Huadong Medicine Co., Ltd.

2023 Annual Report

April 2024

A Letter to the Shareholders

Distinguished shareholders,

As time flies, we usher in a new year with endless possibilities. Over the past year, we have witnessed and experienced profound changes brought by the era. The pharmaceutical industry is marching towards a new track of increasingly healthy and compliant high-quality development driven by continuous pressures it withstands, accelerated industrial clearing due to medical anti-corruption, and continuously increased values of innovative medicines. We are keenly aware that we can tide over the difficulties only by constantly fostering our resilience for development, which will be achieved through our down-to-earth efforts.

Since we started our innovation and transformation, we have gradually defined development strategies for our four major business segments of pharmaceutical industry, pharmaceutical business, aesthetic medicine and industrial microbiology. Thanks to our consistent practice, we have transformed our innovative R&D system from external introduction to "self-development + introduction" step by step and have successfully achieved historic breakthrough in both innovative R&D team building and its capacity, with an industry chain for the complete cycle of innovation medicine R&D fostered. To date, we have established over 100 pharmaceutical product pipelines, including more than 60 pipelines for innovative products, and built the R&D ecology with Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. as the core.

In 2023, our constant efforts have been bearing fruits. The Liraglutide Injection was successfully launched, and had its marketing authorization application for diabetes, obesity or overweight applications approved successively, being the first of its kind in China and playing a leading role in the GLP-1 track. In the meantime, applications for launching of multiple blockbuster products were submitted. Mirvetuximab Soravtansine Injection, a global pioneering ADC medicine, was firstly

launched in Hainan, benefiting over 30 patients. Its application for launching in China was accepted in October 2023. Ustekinumab Injection (QX001S) was the first of its kind in China submitting the BLA, which was already accepted. Marketing authorization applications of Rilonacept Injection for Cryopyrin-Associated Periodic Syndromes and recurrent pericarditis were accepted by NMPA, expecting to benefit patients with rare diseases as soon as possible. In addition, the Company has also seen achievements in R&D of innovative medicines. Applications on IND of HDM1002, a small-molecule GLP-1 receptor agonist with global innovation level, were accepted in both China and the U.S. Its clinical trials are now progressing smoothly. The application on IND of HDM1005, a GLP-1 and GIP dual-target innovative medicine, in China was successfully approved, and its clinical trials have been officially launched. The application on IND of HDM2005, the first ADC innovative medicine independently developed by the Company, was submitted and accepted. A variety of independent innovation achievements of the Company have also debuted at diverse key international academic conferences and journals, further showcasing our unremitting endeavors and positive results in independent innovation. All these have laid a solid foundation for our future development and expansion.

In 2023, we embraced more exchanges through opening up, expanded cooperation, and consolidated resilience for development. Zevorcabtagene Autoleucel Injection, a CAR-T product introduced in early 2023, was successfully launched in 2024. The Company will continue to roll out its businesses in the field of cell therapy. The Company introduced various types of global innovative external preparations from Arcutis in the U.S. and MC2 in Denmark, further enriching our pipelines of external preparations in the field of immunity and fostering a “golden combination” that features a multi-target point and multi-acting mechanism in psoriasis treatment. In the aesthetic medicine field, the Company introduced ATGC-110 from ATGC in South Korea and YY001 from Chongqing Yuyan in China, two new botulinum toxin products under research, fully enriching the Company’s pipelines in facial injection products through differentiated positioning. In the industrial microbiology segment,

the Company set foot in the field of animal health through its holding subsidiary Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd. and won the exclusive selling right of Baoshining®, the first new opioid veterinary drug for central analgesia in China. The Company has continued to optimize its layout of pet protection products.

Looking into 2024, we will always place our focus on "development of the innovative medicine industry". In this year's government work report, the term "innovative medicine" was mentioned for the first time. It will occupy an increasingly important position in the future, validate and guide our strategic orientation. Being "scientific research-based and patient-centered", the Company will give priority to three core therapeutic fields of oncology, endocrinology and autoimmunity, follow the development trends of cutting-edge technologies, and focus on the field of chronic diseases with significant unmet clinical needs oriented at unmet clinical needs of global patients. In the meantime, we will keep strengthening and improving our independent innovation and R&D abilities, consolidate established technology platforms for R&D, exploit potentialities of the featured global R&D ecosystem of Huadong Medicine, and foster new quality productive forces for vigorous growth.

As for the aesthetic medicine segment, one of the Company's core strategic areas, the Company will continue to implement its unique strategy of "global operation layout and dual-circulation operation & development". Insisting on the high-end and natural treatment, our patent-oriented professional teams in China further enhance promotion of product brands and enterprise brands, and actively advance registration and launching of more high-end aesthetic medicine products in China. As for pharmaceutical business, the Company will further optimize business structure, facilitate transformation of innovative businesses, keep increasing proportion of innovative businesses, and improve operating benefits. In the industrial microbiology segment, the Company will conduct in-depth study on trends of market change, optimize layout of core businesses, focus on expansion of international

market, and endeavor to foster core varieties revolving around four key business directions, thus injecting vitality for the Company's vigorous development.

Taking informed and decisive actions, the Company will surely be rewarded for its unremitting endeavors. The year of 2024 is full of unknowns and variables. In the face of increasingly fierce industry competitions, the Company encounters a deep end and enters the critical stage of innovation and transformation. Therefore, we must forge ahead steadily. This year also marks the end of our 7th three-year planning. We must get ready to start again from zero, define strategic goals, pool system capacities, strengthen team building, and consolidate foundation for development. In 2024, a crucial year for securing our achievements and continuing our great efforts, the Company will remain goal-oriented and problem-oriented, benchmark our 2030 vision plan, deepen transformation of diverse businesses, and advance the high-quality development through active reflection, bold challenging, and brave pioneering.

Forging ahead despite strong wind and heavy rains, the Company has now harvested fruits. My sincere thanks go to all staff for their selfless dedication, and to our investors and shareholders for their trust and support. It is the responsibility of Huadong Medicine, a pharmaceutical enterprise, to keep strengthening our ability in creating values, to continuously improve our core values, and to maintain consistent profitability to reward the society and shareholders. In 2024, we increase the total amount of our annual dividend to 1 billion yuan for the first time and propose to launch an interim dividend distribution to reward our shareholders. We hope to boost confidence through practical actions, forge ahead and work hard to unfold a brilliant new chapter.

Finally, I would like to share with you a few lyrics. Let's encourage each other and show our respect to the new era and those who struggle ahead bravely.

"We all race ourselves for a better future and a significant victory. There is no end ahead and we will never stop our steps ..."

Lv Liang, Chairman

Huadong Medicine Co., Ltd.

April 2024

2023 Annual Report

Section I. Important Declaration, Contents and Definitions

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

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

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

The future plans, development strategies and other forward-looking statements in this annual report shall not be considered as substantial commitment of the Company to investor. Investors and related parties should be fully aware of the risks, and understand the differences between plans, forecasts and commitments.

The risks the Company faces in operation including industry policy and product price reduction risk, new drug R&D risk, investment and M&A risk and exchange rate fluctuation risk. For details, please refer to "v. Potential

risks and responses" under "XI. Prospect of future development" in "Section III. Management's Discussion and Analysis". Therefore, investors are kindly reminded to pay attention to possible investment risks.

The dividend distribution scheme approved at the meeting of the Board of Directors is as follows: On the basis of 1,754,327,548 shares of the total share capital of the Company, 5.8 yuan (before tax) of cash dividends per ten common shares will be distributed to all shareholders; a total of 0 bonus share (before tax) will be issued; and no capital reserve will be converted to increase the capital stock.

According to "Stock Listing Rules of the Shenzhen Stock Exchange", if listed companies have both Chinese and other language version of public notice, they should ensure the content of both versions are the same. In the case of discrepancy, the original version in Chinese shall prevail.

Contents

Contents of Reference File

(I) Financial statements signed and stamped by the legal representative, the person in charge of accounting work and the head of accounting institution (accounting manager).

(II) Original audit report stamped by public accountants, and signed and stamped by certified public accountant.

(III) The original of all Company's documents publicly disclosed in the press designated by CSRC during the reporting period and the original of announcements.

Definitions

Term	refers to	Definition
CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shenzhen Stock Exchange
Huadong Medicine/the Company/our Company	refers to	Huadong Medicine Co., Ltd.
CGE	refers to	China Grand Enterprises, Inc.
Huadong Medicine Group	refers to	Hangzhou Huadong Medicine Group Co., Ltd.
Zhongmei Huadong	refers to	Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.
Jiangdong Company	refers to	Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.
Jiangsu Joyang	refers to	Joyang Laboratories
Xi'an Bohua	refers to	Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.
Jiuyuan Gene	refers to	Hangzhou Jiuyuan Gene Engineering Co., Ltd.
Doer Biologics	refers to	Zhejiang Doer Biologics Co., Ltd.
Huadong Ningbo Company	refers to	Huadong Ningbo Medicine Co., Ltd.
Chongqing Peg-Bio	refers to	Chongqing Peg-Bio Biopharm Co., Ltd.
Qyuns Therapeutics	refers to	Qyuns Therapeutics Co., Ltd.
Nuoling Bio	refers to	Nuoling Biomedical technology (Beijing) Co., Ltd.
Grand Chanrong	refers to	Shanghai Grand Industrial and Financial Investment Management Co., Ltd.
Grand Huachuang	refers to	Beijing Grand Huachuang Investment Co., Ltd.
Hangzhou Heda	refers to	Hangzhou Heda Industrial Fund Investment Co., Ltd.
Fuguang Hongxin	refers to	Hangzhou Fuguang Hongxin Equity Investment Partnership (Limited Partnership)
Meihua Hi-Tech/ Anhui Meihua	refers to	Anhui Meihua Hi-Tech Pharmaceutical Co., Ltd.
Wuhu Huaren	refers to	Wuhu Huaren Science and Technology Co., Ltd.
Magic Health	refers to	Hubei Magic Health Technology Co., Ltd.
CARsgen Therapeutics	refers to	CARsgen Therapeutics Holdings Limited
Nanjing Nongda Animal Pharmaceutical	refers to	Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd.
Hibe	refers to	Hibe Technology Co., Ltd.
Chongqing Yuyan	refers to	Chongqing Yuyan Pharmaceutical Co., Ltd.
IMPACT Therapeutics	refers to	Nanjing IMPACT Therapeutics Co., Ltd.
Takeda	refers to	Takeda Pharmaceuticals Company Ltd.
GLP-1	refers to	Glucagon-like Peptide 1
Sinclair	refers to	Sinclair Pharma Limited
vTv	refers to	vTv Therapeutics LLC
R2	refers to	R2 Technologies, Inc.
MediBeacon	refers to	MediBeacon Inc.
ImmunoGen	refers to	ImmunoGen, Inc.
Provention Bio	refers to	Provention Bio, Inc.
RAPT	refers to	RAPT Therapeutics, Inc.
Kylane	refers to	Kylane Laboratories SA

High Tech	refers to	High Technology Products, S.L.U.
Heidelberg Pharma	refers to	Heidelberg Pharma AG
Kiniksa	refers to	Kiniksa Pharmaceuticals (UK), Ltd.
KiOmed	refers to	KiOmed Pharma SA
Daewon	refers to	Daewon Pharmaceutical Co., Ltd.
AKSO	refers to	AKSO Biopharmaceutical, Inc.
Ashvattha	refers to	Ashvattha Therapeutic, Inc.
SCOHIA	refers to	SCOHIA PHARMA, Inc.
EMA Aesthetics	refers to	EMA Aesthetics Limited
Julphar	refers to	Gulf Pharmaceutical Industries PJSC (JULPHAR)
Arcutis	refers to	Arcutis Biotherapeutics, Inc.
MC2	refers to	MC2 Therapeutics Ltd.
ATGC	refers to	ATGC Co., Ltd.
GMP	refers to	Good Manufacturing Practice
cGMP	refers to	Current Good Manufacturing Practices
GSP	refers to	Good Supply Practice
BE	refers to	Bioequivalence
CDE	refers to	Center for Drug Evaluation (of National Medical Products Administration)
MAH	refers to	Marketing Authorization Holder
FDA	refers to	(U.S.) Food and Drug Administration
NMPA	refers to	National Medical Products Administration
NHSA	refers to	National Healthcare Security Administration
NDA	refers to	New Drug Application
BLA	refers to	Biologic License Application
ANDA	refers to	Abbreviated New Drug Application (or Generic Drug Application)
ICH	refers to	International Council for Harmonisation (of Technical Requirements for Pharmaceuticals for Human Use)
IND	refers to	Investigational New Drug
PK/PD	refers to	Pharmacokinetics/ pharmacodynamics
CMC	refers to	Chemistry, Manufacturing and Control, mainly such pharmaceutical researches as manufacturing technology, impurity research, quality research, and stability research during drug research and development.
CMO	refers to	Contract Manufacturing Organization, i.e. Providing such services as customized manufacturing of medical intermediates, APIs and pharmaceutical preparations entrusted by pharmaceutical companies.
CDMO	refers to	Contract Development and Manufacturing Organization, mainly including providing customized R&D and production services for multinational pharmaceutical companies and biotechnology companies, such as process R&D and preparation, process optimization, scale-up manufacturing, registration and verification batches manufacturing, and commercial manufacturing of medicines, especially innovative medicines.
QA	refers to	Quality Assurance (department)

ADC	refers to	Antibody-Drug Conjugates
EBD	refers to	Energy Based Devices
license-in	refers to	Product license introduction
license-out	refers to	Product External License Authorization
BD	refers to	Business Development
EBITDA	refers to	Earnings Before Interest, Taxes, Depreciation and Amortization
EHS	refers to	Environment, Health and Safety Management Systems
MRCT	refers to	Multi-regional Clinical Trials
OTC	refers to	Over The Counter, i.e. medicines published by the medical products administration under the State Council and purchased and used by consumers at their discretion without the prescription of practicing doctors or assistant practicing doctors.
PFS	refers to	Progression-free survival
Prescription Drugs	refers to	Drugs that require medical prescriptions issued by physicians to be bought and used
RWR/RWS	refers to	Real World Research/Study, RWR/RWS, refers to collect data related to patients in the real world environment (Real World Data), through analysis, acquiring the use value of medical products and clinical evidence of potential benefits or risks (Real World Evidence).
2023 Drug Catalog	refers to	Catalogue of Drugs for Basic National Medical Insurance/Employment Injury Insurance/Birth Insurance (2023)
Reporting Period	refers to	From January 1, 2023, to December 31, 2023

Section II. Company Profile and Key Financial Indicators

I. Company information

Stock name (abbreviation)	Huadong Medicine	Stock code	000963
Stock listed on	Shenzhen Stock Exchange		
Company name in Chinese	华东医药股份有限公司		
Company name in Chinese (abbreviation)	华东医药		
Company name in English (if any)	Huadong Medicine Co., Ltd.		
Company name in English (abbreviation, if any)	Huadong Medicine		
Legal representative	Lv Liang		
Registered address	Floor 4/7, No. 439, Zhongshanbei Road, Gongshu District, Hangzhou City, Zhejiang Province		
Zip code of the registered address	310006		
Changes of registered address	From the date of listing to July 2012, the registered address was "No. 439, Zhongshanbei Road, Xiacheng District, Hangzhou". From July 2012, the registered address was changed to "Floor 9/10, Gate No. 1, Building No. 1, 468 Yan'an Road, Hangzhou". From July 2019, the registered address was changed to "Floor 7/9/10, Gate No. 1, Building No. 1, 468 Yan'an Road, Hangzhou". From July 2022, the registered address was changed to "Floor 9/10, Gate No. 1, Building No. 1, 468 Yan'an Road, Hangzhou". From June 2023, the registered address was changed to "Floor 4/7, No. 439, Zhongshanbei Road, Gongshu District, Hangzhou City, Zhejiang Province".		
Office address	No. 866, Moganshan Road, Hangzhou		
Zip code of the office address	310011		
Official website	www.eastchinapharm.com		
Email address	hz000963@126.com		

II. Contact persons and contact information

	Secretary of the Board of Directors	Securities affairs representative
Name	Chen Bo	Hu Shufen
Contact address	No. 866, Moganshan Road, Hangzhou	No. 866, Moganshan Road, Hangzhou
Tel.	0571-89903300	0571-89903300
Fax	0571-89903300	0571-89903300
Email address	hz000963@126.com	hz000963@126.com

III. Channels of disclosure and location of preparation

Website of the stock exchange for publishing the annual report	Shenzhen Stock Exchange - www.szse.cn
Media and website for publishing the annual report	China Securities Journal, Securities Times, Shanghai Securities News and Cninfo (www.cninfo.com.cn)
Location of preparation of the Company's annual report	Office of the Company's Board of Directors

IV. Registration changes

Unified Social Credit Code	91330000143083157E
Changes of the Company's main business since its listing (if any)	None
Previous changes of controlling shareholder (if any)	None

V. Other information

Certified public accountants

Name	Pan-China Certified Public Accountants LLP
Office address	Huarun Building B, 1366 Qianjiang Road, Hangzhou, Zhejiang Province
Signing accountants	Hu Yanhua and Chen Xiaodong

Sponsors for continuous supervision and guidance during the reporting period

□ Applicable ☑ N/A

Financial consultant for continuous supervision and guidance during the reporting period

□ Applicable ☑ N/A

VI. Key accounting data and financial indicators

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

□Yes ☑No

	2023	2022	Percentage increase/decrease from last year to this year	2021
Operating revenue (yuan)	40,623,782,520.43	37,714,587,458.01	7.71%	34,563,301,233.67
Net profit attributable to shareholders of listed companies (yuan)	2,838,860,542.80	2,499,214,359.57	13.59%	2,301,631,347.64
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses (yuan)	2,736,571,736.98	2,409,954,557.05	13.55%	2,188,946,362.34
Net cash flow from operating activities (yuan)	3,929,216,706.70	2,381,852,668.60	64.96%	3,169,757,867.95
Basic earnings per share (yuan/share)	1.6219	1.4283	13.55%	1.3154
Diluted earnings per share (yuan/share)	1.6207	1.4283	13.47%	1.3154
Weighted average return on equity (ROE)	13.96%	14.21%	-0.25%	14.75%

	End of 2023	End of 2022	Percentage increase/decrease from last year to this year	End of 2021
Total assets (yuan)	33,509,361,816.98	31,192,203,406.84	7.43%	26,996,403,366.69
Net assets attributable to shareholders of listed companies (yuan)	21,047,609,756.66	18,577,919,237.39	13.29%	16,579,374,323.08

The Company's net profit before or after deducting non-recurring gains and losses, whichever is lower, in the last three fiscal years are all negative, and the audit report of last year shows doubt about the Company's ability to continue as a going concern.

□Yes ☑No

The Company's net profit before and after deducting non-recurring gains/losses, whichever is lower, is negative.

□Yes ☑No

The Company's total share capital as of the trading day prior to disclosure:

The Company's total share capital as of the trading day prior to disclosure (share)	1,754,327,548.00

Fully diluted earnings per share based on the latest share capital:

Paid preference dividends	0.00
Paid perpetual bond interest (yuan)	0.00
Fully diluted earnings per share based on the latest share capital (yuan/share)	1.6182

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

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

□ Applicable ☑ N/A

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

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

□ Applicable ☑ N/A

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

VIII. Key financial indicators by quarter

Unit: yuan

	Q1	Q2	Q3	Q4
Operating revenue	10,114,531,331.77	10,270,812,957.04	10,009,186,220.70	10,229,252,010.92

Net profit attributable to shareholders of listed companies	755,284,976.47	678,539,653.09	755,222,215.06	649,813,698.18
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses	757,542,618.01	669,945,252.96	732,567,027.72	576,516,838.29
Net cash flow from operating activities	-246,152,770.16	2,267,896,518.81	227,534,135.16	1,679,938,822.89

Whether the above financial indicators or their totals are significantly different from relevant financial indicators in previous quarterly and semiannual reports by the Company

□Yes ☑No

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

☑ Applicable □ N/A

Unit: yuan

Item	2023	2022	2021	Note
Gains/losses on disposal of non-current assets (including the written-off part of the accrued assets impairment reserve)	-823,262.36	2,390,031.00	-2,354,117.13	
Government grants included in current gains/losses (excluding those closely related to daily business operation, distributed constantly in accordance with defined standards in line with national policies and regulations, and constantly affecting the Company's gains/losses)	143,315,700.34	89,767,756.38	173,543,413.54	See XI of the Notes to Financial Statements for details of government grants.
Gains/losses caused by fair value changes in financial assets and financial liabilities held by non-financial enterprises, and gains/losses incurred by disposal of financial assets and financial liabilities, excluding hedging business related to operating	-13,756,372.80	28,469,286.61	521,193.82	

activities				
Return of receivables impairment reserves that are individually tested for impairment	5,566,940.29	953,089.60	4,803,651.87	
One-time impact on current gains/losses caused by adjustment of tax, accounting and other laws and regulations	136,860.05			Reduction and exemption of house property tax
Other non-operating income and expenditures except the aforesaid items	18,554,535.07	-24,166,799.87	-25,651,193.11	
Other profit and loss items that satisfy the definition of non-recurring profit and loss	-11,588,239.52	13,980,545.50	-21,963,653.16	
Minus: Amount affected by income tax	28,072,652.93	20,305,520.86	20,249,495.43	
Impact on minority interests (post-tax)	11,044,702.32	1,828,585.84	-4,035,184.90	
Total	102,288,805.82	89,259,802.52	112,684,985.30	--

Details of other items of gains/losses meet the definition of non-recurring gains/losses:

□ Applicable ☑ N/A

Details of other items of gains/losses meet the definition of non-recurring gains/losses.

Explanation for recognizing an item listed as a non-recurring gain/loss in the *Interpretative Announcement No. 1 on Information Disclosure Criteria for Public Companies - Non-Recurring Gains/Losses* as a recurring gain/loss

□ Applicable ☑ N/A

Explanation for recognizing an item listed as a non-recurring gain/loss in the *Interpretative Announcement No. 1 on Information Disclosure Criteria for Public Companies - Non-Recurring Gains/Losses* as a recurring gain/loss.

Section III Management's Discussion and Analysis

I. Industry Situation during the Reporting Period

In 2023, the world economy recovered sluggishly and struggled to move forward amid the turmoil as a result of intensified international geopolitical conflicts and complicated global development and security situations. The year of 2023 marks the start of fully implementing the guiding principles of the 20th CPC National Congress. Superpower games and capital winter have posed great challenges to the bio-pharmaceutical industry in China. The pharmaceutical industry in China has also entered the stage of accelerated adjustment, and the pharmaceutical R&D, production and management structure in China is undergoing a historic reconstruction. Since the 18th CPC National Congress, the CPC Central Committee with Comrade Xi Jinping as the core has always given strategic priority to safeguarding people's health, included the deepening of medical reform in the all-round deepening of reform, facilitated the transformation from "centering on disease curing" to "centering on people's health", and launched a series of important reform measures revolving around two key challenges of "difficulty and high cost of getting medical services", with remarkable phased results achieved. In 2023, China's volume-based procurement of medicines was institutionalized and normalized. The optimization of rules for centralized bulk purchase was gradually weakened the impacts on the industry and the mechanism for dynamic adjustment of health insurance directory got increasingly mature. Medical insurance negotiations on innovative medicines were normalized, further accelerating the commercialization of Chinese innovative medicines. The reform of payment method was accelerated and DRG mode further drove the revolution of the industry. Laws, regulations and policy systems that motivate innovation in medicines were optimized at an accelerated pace. The National Medical Products Administration continuously deepened the reform of review and approval systems, accelerated the launching of new medicines in urgent need for clinical purpose, as well as medicines for rare diseases and children, and supported the pharmaceutical innovation to continuously inject vitality into R&D and innovation of medicines in China. Due to increasing influence from clinical values, pharmaceutical enterprises began to pay increasing attention to R&D and innovation of medicines. The development of innovative medicines is becoming an

important link that drives the new quality productive forces. Since the 14th Five-year Plan Period, the R&D input throughout the industry in China has witnessed a mean annual growth of over 20%, pushing China to the second place in the world in terms of number of new medicines. China witnessed continuously enhanced strength in R&D of innovative medicines and contributed more to global medicine R&D, receiving international recognition and seeing constantly increased international competitiveness and influence. China continuously made positive progresses in overseas registration and commercialization of its local new medicines, and hit a new high in the number of varieties with externally licensed technologies and transaction amount. The pharmaceutical industry in China has stepped up a new level in international operation and entered the key period for independent innovation-driven transformation and innovation.

