

2023

Huadong Medicine Co., Ltd.

Environmental, Social and Governance(ESG)Report



Stock Code	000963
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▶▶▶ About This Report

Introduction



This is the 2023 Environmental, Social and Governance (ESG) Report issued by Huadong Medicine Co., Ltd. This report intends to disclose the Company's practices and performance in respect of environmental protection, social responsibility fulfillment and corporate governance, among others, in an objective, normative, transparent and all-inclusive manner. This report doesn't contain any false records, misleading statements, or material omissions.

Reporting Period



This report covers the period from January 1, 2023 to December 31, 2023. To improve the comparability and completeness, some sections of this report may extend beyond the reporting period.

Reporting Scope



The contents of this report relate to Huadong Medicine Co., Ltd. and its subsidiaries. Unless otherwise specified, the scope of this report is consistent with that of the Company's Annual Report.

Appellation Description



To enhance clarity of this report, the references "Huadong Medicine", "the Company" or "We" are used instead of consistently using the formal "Huadong Medicine Co., Ltd.".

Company Short Name	Full Name
Huadong Medicine/the Company/We	Huadong Medicine Co., Ltd.
Zhongmei Huadong	Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.
Jiangdong Company	Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.
Jiangsu Joyang	Jiangsu Joyang Laboratories Co., Ltd.
Xi'an Bohua	Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.
Jiuzhou Pharmaceutical	Shaanxi Jiuzhou Pharmaceutical Co., Ltd.
Doer Biologics	Zhejiang Doer Biologics Co., Ltd.
Meihua Hi-Tech	Anhui Meihua Hi-Tech Pharmaceutical Co., Ltd.
Wuhu Huaren	Wuhu Huaren Science and Technology Co., Ltd.
Magic Health	Hubei Magic Health Technology Co., Ltd.
Nanjing Nongda Animal Pharmaceutical	Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd.
Huida Biotech	Zhejiang Huida Biotech Co.,Ltd.
Hibe	Hibe Technology Co.,Ltd.
Huadong TCM	Hangzhou Huadong Traditional Chinese Medicine Co., Ltd.
Bailing Health	Bailing Health Science (Hangzhou) Co., Ltd.
Sinclair	Sinclair (Shanghai) Medical Treatment Technology Co., Ltd.
Supply Chain Management (Wenzhou) Company	Huadong Medicine Supply Chain Management (Wenzhou) Co., Ltd.

Preparation Basis



- ▶ Guide for Business Action on the SDGs
- ▶ Sustainability Reporting Standards (GRI Standards) of the Global Sustainability Standards Board
- ▶ Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0) issued by the China Social Responsibility 100 Forum (ESG Expert Committee)
- ▶ Self-regulatory Guidelines of Shenzhen Stock Exchange for Listed Companies No.1 - Standardized Operation of Main Board Listed Companies

Data Sources



All information and data referenced in this report are sourced exclusively from official documents, statistical reports and financial statements of Huadong Medicine, as well as information related to sustainable development practices gathered, consolidated and audited across various functional departments and business units within the company.

This report doesn't contain any false records, misleading statements, or material omissions. Unless otherwise specified, all amounts in this report are expressed in RMB.

Access



This report includes both Chinese and English versions. In case of any discrepancies between the two versions, the Chinese version shall prevail.

This report is available for download at the website of Shenzhen Stock Exchange (<http://www.szse.cn>) or the Company's official website (<https://www.eastchinapharm.com/>), where you can find further insights about the Company.

Feedback



To continually enhance our ESG information disclosure practices and promote ESG management and initiatives, we appreciate and welcome your comments submitted through contacting us via the following channels:

✉ Email: ir@eastchinapharm.com
hz000963@126.com

☎ Tel: 0571-89903388 (Switchboard)
0571-89903300 (Investor Hotline)

Message from the Chairman

“ Striving towards our vision of becoming a globally renowned pharmaceutical powerhouse fueled by research and innovation ”



The year 2023 unfolded against a backdrop of sweeping global dynamics, presenting both greater uncertainty and complexity in business landscape, along with boundless opportunities and challenges. Confronting industry shifts and challenges, as a listed pharmaceutical company integrating research, production and distribution, Huadong Medicine recognizes the imperative of relentless perseverance to usher in a new era of growth, actively fulfilling our corporate social responsibilities, and positively impacting patients in China and beyond.

With over three decades of entrepreneurial journey, we remain steadfast in our commitment to core values such as "benefit mankind, honesty, persistence and pragmatism", persistently pursuing our mission of "contributing to the well-being of the public" while striving towards our vision of becoming a globally renowned pharmaceutical powerhouse fueled by research and innovation. In recent years, we've embarked on a journey of transformative innovation, nurturing an ecosystem for pharmaceutical research and development, and venturing into emerging business sectors. Amidst our steadfast pursuit of sustainable growth, 2023 also witnessed us actively fulfilling our corporate social responsibilities and environmental protection obligations, continually refining our environmental and social governance frameworks, and delivering a gratifying response to our nation and society.

Embracing the corporate philosophy of "Scientific Research-based and Patient-centered", we actively drove forward innovative R&D efforts, ramped up investment, and delved deeper into core product areas like endocrinology, oncology and autoimmunity. Our R&D pipeline has been constantly evolving in terms of both quality and scope. This year, our sustained efforts were starting to pay off: Liraglutide injection took the lead, securing its position as the first domestically-produced medication to be approved for market launch in diabetes, obesity or overweight indications, making us the frontrunner in the domestic GLP-1 arena. Additionally, a slew of groundbreaking products have applied for market launch: ELAHERE®(Mirvetuximab Soravtansine Injection), the world's first ADC drug, made its debut in Hainan, benefiting over 30 patients by now. Its domestic market application was accepted in October 2023. Ustekinumab injection QX001S has become the first in China to submit a BLA and gain acceptance. Furthermore,

the New Drug Application of Riloncept injection, targeting Cryo-Pyrin-Associated periodic syndrome and recurrent pericarditis, has also been accepted by NMPA, promising relief for rare disease sufferers. Moreover, the Company's independent innovations were gaining traction: HDM1002, an orally administered micromolecule GLP-1 receptor stimulant boasting global innovation, secured IND approvals in both China and the United States, with clinical trials progressing smoothly. HDM1005, a new GLP-1/GIP dual-target drug, received the green light for IND in China, entering the clinical phase. Meanwhile, HDM2005, our inaugural self-developed first-in-class ADC drug, has its IND application submitted and accepted. Our unwavering dedication aimed to continually leverage R&D prowess, striving to offer a plethora of high-quality products and therapeutic options to the wider patient community.

Huadong Medicine deeply embraces the concept of living in harmony with nature, unswervingly following the national principles of sustainable development. Recognizing environmental protection as an unwavering duty and sticking to business ethics, we pursue environmental protection through "managing at the source, minimizing resource waste, and reducing pollution". Our compliance management and ESG governance standards are continually advancing. Particularly in production and R&D, we prioritize efficiency and emission reduction, harnessing technology and managerial expertise to mitigate environmental footprint. Embracing the philosophy of green operations, we integrate environmental protection seamlessly into our business operations.

At our core lies a commitment to a people-centric approach to management. Huadong Medicine understands that nurturing talent is the lifeblood of organizational dynamism. We have always been dedicated to foster a harmonious and orderly work environment characterized by fairness, openness and equal opportunity. By providing comprehensive pathways for career development as well as a complete package of compensation and benefits and establishing robust training and development frameworks, we empower each team member to unleash their full potential. Through shared successes, we

aim to cultivate a sense of fulfillment and active engagement across our workforce.

We take proactive steps to fulfill our social responsibilities and actively engage in philanthropic endeavors. As a socially responsible entity, Huadong Medicine not only pursues corporate development but also harnesses its resource advantages to actively participate in community welfare activities. Through tangible actions, we uphold our commitment to social responsibility, fostering positive interactions between the Company and the community, and jointly contributing to the fabric of a harmonious society.

Reflecting on our journey, Huadong Medicine has weathered its fair share of challenges and steadily forged ahead; looking forward, we are buoyed by hope and steadfast in our commitment to progress! The guidelines of the 20th National Congress of the Communist Party of China have illuminated the path for the development of our nation's life and health industries, with the notion of "new quality productive forces" setting a benchmark for pharmaceutical firms. In this era of transformative change, Huadong Medicine will embrace evolution with an open, inclusive and confident mindset, confronting challenges head-on. We will continue to deepen our innovative transformation, seamlessly integrating ESG management principles into our business trajectory, and, through our growth and advancement, collaborate with industry peers to propel China's health sector forward. Ultimately, our aim is to reciprocate to society and benefit a wider populace.

Huadong Medicine Co., Ltd. | Lv Liang, Chairman

About Us

Company Profile

Founded in 1993 and headquartered in Hangzhou, Zhejiang Province, Huadong Medicine Co., Ltd. (stock code: 000963) was listed on Shenzhen Stock Exchange in December 1999. With its businesses covering the entire pharmaceutical industry chain thanks to over 30 years of vigorous development, the Company has now fostered four major business segments including pharmaceutical industry, pharmaceutical business, aesthetic medicine and industrial microbiology, and has evolved into a large comprehensive listed pharmaceutical enterprise specialized in pharmaceutical R&D, production and marketing.

Four Major Business Segments



Pharmaceutical Industry



Pharmaceutical Industry Ecosystem Geared towards the Global Market



Strategic Product Partnerships with Leading Multinational Pharmaceutical Firms

Specialized in the R&D, production and marketing of specialized medicines, chronic therapeutics and specialized pharmaceuticals for years, the Company has established a robust pharmaceutical manufacturing and quality research system, with a core product pipeline centered around areas such as chronic nephrosis, transplant immunology, endocrinology, and digestive system. It boasts several first-line clinical medicines that hold a strong market position domestically. Meanwhile, it strategically focuses on research and development of new drugs and high technology barrier generics in three core therapeutic fields of oncology, endocrinology and autoimmunity through a blend of independent development, external introduction and project cooperation. This concerted effort has established a consistent cadence of introducing innovative drugs to the market each year. The Company remains actively engaged in international product registration, certification and consistency evaluation, consistently achieving milestones. It has cultivated a pharmaceutical industry ecosystem geared towards the global market. Additionally, it collaborates on research and development with various international innovators and has forged strategic product partnerships for the Chinese market with leading multinational pharmaceutical firms like Pfizer and Takeda.

Pharmaceutical Business



Top 10 Pharmaceutical Business Enterprise in China



11 Regional Subsidiaries



Ensuring its Services Reach 11 Prefectural Cities



Ensuring its Services Reach 90 Districts and Counties

With regard to the pharmaceutical business, the Company remains committed to innovative service, staying attuned to the evolving needs of both upstream and downstream clients. As a result, it has been ranked among top 10 pharmaceutical business enterprises in China for consecutive years. To date, the Company boasts four major business segments including traditional Chinese and Western medicine, medical devices, herbal medicines and ginseng & antler, and healthcare. Within Zhejiang Province alone, it has set up 11 regional subsidiaries, along with three pharmaceutical logistics hubs in northern, central and southern Zhejiang. Furthermore, it operates a network of retail pharmacy chains and outpatient clinics, ensuring its services reach 11 prefectural cities and 90 districts and counties across Zhejiang Province. On one hand, the Company's traditional business excels with its comprehensive product range, extensive network, and integrated wholesale and retail operations. In the traditional Chinese medicine segment, a complete industry chain has been established, encompassing cultivation of medicinal materials at planting bases, preparation of decoction pieces, automated decoction centers, and proprietary functional products. On the other hand, the Company's innovative business concentrates on distinctive wellness offerings, product agency, market expansion, pharmaceutical logistics with a cold chain emphasis, and proprietary pharmaceutical e-commerce platforms, catalyzing a transformation in the business structure. The Company's pharmaceutical business segment prioritizes bolstering its competitive edge in services such as policy reinforcement, inventory management, distribution, and marketing. It enhances its comprehensive promotional capabilities across all channels to offer customers holistic solutions.

Aesthetic Medicine



More than 20 Products already Launched in China and Abroad



More than 10 Globally Innovative Products in Development

In terms of the aesthetic medicine segment, the Company embraces a strategy of "global operational layout and dual-cycle operation development", with an international outlook. Through forward-looking planning, it has crafted a comprehensive and distinct product portfolio, ranking at the forefront of the industry in both quantity and scope. With over 20 products already launched in China and abroad, and more than 10 globally innovative products in development, the Company integrates diverse treatment methods such as "non-invasive + minimally invasive", "facial + body", "product + technology" and "injection + energy source equipment". It has achieved full coverage of three major categories - regenerative, hyaluronic acid and botulinum toxin - in injectable products, establishing a differentiated pipeline. Its goal is to provide a more professional, safe, efficient and comprehensive solution for beauty seekers worldwide, striving to become a premier global provider of comprehensive medical aesthetic solutions. Headquartered in UK, the Company's wholly-owned subsidiary Sinclair is a global aesthetic medicine operation platform that has R&D centers in UK, the Netherlands, France, Switzerland, Spain and Israel, along with production bases in the Netherlands, France, the United States, Switzerland, Bulgaria and Israel. Sinclair markets and sells injectable long-acting microspheres, hyaluronic acid and facial thread lifting products worldwide. It also expands its presence in the global market for energy-based aesthetic medical devices through its wholly-owned subsidiaries High Tech and Viora. Additionally, the Company's aesthetic medicine segment includes Sinclair (Shanghai), a wholly-owned subsidiary serving the Chinese market, as well as R2 in the United States and Kylene in Switzerland, two overseas technical development joint ventures.

Industrial Microbiology



Operating in the Industrial Microbiology Sector for over 40 Years



Scale and Technological Prowess in Microbial Fermented Products Place it at the Forefront of the Industry

The Company has been operating in the industrial microbiology sector for over 40 years, boasting a robust industrial foundation and exceptional capability for industrial transformation. It has successfully pioneered the development and manufacturing of various microbial medicines, establishing a pivotal technical framework for microbial product research and production. Its current scale and technological prowess in microbial fermented products place it at the forefront of the industry. Being market demand-oriented, R&D-driven and industrial resource-coordinative in the industrial microbiology segment, the Company focuses on two key business scenarios: the application of synthetic biological technology systems and innovative advancements in biopharmaceuticals. It has already fostered differentiated product pipelines and business solutions across four major domains: xRNA, specialized active pharmaceutical ingredients (APIs) & intermediates, wellness & biomaterials, and animal healthcare. The Company has established a robust R&D cluster centered around institutions like the Zhongmei Huadong Industrial Microbiology Research and Development Institute, Huadong Synthetic Biology Industrial Technology Research Institute, as well as key entities such as Huida Biotech, Hizyme Biotech, Perfect mRNA, and Hibe Technology. Additionally, it has set up seven industrialization bases including Hangzhou Xiangfuqiao Base, Qiantang New Area Base, Jiangsu Joyang, Magic Health, Meihua Hi-Tech, Wuhu Huaren, and Nanjing Nongda Animal Pharmaceutical. With the largest fermentation monomer workshop in Zhejiang Province and cutting-edge production capabilities in microbial medicines, the Company excels in various stages of microbial engineering technology, including strain construction, metabolic regulation, enzyme catalysis, synthetic modification, and separation & purification. It has established a comprehensive manufacturing system encompassing microbial research and development, pilot testing, commercial production, engineering, and public system support.

Corporate Culture

Vision

Become a Globally Renowned Pharmaceutical Powerhouse Fueled by Research and Innovation

Mission

Contribute to the Well-being of the Public

Corporate Philosophy

Scientific Research-based and Patient-centered

Core Values

Benefit Mankind, Honesty, Persistence, Pragmatism

Performance in 2023

Economic



Operating Income
RMB **40,623,782,520.43** Year-on-Year Growth Rate of Operating Income **7.71%**

Net Profit Attributable to Shareholders of the Listed Company
RMB **2,838,860,542.80** Year-on-Year Growth of Net Profit Attributable to Shareholders of the Listed Company **13.59%**

Basic Earnings per Share
RMB **1.6219** Year-on-Year Growth of Basic Earnings per Share **13.55%**

Net Profit Attributable to Shareholders of the Parent Company after Deducting Non-recurring Gains and Losses
RMB **2,736,571,736.98** Year-on-Year Growth of Net Profit Attributable to Shareholders of the Parent Company after Deducting Non-recurring Gains and Losses **13.55%**

Social



R&D Investment (Notes: excl. equity investment) Year-on-Year Growth of R&D Investment Number of R&D Personnel Cumulative Patents Granted
RMB **2,293 million** **23.67%** **1,777** **735 items**

Product Percent of Pass Total Number of Employees Total investment in employee training Total training sessions delivered to employees
100% **16,969** RMB **6.05 million** **428 times**

Social Insurance Coverage Percentage of Contract Workers External Donations
100% **100%** RMB **27.37 million**

Corporate Governance



General Meeting of Shareholders Convened Proposals Deliberated and Adopted at General Meeting of Shareholders Meetings of the Board of Directors Convened
3 times **16 items** **14 times**

Proposals Deliberated and Adopted at Meetings of the Board of Directors Meetings of the Board of Supervisors Convened Proposals Deliberated and Adopted at Meetings of the Board of Supervisors
37 items **7 times** **21 items**

Environmental



Environmental Investment Environmental Protection Taxes Paid Total Emission of Greenhouse Gases Greenhouse Gas Emission Intensity
RMB **73.15 million** RMB **60,487.87** **152,103.45 tCO₂e** **3.74 tCO₂e / RMB per million(revenue)**

Comprehensive Energy Consumption Energy Consumption Intensity Total Water Consumption Water Consumption Intensity
39,755.59 tce **0.9786 tce/ RMB per million (revenue)** **180,028,800 tons** **4,431.61 t/ RMB per million(revenue)**

Wastewater Discharges Wastewater Discharge Intensity Waste Gas Emissions Waste Gas Emission Intensity
180,028,800 tons **48.96 t/ RMB per million (revenue)** **2,718,004,000 m³** **66,900 m³/ RMB per million (revenue)**

Quantity of general waste generated General Waste Production Intensity Quantity of General Waste Recycled Quantity of Hazardous Waste Generated
21,188.53 tons **0.52t/ RMB per million(revenue)** **3,218.56 tons** **4,104.53 tons**

2023 Milestones



2023.1

The Company forged a commercial partnership with CARsgen Therapeutics for its BCMA CAR-T cell product Zevorcabtagene Autoleucl Injection (Zevor-cel) in mainland China, which secured regulatory approval for the Chinese market in March 2024.

2023.5

The first prescription for Liraglutide Injection (marketed as Liluping®) was issued in China.

Meftinib, designated for first-line therapy in advanced non-small cell lung cancer (NSCLC) patients with rare epidermal growth factor receptor (EGFR) mutations, was included in the Breakthrough Therapy Designation (BTD) program.

The first-in-class orally administered micromolecule GLP-1 receptor stimulant HDM1002, targeting adult patients with type 2 diabetes, received IND approval in both China and the United States.

2023.3

The domestic biologics license application (BLA) for Liraglutide Injection was approved for controlling blood sugar levels in adult patients with type 2 diabetes, marking a pioneering achievement domestically.

2023.4

Lanluma®, a poly-L-lactic acid (PLLA) collagen stimulator, clinched the Best Body Filler Injection accolade at the AMWC Conference 2023.

The Company acquired a stake of 70% in Nanjing Nongda Animal Pharmaceutical, becoming controlling shareholder of that company.

2023.7

Mirvetuximab Soravtansine Injection, an ADC drug developed in collaboration with ImmunoGen, was fast-tracked for domestic priority review.

Later, Mirvetuximab Soravtansine Injection made its debut at Hainan Hospital of Ruijin Hospital affiliated to Shanghai Jiao Tong University School of Medicine (Hainan Boao Research Hospital), benefiting over 30 patients since 2023.

2023.6

Reaction®, a bipolar RF facial beauty machine, was launched onto the domestic market.

The domestic BLA for Liraglutide Injection was approved for treatment of obesity or overweight, marking a pioneering achievement in the domestic market.

2023.8

The Company entered into a strategic partnership with Arcutis Biotherapeutics for the development, registration, production and commercialization of roflumilast topical formulations across Greater China and Southeast Asian countries.

The BLA of Ustekinumab Injection (HDM3001, QX001S) for adult patients with moderate-to-severe plaque psoriasis was accepted, marking a pioneering achievement in the domestic market.

The Company secured exclusive rights for the development and commercialization of Wynzora® cream in Greater China from MC2 Therapeutics.

2023.9

The registration application for the V20 optical RF therapeutic system in China was accepted.

The IND application for the first-in-class orally administered micromolecule GLP-1 receptor stimulant HDM1002 was approved by the NMPA for treatment of overweight or obesity.

2023.10

Nanjing Nongda Animal Pharmaceutical secured exclusive distribution right for Baoshining®, the first new central opioid analgesic for veterinary use in China.

The Company obtained a global exclusive license (excluding India) from Korea-based ATGC for ATGC-110, an injection containing botulinum toxin type A, and a non-exclusive license for the Korean market.

The NDA for Mirvetuximab Soravtansine Injection, a global first-of-its-kind ADC drug, was accepted by the NMPA.

2023.11

The NDA for the first-in-class Riloncept Injection intended for treating cryopyrin-associated periodic syndromes was accepted by the NMPA.

The Company acquired shares in Chongqing Yuyan Pharmaceutical and obtained exclusive commercialization right for YY001 (recombinant botulinum toxin type A) for medical aesthetics in mainland China, Hong Kong, and Macau.

2023.12

The Company secured exclusive marketing right for the first-in-class PARP inhibitor Senaparib in mainland China from Impact Therapeutics.

The first-in-class Riloncept Injection was fast-tracked for priority review by the CDE for treating adults and adolescents aged 12 and above with recurrent pericarditis (RP) and reducing the risk of recurrence.



Major Honors 2023

Chinese Private Enterprises in 2023

Top 500

Granted by

All-China Federation of Industry and Commerce

Chinese Private Manufacturers in 2023

Top 500

Granted by

All-China Federation of Industry and Commerce

Chinese Service Providers in 2023

Top 500

Granted by

China Enterprise Confederation and China Entrepreneur Association

Chinese Listed Pharmaceutical Companies in 2023

Top 20

Granted by

Healthcare Executive

Fortune China Top 500

Top 500

Granted by

Fortune

Chinese Pharmaceutical Companies by Biologics R&D Spending in 2023

TOP50

Granted by

yaozh.com

Chinese Pharmaceutical Companies by Pharmaceuticals R&D Spending in 2023

TOP100

Granted by

yaozh.com

Chinese Pharmaceutical Companies by Chemicals R&D Spending in 2023

TOP100

Granted by

yaozh.com



Five-Star Headquarters Enterprise in Hangzhou City Top 100 Comprehensive Enterprises in Hangzhou City Industry Front-Runners



Top 100 Chinese Pharmaceutical Innovative Enterprises in 2023 Top 100 Enterprises in Zhejiang Province Top 100 Service Providers in Zhejiang Province



Top 10 Innovative Pharmaceutical Enterprises of 2023 Enterprise of Significant Contribution Top 100 Chinese Chemical Pharmaceutical Companies in 2022

ESG Management

ESG Management Framework

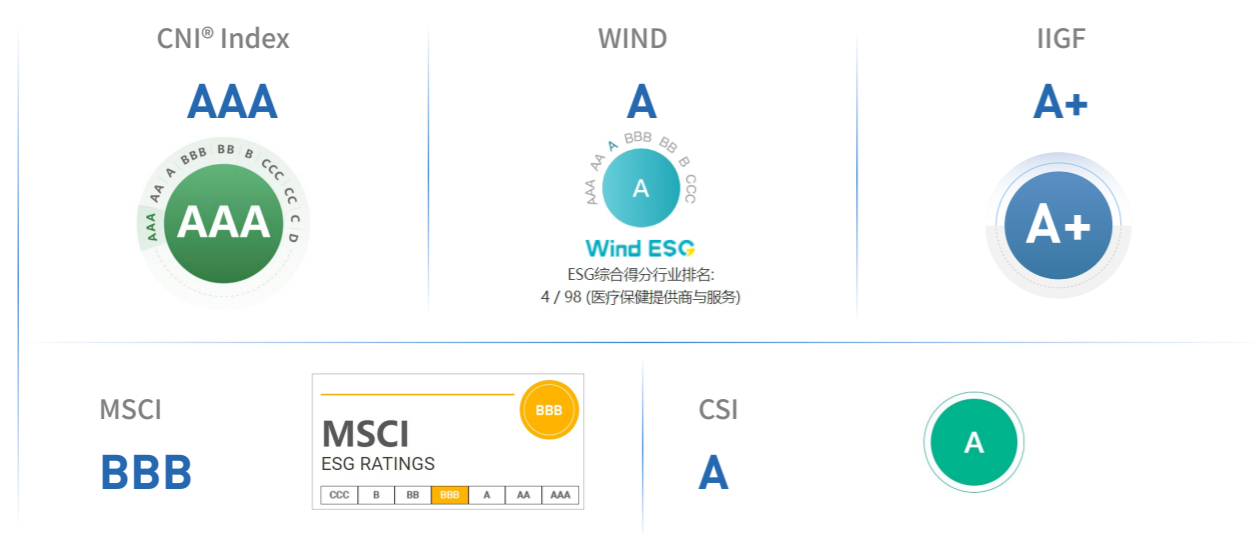


Huadong Medicine has long embraced the concept of sustainable development, seamlessly integrating the core principles of ESG into its corporate strategy and day-to-day operations, thus establishing a robust governance framework for sustainable development. We've established a Sustainability (ESG) Committee under the Board of Directors, tasked with formulating the Company's Environmental, Social and Governance (ESG) strategies, principles and policies, and ensuring the continuous implementation of ESG policies approved by the Board of Directors; conducting regular reviews of ESG goal fulfillment; identifying and addressing ESG-related risks; and overseeing compliance of ESG policies with national policies, laws and regulations. Additionally, a Sustainability (ESG) Working Group operates under the Sustainability (ESG) Committee, tasked with providing essential insights and preparations for decision-making by the Sustainability (ESG) Committee.

