety Events* to deepen their understanding of product safety and underscore the significance of promptly reporting product safety-related information.

In terms of responding to product complaints, Hua Medicine updated and optimized the *Product Quality Complaint Handling Procedures* in 2023. We have further clarified the definition of quality events, classification levels, the process for addressing product quality events and implementing corrective measures tailored to our operational realities. Upon receipt of a complaint, we immediately carry out the workflow of registration, assessment, investigation, continuous tracking, handling, and reporting. During the assessment stage, complaints are categorized based on the severity, and customers would receive a response along with an appropriate resolution within a specified timeframe. During the reporting period, Hua Medicine sold more than 251,000 boxes of HuaTangNing (6 @ ¹ ®) and received a total of 3 quality complaint incidents. All three incidents were classified as low risk and were thoroughly addressed through investigation and resolution procedures in accordance with the Company's internal *Product Quality Complaint Handling Procedures*. As a result, all customer quality complaints were solved within the designated timeframe, demonstrating a 100% resolution rate.

Hua Medicine actively protects consumer rights and oversight on marketed medications. When faced with product complaints, the Company diligently fulfills its obligation to address such issues promptly, proactively, and expeditiously, thereby exemplifying the social responsibility expected of the Company. To adhere to relevant laws, regulations, and industry standards, including the *Measures for the Administration of Medicinal Product Recalls and the Good Manufacturing Practice of Medicine*, the Company has devised and continuously refined its *Quality Problems and Recall Handling Procedures*. Upon receiving reports of quality complaints, Hua Medicine promptly initiates investigations and evaluations. If quality judgement requires market action, the recall handling procedure is promptly activated to ensure the safety of public medication. In order to validate the efficacy of the recall system and enhance the grading and assessment of potential quality concerns, Hua Medicine routinely conducts simulated product recall drills, thus providing a practical framework for batch management and recalls, and ensuring the organization's capability to manage market recalls at both the organizational and systemic levels. During the reporting period, no product recall cases were noted.

Quality Culture Construction

Hua Medicine actively fosters a quality culture (*I, We, Do It Right Once and For All)* and behaviors (e.g., failure prevention, learning from failures, and continuous improvement) that are key factors in ensuring the success of the quality system implementation. It is the responsibility of the Company's managers to support and reinforce the quality culture by setting an example and acknowledging and celebrating quality behaviors.

Hua Medicine understands the importance of quality and safety within the pharmaceutical industry, particularly concerning employees involved5 (i)0. i hl Tcuality systemF60.517 9 olvl Tcualde(nv)0.5 (ol)0. (nv)0.o[e)0.etn i, wi(nv)0.oh py systemF60.51on0. i, s (sim e(mp)0.5 (lo)0.5s)tiye i hl TcualCl(mp)0.d[e)0.ci i h[e)0.cimees(lo)0.marmp id foF60.517 9 ev i hl Tcualcl(mp)0. F60.517es(lo)0.poi idMedepy

External Management

Our R&D model allows us to work closely with a number of third parties in the development and manufacturing of pharmaceuticals. When selecting our partners, we have stringent requirements for the quality of our partners' delivery, and we also value our partners' environmental and social responsibilities, ensuring that our partners have good standards of pollution prevention to achieve green emissions. We require external service providers to sign the *EHS Management Agreement* or agree on corresponding terms in the contract before cooperation to clarify the safety management responsibilities of both parties. For the transfer of hazardous wastes, we employ professional industrial hazardous waste treatment and transfer service providers to minimize the risk of hazardous wastes leaking and polluting the environment. In addition, we have issued the *EHS Management Procedures for External Service Providers* to standardize the emergency and incident management process. We also conduct comprehensive assessment of external service providers through feedback and evaluation of their safety performance to ensure that the external service providers engaged by us meet the requirements of the Company's procedures. In terms of supplier management, the CMC department is responsible for the environmental-related management of the supply chain. We always make a comprehensive evaluation of the supplier in the environmental-protection management by means of questionnaire survey, document review and field investigation, and require the supplier to provide the certificate of the environmental management system and the emission permit. At the same time, the CMC department continuously monitors the environmental-protection performance of suppliers. If any serious environmental pollution or unsafe situation is found in the production process, the CMC department will promptly remind the supplier to rectify the situation and call off the cooperation if necessary.

We not only continue to improve our EHS management, but also actively carry out internal environmental evaluations and undergo external reviews. During the reporting period, the ESH-related management progress carried out by the Company are detailed below:

Pollution Prevention

We comply with the laws and regulations of the operating locations and implement environmental management systems to optimize our waste management initiatives, taking into account the circumstances of each of our divisions. We strictly implement the compliance requirements of each regulation to ensure that 100% of drain water, emission and waste are handled in a compliant manner.

Emission Management

Emission pollutants mainly come from the volatilization of a small number of chemical reagents and organic reagents in the process of experimentation. Hua Medicine strictly follows the *Emission Standard of Air Pollutions for Pharmaceutical Industry*, *The Discharge Standard of Pollutants for Bio-pharmaceutical Industry of Shanghai*, *Integrated Emission Standard of Air Pollutants*, *Emission Standards for Odor Pollutants* and other laws, regulations and industry standards of the operating locations. The exhaust gases generated from the laboratory is collected through the fume hood and then transported via exhaust ducts to the activated carbon adsorption device installed uniformly in the property for purification and treatment, so as to avoid pollution to the atmosphere.

During the reporting period, our exhaust emissions were mainly generated from vehicle emissions, and the details are as follows:

Hua Medicine Exhaust Emissions Data

KPI	Unit	2022	2023

During the reporting period, such hazardous waste data was as follows:

- Hazardous waste mainly originated from the Pharmacology Laboratory, the Biology Laboratory which was relocated during the reporting period, and its historical experimental wastes which were included in the statistics of the Pharmacology Laboratory. Therefore, the overall waste data in the current year increased compared to that of 2022. Details of the hazardous waste data compared to previous years' information are as follows:

Hua Medicine Hazardous Waste Data

KPI	Unit	2022	2023
Total Experimental Waste Liquid	Tonne	0.090	0.375
Density of Experimental Waste Liquid	Tonne/CNY 1b Revenue	5.114	4.895
Total Experimental Waste	Tonne	0.080	0.215
Density of Experimental Waste	Tonne/CNY 1b Revenue	4.546	2.806
Total Scrapped Samples	Tonne	0.001	0.005
Density of Scrapped Samples	Tonne/CNY 1b Revenue	0.057	0.065
Total Battery Usage	Tonne	0.005	0.007
Battery Usage Per Capita	Kg/person	0.043	0.056

Note: The above battery data includes Shanghai office only.

- Non-hazardous wastes mainly originate from domestic wastes generated from daily office operations. We comply with the *Shanghai Domestic Waste Management Regulations* and classify wastes in accordance with the unified standards for waste separation principles of Shanghai and post waste classification signs on each floor to remind employees. Wastes are sorted and collected in garbage bins and disposed of by the property management company. The non-hazardous waste data for the reporting period comparing with data for the last period are set out in the table below. Due to the impact of the epidemic in 2022, Hua Medicine adopted a home office model and gradually resumed to working in on-site offices from 2023 onwards, so the non-hazardous waste data for 2023 has increased compared to 2022.