In July 2023, ten ministries and commissions including the National Health Commission of the People's Republic of China printed and issued the *Guiding Opinions on Carrying out the Centralized Rectification of Corruption in the Pharmaceutical Industry in China*, launching the one-year national centralized rectification of corruption in the pharmaceutical industry. The campaign is aimed at systematically rectify problems in production, supply, sales, use, reimbursement, "critical minorities" and other key links in the pharmaceutical industry, with all chains and fields covered. With unprecedented input, the anti-corruption campaign helps to create a compliant industry environment, regularize enterprises' operations, facilitate the benign competition among enterprises, and reshape the industrial order.

In 2023, major economic indicators in China's pharmaceutical industry witnessed year-on-year decline caused by such factors as decreased sales of products related to prevention and control of special health events, reduced prices of medicines, and rising prices of raw materials. According to National Bureau of Statistics, in 2023, the added value of the pharmaceutical industry above designated size was about 1.3 trillion yuan, down 5.2% year on year in constant price. Enterprises above designated size achieved 2.95525 trillion yuan of operating revenue and 412.72 billion yuan of profits, down 4% and 16.2% year on year, respectively. The growth rates of the aforesaid three indicators were negative for the first time over the years. The business differentiation of enterprises became more serious under the backdrop of overall decline in the growth rate of the industry.

II. Main Businesses of the Company during the Reporting Period

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 of pharmaceutical industry, pharmaceutical business, aesthetic medicine and industrial microbiology, and has been a large comprehensive listed pharmaceutical enterprise specialized in pharmaceutical R&D, production and marketing.

Specialized in the R&D, production and marketing of specialized medicines, medicines for chronic diseases, as well as special medicines for years, the Company has established complete pharmaceutical production and quality research systems, and fostered core product lines focusing on chronic nephrosis, transplantation immunity, internal secretion, digestive system and other fields. With multiple first-line clinical medicines with market advantages in China, the Company has made layout in R&D of innovative and high technology barrier generic medicines in three core therapeutic fields of oncology, endocrinology and autoimmunity through independent development, external introduction, project cooperation and by other means. To date, the Company has formed a good rhythm in launching innovative medicines annually. The Company has continued to engage in international registration, international certification, consistency evaluation, etc. of products, with successive results achieved. Moreover, the Company has fostered a complete internationally-oriented pharmaceutical industry system, established and maintained R&D and project cooperation with multiple international innovative R&D enterprises. Moreover, the Company has established strategic partnership with Pfizer, Takeda and other multinational pharmaceutical companies on products in Chinese market.

As for the pharmaceutical business, the Company has continuously made innovation in services and kept upgrading in consideration of needs of upstream and downstream customers. To date, the Company has been ranked among the top ten pharmaceutical business enterprises in China for consecutive years. Having four business segments of Chinese & western medicine, medical devices, medicine materials and ginseng & antler, and health industry, the Company has established 11 regional subsidiaries in Zhejiang Province, and three self-owned pharmaceutical

logistics bases in northern, central and southern Zhejiang Province, as well as retail chain pharmacies and outpatient departments, with its customers distributed in 11 cities and 90 districts, counties and county-level cities throughout Zhejiang Province. With full-product, full-network and integrated wholesale-retail collaboration advantages, the Company has formed the whole industry chain from planting in bases to processing of prepared pieces, automatic decoction, own-brand functional products for its traditional Chinese medicine industry. As for the innovative business, the Company has always focused on featured massive health, product agency and market expansion, pharmaceutical logistics characterized by cold chain, e-commerce of self-owned brand medicines to further facilitate the transformation of its business structure. The Company has always focused on strengthening its service abilities in policy affairs handling, reserve, distribution and marketing, and fostered the full-channel promotion ability to offer customers comprehensive solutions.

In terms of aesthetic medicine, the Company has created a comprehensive and differentiated product matrix by following the strategy of "global operation layout and dual-circulation operation & development" with an international vision through forward-looking layout, and now ranks in the forefront of the industry in terms of product quantity and coverage. Specifically, over 20 products have been launched in China and abroad, and more than a dozen innovative global products are in development. Fostering differentiated product lines that cover three major injectable categories of regeneration products, hyaluronic acids and botulinum toxin, the Company is committed to becoming a global leading aesthetic medicine comprehensive solution provider by offering patients with more professional, efficient, comprehensive and safer integrated solutions through diversified combined therapy techniques that combine "noninvasive and micro-invasive", "facial and body filling", "products + technologies", and "injection + energy based device". Headquartered in the UK, the Company's wholly-owned subsidiary Sinclair is its global aesthetic medicine operation platform that has R&D centers in the UK, the Netherlands, France, Switzerland, Spain and Israel, and production bases in the Netherlands, France, the U.S., Switzerland, Bulgaria and Israel. Promoting and marketing sustained-release microspheres for injection, hyaluronic acid, facial thread lifting and other products in global markets, Sinclair researches, develops and expands its energy-source aesthetic medicine devices businesses through its wholly-owned subsidiaries High Tech and Viora. As for the aesthetic medicine segment, the

Company also has Sinclair (Shanghai), a wholly-owned subsidiary and its market operation platform in China, as well as R2 in the U.S. and Kylane in Switzerland, two overseas technical development type joint-stock subsidiaries.

With profound industrial base and powerful industrial transformation ability thanks to over 40 years of development in the industrial microbiology sector, the Company has successfully development and manufactured multiple types of microbiological medicines, and established the key technology system for R&D and production of microbiological products, ranking in the forefront of the industry in terms of scale and technological level of microbiological fermented products. Being market demand-oriented, R&D technology-driven and industrial resource-coordinative in the industrial microbiology segment, the Company has placed its focus on two business scenarios of application of synthetic biology technology system and innovative development of bio-pharmaceuticals, and has fostered differentiated product lines and business solutions in four major fields of xRNA, featured APIs&Intermediates, massive health&biomaterials, and animal health. The Company has also established the R&D clusters with Industrial Microbiology of Zhongmei Huadong, HIT Institute of Synthetic Biology, Huida Biotech, Hizyme Biotech, Perfect mRNA and Hibe as the core, and seven industrial bases in Hangzhou Xiangfuqiao, Qiantang New Area, Jiangsu Joyang Laboratories, Magic Health, Anhui Meihua, Wuhu Huaren, and Nanjing Nongda Animal Pharmaceutical. Moreover, the Company has set up the largest fermentation monomer plants in Zhejiang Province, formed the industry-leading microbiological medicine production ability and high-level R&D capacity that covers all stages of microbiological engineering technologies from strain construction, metabolic regulation, enzymatic catalysis, synthetic modification to separation and purification, and built a complete manufacturing system for R&D, pilot test, commercial production, engineering and public system guarantee of microbiological projects.

III. Core Competitiveness

1. Open innovative medicine R&D system and continuously improved innovation ability

The Company has always attached great importance to innovative R&D and maintained great input in R&D. Being “Scientific Research-based and Patient-centered”, the Company has

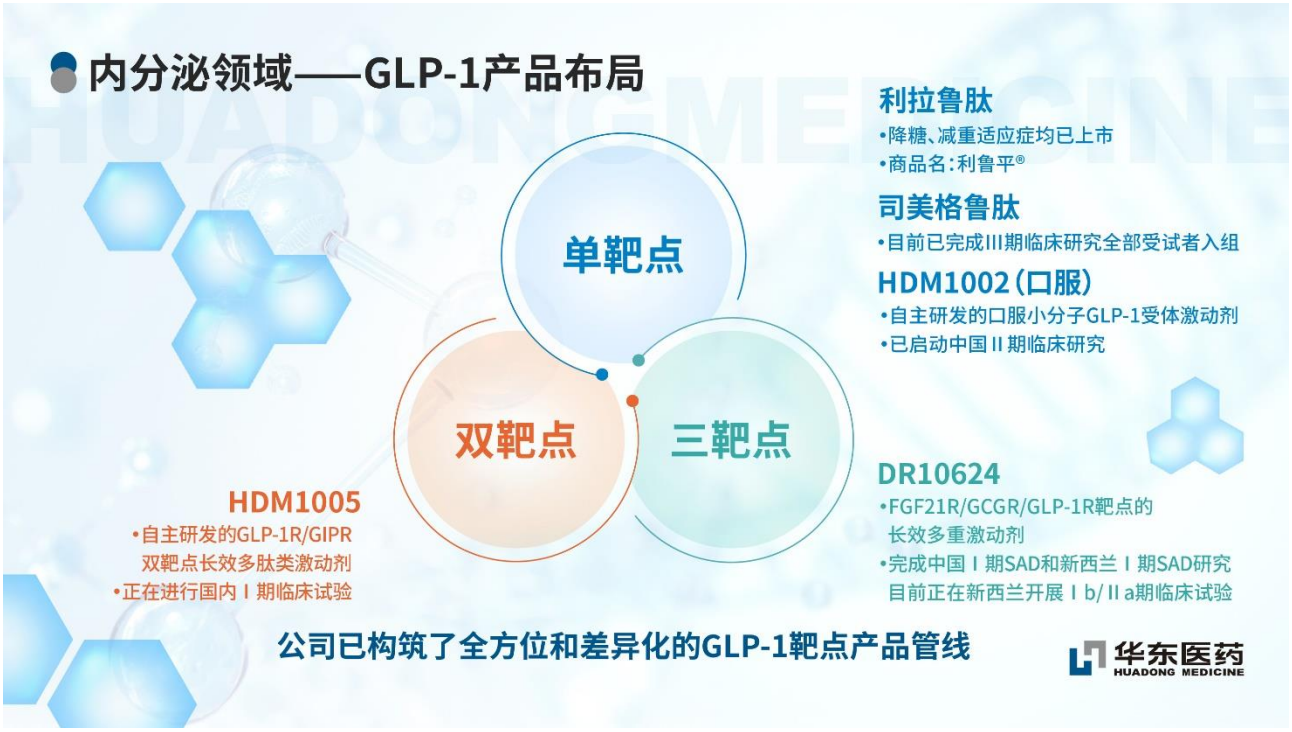
fostered a sound independent innovation system for R&D of medicines that covers the whole process from medicine discovery, pharmaceutical research, pre-clinical study and clinical study to industrial production, and set up its Global R&D Center after years of vigorous development, with "clinical value, pharmacoeconomic value and commercial value" as the starting point.

Focusing on three core therapeutic fields of oncology, endocrinology and autoimmunity, the Company keeps developing and has fostered differentiated innovative product lines that cover the full R&D cycle via independent R&D, external cooperation, license-in, etc. All these merits effectively empower the continuous initiation and launching of innovative products, offering impetuses for the medium- and long-term development.

2. Diverse product lines for specialized and chronic diseases, and featured layout in three core therapeutic fields

Focusing on specialized and chronic diseases, as well as special medicines for years, the Company has fostered good brand effect and laid strong market foundation in such fields as chronic nephrosis, transplantation immunity, internal secretion and digestive system, continuously keeping in the forefront of similar products in China in terms of market share. With the world's first-in-class layout in three core therapeutic fields of anti-tumor, internal secretion and autoimmunity, the Company has fostered three featured R&D matrices of ADC, GLP-1 and external preparation, forming differentiated advantages.

Specialized in medicines for diabetes for about two decades, the Company has fostered good brand effect and laid strong market foundation, continuously keeping in the forefront of similar products in China in terms of market share. The Company has formed comprehensive layout for innovative medicines and differentiated generic medicines in the mainstream clinical treatment targets of diabetes. To date, there have been 20 products under commercialization and research. The existing and subsequently-upgraded products cover multiple clinical mainstream targets, including α-glucosidase inhibitor, DPP-4 inhibitor, SGLT-2 inhibitor, GLP-1 receptor agonist, double-target and triple-target agonists, insulin, and its analogues. The Company has fostered all-round and differentiated product lines that combine the long-acting and multi-target global innovative and biosimilar medicines including oral medicines and injections revolving around GLP-1 target.



In the field of oncology, the Company kept enriching its pipelines around the key layout of ADC products. In the meantime, the Company has successively invested in, controlled and incubated numerous biotechnology companies with leading technologies in China. Specifically, the Company successively invested in Qyuns Therapeutics, an anti-body R&D and production company, Nuoling Biomedical Technology (Beijing) Co., Ltd., an ADC linker and coupling

technology company, incubated Zhejiang Huida Biotech Co., Ltd. with full product lines for ADCpayloads, and held shares of Doer Biologics, a multi-antibody platform R&D company. Moreover, the Company established cooperation with Heidelberg Pharma on equity investment and products as its second largest shareholder and introduced its advanced ATAC® (Antibody-Amanita Conjugate) technology platform, fostering a unique ADC global R&D ecology of Huadong Medicine and gradually creating a world-leading ADC independent R&D platform that is unique to Huadong Medicine. The Company will keep developing ADC innovative products via a differentiated manner and bringing tumor patients better and more advanced solutions.

In the field of autoimmunity, the indications of the Company's existing and under-development products include transplant immunity, systemic lupus erythematosus, psoriasis, atopic dermatitis, seborrheic dermatitis, recurrent pericarditis, Cryopyrin-Associated Periodic Syndromes and other diseases, covering such diseases as skin, rheumatism, cardiovascular, respiratory, and transplantation. The Company has become one of the pharmaceutical companies with comprehensive coverage in the field of autoimmunity in China. To date, the Company has had over 10 varieties of biomedicines and small-molecule innovative products in the field of autoimmunity. In the meantime, the Company's Innovative Medicine R&D Center developed multiple new target and biological mechanism immune disease early projects, which are all

smoothly advanced. With regard to autoimmunity, the Company stretched its coverage to external preparations, built external preparations R&D platforms, and steadily advanced the R&D and innovation of external preparations and complicated preparations. To date, its wholly-owned subsidiary Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. has fostered three production lines for external preparations.

3. China's leading professional pharmaceutical service team and complete commercial format

In the pharmaceutical industry segment, the Company has fostered a professional pharmaceutical service and market development team. Coring at the clinical values and academic promotion, the team vigorously promotes the marketing mode that features the online integration of comprehensive hospitals, primary level medical institutions, retailing, third-party terminals and Internet, with its sales network covering over 30 provinces (autonomous regions and municipalities). To date, the Company has gradually formed multi-channel effective coverage and strong competitive advantages.

As for pharmaceutical business, the Company has made its presence in Zhejiang market for years and boasts a complete business ecosystem with diverse categories of products and services, forming comprehensive competitive advantages in market access and coverage. Keeping improving its four core competencies of logistics, information, finance and operation, and

offering such high-end value-added services as policy affairs, the Company has established business partnership with over 90% mainstream pharmaceutical enterprises in and out of China, and covered all public medical institutions, key private medical institutions and retain pharmacies in Zhejiang Province, with a leading market share in Zhejiang Province and forefront ranking in the industry for consecutive years. In recent years, the Company has witnessed rapid development in innovative businesses such as products agency and market development, characteristic massive health industry, third-party medical logistics featuring cold chain and medical e-commerce and has formed complete cold chain logistics service system and ability at a leading level in China.

4. High-end international aesthetic medicine product lines that cover noninvasive and micro-invasive mainstream non-operative fields

The Company successfully made its presence in the aesthetic medicine industry by acquiring Sinclair based in the UK. Acquiring international energy based aesthetic medicine device enterprises High Tech and Viora in 2021 and 2022 respectively, Sinclair was granted the global distributorship (except for Germany and the UK) of Prême DermaFacial Multi-functional facial skin management platform of EMA Aesthetics, an Irish company, in May 2022. In 2023, the Company successively obtained the global rights of ATGC-110, a botulinum toxin product from ATGC in the Republic of Korea, and the commercial rights of YY001 by Chongqing Yuyan in China, realizing the full coverage of three categories of injection products, i.e. regeneration products, hyaluronic acids, and botulinum toxin. For each category, the Company has formed more than two differentiated product lines and built a comprehensive multi-dimensional aesthetic product system to provide patients with one-stop integrated facial aesthetics solutions. Covering all middle- and high-end markets of non-operative aesthetic medicine injections and energy based aesthetic medicine devices, the Company has now held global rights of multiple patented products in such fields as facial and body filling, facial cleansing, body shaping, thread lifting, and energy based devices and set up an international aesthetic medicine operation and BD team. To date, the Company has developed 38 types of international high-end “noninvasive and micro-invasive” aesthetic medicine products that cover frown lines improvement, facial and body filling, thread lifting, skin management, body shaping, depilation, private repair and other non-operative mainstream aesthetic medicine fields. Specifically, 24 types of these products have been launched in and out of China, and the other 14 types are innovative products under development. With

comprehensive product clusters formed, the Company now ranks in the forefront of the industry in terms of product quantity and coverage.

5. Building R&D industrial cluster and comprehensively improving the international competitiveness of industrial microbiology segment

Since the establishment of the Industrial Microbiology Division, the Company has led the overall business development in the field of industrial microbiology, and formed a complete independent management system in marketing, operation, R&D, human resources, and finance. The Company has also established R&D clusters with Industrial Microbiology of Zhongmei Huadong, HIT Institute of Synthetic Biology, Huida Biotech, Hizyme Biotech, Perfect mRNA, and Hibe as the core, and seven industrial bases in Hangzhou Xiangfuqiao, Qiantang New Area, Jiangsu Joyang Laboratories, Magic Health, Anhui Meihua, Wuhu Huaren, and Nanjing Nongda Animal Pharmaceutical. Moreover, the Company has set up the largest fermentation monomer plants in Zhejiang, formed the industry-leading microbiological medicine production ability and high-level R&D capacity that cover all stages of microbiological engineering technologies from strain construction, metabolic regulation, enzymatic catalysis, synthetic modification to separation and purification, and built a complete manufacturing system for R&D, pilot test, commercial production, engineering and public system guarantee of microbiological projects.

The Company's industrial microbiology team is rich-experienced and full of vitality. Mr. Wu Hui, Deputy General Manager of the Company, serves as the leader of the Company's industrial microbiology segment. With profound technical foundation and over 30 years of experience in the field of industrial microbiology, he won the second prize of National Science and Technology Progress Award twice. In terms of R&D, the Company's industrial microbiology segment has been committed to forming an efficient R&D team with high-quality talents as the core. To date, there are 336 R&D personnel, 26% of whom have obtained their master and/or doctoral degrees. In the industrial microorganism sector, the Company has initiated over 268 R&D projects, including 48 projects for xRNA (including 170 subprojects), 61 projects for featured APIs and pharmaceutical intermediates, 16 projects for massive health and biomaterials, and 21 projects for animal health.

6. Prudent and pragmatic operation style, and stable returns to shareholders

Valuing innovation in management, the Company has always endeavored to satisfy the demands for market competition by improving the quality of its operation. As a result, the Company has achieved long-term steady development thanks to its high-quality products, excellent commercialization capability, compliant yet efficient marketing services, differentiated market positioning, innovative R&D layout, and complete talent planning. Since it was listed, the Company has distributed dividends for 21 times with the cumulative amount of 5.61 billion yuan, which is 22.44 times the fund raised during IPO. The Company brings shareholders consistent and steady returns on investment.

IV. Main Businesses

1. Overview

In 2023, the Company continuously followed its operation philosophy of "high quality and efficiency" and "struggling forward for development and putting management first", vigorously deepened transformation and innovation, actively advanced the management of diverse operations, and constantly motivated its business vitality and impetus for growth revolving around its annual operation plan and 7th three-year plan. In the meantime, the Company proactively responded to policies on volume-based procurement, external competitions and multiple challenges, kept exploring and practicing paths for innovative development, and made forward-looking and international layout targeting at global cutting-edge innovative technology platforms and markets with unmet demands. Thanks to all these efforts, the Company achieved great progress in clinical R&D and BD, further enriched its product lines, steadily improved the development quality, and pushed its business performance, R&D and innovation, and comprehensive strength to a higher level, embarking on a new journey toward the high-quality growth driven by scientific and technological innovation.

In 2023, the Company achieved the operating revenue of 40.624 billion yuan, up 7.71% year on year. The net profit attributable to shareholders of listed companies was 2.839 billion yuan, up 13.59% year on year. The net profit after deducting non-recurring profits and losses attributable to the parent company was 2.737 billion yuan, up 13.55% year on year. After deducting the profits and losses of participating and holding R&D institutions, the net profit after deducting non-

recurring profit and loss attributable to shareholders of listed companies was 3.154 billion yuan, up 30.87% compared with the Company's net profit after deducting non-recurring profits and losses attributable to the parent company in 2022. In Q4 2023, the Company achieved the operating revenue of 10.229 billion yuan, up 3.79% year on year. The net profit attributable to shareholders of listed companies was 650 million yuan, up 25.51% year on year. During the reporting period, the Company's performance achieved growth against trend in a complex and difficult environment, and maintained a stable and positive development trend. Its four major business segments of pharmaceutical industry, pharmaceutical business, aesthetic medicine and industrial microbiology together contributed to the Company's historical breakthrough in both operating revenue and achieved. The Company achieved its annual operation goals, with satisfactory achievements made.

During the reporting period, the Company kept maintaining stable and good operation, and achieved the consolidated gross margin of 32.40%, increased by 0.5% year on year. The net cash flow from operating activities of the Company was 3.929 billion yuan. The Company kept operating at a high level throughout the year. As of the end of 2023, the Company's total assets, net assets attributable to shareholders of listed companies, asset-liability ratio, and return on equity (ROE) were 33.509 billion yuan, 21.048 billion yuan, 35.60% and 13.96% respectively. During the reporting period, the Company satisfactorily attained its overall performance goals for 2023 set in *2022 Restricted Stock Incentive Plan* and is expected to attain its overall performance goals for 2024. In 2023, the Company completed series of work specified in *2022 Restricted Stock Incentive Plan*, including releasing the restricted shares for the first time, and registration of reserved restricted shares.

I. Operation and Development of the Four Business Segments of the Company during the Reporting Period

(I) Pharmaceutical Industry

In 2023, the Company strictly followed its operation philosophy of "Strengthening Collaboration, Controlling Risks and Improving Speed for High Quality and High Efficiency". Its core subsidiary Zhongmei Huadong witnessed stable and positive growth as a whole and achieved the operating revenue of 12.217 billion yuan, up 9.45% year on year, and the net profit

attributable to the parent company of 2.33 billion yuan, up 9.63% year on year. The return on equity was 23.98%.

During the reporting period, Zhongmei Huadong kept expanding efforts in three core therapeutic fields of oncology, endocrinology and autoimmunity, followed the innovative R&D idea of "self-research + introduction", advanced the initiation of innovative projects and introduction of external innovative businesses, and continuously enriched its product lines. Hangzhou Zhongmei Huadong Pharmaceutical Service Corporation constantly deepened the transformation of pharmaceutical services and comprehensively improved its abilities in pharmaceutical services. Moreover, it endeavored to build and develop a three-dimensional marketing strategy by consolidating the existing marketing system, further enhanced talent training and external introduction, strengthened professional support, actively advanced lean management and digital marketing, optimized the out-of-hospital promotion system, and continuously fostered multi-dimensional market access and professional promotion capacities. It facilitated, optimized and improved the Regional Marketing Department and the KA system construction, and further strengthened the academic-driven development. While stabilizing the hospital market, it continuously expanded grassroots and out-of-hospital markets, and further strengthened online markets, OTC markets, DTP stores and other market networks and channels. The Company actively explored strategies for expansion of markets of products subject to volume-based procurement and medical insurance negotiations, endeavored to maintain retention rate of medicines procured on volume basis and safeguard channels for patients to purchase medicines by increasing terminal coverage and fostering brand advantages at clients and patients levels. All these efforts contributed to stable growth of sales of the Company's key categories.

Being "Scientific Research-based and Patient-centered", the Company attached great importance to innovative R&D, resolutely practiced transformation and innovation strategies, and rapidly fostered a full-chain and international new medicine R&D system that satisfies diverse clinical demands and bears huge commercial values. In recent years, the Company has continuously maintained an annual R&D investment of more than 1 billion yuan in the pharmaceutical industry, which has been continuously increased as the scope of China's volume-based procurement continues to expand. During the reporting period, the Company's R&D investment in the pharmaceutical industry (excluding equity investment) was 2.293 billion yuan,

up 23.67% year-on-year. Among them, direct R&D expenditure was 1.6 billion yuan, up 33.74% year-on-year, which accounts for 13.1% of the operating revenue of the pharmaceutical industry. With “clinical value, pharmacoeconomic value and commercial value” as the starting point, the Company focused on three core therapeutic fields of oncology, endocrinology and autoimmunity, keeps developing and has fostered differentiated innovative product lines that cover the full R&D cycle via independent R&D, external cooperation, license-in, etc. Having researched and developed various categories of medicines including small-molecules, monoclonal antibodies, polyclonal antibodies, polypeptides and ADCs, the Company has fostered a sound independent innovation system for R&D of medicines that covers the whole process from medicine discovery, pharmaceutical research, pre-clinical study and clinical study to industrial production, and set up its Global R&D Center. In the meantime, the Company has established in-depth strategic cooperation with leading pharmaceutical enterprises in and out of China through collaborative product development, equity investment or by other means, successfully its global R&D ecosystem via introduction, fusion and innovation. During the reporting period, the Company’s clinical and R&D teams rapidly promoted the implementation of existing clinical projects and development of R&D projects in early stage, and accelerated the pace to put series innovative products with first-in-class (best-in-class) or differentiated/iterative development values into the clinical research stage in and out of China. As of the date of the Report, the Company has had over 60 innovative product lines, 9 types of which are under phase III clinical trial or NDA/BLA application stage. To date, the Company has formed a favorable trend for continuous initiation and launching of innovative products, offering impetuses for the medium- and long-term development.