Huadong Medicine has joined the ESG Committee of China Association for Public Companies to stay informed about the current status, trends and challenges of ESG development among listed companies in China. By tapping into the latest international ESG practices and engaging in discussions with industry peers about ESG theories, governance practices, information disclosure, rating and investment, among others, the Company endeavors to cultivate a distinctive ESG management framework. This effort not only bolsters its ESG capabilities but also actively reinforces its commitment to corporate mission and social responsibility, thereby enhancing its core competitiveness. Simultaneously, it contributes to fostering high-quality development within the industry and the real economy.

We pledge to guide and innovate our various operations with a scientific approach to social responsibility, striving to become a role model for fulfilling corporate social responsibility and drive sustained, healthy development in the pharmaceutical industry's social responsibility initiatives.

ESG Ratings



ESG Goals

By embracing the concept of "carbon peaking and carbon neutrality" and integrating the United Nations' Sustainable Development Goals (SDGs) 2023, the Company has established a comprehensive ESG management philosophy and constructed an overarching ESG governance framework. Tailored to various aspects of the Company's growth, specific ESG development goals have been devised to holistically drive the Company's sustainable development forward.

Dimension	Issues	SDGs
Corporate Governance (G)	<ul style="list-style-type: none"> Governance through the General Meeting of Shareholders, Board of Directors and Board of Supervisors Risk Management and Operational Compliance Business Ethics Safeguarding Stakeholders' Rights and Interests 	8, 16, 17
Environmental Protection (E)	<ul style="list-style-type: none"> Environmental Management Response to Climate Change Energy Management Water Resource Management Material Management Pollution Prevention and Control 	6, 7, 13, 15
Industry Value (S)	<ul style="list-style-type: none"> R&D and Innovation Product Quality and Safety Protection of Customers' Rights and Interests Responsible Supply Chain Information Security and Privacy protection Promoting Healthcare Access 	9, 11, 12, 17
Employee Rights and Interests (S)	<ul style="list-style-type: none"> Labor Relation Management Employee Training and Development Occupational Health and Safety 	3, 4, 5, 10
Social Responsibility (S)	<ul style="list-style-type: none"> Social Welfare 	1, 2

ESG Honors

Case Huadong Medicine Honored as "Best ESG Practice Case for Public Companies in 2023" by China Association for Public Companies

On November 16, 2023, the China Sustainable Development Conference for Public Companies hosted by the China Association for Public Companies took place in Beijing. During the conference, the Best ESG Practice Cases and Outstanding Practice Cases for Public Companies were announced. Huadong Medicine was honored as the "Best ESG Practice Case for Chinese Public Companies in 2023" with its initiative "Continuously Enhancing ESG Management Practices to Drive High-Quality Development", and was featured in the "Best ESG Practice Cases for Chinese Public Companies in 2023" publication.



Case Huadong Medicine Selected as Securities Times' Top 100 Chinese Listed Companies by ESG Performance in 2023

On September 22, 2023, the inaugural Alxa Annual ESG Conference for Chinese Listed Companies jointly organized by the Alxa League Administrative Office and Securities Times was held in Alxa Left Banner, Inner Mongolia Autonomous Region. Recognized as a socially responsible enterprise, Huadong Medicine has consistently integrated the ESG concept into various aspects of its business development and operations. With its outstanding ESG practices, the company was named one of Securities Times' Top 100 Chinese Listed Companies by ESG Performance in 2023.

Communications with Stakeholders

Huadong Medicine places a high emphasis on engaging and communicating with its stakeholders. These include shareholders, investors, employees, customers, suppliers, industry associations, research institutions, community organizations, public welfare organizations, media, government, and regulatory agencies. Through establishing diverse channels of communication, the Company delves deep into understanding the needs and expectations of stakeholders, actively solicits and listens to their feedback and suggestions, and promptly addresses their concerns. This ensures that stakeholders are well-informed about the Company's current development status and future plans, fostering mutual growth and contributing to the achievement of sustainable development goals.



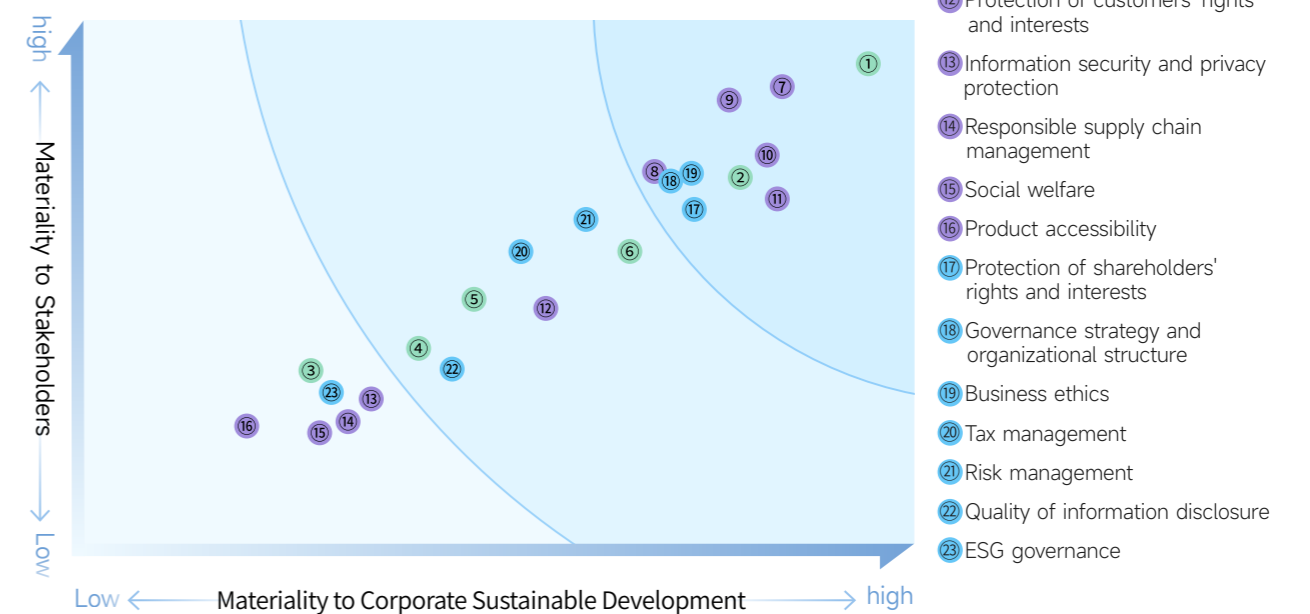
Stakeholders	Demands and Expectations	Communication and Response
Shareholders/ Investors	<ul style="list-style-type: none"> Corporate governance compliance Compliance information disclosure Investor relations management Risk management Returns to shareholders Business development and innovation 	<ul style="list-style-type: none"> General meeting of shareholders Investor reception days Roadshows and reverse roadshows Investment strategies conferences Performance briefings Improving corporate governance Enhancing investor relations management Diversifying investor communication channels Fulfilling information disclosure obligations
Employees	<ul style="list-style-type: none"> Labor relations management Compensation and benefits Training and development Occupational health and safety 	<ul style="list-style-type: none"> Enhancing talent recruitment system and processes Refining compensation and benefits packages Implementing diverse employee training initiatives Establishing robust career development paths Prioritizing occupational health and work safety Employees' Congress Prioritizing employee care
Customers	<ul style="list-style-type: none"> Product quality and safety Protecting legitimate rights and interests of customers Responsible marketing Information security and privacy protection 	<ul style="list-style-type: none"> Strengthening sales personnel training Streamlining sales service processes Developing a robust after-sales service system Customer satisfaction surveys Product quality management system Prioritizing customer privacy protection
Suppliers	<ul style="list-style-type: none"> Maintaining long-term, positive partnerships Transparent and equitable procurement Integrity and reciprocity Adhering to business ethics 	<ul style="list-style-type: none"> Fulfilling contractual obligations Actively pursuing collaborative projects Conducting transparent and equitable bidding processes Optimizing supply chain management platforms Signing integrity agreements
Industry Associations/Research Institutions	<ul style="list-style-type: none"> Fostering open communication channels Contributing to the industry development 	<ul style="list-style-type: none"> Facilitating exchanges and visits Participating in industry forums

Stakeholders	Demands and Expectations	Communication and Response
Public Welfare/ Community Organi- zations	<ul style="list-style-type: none"> Contributing to community development Participating in philanthropic endeavors Advocating for environmental protection Addressing the needs of vulnerable groups 	<ul style="list-style-type: none"> Engaging in volunteer and philanthropic endeavors
Media	<ul style="list-style-type: none"> Compliance information disclosure Sustaining positive partnerships Specialized interviews 	<ul style="list-style-type: none"> Strengthening routine communication Organizing joint outreach activities
Government/Regu- latory agencies	<ul style="list-style-type: none"> Operational compliance Facilitating economic growth Upholding corporate social responsibility 	<ul style="list-style-type: none"> Fulfilling information disclosure obligations Strengthening routine communication and reporting Implementing monitoring and evaluation

Materiality Identification

Huadong Medicine follows ESG policies, regulations and standards, both domestic and international, and monitors ESG evaluation criteria in the capital market. After benchmarking ESG disclosures from industry peers, aligning them with its sustainability and corporate development strategies, the Company identifies 23 material ESG topics across environmental, social and governance dimensions and produces an ESG materiality matrix. Adhering to the principles of substance, integrity and stakeholder engagement, the Company compiles stakeholder questionnaires for shareholders & investors, employees, customers, suppliers, industry associations, community organizations, media, and government & regulatory agencies. In total, 426 responses were collected.

Using this data, the Company conducts empirical analysis of material topics, ranking them based on "materiality to corporate sustainable development" and "materiality to stakeholders". This process produces the materiality matrix.





1 Efficient Governance Bolstering Steady Development

Our Philosophy

Huadong Medicine upholds the concept of integrity in its operations, bolstering risk management to establish a robust foundation for compliance. It safeguards shareholder rights, adheres to business ethics, strengthens defenses against fraud, and intensifies measures against unfair competition and monopoly. Prioritizing the protection of investor rights and guided by Party leadership, the Company lays down a solid groundwork for its long-term development.

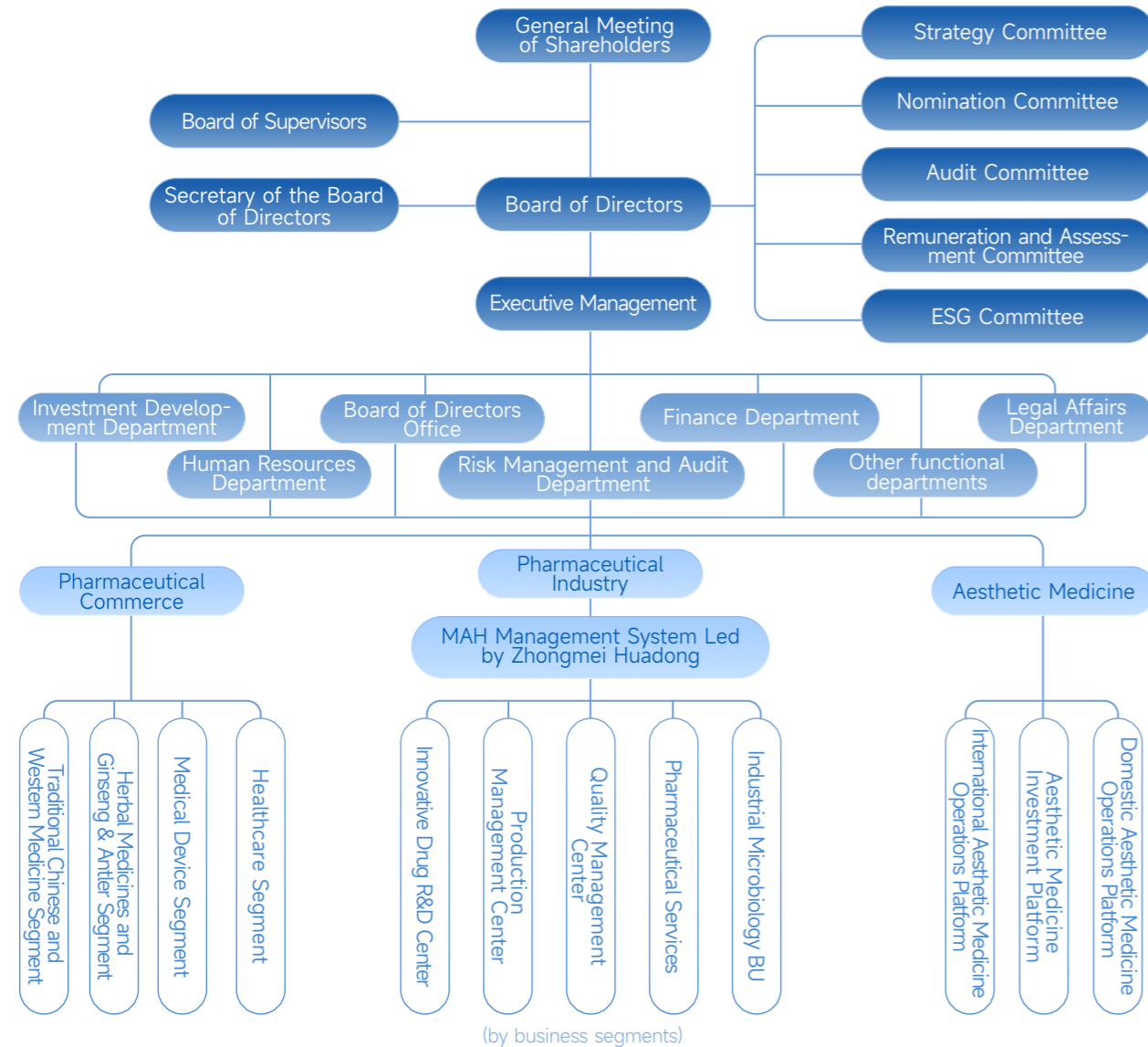
Our Actions

- 1.Governance through the General Meeting of Shareholders, Board of Directors, and Board of Supervisors
- 2.Risk Management and Operational Compliance
- 3.Business Ethics
- 4.Safeguarding Stakeholders' Rights and Interests

SDGs



01 Governance through the General Meeting of Shareholders, Board of Directors, and Board of Supervisors



In accordance with the provisions of the *Company Law of the People's Republic of China* (the "Company Law"), the *Securities Law of the People's Republic of China* (the "Securities Law"), the *Governance Guidelines for Listed Companies*., and the *Stock Listing Rules of the Shenzhen Stock Exchange* and other laws and regulations, the Company has established a governance framework comprising the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, various committees under the Board of Directors, and the executive management, creating an institutional system that is not only lawful and compliant but also tailored to the Company's practical operational requirements. This institutional system explicitly delineates the responsibilities, authorities, rules of procedure, and workflows of each organizational tier, ensuring the segregation of decision-making, execution and oversight functions, thereby fostering accountability and integrity while safeguarding the Company's compliant operations and sustainable growth.

General Meeting of Shareholders

The Company convenes and holds general meetings of shareholders in strict accordance with the stipulations outlined in laws, regulations and regulatory frameworks such as the *Company Law*, the *Securities Law*, the *Rules for the Shareholders' Meetings of Listed Companies*, the *Articles of Association* and the *Rules of Procedure for General Meetings of Shareholders* to safeguard shareholders' rights and obligations.

General Meetings of Shareholders employ a blend of in-person and online voting mechanisms for resolutions, offering convenience for a broad spectrum of investors participating in the voting process. Material matters impacting the interests of minority investors undergo separate voting to effectively safeguard their rights and interests. To guarantee regulatory compliance in the conduct and decision-making processes of General Meetings of Shareholders, the Company engages legal counsel to participate in the meetings and issue legal opinions affirming the meetings' legality.

During the reporting period

the Company convened a total of **3** General Meetings of Shareholders, during which **16** proposals were deliberated and adopted.

Board of Directors

The Company's Board of Directors is accountable to the General Meeting of Shareholders, ensuring execution of its resolutions. The Company has drafted the *Rules of Procedure of the Board of Directors* in strict compliance with legal relevant laws and regulations such as the *Company Law*, the *Securities Law*, the *Governance Guidelines for Listed Companies*., the *Stock Listing Rules of the Shenzhen Stock Exchange*, and the *Articles of Association*. These rules set out the Board's powers and authorities as well as robust and standard processes regarding procedures for convening and conducting Board meetings, deliberation and voting. This enhances the Board's operational efficiency, quality, compliance, and strategic decision-making capabilities.

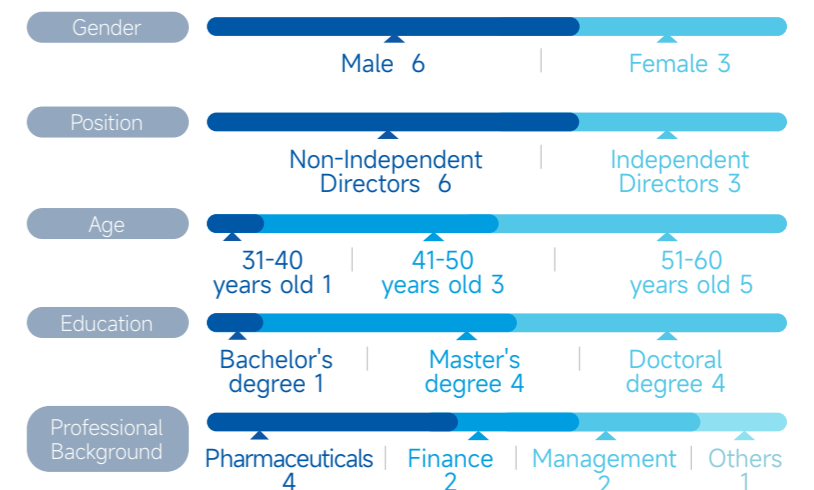
During the reporting period

the Company convened a total of **14** meetings of the Board of Directors, during which **37** proposals were deliberated and adopted.

Board Diversity

Board diversity is a crucial factor in elevating the quality of corporate decision-making and governance, and in enhancing the Company's competitive edge. Adhering to diversity principles, such as gender, age, education, professional background and experience, the Company evaluates Board candidates to achieve a balanced composition, thus improving board efficiency.

As of the end of the reporting period, the Company's Board of Directors comprises 9 members, including 3 female directors. These 9 directors bring a wealth of experience in fields such as finance, pharmaceuticals and management.



▶ Board Independence

The Company's Board of Directors comprises 3 independent directors, meeting regulatory requirements stipulating that at least one-third of board members should be independent. These independent directors actively engage in the Company's day-to-day operations and major decision-making processes, diligently fulfilling their duties. They carefully consider matters requiring their opinions and present independent and objective views, thereby safeguarding the rights and interests of minority shareholders and investors.

▶ Board Committees

The Board of Directors has set up five specialized committees, namely the Strategy Committee, the Remuneration and Assessment Committee, the Audit Committee, and the Sustainability (ESG) Committee. Each committee operates in accordance with the *Articles of Association* and its own working procedures, providing full support to the professional and efficient deliberation and decision-making of the Board of Directors. Independent directors hold the majority of positions and serve as conveners in most committees, providing scientific and professional insights for the Board's decisions.

Committee	Main Responsibilities	Composition
Strategy Committee	Deliberate and advise on the Company's long-term development strategies and major investment decisions	Comprising 3 directors, with 1/3 being independent directors
Audit Committee	Facilitate communication, oversight and review of both internal and external audits; supervise and assess internal controls	Comprising 3 directors, with 2/3 being independent directors and serving as the Chairman (convener)
Remuneration and Appraisal Committee	Establish criteria for evaluating directors and senior officers, conduct assessments, and provide recommendations; review and scrutinize compensation policies and packages for directors and senior officers	Comprising 3 directors, with 2/3 being independent directors and serving as the Chairman (convener)
Nomination Committee	Develop selection criteria and procedures for directors and senior officers, and provide recommendations; identify suitable candidates for directors and senior officers; evaluate and recommend director and senior officer candidates	Comprising 3 directors, with 2/3 being independent directors and serving as the Chairman (convener)
Sustainability (ESG) Committee	Deliberate and advise on the Company's ESG practices	Comprising 3 directors, with 1/3 being independent directors



3 Independent Directors

During the reporting period

the Audit Committee convened **7** meetings, deliberating and adopting **15** proposals.

The Remuneration and Assessment Committee convened **1** meeting, deliberating and adopting **1** proposal.

The Nomination Committee convened **2** meetings, deliberating and adopting **2** proposals.



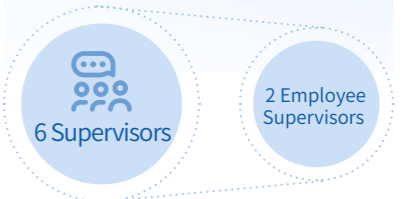
Board of Supervisors

The Board of Supervisors is accountable and reports to the General Meeting of Shareholders. In compliance with the *Company Law*, the *Stock Listing Rules of the Shenzhen Stock Exchange*, the *Governance Guidelines for Listed Companies*, and other relevant laws and regulations, the Company has developed the *Rules of Procedure of the Board of Supervisors* tailored to the company actualities. These rules set out the provisions regarding composition, powers & functions, convening and procedures of the Board of Supervisors. Acting independently and lawfully, all supervisors oversee the Company's financial affairs and ensure the lawful and compliant discharge of duties by the Company's directors and senior officers, demonstrating their accountability to all shareholders.

The Board of Supervisors comprises 6 members, including 2 employee representatives, meeting the requirement stipulated in the *Rules of Procedure of the Board of Supervisors* that at least 1/3 of its members must represent the interests of employees. Employee supervisors are elected by the Employee Congress.

During the reporting period

the Board of Supervisors convened a total of **7** meetings, deliberating and adopting **21** proposals.



Compensation Management

The remuneration for members of the Company's Board of Directors is subject to approval by the General Meeting of Shareholders in accordance with relevant laws and regulations. It is then disclosed through separate public announcements and regular reports in compliance with relevant laws and regulations. The Company is dedicated to constructing a robust long-term assessment and incentive-constraint framework through capital operations, enhancing both positive incentives and negative constraints. This ensures a balanced approach to incentives and constraints, addressing both long-term and short-term goals.

In 2022, the Company initiated its equity incentive plan, unveiling the Proposal on the Company's 2022 Restricted Share Incentive Scheme. In 2023, this plan successfully allocated reserved shares and completed the initial release of restricted stocks following the lock-up period. The smooth execution of this incentive plan further solidified and enhanced the Company's long-term incentive mechanism, guaranteeing the realization of its development strategy and long-term business objectives.



02 Risk Management and Operational Compliance

Huadong Medicine has established systems and protocols such as the *Risk Management System* and the *Risk Assessment Management Measures (Trial)* to bolster its risk management efforts. These initiatives aim to elevate operational quality, ensure operational safety, and facilitate the achievement of overarching strategic and operational objectives. The Company has set up a dedicated risk management team comprising senior officers and heads of major functional departments at the HQ, which is responsible for the deliberation and formulation of risk management strategies, articulation of risk management objectives, and examination of major risk factors. This team assumes leadership responsibilities in steering the Company's risk management efforts.

The Risk Management and Audit Department launches a minimum of 1-2 audit projects monthly, encompassing the entirety of business operations of the audited units. These audits focus on establishing and fortifying internal control and risk management systems, ensuring the execution of control measures, and overseeing risk mitigation strategies. The Risk Management and Audit Department specifies in the audit reports the internal management and risk control issues identified, responsible departments, impacts and risks, and actionable suggestions for improvement. Besides, the department solicits comments on the improvement proposals from the audited units, and conducts regular follow-up audits to monitor the progress of remedial actions. In 2023, the department completed a total of 20 audits, including 11 routine audits and 9 other audits. Over 100 audit recommendations were proposed in response to the identification of 110 issues. Quarterly follow-up assessments revealed that 70% of the audited units had completed remedial actions, with the remaining 30% actively engaged in the process.



During the reporting period

the Company organized **6** risk management training sessions, attracting **207** participants and delivering a total of **414** hours of training.

In 2023, the department completed a total of **20** audits

11 routine audits

9 other audits

110 issues

over **100** audit recommendations

70% of the audited units had completed remedial actions

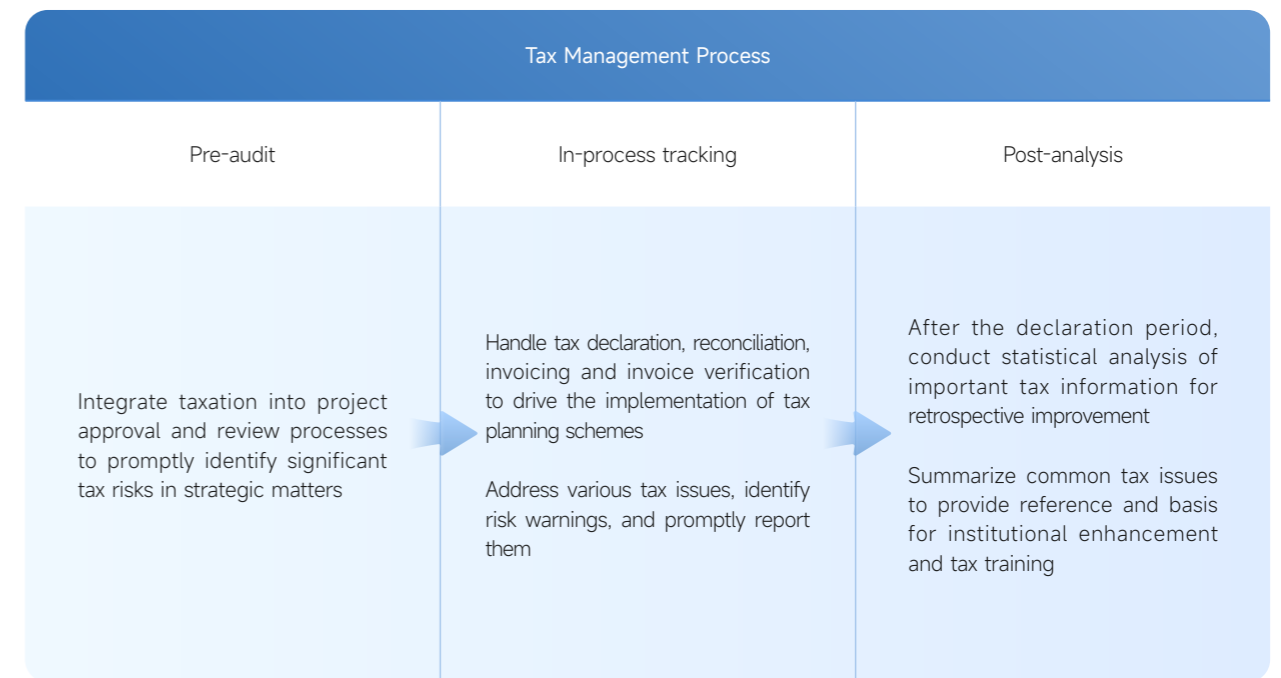
30% actively engaged in the process

Tax Management

The Company upholds the principle of "ensuring compliance with laws and regulations, fulfilling tax obligations, and enjoying entitlements within the legal framework". Pursuant to pertinent tax legislations and considering the Company's actualities, it has established frameworks and protocols such as the *Guidelines for Routine Tax Operations*, the *Invoicing Compliance Regulations*, the *Regulations for the Process of Issuing VAT Credit Notes*, and the *Operational Directives for Various Tax Categories*. These frameworks exert stringent oversight over tax affairs and standardize the management of tax-related matters, invoice handling, tax risk mitigation, and tax documentation administration.