Hua Medicine Non-hazardous Waste Data

KPI	Unit	2022	2023
Total Residual Waste	Tonne	4.937	5.429
Residual Waste Per Capita	Kg/Person	42.560	43.087
Total Household Food Waste	Tonne	1.050	1.755
Household Food Waste Per Capita	Kg/Person	9.052	13.929
Total Recyclable Waste	Tonne	3.525	3.595
Recyclable Waste Per Capita	Kg/Person	30.388	28.532

Note: Non-hazardous wastes of our U.S, Hong Kong, Wuhan, and Beijing offices are handled by the property company in a unified way, so it is difficult to measure the exact quantity. In addition, the scale of these offices is small (34 employees in total). Therefore, these offices are not included in the above statistics. To analyze the per capita waste more rigorously, the number of personnel in non-applicable offices is thrown out in the calculation of the per capita waste, which was an updated calculation method for the current year, therefore the per capita KPIs of last year have been retroactively adjusted.

Noise Management

The noise mainly originates from the operation noise of the laboratory fume hoods and other equipment, as well as the environmental protection facilities such as wastewater and gas treatment. We strictly comply with the *Law of PRC on the Prevention and Control of Environmental Noise Pollution* and other relevant laws and regulations, use low-noise and low-vibration environment-friendly equipment for laboratory equipment, and adopt vibration isolation foundation or non-paving, vibration damping mats to minimize the impact of noise on employees, residents, and the urban environment.

Utilization of Energy and Resource

Hua Medicine pays close attention to the efficiency of energy and water resource utilization, strictly observes the Energy Conservation Law of the People's Republic of China and the Water Law of the People's Republic of China and the other relevant laws and regulations of the operating locations, has established a sound resource management system, and continuously improves the comprehensive utilization rate of resources.

Resource Management

During the reporting period, the resource consumption and greenhouse gas emission data were as follows:

- The main energy consumption of Hua Medicine is gasoline and purchased electricity, and the main water consumption is municipal domestic water. Resource and energy consumption data of Hu a Medicine for the reporting period comparing

Hua Medicine Resource Consumption Data

KPI	Unit	2022	2023
Total Executive Gasoline	Liter	4,125.000	4,875.000
Executive Gasoline Per Capita	Liter/Person	29.676	30.469
Total Executive Electricity	kwh	511,933.000	682,750.000
Executive Electricity Per Capita	kwh/Person	3,682.971	4,433.442
Total Executive Water	Tonne	939.000	1,210.000
Executive Water Per Capita	Tonne/Person	8.095	9.603

Note: The gasoline and electricity consumption data include our Wuhan and Beijing offices but does not include our U.S. and Hong Kong offices. The water consumption data does not include our U.S., Hong Kong, Wuhan, and Beijing offices. Water and electricity of these offices are supplied by the property companies, so it is difficult to measure accurate data. In addition, the scale of these offices is small (34 employees in total). Therefore, these offices are not included in the above statistics. To analyze the per capita consumption more rigorously, the number of personnel in non-applicable offices is thrown out in the calculation of the per capita KPIs, which was an updated calculation method for the current year, therefore the per capita KPIs of last year have been retroactively adjusted.

- Our greenhouse gas emissions are primarily from vehicle gasoline consumption and small amounts of refrigerants consumed by air-conditioners installed in computer lab (Scope 1: direct greenhouse emissions), and electricity consumption (Scope 2: energy indirect greenhouse emissions). Greenhouse gas (CO2) generated by Hua Medicine over the reporting period comparing with data over the last period are set out in the table below:

Hua Medicine Greenhouse Gas Emission Data

KPI	Unit	2022	2023
Greenhouse Gas Emissions (Scope 1)	Tonne	17.170	19.201
Greenhouse Gas Emissions (Scope 2)	Tonne	312.330	416.546
Total Greenhouse Gas Emissions (Scope 1 & 2)	Tonne	329.500	435.747
Total Greenhouse Gas Emissions Per Capita	Tonne/Person	2.371	2.723

Note: Greenhouse gas emissions are presented in terms of CO2. Reference data sources for greenhouse gas accounting methods and emission factors include the Intergovernmental Panel on Climate Change (IPCC) assessment reports, the Environmental Protection Department, and the Bureau of Ecology and Environment of the People's Republic of China.

Promoting Energy Conservation and Emission Reduction

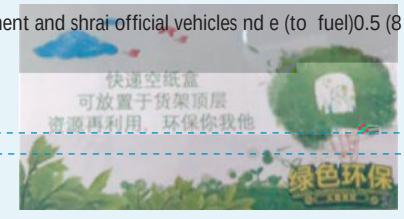
We respond positively to the resource conservation measures implemented by the government, make full, rational, and efficient use of existing resources, and gradually reduce waste of available energy and resources while reducing operating costs.

Hua Medicine Green Office Initiatives

- Reduce water waste by using water-saving automatic sensor faucets
- Security patrols to check whether air conditioners, water and electricity are turned off in a timely manner to minimize waste of resources
- Posting of slogans on saving water and electricity and turning off lights to raise employees' awareness of saving resources
- Energy supply from 8 a.m. to 8 p.m. on weekdays to reduce weekdcity and tur63 ff

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Packaging Material Management

The packaging materials of Hua Medicine are mainly used in the process of production, transportation, sales, and storage of products, which can be divided into inner packaging materials and outer packaging materials. The inner packaging materials include PVDC and aluminum foil cover, while the outer packaging materials include paper packing boxes, plastic tapes and medicine kits. We adhere to the principle of "treasure resources, reduce energy consumption and promote sustainable development", strictly comply with the relevant laws and regulations of the operating locations, and continuously optimize the material management policies. At present, since external manufacturers are responsible for the production and transportation of HuaTangNing (6 @ 1 ®), in order to save resources and reduce potential environmental impacts during production, transportation and disposal of product packaging, we require business partners to provide relevant qualifications of environmental packaging during the establishment of cooperation and fully implement environmental protection packaging policies such as carton recycling, as well as strictly controls the design and selection of packaging materials. During the 2023 report period, the detailed data of packaging materials consumed by Hua Medicine are set out in the table below:

Hua Medicine Packaging Material Usage Data

KPI	Unit	2022	2023
Total PVDC	Tonne	0.297	2.247
Total Aluminum Foil Cover	Tonne	0.040	0.813
Total Plastic Tape	Tonne	0.021	0.097
Total Medicine kit	Tonne	0.538	3.577
Total Paper Packaging Box	Tonne	0.332	2.813
Total Product Packaging	Tonne	1.228	9.547
Density of Product Packaging	g/Kit Unit	22.372	20.313

In 2023, the first full year of commercial sales, the volume of products sold has increased significantly compared to last year, so the total volume of product packaging also increased accordingly, but we are pleased to see that the density of packaging has been reduced through our collaborative efforts with partners.