In the field of endocrinology, the Company fostered product lines of innovative and differentiated generic medicines with GLP-1 and other clinical mainstream therapeutic targets as the core, with over 20 products under development or put in commercial production. The Company fostered all-round product lines that combine the long-acting and multi-target global innovative and biosimilar medicines including oral medicines and injections revolving around GLP-1 target.

In the field of autoimmunity, the Company successively established partnership with many technically advanced innovative R&D enterprises in and out of China, including Qyuns

Therapeutics in Jiangsu, Provention Bio, Ashvattha, Kiniksa and Arcutis based in the U.S. and MC2 in Denmark, and introduced world-leading innovative technologies and products. In the meantime, the Company continuously improved its ability in independent innovation and R&D and had more than 10 biomedicine and small-molecule innovative products under research or launched overseas. Indications of the Company's existing products and those under research include transplantation immunity, systemic lupus erythematosus, psoriasis, atopic dermatitis, seborrheic dermatitis, recurrent pericarditis, and Cryo-Pyrin-Associated Periodic Syndromes, covering multiple categories of diseases related to skin, rheumatism, cardiovascular, respiratory and transplantation. In August 2023, the Company successively introduced roflumilast external preparation (ZORYVE® cream and foam) from Arcutis based in the U.S. and Wynzora® cream from MC2 in Denmark, further enriching its innovative product lines for external preparations. Among them, ZORYVE® foam (0.3%) was approved by FDA in December 2023. With regard to psoriasis treatment, the Company has Ustekinumab Injection, oral small-molecule drug Cyclosporine Soft Capsules, simple-prescription external preparations ZORYVE® cream and foam, as well as compound external preparation Wynzora® cream, forming multi-target and multi-action mechanism psoriasis treatment product portfolio that cover all groups throughout the cycle. Moreover, the Company has established its featured external preparation platform that is specialized in the differentiated R&D of external preparations for skin, and built a professional R&D team. Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. fostered three external preparation production lines to facilitate the launching of products.

In the field of oncology, the Company focused on the layout of high-barrier R&D platforms and product lines for ADC. The BLA of ELAHERE® (mirvetuximab soravtansine-gynx), a global first-in-class ADC medicine for platinum-resistant ovarian cancer co-developed with ImmunoGen from the U.S. was submitted and the medicine was included in the list of priority review varieties. Moreover, the Company established cooperation with Heidelberg Pharma, a global emerging technology company in the field of ADC based in Germany, on equity investment and products, organically integrating with its advanced ATAC® (Antibody Targeted Amanitin Conjugates) technology platform.

Since 2023, the Company has successively commercialized numerous varieties of innovative and biosimilar medicines, or submitted applications for launching such medicines. In 2023, the

Company's Liraglutide Injection (trade name: Liluping®) was approved for treating type 2 diabetes, obesity or overweight in adults, being the first GLP-1 target launched by the Company and the first liraglutide biosimilar medicine approved in China. Since it was launched, Liluping® has witnessed favorable sales momentum, laying a solid foundation for the commercialization of the Company's subsequent GLP-1 products. In November 2023, the BLA application of the innovative medicine ARCALYST® (Rilonacept for Injection) introduced by the Company for the treatment of Cryopyrin-Associated Periodic Syndromes in China was accepted. In March 2024, the BLA application of ARCALYST® for the treatment of recurrent pericarditis (RP) in China was accepted. Both indications were listed in the National List of Rare Diseases and the list of priority review varieties. In January 2024, the NDA application of Relmapirazin Injection (R&D code: MB-102), a new Category-I medicine submitted by Zhongmei Huadong in China was accepted. The Dynamic Monitoring System of Glomerular Filtration Rate used with Relmapirazin Injection was approved to enter the special examination procedure of innovative pharmaceutical devices in November 2021, and its registration application was accepted in July 2022. The combination of Relmapirazin Injection and the Dynamic Monitoring System of Glomerular Filtration Rate can realize real-time detection and continuous monitoring of glomerular filtration rate (GFR), thus satisfying unmet clinical demands in the kidney function test market. In August 2023, the BLA application of the biosimilar medicine HDM3001 (QX001S), a biological similar of Ustekinumab Injection jointly developed by the Company and Qyuns Therapeutics was accepted. The Company is expected to become the first Chinese enterprise that obtains the approval for biological similar of Ustekinumab Injection. In October 2023, the BLA application of ELAHERE®, a type of first-in-class ADC medicine for platinum-resistant ovarian cancer introduced by the Company, in China was accepted. It was included in the list of priority review varieties in China, and is expected to be approved in 2024 to benefit Chinese patients. In March 2024, it was granted full FDA approval for the treatment of folate receptor alpha (FRα)-positive, platinum-resistant epithelial ovarian, fallopian tube or primary peritoneal adult cancer patients treated with up to three prior therapies. ELAHERE® is the first and only ADC approved in the U.S. for this difficult-to-treat malignancy.

On March 1, 2024, Zevorcabtagene Autoleucel Injection (trade name: Saikaize®; R&D code: CT053), a CAR-T product developed by CARsgen Therapeutics, received the notice from the

National Medical Products Administration (NMPA) that it was approved for the treatment of adult patients with relapsed or refractory multiple myeloma who have previously progressed after at least 3 lines of therapy (including a proteasome inhibitor and immunomodulator agent). The Company was granted the exclusive right to commercialize zevorcabtagene autoleucel in mainland China, and has set up a professional commercialization team. The first prescription of this product in China was issued on the day when it was approved.

During the reporting period, the Company formally set up its Scientific Advisory Board (SAB) with a view to further expand and optimize its strategic layout in innovative R&D of medicines. Members of the first SAB were outstanding experts and scholars enjoying international prestige and making profound academic attainments in the fields of medicine and R&D in and out of China. SAB is positioned as a platform for global outstanding industry experts, scholars and scientific research forces to provide the Company with all-round, objective, professional and strategic guidance and suggestions on R&D of innovative medicines and help the Company solve key problems in innovate R&D, thus better serving patients. During the reporting period, the Company organized and held two SAB meetings.

Please refer to the "R&D Investment" section for details of the Company's R&D pipelines, progress in registration, and R&D.

During the reporting period, the production and quality segments of the Company resolutely implemented the Company's innovation and transformation strategies, and kept improving its level of intensive, intelligent and green development with a view to foster an excellent production system. Moreover, these segments enhanced the quality management and integrated management of production system throughout the product life cycle and kept improving its production quality and competitive advantage in production cost by building an inclusive production system. Efforts were also made to strengthen the quality compliance and GMP normalized management, and advance the product quality control and effective operation of the quality system. All employees were encouraged to participate in lean production and total cost management by vigorously organizing activities themed with "Compliant and Lean Basic Management System" to facilitate the implementation of lean management measures. Employees' skills and per capita labor efficiency were continuously improved by optimizing the operation mode. Energy-saving and emission reduction initiatives were organized, with remarkable achievements made in cost

reduction. Efforts were made to proactively implement the Company's international strategies and continuously advance international registration and certification of products. During the reporting period, the Tacrolimus Capsules of Zhongmei Huadong was approved by the FDA, becoming another product of the Company that is approved following Pantoprazole Sodium for Injection, Acarbose Tablets and Daptomycin for Injection, China's first Tacrolimus Preparation approved in the U.S. and an important achievement of the international strategy of the Company's preparation products. Moreover, the Company also continued to advance the overseas registration of many other products, including Caspofungin Acetate for Injection and Sermaglutide API.

(II) Industrial Microbiology

During the reporting period, the Company's industrial microbiology segment achieved the total sales revenue of 525 million yuan after deducting that of specific commercial products, up 20.67% year on year.

The Company kept practicing the industrial microbiology development strategy, clarifying its strategic layout focusing on four major fields of xRNA, featured APIs & intermediates, massive health & biomaterials, and animal health. In the meantime, the Company continuously enriched the product lines in four major strategic segments of high innovation, high technology barrier and high added-values, and optimized its product structures with the focus placed on R&D. The field of xRNA mainly included several key products of nucleoside monomer, modifying and protective nucleosides and cap, and was positioned as the manufacturing-end service provider of xRNA medicines. The field of featured APIs & intermediates gave full play to the advantages of three technical platforms of synthetic biology, fermentation and enzyme engineering, took ADC raw material (including high-tech barrier raw material products from anti-tumor, anti-infection and other microbial sources) as its innovative business, and was positioned as a service provider for Highly Potent Active Pharmaceutical Ingredients (HPAPI). Focusing on such industrial orientations as bone health, brain health, antioxidation, personal care and aesthetic medicine, and import substitution of new injectable medicinal materials, the field of massive health & biomaterials created the automatic and standard industrial manufacturing system and stepped out of C-end product markets with the technical support from the HIT Institute of Synthetic Biology. In the field of animal health, the Company focused on three orientations of pet treatment, pet

nutrition, and water nutrition and water environment, and endeavored to become a leader in China's pet and aquatic animal health industry driven by R&D, led by markets and guaranteed by production.

xRNA: In January 2023, the Company established Hangzhou Perfect mRNA Biotechnology Co., Ltd. (hereinafter referred to as "Perfect mRNA"), which is mainly engaged in the development of raw materials of mRNA enzyme and molecular diagnostic enzyme, as well as mRNA CDMO services, together with the upstream enzyme raw materials and downstream preparation services. Perfect mRNA comprised industrial collaboration with Anhui Meihua and Wuhu Huaren in the field of xRNA, further optimizing the whole-industrial chain layout of xRNA.

Featured APIs & intermediates: The Company completed the layout of series products for ADC raw materials of innovation businesses, and submitted DMF application documents for mainstream toxin varieties. The Company also completed the overall layout of polypeptide business and will proactively expand its international markets. The layout of high-activity anti-tumor, anti-parasite and microbial source API product systems was basically completed.

Massive health & biomaterials: Magic Health, the Company's subsidiary, completed the fundamental construction of its Yichang Industrial Base (Phase I) in December 2023 and obtained the license for production. Production validation and international registration certifications for multiple products were done in the first quarter of 2024. Hibe, the Company's subsidiary, fostered a matrix of upstream medical high-end functional materials with its self-developed products based on biodegradable materials together with exclusively agent varieties introduced from overseas. It proactively laid out biological medicine and aesthetic medicine CMC R&D businesses strongly associated with self-owned materials and with global competitiveness, and joined hands with clients to incubate global innovative products relying on its unique preparation technological innovation platform. In this field, Magic Health will further strengthen its sales manpower in overseas markets, build the core dealers network, and put in place its channel layout in Asia Pacific, Europe, America, and China.

Animal health: the Company acquired Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd. (herein after referred to as "Nanjing Nongda Animal Pharmaceutical") in April 2023, quickly setting foot in pet and aquatic animal health segments. In October 2023, the Company obtained the exclusive selling right and marketing right of Butorphanol Tartrate Injection (trade name:

Baoshining®), a kind of central analgesic medicine developed by Beijing CELS Medical Technology Co., Ltd., in China (including Hong Kong SAR, Macao SAR and Taiwan, China). In the field of aquatic animal health, the Company has always been committed to improving water environment and enhancing aquatic nutrition, thus providing farms with comprehensive product solutions and services. In this field, the Company will keep improving online and offline treatment links, promote and build the "Mengdi" brand online, make long-term layout, and endeavor to become a new brand specialized in pains and aged disease management in the field of pet care.

In 2024, a crucial year for the rapid development of the Company's industrial microbiology segment, the Company will continue to accelerate its pace in expanding the international market. In the meantime, the Company will further advance the large variety cultivation program and increase the ratio of its international businesses by grasping the opportunities of formal operation of Magic Health and C-end market expansion of Nanjing Nongda Animal Pharmaceutical, enhance its international competitive advantages and achieve the rapid development of its overall business with R&D, quality, service and compliant registration as its main competitiveness.

(III) Pharmaceutical Business

In 2023, the Company's pharmaceutical business segment continued its continuous and stable growth, and achieved the operating revenue of 26.981 billion yuan and the accumulative net profit of 431 million yuan, up 5.59% and 8.74% year on year, respectively.

During the reporting period, the Company's pharmaceutical business segment adhered to create new competitive advantages and build a new pattern for development in line with its philosophy of innovation in services and putting clients at the center. Adhering to the development principle of "High Quality + High Efficiency", the Company's pharmaceutical business segment actively endeavored to build itself into an enterprise with leading position in scale, network and services for the high-quality development, with the core placed on "profits increase and costs reduction" for high-efficient development. In the meantime, efforts were made to advance innovation in services, enhance core competitiveness of various business fields, and create pharmaceutical businesses of Huadong Medicine with unique characteristics. Externally, the segment steadily improved its operation quality and efficiency, explored profit growth points,

and guaranteed its cash flow, while strengthening hospital businesses, expanding out-of-hospital markets, and developing innovative businesses. As for hospitals, the segment firmly grasped opportunities brought by the policy of "long-distance settlement of medical insurance", placed its focus on leading hospitals, established diverse partnerships, and steadily improved its performance. In the field of medicinal materials, ginseng & antler and medical devices, the segment further expanded its businesses to lower-tier markets throughout Zhejiang Province and improved market shares in various cities. In the field of health industry, the segment focused on rehabilitation equipment and increased its bid acceptance probability and coverage. With regard to out-of-hospital markets, the segment further expanded its coverage, gave priority to the development of Huadong Medicine's retailing business, increased the profitability of retailing business, synergize with dual-channel medicines and commercial people-benefiting insurance policies, and build platforms with industrial competitiveness cored at introduction of varieties and prescription reception. As for innovative businesses, the segment focused on product agent, pharmaceutical e-commerce of self-owned brands, and tripartite pharmaceutical logistics featured by cold chain. Product pipelines were expanded from medicines to medical devices. Its self-owned brand "Xuguanghe" was continuously iterated and upgraded for more innovative products. The ratio of tripartite pharmaceutical logistics was further expanded, with authorizations for more cooperative projects and products obtained.

In 2024, the Company's pharmaceutical business segment will continue to explore innovation in services, always focus on clients, keep up with upgraded demands of upstream and downstream clients, and build a new cooperation ecosystem with business partners in and out of China through in-depth cooperation in multiple modes, fields, and channels. The segment will keep improving its service quality, build differentiated service brands of the Company's pharmaceutical business, and expand its scale for more profits. Envisioning improving its market share through stabilized scale and optimized structure, the segment will continue to consolidate its traditional delivery business, maintain a reasonable scale, increase the ratio of leading hospitals, extend its medicinal materials and medical devices businesses to low-tier markets, and increase its market shares in various cities. In the meantime, the segment will vigorously expand its out-of-hospital markets, further develop the Company's pharmacy retail businesses, and improve the profitability of pharmacies in hospitals and DTP stores. As for agent products, the segment placed

its focus on chemical medicines and blood products, and further extended medical devices lines to attain more profits. OTC, distribution and other departments co-established business groups for businesses out of Zhejiang Province. The Innovation Center proactively supported the distribution business, undertook large projects from famous enterprises, introduced agent medical devices, and directly accessed terminals via subsidiaries in various cities. Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd. Further optimized collaborative integration under multiple logistics scenarios, expanded phase IV of refrigeration storage, expanded the distribution of special medicines represented by high-end cold chain and vaccines, and consolidated its leading role in the pharmaceutical cold chain service industry.

(IV) Aesthetic Medicine Business

During the reporting period, the Company's aesthetic medicine segment maintained rapid growth and achieved the record high total operating revenue of 2.447 billion yuan (excluding internal offsetting factors), up 27.79% year on year. The overall profitability in the aesthetic medicine segment and ratio of contribution to the Company's overall net profit witnessed steady improvement.

During the reporting period, Sinclair, the Company's wholly-owned subsidiary and the global operating platform of its aesthetic medicine business based in the UK, proactively expanded sales of its aesthetic medicine injection, filling and EBD products globally despite impacts of sluggish global economic growth, and achieved the sales revenue of 149.58 million pounds (about 1.304 billion yuan), up 14.49% year on year. Sinclair achieved its first annual profit since it was acquired by the Company.

During the reporting period, Sinclair (Shanghai), the Company's wholly-owned subsidiary in China for its aesthetic medicine business, achieved the accumulative revenue of 1.051 billion yuan, up 67.83% year on year, making important contribution to the growth of the Company's overall performance.

During the reporting period, the Company actively practiced the long-term vision of cultivating and building the world's leading innovative aesthetic medicine enterprise, continued to steadily promote the strategy of dual-circulation development in and out of China, focused on the global high-end aesthetic medicine market, strengthened its brand building, and accelerated the integration of product resources. To date, the Company has launched 38 high-end products in the

field of "non-invasive + micro-invasive" aesthetic medicine worldwide, of which 24 have been marketed. The product portfolio covers non-surgical mainstream aesthetic medicine fields such as frown lines improvement, facial and whole-body filling, energy source skin management, and body shaping. In the meantime, the Company has formed integrated product clusters and ranks in forefront of the industry in terms of quantity of products and number of fields covered, with continuously improved international influence. With a professional marketing and promotion team comprised of about 300 talents, the Company's aesthetic medicine segment has built its global aesthetic medicine marketing network with over 80 countries and regions covered.

During the reporting period, the Company signed cooperation agreements with ATGC in the Republic of Korea and Chongqing Yuyan successively to introduce two types of innovative botulinum toxin products under research: botulinum toxin type A ATGC-110 and recombinant botulinum toxin type A YY001, further enriching the Company's product lines of aesthetic medicine injections. As of the date of the Report, the application for launching of ATGC-110 was accepted by the Ministry of Food and Drug Safety of the Republic of Korea (MFDS) for the declared indication of improving moderate to severe frown lines of adult patients. The enrollment of subjects during phase III clinical trial for YY001 was completed in China. YY001 and ATGC-110 will fully satisfy patients' demands for rejuvenation and high security thanks to their differentiated efficacies. To date, the Company achieved full coverage of three categories of injection products, i.e. regeneration products, hyaluronic acids, and botulinum toxin. For each category, the Company formed more than two differentiated product lines and is able to provide patients with one-stop integrated facial aesthetics solutions in the future.

During the reporting period, the Company actively advanced the global registration of its aesthetic medicine products and simultaneously facilitated the registration and launching of overseas products in China. Actively facilitating the registration for marketing in multiple countries across the globe, Sinclair had obtained marketing authorizations for 16 products in 37 countries and regions during the reporting period. During the reporting period, the Company kept advancing the registration and launching of its core products in China. The application for registration of the Company's optical RF therapy devices V20 was accepted by the Center for Medical Device Evaluation, NMPA in September 2023. The product is expected to be approved in China in 2024. MaiLi Extreme, the Company's novel high-end lidocaine-containing sodium

hyaluronate filler for injection, successfully achieved primary endpoint of the clinical trial in China, with favorable product safety data shown. In December 2023, MaiLi Precise completed the enrollment of the first subject in clinical trials in China. In March 2023, Ellansé® M, a polycaprolactone microsphere facial filler for injection, successfully completed the enrollment of all subjects in clinical trials in China. Moreover, the Company's V version and X version of poly-L-lactic acid (PLLA) collagen stimulant Lanluma® obtained the approval from Hainan Medical Products Administration that Lanluma® can be used in Boao Lecheng International Medical Tourism Pilot Zone. In February 2023, the first treatment was completed in ARSMO Lecheng, Hainan. In April 2023, Lanluma® was awarded the "the Best Injectable Body Filler" by the 2023 AMWC, which vividly showcases the authoritative recognition of Lanluma® products and technologies by the international aesthetic medicine industry. Please see "(8) Progress of registration and marketing of aesthetic medicine products" in "(III) R&D situation" below in this section for the progress of registration of the Company's other key aesthetic medicine products in China.

华东医药医美重点产品

注射填充类

Ellansé®伊妍仕®

已在全球60多个国家或地区获得注册认证或上市准入

- 产品采用独家的STAT 专利技术，具备良好的生物相容性，能提供即刻塑形的效果，拥有持久的胶原新生机制
- 全球临床使用年限超过10年，临床安全性及有效性得到广泛认可
- Ellansé®伊妍仕® S型已于2021年8月在中国正式上市；M型于2023年3月完成中国临床试验全部受试者入组

Lanluma®

全球唯一一款被批准可用于臀部和大腿填充的再生型产品

- 由左旋聚乳酸（PLLA）制成的，用于面部和身体的再生型医美填充剂，可以提供18-24个月的长效填充效果
- 于2020年获得欧盟CE认证，截止目前已在全球32个国家和地区获批上市，2022年12月获批落地海南博鳌乐城
- 获得2023摩纳哥世界美容抗衰老大(AMWC)颁发的“最佳身体填充注射剂”奖

MaiLi系列

采用创新的OxiFree™专利技术获得更持久、自然的效果

- 公司旗下高端透明质酸产品，全系列共有四款产品，拥有优异的流变性能和良好的填充性能，可有效减少产品注射量，最大程度的提高临床疗效，其“智能弹簧（Smart Spring）”属性可让面部表情看起来更自然
- MaiLi系列产品已于2020年6月获得欧盟CE认证，自海外上市以来持续受到市场认可
- MaiLi Extreme中国临床试验已顺利达成主要研究终点，并显示出良好的产品安全性数据；MaiLi Precise于2023年12月完成中国临床试验首例受试者入组

KiOmedine®皮肤动能素以及3款填充剂

KiOmed开发的在研产品

- KiOmedine®皮肤动能素是利用独有专利技术研发的高纯度天然（非动物源）医用级壳聚糖衍生物，其核心成分可以保护皮肤免受氧化应激反应，有效补充皮肤水分，改善肤质
- 3款KiOmedine®填充剂为基于KiOmedine®和透明质酸的注射填充剂，可应用于唇部填充塑形、改善或纠正面部皱纹和皮肤凹陷、面部填充塑形等

华东医药 HUADONG MEDICINE

Figure: Key Aesthetic Medicine Products of Huadong Medicine

During the reporting period, Sinclair (Shanghai) drove collaborative development of its subsidiary brands with the Company's brand as the main body, launched many star programs since it set foot in Chinese market, linked global resources, improved its reputation on B and C ends, and created a brand image that features "professional", "aesthetic" and "high-end". Its core product Ellansé®, the only regenerative filler on the aesthetic medicine market in China introduced from Europe, brings patients natural anti-aging effects and has been extensively recognized by users for its unique PCL + CMC combination for anti-aging. By the end of 2023, Sinclair (Shanghai) has signed cooperation contracts with over 600 hospitals and trained over 1,100 certified physicians on Ellansé®. As for Ellansé®, the Sinclair (Shanghai) constantly strengthened its brand building and consolidated the high-end orientation through diverse trans-discipline activities, being well-received by C-end markets and witnessing improved industry influence and competitiveness.

During the reporting period, Sinclair (Shanghai) not only kept leading the regenerative filling market in China, but also actively expanded its coverage in the field of aesthetic devices. In June 2023, the launch meeting of the Company's RF therapeutic instrument Reaction® was successfully held in Shanghai, which leads the new trend of comfort anti-aging. The unique CORE® multi-channel RF technology of Reaction® can effectively stimulate fiber cells, thus improving wrinkles, lifting and relieving loose skin, and bringing patients better anti-aging experience.

During the reporting period, Sinclair successfully held Sinclair Global Forum in Milan, Italy, attracting over 200 industry leaders and medical specialists from across the world. Participants shared with each other experience in using Ellansé® and discussed about application and reflections on collagen regeneration technologies based on global cases of facial features of patients at different ages and in different races. Famous medical experts from China and 20 doctors from the delegation of aesthetic medicine in China had full and heated discussion with international experts. The oriental aesthetics was widely concerned and China's experience received global recognition.

The aesthetic medicine segment of the Company has always put medicine science first. In 2023, the segment issued four papers on academic journals, including a piece of paper on a heavyweight journal in the aesthetic medicine industry. In the meantime, two post-launching studies on Ellansé® and Reaction® were conducted, with relevant results submitted to SCI International academic journals. One paper was accepted by Aesthetic Plastic Surgery (APS).