The Company conducts regular assessments of tax operations and compliance status, alongside the inventorying of tax resources, with comprehensive reports furnished to the management. Through monthly meetings, sharing sessions on tax insights and other mediums, the Company carries out dissemination of updates regarding tax laws and regulations to its subsidiaries promptly and effectively.



Tax compliance				
Indicator	Unit	2021	2022	2023
Taxes paid	Million	1,595.25	3,065.13	2,612.81

Management of Related Transactions

Huadong Medicine exercises stringent control over related party transactions through the implementation of the *Related Party Transaction Management System*. This system precisely defines the scope of related party transactions, identifies related parties and their relationships, and incorporates a reporting mechanism for such transactions. Additionally, it establishes rules for abstaining from voting, ensures the fair pricing of related party transactions, and guarantees compliance in all related party transactions. Each year, the Company forecasts the annual volume of related party transactions, conducts comprehensive information disclosures as required, strictly follows the decision-making procedures for such transactions, diligently enforces rules for abstention from related party transactions, and prevents the transfer of benefits to stakeholders through related party transactions. This approach ensures that all related party transactions are conducted in a legal and compliant manner.



Operational Compliance

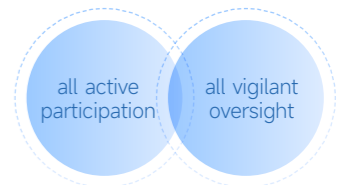
Huadong Medicine prioritizes compliance in its operational management, strictly adhering to both national and local laws, regulations, and policies. It consistently monitors changes in pharmaceutical regulations and policies to ensure that its operations remain compliant with statutory and regulatory requirements, providing robust support for the Company's compliance efforts.



Subject to legal identification and management requirements, the EHS Department regularly conducts legal identification and compliance assessments through government websites, offline channels and other means. Examples include the *Measures for Administration of Ecological Environment Statistics* and the *Safety Regulations on Working in Confined Spaces for Industrial and Trade Enterprises*. The EHS Department implements various corrective actions in line with relevant statutory and regulatory requirements, taking into account the Company's actualities.

03 Business Ethics

Adhering to standards of business ethics, Huadong Medicine has established frameworks and protocols such as the *Professional Integrity Regulations*, the *Measures for Administration of Complaints Reporting and Whistle-blowing*, and the *Ethical Audit Rules for Middle and Senior Management*. These frameworks are intended to address issues like negligence or omission and misconduct, combat various forms of misconduct and illegal behavior, and cultivate a transparent, pragmatic, and productive work environment. Huadong Medicine has set up an Inspection Work Committee tasked with developing and enhancing the Company's professional integrity framework and refining its internal oversight system. The Company's Party Committee Office, Disciplinary Inspection Office, and Risk Management and Audit Department are responsible for jointly overseeing anti-corruption investigations, integrity supervision and inspection, and integrity education and training. The leaders of the Company and its subsidiaries serve as the principal individuals responsible for integrity management, assuming full accountability for their units' integrity management efforts. They lead by example, take on managerial and supervisory roles, and promote a culture of integrity characterized by active participation and vigilant oversight by all.



Professional Integrity

Huadong Medicine upholds the professional ethics standard of "lawfulness, integrity, honesty, and dedication", steadfastly adhering to the core principle of "integrity and dedication". Throughout the reporting period, the Company successfully secured the commitment of 106 senior executives through the execution of Integrity Commitment and conducted ethical audits for 31 of them.

- Prepared the *Employee Handbook*, emphasizing adherence to work and labor disciplines and specifying corrupt practices and their corresponding penalties.
- Middle and senior management signed the *Integrity Commitment*.
- Included the *Integrity Cooperation Agreement* as an integral part of bidding documents.
- Entered into *Integrity Cooperation Agreement* with suppliers, serving as a mutually upheld code of conduct for integrity in collaboration.

During the reporting period

the Company successfully secured the commitment of **106** senior executives through the execution of Integrity Commitment and conducted ethical audits for **31** of them.

Integrity Training

In 2023, the Risk Management and Audit Department organized a total 10 integrity training sessions, drawing substantial participation and reaching a wide audience. Leveraging various audit engagements, company-wide meetings (such as business segment reflection summits) and subsidiary training events, the department actively promoted a culture of integrity through educational initiatives and cautionary examples. By delving into and reflecting upon real-life cases, the department effectively educated employees using relatable scenarios, significantly enhancing the relevance and impact of their cautionary educational efforts. Furthermore, it compiled educational materials and case studies as required to produce special reports.



During the reporting period



Company organized **32** legal training sessions,



delivering a total of **60** hours of training.



attracting **1,839** participants



including **161** legal professionals

Anti-monopoly and Anti-unfair Competition

Huadong Medicine adheres to relevant laws, regulations and standards such as the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, and the *Model Provisions on Protection against Unfair Competition*. The Company actively fosters an environment of honesty and fairness in competition, steadfastly opposing unfair competition, abiding by commercial ethics, and guiding employees to cultivate good business ethics and conducts. This ensures compliant competition, fosters an orderly and healthy competitive environment, and contributes significantly to the sustainable development of the industry.

Case Anti-monopoly Training

In July 2023, the Legal Affairs Management Department conducted a specialized seminar on vertical monopoly issues. The seminar covered two main issues: the background and trends of anti-monopoly and practice highlights; compliance recommendations. This seminar deepened the understanding of frontline employees from various business departments regarding the requirements for conducting business in compliance with laws, thereby enhancing the Company's level of operational compliance.



Anti-monopoly Training



During the reporting period

the Company organized **5** anti-monopoly training sessions

engaging **151** participants

delivering a total of **6** hours of training.

Reporting Channels and Whistleblower Protection

Huadong Medicine maintains a strict zero-tolerance policy towards misconducts such as corruption and bribery. It consistently regulates complaints reporting channels, offering various avenues for reporting including hotlines, emails, the Company's official website, and intranet platforms. This reinforces compliance management and enables the Company to establish an integrity-driven, open and transparent mechanism for oversight.

Channels	Whistleblower Protection
<p>Contact information (phone and email) available on the Company's intranet</p> <p>Official Website link: Official Website of Huadong Medicine Co., Ltd. - Complaints Reporting Section</p> <p>OA System link: OA System - Internal Link - Complaints Reporting Platform</p>	<p>The Company is committed to rigorously protecting whistleblowers and maintaining utmost confidentiality regarding reported information. It facilitates both anonymous and named reporting, appoints dedicated personnel to handle complaints, and implements robust information security measures to ensure the highest level of whistleblower protection.</p>

During the reporting period

the Company's Risk Management and Audit Department processed a total of **19** reported complaints.

These were thoroughly investigated and addressed in accordance with established procedures, with appropriate measures taken based on the findings of the investigations.

04 Safeguarding Stakeholders' Rights and Interests

Information Disclosure

Huadong Medicine places great emphasis on information disclosure and has established frameworks and protocols such as the *Measures for the Administration of Information Disclosure* and the *Insider Information and Insider Management System*. These frameworks outline clear internal management requirements for truthful, accurate, complete, timely and fair information disclosure, effectively guiding the lawful and compliant conduct of information disclosure practices. To ensure the timely dissemination of various significant information, the Company has developed and implemented the *Internal Reporting Procedures for Significant Information*. This framework breaks down disclosure standards and warning criteria into various business departments. Moreover, the Company conducts internal training sessions on information disclosure and reporting significant matters for all business departments. These sessions guide business departments to communicate, report and submit significant information through multiple channels such as email, telephone and internal processes. This approach not only enhances the compliance awareness of each business department but also ensures the promptness of information disclosure.

During the reporting period

the Company disclosed a total of **141** documents, including **8** regular reports and **100** interim announcements, without incurring any penalties for information disclosure violations.

The Company ramps up its proactive approach to information disclosure, actively promoting its production operations, research and development system construction, and strategic development to bolster understanding among capital markets and investors. It willingly shares English versions of annual, semi-annual and quarterly reports, facilitating overseas investors' grasp of the company's dynamics.

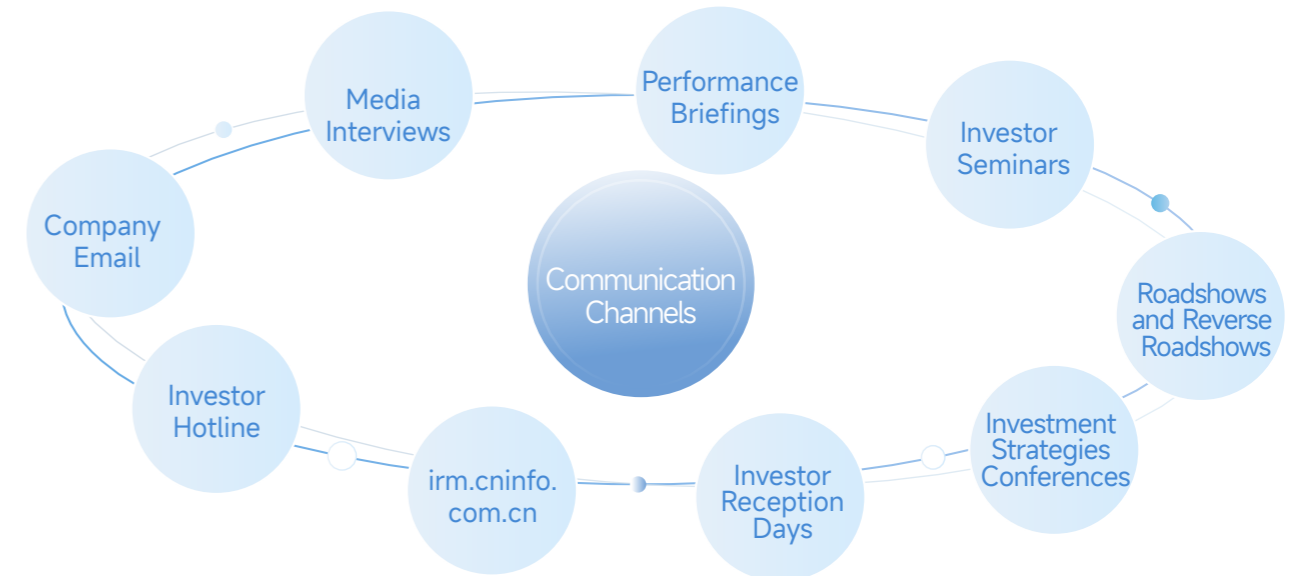
Simultaneously, the Company strategically diversifies its information disclosure methods. In recent years, it has adopted innovative formats of information disclosure such as "Quick Grasp" regular reports and multi-dimensional promotions incorporating "report + video + Quick Grasp" presentations. This dynamic showcases reports in a more intuitive and engaging manner, rendering data more accessible. Such initiatives aid investors in swiftly grasping company insights within constrained timelines.



Investor Relations Management

Huadong Medicine places a premium on investor relations management, establishing and implementing relevant frameworks such as the *Investor Relations Management System*, the *Publicity Management System* and the *Investor Reception and Promotion System*. These frameworks establish clear investor relations management workflows. Additionally, the Company annually develops disclosure plans and investor relations management plans, which are rigorously adhered to and executed. The Company ensures comprehensive, accurate and timely dissemination of all operational information to investors, with a particular focus on upholding investors' rights to informed decision-making and voting. This commitment fosters a robust trust relationship between the Company and its investors.

Moreover, the Company goes beyond conventional communication channels such as irm.cninfo.com.cn and Investor hotline. It actively engages in outreach initiatives, including hosting performance briefings, investor seminars, roadshows, investor reception days, and participating in institutional investor strategy conferences. These efforts aim to bolster the frequency of communication and interaction with global institutional investors through diverse channels. Furthermore, the Company has instituted a new media dissemination network, encompassing platforms such as the Company's Investor Relations Management WeChat OfficialAccount, RoyalFlush account, and Xueqiu/ Snowball Finance account. Leveraging new media tools, we employ compact and innovative formats to convey the latest business developments, BD project outlines, research and development advancements, awards and interpretations of periodic reports to both the capital market and the broader investor community.



During the reporting period

the Company hosted one "Investor Reception Day" event, conducted **108** online and on-site investor surveys, welcomed **2,393** investors, engaged with investors **170** times on irm.cninfo.com.cn, and communicated through email/social media platforms **40** times.



During the reporting period

the Company's Board Office garnered awards such as

the "Quanjing IR Gold Award for Outstanding IR Team"

the "Quanjing IR Gold Award for Best Institutional Communication"

the "Quanjing IR Gold Award for Outstanding IR Company"

the "Outstanding Practice Case of Listed Company Board Office in 2023" from China Association for Public Companies

the "Comein Award for Best IR Team of Value Delivery"

the "Securities Times Tianma Award for IR New Media"

the "Quanjing IR Gold Award for Best Institutional Communication"

During the reporting period

the Company's Board Secretary received awards such as

- the "China Times Top 10 Outstanding Board Secretaries in the Healthcare Industry 2023"
- the 12th JRJ "Golden Wisdom Award" for Investor Trusted Board Secretaries
- a 5A rating in the "2023 Performance Evaluation of Board Secretaries of Listed Companies" by China Association for Public Companies
- the "Outstanding IR Board Secretary of Chinese Listed Companies" at the 14th Securities Times' Tianma Awards Ceremony
- the "Quanjing IR Gold Award for Outstanding Board Secretary"

Awards Collection



Returns to Shareholders

The Company places a strong emphasis on management innovation, striving to meet market demands by enhancing operational quality. We achieve this through the delivery of high-quality products, exceptional commercial capabilities, compliant and efficient marketing services, differentiated market positioning, innovative research and development, and robust talent planning, all of which drive the Company's sustained and steady long-term growth. Over its 24-year listing history, the Company has distributed dividends 20 times, totaling RMB 5,593 million — a remarkable 22.37 times the RMB 250 million raised during its IPO — providing shareholders with consistent and stable returns on investment.

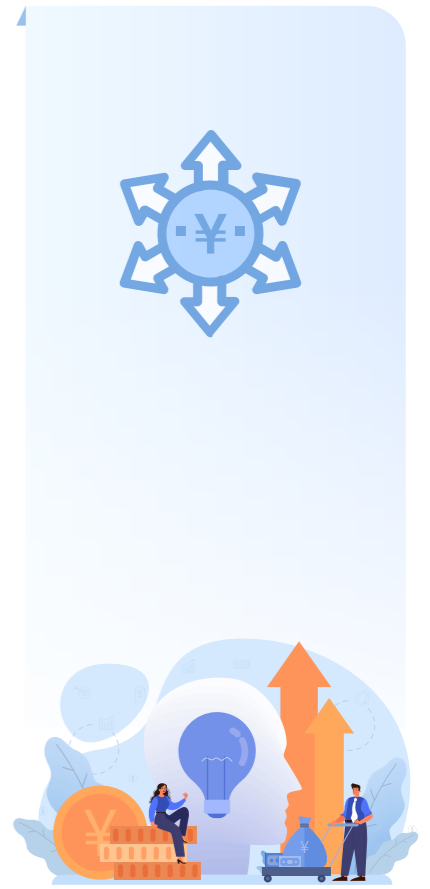
The Company strictly adheres to shareholder dividend and profit distribution policies. From 2020 to 2022, the cumulative cash dividend as a percentage of average annual net profit attributable to shareholders of the parent company stood at 55.84%, with an average annual cash dividend representing 18.61% of the same metric.

In 2023, the Company's profit distribution plan entails a cash dividend of RMB 5.8 (tax-inclusive) for every 10 shares held, based on the current total share capital of 1,754,327,548 shares, without distributing bonus shares or capitalizing reserves. This amounts to a total cash dividend of RMB 1,017,509,977.84 (tax-inclusive), with any remaining undistributed profits carried forward to the next fiscal year. In the event of changes to the Company's total share capital before implementation of profit distribution plan, adjustments would be made to maintain the total distribution amount unchanged while recalibrating the per-share distribution ratio accordingly.

the Company's profit distribution plan entails a cash dividend of **RMB5.8**(tax-inclusive)

total cash dividend of **RMB1,017,509,977.84**

Note: The 2023 annual equity distribution is the company's proposed plan. The actual dividend distribution will be based on the implementation announcement.



Year		2020	2021	2022
Cash Dividend per Share	RMB/share	0.23	0.29	0.29
Total Cash Dividends Distributed (tax inclusive)	RMB	402,456,196.04	507,444,768.92	508,658,650.92
Proportion to Net Profit Attributable to Shareholders of the Listed Company in Consolidated Financial Statements	%	14.27	22.05	20.35



2 Protecting Lucid Waters and Lush Mountains, Custodians of Ecological Refuge

Our Philosophy

Embracing the environmental protection objective of "managing at the source, minimizing resource waste, and reducing pollution", Huadong Medicine has significantly fortified its environmental management endeavors. The Company proactively identifies climate risks and opportunities and take actions to address them. It enhances management of energy, water resources and materials to curtail resource wastage while rigorously controlling pollutants generated during production, thereby markedly reducing pollutants.

Our Actions

1. Environmental Management
2. Actions against Climate Change
3. Energy Management
4. Water Resource Management
5. Materials Management
6. Pollution Prevention and Control

SDGs



01 Environmental Management

Adhering to the *Environmental Protection Law of the People's Republic of China* and other pertinent laws and regulations, Huadong Medicine operates under the environmental protection principles of "managing at the source, minimizing resource waste, and reducing pollution". Underpinned by the ISO 14001 environmental management system, we've formulated the *Huadong Medicine EHS Management System* which addresses diverse environmental concerns throughout the Company's production and operation. During the reporting period, we've crafted internal and external audit schemes for the EHS system, conducted internal auditor training, and executed comprehensive internal and external system initiatives. Notably, Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiuzhou Pharmaceutical and Jiangsu Joyang all successfully concluded their ISO 14001 external audit processes.

Subsidiaries that have passed ISO 14001 Environmental Management System Certification

Zhongmei Huadong | Jiuzhou Pharmaceutical | Jiangdong Company | Jiangsu Joyang | Xi'an Bohua

The Company has established the EHS Committee and implemented a tiered committee accountability system. The first and second tiers serve as governing bodies focusing on accountability management. And the third tier acts as the executive body concentrating on specific risk identification and control as well as the investigation and rectification of hazards. At the first tier lies the parent company, where the chairman assumes the role of committee director, and the EHS Department of the parent company serves as the dedicated management body at the parent company level. The parent company's organizational structure encompasses five principal business segments: commercial operation, industrial marketing, industrial production, industrial microbiology, and management departments, forming the second tier. Subsidiaries, departments and workshops within these business segments constitute the third tier, with the general manager concurrently serving as the director of the EHS Committee of each independent legal entity subsidiary. Furthermore, the Company enforces EHS responsibility management, integrating the EHS supervision and management of subsidiaries into the annual assessment of their key executives.

In 2023, the Company's subsidiaries incurred administrative penalties associated with environmental issues. However, these penalties had no significant bearing on the Company's production and operational activities.

Company/ Subsidiary Name	Regulations Violated	Grounds for Penalty	Penalty Amount	Corrective Actions
Jiangsu Joyang	<i>Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes</i>	It engaged in unlawful activities by recycling hazardous waste solvents, repurposing them into two separate batches for disposal by individuals lacking hazardous waste management permit, thereby generating a profit of RMB 30,800.	A fine of RMB 750,000; and illicit gains amounting to RMB 30,800 confiscated	The company retrieved the recycled solvents from the site and commissioned third-party hazardous waste disposal entities for proper handling. To address the compliant utilization and disposal of recycled solvents, the company implemented the following measures to standardize management and mitigate compliance risks after consultation and research: 1. Enhance the rate of solvent reuse to curtail the generation of recycled solvents. So far, all ethyl acetate has been effectively reclaimed. 2. Employ biochemical degradation for ethanol treatment in wastewater to ensure complete ethanol recovery. 3. Employ alternative methods for the disposal of non-reusable solvents classified as hazardous waste (HW02 code) through legal channels by outsourcing to third-party disposal entities.

During the reporting period

Zhongmei Huadong and Jiangdong Company attained recognition as a "Hangzhou Low-Carbon Green Factory," with Jiangdong Company further receiving acclaim as a provincial-level "Zero Waste Factory".

During the reporting period

the Company invested a total of RMB **73.15** million in environmental protection initiatives, with an accompanying environmental protection tax payment of RMB **60,487**.

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and Wuhu Huaren.

Company/ Subsidiary Name	Regulations Violated	Grounds for Penalty	Penalty Amount	Corrective Actions
Jiangsu Joyang	<i>The Regulations on Pollutant Discharge Permits, and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China</i>	Workshop 104 was found to possess two waste gas discharge outlets, which deviated from the emission limits stipulated in the discharge permit. The waste gas treatment facilities installed in the Workshop 101 were not functioning properly, with nearly half of the UV lamps of the UV photocatalytic oxidation system being impaired.	A fine of RMB 188,600	During the period of shutdown overhaul, the company consolidated the discharge outlets and adjusted the inspection and replacement frequency of the UV lamps within the photocatalytic oxidation system from once every three months to a monthly basis. Additionally, it affixed labels on the exterior casing, indicating the permissible UV lamp damage rate, thereby enhancing maintenance efficacy.
Wuhu Huaren	<i>Water Pollution Prevention and Control Law of the People's Republic of China</i>	Water pollutants were illicitly discharged through clandestine pipelines.	A fine of RMB 560,000	The company took prompt corrective actions by having wastewater disposed of at the wastewater treatment plant.

Environmental Monitoring and Management

Huadong Medicine has devised a pollutant sources self-monitoring scheme for 2023 in strict compliance with the industry's self-monitoring technical guidelines, which has been formally registered with the competent environmental regulatory authority. And accredited entities have been engaged to conduct periodic monitoring of pollutant sources issue self-monitoring reports. Moreover, we file and disclose the results of self-monitoring endeavors in a timely manner. Environmental monitoring aims to identify and quantify various pollutants such as air, water and soil pollutants. It enables us to promptly detect environmental issues, followed by implementation of tailored interventions to curtail or eradicate pollutant sources, thereby safeguarding both ecosystems and human well-being. Furthermore, it furnishes invaluable data supporting sustainable development initiatives.

Environmental Impact Assessment

Huadong Medicine complies with pertinent regulations governing environmental impact assessments for new, renovation and expansion projects. Throughout the project conception and operation phases, the Company constructs supporting environmental protection infrastructure and ensure their proper functioning as stipulated by national and local regulations. This effort aims to realize substantial emission reduction, facilitate compliance with emission standards and eventually mitigate the environmental footprint of new projects.

During the reporting period, the Company secured approvals for five EIA reports, as detailed below:

Date of Approval	Approved by	Project
March 22, 2023	Huayin Branch of Weinan Municipal Bureau of Ecology and Environment	Renovation Project of the Tank Area in API Workshop 2 (W.H.Y.F No. 34 [2023])
April 25, 2023	Qiantang Branch of Hangzhou Municipal Bureau of Ecology and Environment	Indobufen Tablet and Clarithromycin Tablet Production Transfer and Expansion & Acarbose Chewable Tablet Production Expansion and Renovation Project (H.H.Q.H.P.P. No. 28 [2023])
September 27, 2023	Qiantang Branch of Hangzhou Municipal Bureau of Ecology and Environment	HGD1901 Formulation Workshop Construction Project (H.H.Q.H.P.P. No. 68 [2023])
November 8, 2023	Ma'anshan Municipal Bureau of Ecology and Environment	Nucleoside Production Project of Anhui Meihua Hi-Tech Pharmaceutical with a Capacity of 14,100 kg/y (M.H.S. No. 45 [2023])
November 17, 2023	Gaoling Branch of Xi'an Municipal Bureau of Ecology and Environment	Oral Liquid Production Line Renovation Project of Shaanxi Jiuzhou Pharmaceutical (S.H.G.P.F. No. 28 [2023])

Environmental Emergency Management

Huadong Medicine has developed an *Emergency Response Plan for Environmental Accidents* in accordance with the *Measures for Administration of Response to Environmental Accidents* and other relevant regulations. This plan aims to enhance the Company's emergency response mechanisms for environmental accidents, ensuring swift, well-organized and efficient emergency response to control, mitigate and eliminate environmental hazards. This approach minimizes casualties and economic losses while fostering comprehensive, coordinated and sustainable development.

The Company's subsidiaries, including Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang , Jiuzhou Pharmaceutical and Huadong TCM, have formulated their respective *Emergency Response Plan for Environmental Accidents* and revise and update them on a regular basis as required. In 2023, Zhongmei Huadong revised its *Emergency Response Plan for Environmental Accidents*; Jiuzhou Pharmaceutical also updated that plan, adjusting its emergency organization structure, personnel and emergency supplies.