Responding to Climate Change

Climate change poses new challenges and brings new opportunities to the development of biopharmaceutical companies. Hua Medicine actively responds to climate change, pays close attention to the trend of global greenhouse gas emissions, identifies the risks and opportunities brought by climate change, and actively carries out energy saving and emission reduction actions in production and operation to help the world realize the dual-carbon goal.

Climate Risk Governance

The Board of Hua Medicine is responsible for formulating and reviewing the implementation of climate change-related issues, including carbon emission, energy consumption and other goals, and regularly reviewing the achievement situation. In addition, The Board of Hua Medicine is responsible for comprehensive supervision over the ESG management and discussing issues related to climate change. The Board of Hua Medicine authorized senior management and relevant departments to actively carry out climate change risk identification and take relevant measures to mitigate, adapt and resist climate change.

Climate Risk Management

Based on our business and environmental conditions, we identify risks and opportunities related to climate change and analyze the impact of climate change risks on our business and finances. We also develop response programs around climate risks to better manage the impacts of climate change.

In terms of physical risks, the laboratories of Hua Medicine are located in the Zhangjiang High-tech Park, Shanghai. The geographical location is not prone area of extreme disasters such as heat waves, earthquakes, typhoons, floods, etc., therefore, the probability of extreme disasters is low. To control the impact of potential physical risks, we have developed corresponding preventive strategies. The EHS department continuously monitors weather conditions, and in case of extreme weather that may affect employees' safety such as tornadoes or rainstorms, the EHS department sends early warnings of dangers and travel precautions, and dynamically adjusts employees' needs for remote or home-based working. Meanwhile, the CMC department continues to examine key suppliers for potential supply disruptions and price increases due to climate change. During the reporting period, a supplier was identified as its original transportation access gate could not be opened normally due to urban construction and renovation, so we took the initiative to communicate and propose a change in the shipment time in order to safeguard the supply of medicines.

In terms of transition risk, since we haven't carried out large-scale production activities yet, and do not consume large amounts of energy or produce large amounts of emissions, potential risks from policies, regulations, technology, markets, and reputation are low in the short to medium term. We also continue to track regulatory requirements and government policy updates, closely monitor the impact of our commercialization and business expansion on the magnitude and intensity of total greenhouse emissions in the value chain and have begun to collaborate with our partners on a feasibility study of carbon reduction to prepare for long-term transition risks. At the same time, we have developed short-term transition risk management and business continuity programs. For example, the CMC department proactively mitigated or timely dealt with the transition risks brought by upstream and downstream changes by various ways, including internal safety stockpiling, supplier alternatives and replacements, requiring suppliers to ensure material supply, locking inventory, and signing long-term agreements to lock in material price fluctuations, etc.

PEOPLE FIRST AND EMPLOYEE EMPOWERMENT

Hua Medicine always adheres to the philosophy of *People First* and is committed to establishing an employment relationship of common growth and mutual achievement. The Company is dedicated to creating a healthy and harmonious working atmosphere, while ensuring a legal and compliant employment relationship that safeguards the rights and interests of employees. By implementing a comprehensive talent development system, Hua Medicine actively supports the personal and professional growth of its employees. The Company has also established a fair and rational promotion incentive mechanism to stimulate the potential of its workforce. Additionally, Hua Medicine carries out various employee-caring activities and appreciating their contributions. During the reporting period, Hua Medicine has fully complied with major laws and regulations related to salary and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination, and other ones related to benefits and rights of employees. The overarching goal is to foster a workplace characterized by fairness, inclusivity, and respect for individual differences.

Diversified Recruitment

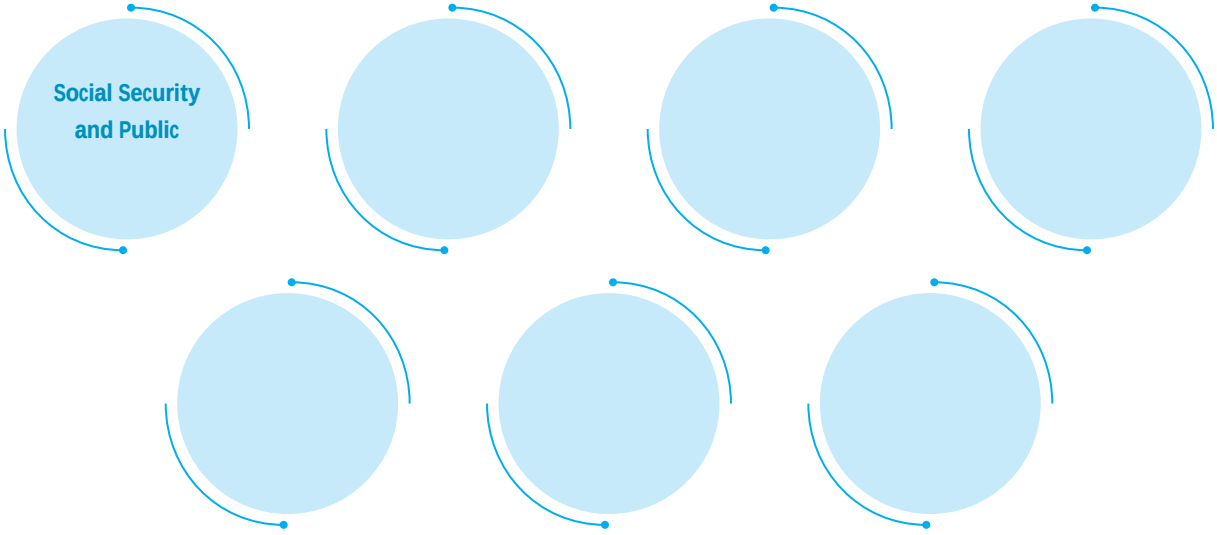
Based on the employment principle of legality and compliance, Hua Medicine has formulated and continuously improved the internal employee management policies such as the *Employment Policy*, under the premise of strictly abiding by the *Labor Law of the People's Republic of China (PRC)*, the *Labor Contract Law of the PRC*, the *Social Insurance Law of the PRC* and other laws and regulations.

Hua Medicine always adheres to the principle of "Best Fit" in recruitment and employment, committing to treat candidates of different ages, genders, races, and religions fairly and impartially, ensuring equal opportunities, and safeguarding employees from discrimination. The Company adopts a diversified mechanism to recruit talents, and gradually carries out social recruitment according to business and development needs. At the same time, as a high-tech enterprise in Shanghai and a key institution of Zhangjiang Science City, we enjoy the preferential policy of talent introduction and settlement to attract a broader talent coverage with more diversified conditions.