In the future, the Company's aesthetic medicine segment will continue to focus on the high-end market of global aesthetic medicine to form an international aesthetic medicine business integrating R&D, manufacturing and marketing by upholding the strategy of "global operation layout and dual-circulation operation & development" and keeping optimizing its product lines. With its core subsidiary Sinclair as the global operation platform and integrating global technological and innovative resources, the Company has achieved the global operation layout for its aesthetic medicine segment and successively introduces "aesthetic medicine + cosmetic medicine" products with great scientific connotation and huge market potential into China. Internationally, the Company empowers the rapid launching and commercialization of its superior international products relying on its great registration and marketing abilities in China and

steadily expands its presence in China. Moreover, the Company will continue to foster robust brand strength based on cutting-edge innovative technology, strive to bring comprehensive solutions and extraordinary aesthetic experience to patients by upholding the professional and rigorous attitude as a pharmaceutical enterprise, and bring long-term values to patients, aesthetic medicine institutions, and physicians around the world.

II. BD Cooperation during the Reporting Period

In January 2023, the Company's wholly-owned subsidiary Huadong Medicine (Hangzhou) Co., Ltd., signed an exclusive commercialization cooperation agreement with Kaixing Life Science and Technology (Shanghai) Co., Ltd., a wholly-owned subsidiary of CARsgen Therapeutics Holdings Limited. Huadong Medicine (Hangzhou) obtained the exclusive commercialization rights in mainland China of Zevorcabtagene Autoleucel Injection (Saikaize®, approved for marketing in China in 2024), a product of fully human anti-autologous BCMA (B cell mature antigen) CAR-T owned by Kaixing for the treatment of relapsed/refractory multiple myeloma. With great potential, Zevorcabtagene Autoleucel Injection will further enrich the Company's product lines in the field of blood diseases, and will also share the expert network, research and clinical resources with existing key varieties of the Company in the field in terms of marketing, thus achieving mutual complementary, mutual development and effective collaboration. The Company will form a multi-dimensional product lines of chemotherapy medicines, ADC products and CAR-T products in the field of neoplastic hematologic treatment after this transaction (refers to relevant announcement (Announcement No.: 2023-004) disclosed by the Company on Cninfo (http://www.cninfo.com.cn) for details).

In March 2023, the Company intended to sign the Partnership Agreement of Hangzhou Capital Biomedical Achievements Transformation Fund (hereinafter referred to as the "Partnership Agreement") with Hangzhou Jianheng Enterprise Management Co., Ltd., Hangzhou Industrial Investment Co., Ltd., Hangzhou Taikun Equity Investment Fund Partnership (Limited Partnership), Betta Pharmaceuticals Co., Ltd. and Hangzhou West Lake Industrial Fund Co., Ltd. to jointly invest in the establishment of Guoshun Jianheng Venture Capital Partnership (Limited Partnership) with a total subscribed capital of 210 million yuan, in a bid to further enrich the Company's industrial investment ecosystem relying on the industrial management experience of business managers and resource advantages of other contributors by organically integrating

government's guidance fund and excellent pharmaceutical capitals. By contributing 40 million yuan (or a contribution ratio of 19.05%), the Company will be the limited partner (LP) of the Partnership (refers to relevant announcement (Announcement No.: 2023-008) disclosed by the Company on Cninfo (http://www.cninfo.com.cn) for details).

In April 2023, the Company's wholly-owned subsidiary Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. signed the *Agreement on Equity Transfer and Capital Increase of Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd.* (hereinafter referred to as "Nanjing Nongda Animal Pharmaceutical"), with Nanjing Nongda Animal Pharmaceutical, natural person Zhai Zhongshu and Nanjing Jiuheng Pharmaceutical LP (Limited Partnership). Zhongmei Huadong will invest no more than 265,333,300 yuan in total and acquire 70% of the equity in Nanjing Nongda Animal Pharmaceutical in the form of equity transfer and capital increase, becoming a controlling shareholder of the latter. This acquisition further improved the industrial layout of the Company's industrial microbiology segment. After this transaction, Nanjing Nongda Animal Pharmaceutical will become an important platform for Huadong Medicine to develop its animal health business in industrial microbiology sector, while making full use of Huadong Medicine's advantages in industrial ecological chain and financial support capabilities to achieve coordinated development in R&D, manufacturing, marketing, selling and other dimensions (refers to relevant announcement (Announcement No.: 2023-024) disclosed by the Company on Cninfo (http://www.cninfo.com.cn) for details).

In July 2023, the Company's subsidiary Doer Biologics announced a licensing agreement with BioNTech SE (NASDAQ: BNTX, "BioNTech"). According to clauses of the agreement, Doer Biologics will grant BioNTech a global license to use an innovative finding of Doer Biologics for research, development, production and commercialization of an innovative bio-therapeutic medicine with undisclosed target. Doer Biologics will receive advance payment and payments for potential development, supervision and commercial milestones.

In August 2023, the Company's wholly-owned subsidiary Zhongmei Huadong signed the Exclusive Product License Agreement with the American listed company Arcutis Biotherapeutics, Inc. (hereinafter referred to as "Arcutis"). According to the agreement, Zhongmei Huadong obtained the exclusive license of the globally innovative Roflumilast external preparations (including Roflumilast Cream ZORYVE® and Roflumilast Foam ARQ-154) of Arcutis in Greater

China (including Chinese mainland, Hong Kong SAR, Macao SAR and Taiwan, China) and Southeast Asia (Indonesia, Singapore, Philippines, Thailand, Myanmar, Brunei, Cambodia, Laos, Malaysia and Vietnam), including rights for development, registration, production and commercialization. Zhongmei Huadong will pay Arcutis a down payment of 30 million US dollars, a milestone payment of development, registration and sales with a maximum of 64.25 million US dollars, and a graded double-digit net sales commission. The introduction of ZORYVE® cream and ARQ-154 will further supplement the Company's product lines in the field of autoimmunity and inflammatory skin diseases, and consolidate its core competitiveness in the field of autoimmunity (refers to relevant announcement (Announcement No.: 2023-061) disclosed by the Company on Cninfo (http://www.cninfo.com.cn) for details).

In August 2023, the Company's wholly-owned subsidiary Zhongmei Huadong signed the Exclusive Product License Agreement with MC2 Therapeutics Ltd., a wholly-owned subsidiary of a Danish company MC2 Therapeutics A/S (hereinafter referred to as "MC2"). According to the agreement, Zhongmei Huadong obtained the exclusive license of the globally innovative product Wynzora® in Greater China (including Chinese mainland, Hong Kong, Macao and Taiwan), including rights for development, registration, production and commercialization. Zhongmei Huadong will pay MC2 a down payment of no more than 16 million US dollars, a milestone payment of clinical development and registration, a mile payment of sales with a maximum of 36 million US dollars, and a graded double-digit net sales commission. The introduction of Wynzora® will further enrich the Company's innovative product lines of external preparation and continuously consolidates its competitiveness in the treatment of psoriasis. (Please refers to relevant announcement (Announcement No.: 2023-067) disclosed by the Company on Cninfo (http://www.cninfo.com.cn) for details).

In October 2023, the Company's wholly-owned subsidiary Huadong Medicine Aesthetics Investment (Hong Kong) Limited (hereinafter referred to as "Aesthetics Investment") signed the Exclusive Product License Agreement with ATGC Co., Ltd. (hereinafter referred to as "ATGC") in the Republic of Korea. According to the agreement, Aesthetics Investment obtained the global exclusive license of ATCG-110, an injection containing botulinum toxin type A of ATGC, in China, the U.S., Europe, etc. (excluding India), and the non-exclusive license in the Republic of Korea, including the clinical development, registration and commercialization rights for aesthetic

medicines and all of its complications. Aesthetics Investment will pay ATGC a down payment of 13 million US dollars, and a milestone payment of clinical development and registration with a maximum of 17 million US dollars. The agreement for ATGC-110 is a strategic supplement to the Company's global aesthetic medicine products, which is beneficial for the Company to build diversified aesthetic medicine brand and product clusters (refers to relevant announcement (Announcement No.: 2023-072) disclosed by the Company on Cninfo (http://www.cninfo.com.cn) for details).

In November 2023, Sinclair (Hangzhou) Medical Treatment Technology Co., Ltd. (hereinafter referred to as "Sinclair (Hangzhou)"), Hangzhou Industrial Investment Co., Ltd. (hereinafter referred to as "Hangzhou Industrial Investment"), Hangzhou Gongshu SDIC Industrial Development Co., Ltd. (hereinafter referred to as "Gongshu SDIC") signed the Shareholder Agreement and Series B Investment Agreement with Chongqing Yuyan Pharmaceutical Co., Ltd. (hereinafter referred to as "Chongqing Yuyan") and its shareholders' representatives. All investors subscribed 2,102,260 yuan of Chongqing Yuyan's newly-increased registered capital at 300 million yuan as the consideration of 8.5714% of Chongqing Yuyan's equity after this transaction. Among them, Sinclair (Hangzhou) contributed 150 million yuan, holding 4.2857% of Chongqing Yuyan's equity after this transaction. On the same day, the Company signed the Exclusive Dealing Agreement with Chongqing Yuyan, agreeing that the Company is granted with Chongqing Yuyan's exclusive commercialization rights of recombinant botulinum toxin type A YY001 for indications in the field of aesthetic medicine in Chinese mainland, Hong Kong SAR and Macao SAR. The Company will pay Chongqing Yuyan a down payment of 50 million yuan and a milestone payment of registration with a maximum of 100 million yuan. YY001 and ATGC-110 will fully satisfy patients' demands for rejuvenation and high security thanks to their differentiated efficacies, with all consumers in the botulinum toxin market covered (refers to relevant announcement (Announcement No.: 2023-081) disclosed by the Company on Cninfo (http://www.cninfo.com.cn) for details).

In December 2023, the Company's wholly-owned subsidiary Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (hereinafter referred to as "Zhongmei Huadong") signed the Exclusive Marketing Service Agreement with Shanghai Junpaiyingshi Pharmaceutical Co., Ltd., a wholly-owned subsidiary of Nanjing IMPACT Therapeutics Co., Ltd. (Hereinafter referred to as

"IMPACT Therapeutics"). According to the agreement, Zhongmei Huadong will obtain the exclusive marketing rights of Senaparib (IMP4297, with its Chinese name subject to the final approval document) of IMPACT Therapeutics in Chinese mainland. Zhongmei Huadong will pay IMPACT Therapeutics a down payment of 100 million yuan and a milestone payment of registration and commercialization with a maximum of 190 million yuan. In the meantime, IMPACT Therapeutics will pay Zhongmei Huadong the marketing service fees as agreed in the agreement. The cooperation will further enrich the Company' product lines in the field of oncology and consolidate the Company's market competitiveness in this field (refers to relevant announcement (Announcement No.: 2023-099) disclosed by the Company on Cninfo (http://www.cninfo.com.cn) for details).

III. ESG of the Company during the Reporting Period

With regard to ESG, the Company has always adhered to the concept of sustainable development. Setting up a special ESG Committee to coordinate the Company's ESG work, the Company integrates the core theory of ESG with the enterprise development strategy and daily operation management, guides and makes innovation in various work with a scientific concept of social responsibility, upholds the idea of green production, actively responds to the "carbon neutrality and carbon peaking" goals, operates with integrity in strict accordance with laws, and actively fulfills its social responsibilities. By virtue of its excellent ESG governance ability, the Company won the AAA rating for ESG by CNI Index of Shenzhen Stock Exchange and the A rating for ESG of WIND, and was awarded the 17th Top 100 Chinese Listed Companies in ESG by Securities Times, etc.

For more information about ESG, please refer to *Huadong Medicine: Environmental, Social and Governance (ESG) Report in 2023* issued by the Company.

IV. Awards during the Reporting Period

During the reporting period, as the Company's comprehensive competitive strength, efficient operation and governance, and value creation ability were recognized by the market, it won a number of awards and honors: The Company was included in Fortune China 500 for the 14th time and ranked 358th. It was rated as "2023 China Top 500 Private Enterprises" and "2023 China Top 500 Private Manufacturing Enterprises". It was selected in the list of "2022 Top 100 Pharmaceutical Industries in China" of MENET, reelected top 10 among "2022 Top 100

Chemical Pharmaceutical Enterprises in China". It was honored as "Top 20 Chinese Listed Pharmaceutical Companies in Competitiveness in 2023" by E-medicine Agent and "Top 10 Innovative Medicine Enterprises in 2023" by China Times. It was included in "2023 Top 100 Chinese Enterprises in Overall Strength of Pharmaceutical Research and Development", "2023 Top 100 Chinese Enterprises in Chemical Medicines Research and Development" and "2023 Top 50 Chinese Enterprises in Biomedicine Research and Development" by YaoZH. In terms of investor relations management, the Company won numerous awards, including the Gold Award for Panoramic Investor Relations - "Outstanding IR Company", "Outstanding IR Team", "Best Corporate Communication Award", "Best New Media Operation Award", and the 14th Tianma Awards for Investor Relations of Chinese Listed Companies - "New Media Award", etc.

2. Income and cost

(1) Composition of operating revenue

Unit: yuan

	2023		2022		Year-on-year percentage increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	40,623,782,520.43	100%	37,714,587,458.01	100%	7.71%
By sector					
Business	27,641,104,822.67	68.04%	25,706,575,656.84	68.16%	7.53%
Manufacturing	14,834,472,398.22	36.52%	13,308,829,442.90	35.29%	11.46%
Including: Industrial	12,663,534,159.13	31.17%	11,666,006,594.38	30.93%	8.55%
Aesthetic medicine	2,447,076,357.48	6.02%	1,914,953,889.03	5.08%	27.79%
Including: International aesthetic medicine	1,303,938,229.47	3.21%	1,143,849,083.22	3.03%	14.00%
Aesthetic medicine in China [Note]	1,328,453,681.15	3.27%	883,937,124.31	2.34%	50.29%
Offset (inter-sectoral offset)	-1,851,794,700.46		-1,300,817,641.73		
By products					
By regions					
Sales in China	39,196,619,466.20	96.49%	36,549,476,866.81	96.91%	7.24%
Overseas sales	1,427,163,054.23	3.51%	1,165,110,591.20	3.09%	22.49%
By sales modes					

[Note] The aesthetic medicine in China includes the income from the self-operated aesthetic medicine products, the income from the aesthetic medicine products of the Company's pharmaceutical commercial agency and the income from the OTC weight-loss products of the Company.

(2) The operating revenue or profit accounts for more than 10% of the total by industries, products, regions and sales modes

☑ Applicable □ N/A

Unit: yuan

	Operating revenue	Operating cost	Gross profit rate	Year-on-year percentage increase/decrease in operating revenue	Year-on-year percentage increase/decrease in operating cost	Year-on-year percentage increase/decrease in gross profit rate
By sectors						
Business	27,641,104,822.67	25,712,981,178.42	6.98%	7.53%	7.88%	-0.31%
Manufacturing	14,834,472,398.22	3,285,586,681.98	77.85%	11.46%	10.58%	0.18%
By products						
By regions						
Sales in China	39,196,619,466.20	26,982,182,311.26	31.16%	7.24%	6.44%	0.52%
Overseas sales	1,427,163,054.23	479,549,262.33	66.40%	22.49%	44.48%	-5.11%
By sales modes						

If the statistical specifications of the Company's main business data have been adjusted during the reporting period, the Company's main business data of the most recent year should be adjusted according to the specifications at the end of the reporting period.

□ Applicable ☑ N/A

(3) Whether the Company's income from in-kind sales is greater than that from labor services

☑Yes □No

Reasons that year-on-year percentage increase/decrease in related data is over 30%

□ Applicable ☑ N/A

(4) Performance of major sales contracts and major procurement contracts signed by the Company as of the reporting period

□ Applicable ☑ N/A

(5) Composition of operating cost

Sector

Unit: yuan

Sector	Item	2023		2022		Year-on-year percentage increase/decrease
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Business	Operating cost	25,712,981,178.42	93.63%	23,833,974,287.72	92.80%	7.88%
Manufacturing	Operating cost	3,285,586,681.	11.96%	2,971,265,913.	11.57%	10.58%

		98		43		

Note

N/A

(6) Whether the scope of consolidation has changed during the reporting period

☑Yes □No

For details, please refer to "IX. Change of consolidation scope" in "Section X. Financial Report".

(7) Significant changes or adjustments to the Company's business, products or services during the reporting period

□ Applicable ☑ N/A

(8) Major customers and major suppliers

The Company's major customers

Total sales amount of the top five customers (yuan)	7,900,667,787.76
Proportion of the total sales amount of the top five customers in the total annual sales amount	19.45%
Proportion of related parties' sales amount of the top five customers' sales amount in the total annual sales amount	0.00%

Information of the Company's top five customers

No.	Customer name	Sales amount (yuan)	Proportion in the total annual sales amount
1	Customer A1	3,441,266,958.78	8.47%
2	Customer A3	1,491,471,437.54	3.67%
3	Customer A11	1,150,922,662.95	2.83%
4	Customer A5	945,813,964.81	2.33%
5	Customer A2	871,192,763.68	2.14%
Total	--	7,900,667,787.76	19.45%

Other information of major customers

□ Applicable ☑ N/A

Information of the Company's major suppliers

Total purchase amount of the top five suppliers (yuan)	3,746,525,314.04
Proportion of the total purchase amount of the top five suppliers in the total annual purchase amount	13.64%
Proportion of related parties' purchase amount of the top five customers' purchase amount in the total annual purchase amount	0.00%

Information of the Company's top five suppliers

No.	Supplier name	Purchase amount (yuan)	Proportion in the total annual purchase amount
1	Supplier B5	892,682,050.91	3.25%
2	Supplier B6	857,207,409.96	3.12%

3	Supplier B7	770,300,103.44	2.80%
4	Supplier B8	640,988,014.05	2.33%
5	Supplier B9	585,347,735.68	2.13%
Total	--	3,746,525,314.04	13.64%

Other information of major suppliers

□ Applicable ☑ N/A

3. Expenses

Unit: yuan

	2023	2022	Year-on-year percentage increase/decrease	Note on major changes
Sales expenses	6,645,411,414.21	6,334,738,928.05	4.90%	
Administrative expenses	1,420,188,961.59	1,248,781,970.63	13.73%	
Financial expenses	51,189,784.17	78,256,567.01	-34.59%	Mainly due to the increase in exchange gains and losses
R&D expenses	1,270,803,119.96	1,015,971,052.33	25.08%	

4. R&D input

☑ Applicable □ N/A

(1) Overall R&D situation

During the reporting period, being "Scientific Research-based and Patient-centered", the Company further devoted itself to the field of cancer and chronic disease treatment, continuously increased the R&D input, kept enriching the layout of innovative medicine R&D, enhanced the construction of innovative R&D ecology and technological platform, and actively advanced the progress of clinical trials, with multiple major staged achievements made. As of the date of the Report, the Company has a total of 111 pharmaceutical projects under development, including 73 innovative and biosimilar medicine projects. During the reporting period, the Company's R&D investment in the pharmaceutical industry (excluding equity investment) was 2.293 billion yuan, up 23.67% year-on-year. Among them, direct R&D expenditure was 1.6 billion yuan, up 33.74% year-on-year, which accounts for 13.1% of the operating revenue of the pharmaceutical industry. R&D tasks mainly include the following:

1) The Company continued to practice the new medicine R&D mode combining independent R&D + cooperative entrusted development + product License-in, track the latest international mechanism of medicine action and target, as well as the progress of clinical application research, speed up the layout of innovative medicines and introduction of innovative medicine projects at

home and abroad, clarify innovative, differentiated and iterative standards for initiation of projects, and strengthen the capabilities of independent innovation and R&D;

2) The Company insisted on its differentiated R&D strategy with the focus placed on unsatisfied clinical needs of global patients. With "clinical value, pharmacoeconomic value and commercial value" as the starting point, the Company laid out multiple categories of innovative products in fields of endocrinology, autoimmunity and oncology;

3) Focusing on clinical superior varieties and specialized medicines, the Company accelerated the R&D layout of high-tech barrier generic medicines and modified new medicines;

4) The Company established and fostered the industrial chain advantages of "APIs + preparations" for generic medicines, developed technical improvement and innovation of external preparations, and strengthened its market competitiveness;

5) The Company strengthened the comprehensive dynamic evaluation of varieties under development, strengthened the management of imported projects, especially clinical projects, accelerated the speed and quality of development of clinical projects, especially those under phase III clinical trials, and sped up the launching of innovative medicines;

6) The Company built its ADC global R&D ecology for win-win cooperation by fostering the Polypeptide differentiation innovative technology platform, immune disease antibody technology platform, microbiology fermentation cytotoxin technology platform, and innovative linker and coupling technology platform.

(2) Innovative R&D system and lines

The Company has set up a full-chain efficient and hardworking core R&D team with international visions composed of 1,700 high-level developers of various levels, and has established a relatively sound R&D management system that covers the whole process of medicinal development from target research, early medicinal discovery, pre-clinical research, clinical trials to new medicine registration and marketing.

The Company placed the focus of its innovative R&D on three core fields of oncology, endocrinology and autoimmunity. To date, there have been over 60 innovative product lines. As its product lines are continuously enriched, the Company has constantly expanded its innovative medicine field to the R&D of multiple types of medicines including small-molecule medicines, polypeptides, ADCs, bispecific or multispecific antibody medicines, as well as the exploration towards innovative therapies for diseases in the fields of endocrinology, autoimmunity and oncology.

(3) Progress of R&D of innovative medicines, innovative medical devices and biosimilar medicines

Oncology

The Company endeavored to build the world's leading platform for R&D of innovative cancer medicines and established more than 30 innovative antineoplastic medicines covering targeted small-molecule medicines, ADCs, antibodies, PROTAC, etc. through discovery, screening and verification of new targets in preliminary R&D of medicines.

In October 2023, the application of ELAHERE® (R&D code: IMGN853, HDM2002), the world's first in class Mirvetuximab Soravtansine Injection introduced by the Company from ImmunoGen based in the U.S., was accepted in China for the treatment of folate receptor alpha (FRα)-positive, platinum-resistant epithelial ovarian, fallopian tube or primary peritoneal adult cancer patients treated with up to three prior therapies. The product was included in the list of priority review varieties by CDE in July 2023. In April 2024, the Company was approved to join the international multi-center phase III clinical study of PSOC (platinum-sensitive ovarian cancer) to advance the front-line treatment of ovarian cancer, for the maintenance treatment for adult patients with FRα-positive recurrent platinum-sensitive epithelial ovarian, fallopian tube, or primary peritoneal cancers, who have not experienced disease progression after second-line platinum-based chemotherapy, in combination with Bevacizumab. This product was piloted in the pioneer area of Bo'ao Lecheng International Medical Tourism Pilot Zone, Hainan Province in July 2023, and its real-world research for platinum-resistant ovarian cancer was officially launched in Hainan Bo'ao Ruijin Hospital in August 2023. In addition, in March 2024, the Company's American partner announced that the approval state of ELAHERE® in the U.S. had changed from accelerated approval to full approval.

Mefatinib Tablet, the Company's first-class new medicine, was included as the variety for breakthrough treatment in May 2023 by CDE, which is used for treating advanced non-small cell lung cancer with rare EGFR mutations. Moreover, the phase III clinical trial for advanced non-small cell lung cancer with EGFR-sensitive mutation successfully reached the primary endpoint. The Company is expected to submit the application of frontline EGFR-sensitive mutation of Mefatinib Tablet in 2024.

HDM2005, an ADC product independently developed by the Company, is proposed to be used for the treatment of advanced solid tumors and hematologic tumors. Its IND application in China was submitted in March 2024 and was successfully accepted.

HDM2006, the Company's first self-developed small-molecule anti-tumor medicine and the first self-developed HPK-1 PROTAC (proteolysis-targeting chimera), entered IND study and is

proposed to be used for the monotherapy and combination therapy of advanced solid tumors and hematologic tumors. Its IND application in China is expected to be submitted by the end of 2024.

In 2024, it is expected that three self-developed innovative products for tumors will obtain PCC confirmations and that IND applications for two self-developed products will be submitted.

Endocrinology

The Company has created the world leading innovative medicine R&D development platform for diabetes with GLP-1 target as the core. To date, the Company has established six under-research and launched product lines that cover oral medicines, injections, including long-acting, single-target and multi-target global innovative and biosimilar medicines. The Company will keep exploring innovative projects related to GLP-1 targets, expanding its coverage to such indications as weight loss, lipid reduction, NASH and heart failure, and constantly develop innovative medicines with higher administration compliance and more clinical advantages.

HDM1002 (small-molecule GLP-1 receptor stimulant), an innovative medicine for diabetic mellitus that is developed by the Company independently, has obtained IND approvals in the U.S. and China in May 2023, with the administration of the first subject in the first in human (FIH) achieved in the beginning of June 2023. The IND application for weight management indications of patients with overweight or obesity in China was approved in September 2023. To date, this product has completed SAD and MAD trials in China, with its phase II clinical trial initiated. To date, there is no oral small-molecule GLP-1 receptor stimulant in the world. HDM1002 will further enrich the Company's product lines in the field of endocrine therapy, accelerate the Company's integration into the global innovative pharmaceutical industry, and further enhance its comprehensive competitiveness.