April 12, 2023



Zhongmei Huadong held specialized emergency training on hazardous waste leakage, covering key aspects such as basic information, drill procedures and emergency response. The training familiarized employees with emergency response processes and their respective responsibilities. Subsequent on-site exercises assessed employees' understanding of their duties and emergency protocols, as well as the coordinated response abilities and practical skills of emergency teams, aiming to enhance their abilities to prevent, mitigate and respond to accidents.

April 23, 2023



Meihua Hi-Tech conducted an emergency drill on hazardous waste leakage accidents, further improving the emergency response abilities of operators and assessing the feasibility of on-site disposal plans.

Emergency Drill on Hazardous Waste Leakage



August 8, 2023

Jiangdong Company conducted an emergency drill on hazardous waste leakage to raise employees' environmental awareness and underscore the importance of environmental safety. This drill also enhanced the coordination and operational effectiveness of various roles in response to hazardous waste leakage incidents.



Environmental Protection Activities

On the World Environment Day, Zhongmei Huadong, one of our subsidiaries, launched an environmental awareness campaign. This included three core components:



placing posters themed "World Environment Day" and "Zero Waste Factory", among others, at the entrance of Building 1#, conducting on-site tutorials to elucidate key environmental protection concept;



developed a question pool of environmental management knowledge in line with the Company's environmental management policies, subsequently uploaded it to the Company's knowledge management platform, and organized an quiz event via on-site QR code scanning, incentivizing participation with exciting prizes.



organizing the staff to collectively create a symbolic "Tree of Environmental Protection" in support of the Hangzhou Asian Games;

During the reporting period

the Company organized a total of **31** environmental training sessions,

engaging **979** participants

delivering **308** hours of training.

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and Wuhu Huaren.

This campaign, blending informative displays with interactive quizzes, not only reinforced the workforce's understanding of environmental protection knowledge but also fostered a culture of heightened environmental consciousness. It cultivated a vibrant atmosphere conducive to learning and advocacy, effectively integrating environmental education into day-to-day operations while encouraging widespread employee engagement.

02 Actions against Climate Change

Recognizing climate change as a paramount global concern essential for sustainable development, both governments and enterprises worldwide are increasingly prioritizing this issue. Given the potential significant impacts of climate change on business operations, it is imperative for us to take proactive actions. We should analyze and identify potential risks associated with climate change and take proper measures to address them.



Climate Risks

► Transitional Risks

Risk Type	Climate Risks and Potential Impacts	Potential Impacts
Policy and regulatory risk	More policies addressing climate change will be unveiled, accompanied by increasingly stringent regulatory frameworks.	Cost increase ↑
Technical risk	Improvements and innovations in low-carbon, energy-conserving technologies, coupled with upgrades to equipment and facilities, may drive up production costs, thereby undermining product competitiveness.	Cost increase ↑
Market risk	Climate change may disrupt the supply chain of raw materials, and customers may be more concerned about products and services' contributions to a low-carbon economy.	Cost increase ↑
Reputational risk	The Company's contributions to transitioning toward a low-carbon economy may influence stakeholders' perceptions of the Company.	Detrimental effects on corporate reputation and revenue

► Physical Risks

Risk Type	Climate Risks and Potential Impacts	Potential Impacts
Acute risk	Aggravated severity of extreme weather events, including but not limited to typhoons and floods, may exacerbate economic losses and human casualties.	Disruption of business continuity Cost increase Diminished operating income
Chronic risk	Global warming may escalate the operating costs of the Company's foundational public utilities.	Cost increase ↑

Climate Opportunities

Opportunity Type	Climate Opportunities	Potential Impacts
Resource efficiency	Technological innovation will catalyze improvement of resource efficiency, ultimately reducing operational costs over the medium to long term.	Cost reduction ↓
Energy source	Augmenting the utilization of renewable energy will facilitate emission reduction and curtail energy cost.	Cost reduction ↓
Products and services	Given that more customers may prefer low-carbon goods and services, the Company's emissions reduction endeavors will ultimately fortify its competitive edge and corporate image.	Augmented operating income Improved corporate image ↑

Actions against Climate Change

Response Measures	Specific Actions
Enhancing energy management	The Company's Energy Conservation Committed promulgated the <i>Energy Management System</i> and <i>Energy Management Assessment Procedures</i> , while consistently implementing energy-saving initiatives.
Leveraging energy-efficient technologies	The Company launched a project to recover waste heat from boiler flue gas, whereby waste heat from boiler flue gas is reused to preheat boiler feedwater. This transition from steam heating for boiler feedwater significantly reduced costs of gas consumption.
Tackling extreme weather events	The Company's EHS Department disseminated directives such as the <i>Notice on Strengthening Enterprise Emergency Response Capacity Building</i> , <i>Notice on Enhancing Typhoon and Flood Prevention Efforts</i> , and <i>Requirements for Strengthening Typhoon and Flood Emergency Drills</i> . These mandates underscore the imperative for member companies to meticulously execute measures to tackle extreme weather events.
Enhancing low-carbon awareness	The Company organized comprehensive energy-saving advocacy campaigns through both digital and physical avenues. Leveraging platforms such as exhibition boards, posters, interactive engagements on official channels and energy management proficiency challenges, the Company bolstered employee consciousness regarding low-carbon practices.

Greenhouse Gas (GHG) Emissions	Unit	2022	2023
Direct GHG emissions (Scope 1)	tCO2e	11,305.60	14,288.85
Indirect GHG emissions (Scope 2)	tCO2e	97,290.49	137,814.60
Total Emission of Greenhouse Gases	tCO2e	108,596.09	152,103.45
Greenhouse Gas Emission Intensity	tCO2e/ RMB per million (revenue)	2.88	3.74

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and subsidiaries specialized in industrial microbiology. GHG emissions are calculations in line with the *Guidelines for Calculation Method and Reporting Guidance on GHG Emissions for Other Industrial Enterprises (Trial)* published by the National Development and Reform Commission, along with the *Notice on the Management of GHG Emissions Reporting by Power Generation Enterprises in 2023-2025* issued by the Ministry of Ecology and Environment.

03 Energy Management

The Company upholds an energy management philosophy grounded in "prioritizing energy conservation and efficiency, innovation-driven, embracing environmental protection, fostering collaborative partnerships, employing scientific planning, engaging all personnel, and assuming responsibility", aiming to curtail energy consumption, bolster energy efficiency, protect the environment, and contribute to the Company's sustainable development. We've instituted the *Energy Management System*, setting out a hierarchical energy management structure comprising the Company's Energy Management Leadership Team, Energy Management Department, and departmental-level energy management units. Additionally, we've established an Energy Management Committee that is comprised of members from the Energy Management Leadership Team, departmental heads, part-time energy management staff, and pertinent personnel from the Energy Management Department, with the Energy Management Department serving as the primary dedicated energy management entity.

Main Energy	Unit	2022	2023
Gasoline	ton	33.57	35.23
Diesel	ton	164.96	174.50
Natural gas	10,000 m ³	494.16	630.51
Total purchased heat	GJ	41,767.43	131,020.16
Total purchased electricity	kWh	162,539,149.00	216,381,530.00
Comprehensive Energy Consumption	tce	28,263.24	39,755.59
Energy Consumption Intensity	tce/ RMB per million (revenue)	0.75	0.98

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua and subsidiaries specialized in industrial microbiology.

During the reporting period, major energy conservation projects undertaken by the Company's subsidiaries Zhongmei Huadong and Jiangdong Company are summarized below:

Subsidiary Name	Project Name	Description	Cost Savings (Ten Thousand Yuan)
Jiangdong Company	Photovoltaic Power Generation	The rooftop photovoltaic power generation project of Jiangdong Company was completed in November 2022. Following over two months of commissioning, it commenced regular operation in February 2023.	166.43
	HVAC System Waste Heat Recovery in Plant Area (Phase 2)	The deployment of heat pump units and air compressor units produces hot water at approximately 50°C. This hot water is supplied to air conditioning units, thereby reducing steam consumption. While the heat pump units produce hot water, they also prepare chilled water which is fed into the chilled water system for cooling purposes, thus mitigating the cost associated with chilled water.	283.09
Zhongmei Huadong	Centralized Control Energy-saving Transformation for Air Conditioning Systems	Leveraging a centralized control backend, this project enables remote centralized monitoring and energy-saving management for central air conditioning fan coils and VRV air conditioning indoor units. Through meticulous management, temperature settings across multiple time periods can be adjusted, scheduled shutdowns can be implemented, and real-time fault alarms can be promptly sent. Moreover, this centralized control management effectively addresses concerns related to temperature settings and service hours management for air conditioning systems, thereby preempting instances of extreme temperatures or undue usage.	16.76
	Energy-saving Transformation for Bottle Kiln Warehouse	The transformation of the warehouse lighting system, employing microwave radar human body induction switches, not only enhances the convenience and energy-saving efficacy of lighting usage but also facilitates an automated operation whereby lights are activated upon human presence and deactivated upon departure, thereby streamlining the functionality of lighting switches. Furthermore, the adjustment of aisle lighting fixture densities on each floor ensures compliance with actual lighting requirements.	15.15
	Electricity Reduction for Workshop B-10 Refrigeration Station at Kanrun Factory	This project facilitates the interconnection of power supply pipelines between Workshop 1 and Workshop 2 during non-summer periods, utilizing only one refrigeration unit for energy supply. This optimization results in reduced operating costs for 1 cooling water pump and 1 chilled water pump.	23.91

04 Water Resource Management

The Company attaches great importance to water resource management, guided by the principles of "conservation, preservation, recycling, equitable distribution and scientific management". We predominantly utilize water for industrial and domestic purposes, with daily potable water sourced from purchased barreled purified water while municipal water supply serves as the primary water source for production. Xi'an Bohua was honored as a "Water-saving Enterprise" by the Shaanxi Provincial Department of Water Resources, Development and Reform Commission, and Ministry of Industry and Information Technology. During the reporting period, Xi'an Bohua and Zhongmei Huadong engaged third-party entities to conduct groundwater monitoring, with results meeting relevant regulatory standards.

Indicator	Unit	2022	2023
Total Water Consumption	ton	98,609,202.07	180,028,789.20
Water consumption intensity	t/ RMB per million (revenue)	2,614.62	4,431.61

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua and subsidiaries specialized in industrial microbiology.

During the reporting period, major water conservation projects undertaken by the Company's subsidiaries Zhongmei Huadong and Jiangdong Company are summarized below:

Subsidiary Name	Project Name	Description	Cost Savings in 2023 (Ten Thousand Yuan)
Jiangdong Company	Purified Water Reclamation	Phase 1: Captured water is allocated for cooling tower operations, thus supplanting the demand for tap water; Phase 2: Captured water undergoes reverse osmosis treatment before being distributed to equipment such as cooling towers and eco-friendly RTO boilers.	61.49
Zhongmei Huadong	Reuse of Reclaimed Water from Purified Water Station	A recycling device is installed within Building 33 to collect wastewater from the four purified water stations. Following systematic treatment to eliminate suspended particles and impurities, the water is fed into the Company's pressurized water tank, resulting in an annual recycling capacity of approximately 31,600 tons.	20.56
	Reduction of Purified Water RO Membrane Expenditure	A secondary cleaning process is executed on old membranes, rendering them compliant with RO membrane specifications and integrated within a standardized management framework. On-site deployment and continuous real-time monitoring ensure a desalination rate surpassing 85% and an electrical conductivity of produced water below 10us/cm. Extensive data collection and analysis confirm the efficacy of post-cleaning RO membrane utilization, resulting in a notable 45% reduction in associated costs.	33.82

Case Huadong Medicine Launches Water Conservation Advocacy Campaigns

Water conservation advocacy initiatives are disseminated through signage campaigns across water consumption zones such as dining facilities, lavatories, administrative buildings, and residential quarters. These efforts aim to instill a culture of water and energy conservation, encouraging individuals to make incremental contributions in their daily routines. By aligning with cost-saving imperatives, the objective is to conserve every droplet of water and every unit of electricity, thereby embedding the ethos of ecological civilization into all facets of operation.



05 Materials Management

Materials management plays a pivotal role in optimizing resource utilization and mitigating environmental degradation. Through effective materials management, companies can meticulously regulate the procurement, utilization and storage of resources, thereby minimizing wastage and enhancing resource efficiency. Moreover, recycling initiatives convert discarded materials into valuable resources, resulting in cost savings and a reduction in environmental pollution.



During the reporting period, major material recycling and reuse projects undertaken by the Company's subsidiary Jiangdong Company are summarized below:

Project	Description
Enhancing Recovery Rate of Circular Paper Barrels	The <i>Circular Paper Barrel Recovery SOP</i> (G01-SOP-B012) was developed to govern the lifecycle management of circular paper barrels from use, retrieval, placement, processing, restocking, inspection, release and delivery to disposal. By implementing corresponding measures and standards, the recovery rate of circular paper barrels was heightened, consequently diminishing the need for new purchases. During the reporting period, a total of 83,106 barrels were reclaimed, with 81,677 meeting processing criteria, yielding a recovery rate of approximately 98%.
Recycling of Packaging Barrels	Following the depletion of materials such as glycerol, acetone and n-heptane, the 200L iron barrels that once contained them were not carelessly discarded. Instead, they were repurposed for storing waste solvents generated by the Production Unit 5.
Recycling and Reuse of Organic Solvents	Heightened efforts were made to recycle and reuse organic solvents such as ethanol, acetone, ethyl acetate and isobutyl acetate. Ethanol was reclaimed using a supergravity rotating bed, while acetone, ethyl acetate and isobutyl acetate were recovered through vacuum concentration. These organic solvents underwent stringent quality inspections before being reintegrated into production processes.

06 Pollution Prevention and Control



Wastewater Management

In strict compliance with the Water Pollution Prevention and Control Law of the People's Republic of China, the *Emission Limits of Water and Air Pollutants for Biopharmaceutical Industry* (DB 32/3560-2019) and other pertinent laws and regulations, the Company has established the *Wastewater Discharge Management System* to effectively oversee the management of wastewater generated during its operations. This ensures that the discharged wastewater meets national emission standards, thereby safeguarding the environment against contamination. The primary categories of wastewater generated by the Company and its subsidiaries encompass production wastewater, domestic wastewater, research center cleaning wastewater, and laboratory cleaning wastewater. During the reporting period, the wastewater discharged by the Company's major subsidiaries consistently adhered to regulatory standards, with all wastewater treatment facilities operating at full capacity.

Management systems	<i>Wastewater Discharge Management System</i> , etc.
Categories of wastewater discharged	Production wastewater, domestic sewage, research center cleaning wastewater, and laboratory cleaning wastewater
Inspection indicators	Chemical oxygen demand (COD), pH level, ammonia nitrogen, suspended solids, total phosphorus, and total nitrogen
Pollution control facilities	Six wastewater treatment facilities such as the new sewage station wastewater treatment system, Phase I/Phase II sewage treatment stations, and sewage treatment station wastewater treatment system, all of which were functioning properly
Treatment procedures	<ul style="list-style-type: none"> • Department cleaning wastewater, laboratory cleaning wastewater and research center cleaning wastewater, along with aqueous waste containing medicinal compounds, undergo collection through departmental collection systems before being conveyed to the regulating tank at the sewage treatment plant. • Wastewater containing bacterial cultures from various departments undergoes alkaline deactivation treatment within the respective departments, and upon approval by the EHS Department, is conveyed to the regulating tank at the sewage treatment plant. • Highly alkaline or acidic effluents from various departments undergo neutralization treatment before being routed to the regulating tank at the sewage treatment plant. • Established handling procedures are observed for disposal of effluents containing chemical reagents from research center and laboratory; acidic or alkaline wastewater undergoes neutralization before being discharged into the sewage pipeline, while hazardous or organic chemical reagents are collected using dedicated containers and transported to the temporary repository of hazardous waste. • Domestic wastewater from facilities such as canteens and public restrooms undergoes preliminary treatment, typically via septic tanks, prior to discharge into the sewage pipeline leading to the dilution tank at the sewage treatment plant. • The wastewater treatment process at the sewage treatment plant strictly adheres to the Sewage Treatment Plant Control Room SOP. • Effluents undergoing wastewater treatment according to regulatory standards are then discharged into the municipal sewage network.

Indicator	Unit	2022	2023
Chemical oxygen demand (COD)	ton	110.10	273.40
Ammonia nitrogen (NH ₃ -N)	ton	1.51	3.47
Total phosphorus (P)	ton	3.70	7.60
Total nitrogen (N)	ton	641.39	48.24
Total wastewater discharges	ton	1,246,347.50	1,989,052.70
Wastewater Discharge Intensity	t/ RMB per million (revenue)	33.05	48.96

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and Wuhu Huaren.

Waste Gas Management

In strict accordance with the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Emission Standard of Air Pollutants for Pharmaceutical Industry* (DB33/310005-2021) and other laws and regulations, the Company has drafted the *Waste Gas Emission Management System* to effectively oversee, manage and dispose of waste gas generated during production and experimental activities. This ensures that emissions are mitigated to safeguard both the environment and human health. During the reporting period, the waste gas discharged by the Company and its subsidiaries consistently adhered to regulatory standards, with all waste gas treatment facilities operating at full capacity.

Management systems	<i>Waste Gas Emission Management System, etc.</i>
Categories of wastewater discharged	Exhaust gas containing H2S produced from the wastewater treatment processes conducted by the EHS Department (encompassing regulating tank, aerobic tank, CASS tank, and air flotation tank); waste gases or dust produced from various production processes across departments; waste gases produced by diverse test platforms; canteen-generated waste oil fumes; automotive exhaust emissions; and uncontrolled emissions
Inspection indicators	VOCs, dust, particulate matter, nitrogen oxide, sulfur dioxide, odor concentration, acetone, ethyl acetate, hydrogen sulfide, ammonia, and canteen oil fumes
Pollution control facilities	69 fully operational waste gas treatment facilities
Treatment procedures	<ul style="list-style-type: none"> •Treatment of waste gases from wastewater treatment: Waste gases are treated through photolytic catalysis pretreatment, alkaline solution absorption in spray towers, and activated carbon adsorption processes. •Control of waste gases or dust from production and testing: Various organic solvents and waste gases containing antibiotics generated during production and testing processes are treated through photolytic catalysis pretreatment, alkaline solution absorption in spray towers, and activated carbon adsorption in waste gas treatment facilities. Waste gases generated during testing processes such as fermentation and refining are also treated using waste gas treatment facilities. •Control of oil fume emissions: Oil fume purification equipment is installed to treat emissions, and ventilation equipment is installed to ensure air circulation. •Control of automotive exhaust emissions: Annual inspections of motor vehicles within the jurisdiction are conducted to ensure that vehicle exhaust emissions meet national standards. •Control of uncontrolled emissions: Collection of uncontrolled emissions is intensified, and measures are taken to ensure equipment sealing and timely covering to reduce solvent volatilization. Operators are required to wear protective equipment.

Indicator	Unit	2022	2023
Nitrogen oxide (NOX)	ton	1.46	1.51
Sulfide (SOX)	ton	0.19	0.20
Volatile organic compounds (VOC)	ton	5.59	9.40
Waste Gas Emissions	10,000 m ³	248,225.40	271,800.40
Waste Gas Emission Intensity	m ³ / RMB per million (revenue)	6.58	6.69

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and Wuhu Huaren.

Management of Wastes

Subject to the laws and regulations of the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *Standard for Pollution Control on Hazardous Waste Storage* (GB 18597-2023) and other pertinent laws and regulations, the Company has established the Solid Waste Management System to classify, utilize and ensure the compliant disposal of solid waste, thereby effectively managing and controlling its impact. All waste generated by the Company is entrusted to accredited third-party entities for compliant disposal. Regular inspections of waste storage in warehouses and the operational status of relevant emergency facilities are conducted to ensure that hazardous waste, general solid waste and recyclable solid waste are disposed of in full compliance with regulatory requirements.



Management systems	<i>Solid Waste Management System, Hazardous Waste Temporary Storage Management System, etc.</i>
Categories of wastewater discharged	Hazardous waste (including medical waste), general industrial solid waste, domestic solid waste, recyclable solid waste, and construction waste
Pollution control facilities	There are 8 sets of hazardous waste warehouses and general solid waste yards, all of which are stored in a standardized manner and are entrusted to qualified units for legal disposal
Treatment procedures	<ul style="list-style-type: none"> • Hazardous waste: bio-safety disposal by accredited entities • General waste: disposal or recycling by accredited entities

Indicator	Unit	2022	2023
Quantity of general waste generated	ton	13,447.88	21,188.53
General Waste Production Intensity	t/ RMB per million (revenue)	0.36	0.52
Quantity of General Waste Recycled	ton	3,397.22	3,218.56
Quantity of Hazardous Waste Generated	ton	2,923.68	4,104.53
Hazardous waste production intensity	t/ RMB per million (revenue)	0.08	0.10

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and Wuhu Huaren.



3 Innovation-Driven, Forging an Exemplary Brand

Our Philosophy

Embracing the corporate philosophy of "Scientific Research-based and Patient-centered", we are committed to steering the Company towards a new era of high-quality development. With core values centered on "benefit mankind, integrity, persistence and pragmatism", we pursue excellence and precision in every detail while rigorously controlling quality management. Guided by technological innovation, we foster synergy across all facets, creating a new paradigm of integration and mutual reinforcement between technological innovation and business. This injects robust momentum into the Company's sustainable and robust development.

Our Actions

- 1.R&D and Innovation
- 2.Product Quality and Safety
- 3.Protection of Customers' Rights and Interests
- 4.Responsible Supply Chain
- 5.Information Security and Privacy Protection
- 6.Promoting Healthcare Access

SDGs



01 R&D and Innovation

Innovation and R&D System

The Company places significant emphasis on innovation, research and development, consistently maintaining a high level of investment in this area. Guided by the principle of "Scientific Research-based and Patient-centered", we leverage the triad of "clinical relevance, pharmaco-economic viability and commercial potential" as its cornerstone. Through years of development, we have cultivated a comprehensive, self-sufficient innovation structure spanning from drug discovery and pharmaceutical research to preclinical and clinical studies, culminating in industrialization. This endeavor has led to the establishment of a global hub for new drug development.

Our innovation and R&D initiatives are concentrated within three pivotal therapeutic domains: oncology, endocrinology and autoimmunity. Through a blend of independent development, collaboration and License-in, we perpetually advance and diversify our product pipeline, thereby ensuring a steady progression of innovative products from clinical development to market entry and fueling the Company's medium- and long-term development. Simultaneously, strategic collaborations with domestic and international pharmaceutical pioneers, facilitated through product partnerships and equity investments, have enabled the infusion, assimilation and innovation of cutting-edge practices, fostering the creation of a global R&D ecosystem under the auspices of Huadong Medicine. After years of dedicated research, we have pioneered global first-in-class medications in all three core therapeutic spheres – oncology, endocrinology and autoimmunity – whilst establishing distinctive R&D matrices centered around ADC, GLP-1 and topical formulations, thus cementing the Company's competitive edge.

During the reporting period

we invested RMB **2,293** million in research and development.

Note: excluding equity investment



In the realm of endocrinology, we've forged a diversification competitive edge centered around the GLP-1 target

Single Target

- Liraglutide**
 - Indications for glucose reduction and weight loss have been approved for marketing
 - Trademark: 利鲁平®
- Semaglutide**
 - phase III, completed all subjects enrollment
- HDM1002 (for oral administration)**
 - oral chemical molecule GLP-1 receptor agonist developed by Huadong
 - phase II in China
- DR10624**
 - FGF21R / GCGR / GLP-1R multiple target long-acting agonists
 - Completed Phase I SAD in China and New Zealand, currently in Phase Ib/IIa clinical trials in New Zealand

Dual Target

- HDM1005**
 - GLP-1R / GIPR is a dual-target long-acting polypeptide agonist developed by Huadong
 - phase I in China

Triple Target

The company has built a comprehensive and differentiated GLP-1 target product pipeline

Our comprehensive competitive advantage in the autoimmunity sphere spans multiple disease types

The autoimmune field has achieved full coverage of oral small molecule drugs, biological agents and topical preparations

Full product line layout in the auto-immune field	HDM3002 (PRV-3279) systemic lupus erythematosus	HDM3001 (QX001S) plaque psoriasis	ZORYVE® Cream(0.3%) plaque psoriasis	Tacrolimus ointment atopic dermatitis	Fusidic acid cream skin infection	HuaDong characteristic product matrix
	*Enbrel® rheumatoid arthritis ankylosing spondylitis	*Xeljanz® rheumatoid arthritis ankylosing spondylitis psoriatic arthritis	Wynzora® cream plaque psoriasis	HDM3701 atopic dermatitis	HDM3010 Pigmented skin disease	
	ARCALYST Cold pyoline-associated periodic syndrome Recurrent pericarditis	Cyclosporine soft capsule psoriasis rheumatoid arthritis atopic dermatitis	ZORYVE® Foam (0.3%) scalp and body psoriasis	ZORYVE® Cream (0.15%) Atopic dermatitis for patient of 6 years and older	HDM3704 cutaneous vascular disease	
				ZORYVE® Cream (0.05%) atopic dermatitis for patients of 2-5 years old	CMCY2204 hair follicle disease	
				ZORYVE® Foam (0.3%) seborrheic dermatitis	HDM7705 pigmented skin disease	

Gold combination of psoriasis therapy

* commercial rights

Within oncology, we're cultivating a unique global R&D ecosystem for ADCs

HuaDong Medicine ADC Global R&D ecosphere

- 华东医药 Huadong Medicine**
ADC drug project (independent research and development, BD introduction, etc.) integrates the technology and advantages of ecosystem enterprises
- Heidelberg PHARMA**
Heidelberg Pharma
The ATAC proprietary technology platform
The world's first company successfully developed Amanitin, toxins for cancer treatment
- 诺奥生物 Norion biology**
Linker, The coupling technique
Polymer coupling technology platform
- QYUNTS 炅云生物**
Qyuns Therapeutics
Technical capability of independent development of innovative mAb, process development, pilot scale and biological drug screening platform GMP compliant antibody production platform platform
- PEG BIO**
Chongqing PEG-BIO Biopharm
The PEG-modified platform Efficient polypeptide tandem expression platform
- HUIDA BIOTECH**
Huida biological
toxin library construction for ADC
- 道尔生物 DOER Biologics**
xLONGylation, MultipleBody, AccuBody, HTS-VHHBody four technology platforms

▶ R&D Incentives

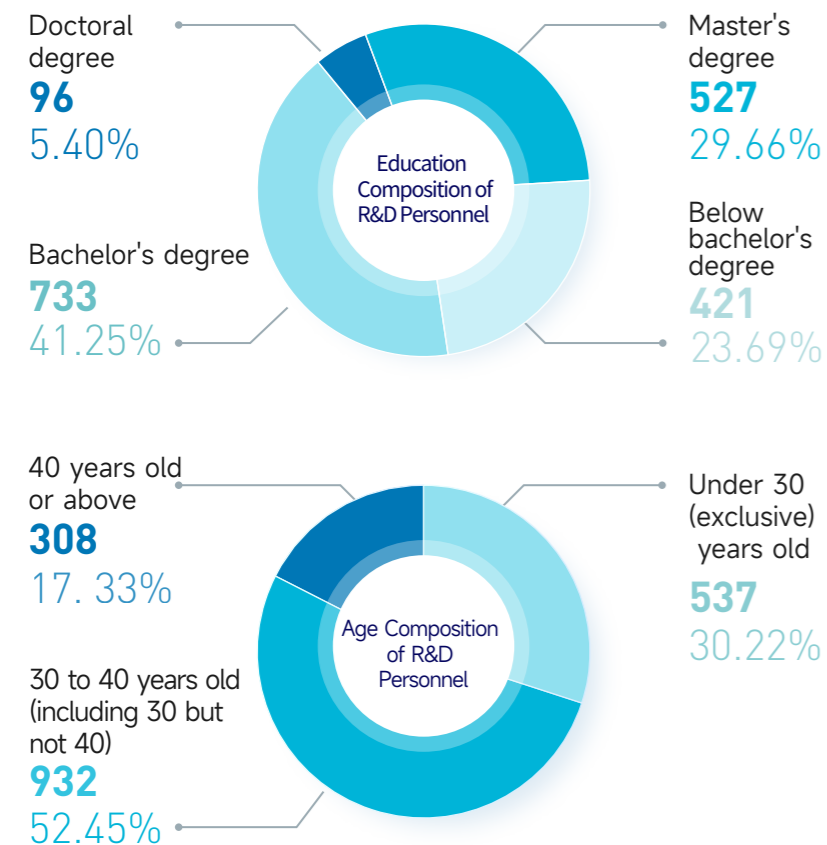
Huadong Medicine, guided by the goal of fostering innovative vigor, has devised incentives such as the *Spot Reward Packages and the Measures for Administration of R&D and Innovation Incentives*, taking into account the Company's actualities. These frameworks outline reward standards, allocation principles and implementation procedures to spur and harness the zeal and creative impetus of the R&D team.