The Company upholds a zero-tolerance attitude towards child labor, forced labor, and any other forms of discrimination. Stringent measures are in place to verify the credentials of new employees during the hiring process, ensuring that only individuals meeting the specified criteria are employed. We rigorously verify the identity of new employees at the time of hiring through background checks and other compliance information collection measures. Any breaches of compliance requirements are promptly reported to the relevant authorities. To further reinforce this commitment, the Company has established a reporting mechanism encouraging employees to disclose any suspected cases of child labor or forced labor. Once verified, such cases should be severely penalized by the Company. Concurrently, Hua Medicine actively advocates its suppliers and partners to adhere to and comply with labor laws, urging the elimination of non-compliant employment practices. During the reporting period, the Company has complied with major laws and regulations related to the prevention of child labor or forced labor, and there was no case of discrimination, child labor or forced labor.

Compensation and Benefits

We attract and retain employees through competitive remuneration, positive and harmonious corporate culture, and diversified benefits, such as social security, public housing fund, supplementary accumulation fund, supplementary commercial insurance, physical examination, meal benefits, employee fitness and other welfares. The Company implements the standard and non-fixed working hour scheme, which stipulates that the average working hour is 8 hours per day and 40 hours per week. In addition to statutory holidays, employees of Hua Medicine enjoy 12 or 15 days of paid annual leave every year. The allocation of paid annual leave days will increase accordingly with the number of years of continuous service with the Company, reaching a maximum of 20 days. Furthermore, paid sick leave, marriage leave, maternity leave, paternity leave, funeral leave, and parental leave are available for employees.



Employee Welfare of Hua Medicine

The Labor Union of Hua Medicine actively fulfills its duties and is dedicated to offering employees comprehensive support in both work and personal life. Various caring measures are implemented by the Labor Union to mark different festivals, such as providing mooncake vouchers during the Mid-Autumn Festival, organizing birthday celebrations with gifts and activities, and conducting special condolence initiatives for employees' parents during the Chung Yeung Festival. In an effort to continually refine the employee welfare system and foster a heightened sense of identity and belonging among the workforce, the Labor Union conducts quarterly meetings with its standing committee, to proactively collect and consolidate employees' opinions and suggestions regarding welfare policies and various cultural activities. This approach ensures a more accurate and tailored response to the diverse needs of different employee groups.

During the reporting period, the Company's Labor Union, guided by the spirit of "To Live Up to the Era, To Live Up to the History, To Advance on a New Journey", organized a visit to the War Memorial Museum as a significant initiative to bolster employees' patriotic sentiments and stimulate their motivation to strive for success. Simultaneously, aiming to enhance employees' cultural experiences and advocate a healthy lifestyle, the Labor Union routinely regularly organizes sports activities such as snooker, fostering team cohesion and improving physical fitness and thereby promoting the harmonious balance between work and life. Notably, the annual gathering of the Company in 2023 placed a special emphasis on the theme of health. As part of this initiative, all employees were provided with sports watches, serving as a reminder to pay attention to their health status and encouraging active engagement in health management in their daily lives. This proactive approach aligns with the Company's commitment to the overall well-being of its workforce.

2023 Hua Medicine Union Activities





Employee Birthday Party

2023 Hua Medicine Union Activities



Snooker Match



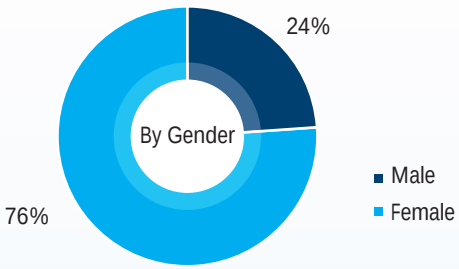
Antiwar Memorial Museum Tour

Talent Development

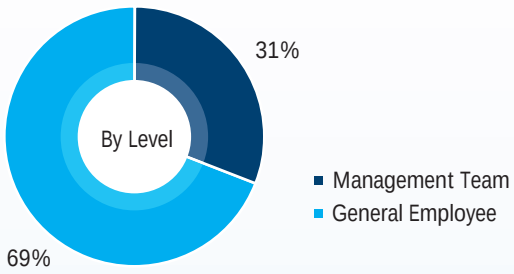
Hua Medicine has sorted out the current situation of talent development and adjusted the human resource management strategy based on the post competency model. The model is divided into three stages. The first stage is to build a competency model base for the middle-level and management personnel of the Company according to the position, and the Human Resources department and each working group develop a post competency model. The second stage is to optimize the post competency model for different management schemes and specify the job description to increase the competency requirements. The third stage is for the Human Resources department to evaluate the value of existing and new posts. Moreover, The Human Resources department of the Company continues to sort out the key positions and talents of the Company and reserve talents for the succession of subsequent posts.

High-quality and continuous talent training is the key factor to help employees improve their soft and hard skills and the stable development of the Company. The Human Resources Department of Hua Medicine formulates appropriate training schemes for employees at different levels each year according to the Company's strategy and personal development needs. The highly matched learning theme and rich content have helped the Company achieved efficient effect of talent training. In 2023, the total number of trainees reached 29, with a total training duration of 881 hours. The data regarding the training are detailed as follows:

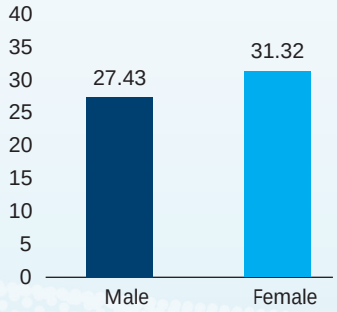
EMPLOYEE TRAINING STATUS BY GENDER



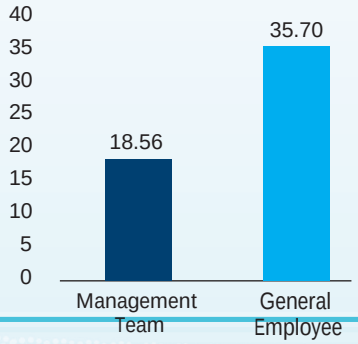
EMPLOYMENT TRAINING STATUS BY LEVEL



AVERAGE HOURS OF EMPLOYEE TRAINING BY GENDER (HOURS)



AVERAGE HOURS OF EMPLOYEE TRAINING BY LEVEL (HOURS)



Employee Communication

Hua Medicine attaches great importance to maintaining communication with employees and carefully listening to the voice of each employee. The Company has multiple communication channels to support employees at different positions and levels to feedback problems and propose demands to the Company at any time. We regularly carry out induction guidance for new employees, employee resignation interviews and HR annual activities, to increase the frequency of communication between various levels and departments, and adjust the management strategy appropriately according to feedback, achieving effective talent management. The Company pays attention to the personal development of employees, carries out interviews and collects the reasons for employees' resignation, and makes contributions to the virtuous circle of talents. As of December 31, 2023, the employee turnover rate of Hua Medicine was 6.49%. In the context of the continuous and sound development of the biopharmaceutical industry, the exchange of talents between biopharmaceutical enterprises is relatively frequent. The Company has taken various measures to develop, retain and attract more talents, and continuously inject fresh blood into the development of the Company and even the industry.