IND applications in China for two indications of weight management of patients with overweight or obesity and type 2 diabetes of HDM1005, a GLP-1R and GIPR long-acting polypeptide dual-target agonist developed by the Company independently, were approved in March 2024. The enrollment and administration of the first subject during phase Ia clinical trial in China were completed in March 2024. In addition, the Company submitted IND application of this product for overweight or obesity in the U.S. in March 2024.

DR10624, a kind of FGF21R/GCGR/GLP-1R target multiple agonist developed by Doer Biologics, the Company's holding subsidiary, completed SAD studies during phase I in China and New Zealand. The phase Ib/ □a clinical trial for obesity with hypertriglyceridemia is now conducted in New Zealand, which is expected to be completed by the end of 2024.

Liraglutide Injection has had its BLA application for diabetes indications approved by NMPA in March 2023, and its BLA application for obese or overweight applications was approved in June 2023.

To date, Semaglutide Injection completed the enrollment of all subjects during phase III clinical study for diabetes indication. It is expected that primary endpointdata will be obtained in Q4 2024.

Insulin Degludec Injection completed the enrollment of all subjects during phase III clinical study. It is expected that primary endpoint data will be obtained in Q4 2024.

Autoimmunity

The Company has had over 10 varieties of biomedicines and small-molecule innovative products in the field of autoimmunity.

Being listed as Overseas New Medicine in Urgent Need for Clinical Purpose (First Batch) by CDE in China, Rilonacept for Injection (ARCALYST®), a global innovative product introduced from Kiniksa in the U.S., is used for the treatment of Cryo-Pyrin-Associated Periodic Syndromes (CAPS). The BLA application for CAPS indication was accepted in November 2023 and the product was included in the list of priority review varieties in January 2023. Moreover, in September 2023, recurrent pericarditis (RP) was included in the *Second Catalogue of Rare Diseases* jointly issued by the National Health Commission and other miniseries. In March 2024, the BLA application of Rilonacept for Injection for RP indication was accepted in March 2024 and the product was included in the list of priority review varieties in December 2023.

The marketing authorization application of HDM3001 (QX001S), a biosimilar of Ustekinumab (Stelara®) for plaque psoriasis has been accepted by NMPA in August 2023.

The IND application of HDM3002 (PRV-3279), an innovative medicine used for the treatment of systemic lupus erythematosus (SLE), was approved by CDE in April 2023 and was formally included in phase IIa MRCT (PREVAIL-2).

In 2023, the Company introduced a series of external preparations for skin diseases, including Zoryve® (Roflumilast Cream and Roflumilast Foam) introduced from Arcutis based in the U.S., which is used for the treatment of plaque psoriasis, atopic dermatitis, seborrheic dermatitis and psoriasis of scalp and body, and Wynzora® Cream from MC2, which is used for the treatment of plaque psoriasis. The relevant clinical registration work is vigorously advanced.

Innovative pharmaceutical devices

HD-NP-102 (Dynamic Monitoring System of Glomerular Filtration Rate and Relmapirazin Injection): The Dynamic Monitoring System of Glomerular Filtration Rate and Relmapirazin Injection jointly developed by the Company and MediBeacon, Inc. of the U.S. can continuously measure the glomerular filtration rate (GFR) of patients with normal or impaired renal functions by non-invasive monitoring of the fluorescence emitted by Relmapirazin Injection through intravenous injection. According to Chinese laws and regulations on registration, Dynamic Monitoring System of Glomerular Filtration Rate and Relmapirazin Injection shall be applied for registration in accordance with application and registration procedures for medical devices and medicine separately. In November 2021, the Dynamic Monitoring System of Glomerular Filtration Rate was approved to enter the special review procedure for innovative medical devices in China. In July 2022, NMPA formally accepted the medical devices registration application for the system and is now reviewing the application. The NDA application of Relmapirazin Injection used together with the system was accepted in January 2024. In addition, the MediBeacon® Dynamic Monitoring System of Glomerular Filtration Rate that contains Relmapirazin Injection and the Dynamic Monitoring System of Glomerular Filtration Rate was approved by FDA as a pharmaceutical and mechanical combination product with the device as its main action mode. MediBeacon submitted the marketing application to FDA before, which was formally accepted in July 2023.

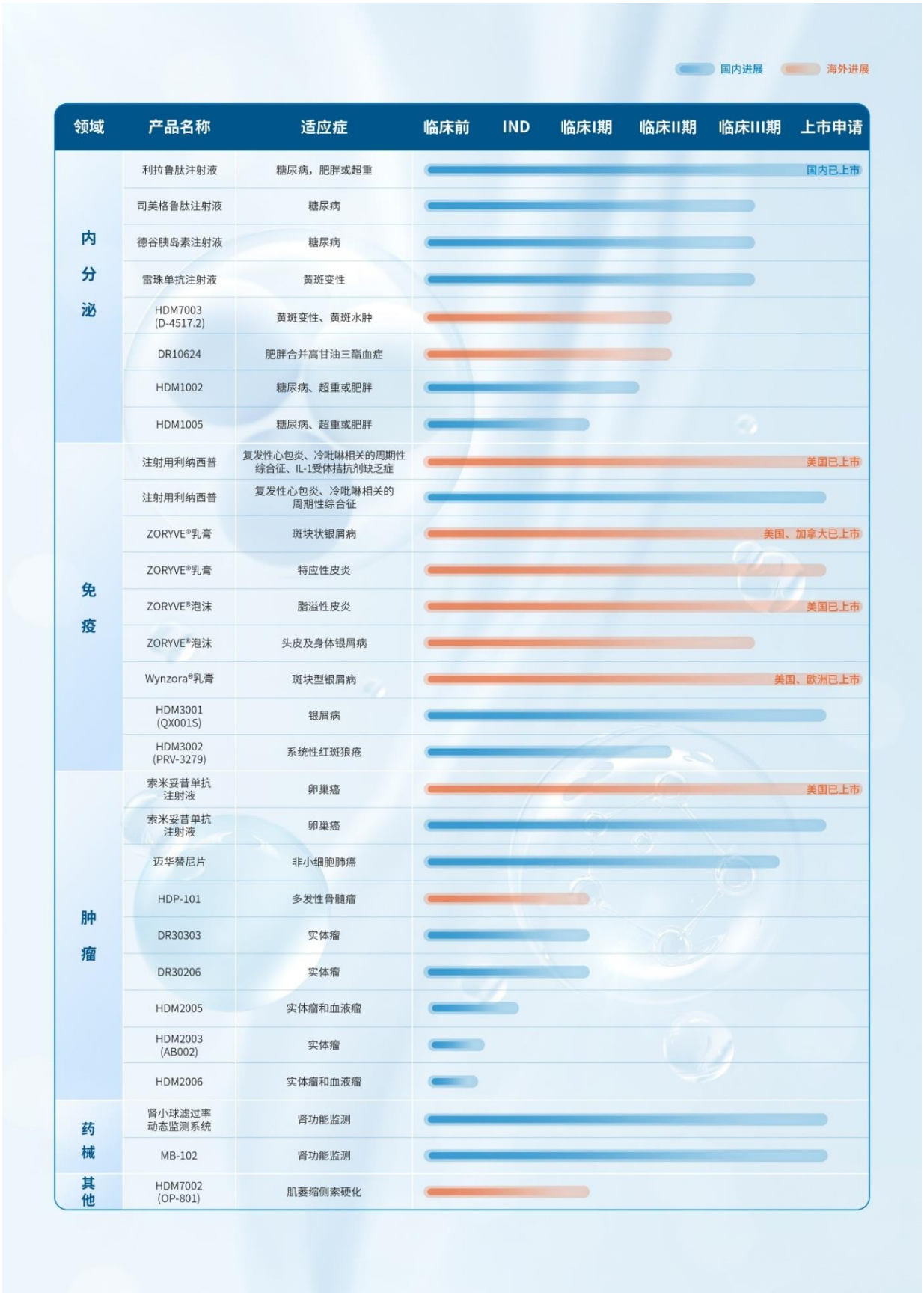


Figure: Pipeline Diagram of Main Innovative Medicines and Biosimilar Medicines as of the Date of the Report

(4) Others tasks regarding innovation R&D

Exploring innovative mechanism and continuously motivating vitality for innovation

In 2023, the Company launched its early exploratory project mechanism revolving around two strategies of innovative transformation and internationalization, showcasing huge potential. Focusing on three core fields of oncology, immunity and endocrinology, the Company conducted more than 10 early exploratory projects and successively incubated first-in-class or best-in-class innovative medicine molecules by identifying frontier targets piloted on the platform via targets and accelerating innovation.

Facilitating innovation transformation and advancing clinical development

The Company's clinical R&D team continued to explore the speed and coverage of innovation and break through the differentiated bottleneck in innovation in accordance with the orientation of high efficiency and high quality, endeavoring to achieve the leap-forward development of diversified innovation in clinical R&D. The R&D team charged and supported 22 clinical projects from such dimensions as clinical study, operation, biometrics, registration and pharmaco-vigilance.

Advanced technical platforms

The Company successfully built medicinal R&D platforms such as new target discovery platform, medicine design and synthesis platform, AIDD platform, PROTAC technology platform and ADC R&D platform, aiming at accelerating the promotion of numerous pipe lines with original innovation (first-in-class, best-in-class) or differentiated/iterative development values. Thanks to these platforms, the Global R&D Center accumulated seven self-dependent innovation PCC molecules in the past three years.

Among them, AI drug discovery & design (AIDD) platform is a key orientation currently valued by the Company, which strengthens the construction of computing power and algorithm system and intelligently process the data generated and accumulated in combination with the research progress of the industry. In the meantime, rich data on the properties of finished medicines accumulated by the Company lays the foundation for continuous optimization and iterative prediction model of the properties of finished medicines and greatly improves the R&D progress of several projects at different stages. This year, the platform has increased the prediction of small molecule novelty, hemolysis, efflux, ADC drug solubility, and other properties. At present, the platform is also expanding its application in the R&D of small molecule, PROTAC, ADC, protein, polypeptide, and nucleic acid medicines. In the meantime, the platform also introduced Hermite and Uni-QSAR technologies, which fill the FEP precision shortcomings of the platform and enrich the prediction methods of small molecular properties. To date, the platform has submitted 34 patent applications and got over 2,000 compounds.

With the focus placed on the Company's core therapeutic fields, the special and future medicines platform actively explored the R&D of new medicine molecular forms such as cell gene therapy, nucleic acid medicines, and innovative ADCs, supporting and laying foundation for the Company's product line layout in the future. The liver-targeted siRNA project for metabolic diseases that the platform is developing is expected to complete PCC certification in 2024.

Postdoctoral research workstation

Zhongmei Huadong, a wholly-owned subsidiary of the Company, was approved to set up the postdoctoral research workstation in February 2021, which was registered as a national postdoctoral research workstation in September 2022. The workstation now has 13 postdoctors. Postdoctors at the Company's postdoctoral research workstation are devoted to frontier and translational studies on R&D of innovative medicines and join hands with moving stations at Zhejiang University, Zhejiang University of Technology and other universities in combination with the Company's development strategies and product lines under research.

Other innovation results

1) Patent applications

The Company's Global R&D Center attached great importance to the protection of intellectual property rights, valued the management of intellectual property rights in the whole life cycle of medicines and the formulation of patent strategies, and set up an intellectual property BP for the early warning, declaration and retention of patents in and out of China, thus improving the comprehensive competitiveness of its products. Since its establishment, the Global R&D Center has claimed a total of over 100 patent applications, including 44 formal and PCT patent applications. All these patents cover such aspects as structures/ sequences, salt type/ crystal type, preparation processes, applications and formulations of new medicines. From 2023 to date, the Company has submitted a total of 17 formal (Chinese) or PCT (international) patent applications. Among them, many key international patents have been applied in over 20 regions across the globe. In the meantime, the Company obtained six authorized patents, including five Chinese patents and one Japanese patent.

2) Academic publications

From 2023 to date, the innovative medicine team successively published nine conference/ journal papers in the fields of oncology and endocrinology at conferences or on journals: $KRAS^{G12D}$-PROTAC research selected in the summary of 2023 WCLC, with an oral presentation made; oral GLP-1 small-molecule agonist HMD1002 selected in the summary of 2023 EASD, with an oral presentation made; single-arm registration study of Mirvetuximab Soravtansine in China (R&D code: IMGN853-301) selected as the POSTER of IGCS; targeted HPK1 PROTAC research

selected as the POSTER of 2024 AACR; oral HPK1 small-molecule inhibitor HDM2004 research selected as the POSTER of 2024-CIMT Annual Conference; positive results of phase III key clinical study of Mefatinib (HDHY-MHTN-III-1907) and oral PTPN2 small molecule inhibitor HDM2010 selected as the POSTER and in the summary of 2024 ASCO Annual Conference, respectively; PROTAC research results targeting BTK published on RSC Medicinal Chemistry Journal, and clinical study results of Mefatinib at the first-line treatment for NSCLC published on Cancer Communications.

Since 2022, Huadong Medicine has published 12 innovative research results on journals/ conferences, highlighting its strength and influence in innovative transformation and further showcasing our unremitting endeavors and positive results in independent innovation.

3) Governmental subsidies

To date, the Company's Global R&D Center has won the government's approvals for initiation of 15 projects, with the certified subsidies of up to 43.052 million yuan. The Company won the honor of "Pioneering Innovation Team" of Zhejiang Province in 2021 and obtained the fund under Zhejiang Province's Pioneer Scientific and Technology Program for three consecutive years in 2021, 2022 and 2023. Meanwhile, HDM1002 and some other programs were awarded prizes for scientific and technological projects at the provincial and/or municipal level. HD-NP-102 and Mefatinib won the fund from the "Special Program for High-quality Development of Bio-pharmaceutical Industry in Hangzhou".

(5) Progress of development of major generic medicines

The Company further clarified the focused and prioritized varieties of existing generic medicines under development by regularly organizing dynamic evaluation and analysis. As of the date of the Report, key varieties are as follows:

No.	Field	Item	Specification	Latest Progress
1	Endocrine	Canagliflozin Tablets	0.1g, 0.3g	Approved by NMPA in January 2023
2	Endocrine	Pioglitazone Hydrochloride and Metformin Hydrochloride Tablets	15/850mg	Approved by NMPA in September 2023
3	Immunity	Tacrolimus Ointment	0.03%, 0.1%	Approved by NMPA in August 2023
4	Immunity	Tacrolimus Granules	1mg	Application accepted in January 2023 and supplementary materials submitted in January 2024
5	Immunity	Tacrolimus Sustained-release Capsules	5mg, 1mg, 0.5mg	5mg version approved by NMPA in February 2024 Applications of 1mg and 0.5mg versions submitted and accepted in February 2023, and supplementary materials submitted in February

				2024
6	Immunity	Sirolimus Tablets	1mg	Application accepted in February 2024
7	Immunity	Sirolimus Gel	0.2%	Application accepted in January 2024
8	Immunity	Mycophenolate Mofetil for Suspension	34.98g	Application accepted in November 2023
9	Oncology	Olaparib Tablets	100mg, 150mg	Application accepted in October 2022 and supplementary materials submitted in January 2024
10	Oncology	Ibrutinib Capsules	140mg	Application accepted in January 2024
11	Oncology	Carfilzomib for Injection	60mg	Application accepted in February 2024
12	Angiocarpy	Macitentan Tablets	10mg	Approved by NMPA in October 2023
13	Anti-infection	Fusidic Acid Cream	15g: 0.3g	Application accepted in May 2023
14	Easing pain	Lornoxicam for Injection	8mg	Application accepted in August 2023
15	Gastroenterology	Vonoprazan Fumarate Tablets	10mg, 20mg	Application accepted in January 2024

(6) Progress of international registration

The Company has actively conducted its international registration tasks. As of the date of the Report, main progress is as follows:

No.	Field	Item	Remarks	Latest Progress
1	Endocrine	Acarbose	APIs	Officially approved in India in June 2023. Supplementary materials for registration in Taiwan, China submitted in April and June 2023.
2	Endocrine	Liraglutide Injection	3ml: 18mg	IND Application submitted in the U.S. in October 2023 and clinical license obtained in November
3	Endocrine	Semaglutide	APIs	DMF Application submitted in the U.S. in July 2023
4	Immunity	Tacrolimus Capsules	0.5mg, 1mg, 5mg	Approved by FDA in the U.S. in April 2023.
5	Oncology	Exatecan Mesylate	Intermediate	Supplementary DMF application submitted in the U.S. in March 2023
6	Oncology	Plitidepsin	APIs	DMF Application submitted in the U.S. in November 2023
7	Oncology	CAP-2 (7413)	Intermediate	DMF Application submitted in the U.S. in August 2023
8	Oncology	P55	Intermediate	DMF Application submitted in the U.S. in August 2023
9	Oncology	MMAE	Intermediate	DMF Application submitted in the U.S. in July 2023
10	Anti-infection	Mupirocin	APIs	Approved in India in February 2023
11	Anti-infection	Caspofungin Acetate for Injection	50mg, 70mg	Supplementary materials for ANDA application submitted in the U.S. in May 2022
12	Anti-infection	Polymyxin B Sulfate	APIs	CEP application for Jiangdong Site approved by EDQM in May 2023 Approved in India in February 2023 Application for registration in Brazil submitted in August 2023

13	Anticoagulant	Fondaparinux Sodium	APIs	Registration in Taiwan, China approved. DMF defect reply submitted in the U.S. in April 2023
14	Anticoagulant	Fondaparinux Sodium Injection	2.5 mg/0.5 ml, 5 mg/0.4 ml, 7.5 mg/0.6 ml, 10 mg/0.8 ml	Supplementary materials for ANDA application submitted in the U.S. in February, May and August 2023
15	Traditional Chinese Medicine	Bailing Capsule	0.5g	Registration in Canada approved in May 2023.
16	/	Poly (lactic-co-glycolic acid) (PLGA7525)	Excipients	DMF Application submitted in the U.S. in November 2023

(7) Progress of consistency evaluation

As of the date of the Report, the progress of consistency evaluation on quality and efficacy of Company's generic medicines is as follows:

No.	Field	Item	Specification	Latest Progress
1	Immunity	Tacrolimus Capsules	1mg, 0.5mg	The notification of approval for supplementary application of consistency evaluation for 1mg version obtained in July 2023 The notification of approval for supplementary application of consistency evaluation for 0.5mg version obtained in January 2024
2	Gastroenterology	Pantoprazole Sodium Enteric Capsules	40mg	The notification of approval for supplementary application of consistency evaluation obtained in May 2023.
3	Angiocarpy	Indobufen Tablets	0.2g	The notification of approval for supplementary application of consistency evaluation obtained in November 2023.
4	Angiocarpy	Adenosine Injection	20ml:60mg, 30ml:90mg, 2ml:6mg	The notification of approval for supplementary applications of consistency evaluation for 20ml:60mg, 30ml:90mg versions obtained in August 2023 Application of 2ml:6mg version accepted in August 2023

(8) Progress of registration and launching of aesthetic medicine products in China

No.	Type	Product Designation	Purpose	Latest Progress
1	Injections	MaiLi Extreme Hyaluronic acid	Facial filling	Clinical trials in China successfully reached primary endpoint of the clinical trial, with favorable product safety data shown. Application for registration in China is expected to be submitted in Q2 2024.
2	Injections	MaiLi Precise Hyaluronic acid	Facial filling	Enrollment of the first subject for clinical trial in China completed in December 2023 and enrollment proceeded as planned.

3	Injections	Ellansé-M	Facial filling	Enrollment of all subjects for clinical trial in China completed in March 2023 and follow-up in progress.
4	Injections	LanlumaV Poly-l-lactic Acid	Facial filling	Ethical approval for principal investigator of clinical trial in China obtained in February 2024.
5	Energy based device	Glacial Rx (F1)	Removing benign pigmented lesions of skin, etc.	Testing for registration in China and preparation of technical data in progress.
6	Energy based device	V20	Improvement of body and facial wrinkles, benign skin lesions, benign vascular lesions, inflammatory acne, hair removal, etc.	Application for registration accepted by the Center for Medical Device Evaluation, NMPA in September 2023; notice for supplementary advice received in December 2023; preparation of all technical data in progress.
7	Energy based device	V30	Improvement of body and facial wrinkles, benign skin lesions, benign vascular lesions, benign pigmented lesions, inflammatory acne, hair removal, etc.	All testing for registration completed and test data sorting in progress; preparation of technical data in progress.
8	Cosmetic device	Prême DermaFacial	Facial skin management	*Notice of Classification and Definition of Non-medical Devices* issued by Medical Equipment Standard Management Center, NMPA received in September 2023.

(9) Progress of patents

In recent years, the Company attached great importance to the protection of intellectual property and the commercialization and application of achievements, and the number of patent applications and authorization were steadily increased. Over the years, the Company applied for more than 1,420 patents in and out of China, including over 470 authorized invention patents. Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., the Company's wholly-controlled subsidiary, is a national intellectual property demonstration enterprise. In November 2014, it passed the external audit of Zhongzhi (Beijing) Certification Co., Ltd., becoming one of the first 147 companies that passed the standards implementation certification and successfully passed the re-examination of the enterprise intellectual property management system in October 2023.

During the reporting period, application and renewal of patents of the Company were progressed smoothly, with a total of 224 patent applications submitted, including 167 patents for invention. A total of 104 patents were granted.

Patent type	Increase during the reporting period		Total quantity	
	Number of patents applied for (unit)	Number of patents received (unit)	Number of patents applied for (unit)	Number of patents received (unit)
Invention patent	167	47	1136	473

Utility patent	52	52	253	227
Appearance design patent	5	5	39	35
Total	**224**	**104**	**1428**	**735**

Note: Data in the above table represent the statistical patent information of main subsidiaries engaging in the pharmaceutical industry, industrial microbiology and aesthetic medicine within the Company's consolidated statements.

R&D personnel of the Company

	2023	2022	Percentage change
Number of R&D personnel (person)	1,777	1,543	15.17%
Proportion of R&D personnel	12.81%	13.13%	-0.32%
R&D personnel structure by education			
Bachelor	733	735	-0.27%
Master	527	471	11.89%
PhD	96	64	50.00%
R&D personnel structure by age			
< 30	537	502	6.97%
30-40	932	811	14.92%
> 40	308	230	33.91%

R&D investment of the Company

	2023	2022	Percentage change
R&D investment amount (yuan)	1,599,987,406.05	1,196,309,461.22	33.74%
Proportion of R&D investment in operating revenue	13.10%	10.72%	2.38%
Capitalized R&D investment amount (yuan)	368,631,977.43	227,794,420.14	61.83%
Proportion of capitalized R&D investment in R&D investment	23.04%	19.04%	4.00%

Note: The above R&D investment is from the direct R&D expenses of the Company's main industrial controlled subsidiary, which is mainly used for clinical research of products under research, the upgrade of existing product process, expenses for commissioned technological development, consistency evaluation and international registration certification. During the reporting period, the Company's R&D investment in the pharmaceutical industry (excluding investment in equity) was 2.293 billion yuan, up by 23.67% year-on-year, among which the direct R&D expenses were 1.6 billion yuan, up 33.74% year-on-year. The direct R&D expenditure accounted for 13.10% of the operating revenue of the pharmaceutical industry. R&D personnel of the Company in 2023 means the number of employees in the Company's subsidiaries engaging in R&D in R&D and manufacturing systems of the pharmaceutical industry and industrial microbiology. The proportion of R&D personnel means the proportion of the number of employees in the Company's subsidiaries mainly engaging in R&D and manufacturing of the pharmaceutical industry and industrial microbiology. The proportion of R&D investment in operating revenue means the proportion of the direct R&D expenses of Company's pharmaceutical industry in the operating revenue of the Company's pharmaceutical industry

Reasons and impacts of major changes in the composition of R&D personnel.

□ Applicable ☑ N/A

Reasons for the year-on-year significant change in the proportion of total R&D investment in operating revenue.

□ Applicable ☑ N/A

Reasons for the significant change in the capitalization rate of R&D investment and its rationality

□ Applicable ☑ N/A

5. Cash flows

Unit: yuan

Item	2023	2022	Year-on-year percentage increase/decrease
Subtotal of cash inflows from operating activities	44,170,157,818.41	40,637,718,289.85	8.69%
Subtotal of cash outflows for operating activities	40,240,941,111.71	38,255,865,621.25	5.19%
Net cash flow from operating activities	3,929,216,706.70	2,381,852,668.60	64.96%
Subtotal of cash inflows from investing activities	243,482,795.78	121,638,643.17	100.17%
Subtotal of cash outflows for investing activities	1,994,034,738.29	2,557,236,232.75	-22.02%
Net cash flow from investing activities	-1,750,551,942.51	-2,435,597,589.58	28.13%
Subtotal of cash inflows from financing activities	5,099,369,770.65	5,149,368,399.06	-0.97%
Subtotal of cash outflows for financing activities	6,492,731,116.63	5,249,078,772.19	23.69%
Net cash flow from financing activities	-1,393,361,345.98	-99,710,373.13	-1,297.41%
Net increase of cash and cash equivalents	791,249,308.58	-163,229,935.84	584.75%

Main influencing factors of significant changes in relevant data year on year

☑ Applicable □ N/A

The cash inflows from investing activities in the current period are 243 million yuan, up 100.17% compared with that in the same period last year (122 million yuan), mainly due to collection of large-value bank deposit certificates due in this period.