▶ Innovative R&D Organization

To further broaden and refine the Company's strategic footprint in drug innovation and development, the Company established the Scientific Advisory Board (SAB) during the reporting period. Comprising inaugural members drawn from the pharmaceutical and research spheres, domestically and internationally, these distinguished experts and scholars boast global renown and extensive academic achievements. The Scientific Advisory Board is established to unite eminent experts, scholars and research entities worldwide, furnishing the Company with comprehensive, impartial and expert strategic guidance and counsel throughout the new drug development process. Together with the Company, they address pivotal challenges encountered in the innovation process and relentlessly strive to meet the evolving needs of patients.

▶ Innovative R&D Team

The Company places a paramount importance on talent cultivation within its R&D team and continually intensifies efforts to attract high-caliber individuals.



During the reporting period
the Company successfully convened **2** SAB sessions.

As of the end of the reporting period
the Company employed a total of **1,777** R&D personnel

representing **12.81%** of the workforce

Note: This percentage is relative to the total number of personnel in subsidiaries primarily engaged in pharmaceutical and industrial microbiology research and production.

Achievements in Technological Innovation Platform Development

The Company's investment in the Innovative Drug Experimental Park spans approximately 3,000 square meters, housing various technical platforms such as non-clinical research, new molecule synthesis, early-stage formulation experiments, ADC research, and animal testing facilities. With over 200 R&D devices, this Park enables the design, synthesis, optimization and screening of targeted small molecules and protein degradation entities. It supports innovative drug DMPK research, target activity studies, in vitro cell-based efficacy evaluations, molecular mechanism investigations, and in vivo animal efficacy studies. Additionally, it offers capabilities in antibody and ADC molecule design, in vitro functional screening, as well as physicochemical characterization and clinical formulation development of PCC molecules, providing comprehensive support for drug development efforts.



The Company's several subsidiaries, including Zhongmei Huadong, Jiangdong Company, Meihua Hi-Tech, Huida Biotech, Wuhu Huaren, Nanjing Nongda Animal Pharmaceutical, Doer Biologics, Xi'an Bohua, Jiangsu Joyang, Jiuzhou Pharmaceutical, and Magic Health, have been certified as high-tech enterprises.



Partial Display of Company Certificates

► Huadong Medicine Life Sciences Industrial Park

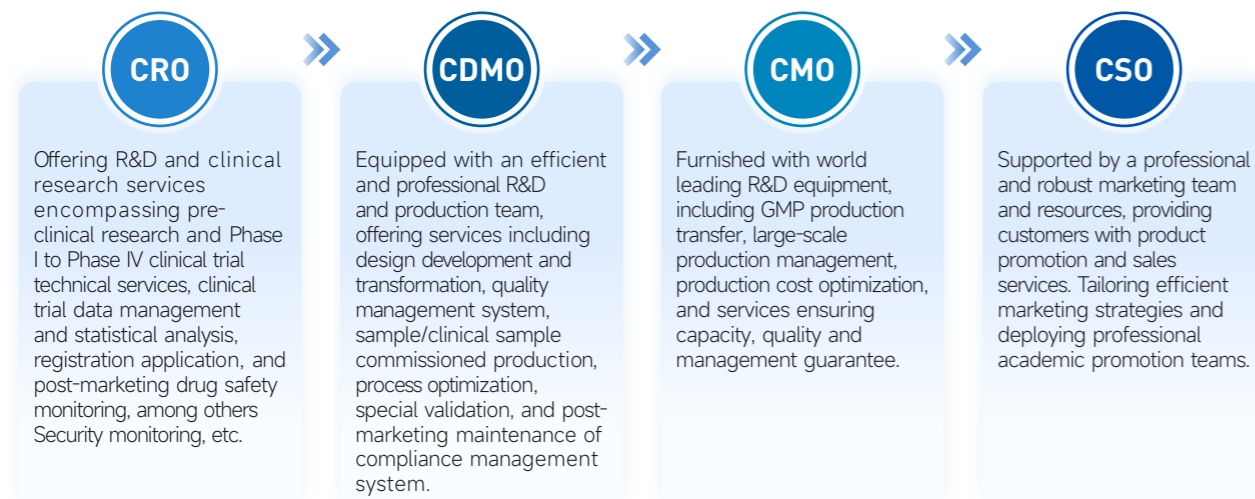
In recent years, Huadong Medicine has been actively promoting innovation transformation, fostering research and development ecosystems, and cultivating industry clusters. We've accumulated substantial resources in research, clinical trials, industry and market, showcasing robust capabilities in translating achievements into tangible outcomes. The Huadong Medicine Life Sciences Industrial Park embodies a holistic approach, combining "research and development incubation, accelerated transformation, and industrialization implementation". It serves as an inclusive platform for innovation and entrepreneurship, specifically centered on life and health research and industrial conversion. Acting as a spatial hub, the industrial park provides comprehensive support services for resident enterprises, including office facilities, research funding, technological innovation platforms, and financial assistance. Leveraging the Huadong Medicine R&D ecosystem and its integrated industry chain platform, this industrial park fosters a dynamic environment, attracting top-tier talent and driving innovation in research and development.



Core Fields for Investment Attraction



Industrial Park Service System



Settled Enterprises

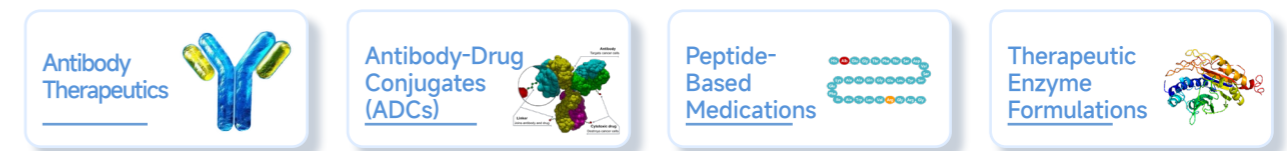


► Huadong Medicine Biotechnology Innovation and Manufacturing Center

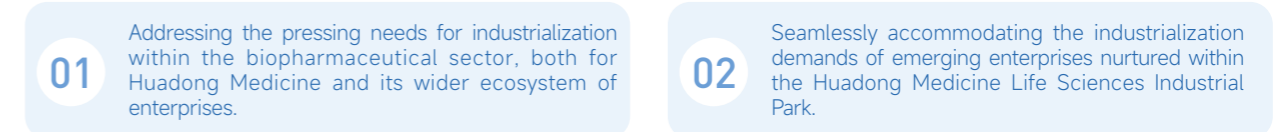
The Huadong Medicine Biotechnology Innovation and Intelligent Manufacturing Center was established through the collaborative efforts of Huadong Medicine and the Gongshu District People's Government for high-end biopharmaceutical industrialization and commercialization. It is dedicated to the preparation of Phase III clinical samples and subsequent production of sophisticated biologics such as antibodies, ADCs, peptides and therapeutic enzymes, alongside comprehensive support in research, development and quality assurance frameworks.



Focus Areas



Functional Orientation



► Huadong Medicine Institute of Synthetic Biological Technologies

The Huadong Medicine Institute of Synthetic Biological Technologies was established in July 2022 through a collaborative effort between Zhejiang University of Technology, the Gongshu District People's Government of Hangzhou City and Huadong Medicine. With a primary focus on four key domains—nutritional medicine, health-enhancing sugar alternatives, medical aesthetics biology and bio-materials—it aspires to create a national innovation hub in life and health sciences. Aligned with Zhejiang Province's strategic vision to forge a world-class innovation hub in life and health sciences, the institute harnesses cutting-edge tools such as synthetic biology, artificial intelligence, big data analytics and intelligent automation. Through a concerted effort in pioneering research and translating breakthroughs into tangible industrial applications, particularly in the realm of smart biomanufacturing, it aims to seamlessly integrate academic prowess, research excellence and talent cultivation with the economic demands of the Gongshu District. Leveraging the robust technological and industrialization platforms provided by Zhejiang University of Technology and Huadong Medicine, it seeks to catalyze a synergistic fusion of academic ingenuity and regional economic development imperatives.

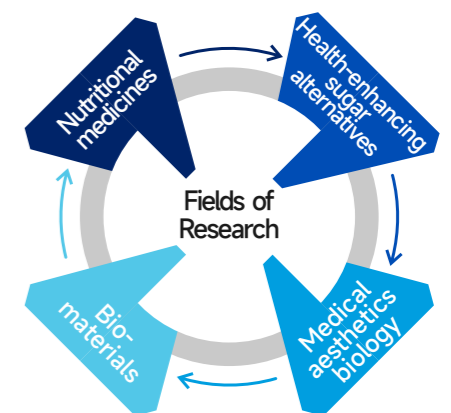
Research Directions and Applications

Natural product synthesis:

Our research endeavors encompass the amalgamation of traditional breeding techniques with synthetic biological techniques to systematically reengineer the metabolic pathways of organisms such as Escherichia coli, Bacillus subtilis, Corynebacterium glutamicum, yeast, Streptomyces or filamentous fungi. The objective is to elevate the industrial fermentation proficiency of natural products.

AI-assisted protein engineering:

Our research involves the discovery and screening of industrial enzymes characterized by heightened activity and stability. By dissecting the structural-functional intricacies and mechanistic underpinnings of enzymes, complemented by computational modeling, analysis and strategic design interventions, we endeavor to enhance the industrial attributes of functional enzyme formulations. This facilitates the environmentally sustainable biofabrication of high-value compounds.



Contributing to the Industry Development

▶ Innovative Drug Research and Development Forum

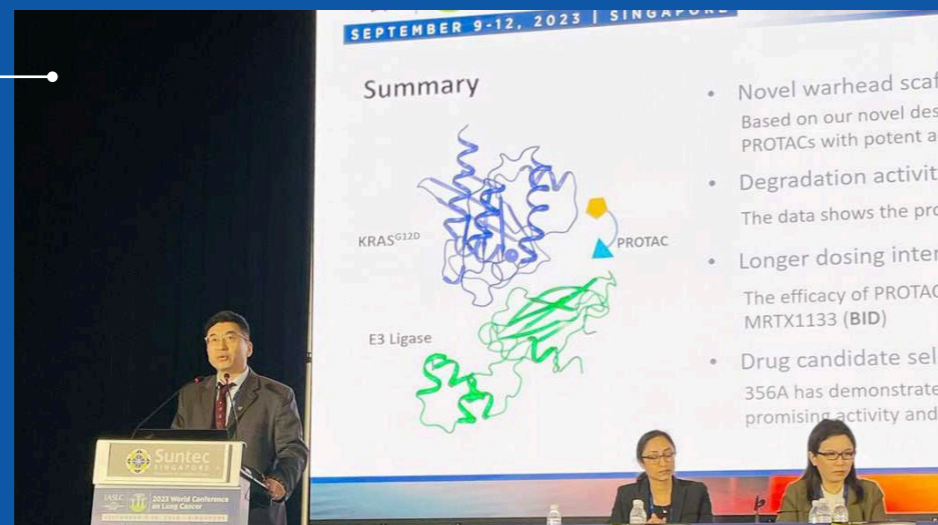
In 2023, the Huadong Medicine Innovative Drug Research and Development Forum, hosted by Huadong Medicine, took place in Hangzhou. Under the theme "Advancing Research for Innovation Empowerment", the forum gathered leading domestic and international experts, scholars and industry collaborators to delve deeply into the evolving landscape of next-generation drug development and innovative technologies. Together, they aimed to propel the transformative journey of Huadong Medicine towards high-caliber development.

This forum served as a pivotal platform for scholarly exchange and dialogue between academia and Huadong Medicine, providing attendees with invaluable insights into industry dynamics and cutting-edge academic research. It offered an arena where participants could explore opportunities and confront the associated challenges in the realm of new drug research and development. Upholding the corporate philosophy of "Scientific Research-based and Patient-centered", the Company pledges to contribute to the global pharmaceutical innovation landscape through a spirit of collaboration, openness and mutual benefit.

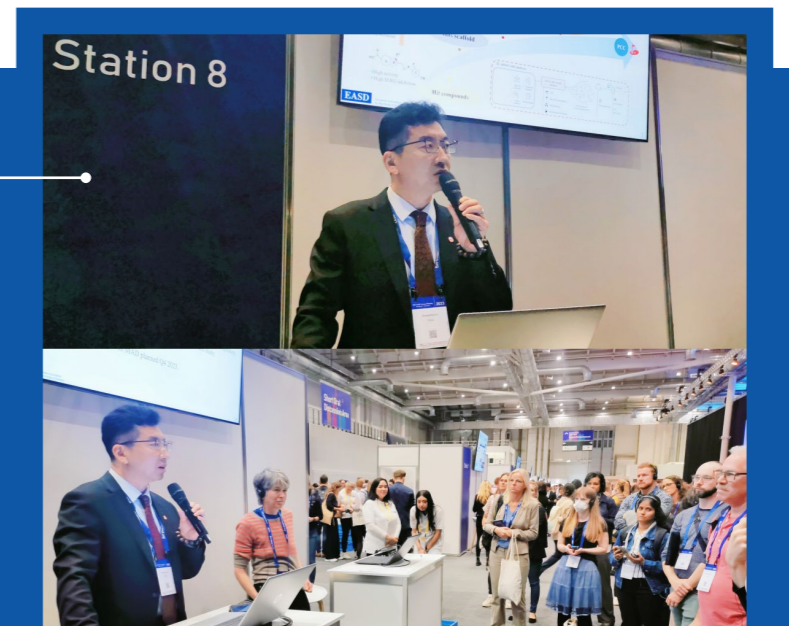


▶ Engagement in Industry Discourse

The 2023 World Conference on Lung Cancer (WCLC), held from September 9 to 12 in Singapore, stood as a premier annual event in the field of lung cancer research. It witnessed the unveiling of numerous significant research findings. Among them, Huadong Medicine's KRASG12D-PROTAC research program found its way to the conference.



Similarly, the 59th Annual Meeting of the European Association for the Study of Diabetes (EASD) was held in Hamburg of Germany during the period from October 2 to 6, 2023, gathering experts from across the globe in the realm of obesity and diabetes research. Huadong Medicine's orally administered micromolecule GLP-1 receptor stimulant HDM1002 research program was honored with an invitation to present at this gathering.



► Cooperative R&D Initiatives

The Company actively advances collaborative R&D initiatives to bolster R&D efficacy and broaden technological horizons. During the reporting period, major collaborative R&D endeavors undertaken by the Company are summarized below:

Project	Description
Mirvetuximab Soravtansine Injection	This product was developed through a collaboration between the Company and ImmunoGen from the United State. The BLA in China was accepted in October 2023, with inclusion in priority review status. This injection is indicated for the treatment of platinum-resistant ovarian cancer.
HDM3001(QX001S)	BLA for this ustekinumab biosimilar, which was developed in collaboration with Qyuns Therapeutics, received acceptance by the NMPA in August 2023. It is indicated for treatment of plaque psoriasis.
Topical Roflumilast Formulations	In August 2023, the Company's wholly-owned subsidiary, Zhongmei Huadong, entered into an exclusive license agreement with Arcutis Biotherapeutics Inc. ("Arcutis"), a US-listed entity. Zhongmei Huadong acquired exclusive rights across the Greater China region (including Mainland China, Hong Kong, Macau and Taiwan) and Southeast Asia (Indonesia, Singapore, the Philippines, Thailand, Myanmar, Brunei, Cambodia, Laos, Malaysia and Vietnam) for Arcutis' first-in-class topical roflumilast formulations (including ZORYVE® (Roflumilast) Cream and Roflumilast Foam ARO-154), encompassing development, registration, production and commercialization privileges.
Wynzora®	In August 2023, the Company's wholly-owned subsidiary, Zhongmei Huadong, entered into an exclusive license agreement with MC2 Therapeutics Ltd. ("MC2"), a wholly-owned subsidiary of MC2 Therapeutics A/S based in Denmark. Zhongmei Huadong secured exclusive licensing rights for MC2's first-in-class Wynzora® in the Greater China region (including Mainland China, Hong Kong, Macau, and Taiwan), covering clinical development, registration, and commercialization.
Partnership with BioNTech	In July 2023, the Company's subsidiary, Doer Biologics, finalized a license agreement with BioNTech SE. Subject to the agreement, Doer Biologics agreed to grant a global license to leverage its innovative discovery targeting an undisclosed therapeutic area for research, development, manufacturing, and commercialization of innovative biopharmaceuticals.

Ethics in Drug Development

► Ethics in Clinical Trials

Throughout the Company's drug clinical development process, rigorous adherence to various regulatory requirements and industry standards is maintained, encompassing the *Helsinki Declaration*, *Good Clinical Practice (GCP)*, *Drug Registration Verification Criteria and Principles*, *Good Pharmacovigilance Practices and Guidelines for Ethical Review of Drug Clinical Trials*, along with ICH GCP and internally established SOPs. This ensures that the drug development process meets both scientific and ethical standards. We've established standardized procedures to oversee and manage clinical research, with the Scientific Advisory Board conducting thorough ethical and scientific evaluations of projects before initiation. After approval, routine reviews of research progress, quality and any issues encountered during implementation are conducted, guiding decisions on project continuation, modification or termination based on clinical research outcomes.

Meanwhile, we endeavor to ensure that each participant comprehensively grasps the attributes of the investigational drug and the procedural intricacies of the trial, thereby guaranteeing voluntary participation in the clinical trial process. We've devised a suite of systematic SOPs to regulate the conduct of clinical trials and uphold regulatory and ethical standards. These include the *Initiation and Ethical Submission Processes for Research Centers and Institutions*, the *Composition, Approval and Revision of Informed Consent Form*, the *Formulation and Adjustment of Clinical Trial Protocols*, and the *Management of Protocol Deviations*. Such measures aim to align clinical trial operations with regulatory and ethical standards, thereby safeguarding the interests of trial participants. Recognizing that certain clinical researches are entrusted to Contract Research Organizations (CROs), the Company has instituted a robust Supplier Management System. This entails meticulous oversight and management of CROs through routine progress reviews, on-site inspections and independent audits, thereby ensuring the meticulous execution of researches to the highest quality standards.

Research evaluation

All research projects undergo comprehensive evaluation and assessment by the Scientific Advisory Board to ensure both scientific rigor and ethical integrity. Prior to conducting human clinical trials, all new drug candidates undergo preliminary studies, with progression to clinical trials contingent upon establishing their safety and controllability through data analysis.

Informed Consent from subjects

It is imperative to ensure that all subjects are adequately informed and have signed Informed Consent Form, with strict adherence to protocols safeguarding subject privacy.

Periodic review

Ongoing monitoring and review processes track trial protocol adherence, informed consent documentation, subject recruitment, and protocol deviations.

Safety assessment and assurance

Insurance coverage is secured for all subjects, and a safety management plan is implemented. This includes timely monitoring of any adverse events occurring during the course of the research, prompt documentation, and timely reporting. Medical interventions are undertaken as necessary based on subject needs.

► Animal Welfare

In compliance with the Regulations on the *Management of Experimental Animals*, *Guidelines for Humane Treatment of Experimental Animals* and pertinent local regulations, the Company has developed the *Guiding Principles for Ethical Review of Experimental Animal Welfare* and the *Charter of the Ethics Committee for Experimental Animal Welfare*. These documents serve to scrutinize and oversee management protocols, SOPs, animal care and utilization as well as equipment and facility operations at the Experimental Animal Center. This ensures adherence to relevant regulations while effectively upholding the welfare of experimental animals and safeguarding the safety of the environment, personnel and animals.

To this end, the Company has established both an Experimental Animal Management Committee and an Ethics Committee for Experimental Animal Welfare. The former is tasked with the comprehensive oversight and guidance of experimental animals and related experiments, while the latter assumes responsibility for the pertinent review and supervision.

Humanitarian Management

In addressing the humane endpoint in animal experiment, the Ethics Committee for Experimental Animal Welfare abides by the principles of balance, harm minimization and ongoing optimization as outlined in the *Guidelines for Humane Endpoint Review in Animal Experiments* under the certification standards of the People's Republic of China. Experimenters are expected to anticipate, to the best of their ability, the potential pain or distress animals may endure prior to experimentation, striving to minimize the utilization of humane endpoints involving animal death, imminent death or severe pain and distress.

Management of Animal Experimenters

Individuals engaged in experimental animal work must demonstrate proficiency in relevant laws, regulations and institutional policies, coupled with a thorough understanding of professional theory and skills. The Experimental Animal Center implements a stringent qualification system, and the Ethics Committee for Experimental Animal Welfare organizes diverse training sessions from time to time to ensure personnel obtain requisite certification. Moreover, personnel are required to treat and care for experimental animals with diligence and compassion, employing scientific, reasonable and humane practices in using experimental animals, while refraining from any form of animal maltreatment and acts of cruelty.

Animal Experiment Procedure Management

All research involving animals conducted at the Experimental Animal Center requires approval and endorsement from the Ethics Committee for Experimental Animal Welfare before commencement. This includes submission of research background, experimental conditions, and protocols for review and authorization. Embracing scientific principles, the committee advocates for the "3R" approach (Reduction, Replacement, Refinement) and conducts ethical reviews and oversight of animal welfare, guided by principles of animal protection, welfare, ethics and comprehensive assessment.

Laboratory Day-to-Day Management

The Ethics Committee for Experimental Animal Welfare adheres to the stringent requirements mandated by national standards, conducting thorough reviews and oversight of various aspects including animal facility environments, equipment, husbandry and management practices, as well as packaging and transportation procedures. This diligent oversight aims to ensure that experimental animals are afforded a safe, comfortable and humane living environment.

Protection of Intellectual Property Rights

Huadong Medicine places a high priority on safeguarding intellectual property rights. Aligning with the Company's operational context, it has developed frameworks such as the *Patent Management Specifications*, *Patent Application Incentives* and *Intellectual Property Management Manual*. These frameworks clearly define the requirements for intellectual property management and the respective responsibilities of each department. Consequently, a robust and scientifically sound intellectual property protection system has been established, providing a solid institutional footing for intellectual property management endeavors.

During the reporting period, the Company garnered awards amounting to RMB 200,000 for its efforts in intellectual property protection.



Furthermore, the Company's subsidiaries, notably Zhongmei Huadong, successfully underwent recertification for its intellectual property management system, while Doer Biologics attained certification for its intellectual property management framework.

As of the end of the reporting period

the Company had amassed a total of **735** patented authorizations, comprising **473** granted invention patents, **227** utility model patents, and **35** design patents. Moreover, there were **6** accrued software copyrights, **350** trademarks and **7** published papers. The Company garnered awards totaling RMB **200,000** for its efforts in intellectual property protection.

Note: Data compilation encompasses the primary subsidiaries operating within the pharmaceutical industry, industrial microbiology and aesthetic medicine segments within the scope of the Company's consolidated financial statements.

Patent Navigation Decision-making

The Company is committed to forging long-term partnerships with the State Intellectual Property Office and provincial-level and municipal-level intellectual property management agencies. This collaborative effort focuses on conducting strategic patent navigation tailored to key sectors and flagship products. Through analysis of prevailing market dynamics, the Company identifies critical patents, evaluates competitive landscapes, and assesses infringement risks within targeted domains.

The Company mandates that all innovative projects meticulously execute robust patent strategies aligned with their research and development progress, while simultaneously vigilantly tracking patent applications from competitors for preemptive measures. The generics division is tasked with conducting real-time evaluations of both original and rival patent portfolios, enabling swift identification of potential risks and implementation of corresponding risk mitigation strategies.