NUMBER OF RESIGNED EMPLOYEES BY EDUCATION LEVEL



NUMBER OF RESIGNED EMPLOYEES BY AGES

Health and Safety

Safety Incident Management

Hua Medicine has consistently prioritized the occupational health and safety of its employees as a fundamental aspect of its business operations, and dedicated to creating a more standardized, secure, and comfortable working environment. We fully recognize and believe that maintaining employee health and safety is not only a basic responsibility and moral obligation but also a crucial element for ensuring stable growth and sustainable development. In order to effectively safeguard the occupational health of its employees, and to prevent and minimize potential safety risks, Hua Medicine strictly adheres to regulations such as the *Work Safety Law of the People's Republic of China (PRC)*, *Law of the PRC on Prevention and Control of Occupational Diseases*, *Shanghai Work Safety Regulations* and other relevant guidelines. The Company continuously develops and optimizes both the EHS management system and the internal EHS management policies, which includes the *EHS Policy Guidelines*, *Hazardous Waste Management Policy of Hua Medicine R&D Centre, Contingency Plan for Environmental Emergencies, Hierarchical Control Procedure for Safety Risk etc.*, to ensure the execution of risk management and response strategies at all organizational levels.

During the reporting period, we formulated the *Office EHS Management Regulations*, outlining a comprehensive set of requirements and measures in key areas, including fire safety, emergency evacuation, proper utilization of electrical equipment, hazard investigation, and accident handling. This initiative aims to enhance and standardize the safe and efficient operating procedures for office employees, with the ultimate goal of mitigating safety risks within the office environment.

Due to the industry's inherent specificity, Hua Medicine inevitably deals with various chemical substances throughout the research and development (R&D) and production processes, including certain hazardous chemicals. To minimize potential safety risks and prevent incidents resulting from inappropriate operations, the Company has intensified the management of all hazardous materials. The collection, storage, and disposal of hazardous wastes are clearly documented at each operational stage for subsequent traceability. Operators and managers involved in handling hazardous goods participate in annual occupational health checks, having successfully completed national training and examinations on work safety knowledge, and obtaining relevant certificates of conformity. In order to further enhance the level of protection of occupational health and safety, Hua Medicine routinely conducts detailed testing and analysis of potential occupational hazards within the pharmaceutical laboratory to ensure the health and safety of relevant personnel. During the reporting period, the number of working days lost due to industrial injury was 0, and the number of people who died due to work was 0 in the past three years.

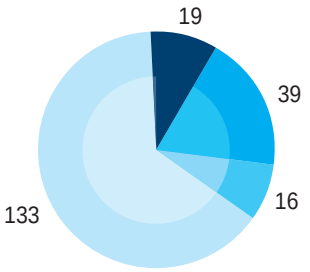
Raising Consciousness

Cultivating safety awareness and culture can reduce the occurrence of safety hazards and risk events essentially. We constantly explore effective methods to empower our employees, improving their self-protection capabilities in both work and daily life. The Company designed customized training programs, tailoring content to address specific risks associated with each position. Combined with emergency drills and education initiatives, aiming to enhance safety awareness among employees through diverse approaches. During the reporting period, a variety of safety programs were conducted, such as the *Office EHS Management Regulations*

RESPONSIBLE OPERATION AND INDUSTRY SYNERGY

Responsible Procurement

Hua Medicine continues to strengthen supply chain management, and constantly improves the procurement and supplier management policies to reduce the environmental and social risks of the supply chain and build a resilient, efficient and sustainable supply chain. During the reporting period, we reviewed and optimized the *Procurement Policy of Hua Medicine,* and added specific implementation steps to ensure alignment with the Company's actual operations, enhancing the policy's operability. Simultaneously, we implemented an ERP system to record supply chain data comprehensively and accurately. This initiative realized a paperless office, facilitated more efficient cross-departmental collaboration and external communication, thereby significantly improving the management efficiency and responsiveness of the supply chain.



Supplier Entry

Hua Medicine has established a strict supplier entry management system aimed at selecting qualified partners capable of delivering high-quality and stable supplies.

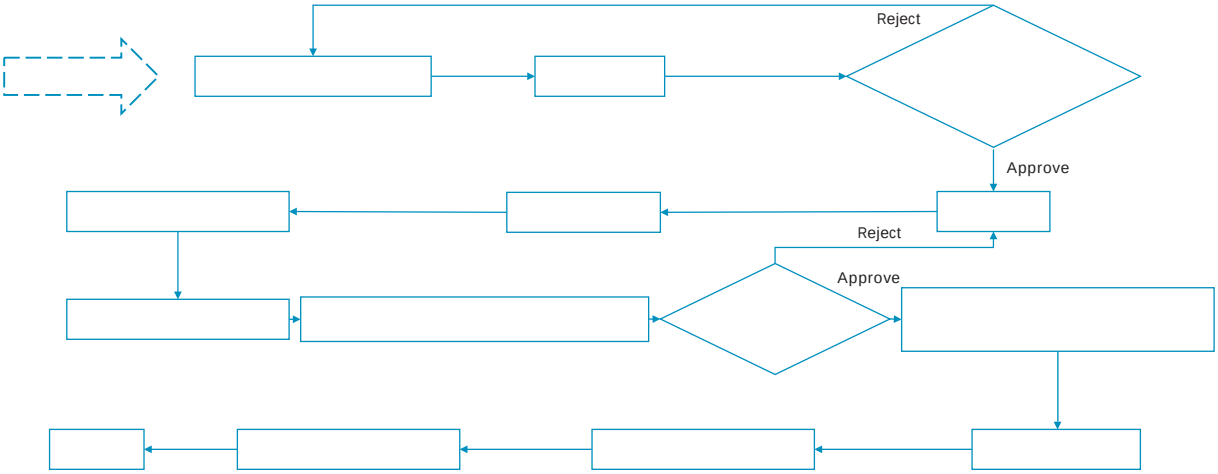
To gain a deeper understanding of the comprehensive capabilities of potential suppliers, we request them to complete a *Supplier Information Questionnaire,* which covers key information such as the supplier's financial status, production capacity, service experience, and quality system. In addition, for production material suppliers, we collect various documents including business license, production license, registration documents, agent authorization letter, compliance certificates (environmental impact assessment, safety assessment, environmental protection certification, etc.), GMP/GSP/ISO quality system certificates, as well as product quality standards. For one-time purchasing and supplying, compliance qualification documents such as business licenses and bank account information are required. During the reporting period, we issued questionnaires to a total of 13 key suppliers in order to comprehensively assess the overall strength of potential suppliers and identify supply-side risks, including ESG risks.

To guarantee that each new productive material meets Hua Medicine's quality standards, every new material from a new supplier must undergo third-party sample certification before entry. Prior to the proposed replacement of a new supplier for an existing material, the CMC Team collaborates with the Production Process Development and Quality Control Department to conduct a supplier change risk assessment using a standardized risk management tool.