Reasons for the significant difference between the Company's net cash flow from operating activities and the current year's net profit during the reporting period.

□ Applicable ☑ N/A

V. Analysis of non-main business

☑ Applicable □ N/A

Unit: yuan

	Amount	Proportion in total profit	Note on reasons	Sustainable or not

Total return	-219,713,034.52	-6.34%	Mainly due to long term equity investment gains measured at equity method	
Gains and losses from changes in fair value	-13,756,372.80	-0.40%		No
Assets Impairment	-6,519,844.03	-0.19%		
Non-operating revenue	50,548,825.60	1.46%		No
Non-operating expenses	37,490,279.21	1.08%		No
Other income	172,492,861.66	4.98%	Mainly due to the confirmation of government grants in the current period	No

VI. Assets and liabilities

1. Major changes in asset composition

Unit: yuan

	End of 2023		Beginning of 2023		Change of proportion	Note on major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	4,663,378,011.64	13.92%	3,996,302,178.41	12.81%	1.11%	
Accounts receivable	7,455,250,690.83	22.25%	7,198,746,788.59	23.08%	-0.83%	
Inventories	4,290,214,266.03	12.80%	4,495,483,328.54	14.41%	-1.61%	
Investment real estate	12,746,181.87	0.04%	13,648,240.14	0.04%	0.00%	
Long-term equity investment	1,535,907,809.85	4.58%	1,659,076,538.78	5.32%	-0.74%	
Fixed Assets	4,140,144,817.51	12.36%	3,981,653,265.52	12.76%	-0.40%	
Construction in Progress	913,147,212.17	2.73%	873,159,427.47	2.80%	-0.07%	
Right-of-use Assets	151,175,007.16	0.45%	166,505,297.17	0.53%	-0.08%	
Short-term borrowings	822,380,292.37	2.45%	947,516,383.37	3.04%	-0.59%	
Contract liabilities	135,459,275.17	0.40%	146,488,489.07	0.47%	-0.07%	
Long-term borrowings	520,759,460.07	1.55%	1,051,457,747.44	3.37%	-1.82%	Mainly due to repayment of debt in the current period
Lease liabilities	56,695,158.59	0.17%	84,610,324.98	0.27%	-0.10%	
Other non-current assets	1,561,458,605.23	4.66%	1,037,279,933.15	3.33%	1.33%	

Foreign assets account for a relatively high proportion.

□ Applicable ☑ N/A

2. Assets and liabilities measured at fair value

☑ Applicable □ N/A

Unit: yuan

Item	Amount at the beginning of the period	Gain/loss from fair value changes in the current period	Accumulated fair value changes recognized in equity	Depreciation reserves withdrawn during the period	Purchase amount in the current period	Selling amount in the current period	Other changes	Amount at the end of the period
Financial assets								
2. Derivative financial assets	29,907,470.68	-13,756,372.80	0.00				283,396.09	16,434,493.97
4. Other equity instrument investments	360,910,876.41	3,419,879.00	3,047,483.68		201,794,250.00	4,489,536.95	3,588,404.22	565,223,872.68
Subtotal of financial assets	390,818,347.09	-10,336,493.80	3,047,483.68	0.00	201,794,250.00	4,489,536.95	3,871,800.31	581,658,366.65
Receivables financing	1,002,511,208.21				11,074,468,738.83	10,642,613,646.35		1,434,366,300.69
Total	1,393,329,555.30	-10,336,493.80	3,047,483.68	0.00	11,276,262,988.83	10,647,103,183.30	3,871,800.31	2,016,024,667.34
Financial liabilities	0.00							0.00

Other changes

Changes in exchange rate

Whether there are significant changes in the main asset measurement attribute of the Company during the reporting period.

□Yes ☑No

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

Item	Ending book balance	Ending book value	Type of limitation	Reasons for limitation
Monetary funds	44,887,976.31	44,887,976.31	Deposit	The deposit is used for issuing bills, letters of credit, etc.
Monetary funds	152,594,375.00	152,594,375.00	Bill pledge	Certificate of deposit pledge is used for issuing bills.

Monetary funds	1,000,000.00	1,000,000.00	Freezing	Judicially frozen payment
Receivables financing	8,022,020.00	8,022,020.00	Bill pledge	Bill pledge is used for issuing bills.
Total	206,504,371.31	206,504,371.31		

VII. Investment

1. Overview

☑ Applicable □ N/A

Investment amount in the reporting period (yuan)	Investment amount in the same period of last year (yuan)	Percentage change
2,386,619,197.31	2,859,562,403.21	-16.54%

2. Significant equity investments acquired during the reporting period

☑ Applicable □ N/A

Unit: yuan

Name of invested company	Main business	Way of investment	Investment amount	Shareholding ratio	Fund source	Partner	Term of investment	Product type	Progress as of the balance sheet date	Projected income	Profit or loss of investment in the current period	Involved in litigation or not	Disclosure date (if any)	Disclosure index (if any)
Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd.	R&D, production and sales of animal drugs and health care products	Capital increase + share acquisition	255,333,300.00	70.00%	Equity funds	Nanjing Jiuheng Pharmaceutical LP (Limited Partnership), Zhai Zhongshu	Long term	Equity	1. All capital increase payments were made and some equity transfer payments were made. 2. All parties completed the equity transfer on May 31, 2023. 3. In accordance with the adjustment of equity consideration payment agreed in the *Investment*	/	-6,786,906.94	No	April 20,2023	Cninfo (http://www.cninfo.com.cn)

									Agreement and subsequent remedial measures, the parties reached the *Agreement on Matters Related to Equity Transfer of Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd.* on July 31, 2023, reducing the milestone payment amount agreed in the original investment agreement from a total of 60 million yuan to 50 million yuan, and other milestones remain unchanged.					
Total	--	--	255,333,300.00	--	--	--	--	--	--	/	-6,786,906.94	--	--	--

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

☑ Applicable □ N/A

Unit: yuan

Project name	Way of investment	Investment in fixed assets or not	Industry involved in the investment project	Investment amount during the reporting period	Cumulative actual investment amount by the end of the reporting period	Fund source	Project progress	Projected income	Cumulative income realized by the end of the reporting period	Reasons for not meeting the planned schedule and projected income	Disclosure date (if any)	Disclosure index (if any)
Huadong Medicine Biomedical Science and Technology Park Project Phase II	Self-built project	Yes	Pharmaceutical manufacturing	18,062,441.25	1,801,167,985.91	Equity funds	98.80%			N/A	March 9, 2017	Cninfo (http://www.cninfo.com.cn)
Huadong Medicine Life Science	Self-built project	Yes	Pharmaceutical R&D	106,668,322.43	375,444,992.71	Equity funds	95.00%			N/A	April 21, 2021	Cninfo (http://www.cninfo.c

Industrial Park (Xiangfu south plot) project												om.cn)
Total	--	--	--	124,730,763.68	2,176,612,978.62	--	--	0.00	0.00	--	--	--

4. Investment in financial assets

(1) Securities Investment

☑ Applicable □ N/A

Unit: yuan

Type of stock	Stock code	Stock abbreviation	Initial investment cost	Accounting measurement model	Book value at the beginning of the period	Gain/loss from fair value changes in the current period	Accumulated fair value changes recognized in equity	Purchase amount in the current period	Selling amount in the current period	Gain/loss during the reporting period	Book value at the end of the period	Accounting item	Fund source
Domestic and overseas stock	RAPT	RAPT	20,207,400.00	Measurement of Fair Value	8,064,797.86	3,419,835.06	3,047,483.68	0	4,489,536.95	127,762.94	7,122,858.91	Other equity instrument investments	Equity funds
Total			20,207,400.00	--	8,064,797.86	3,419,835.06	3,047,483.68	0	4,489,536.95	127,762.94	7,122,858.91	--	--

Note: Huadong Medicine Investment Holding (Hong Kong) Limited, a subsidiary of the Company, purchased 218,102 Series C-2 preferred shares of RAPT Therapeutics, Inc. in a total of 3 million US dollars in 2018. RAPT Therapeutics, Inc. was listed on NASDAQ exchange on October 30, 2019 (stock code: RAPT). As of the end of the reporting period, Huadong Medicine Investment Holding (Hong Kong) Limited holds 39,500 shares in RAPT after it reduced its stake, accounting for 0.113% of the total shares of RAPT Therapeutics, Inc.

(2) Derivatives investment

☑ Applicable □ N/A

1) Derivatives investment for hedging during the reporting period

☑ Applicable □ N/A

Unit: ten thousand yuan

Type of derivatives investment	Initial investment amount	Amount at the beginning	Gain/loss from fair value	Accumulated fair value	Purchase amount	Selling amoun	Amount at the end of	Proportion of the investment

		of the period	changes in the current period	changes recognized in equity	during the reporting period	t during the reporting period	the period	amount at the end of the period in the net assets of the Company at the end of the reporting period
Currency swap derivatives	2,990.75	2,990.75	-1,375.64	0	0	0	1,643.45	0.08%
Total	2,990.75	2,990.75	-1,375.64	0	0	0	1,643.45	0.08%
Note on accounting policies and specific principles of accounting concerning hedging business during the reporting period, and whether they change significantly when compared with that in the previous reporting period	N/A							
Note on the actual gains and losses during the reporting period	Gains and losses from changes in fair value arising from currency swap for hedging are -13.7564 million yuan during the reporting period.							
Note on the effect of hedging	The Company carries out foreign currency hedging business based on specific situations, which is based on normal production and operations and can effectively reduce risks on the foreign currency market. Risks facing the Company under control are bearable.							
Capital source of derivatives investment	Equity or self-raised funds							
Note on the risk analysis and control measures for derivatives holding during the reporting period (including but not limited to market risks, liquidity risks, credit risks, operational risks and legal risks)	Risks: 1. Market risks: The interest rate, exchange rate and other prices on the market may fluctuate due to changed domestic and overseas economic policies and situations, thus changing the price of financial derivative instruments and causing losses. 2. Liquidity risks: Transactions fail to be completed due to the market lacking liquidity and counter-parties. 3. Operational risks: Trading financial derivative instruments requires experts who can deal with complexity, which may cause operational risks due to traders or managers thinking there is an error or system failure and out of control. 4. Contractual risks: Contracts on financial derivative business expire, some of which cannot be performed on time, and thus they are breached. 5. Legal risks: Relevant legal changes lead to a contract that is not in conformity with local laws, so that the contract cannot be performed, or contractual terms are omitted and unclear; or losses are caused to the Company due to the counter-party violating relevant laws and regulations, and thus the contract cannot be performed as required.. Measures: The Company and its wholly-controlled subsidiaries avoid speculation and arbitrage when trading financial derivatives, so that strict risk control will be employed during the execution of contracts concerning financial derivatives trading. 1. The Company strictly abides by prudent investment principles, selects prudent investment types, and makes investments within the amount approved by the Board of Directors. 2. The Company carefully selects counter-parties for trading, and only trades derivatives with financial institutions featuring robust operations, sound reputation and business license for financial derivative trading. The Company may resort to external professional investment and legal service institutions if necessary to provide consulting services for the Company’s financial derivative trading,							

	as well as scientific and precise investment strategies and suggestions. 3. The Company has formulated the Management Rules for Securities Investment and Derivative Trading, setting detailed rules on the management, supervision and information closure related to the Company's derivative trading principles, scope, decision-making authority and capital use, which can effectively prevent investment risks. Besides, the Company will strictly implement related management rules, assign special personnel to follow up on the progress of financial derivative trading. For instance, relevant measures shall be taken in time to control investment risks if there are risks that may affect the Company's capital safety The Company's audit department is in charge of monitoring and checking the execution of financial derivative trading and reporting to the Audit Committee of the Board of Directors. 4. The Company's audit department is in charge of monitoring and checking the execution of financial derivative trading and reporting to the Audit Committee of the Board of Directors.
In case of changing market prices or fair values of invested derivatives during the reporting period, the analysis of the derivatives' fair values shall disclose the specific methods adopted, relevant assumptions and parameter settings.	Please refer to "Disclosure of fair value" in the "Financial Report" for details when the derivatives are measured at fair value on the market.
Litigation (if applicable)	N/A
Date of announcement of the Board of Directors on derivatives investment approval (if any)	August 16, 2023
Specific opinions of independent directors on the Company's investments in derivatives and risk control	The Company invests in derivatives for the avoidance of market fluctuation risks and hedging, which is closely associated with daily operation requirements. The Company has formulated the Management Rules for Securities Investment and Derivative Trading and enhanced trading risk management and control, which contributes to the avoidance and control of operational risks, improving the Company's capability to withstand market risks. No loss is caused to the Company and all shareholders.

2) Derivatives investment for speculation during the reporting period

□ Applicable ☑ N/A

No such case during the reporting period.

5. Use of raised funds

□ Applicable ☑ N/A

No such case during the reporting period.

VIII. Major assets and equity sales

1. Major assets sales

□ Applicable ☑ N/A

No such case during the reporting period.

2. Major equity sales

□ Applicable ☑ N/A

IX. Analysis of controlling and shareholding companies

☑ Applicable □ N/A

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

Unit: yuan

Company Name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating Profits	Net profits
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Subsidiary	Production and management of Traditional Chinese and Western raw medicines and preparations, and health care products	872,308,130	15,374,935,980.12	10,918,440,795.27	12,216,814,339.78	2,665,817,065.31	2,298,709,933.73

Acquisition and disposal of subsidiaries during the reporting period

☑ Applicable □ N/A

Company Name	Methods of acquisition and disposal of subsidiaries during the reporting period	Impact on the overall production, operation and performance
Huadong Medicine Dongyang Co., Ltd.	Equity acquisition	Expand the pharmaceutical business network coverage in Zhejiang Province
Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd.	Equity acquisition, capital increase	Industrial platform of industrial microbiology
Hangzhou Huayi Pharmacy Co., Ltd.	Equity acquisition	Supplement to commercial retail segment network throughout Zhejiang Province
Zhejiang Yiqun Biology Medical Instrument Trading Co., Ltd.	Equity acquisition	Supplement to commercial retail segment network throughout Zhejiang Province
Hangzhou Perfect mRNA Biotechnology Co., Ltd.	Incorporation	Technology innovation platform in the field of industrial microbiology and pharmaceuticals
Hibe Technology Co., Ltd.	Incorporation	Technology innovation platform in the field of industrial microbiology
Shaoxing Huadong Yueren Pharmacy Chain Co., Ltd.	Cancellation of registration	

Information of major shareholding companies

X. Structured entities controlled by the Company

□ Applicable ☑ N/A

XI. Prospect of Future Development

(I) Prospect of macro-economy and trend of the pharmaceutical industry

From the perspective of macro-economic background, the world is still in a period of turbulence and change in 2023, with intensified international geopolitical conflicts and continued high inflation. The growth of most major economies slowed down, global economic development faced rising complexity, severity and uncertainty, and adverse impacts of external environment on China's development continued to increase. Nevertheless, China's economy withstood severe external situation and downward pressure. In 2023, China's national economy moved forward steadily and the overall economy showed a favorable trend of recovery despite multiple influences of geopolitical conflicts, economic downturn and shrinking demands. According to the statistics of the National Bureau of Statistics, the gross domestic product (GDP) in 2023 was 126.0582 trillion yuan, up 5.2% year on year.

With regard to the demands of the pharmaceutical industry, people's health care awareness was enhanced and medical insurance systems of various countries were continuously improved as the world economy develops, the total population grows, population aging keeps accelerating, and the prevalence of chronic non-communicable diseases continuously increases. The global pharmaceutical markets showed a trend of continuous growth.

IQVIA data shows that the global medicine expenditures were about 1.6 trillion US dollars in 2023, and it is estimated that the figure will reach 2.3 trillion US dollars in 2028, with a compound annual growth rate of 5–8% (including increase of expenditures for COVID-19 vaccines and treatment. Main factors driving the growth include: the contribution of new medicines, the impact of expiration of patents, and the growing impact of biosimilar medicines. The key growth area in the next five years is biomedicine that accounts for 39% of the global expenditures. Although the growth rate slowed down to 9.5–12.5%, the global biomedicine expenditure is expected to exceed 890 billion US dollars by 2028. By 2028, the CAGRs of the world's top two therapeutic fields — anti-tumor medicines and immune system medicines — will increase by 14–17% and 2–5% respectively. It is expected that about 100 new therapies will

emerge in the anti-tumor field within five years and the market size of anti-tumor medicines is expected to be 440 billion US dollars by 2028. Affected by the steady increase in the number of patients and launching of new medicines, the market size of autoimmune medicines is expected to reach 192 billion US dollars by 2028 as competitions brought by the launching of biosimilar medicines are continuously offset. GLP-1 agonist has been extensively applied in the fields of diabetes and obesity. By 2028, the expenditure on diabetes will reach about 184 billion US dollars, being expected to be the world's third largest treatment field. The growth rate in the next five years is expected to reach 3–6%.

As estimated by IQVIA, the expenditures of medicines in China will increase from 103 billion US dollars in 2014 to about 163 billion US dollars in 2023. In 2023, RLD accounted for 29% of the total medicine expenditure, the proportion being 20% five years ago. In the next five years, it is expected that the update of China's medical insurance reimbursement list will promote more newly launched RLDs to be included in the medical insurance, promoting higher expenditure scale. More and more RLDs are developed by local enterprises in China rather than multinational pharmaceutical companies. Such a mode reshapes the Chinese market and has influenced China and other countries. Over the past five years, the CAGR of RLDs in China was up to 8.5%. It is estimated that the CAGR of RLDs will exceed 7.5% in the next five years, while the CAGR of other medicines will be 6% or lower, slowing down the total growth rate to 2–5%. Non-RLD brand medicines are the second largest part of medicine expenditures in China. It is estimated that these medicine expenditures will increase by less than 1% each year due to cost control of hospitals. In the coming five years, China's medicine expenditure is expected to increase by about 30 billion US dollars, and will exceed 197 billion US dollars by 2028.

(II) Industrial development trend

1. **Pharmaceutical industry in China**

The pharmaceutical industry is a strategic industry related to the national policies, people's livelihood, economic development, and national security, and an important part of China's national economy. The medical demands keep increasing as Chinese people's living standards improve, population aging intensifies, urbanization further accelerates, people's medical care awareness improves, facilitation of medical services increases, and the prevalence of chronic diseases continuously raises. During the new medical system reform, China further increases

input in medical insurances and the expansion of medical insurances stimulates medical demands, thus driving the continuous development of the pharmaceutical industry in China. Generally speaking, the future development of the pharmaceutical industry shows a favorable trend, and the industry enjoys broad space for development. The pharmaceutical industry in China continuously steps toward the high-quality development as its macroeconomic situation improves, the national medical security system is gradually optimized, residents' health awareness is further enhanced, medicine supply modes become more diversified, and demands for medicines grow.

From the perspective of industrial policies, the pharmaceutical industry in China is highly dependent on policies. Under the backdrop of the continuous deepening of the medical system reform in China, the key of current pharmaceutical industry in China still lies in control of medical insurance costs. The scope of volume-based procurement has been continuously expanded and the medicine review system has been further optimized since 2023. Policies are enacted to encourage pharmaceutical enterprises to research and develop new medicines. The national insurance drug list has been adjusted and normalized, with commercialization of new medicines facilitated. All these together advance the innovation-driven transformation and high-quality development of the pharmaceutical industry. In recent years, the medical reform featuring linkage of medical insurance, medicine and medical treatment has been continuously advanced, further driving the constantly standardized development of the industry. Among them, the pharmaceutical policies are enacted to guide and standardize the industrial development in an all-round way from such dimensions as medicine R&D, marketing review, rational administration, and quality supervision and control considering the actual conditions of the supply side. Moreover, medical anti-corruption policies all raise higher requirements on the standardized development of the pharmaceutical industry. The aforesaid policies have advanced the promotion of medicine quality, driven the overall upgrade of the industry, optimized the industrial structure, and provided guidance for the high-quality and high-standard overall development of the pharmaceutical industry in China.

The trend of innovative R&D shows that emerging bio-pharmaceutical companies in China have constantly advanced the development of clinical trials and Chinese pharmaceutical companies have witnessed vigorous improvement in the level of innovative R&D. According to the statistics of IQVIA, the participation of China-headquartered pharmaceutical companies in

clinical trials continues to increase, with their shares increased from 1% in 2008 and 3% in 2013 to 28% in 2023. In recent five years, the total number of global new medicines launched in China has surpassed that in four European countries (Germany, France, Spain and Italy) and U.K., second only to the U.S. The significant increase in the number of new active substances (NAS) launched in China means that China has begun to narrow the gap with other major countries and regions, with more new medicines launched in Chinese market at a faster pace.

From the perspective of breakthroughs in the field of diseases and new technology platforms, there are ceaseless breakthroughs in the field of diseases represented by GLP-1 and new technology platforms represented by ADC. Chinese enterprises enjoy comparative advantages in competition. The underlying logic driven by innovation in the field of innovative medicines will not change and breakthroughs in the field of diseases, such as GLP-1, AD and NASH, are expected to be made in terms of indications in markets in addition to tumors. Breakthroughs in innovation of technology platforms are represented by ADC, CAR-T, nuclear medicines, gene editing, etc., with global frontier progresses constantly mapped to China.

2. Aesthetic medicine

In 2023, the growth rate of the aesthetic medicine market in China gradually slowed down and the market competition became increasingly fierce as more and more enterprises entered the market. However, the aesthetic medicine market in China enjoys huge potential of growth in the long run. According to the statistics of the National Bureau of Statistics, China's per capita disposable income was 39,218 yuan in 2023, a nominal increase of 6.3% over the previous year. According to Frost & Sullivan, the size of the aesthetic medicine market in China will reach 638.2 billion yuan in 2030, with a compound annual growth rate of 14.5% from 2021 to 2030. As education and training on the aesthetic medicine market in China keep deepening, an increasing number of emerging aesthetic medicines enter the market to satisfy patients' diverse demands. Moreover, consumers raise their demands for anti-wrinkle and anti-aging, and depend more on brand effect, which are expected to steadily expand the size of the aesthetic medicine market in China.

The proportion of non-surgical projects continues to increase and its market scale expands gradually. According to the statistics of iResearch, the market share of non-surgical projects is expected to increase to 55.5% by 2025. Non-surgical aesthetic medicine projects are mainly

comprised of injection-based aesthetic medicine projects and photoelectric aesthetic medicine projects. Among them, hyaluronic acid and botulinum toxins are mainstream materials for injection-based projects, followed by collagen injections and regenerative materials. Hyaluronic acids feature higher product homogeneity and increasingly fierce competitions, while botulinum toxins have lower penetration rate in China and enjoy huge market space restricted by high barriers and strict approval procedures. Therefore botulinum toxins have attracted increasing number of enterprises and there are expected to be more new products launched to fill in the market gap. According to Frost & Sullivan, the scale of admission price of botulinum toxins in Chinese market was 6.5 billion yuan in 2022 and is expected to reach 12.6 billion yuan in 2025, with a CAGR of 25%.

The vigorous development of the aesthetic medicine market went with multiple chaos. In recent years, the aesthetic medicine market in China has been under constant, normalized and strong regulation. On May 4, 2023, eleven ministries and commissions including the State Administration for Market Regulation jointly printed and issued the *Guiding Opinions on Further Strengthening the Regulation of the Aesthetic Medicine Industry* ("the Opinions"). The Opinions highlights and emphasized trans-ministry comprehensive supervision, clearly requires to include aesthetic medicine diagnosis and treatment activities, business activities related to aesthetic medicine, as well as medicines and medical devices for aesthetic medicine into comprehensive matters under regulation, and clears away "institutions without license", "physicians without license" and "medical devices without license". In addition, Chinese tax authorities have also placed their focus on tax declaration of aesthetic medicine institutions, severely punished those without non-compliances, and strengthened their efforts in regulation, thus ensuring the healthy development of the aesthetic medicine industry. Such measures are conductive to facilitating the reshuffle of the industry, increasing the market concentration, and promoting the compliant and healthy development of the industry. Leading aesthetic medicine enterprises with strong brand effects will usher in a new growth space in a fairer competition atmosphere.