Infringement Surveillance and Risk Mitigation

Fostering Intellectual Property Awareness

The Company is committed to recruiting top-tier talent in intellectual property management, strategically aligning their knowledge backgrounds and professional experiences to bolster the Company's development strategy and broaden the scope of intellectual property initiatives. Moreover, through diverse avenues such as patent symposiums, online and offline expert seminars, training programs, competitions and other modalities, the Company consistently enhances internal intellectual property advocacy and education, elevating the intellectual property consciousness and proficiency across its entire workforce.

Measures to Protect Intellectual Property Rights

The Company has implemented various strategies to fortify intellectual property protection, elevate the standard of protection and safeguard the lawful rights and interests stemming from the Company's innovative endeavors. The Global R&D Center for Innovative Drugs holds a steadfast commitment to intellectual property protection, meticulously managing intellectual property throughout the entire lifecycle of pharmaceutical products and formulating patent strategies accordingly. We've established a dedicated Intellectual Property BP position entrusted with the critical tasks of analyzing patent landscapes, navigating application processes, and maintaining patents both domestically and internationally. This concerted effort serves to holistically bolster product competitiveness while ensuring the robust safeguarding of innovative accomplishments.



Furthermore, in alignment with specific business imperatives and strategic exigencies, we've allocated resources to deploy external professional databases and internal proprietary databases, thereby meeting the multifaceted management requisites of research and development initiatives and intellectual property governance at every juncture. Moreover, we are poised to create a robust intellectual property management platform, fostering the standardization of various patent management workflows and facilitating the comprehensive lifecycle management of intellectual property assets.



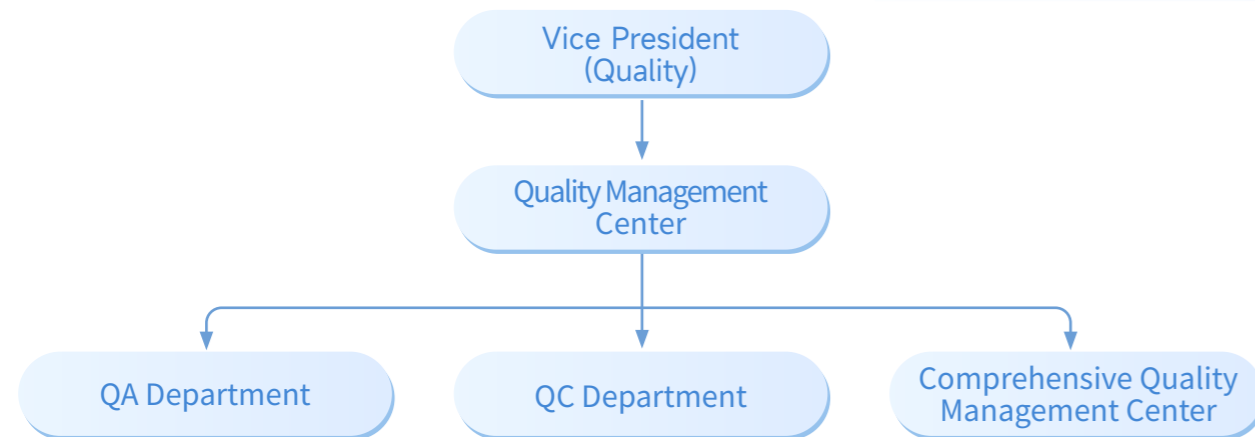
02 Product Quality and Safety

The Company implements a quality policy grounded in principles of integrity, efficiency, quality, global alignment and innovation excellence. It rigorously adheres to both domestic and international quality management regulations, including China's GMP, FDA cGMP, EU GMP, and ICH standards. Through the implementation of robust process control measures, a comprehensive quality management framework is established to effectively oversee a myriad of interconnected quality activities.

At the organizational level, the Company has structured its quality management around the Quality Management Center. A Vice President (Quality) assumes the role of quality steward and authorized figure, tasked with crafting overarching quality development strategies, defining strategic directives, and implementing quality enhancement initiatives. Moreover, the Company operates under a quality veto system, empowering the QC managers with the authority to veto decisions pertaining to drug quality management. They are also integral in pivotal quality determinations, such as addressing quality complaints, adverse reaction reports, and product recalls.

During the reporting period

the Company achieved a product pass rate of **100%**, conducted **58** internal quality audits annually, and subjected **138** batches to market sampling inspections.



Quality Risk Management

The Company has established a quality risk management framework in alignment with the requirements of GMP and the guiding principles outlined by ICH. This framework serves to regulate and oversee every aspect that could potentially impact product quality, thereby ensuring the consistency and dependability of product quality. To ensure the effective execution of risk management practices, Company leadership allocates appropriate resources, assumes leadership responsibility for risk management endeavors, and ensures that individuals involved in risk assessment, implementation, and evaluation undergo specialized training and possess requisite knowledge and expertise to facilitate seamless risk management operations.

Within this framework, the Company has implemented a structured quality risk management process comprising four pivotal stages: risk assessment, risk mitigation, risk communication, and risk review. This process is designed to identify and evaluate deviations in products or processes, as well as potential implications of product complaints on quality and regulatory adherence. Spanning across various facets of the Company operations, including research and development, production, facility and equipment management, and materials management, this quality risk management process guarantees adherence to anticipated standards of product quality.

During the reporting period

the Company conducted a total of **424** risk assessments.



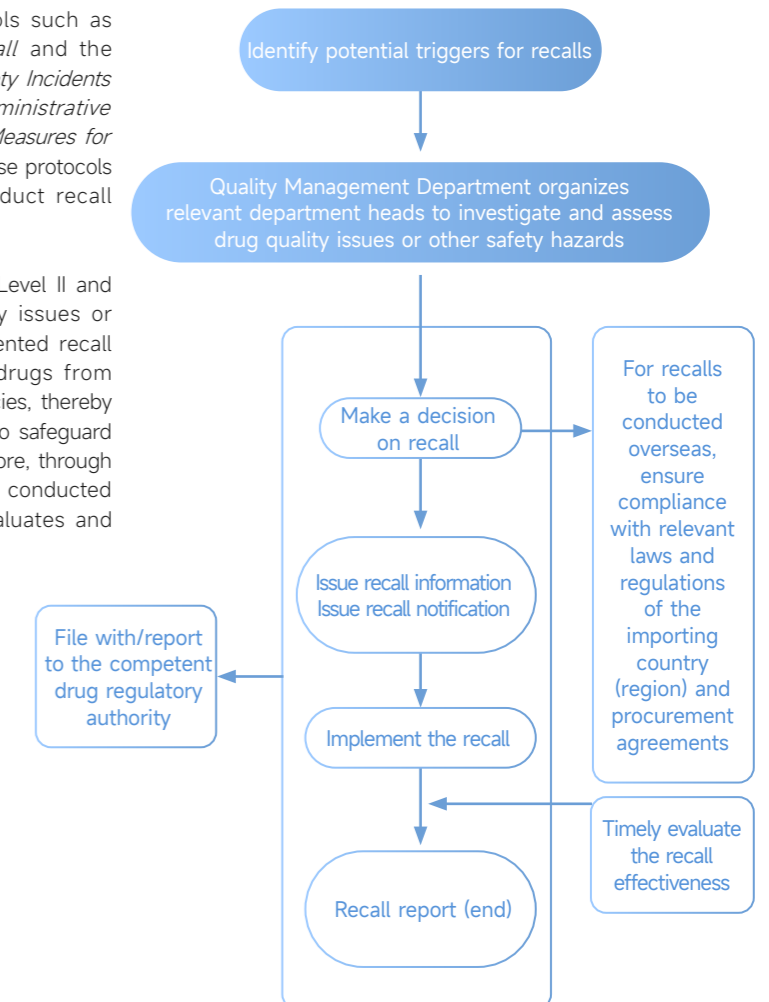
Product Recall

The Company has devised operational protocols such as the *Documented Procedures for Product Recall* and the *Reporting System for Major Drug Quality and Safety Incidents* in accordance with regulations such as the *Administrative Measures for Drug Recall and the Administrative Measures for Drug Production Supervision and Management*. These protocols offer institutional guidance for addressing product recall incidents.

Recalls are categorized into three tiers—Level I, Level II and Level III—based on the severity of drug quality issues or other safety hazards. The Company has implemented recall procedures to swiftly and effectively remove drugs from circulation if they exhibit quality or safety deficiencies, thereby promptly mitigating risks and eradicating hazards to safeguard the welfare and health needs of patients. Furthermore, through annual self-audits and simulated recall exercises conducted every three years, the Company continually evaluates and ensures the efficacy of its recall framework.

During the reporting period

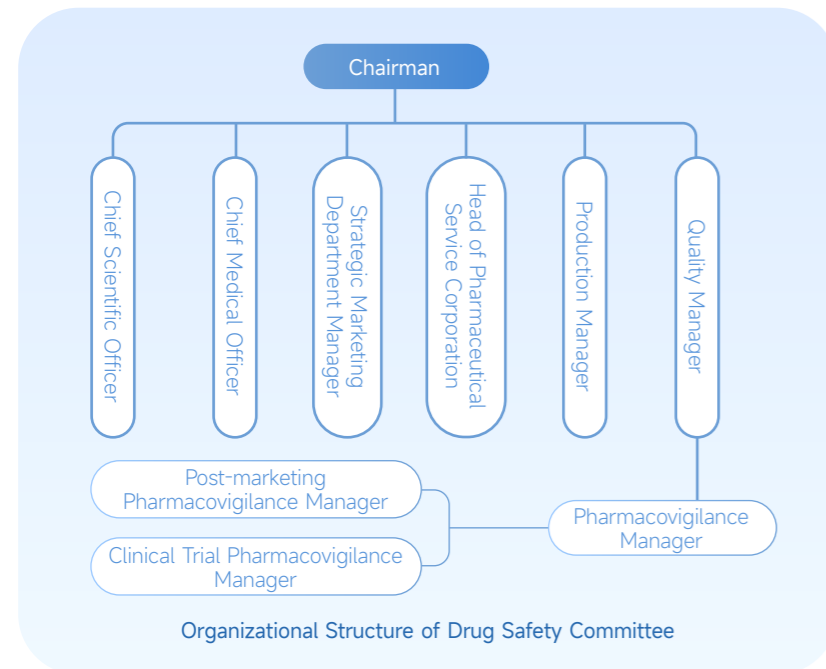
the Company incurred zero product recall incidents, and regulatory authorities did not mandate any recalls.



Pharmacovigilance

The Company has implemented a comprehensive pharmacovigilance framework, committed to embedding pharmacovigilance across the entire drug lifecycle to safeguard public medication safety. Pursuant to prevailing regulations and policies such as the *Medicinal Product Administration Law of the People's Republic of China* and the *Pharmacovigilance Quality Management*, the Company has crafted protocols like the *Adverse Drug Reaction Reporting and Monitoring Procedures* and the *Internal Audit Management Process for Pharmacovigilance System*, furnishing institutional guidance for executing drug pharmacovigilance endeavors.

Under the leadership of the Chairman, the Company has established a Drug Safety Committee entrusted with major risk assessment, management of significant or urgent drug safety incidents, risk mitigation decision-making, and other significant matters pertaining to pharmacovigilance. Additionally, a dedicated Pharmacovigilance Department has been instituted to develop and maintain the pharmacovigilance infrastructure, formulate pertinent policies, and oversee pharmacovigilance initiatives.



Pharmacovigilance Risk Monitoring



We've established multiple channels for collecting drug safety information, with the Pharmacovigilance Department verifying and reviewing data gathered from these channels. Leveraging the eSafety pharmacovigilance system, the department manages the handling, analysis and assessment of individual safety reports, regularly consolidating and analyzing safety information for each product to produce comprehensive summary reports. These reports are then submitted to competent drug regulatory authority within prescribed deadlines.

During the reporting period

we persistently refined our pharmacovigilance management system, introducing the *Emergency Response Plan for Serious Adverse Drug Reactions and Mass Adverse Events* to enhance our capacity in promptly addressing drug adverse events. Additionally, we amended the *Roles and Responsibilities of the Drug Safety Committee*, clearly delineating the frequency of committee meetings, adjusting core membership, and enhancing the committee's organizational structure to further standardize and clarify its internal functions.

Pharmacovigilance Internal Audit

Drawing upon policy papers such as the *Good Pharmacovigilance Practices* and *Pharmacovigilance Inspection Guidelines*, the Company has devised the *Pharmacovigilance Internal Audit Management Process* to delineate the focal points of quality management internal audits.

Annually, the Company systematically conducts pharmacovigilance internal audits, analyzing identified issues and deficiencies, and enacting corrective and preventative measures. This continuous process aims to enhance the quality of pharmacovigilance activities, fortify the suitability, comprehensiveness and effectiveness of the pharmacovigilance system, and ensure ongoing compliance and efficient operation of that system.

Pharmacovigilance Training

The Company regularly arranges specialized pharmacovigilance training sessions for pharmacovigilance officers and specialists, coordinated with expert institutions such as the National Medical Products Administration (NMPA). This ensures the trainees' acquisition of requisite expertise and skills. Additionally, the Pharmacovigilance Department organizes internal training sessions on pharmacovigilance knowledge, bolstering employees' foundational competencies in pharmacovigilance practices and fostering heightened awareness.

During the reporting period, the Company conducted several pharmacovigilance training sessions, outlined as follows:

Training title	Training contents	Assessment pass rate
Company-wide Pharmacovigilance Training	<i>Introduction to Good Pharmacovigilance Practices (GVP) and Adverse Drug Reactions (ADR) Reporting</i>	> 95%
Specialized Training on Imported Agent Products	<i>Training on Safety Information Reports for Partner Collaborations in 2023</i>	100%
Pharmacovigilance Professional Knowledge Training	<i>Investigation and Management of Fatal Events</i>	100%
Pre-implementation Training	Pre-implementation training for all newly drafted or updated pharmacovigilance documents	100%



During the reporting period

the Company organized a total of **6** pharmacovigilance training sessions.

Quality Training

The Company is dedicated to establishing a comprehensive quality training system that complies with the *Medicinal Product Administration Law of the People's Republic of China*, the *Good Manufacturing Practice of Medical Products (GMP)* and international regulations such as EU GMP, FDA and cGMP. This system ensures that all employees involved in drug production and quality continuously update and improve their knowledge and skills. Each department associated with drug production and quality is required to create an Annual GMP Training Plan, while the Quality Department is required to develop the Company's overarching Annual GMP Training Master Plan and implements the training accordingly.

The Company offers structured training for personnel involved in drug production and quality, covering laws, regulations, and quality management systems through a variety of methods, including classroom lectures and hands-on practical sessions. To assess the effectiveness of the training, participants are evaluated through written exams and practical exercises.

During the reporting period

the Company organized **33** quality culture training sessions, engaging **1,047** participants and delivering a total of **37** hours of training.

03 Protection of Customers' Rights and Interests

The Company upholds a patient-centric concept and shoulders the mission of "contributing to the well-being of the public". It is committed to furnishing society with premium-quality drugs while continually refining both its products and services to bolster customer satisfaction and realize the corporate social value.

To this end, we've instituted service protocols such as the *Control Procedures for Product and Service Specifications* and the *Product Return Management Procedures*. These frameworks aim to identify and evaluate customer needs and specify requirements and directives across pre-sale, in-sale and post-sale phases. Moreover, the Company has streamlined and standardized its return process, ensuring that customers enjoy seamless and efficient service experiences.



Customer Service Mechanism

Regular follow-up: The headquarters' business departments engage in discussions and follow-up sessions on a quarterly basis (comprising 26 queries raised by the departments). Additionally, monthly telephone surveys are conducted with hospital clients (indicating relative satisfaction levels). These endeavors aim to ascertain customer needs, pinpoint company challenges, compile, report, address and re-evaluate these issues to heighten overall customer satisfaction.

Monthly customer service meetings: These gatherings serve to unearth inherent challenges encountered in customer service operations and inter-departmental dynamics. By fostering open communication and providing emotional support, we enhance the well-being of our customer service representatives, enabling them to perform optimally. Furthermore, these meetings facilitate more streamlined coordination and communication across departments.

Customer Complaints Resolution Mechanism

The Company has formulated the *Complaints and Adverse Events Handling and Reporting Management System*, which intricately details the management procedures for addressing customer feedback, including product adverse events/reactions, product quality complaints, and inquiries regarding products or services. This system explicitly defines the specific roles and responsibilities of each department and individual involved in these processes. Additionally, the Company has put in place a robust procedure for addressing customer complaints in order to handle customer complaints with greater efficiency and compliance.

During the reporting period

the Company received a total of **137** customer complaints, successfully resolving **133** of them.

Note: Data compilation encompasses the primary subsidiaries operating under the pharmaceutical commerce, industrial microbiology and aesthetic medicine segments.



Responsible Marketing

The Company has instituted the *Internal Review Standards and Procedures for Company Promotional Materials*, aimed at standardizing the production and dissemination processes of promotional materials, thereby ensuring the authenticity and uniformity of promotional content. Concurrently, through employee training sessions covering corporate culture and professional knowledge, efforts are made to enhance the staff's expertise and instill a sense of responsible marketing.



One of the Company's subsidiaries, Sinclair, actively promotes education on product authentication. It has introduced a product traceability certification mechanism and established an official anti-counterfeiting verification channel. This initiative aims to provide consumers with clear and accessible steps for verifying product authenticity, thereby bolstering consumer awareness and safeguarding against counterfeit purchases. In 2023, Sinclair collaborated with law enforcement agencies nationwide to successfully intercept over 3,000 counterfeit products.



During the reporting period, the Company was honored as a member of the Trust and Integrity Enterprise Alliance (TIEA).

Customer Satisfaction

The Company conducts regular satisfaction surveys, actively soliciting feedback and recommendations from terminal customers on various aspects such as product quality, pricing, delivery and sales services. These inputs are compiled into comprehensive written reports, which are then internally disseminated, accompanied by detailed updates on the progress of addressing any identified issues.



During the reporting period

a total of **1,810** individuals participated in the customer satisfaction survey, representing approximately **12.77%** of the customer base. Out of the distributed **1,792** valid questionnaires, the average customer satisfaction rating stood at **4.81** out of 5.

Note: Data compilation encompasses the primary subsidiaries operating under the pharmaceutical commerce segment.

04 Responsible Supply Chain

Supplier Management

In accordance with relevant national and local laws and regulations, and tailored to the Company's actualities, the Company has prepared a suite of frameworks including the *Supplier Management System* and *Supplier Selection and Review Management Procedures*. These frameworks outline operational standards for supplier qualification, assessment and evaluation, providing clear directives for the entirety of the supplier management process. This ensures the sustained stability and efficient functioning of the supply chain.

Furthermore, the Company has developed the *Supplier Performance Evaluation and Grading Management System*, which entails the establishment of a comprehensive performance assessment framework. This system rigorously quantifies the performance of approved suppliers of raw and packaging materials across various dimensions including quality, production utility, commercial dealings, after-sales support, on-site audit compliance, and other pertinent criteria. Additionally, the Company has instituted a supplier grading management approach, delineating tailored management principles and complementary measures for suppliers of different classifications.

During the reporting period

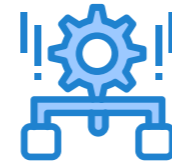
the Company collaborated with **1,077** suppliers.



S/N	Supplier Performance Evaluation Result	Supplier Grade	Management Principles and Supporting Measures
1	> 90	Grade A	Consider increasing their order volume as appropriate; prioritize arranging payments or, with approval, providing advance payments to them; furnish extended demand forecasting information; give priority to unloading and inspection upon delivery; foster long-term collaboration and establish strategic partnerships; qualify for recognition as an outstanding supplier
2	79-90	Grade B	Maintain current procurement strategies; maintain compliance with contractual payment terms; request ongoing improvement from suppliers
3	75-79	Grade B-	Control or appropriately reduce procurement volume; maintain compliance with contractual payment terms; request ongoing improvement from suppliers
4	60-75	Grade C	Reduce or suspend procurement engagements; develop tailored rectification actions, requiring submission of documented rectification actions within a specified timeframe; monitor performance data, verify effectiveness of rectification actions, conduct random audits, and reassess eligibility before resuming normal procurement activities
5	< 60	Grade D	Directly terminate procurement engagements; revoke their status as an approved supplier

► Supply Chain Security Management

To guarantee a consistent supply of raw materials and finished goods and mitigate potential losses from supply disruptions, the Company has established appropriate safety stock levels for various materials. The Business Logistics Department, in collaboration with the Production Operations Department, oversees the monitoring of material transit volumes and contract compliance. Following comprehensive analysis, they accurately forecast material availability, allowing for proactive material tendering and procurement while maintaining safety stock levels. Simultaneously, the warehouse strategically plans the storage space for finished products, ensuring the continuity and adequacy of finished goods supply to support the overall stability of the Company's operations.



► Responsible Purchasing

Huadong Medicine is committed to embedding the principles of sustainable development throughout its procurement management processes, thereby continuously bolstering the stability and sustainability of its supply chain. The Company has instituted various frameworks, including the *Procurement Management System*, *Raw and Packaging Material Procurement Management System*, and *Raw and Packaging Material Tender Management System*, as foundational frameworks for supplier selection and procurement, ensuring adherence to stringent quality standards.

In pursuit of transparent procurement practices, the Company has implemented an SRM system platform to facilitate qualification assessment, tender submission and order and contract management for approved suppliers. This approach enhances the confidentiality and efficacy of inquiries and quotations for raw and packaging materials, with all such transactions now conducted online, achieving a 100% digital procurement rate. Moreover, the Company enters into formal agreements, including *Integrity Cooperation Agreement*, *Supplier Anti-Bribery Codes of Conduct* and *Commitment to Integrity and Self-discipline*, with each collaborating supplier, thereby delineating clear behavioral guidelines for both parties in commercial transactions and underscoring the penalties for any misconduct.



Regular integrity training and educational programs are conducted for the procurement team to foster a heightened awareness of integrity. Each member of the procurement team is required to sign an Integrity Commitment, outlining the prescribed behavioral standards to be adhered to during procurement activities, thereby ensuring the impartiality and transparency of the procurement process.

► Supplier Risk Management

Huadong Medicine places a high priority on supplier risk management. We ensure the stability and reliability of our suppliers through meticulous oversight of supplier qualification, comprehensive management across all phases of supplier interaction, and a firm commitment to preventing corruption. We are dedicated to enhancing these measures to guarantee product quality and supply chain security, thus providing a robust foundation for the Company's steady growth.



Strict Control over Supplier Qualification

- Implement a real-name recommendation system for suppliers;
- Conduct supplier prequalification to verify their robust internal control systems;
- Perform site inspections to assess suppliers' contractual capacity;
- Review potential legal risks and relationships associated with suppliers.

Comprehensive Management across All Supplier Interactions

- Develop a detailed contract management system that clearly defines the responsibilities and obligations of bother parties;
- Enforce strict control over the receipt and dispatch of goods, and establish rigorous procedures for inventory management;
- Evaluate suppliers' contractual capacity.

Firm Commitment to Preventing Corruption

- Integrate anti-corruption requirements into the specifications of tender documents;
- Execute Integrity Cooperation Agreements with suppliers;
- Engage third-party agencies for ongoing oversight and post-engagement reviews;
- Provide anti-corruption training to elevate employee awareness;
- Utilize digital platforms to conduct transactions, ensuring the utmost fairness and transparency.

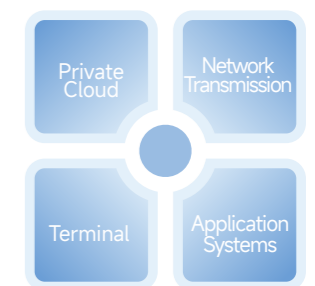
05 Information Security and Privacy Protection

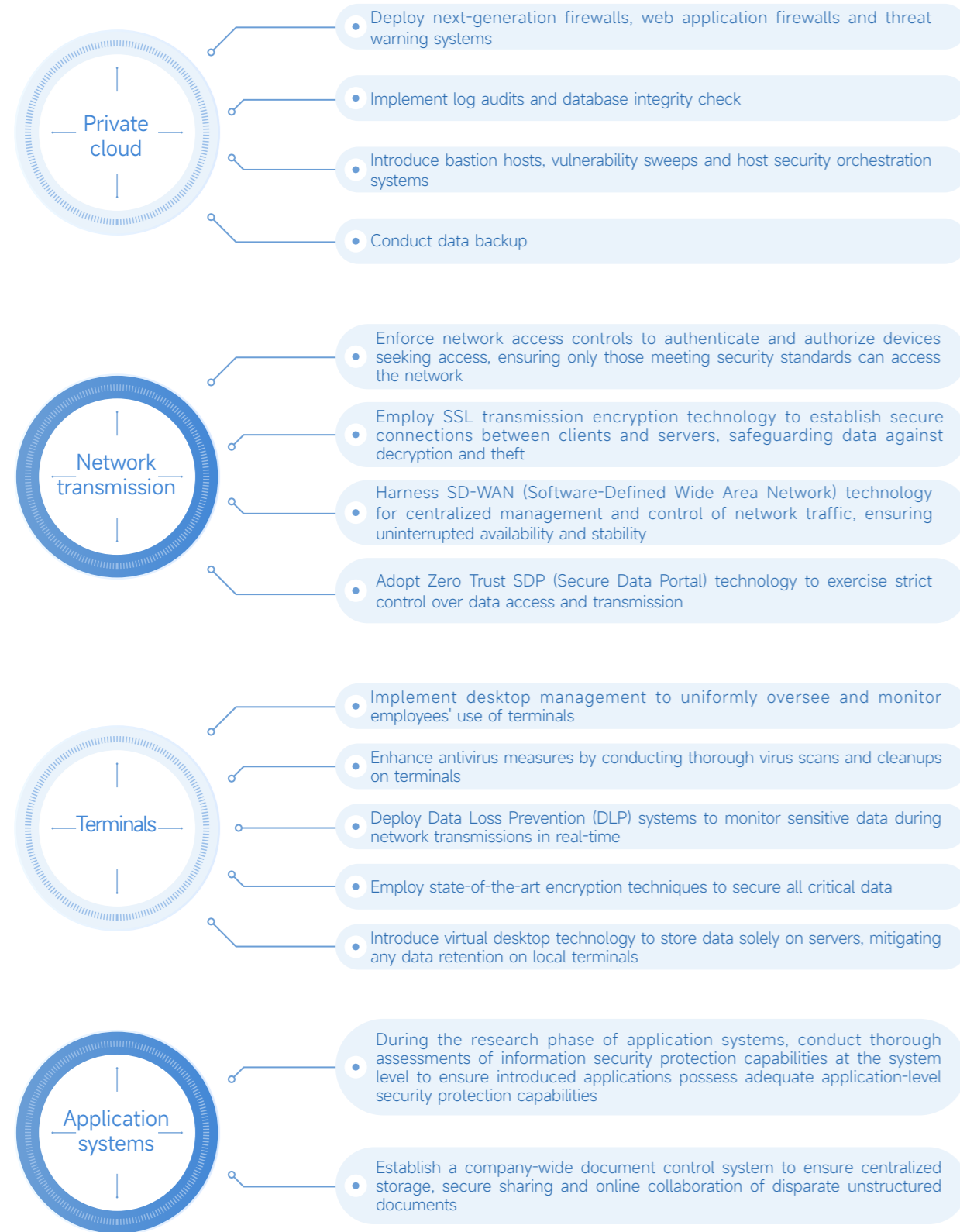
The Company places paramount importance on information security and privacy protection. In strict adherence to pertinent national legislation and the Company's actualities, we have established a comprehensive, scientifically sound and effective information security and privacy protection management framework and protocols. These directives set out the roles and obligations of each department and staff member, ensuring the secure, steady and reliable operation of the Company's information systems. This, in turn, furnishes a robust safeguard for the sustainable development of our businesses and the unwavering trust of our clients.