The CMC Team, incorporating information from business negotiations and comprehensive evaluation results, selects all or part of suppliers who have successfully passed qualification certification, sample certification, and change risk assessment. Confidentiality agreements are then signed with these suppliers, and their process flow charts, product regulatory data sheets, chemical safety technical specifications, and various compliance statements are collected. Suppliers with complete information and a positive outcome from the supply chain review are included in the List of *Intended Supplier,* while those who further pass the Quality Assessment or Quality Audit conducted by the QA Department are eligible to be part of the *List of Qualified Suppliers*. It is a strict rule that all purchases of production materials are exclusively made from the *List of Qualified Suppliers* to ensure a high standard of quality compliance.

For each production-related material supplier to be cooperated with, Hua Medicine ensures that the supplier is qualified in accordance with relevant Hua Medicine's processes before performing outsourcing tasks and binds the terms of legal and regulatory basis, responsibilities and obligations, receipt and acceptance, transportation, and storage, return and exchange, quality complaints, EHS responsibilities, disclosure obligation of adverse records and so on in the form of a contractual framework to ensure meeting the quality expectations of deliverables. During the reporting period, Hua Medicine signed 15 new *Quality Assurance Agreements*, to impose quality-related constraints on suppliers of key materials.

Production-related Materials Supplier Entry Process:



Supplier Monitoring and Communication

To ensure that the operations of our key material suppliers align with company standards and industry norms, we conduct thorough on-site inspections and field audits. During the on-site inspections, we conduct in-depth examinations of the suppliers' production facilities and technical capabilities, assessing critical aspects such as product manufacturing processes, operational procedures, quality system, and personnel training, and propose and encourage the implementation of process improvement plans to optimize management measures. Additionally, we have developed a standardized audit process that tailors key audit points to the supplier's business characteristics, enabling effective identification of deficiencies and providing clear recommendations for rectification. If non-conformities are identified during the audit process, Hua Medicine not only offers specific improvement programs but also implements targeted training to strengthen the production capacity and quality management of suppliers. This approach ensures the overall stability of the supply chain and the consistency of product quality. In 2023, Hua Medicine successfully completed 5 supplier on-site inspections and conducted a total of 28 supplier audits. Moreover, we conduct full test or sampling test on the products manufactured by suppliers as required and conduct quality tracking to ensure that the quality of the products fully meet the provisions of relevant laws and regulations and meet the high-quality requirements of Hua Medicine.

2023 Hua Medicine Supplier Site Visit





Hua Medicine visited the supplier's production plant to understand the production process, manufacturing site management process, plant location and scale, production equipment testing, etc., and formed an on-site investigation report.

At the same time, Hua Medicine utilizes communication sessions and training initiatives to support supplier in improving operational efficiency and quality control standards. This approach not only enhances the overall performance of the supply chain but also fortifies long-term cooperative relationships with suppliers, creating greater value for both parties. In the reporting period, Hua Medicine conducted a total of 163 supplier training and communication sessions.

Sustainable Supply Chain

Hua Medicine pays attention to the business practices of our suppliers, and according to the different nature of each type of supplier, we include various ESG factors in the cooperation process, to promote the suppliers to focus on labor rights, quality control, to mitigate business moral risks. Additionally, we actively promote the transformation and development of the green supply chain, strengthen the sense of responsibility for green supply, and to create a healthier and more sustainable business model.

In terms of environment, we mandate within our *Quality Assurance Agreement* that supplier only use the materials origin from animals with the prior approval of Hua Medicine, and only use the materials with evidence to prove that it can avoid the transmissible spongiform encephalitis (TSE) pollution and provide us with the evidence of no TSE when necessary. Also, we require the suppliers to provide us with supportive materials such as residual solvents, metal catalysts, genotoxic impurities, etc. In addition, we require suppliers to establish effective measures to avoid pollution, cross-contamination, and confusion, such as stage production utilities and equipment, specialized equipment and utensils, and cleaning verification.

In terms of social responsibility, Hua Medicine ensures that suppliers comply with employment compliance and protect the rights and interests of employees of outsourced services through contractual clauses. Meanwhile, during the reporting period, we added specific clauses to our supplier agreements and implemented a more stringent credit assessment mechanism for our core suppliers, requiring them to provide proof of adverse behavioral records or a statement indicating that they have not had any adverse behavioral records as a precautionary measure against potential negative impacts.

In terms of governance, we have committed to not offering or accepting bribes in our business activities in the *Hua Medicine Code of Conduct* and have emphasized the importance of integrity and business ethics such as maximizing the Company's interests in *Hua Medicine Procurement Policy.* In addition, to uphold cooperation compliance, we have set up a supplier reporting hotline and email address to encourage prompt disclosure of any potential instances of non-compliance timely, ensuring the transparency and integrity of the entire supply chain.

Information Security

Hua Medicine attaches great importance to information security and business information protection. The Company strictly complies with laws and regulations related to information security and personal privacy, including the *Law of the People's Republic of China (PRC) on the Protection of Consumer Rights and Interests*, the *Cybersecurity Law of the PRC*, *Data Security Act,*

To enhance awareness of information security incidents and associated risks among all employees, Hua Medicine strategically disseminates information security protection reminder emails at crucial intervals, such as before holidays. Additionally, the Company provides comprehensive information security training to new joiner during their orientation and conducts both online and offline information security education programs for all staff members. Periodically, phishing email simulation tests are implemented, and supplementary training will be offered to key employees based on the test results. Through diligent tracking of test outcomes, Hua Medicine has observed a consistent increase in the pass rate of its employees and a substantial enhancement in their overall information security awareness. Furthermore, an official communication channel dedicated to information security matters has been established. Employees and external partners are encouraged to communicate with the Information Security Team via email, providing feedback on potential information security issues. The Information Security Team promptly investigates reported incidents and escalates when necessary, ensuring timely and appropriate resolution of all security matters.