(III) Innovative development strategies of various business segments of the Company

1. Development plan of the pharmaceutical industry

Upholding the main theme of development of innovative R&D, the Company takes innovative medicines as the foundation and orientation for building core competitiveness in the

future, closely track the technological development and R&D dynamics of such frontier fields as biomedicine, gene therapy, cell therapy and ADC medicines in and out of China, focuses on and gives priority to the development of innovative medicines and high-technical barrier generic medicines with outstanding clinical values for anti-tumor, endocrine, autoimmunity, and other major diseases and chronic diseases, with differentiated and pioneering innovative medicine pipelines formed. In terms of philosophy for development of R&D, the Company will deepen all-round foreign cooperation and product introduction, inject new connotations into the long-term strategic plan of "digestion and absorption", and follow the innovative R&D idea of "self-research + introduction". The Company will continuously enrich its product lines, improve the medium- and long-term layout of innovative products, keep maintaining the dual-wheel driving and coordinated development engines of power and innovation for Huadong Medicine, build a global R&D strategic cooperation ecosystem centered on Zhongmei Huadong. Moreover, the Company will continue to improve the ability in international operation of products, and do well in external authorization of superior products, advanced technologies and patents. During the scientific and technological innovation in the future, the Company will benchmark with innovation and differentiation and grasp its basic orientation of clinical values, focusing on the project promotion speed, as well as middle- and long-term pipeline layout.

The Company will continue to increase its investment in R&D, continuously enrich and optimize lines of core innovative products, endeavor to improve the proportion of annual R&D expenditure to more than 10% of the sales revenue of the pharmaceutical industry, and constantly improve the utilization rate of R&D funds. Moreover, the Company will endeavor to initiate and reserve at least 15 innovation projects (including medicines, medical devices, etc.) through independent initiation, external introduction or by other means, so as to provide innovative products that supplement and lead each of the existing product line and ultimately form rich product lines and favorable product echelons. As a result, there will be a benign development rhythm that innovative products are launched annually.

More efforts will be made to introduce top-notch talents to create high-level scientific research teams. The Company will also create an innovative cultural atmosphere that encourages innovation and success and bears failure, and enhance the construction of internal R&D system and technological platforms. Another action is to build a scientific team with outstanding ability,

open mind, great passion and sense of responsibility that cherishes innovation to facilitate the landing of the Company's international innovation strategy. The Company will establish a dynamic evaluation mechanism for R&D projects, set up an academic committee of external experts to assist the Company in decision-making and management of R&D and product introduction, thus ensuring scientific, advanced and feasible scientific innovation.

2. Development plan of the pharmaceutical business

Engaged in the pharmaceutical businesses in Zhejiang Province for years, the Company has been rated as Top 10 Pharmaceutical Business Enterprises in China for consecutive years, and has four business segments of Chinese & western medicine, medical devices, medicine materials and ginseng & antler, and health industry that cover the pharmaceutical wholesale & retailing, third-party medical logistics featuring cold chain, medical e-commerce, hospital value-added services, featured massive health, product agency and market expansion. The Company has formed the whole industry chain from planting in bases to processing of prepared pieces, automatic decoction, self-owned brand functional products for its traditional Chinese medicine industry. As the leader of pharmaceutical business in Zhejiang Province, the Company focuses on forming the government affairs, reserve, distribution and marketing abilities, established service platforms, and fostered the competitive advantages of regional enterprises.

In 2024, the Company's pharmaceutical business segment will continue to explore innovation in services, always focus on clients, keep up with upgraded demands of upstream and downstream clients, and build a differentiated service brand and reputed name card for Huadong Medicine. In the meantime, the segment will consolidate the foundation of traditional distribution business, continue to expand medicinal materials and devices to lower-tier markets, keep improving the market share in hospitals, actively expand out-of-hospital markets, vigorously develop its retail business, and enhance the profitability of in-hospital and DTP stores. Strictly following the management philosophy of "Compliance, Empowerment and Efficiency Improvement", the segment has always earnestly exercised its management and regulation responsibilities to comprehensively improve the operation quality.

3. Development plan of the aesthetic medicine

Upholding the domestic and international dual-circulation development strategy, the Company's aesthetic medicine business vigorously follows the strategy of "global operation

layout and dual-circulation operating development" by maintaining its good momentum of rapid development. With its core subsidiary Sinclair as the global operating platform, the Company has achieved the global layout of its aesthetic medicine and built itself into an international aesthetic medicine enterprise with great space of development in the future. The Company successively introduces "aesthetic medicine + biomedicine" products with great scientific connotation and huge market potential into China, a special market of the Company's aesthetic medicine businesses, thus expanding its presence in China relying on its great registration and marketing abilities in China. Internationally, the Company empowers the rapid launching and commercialization of its superior international products relying on the Company's aesthetic medicine marketing basis in China, as well as the aesthetic medicine industry's rapid development, thus fostering a new pattern features dual-circulation coordinated development and mutual promotion of domestic and international businesses.

In the future, the Company will continue to focus on the high-end market of global aesthetic medicine to form an international aesthetic medicine business integrating R&D, manufacturing and marketing. The Company will further integrate its R&D resources and competencies, actively optimize its product structure, enrich and improve the industrial layout based on its six global R&D centers in the UK, the Netherlands, France, Switzerland, Spain and Israel. Sinclair's six global production bases in the Netherlands, France, the U.S., Switzerland, Bulgaria and Israel will significantly guarantee the international presence of the Company's aesthetic medicine products and better satisfy the demands for future development and diverse market needs.

4. Development plan of the industrial microbiology

Aiming at international development, the industrial microbiology segment will keep up with the development trend of global industrial microbiology and synthetic biology industry and technologies, and endeavors to become an industry leader in the field of industrial microorganism by building an "industrialized, large-scale and international" industrial cluster. The Company kept practicing the industrial microbiology development strategy, clarifying its strategic layout focusing on four major fields of xRNA, featured APIs & intermediates, massive health & biomaterials and animal health. In the meantime, the Company continuously enriched the product lines in four major strategic segments of high innovation, high technology barrier and high added-values and optimized its product structures through R&D.

(IV) Business Plan in 2024

Starting from a new point for all business segments, the Company will place the focus on solving core problems, anchor strategic goals, pool institutional capacities, and consolidate the foundation for development. In the meantime, the Company will continue to uphold its operation philosophy of "high quality and efficiency" and "struggling forward for development and putting management first", keep in line with its 2030 Vision, vigorously deepened transformation and innovation in such segments as pharmaceutical industry, pharmaceutical business, aesthetic medicine, and industrial microbiology, and keep pursuing technological, product-based and scale development.

1. Pharmaceutical industry

Being "Scientific Research-based and Patient-centered", the Company will continuously increase the R&D input and keep enriching the layout of innovative medicine R&D. In 2024, the Company's R&D team will closely focus on "speed and quality", uphold the dual-wheel driving of "introduction + self-research" based on the current product and R&D lines, supplement mature products with high clinical values, high-tech barriers and that have been launched or can be launched quickly, and quickly enrich product lines, thus empowering the Company's development.

With regard to innovative projects, the Innovation R&D Center focuses on the layout of three core therapeutic fields of oncology, endocrinology/ metabolism and immunity/autoimmunity oriented at unmet clinical demands of global patients, while caring about the development of disruptive technologies and other major unmet clinical demands. We will continue to strengthen and improve the independent innovation and R&D capabilities, consolidate established R&D technology platforms, establish a scientific ideal mechanism and a dynamic evaluation mechanism for R&D lines at various stages, and provide project reserves and scientific support for formal R&D projects.

In terms of generic medicines, CMC R&D Center continues to foster the industrial chain advantage featuring "raw materials + preparations" and combination of generic medicines and innovative medicines, develop generic medicines with high-tech barriers, explore medicine delivery systems such as complex injections, and deepen the technological improvement and

innovation of external preparations. In the meantime, CMC R&D Center carefully analyzes various national laws and policies to promote volume-based procurement, and insists on researching and developing generic medicines with clinical and market values for smooth launching of the first batch of medicines.

As for the quality system, we attach great importance to the quality and lifeline, and further optimize domestic and international registration revolving around the Company's annual working policy of "Integrity, Efficiency, Quality, International Integration, Innovation and Excellence", thus motivating the market and business development.

2. Pharmaceutical business

In the pharmaceutical business segment, we insist on business innovation (i.e. service innovation), put clients at the center, keep up with the upgraded demands of upstream and downstream clients, keep improving our service quality, build differentiated service brands of the Company's pharmaceutical business, and expand the scale for more profits. It is particularly emphasized that Huadong Pharmacy and Wulin Pharmacy shall further improve their service quality and level, foster a reputed name card for Huadong Medicine's pharmaceutical business services. Retail pharmacies shall set up and implement the store management system with store manager management as the core.

The segment will continue to consolidate its traditional delivery business, maintain a reasonable scale, keep increasing the ratio of leading hospitals, extend its medicinal materials and medical devices businesses to low-tier markets, and increase its market shares in various cities throughout Zhejiang Province. In the meantime, the segment will vigorously expand its out-of-hospital markets, further develop the Company's pharmacy retail businesses, and improve the profitability of pharmacies in hospitals and DTP stores.

Strictly following the management philosophy of "Compliance, Empowerment and Efficiency Improvement", the segment has always earnestly exercised its management and regulation responsibilities to comprehensively improve the operation quality. The business team shall also foster the operational thinking of lean management, cost reduction and efficiency improvement, and take "efficiency improvement and cost reduction" as important indicators for evaluation of main leaders, with the key placed on the improvement of labor efficiency and operating performance.

3. Aesthetic medicine business

In 2024, the Company's aesthetic medicine segment will actively promote the R&D and registration of high-end aesthetic medicine products worldwide, endeavor to ensure the normal progress of relevant projects, and further enrich product lines vertically and horizontally, thus benefiting more patients. As for the aesthetic medicine business in China, the Company shall always target at high-end markets, put patients at the center, improve the service quality, strengthen the market education of Sinclair and the Company's brands, and increase market share through multiple channels. Moreover, training for physicians is further enhanced and the brand image is promoted to reach more clients.

Efforts are also made to ensure the normal progress of projects as for R&D and registration of aesthetic medicine products to launch products as early as possible, thus further enriching product lines vertically and horizontally.

4. Industrial microbiology

In 2024, the industrial microbiology segment shall continue to deeply study changes in market trend and optimize the layout of core businesses, especially the expansion of international market and growth of non-associated businesses, focusing on four major fields of xRNA, featured APIs & intermediates, massive health & biomaterials and animal health. In this segment, the Company will strengthen the Industrial Microbiology Division's ability in marketing and operation of core businesses in line with its operating philosophy of "Market-oriented and Client Foremost". Advancing R&D based on for strategic segments, the Company continuously enriches the product lines with high innovation, high technology barrier and high added-values, and optimizes its product structures.

5. Production and supply chain management

In 2024, the production system will continuously promote the transformation of the Company's operating mode, keep improving the procurement management and supplier management systems, optimize the engineering construction processes, improve the factory management level, further improve the efficiency and reduce production costs based on the lean management system established and efforts made in cost reduction and efficiency improvement.

(V) Possible Risks and Countermeasures

1. Change of industry policy and risk of product price reduction

The pharmaceutical industry is a strategic industry supported and developed in China, which is closely related to people's health and life safety. Being highly competitive and innovative, it needs to constantly adapt to market changes and policy adjustment. In recent years, the pharmaceutical industry has been gradually standardized, normalized and systematized as such policies as volume-based procurement and medical insurance negotiation are constantly advanced. In the meantime, such external factors as geopolitics and macroeconomic policies also disturb enterprise management and market conditions, posing new challenges to the production cost and profitability of the pharmaceutical industry. Besides, there is a risk of price reduction of new medicines.

Countermeasures: The Company has always paid great attention to national policies and industrial development, with corresponding adjustment made when necessary. In terms of R&D, the Company continues to increase its R&D input and improves its competitiveness and potential for future development by enriching product lines in core therapeutic fields. In the meantime, the Company actively expands the aesthetic medicine and industrial microbiology fields to create new growth points. In addition, the Company also reduces its production and operation risks through cost reduction, efficiency improvement, lean management, or by other means.

2. Risk in new medicine R&D

Generally, it takes a long time for a new product to be launched from R&D to pre-clinical research, clinical trials, application for registration, production approval, commercialization and etc. The R&D progress is affected by such factors as national policies, market factors, and regulatory approval. In addition, the R&D of innovative medicines needs excellent R&D personnel with high education level. The investment of manpower and early R&D expenses will put some pressure on the Company to achieve its current business objectives. Meanwhile, new medicines will be tested by the market demands after launching and may face such risks as price reduction, which may result in return on R&D investment that is less than expected.

Countermeasures: The Company focuses on its core therapeutic fields, continuously improves its capacity in independent R&D, keeps enriching and optimizing its product lines

through independent R&D + introduction, and fosters the R&D ecology unique to Huadong Medicine, with featured R&D matrices formed in the fields of oncology, endocrinology and autoimmunity. The Company will continue to optimize its innovation mechanism, constantly improve scientific research, evaluation and decision-making system for new medicines, and strengthen close partnership with well-known R&D institutions in and out of China. In the meantime, the Company inputs more to introduce high-level scientific research talents, enhances training and incentive for internal core technical staff, and endeavors to foster a high-level innovative R&D team that supports the complete cycle of innovative medicine R&D.

3. Risk in investment and merger

Foreign investment is one of important ways of enterprise development. In recent years, the Company has continued to invest and do mergers and acquisitions in such fields as innovative medicines, aesthetic medicine and industrial microbiology, so as to form goodwill and realize the innovation and transformation development strategy. If the company acquired in the future faces the risk of performance fluctuation, there may be a risk of goodwill impairment, adversely affecting the Company's current operation performance. At the same time, the post-investment management and business integration of the target company also put forward higher requirements for the management of the Company.

Countermeasures: The Company will strive to comprehensively improve our capabilities in overall planning, management structure, financial management, overall operation and governance, and business integration; strengthen the resource sharing and synergy of acquired subsidiaries; regularly test the impairment of goodwill; and enhance comprehensive, scientific and timely post-investment management.

4. Risk in exchange rate fluctuation

The Company has always been devoted to advancing its international development. In recent years, the Company increasingly develops international cooperation and exchanges, expands the sales network of aesthetic medicine in the world, and accelerates the development of its industrial microbiology segment, raising the proportion of foreign currency settlement business. The fluctuation in exchange rate will affect the price of the Company's export products, cause exchange gains and losses to the Company, and increase the operating costs, thus affecting the

Company's assets, liabilities and income, further its operation ability, debt repayment ability and profitability.

Countermeasures: the Company will pay close attention to the fluctuation in exchange rate, adjust our business countermeasures in time according to its own situation, and resolve the adverse effects; develop the exchange risk awareness, and improve the foreign exchange risk management system; strengthen the training of financial personnel's professional skills and risk awareness, enhance the awareness of risk avoidance, and make good use of financial means to avoid exchange rate risks.

XII. Registration form of receptions, including research, communication and interview, undertaken during the reporting period

☑ Applicable □ N/A

Reception date	Reception address	Reception method	Type of visitor	Reception object	Main content of discussion and information provided	Index of basic information of the research
January 17, 2023	Conference Room of the Company	Others	Institution and individual	CICC, TF Securities, Industrial Securities, CSC Financial, etc.	Huadong Medicine & CARsgen Therapeutics Commercialization Project Exchange	Please refer to the *Record of Investor Relations Activities on January 17, 2023* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
February 15 to 16, 2023	Conference Room of the Company	On-site survey	Institution	China Securities Cooperation, Zheshang Securities, etc.	Investor communication	Please refer to the *Record of Investor Relations Activities on February 15 to 16, 2023* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
March 2 to 3, 2023	Conference Room of the Company	On-site survey	Institution and individual	Kaiyuan Securities, CCIC, GF Securities, etc.	Investor communication	Please refer to the *Record of Investor Relations Activities on March 2 to 3, 2023* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
April 14, 2023	Conference Room of the Company	Online meeting	Institution and individu	GF Securities, Haitong	2022 Annual Performance Exchange	Please refer to the *Record of Investor Relations Activities*

			al	Internationa l, CCIC, etc.	Meeting of Huadong Medicine	*on April 14, 2023* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
April 21,2023	Conference Room of the Company	Online meeting	Institutio n and individu al	Citic Securities, TF Securities, Haitong Securities, etc.	2023 Q1 Performance Exchange Meeting of Huadong Medicine	Please refer to the *Record of Investor Relations Activities on April 21, 2023* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
May 8, 2023	Conference Room of the Company	On-site survey	Institutio n and individu al	CICC, Citic Securities, etc.	Activities of Investors' Reception Day	Please refer to the *Record of Investor Relations Activities on May 8, 2023 (Activities of Investors' Reception Day)* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
May 12, 2023	Conference Room of the Company	Online meeting	Institutio n and individu al	Institution and individual investors	2022 Annual and 2023 Q1 Online Performance Meeting of Huadong Medicine	Please refer to the *Record of Investor Relations Activities on May 12, 2023* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
June 13, June 15 and June 16, 2023	Conference Room of the Company	On-site survey	Institutio n	Huatai Securities, China Life Assets, UBS Securities, etc.	Investor communicati on	Please refer to the *Record of Investor Relations Activities on June 13, 15 and 16, 2023* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
August 16, 2023	Conference Room of the Company	Online meeting	Institutio n and individu al	China Securities, CICC, Citic Securities, etc.	2023 Interim Performance Exchange Meeting of Huadong Medicine	Please refer to the *Record of Investor Relations Activities on August 16, 2023* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
October 25, 2023	Conference Room of the Company	Online meeting	Institutio n and individu al	Huatai Securities, GF Securities, Haitong	2023 Q3 Performance Exchange Meeting of Huadong	Please refer to the *Record of Investor Relations Activities on October 25, 2023* presented on the

				Securities, etc.	Medicine	websites of irm.cninfo.com.cn and cninfo.com.cn for details.

XIII. Implementation of the Action Plan of "Improvement of Quality and Return"

Whether the Company discloses its Action Plan of "Improvement of Quality and Return"

☑Yes □No

The Company has formulated the Action Plan of "Improvement of Quality and Return" in a bid to implement the guiding principles of "Activating the capital market and boosting investors' confidence" put forward by the Political Bureau of the CPC Central Committee and "Vigorously improving the quality and investment value of listed companies, taking more powerful and effective measures to stabilize the market and confidence" pointed out at the executive meeting of the State Council, safeguard the interests of all shareholders of the Company, continuously enhance the Company's core competitiveness and investment values, and realize high-quality, high-efficiency and sustainable development. Please refer to the *Announcement on Advancing the Implementation of the Action Plan of "Improvement of Quality and Return"* (Announcement No.: 2024-011) disclosed by the Company on Cninfo (http://www.cninfo.com.cn) on March 9, 2024 for details.

The Company implements the Action Plan of "Improvement of Quality and Return", focuses on four business segments of pharmaceutical industry, pharmaceutical business, aesthetic medicine and industrial microbiology, and continues to advance the innovation and transformation strategy, fully stimulates the innovation vitality, improves the operating quality and efficiency, and promotes the its sustainable and high-quality development.

The Company kept increasing its input in R&D. During the reporting period, the Company's R&D investment in the pharmaceutical industry (excluding investment in equity) was 2.293 billion yuan, up by 23.67% year-on-year, among which the direct R&D expenses were 1.6 billion yuan, up 33.74% year-on-year. The direct R&D expenditure accounted for 13.10% of the operating revenue of the pharmaceutical industry. Over the years, the Company applied for more than 1,420 patents in and out of China, including over 470 authorized invention patents. In 2023, application and renewal of patents of the Company were progressed smoothly, with a total of 224 patent applications submitted by its main subsidiaries, including 167 patents for invention. A total of 104 patents were granted.

The Company conducted information disclosure and investor exchange activities based on the needs of investors, enhanced its transparency, listened to and drawn opinions and suggestions of investors, continuously improved corporate governance, strengthened internal control and risk

prevention, and improved the level of standardized operation. The Company further standardized the operation of the mechanism comprised of shareholders' meeting, board of directors, board of supervisors and senior managers, gave full play to the roles of special committees, independent directors and professional organizations of the board of directors, continuously improved the decision-making level, and safeguarded the interests of the Company and stakeholders.

The Company has always kept the philosophy of returning investors in mind and operated stably. In 2023, the Company achieved the operating revenue of 40.624 billion yuan, up 7.71% year on year. The net profit attributable to shareholders of listed companies was 2.839 billion yuan, up 13.59% year on year.

The Company's profit distribution plan for 2023 is as follows: based on the Company's existing total share capital of 1,754,327,548 shares, the Company allocates 5.8 yuan (including tax) in cash for every 10 shares held by shareholders. No bonus shares will be distributed, and no reserved funds can be converted as the share capital. The total cash dividend will be 1,017,509,977.84 yuan (including tax), and the remaining undistributed profits will be carried forward to future annual distribution. If the total share capital of the Company changes before the implementation of this profit distribution plan, the distribution ratio per share will be adjusted while the total amount to be distributed keeps unchanged.

Section IV. Corporate Governance

I. Basic situation of corporate governance

During the reporting period, the Company strictly complied with the requirements of the regulatory documents on corporate governance issued by the CSRC and the SSE, such as the *Company Law*, the *Securities Law*, the *Governance Guidelines for Listed Companies*, and the *Rules for Stock Listing of Shenzhen Stock Exchange*. In order to realize its strategic development goals and safeguard the interests of all shareholders, the Company carried out comprehensive internal control and standardized management, built and polished internal control systems, strengthened internal management, standardized information disclosure and improved the corporate governance structure, thus protecting shareholders' rights and interests. There is no material difference between actual corporate governance and the requirements of the Company Law and the relevant provisions of the CSRC. According to the regulatory documents on the governance of listed companies issued by the CSRC, the Company has formed a system that is legally compliant and in line with the actual operation of the Company. By the end of the reporting period, the actual corporate governance was basically consistent with the regulatory documents on corporate governance issued by the CSRC and the Shenzhen Stock Exchange, and there were no outstanding governance issues.

Whether the actual corporate governance of the Company is significantly different from laws, administrative regulations, and the normative documents on corporate governance issued by the CSRC

□Yes ☑No

No such case during the reporting period.

II. The Company's independence in corporate assets, personnel, finance, institutions and business from controlling shareholders and de facto controller

During the reporting period, the Company continuously strengthened the corporate governance structure and implemented standardized operation in accordance with the requirements of regulatory authorities. The Company and its controlling shareholder realized the separation of management and independent operation in terms of personnel, assets, finance, institutions and business.

Category	Independent or not	Note
Independence in business	Yes	The Company is mainly engaged in the production and operation of pharmaceutical products, and has its own independent production and sales systems. The Company's business activities are completely independent from its controlling shareholder. Although the subsidiaries of the Company and the controlling shareholder are engaged in pharmaceutical business, they focus on different medical fields and different customer

		groups. Therefore, there is no competition between the Company, controlling shareholders and related parties.
Independence in personnel	Yes	The Company is completely independent in the management of labor, personnel and salaries, and has an independent Human Resources Department and a sound personnel management system.
Independence in assets	Yes	The Company has various independent assets, such as independent production systems, auxiliary production systems and supporting facilities; independent purchasing and sales systems; independent industrial property rights, trademarks, non-patented technologies and other intangible assets.
Independence in institutions	Yes	The Company has established an independent Board of Directors, management and other internal organizations, and each functional department is independent from controlling shareholders in duty and personnel. There is no superior-subordinate relation between functional departments of controlling shareholders and those of the Company, which would have an impact on the Company's independent operations.
Independence in finance	Yes	The Financial Management Head Office is responsible for the financial accounting and budget management of the Company, and has established independent and sound financial, accounting and budget management systems according to relevant laws and regulations.

Note: The Company is independent in Businesses, Management, Assets, Institutions and Finance from controlling shareholders. The Company does not have peer competition or related transactions caused by partial restructuring, industry characteristics, national policies or mergers and acquisitions.