Information Security Initiatives

To fortify our information security capabilities, proactively preempt information hazards, and safeguard the confidentiality, integrity and accessibility of our corporate data, we have erected an information security architecture spanning four pivotal layers: the private cloud, network transmission, terminal and application systems. We are committed to the ongoing fine-tuning and improvement of this framework to effectively address the ever-evolving array of information security challenges.





Information Emergency Management

Huadong Medicine, in compliance with applicable national laws and regulations and considering the unique circumstances of its various subsidiaries, has instituted protocols such as the *Emergency Response Management System* and the *Information System Security Emergency Plan Management System*. This has created a robust and effective information security emergency management framework, which defines the specific responsibilities of each department and employee, standardizes the process for handling information security incidents, and provides a solid institutional foundation and procedural guidance to address a wide range of information security threats.

Additionally, the Company conducts regular risk assessments of its enterprise information systems, networks and data to identify potential security vulnerabilities. Based on these evaluations, it has developed comprehensive emergency response plans and drills. Through routine drills and training sessions, the Company continually enhances its employees' skills and readiness in addressing security incidents, thereby reinforcing its overall capacity to manage and resolve such events effectively.

The Company strictly observes relevant privacy protection laws and regulations, ensuring the utmost confidentiality of customers' personal information, and strictly prohibits any unauthorized disclosure or misuse.

06 Promoting Healthcare Access

Huadong Medicine is committed to the concept of extending access to more safe and efficacious products to patients across the nation. Across four key domains encompassing product portfolio expansion, strategic planning for new product launches, post-marketing clinical researches, and navigating various regulatory access protocols, the Company is expediting product availability to fulfill the evolving needs of a broader patient demographic.

As of the reporting period, the Company boasts a portfolio comprising 40 core products with market approval (Class A: 12, Class B: 29), alongside 15 strategic collaboration products (Class A: 1, Class B: 14) featured in the 2023 Drug Catalog. Among these, the Company's marketed products, including Acarbose Chewable Tablets, Corbrin Capsules, Metformin Hydrochloride and Glimepiride Tablets, alongside strategic collaboration offerings such as Etanercept for Injection, Mulberry Twig Alkaloids and Icarin Soft Capsule, were positioned within the "Negotiated Drugs during the Agreement Period" section of the "2023 Drug Catalog". Furthermore, the strategic collaboration product Tofacitinib Sustained Release Tablet was positioned within the "Bidding Drugs" section of the same catalog.



Fostering Affordable Accessibility to Products

Shouldering the mission of "contributing to the well-being of the public", the Company places patients at the forefront, leveraging scientific research and market insights. Through strategic measures encompassing network expansion, medical insurance integration, personalized healthcare service solutions (PAP) and city-customized commercial medical insurances, we endeavor to enhance affordability. Upholding a dual focus on both internal and external markets, prioritizing both tertiary hospital and grassroots market segments, we strive to ensure the widespread accessibility of our products.

During the reporting period, the Company took proactive steps to alleviate the financial burden on patients for our strategic collaboration product, Cariin Soft Capsule. This included implementing price adjustments, integrating the product into the coverage of city-customized commercial medical insurance across multiple regions, and engaging in charitable medication donations. Looking ahead to 2024, the Company plans to formally include Cariin Soft Capsule in the dual-channel directory spanning 31 provinces, municipalities, autonomous regions and directly administered cities nationwide. Backed by a diversified distribution network, we anticipate to deliver comprehensive and convenient services to a broad spectrum of patients.



4 People-Centric Approach: Fostering a Better Society

Our Philosophy

Huadong Medicine is dedicated to creating an equitable and diverse employment environment, offering each employee a robust platform to showcase their talents and achieve their full potential. The Company is deeply invested in the well-being of its employees, prioritizing their physical and mental health while ensuring their rights and interests are protected. It strives to foster a work atmosphere that exudes warmth and compassion, allowing employees to flourish in a collaborative and supportive environment.

Our Actions

- 1.Labor Relations Management
- 2.Training and Development
- 3.Occupational Health and Safety
- 4.Social Welfare

SDGs

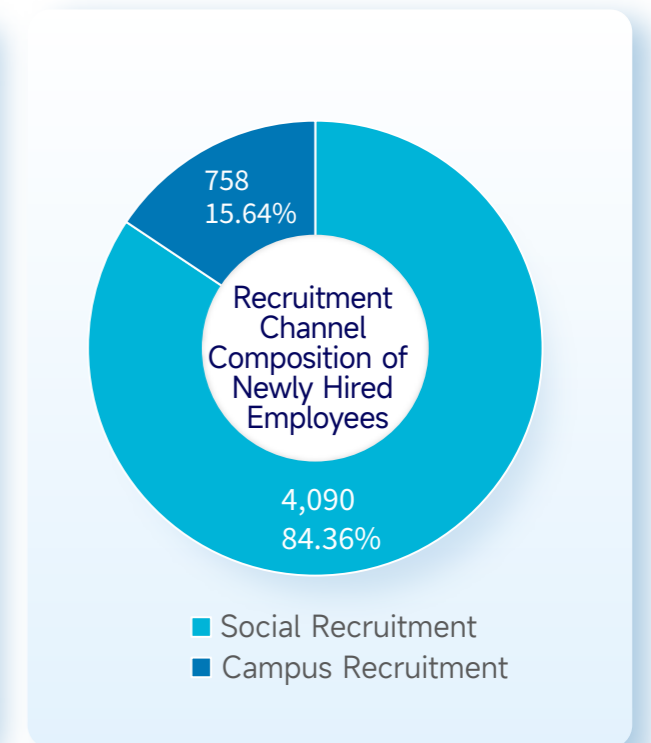
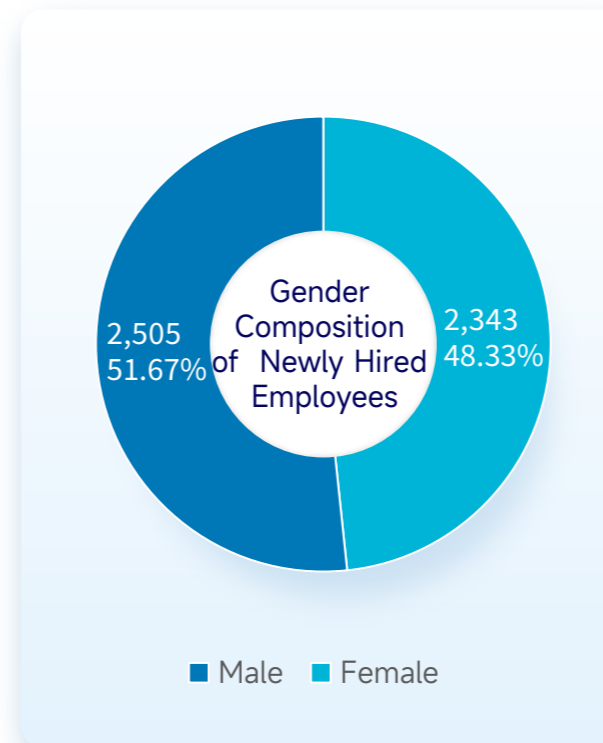
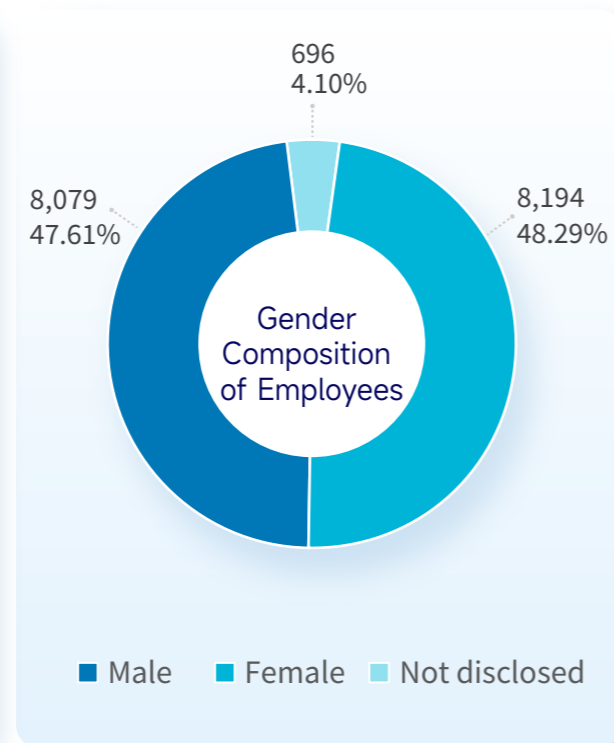
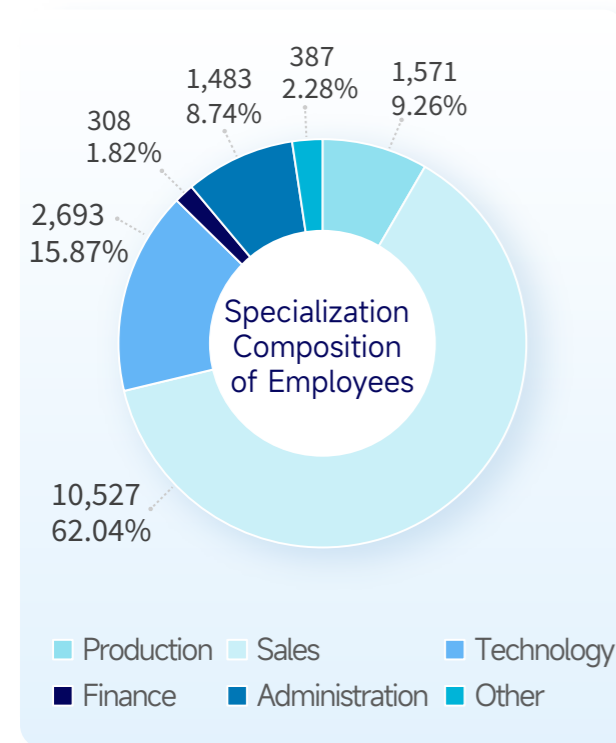
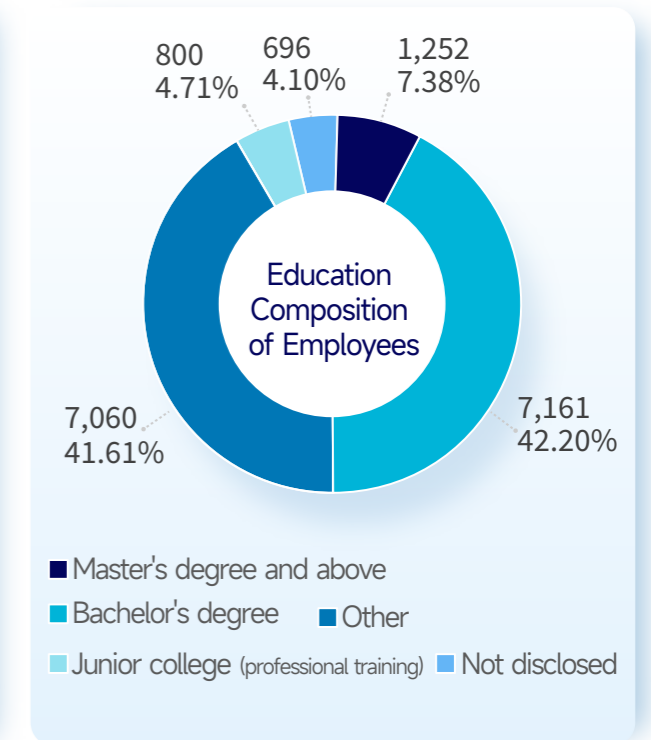
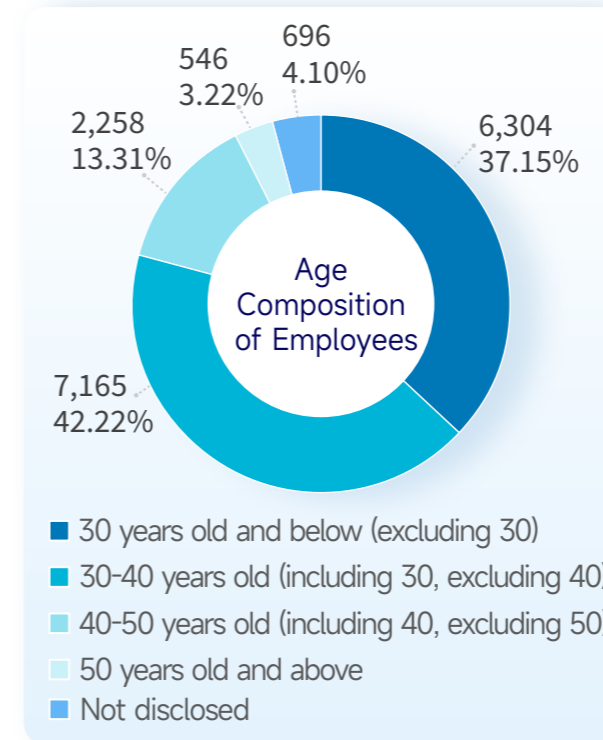


01 Labor Relations Management

Employee Recruitment

The Company adheres to relevant labor laws and regulations, such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and the *Employment Promotion Law of the People's Republic of China*. We've established various management policies including an Employee Handbook, Labor Contract Management Regulations, and Recruitment Management System. Subsidiaries customize their management policies to address their unique needs based on these overarching guidelines. We ensure that our employee recruitment and onboarding processes are rigorously standardized to prevent any form of discrimination or prejudice. This approach guarantees that recruitment is conducted in a fair, impartial and transparent manner.

During the reporting period, we revised the *Recruitment Management System*, explicitly underscoring the need for fairness and impartiality in the recruitment process. This transparency minimizes the risk of any form of discrimination and promotes an inclusive workplace.



Note: Statistics on new hires do not include the overseas subsidiary Sinclair.

► Recruitment Channels

In 2023, the Company continued to broaden its recruitment channels, aiming to attract a plethora of high-caliber talents. Regarding campus recruitment, strategic partnerships were forged with esteemed institutions such as Zhejiang University, Zhejiang University of Technology, Wuhan University, Northwest University, Jiangnan University, Huazhong University of Science and Technology, Northeastern University, China Pharmaceutical University, Shenyang Pharmaceutical University, Anhui University of Chinese Medicine, Shaanxi University of Chinese Medicine, among others. Over a dozen information sessions, excluding standard job fairs, were organized, culminating in employment opportunities extended to 758 recent graduates. In terms of social recruitment, the Company harnessed diverse online platforms, alongside on-site job fairs, headhunting agencies and internal referrals, resulting in the acquisition of 4,090 exceptional talents.



Campus recruitment opportunities extended to **758** recent graduates.

Social recruitment acquisition of **4,090** exceptional talents

► Recruitment Audit

The Company unequivocally prohibits the engagement of child labor, prescribing age requirements within its *Recruitment Management System*. A multi-stage audit process has been established to mitigate the risk of inadvertently hiring minors. Early in the recruitment cycle, prospective candidates required to complete comprehensive registration forms, inclusive of vital information such as dates of birth and ID card numbers, to facilitate preliminary age verification. Subsequently, a rigorous validation procedure is conducted during later stages, encompassing scrutiny of identity documentation, educational credentials, and other pertinent records to corroborate applicants' age.



During the reporting period

the Company boasted a **100%** rate of labor contract execution, coupled with **100%** social insurance coverage.

Salary and Welfare

In alignment with its operational imperatives and growth strategies, the Company has devised a differentiated and market-driven remuneration framework. Embracing a compensation design concept rooted in value creation, we align pioneering remuneration strategies with individuals exhibiting commendable value propositions. Moreover, we've instituted flexible and diverse incentives for those actively engaged in value creation.

The Company's compensation management endeavors are anchored in compliance, steadfastly adhering to regulatory requirements of the respective nations and locales where it operates. This entails ensuring that the minimum wage average for regular attendance surpasses local statutory benchmarks across all operational domains throughout the fiscal year.

► Compensation Structure

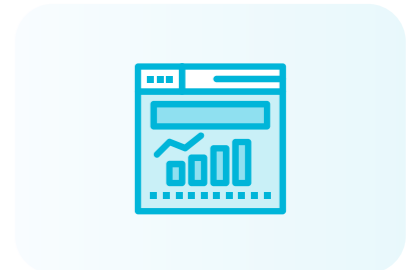
The Company's compensation structure predominantly comprises fixed base pay, variable performance bonus and supplementary project-specific bonuses. Furthermore, it extends long-term equity incentives to key managerial and technical cadres. We conduct periodic recalibration of salary benchmarks against market standards, thereby facilitating the refinement of compensation frameworks and standards for distinct job grades. Short-term performance bonus and other variable income streams are contingent on routine and annual performance evaluation results, while project-specific bonuses are contingent upon pivotal project milestones. Concurrently, long-term incentives are linked to the overarching strategic performance of the Company.

► Performance Feedback and Appeals Mechanism

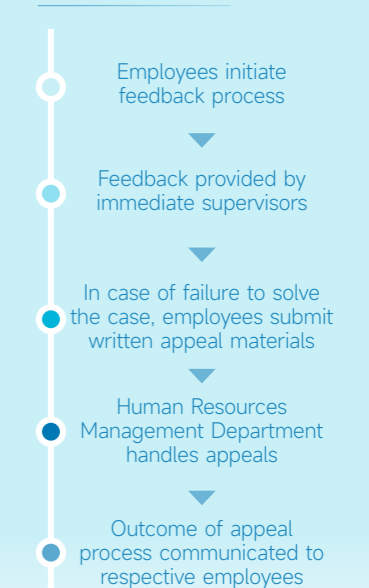
At Huadong Medicine, we uphold a performance-driven philosophy centered on value creation. We emphasize fostering employee engagement through effective communication and coaching to motivate the employees and continuously elevate their performance, thus ensuring the realization of organizational performance objectives. At present, our performance assessment process involves setting, assessing, and providing feedback on performance goals through an online platform. We underscore the importance of performance feedback interviews conducted by department managers, which serve to acknowledge employees' contributions and collaboratively explore avenues for improvement in areas of weakness. For individuals falling short of basic performance targets, we require the development of a written improvement plan, coupled with necessary coaching and training to support their performance enhancement and goal achievement.

Moreover, we've instituted a formal performance appeals mechanism. Should employees contest assessment results, they are encouraged to first attempt resolution through dialogue with their immediate supervisors. If such method fails, employees may, within ten days of receiving feedback on evaluation results, submit a written appeal to the Company's Human Resources Management Department. Failure to submit a timely written appeal or to have the appeal approved will result in the maintenance of the original evaluation results.

Online Performance Feedback Process



Offline Performance Feedback Process



Employee Benefits

We guarantee our employees' entitlement to regular leaves, including statutory holidays, marriage leave, bereavement leave, maternity leave, sick leave and paternity leave, all of which are paid according to national regulations. Additionally, employees are entitled to paid annual leave as mandated by national regulations.

During the reporting period

the Company allocated RMB **161.14** million towards welfare expenses.



Diversity, Equality and Inclusivity

The Company upholds a commitment to equality and inclusivity throughout its recruitment practices, continuously strengthening recruitment information management. Prior to job postings, we meticulously review recruitment content to ensure it lacks any discriminatory language or restrictive criteria based on gender, age, ethnicity, or residency. Regular audits of recruitment materials ensure alignment with current market dynamics and company requirements. Timely updates to recruitment information highlight a range of diverse benefits, including salary, bonuses, training opportunities, career advancement prospects, and other perks, aimed at attracting candidates from varied backgrounds and with diverse needs.



Protection of Women's Rights

The Company rigorously adheres to the *Special Regulations on the Labor Protection of Female Employees*, clearly outlining provisions for paid marriage leave, maternity leave, prenatal care leave and breastfeeding breaks for female employees within the employment framework, alongside offering paternity leave for male employees.



During the reporting period

346 employees took maternity leave, with a **100%** return rate; while

478 employees took parental leave, also with a **100%** return rate.

Women represented **33.73%** of managerial personnel and **50.15%** of technical staff.

02 Training and development

Huadong Medicine recognizes the cultivation of talent as a vital cornerstone for the Company's sustained growth. Firmly embracing a talent-centric approach, we are dedicated to establishing a diverse and multifaceted talent development framework to drive the Company's strategic transformation.

For new hires, we deliver specialized induction training and oversee a comprehensive probationary period management, facilitating swift assimilation into the corporate culture. For recent graduates, the Company's "Voyage Program" expedites their transition into roles, instills an understanding of the corporate culture, and fosters robust professional acumen. We effectively cultivate youthful talent by employing a range of methodologies, including collective training, talent selection, rotational assignments, performance evaluations and hands-on experiences.

Training Focus	Training contents
Management Proficiency	With a focus on building a robust talent pipeline, we prioritize the nurturing and development of core and pivotal managerial personnel through a structured hierarchical management approach. This fortifies the internal talent development mechanism, propelling the Company's sustained growth.
Business Competence	Regular review and cultivation of talent in critical domains such as research and development, quality assurance, manufacturing and sales are conducted to continually enhance employees' business competence and comprehensive quality, aligning with the Company's trajectory towards sustained growth and global expansion.
Professional Skills	By enhancing standardized job roles, reinforcing on-the-job and recurrent training systems, and integrating experiential learning with assessment methodologies, we accelerate skill development among the workforce, thereby optimizing operational workflows and efficacy.

During the reporting period

the Company invested RMB **6.05** million in employee training initiatives, organizing **428** training sessions engaging **38,716** participants and delivering **346,089** hours of training, achieving a comprehensive training coverage rate of **100%**.

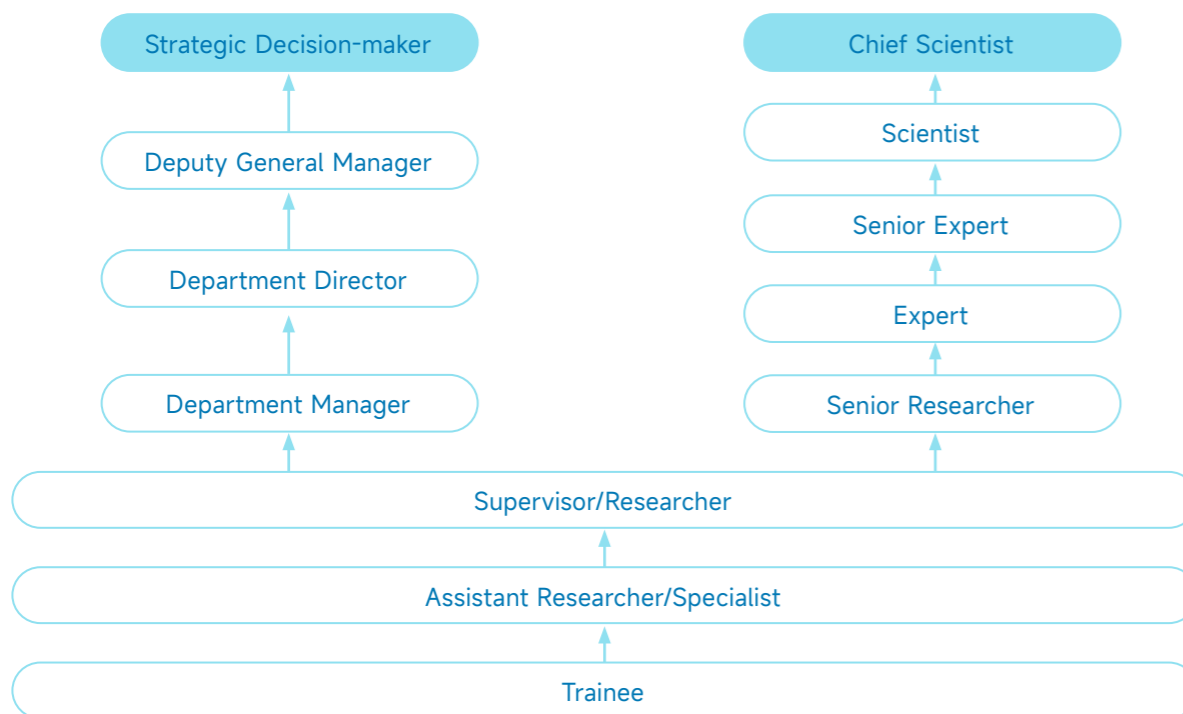
Concurrently, we are progressively enriching our digital training infrastructure, expanding course offerings across diverse business domains to establish a comprehensive learning ecosystem. Through tailored digital training modules, employees are empowered to engage in training and skill development seamlessly and efficiently, bolstering their job readiness and effectiveness.