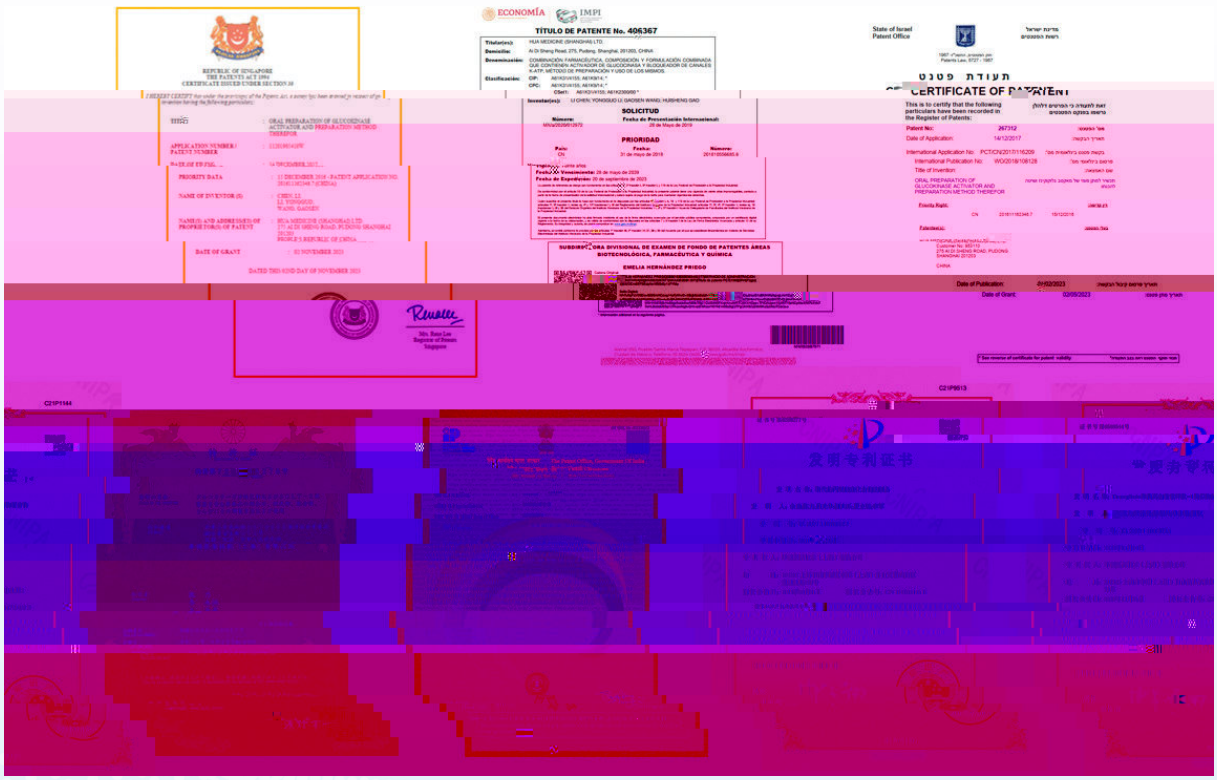
Recognizing the importance of protecting confidential information, Hua Medicine has established strict rules regarding the confidentiality obligations of its employees. Upon joining the Company, employees are required to sign the *Confidentiality, Invention Assignment and Non-solicitation Agreement*, stipulating their commitment to maintaining the confidentiality of sensitive information throughout their tenure and post-employment. Without signing a non-disclosure agreement, employees are prohibited from discussing or disclosing substantial company information to any third party. Once the non-disclosure agreement is signed, we require employees to be under a duty of confidentiality to both the Company and third parties, obligating them to uphold the strict confidentiality of proprietary information. Besides, upon the termination of an employee's association with the Company, it is mandatory for the individual to return all tangible carriers containing confidential information, including documents and storage devices, to ensure that such sensitive information is not improperly utilized or disclosed when employees leave the Company.

Intellectual Property Management

Hua Medicine places a significant strategic emphasis on intellectual property, recognizing it as a pivotal factor in sustaining the Company's competitive edge. Committed to the mission of "*For Patients – Global Innovation – Effective Medicines*," we dedicate ourselves to the establishment and continual enhancement of our intellectual property management system. We strictly adhere to and closely monitor various laws and regulations such as the *Patent Law of the People's Republic of China (PRC)* and its Implementing Regulations, continuously improving the Company's intellectual property-related processes and norms such as the *Intellectual Property Acquisition Policy*, the *Standard Operating Procedures for Patent Acquisition*, and the *Intellectual Property Manual*. We systematically advance our intellectual property strategic layout, ensuring the effective development, protection, and utilization of intellectual property, thereby promoting independent innovation and establishing proprietary intellectual property. To further incentivize the innovative spirit in research and production, we have updated the *Incentive and Compensation Policy for Job Invention and Creation,*

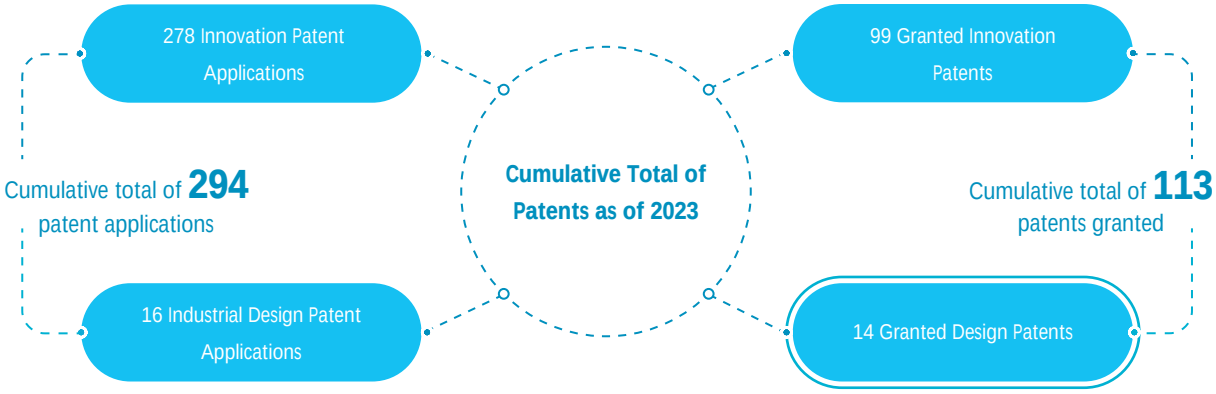
We continued to carry out patent applications worldwide and filed a total of 25 invention patent applications in 2023 and received a total of 19 granted invention patents and 1 granted design patent. Details of the patents granted are as follows:

No.	Patent Type	Patent Coverage	Authorization Status
1	Invention patent	Oral formulation of Glucokinase Activator and its preparation method	Authorized in 4 countries and areas: Israel, Singapore, China Hong Kong (2 patents), China Macao (2 patents)
2	Invention patent	Pharmaceutical combinations, compositions and compound formulations containing glucokinase activators and biguanide hypoglycemic agents, as well as their preparation methods and use thereof	Authorized in Mexico
3	Invention patent	Pharmaceutical compositions containing glucokinase activators and K-ATP channel blockers, as well as their preparation methods and use thereof	Authorized in Mexico and USA
4	Invention patent	Pharmaceutical compositions containing glucokinase activators and SGLT-2 inhibitors, as well as their methods of preparation and use thereof	Authorized in Japan
5	Invention patent	Pharmaceutical compositions containing glucokinase activators and DPP-IV inhibitors, as well as their methods of preparation and use thereof	Authorized in China Taiwan
6	Invention patent	Pharmaceutical compositions containing glucokinase activators and alpha-glucosidase inhibitors, as well as their methods of preparation and use thereof	Authorized in India and Mexico
7	Invention patent	Pharmaceutical compositions containing glucokinase activator and PPAR receptor activators, as well as their methods of preparation and use thereof	Authorized in Mexico
8	Invention patent	Pyrrolidine derivatives	Authorized in Brazil
9	Invention patent	Preparation of substituted acrylate compounds	Authorized in China
10	Invention patent	Treating untreated or treatment-resistant diabetes with glucokinase activator and sodium-glucose cotransporter-2 inhibitor	Authorized in USA
11	Invention patent	Pharmaceutical compositions of Dorzagliatin and glucagon-like peptide-1 analogs	Authorized in China and China Taiwan
12	design patent	Pharmaceutical tablet	Authorized in South Africa



Photos of Some Patent Grant Certificates in 2023

As of 2023, Hua Medicine has accumulated 294 patent applications and 113 patents authorized. Among them, the cumulative number of invention patent applications is 278, design patent applications are 16, the cumulative number of invention patent authorizations is 99, and design patent authorizations are 14.