Career Development

Huadong Medicine is committed to continually refining its employee career development framework, providing employees with clear pathways for professional growth. Based on individual attributes and career aspirations, we've established dual-track career development routes. Employees can choose to deepen their expertise in specialized fields, becoming industry experts, or transition into managerial roles to leverage their leadership abilities and foster team growth.

Employee Development Pathways		
Improve Employee Career Development Pathways	Fortify Support for Employee Career Development	Enhance Promotion of Employee Career Development
We are continuously enhancing and refining career development pathways in research and development, quality assurance, business development, functional roles, and production operations to meet the personalized development needs of our employees, facilitating organic alignment between company growth and employee career development.	We are consistently optimizing our rank systems and corresponding standards for different professional and managerial tracks, ensuring the effective operation and implementation of dual-track development mechanisms for both managerial and professional roles.	We've established qualification management and certification systems for various career tracks and ranks, with annual to biannual internal promotion processes to guide and accelerate employee career development initiatives.



Dual-track Career Development Model for Managerial and Professional Roles

03 Occupational Health and Safety

Safety Production Management

At Huadong Medicine, we prioritize the aspect of occupational health and safety in our production processes, aiming to embed a safety-first mindset throughout every facet of our operations. We have instituted a company-wide safety production responsibility system, with each employee annually signing a safety production responsibility agreement, ensuring accountability across all levels and fostering active participation in EHS initiatives by all. In line with pertinent national and local regulations, and tailored to the Company's specific context, we have developed comprehensive safety production management frameworks such as the *EHS Responsibility System* and the *Safety Production Responsibility Assessment and Management System*. These frameworks form the backbone of our safety production responsibility structure, guaranteeing a secure and efficient environment for our production activities.

To ensure the effective implementation of our responsibility system, regular assessments of safety production responsibilities are conducted across all levels of personnel. We also enforce a merit-based reward and disciplinary mechanism, incentivizing proactive adherence to safety production responsibilities at every level. Furthermore, we have established a safety incentive fund to recognize exceptional contributions to safety practices, motivating our employees to actively engage in safety initiatives.

In 2023, the Company firmly embraced the concept of sustainable development by deeply implementing national safety production laws and regulations. We strictly adhered to legal requirements such as the Safety Production Law and the Environmental Protection Law, placing compliance and risk prevention at the forefront of our objectives. We actively advanced the optimization and reform of our EHS management system, using job safety manuals as a focal point and leveraging building stewardship management to promote a comprehensive EHS responsibility framework across all staff. Through these efforts, we successfully achieved our established EHS objectives and work plans, resulting in zero major incidents such as fires, explosion or casualties, as well as zero environmental pollution accidents and occupational health incidents throughout the year. This commitment has safeguarded the Company's safe, orderly and sustainable operations.



Safety Production Policy

Safety First

Prevention-Oriented

Comprehensive Management

During the reporting period

the Company invested RMB **28.98** million in safety production initiatives.

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and Wuhu Huaren

Occupational Health and Safety Management System Certification

Subsidiaries that have been certified to ISO 45001 Occupational Health and Safety Management System

Zhongmei Huadong

Jiangdong Company

Xi'an Bohua

Jiuzhou Pharmaceutical

Jiangsu Joyang

Contractor Safety Management

The Company has instituted a robust and scientifically sound system for managing contractor safety, delineating the scope of responsibilities for departments involved in engineering projects, and clearly outlining the safety duties and obligations of contractors. In addition, a standardized approach to managing safety requirements throughout the construction process has been adopted to ensure adherence to safety standards, thereby bolstering the overall safety standard of engineering projects and effectively securing the lives and assets of construction personnel.

In order to operationalize contractor safety responsibilities, we've implemented comprehensive mobilization education and training programs for contractors. These programs encompass a spectrum of topics including safety protocols, hazard identification and prevention, and emergency response procedures. Moreover, contractors are mandated to endorse pertinent documents such as the *Contractor Safety Commitment* and *Contractor Mobilization Instructions* upon mobilization. Following mobilization, a mechanism for conducting on-site safety inspections by contractors has been instituted to swiftly identify and rectify any safety hazards encountered during the construction process, thus ensuring the secure and smooth progression of construction activities.

Safety Risk Management

The Company places a paramount emphasis on workplace safety, implementing a robust safety risk grading and control system alongside comprehensive hazard identification and remediation measures. Through rigorous risk assessment and diligent hazard mitigation efforts, the Company elevates its safety management standards, effectively preventing and reducing the occurrence of production-related safety incidents, thereby safeguarding the personal well-being of employees and ensuring the stable growth of the organization.

► Safety Risk Grading and Control

The Company organizes various departments to conduct safety risk identification at every operational level. Based on these assessments, we formulate control measures at both the organization, departmental and operational levels, substantially mitigating job-related safety risks and enhancing the safety consciousness and responsiveness of all employees.

At the organization level, strategic control measures are devised to construct a robust safety framework across the entire organization. Departmental-level initiatives aim to concretize corporate safety standards, implementing refined safety protocols tailored to the unique characteristics and operational demands of each department. Moreover, operational-level control measures delineate safety responsibilities for individual employees, ensuring a pervasive safety culture. Simultaneously, detailed employee safety handbooks are developed, explicitly outlining safety responsibilities and operational protocols for each role, facilitating a comprehensive understanding and diligent adherence to safety practices among staff.

► Hazard Identification and Management

The Company has established systems such as the *Management System for Hazard Identification and Risk and Opportunity Evaluation* and the *Safety Risk Identification and Control System*. These systems detail the methods for identifying hazards and specify the evaluation criteria for risks and opportunities. This ensures the accurate identification and assessment of all hazards within the organization, evaluating their risk levels and identifying significant risk factors accurately. Subsequently, corresponding management measures are implemented.

During the reporting period, various safety inspections and patrols were conducted regularly through monthly comprehensive inspections, daily safety and fire patrols, and other similar means. Clear rectification plans were formulated, with enterprise and department heads acting as the primary responsible parties for supervising implementation. Control measures were established and implemented by designated personnel to decisively prevent the occurrence of related hazards and accidents until rectification was completed.



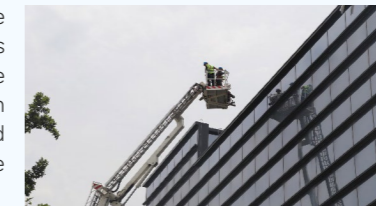
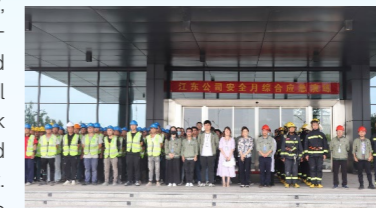
► Safety Emergency Management

Based on the Company's actual operational imperatives, we've developed safety production emergency plans and annual drill plans. Comprehensive emergency plans, specialized emergency plans and on-site disposal plans are regularly practiced, providing employees with opportunities to encounter simulated real safety incidents. This ensures the rationality and operability of emergency plans and enables staff to respond quickly and efficiently in emergencies. Hence, the Company's stable operation is maximized, and the lives and property of employees are safeguarded.

Case 1

Comprehensive Fire Emergency Drill for Hot Work

On July 13, 2023, Jiangdong Company, in conjunction with the Qianjin Sub-district Fire Brigade, conducted a comprehensive emergency drill addressing a potential fire outbreak during welding operations on the third floor of the indole formulation project. This exercise served to elucidate the graded emergency response procedures and mitigation strategies for fire incidents, bolstering the preparedness of each emergency team to tackle unforeseen contingencies and laying a robust groundwork for future crisis management.



Case 2

Specialized Fire Emergency Drill for Tank Area

During the Safety Month campaign of 2023, Meihua Hi-Tech, in collaboration with the Chemical Industrial Park Fire Brigade, orchestrated and oversaw a specialized emergency drill targeting fire accidents in the tank area. This exercise not only validated the practicality and efficacy of the specialized emergency plan but also markedly augmented the safety awareness and emergency responsiveness of park personnel, thereby fortifying the framework for adeptly handling accidents in the times ahead.



During the reporting period

the Company conducted **133** safety emergency drills, including **9** comprehensive emergency plan drills, **53** specialized emergency plan drills, and **71** on-site disposal plan drills.

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and Wuhu Huaren.

Case 3 Fir Emergency Evacuation Drill at Project Site

On June 13, 2023, Magic Health organized a fire emergency evacuation drill for all stakeholders involved at the project site. Employing smoke bombs to recreate a realistic fire scenario, practical exercises were conducted on fire extinguisher operation and cardiopulmonary resuscitation (CPR) techniques. With participation from over 80 individuals representing both the project management and construction units, this drill not only enhanced employees' emergency response and mutual aid capabilities but also underscored the importance of teamwork and swift, coordinated crisis management, thus laying a solid foundation for ensuring both the operational safety of the project and the welfare of employees' lives and assets.



Digital Management

Zhongmei Huadong, one of the Company's subsidiaries, has established a "Five-in-One" safety management information platform. This platform encompasses five modules including hazard detection and early warning, personnel presence tracking, safety risk zoning, full-process management, and dual prevention mechanisms. It enables real-time monitoring and multi-tiered early warning for data originating from 21 risk zones, 169 gas detectors, tank area (pressure & temperature), and other pertinent sources. Furthermore, it includes the development and integration of synchronized computer and mobile applications, ensuring a holistic approach to safety risk control characterized by "data integration, precise risk identification, real-time monitoring, early warning, and systematic assessment". This initiative significantly mitigates the likelihood of safety incidents.



21 risk zones

169 gas detectors

real-time monitoring

early warning

Safety Awareness Education

The Company has developed an annual health and safety training plan and systematically trained employees in safety knowledge and regulations to deepen their understanding of various safety risks and familiarize them with national and local safety regulations. This initiative aims to comprehensively enhance employees' safety awareness. Additionally, the Company actively participates in national "Safety Production Month" campaigns, promoting safety knowledge through various methods such as displaying safety propaganda signs, playing safety education videos, and organizing safety knowledge quizzes.



During the reporting period

the Company conducted **905** safety education and training sessions, engaging **29,420** participants, achieving a **100%** coverage rate for safety education and training and a **100%** coverage rate for safety risk protection training.

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and Wuhu Huaren.

Occupational Health Management

The Company conducts regular assessments of occupational disease hazards in production workshops, office areas and other workplaces. Key indicators such as concentrations of hazardous substance in the air, noise levels and lighting conditions are measured and analyzed to identify potential hazards comprehensively. Based on the assessment results, appropriate control measures are implemented to create a safer and more comfortable working environment for employees.



During the reporting period

percentage of special operators licensed: **100%**

Investment in work-related injury insurance
RMB **2.39** million

Coverage rate of occupational injury insurance for employees: **84.40%**

Coverage rate of physical examinations for employees: **100%**

Detection rate of occupational disease hazards: **100%**

Pass rate of occupational disease hazard detection: **96.03%**

Number of new cases of new occupational diseases: **0**

Note: Data compilation encompasses Zhongmei Huadong, Jiangdong Company, Xi'an Bohua, Jiangsu Joyang and Wuhu Huaren.

04 Social Welfare

Community Engagement

Drawing upon its resource advantages, Huadong Medicine actively participates in community care initiatives, fulfilling social responsibility through tangible deeds and fostering symbiotic relations between the Company and the community.

During the reporting period, the various volunteer service teams affiliated with Huadong Medicine remained active in major hospitals, communities and public events in 2023. Notably, the volunteer service team from Huadong Medical Retail Pharmacy steadfastly ventured into communities on a routine basis, extending care to the elderly. They conducted blood pressure screenings, provided medication and equipment guidance, offered eye care and organized the collection of expired medications across diverse Hangzhou neighborhoods. During holidays, they visited and tended to the elder aged 80 and above in their residences. Proactively responding to the directives of the Municipal Party Committee Organization Department and the Company's Party Committee, the Company's Youth League Committee handpicked three young members to provide management services at the Asian Games Village for a 10-month tenure. This team is made up of a Youth League Committee member, a Youth League branch secretary, and an ordinary member, all contributing zealously to the success of the Hangzhou Asian Games. Concurrently, the Company's subsidiary Supply Chain Management (Wenzhou) Company, orchestrates annual summer cooling initiatives, August 1st tributes and community outreach endeavors, extending benevolence to frontline sanitation workers while endowing them with summer essentials valued at RMB 10,000.



Volunteers Aid the Asian Games



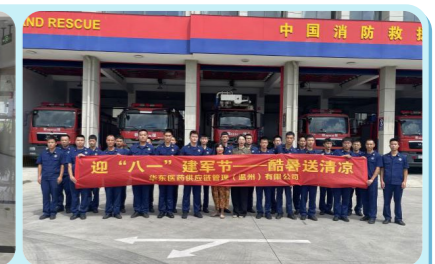
Supply Chain Management (Wenzhou) Company Extends Regards to Veterans



Supply Chain Management (Wenzhou) Company Extends Regards to Frontline Delivery Personnel



August 1st Cooling Initiative at Supply Chain Management (Wenzhou) Company



Case Fragrant Rice Dumplings and Heartfelt Companionship: Huadong Medicine Livelihood Pharmaceutical Service Station Engages with the Community

On June 16, Huadong Medicine Livelihood Pharmaceutical Service Station made its presence felt in the Hongyuan Community, offering a plethora of services ranging from blood pressure screenings to medication and equipment guidance, eye care, and the collection of expired medications. On June 20, Huadong Medicine Livelihood Pharmaceutical Service Station, in partnership with the Hongyuan Community of Zhaohui Sub-district, launched an event themed "Embracing the Spirit of Dragon Boat Festival: Crafting Rice Dumplings as a Gesture of Hospitality for the Asian Games". Residents and staff were invited to partake in the age-old tradition of rice dumpling making, transforming each leaf and grain of glutinous rice into meticulously crafted bundles of joy imbued with heartfelt sentiments. Following this, they paid a visit to the elder aged 80 and above living in the community, where Huadong Medicine Pharmacy thoughtfully prepared and distributed complimentary sachets of fragrant herbs, extending warm wishes and festive greetings for the Dragon Boat Festival.

Simultaneously, by the tranquil waters of the Canal Lake, personnel from the pharmaceutical service station and community workers collaborated on a knowledge-based quiz dubbed "Enriching Minds with Asian Games Insights, Rewarding Correct Answers with Fragrant Herb Sachets". Residents were encouraged to test their knowledge on the Asian Games, with correct responses earning them fragrant herb sachets, fostering an atmosphere brimming with lively interactions and jovial exchanges. Residents praised the engaging format of the activities, noting how it not only deepened their understanding of the Asian Games but also enveloped them in the festive ambiance of the Dragon Boat Festival.



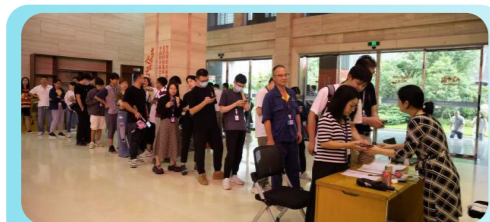
Social Welfare

"The noblest conduct resembles the flowing waters, and profound virtue bears the weight of all endeavors". Public welfare and charitable initiatives transcend mere societal obligations; they epitomize actionable endeavors. As an enterprise deeply imbued with a profound sense of social responsibility, Huadong Medicine not only pursues its own developmental goals but also champions the cause of social welfare with unwavering dedication. Actively contributing to the fields such as education, environmental conservation and culture, the Company embodies a symbiotic relationship with the environment while fostering mutually beneficial alliances within society.

During the reporting period, the Company organized the active participation of volunteers in altruistic blood donation drives, garnering accolades such as the "Spring Breeze Action Love Award 2023" and the "Guardian of the Asian Games Award" for their one hundredth blood donation event. Simultaneously, the Company extended its philanthropic reach by sponsoring Laba porridge for the Disabled Association of Gongshu District, offering a generous donation towards road expansion in Santan Village, and tendering heartfelt gestures of compassion in the form of quilts to the elderly citizens of Yongjia Mountain District. Moreover, the Company zealously engaged in Tmall's public welfare livestreaming activities, subsequently being lauded with the title of "Best Partner" at the Hangzhou Marathon event.

During the reporting period

the Company's charitable donations amounted to **RMB 27.37 million.**



Altruistic Blood Donation Drive



Spring Breeze Action Love Award



Bailing Health's Involvement in Public Welfare Livestreaming

Case "Flower of Life" - Public Welfare Initiatives in the Field of Organ Transplantation



Huadong Medicine spearheaded the creation of the nation's inaugural public welfare medical literature, "Flower of Life", a compendium offered free of charge to both organ transplant donors and recipients. It aimed to fortify doctor-patient discourse and advance health education. Since its inception in 2003 until the close of 2023, 70 issues have been disseminated, earning fervent praise and acknowledgment from professionals and patients engaged in the transplantation domain.



Collaborating with relevant foundations, the Company established the "Flower of Life" Family Living Organ Transplantation Charitable Fund, dedicated to furnishing quantifiable immunosuppressive medications as acts of philanthropy. In 2023, this fund extended its benevolence to 406 recipients of family living organ transplants, with contributions approximately RMB 800,000. By the end of 2023, this initiative had tendered compassionate support to 6,120 recipients of family living organ transplants, amassing a cumulative donation exceeding RMB 20.80 million.

The establishment of the "Flower of Life" WeChat public account and "Flower of Life Broadcast" video platform facilitated the provision of Internet+ health education services. Organizing the "Companionship in the Journey of Transplantation - Endless Race" series of health-focused webinars, the Company extended invitations to preeminent experts in China's organ transplantation sector, along with youthful and seasoned clinicians, fostering robust online engagements aimed at elevating clinical acumen and scholarly discourse among medical professionals. As of the end of 2023, the "Flower of Life" platform had organized a total of 545 Internet health seminars, reaching an aggregate on-demand viewership surpassing 1.66 million individuals.

In 2023, a collaborative effort with the China Association for Promotion of Health Science and Technology materialized in the "Healthy E-Home - Integrated Follow-up Management Project for Organ Transplant Recipients". This strategic endeavor aimed to bolster the follow-up management capabilities of organ transplant recipients across prefecture-level hospitals, enhancing accessibility to superior medical services. In 2023, a total of 22 transplant centers and 23 prefecture-level follow-up management hospitals participated in this project, with 138 prefecture-level follow-up medical personnel undergoing rigorous training.

Rural Revitalization

Embracing a profound sense of societal duty and mission, Huadong Medicine fervently champions the cause of rural revitalization, actively engaging in the nationwide "Ten Thousand Enterprises Assisting Ten Thousand Villages" endeavor. Through generous contributions, the Company has become a stalwart supporter of infrastructure development, agriculture modernization and the advancement of educational and cultural initiatives in rural areas. This concerted effort not only injects fresh vigor into the economic landscape of rural areas but also propels the holistic rejuvenation of these communities.



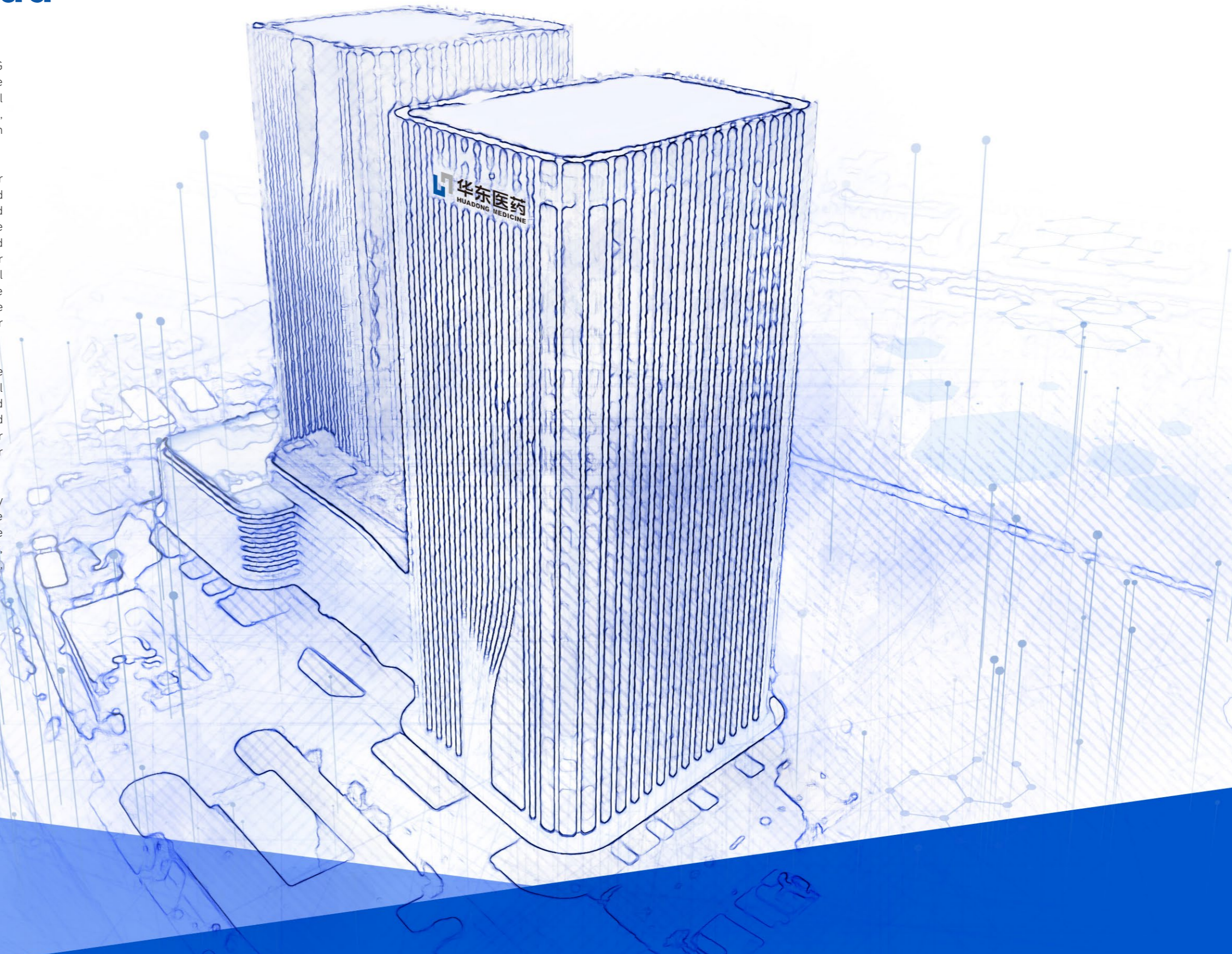
Looking Ahead

Amidst today's swiftly evolving economic and social landscape, ESG factors have emerged as the essential yardstick for gauging corporate sustainability and enduring value. Against the backdrop of escalating global concern regarding climate change, social equity and effective governance, we are acutely aware of the pivotal role that ESG performance plays in steering the organization's sustained growth.

As we chart our course for the future, we will remain steadfast in our commitment to the corporate philosophy of "Scientific Research-based and Patient-centered". We will unwavering dedication to research and development innovation stands as testament to this enduring principle. We will ramp up our efforts in R&D and innovation, striving to make advanced technologies and innovative pharmaceuticals accessible to a wider patient base through a synergy of inhouse research efforts and external partnerships. Moreover, in our manufacturing processes, we will double our efforts to embrace ecologically sustainable practices. We will elevate resource efficiency, harness renewable energy sources and curtail our carbon footprint to eventually reduce operational costs.

Moreover, we will carry forward our commitment to social welfare endeavors aimed at fostering inclusive growth and mitigating social inequalities. We are dedicated to cultivating a culture of transparency and accountability and pledge adherence to the most stringent ethical and governance standards. Through periodic assessment and disclosure of our ESG performance, we ensure that stakeholders are kept abreast of our strides and hurdles.

Looking ahead, we steadfastly maintain that ESG considerations not only constitute a cornerstone of corporate social responsibility but also serve as strategic imperatives for engendering long-term value and competitive prowess. We pledge to persist in our pursuit of sustainable development, striving to carve out a brighter tomorrow for our employees, shareholders, clients and the broader community!



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Annex II: Feedback Form

Dear readers,

Thank you for your time to read this report. To enhance the value of ESG information for you and other stakeholders, we kindly request your assistance in completing the feedback form. Your feedback will greatly aid us in further enhancing our ESG management performance. Please use the details below to provide your feedback:

 Email: ir@eastchinapharm.com

 Tel.: 0571-89903300

 Address: 866 Moganshan Road, Hangzhou, Zhejiang

1. Which type of stakeholders do you belong to:

- Shareholders or Investors Employee Client & Consumer Supplier Industry Association or Research Institution
- Public Welfare or Community Organization Media Government or Regulatory Agency Others

2. Your overall assessment of this year's ESG report:

- Excellent Good Neutral Poor Bad

3. Your assessment on this report

- Information Disclosure
 - Excellent Good Neutral Poor Bad
- Layout Design
 - Excellent Good Neutral Poor Bad
- Readability
 - Excellent Good Neutral Poor Bad

4. Which topics are of most concern to you? (Choose up to 3)

- Environmental protection
 - Environmental Management Energy Management Response to Climate Change Materials Management
 - Water Resource Utilization Pollution Control
- Corporate Social Responsibility
 - Labor Relations Management Employee Training and Development Occupational Health and Safety R&D and Innovation
 - Product Responsibility Protection of Customers' Rights and Interests Information Security and Privacy Protection
 - Responsible Supply Chain Product Accessibility
- Corporate governance
 - Protection of Shareholders' Rights and Interests Governance Strategy and Organizational Structure Business Ethics
 - Tax Governance Risk Management Quality of Information Disclosure ESG Governance

5. Does this ESG report provide any information that you are interested in:

- Yes No (What additional information would you like to see _____)

7. Do you have any other comments or suggestions regarding our ESG report, ESG work, or sustainable development management?



Huadong Medicine Co., Ltd.



Huadong Medicine
Investor Relations
Management

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