Giving Back to the Community

As a biotech company based in China, aiming to develop the world's first-in-class innovative medicine, Hua Medicine is committed to bringing new treatment solutions to diabetes patients around the world. While striving to fulfill this mission, taking advantage of its strengths in the pharmaceutical industry, Hua Medicine actively engages in fulfilling its social responsibility and societal commitments through participation in forums, medical seminars, and public welfare charity activities via multiple channels, thereby contributing to the community through concrete actions.

In 2023, the management of Hua Medicine actively participated in industry forums, engaged exchanges and communications within the industry, and discussed the experience and prospects of industry development, contributing to the promotion of industry development. During the 5th Pharmaceutical Innovation Ecological Conference, representatives of the Company, through speeches and hosting round-table talks, conducted in-depth exchanges with industry experts, scholars, entrepreneurs, and investors, etc. on topics spanning the entire pharmaceutical value chain, such as the basic research of innovative medicines, commercialization mode, industry policies, investment behaviors, etc.. The aim was to jointly advance the commercialization of innovative medicines with Chinese characteristics by taking the patient's value as the center of the circle. At the "Gathering Talents, Smartly Sketching the Future" 2023 Shanghai's Biomedical Industry Talent Development Theme Forum, Dr. Li Chen, Founder and CEO of Hua Medicine, delivered a speech, sharing insights on the theme "Ten-year Journey of R&D for HuaTangNing (6 @ $^{1®}$), the First-in-Class Global Innovative Drug", aiming to inspire talents within the biomedical industry to contribute to the development of Shanghai pharmaceutical industry, and to strengthen the foundation for future high-quality innovation and development within Shanghai biomedical sector. Besides, in an interview themed " Review and Presentation of Shanghai Biomedical Industry Development Over Three Decades," Dr. Li Chen, elaborated on the founding principles of Hua Medicine, expressing determination to propel China's biomedical industry forward. Dr. Chen said that the value of a new medicine extends beyond research and development, encompassing its market value and impact on the entire industry chain and society. He underscored the immense responsibility of developing the world's first original drug tailored to the disease characteristics of Chinese patients. Dr. Chen expressed hope that Hua Medicine would contribute significantly to enhancing the value chain of China's pharmaceutical industry, enabling more individuals in need to benefit from the Company's innovative contributions.

During the reporting period, Hua Medicine presented HuaTangNing (6 @ ¹ ®) at several prestigious events, including the 6th China International Import Expo (CIIE), the 9th China (Shanghai) International Technology Fair, Shanghai Science and Technology Innovation Achievement Exhibition, and the 10th Anniversary Reform and Construction Achievement Exhibition of China (Shanghai) Pilot Free Trade Zone. These participations showcased the Companies' distinctive qualities and innovative approaches on a global stage, further advancing the comprehensive prevention, control, and treatment of diabetes, and thereby extending assistance to a greater number of patients. At the CIIE, we joined with Bayer, our commercialization partner in China, launched the Healthy China Initiative – Academic Exchange and Patient Care Charity Project, with the core concept of "Control Blood Sugar, Safeguard Health".

Interview on "Review and Presentation of Shanghai's Biomedical Industry Development Over Three Decades"



Exhibitions Participated in 2023

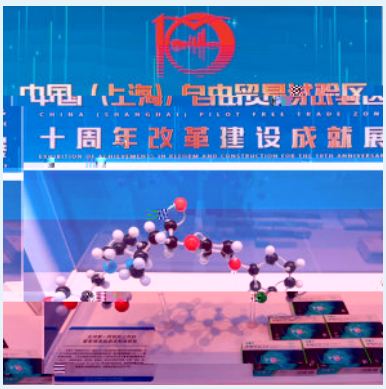


5th Pharmaceutical Innovation Ecological Conference

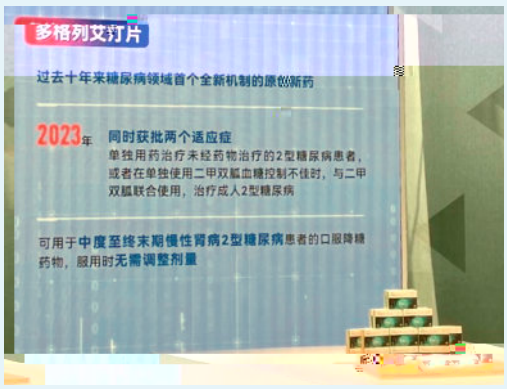


"Gathering Talents, Smartly Sketching the Future" – 2023 Shanghai Biomedical Industry Talent Development Theme Forum

Exhibitions Participated in 2023



The 10th Anniversary Reform and Construction Achievement Exhibition of China (Shanghai) Pilot Free Trade Zone



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APPENDIX: ESG GUIDE CONTENT INDEX



Item	Descriptions		Related Sections
B. Social			
B5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain	Responsible Operation and Industry Synergy – Responsible Procurement
	B5.1	Number of suppliers by geographical region	Responsible Operation and Industry Synergy – Responsible Procurement
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Responsible Operation and Industry Synergy – Responsible Procurement
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Responsible Operation and Industry Synergy – Responsible Procurement
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Responsible Operation and Industry Synergy – Responsible Procurement
B6. Product Responsibility	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer	Innovation and Health Care – Quality Assurance
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Innovation and Health Care – Quality Assurance
	B6.2	Number of products and service-related complaints received and how they are dealt with	Innovation and Health Care – Quality Assurance
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Innovation and Health Care – Quality Assurance
	B6.4	Description of quality assurance process and recall procedures	Innovation and Health Care – Quality Assurance
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Responsible Operation and Industry Synergy – Information Security

Item	Descriptions		Related Sections
B. Social			
B7. Anti-corruption	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer	Governance, Integrity and Compliance – Business Ethics
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Governance, Integrity and Compliance – Business Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Governance, Integrity and Compliance – Business Ethics
	B7.3	Description of anti-corruption training provided to directors and staff	Governance, Integrity and Compliance – Business Ethics
B8. Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Responsible Operation and Industry Synergy – Giving Back to the Community
	B8.1	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport)	Responsible Operation and Industry Synergy – Giving Back to the Community
	B8.2	Resources (e.g., money or time) contributed to the focus area	Responsible Operation and Industry Synergy – Giving Back to the Community