III. Horizontal competition

□ Applicable ☑ N/A

IV. Annual and extraordinary general meetings held during the reporting period

1. Shareholders' meetings in the reporting period

Sessions	Meeting type	Proportion of investors present	Convening date	Disclosure date	Meeting resolution
2022 Annual General Meeting	Annual general meeting	61.65%	May 8, 2023	May 8, 2023	On *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn). *Announcement of Resolutions of 2022 Annual General Meeting* (Announcement No.: 2023-033)
2023 First Extraordinary General Meeting	Extraordinary general meeting	64.24%	July 19, 2023	July 19, 2023	On *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn). *Announcement of the Resolutions of 2023 First Extraordinary General*

					Meeting (Announcement No.: 2023-054)
2023 Second Extraordinary General Meeting	Extraordinary general meeting	61.27%	December 8, 2023	December 8, 2023	On *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn). *Announcement of the Resolutions of 2023 Second Extraordinary General Meeting* (Announcement No.: 2023-093)

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

□ Applicable ☑ N/A

V. Directors, supervisors and senior management members

1. Brief information

Name	Gender	Age	Title	Holding of positions	Commencement of the term	Termination of the term	Shares held at the beginning of the period (shares)	Shares increased during the period (shares)	Shares decreased during the period (shares)	Other changes (shares)	Shares held at the end of the period (shares)	Reasons of changes in shareholding
Lv Liang	Male	50	Chairman and General Manager	Incumbent	June 1, 2022	June 1, 2025	200,000	0	0	0	200,000	
Kang Wei	Female	56	Director	Incumbent	December 5, 2016	June 1, 2025	0	0	0	0	0	
Zhu Feipeng	Male	58	Director	Incumbent	June 1, 2022	June 1, 2025	0	0	0	0	0	
Ye Bo	Male	36	Director	Incumbent	June 1, 2022	June 1, 2025	0	0	0	0	0	
Zhu Liang	Male	47	Director	Incumbent	June 6, 2019	June 1, 2025	30,000	0	0	0	30,000	
Wang Yang	Male	48	Director	Incumbent	July 19, 2023	June 1, 2025	0	0	0	0	0	
Niu Zhanqi	Male	57	Director	Retired	June 3, 2016	June 21,2023	0	0	0	0	0	
Wang	Male	57	Indepe	Incum	June 1,	June 1,	0	0	0	0	0	

Ruwei			ndent Director	bent	2022	2025						
Gao Xiangdong	Female	61	Independent Director	Incumbent	June 1, 2022	June 1, 2025	0	0	0	0	0	
Huang Jian	Female	55	Independent Director	Incumbent	May 8, 2023	June 1, 2025	0	0	0	0	0	
Yang Lan	Female	55	Independent Director	Retired	April 27, 2017	May 8, 2023	0	0	0	0	0	
Bai Xinhua	Female	58	Supervisor	Incumbent	January 20, 1998	June 1, 2025	0	0	0	0	0	
Zhou Yanwu	Male	55	Supervisor	Incumbent	June 1, 2022	June 1, 2025	0	0	0	0	0	
Qin Yun	Female	54	Supervisor	Incumbent	May 19, 2006	June 1, 2025	0	0	0	0	0	
Dong Jiqin	Female	40	Supervisor	Incumbent	June 1, 2022	June 1, 2025	0	0	0	0	0	
Xu Zhifeng	Male	49	Supervisor	Incumbent	June 6, 2019	June 1, 2025	0	0	0	0	0	
Zhu Yinhua	Female	50	Supervisor	Incumbent	June 1, 2022	June 1, 2025	0	0	0	0	0	
Wu Hui	Male	55	Deputy General Manager	Incumbent	June 6, 2019	June 1, 2025	150,000	0	0	0	150,000	
Zhu Li	Female	49	Deputy General Manager	Incumbent	October 12, 2020	June 1, 2025	180,000	0	0	0	180,000	
Zhang Jianfei	Male	49	Deputy General Manager	Incumbent	June 1, 2022	June 1, 2025	230,000	0	0	0	230,000	
Chen Bo	Male	52	Secretary of the Board of Directors	Incumbent	June 30, 2009	June 1, 2025	100,000	0	0	0	100,000	
Qiu Renbo	Male	42	Person in	Incumbent	November	June 1, 2025	100,000	0	0	0	100,000	

			Charge of Financ e		28, 2019							
Total	--	--	--	--	--	--	990,00 0	0	0	0	990,00 0	--

Whether directors and supervisors left office or senior managers were dismissed during their terms of office during the reporting period

☑Yes □No

Ms. Yang Lan, an independent director of the 10th Board of Directors of the Company, had been an independent director of the Company since April 28, 2017. Since she had served as an independent director for six years, the Board of Directors of the Company received Ms. Yang Lan's resignation application and completed the procedure for addition of independent directors. Since May 7, 2023, Ms. Yang Lan ceased to be an independent director of the Company. On June 21, 2023, the Company received a written resignation report from Mr. Niu Zhanqi, a director of the Company. Mr. Niu Zhanqi ceased to be a director of the Company for personal reasons.

Change of directors, supervisors and senior managers of the Company

☑ Applicable □ N/A

Name	Title	Type	Date	Reasons
Wang Yang	Director	Elected	July 19, 2023	Additional Director
Niu Zhanqi	Director	Retired	June 21,2023	Resignation for personal reasons
Huang Jian	Independent Director	Elected	May 8, 2023	Additional Independent Director
Yang Lan	Independent Director	Retirement at expiration of the term	May 7, 2023	Retirement at expiration of the term

2. Positions and incumbency

Professional background, main working experiences and main responsibilities of the Company's incumbent directors, supervisors and senior managers

(1) Profile of directors

Chairman: Mr. Lv Liang: Born in 1974, holds a master's degree. He was the Project Manager of Grand Asset Management Co., Ltd. from July 1997 to July 2001; the Deputy General Manager and the General Manager of Changshu Leiyunshang Pharmaceutical Co., Ltd. from July 2001 to March 2010; the Director and the Deputy General Manager of the Company from April 2010 to January 2016; the Director and the General Manager of the Company from January 6, 2016 to June 5, 2019. He has also been the Chairman of the Board of the Company since June 6, 2019. Besides, he has served as the General Manager of the Company since October 26, 2021.

Director: Ms. Kang Wei: Born in 1968, holds a master's degree. She has served as Manager of the Trade Division, Manager of the Capital Division and Manager of Financial Management of the Financial Management Department of China Grand Enterprises, Inc.; Chief Financial Officer and Deputy General Manager of Heilongjiang Grand Shopping Center; currently Chief Financial Officer of China Grand Enterprises, Inc. and Director of the Company since December 2016.

Director: Mr. Zhu Feipeng: Born in 1966, Doctor of Cytopharmacology. He has served as a reviewer, Director of the Third Review Office and Chief Reviewer of respiratory and tumor indications of the Center for Drug Evaluation of National Medical Products Administration. He was Vice President of Pharmaceutical Management Head Office of China Grand Enterprises, Inc. from March 2021 to June 2023. He was the General Manager of Pharmaceutical Management Head Office of China Grand Enterprises, Inc. since July 2023. Besides, he has also served as Director of the Company since June 2022.

Director: Mr. Ye Bo: Born in 1988, holds a master's degree. He has served as Customer Manager of Zhejiang Branch, China Development Bank; Manager of Bonds Investment Bank Headquarters, Zheshang Securities Co., Ltd.; Deputy Head of the Department of Investment and Operation, Hangzhou State-owned Capital Investment and Operation Co., Ltd. He has been Executive Deputy General Manager of Hangzhou Guoyou Asset Operation Co., Ltd. since March 2020; Deputy Head of the Department of Assets Management, Hangzhou State-owned Capital Investment and Operation Co., Ltd. since June 2023. Besides, he has also served as Director of the Company since June 2022.

Director: Mr. Zhu Liang: Born in 1977, holds a bachelor's degree. He has served as Director, Vice Chairman and Chairman of the Labor Union of Hangzhou Huadong Medicine Group Co., Ltd., and is a member of the Party committee and Chairman of the Labor Union of the Company. He has served as the Company's Supervisor from April 2017 to June 2019; and Director of the Company since June 2019.

Director: Mr. Wang Yang: Born in October 1975, Doctor of Pharmaceutical Chemistry. He joined in work in September 2003. He was a postdoctor at Southampton University, Boston College, and Texas A&M University. He was the R&D Director of Shanghai ChemPartner Chemical Research Co., Ltd.; Assistant Director of BioDuro Beijing Co., Ltd.; Senior Reviewer at Center for Drug Evaluation, NMPA; and Senior Director of Beijing Innocare Pharmaceutical Technology Co., Ltd. He has served as the Assistant President and R&D Head of the Pharmaceutical Management Head Office of China Grand Enterprises, Inc. since September 2022, and Director of the Company since July 2023.

Independent Director: Ms. Gao Xiangdong: Born in July 1963, PhD. She has served as a teaching assistant, a lecturer, an associate professor of Biopharmaceutical Teaching and Research Department, and a professor, Vice President, President and Party Secretary of the School of Life Science and Technology, China Pharmaceutical University. She has served as a professor of the School of Life Science and Technology, China Pharmaceutical University, since April 2021. She has also been Independent Director of the Company since June 2022.

Independence Director: Ms. Huang Jian: Born in October 1968, holds a master's degree, certified public accountant, and senior accountant. She was a Senior Partner of RSM China Certified Public Accountants; Member of the 3rd, 4th and 5th Issuance Examination Committees of the Growth Enterprise Market of China Securities Regulatory Commission; Partner of Ruihua Certified Public Accountants (Special General Partnership); Partner of ShineWing Certified Public Accountants (Special General Partnership). She is now Non-executive Director of Concord New Energy Group Limited and Independent Director of Hygon Information Technology Co., Ltd. She has also been Independent Director of the Company since May 8, 2023.

Independent Director: Mr. Wang Ruwei: Born in 1967, Doctor of Medicine of Shimane University in Japan, a professor-level senior engineer and a supervisor of PhD candidates (Zhejiang University, Shenyang Pharmaceutical University, Zhejiang Chinese Medical University). He has served as Business Vice President of No. 6 Hospital affiliated to Wenzhou Medical University, Deputy Chairman and President of Zhejiang Conba Pharmaceutical Co., Ltd. and Genor Biopharma Co. Ltd, and Executive Vice-president of Hangzhou Tigermed Consulting Co., Ltd., and Founding Partner and Managing Director of Hangzhou Tailong Venture Capital Partnership (Limited Partnership). He has been a member of Chinese Pharmacopoeia Commission since 2010, and is now Independent Director of Zhejiang Longevity Valley Botanical Co., Ltd. and Zhejiang Sundoc Pharmaceutical Science and Tech Co., Ltd. He has also been Independent Director of the Company since June 2022.

(2) Profile of supervisors

The Chairman of Board of Supervisors: Ms. Bai Xinhua: Born in 1966, holds a master's degree. She has served as Assistant Auditor of Beijing Municipal Bureau of Audit; Accounting Manager of the Financial Management Head Office and Audit Manager of the Supervision and Audit Department of China Grand Enterprises, Inc. She is now Deputy General Manager of the Financial Management Head Office of China Grand Enterprises, Inc. She has been the Supervisor of the Company since 1998.

Supervisor: Mr. Zhou Yanwu: Born in 1969, holds a master's degree. He has served as an assistant accountant of the Office of Financial Management, China International Trust Investment Corporation, an assistant of General Manager of Beijing Guoqiang Technology Co., Ltd., and an assistant of Financial Director of Electrolux (China) Home Appliance Co., Ltd. He worked for China Grand Enterprises, Inc. in 2000, served as Accountant Manager and Financial Manager of Financial Management Head Office, Deputy General Manager of the Supervision and Audit Department, and Financial Director of China Grand Enterprises (HK) Limited. He has been General Manager of the Supervision and Audit Department, China Grand Enterprises, Inc. since January 2012. Besides, he has also served as Supervisor of the Company since June 2022.

Supervisor: Ms. Qin Yun: Born in 1970, holds a bachelor's degree. She has served as an attending physician in the Internal Medicine Department of Beijing Shougang Hospital; a medical representative in the Beijing Office of Tianjin Takeda Pharmaceuticals Co., Ltd., a senior medical representative in the Beijing Office of Lilly Asia; and Head of the Product Department in the sales branch of China National Pharmaceutical Foreign Trade Corporation; worked for China Grand Enterprises, Inc. in 2002 and was Project Manager of Pharmaceutical Business Division, Business Director of Operation Department of Pharmaceutical Management Head Office. She is now Business Director of Bidding and Procurement Management Center of China Grand Enterprises, Inc. She has also been Supervisor of the Company since 2006.

Supervisor: Ms. Dong Jiqin: Born in 1984, holds a master's degree. She has served as a member of the Department of Finance, Zhejiang Ocean University (Xiaoshan College), and a member of the Foreign Trade Department, Xiaoshan Foreign Trade and Economic Cooperation Bureau, Deputy Chief and Chief of the Financial Audit Department, Xiaoshan Commerce Bureau, Hangzhou. She has been Head of the Risk Control and Legal Department of Hangzhou State-owned Capital Investment and Operation Co., Ltd. since October 2019. Besides, she has also served as Supervisor of the Company since June 2022.

Employee Supervisor: Mr. Xu Zhifeng: Born in 1975, holds a bachelor's degree, economist. He has served as Commissioner of the Business Administration Office and Director Assistant of the General Manager Office of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. from August 1997 to July 2011; Manager of the Risk Management and Audit Department of the Company from August 2011 to January 2018; Director of the Risk Management and Audit Department of the Company since February 2018; and Employee Supervisor of the Company since June 2019.

Employee Supervisor: Ms. Zhu Yinhua: Born in 1974, holds a bachelor's degree. She joined the Company in August 1995, and has served as Head of the Accounting Institution and Senior Head of Finance of the Financial Management Head Office; has been Senior Head of Finance of the Company's Medical Business since September 2018. She has been Financial Manager of Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd. since March 2010, and Employee Supervisor of the Company since June 2022.

(3) Profile of senior managers

Deputy General Manager: Mr. Wu Hui: Born in April 1969, holds a master's degree, professor-level senior engineer. He worked in the Company in July 1991, and has served as technician, Workshop Director and Chief Engineer of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.; Deputy General Manager of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. since 2015; Deputy General Manager of the Company since June 2019; General Manager of the Industrial Microbiology Division of the Company since August 2021.

Deputy General Manager: Ms. Zhu Li: Born in 1975, holds a master's degree, and serves as an accountant. She has served as the accountant, Deputy General Manager, General Manager, Deputy Director, and Director of the Procurement and Management Department for Chinese and Western Medicine in the Chinese patent medicine branch of Huadong Pharmaceutical Distribution

Company since August 1997. From September 2019 to September 2020, she served as the Deputy General Manager of Huadong Pharmaceutical Distribution Company (responsible for the overall work), and from October 2020, she served as the Deputy General Manager (responsible for the commercial matters) of the Company and concurrently the General Manager of Huadong Pharmaceutical Distribution Company.

Deputy General Manager: Mr. Zhang Jianfei: Born in April 1975, holds a bachelor's degree. He has served as a salesman/ Manager, Manager of Wuhan region, Director of the Second Sales and Management Department of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., General Manager and Director of the Second Pharmaceutical Service Management Department of Hubei Pharmaceutical Service Co., Ltd., and has been Deputy General Manager of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. since December 2020. He has also served as Deputy General Manager of the Company since June 2022.

Secretary of the Board of Directors: Mr. Chen Bo: Born in 1972, holds a master's degree, economist. He joined the Company in 2002, and has served as investment commissioner and Deputy Manager of the Financing Department and Manager of the Investment Department; and Secretary of the Board of Directors of the Company since June 2009.

Officer in Charge of Financial Affairs: Mr. Qiu Renbo: Born in 1982, holds a master's degree. He has served as commissioner of the Financial Management Head Office and Chief of the Finance Section of the Manufacturing Branch of the Company from August 2004 to July 2010; Manager of the Financial Department of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. from August 2010 to April 2015; Chief Financial Officer of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. since May 2015; and Officer in Charge of Financial Affairs of the Company since December 2019.

Positions in shareholders' entities

☑ Applicable □ N/A

Name	Shareholders' entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Kang Wei	China Grand Enterprises, Inc.	CFO	February 2010	To date	Yes
Wang Yang	China Grand Enterprises, Inc.	Assistant President and R&D Head of the Pharmaceutical Management Head Office	September 2022	To date	Yes
Bai Xinhua	China Grand Enterprises, Inc.	Deputy General Manager of the Financial Management Head Office	September 2003	To date	Yes
Qin Yun	China Grand Enterprises, Inc.	Business Director of the Pharmaceutical Management Head Office	May 2021	To date	Yes
Zhu Feipeng	China Grand Enterprises, Inc.	President of the Pharmaceutical Management Head Office	March 2021	To date	Yes
Ye Bo	Hangzhou Huadong Medicine Group Co., Ltd.	Executive Director	November 3, 2022	June 27, 2023	No
Zhou Yanwu	China Grand Enterprises, Inc.	General Manager of the Supervision and Audit	January 2012	To date	Yes

		Department			
Note on positions in shareholders' entities	None				

Position in other entities

☑ Applicable □ N/A

Name	Name of other entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Zhu Feipeng	Leiyunshang Pharmaceutical Co., Ltd.	Director	May 2022	To date	No
Kang Wei	Western Securities Co., Ltd.	Supervisor	November 2010	To date	Yes
Kang Wei	Leiyunshang Pharmaceutical Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director	/	To date	No
Bai Xinhua	Grand Industrial Holding Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director and Supervisor	/	To date	Yes
Qin Yun	Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Director	September 2011	To date	No
Zhou Yanwu	Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director and Supervisor	/	To date	No
Ye Bo	Hangzhou Guoyou Asset Operation Co., Ltd.	Executive Deputy General Manager and Director	March 27, 2020	To date	No
Ye Bo	Hangzhou State-owned Capital Investment and Operation Co., Ltd.	Deputy Head of the Department of Assets Management	June 1, 2023	To date	Yes
Ye Bo	Hangzhou Electric Power Equipment Manufacturing Co., Ltd.	Director	December 31, 2020	June 9, 2023	No
Ye Bo	Hangzhou	Director	April 28, 2023	August 11, 2023	No

	Kechuang Group Co., Ltd.				
Ye Bo	Hangzhou Yingde Technology Co., Ltd.	Executive Director	July 31, 2023	To date	No
Dong Jiqin	Hangzhou State-owned Capital Investment and Operation Co., Ltd.	Head of the Risk Control and Legal Department	October 2019	To date	Yes
Dong Jiqin	Hangzhou State-owned Capital Investment and Operation Co., Ltd.	Supervisor	September 2, 2020	To date	No
Dong Jiqin	Hangzhou Oxygen Plant Group Co., Ltd.	Chairman of Board of Supervisors	April 21, 2023	To date	No
Dong Jiqin	Hangzhou Goodwill International Trade Co., Ltd.	Supervisor	August 5, 2020	To date	No
Dong Jiqin	Hangzhou Kechuang Group Co., Ltd.	Supervisor	December 2, 2022	April 28, 2023	No
Dong Jiqin	Hangzhou Electric Power Equipment Manufacturing Co., Ltd.	Supervisor	December 31, 2020	June 9, 2023	No
Huang Jian	Concord New Energy Group Limited	Non-executive Director	December 2012	To date	Yes
Huang Jian	Hygon Information Technology Co., Ltd.	Independent Director	September 2020	To date	Yes
Gao Xiangdong	China Pharmaceutical University	Teacher and Professor	August 1983	To date	Yes
Wang Ruwei	Hangzhou Institute of Medicine Chinese Academy of Sciences	Specially-appointed Researcher	February 2023	To date	No
Wang Ruwei	Sichuan Huiyu Pharmaceutical Co., Ltd.	Independent Director	June 2020	May 2023	Yes
Wang Ruwei	Zhejiang Longevity Valley Botanical Co., Ltd.	Independent Director	May 2021	To date	Yes
Wang Ruwei	Zhejiang Sundoc Pharmaceutical Science and Tech Co., Ltd.	Independent Director	November 2021	To date	Yes
Note on position in other entities	None				

Incumbent and off-office directors, supervisors and senior managers during the reporting period that have been imposed administrative penalties by the SCRC during the last three years.

□ Applicable ☑ N/A

3. Remuneration of directors, supervisors and senior managers

The decision-making procedure, determination basis and actual remuneration for directors, supervisors and senior managers

The allowance plan of directors of the 10th Board of Directors and that of supervisors on the 10th Board of Supervisors of the Company has become effective since June 1, 2022 after review and approval by the Company's shareholder's meeting: Non-independent directors who hold management positions or are in charge of business in the Company shall be paid according to the business they are in charge of or position they hold, and shall not receive allowance for independent directors separately; the annual allowance for independent directors of the Company was 100,000 yuan (before tax); that for independent directors not in charge of the Company's management or business was 30,000 yuan (before tax); that for non-employee supervisors of the Company was 30,000 yuan (before tax); employee supervisors shall receive performance-related remuneration according to their positions in the Company, and shall not receive allowance for supervisors separately.

Scheme for assessment of remuneration of the Company's senior managers shall be implemented upon the resolution of the 7th Meeting of the 10th Board of Directors of the Company.

The Company has paid remunerations for directors, supervisors and senior managers of the Company.

Remuneration of directors, supervisors and senior managers of the Company during the reporting period

Unit: ten thousand yuan

Name	Gender	Age	Title	Holding of positions	Total pretax remuneration received from the Company	Receive remuneration from related parties of the Company or not
Lv Liang	Male	50	Chairman and General Manager	Incumbent	240.00	No
Niu Zhanqi	Male	57	Director	Retired	1.41	Yes
Kang Wei	Female	56	Director	Incumbent	3.00	Yes
Zhu Feipeng	Male	58	Director	Incumbent	3.00	No
Ye Bo	Male	36	Director	Incumbent	3.00	No
Zhu Liang	Male	47	Director	Incumbent	65.00	No
Wang Yang	Male	48	Director	Incumbent	1.36	Yes

Gao Xiangdong	Female	61	Independent Director	Incumbent	10.00	No
Wang Ruwei	Male	57	Independent Director	Incumbent	10.00	No
Huang Jian	Female	55	Independent Director	Incumbent	6.52	No
Yang Lan	Female	55	Independent Director	Retired	3.51	No
Bai Xinhua	Female	58	Supervisor	Incumbent	3.00	Yes
Zhou Yanwu	Male	55	Supervisor	Incumbent	3.00	Yes
Qin Yun	Female	54	Supervisor	Incumbent	3.00	Yes
Dong Jiqin	Female	40	Supervisor	Incumbent	3.00	No
Xu Zhifeng	Male	49	Supervisor	Incumbent	65.00	No
Zhu Yinhua	Female	50	Supervisor	Incumbent	22.60	No
Wu Hui	Male	55	Deputy General Manager	Incumbent	140.00	No
Zhu Li	Female	49	Deputy General Manager	Incumbent	140.00	No
Zhang Jianfei	Male	49	Deputy General Manager	Incumbent	140.00	No
Chen Bo	Male	52	Secretary of the Board of Directors	Incumbent	130.00	No
Qiu Renbo	Male	42	Person in Charge of Finance	Incumbent	130.00	No
Total	--	--	--	--	1,126.41	--

Note on other situations

□ Applicable ☑ N/A

VI. Performance of duties of directors during the reporting period

1. Board meetings during the reporting period

Sessions	Convening date	Disclosure date	Meeting resolution
The 6th session of the 10th Board of Directors	January 16, 2023	January 17, 2023	*Announcement of the Resolutions of the 6th Session of the 10th Board of Directors* (Announcement No.: 2023-003) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 7th session of the 10th Board of Directors	April 12, 2023	April 14, 2023	*Announcement of the Resolutions of the 7th Session of the 10th Board of Directors* (Announcement No.: 2023-010) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 8th session of the 10th Board of Directors	April 18, 2023	April 20, 2023	*Announcement of the Resolutions of the 8th Session of the 10th Board of Directors* (Announcement No.: 2023-023) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 9th session of the 10th	April 19, 2023	April 21, 2023	*Announcement of the Resolutions of the 9th*

Board of Directors			*Session of the 10th Board of Directors* (Announcement No.: 2023-026) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 10th session of the 10th Board of Directors	May 8, 2023	May 9, 2023	*Announcement of the Resolutions of the 10th Session of the 10th Board of Directors* (Announcement No.: 2023-034) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 11th session of the 10th Board of Directors	June 30, 2023	July 1, 2023	*Announcement of the Resolutions of the 11th Session of the 10th Board of Directors* (Announcement No.: 2023-044) on *China Securities Journal*, *Securities Once*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 12th session of the 10th Board of Directors	July 12, 2023	July 13, 2023	*Announcement of the Resolutions of the 12th Session of the 10th Board of Directors* (Announcement No.: 2023-050) on *China Securities Journal*, *Securities Once*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 13th session of the 10th Board of Directors	July 19, 2023	July 20, 2023	*Announcement of the Resolutions of the 13th Session of the 10th Board of Directors* (Announcement No.: 2023-055) on *China Securities Journal*, *Securities Once*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 14th session of the 10th Board of Directors	August 9, 2023	August 11, 2023	*Announcement of the Resolutions of the 14th Session of the 10th Board of Directors* (Announcement No.: 2023-060) on *China Securities Journal*, *Securities Once*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 15th session of the 10th Board of Directors	August 14, 2023	August 16, 2023	*Announcement of the Resolutions of the 15th Session of the 10th Board of Directors* (Announcement No.: 2023-063) on *China Securities Journal*, *Securities Once*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 16th session of the 10th Board of Directors	October 23, 2023	October 25, 2023	*Announcement of the Resolutions of the 16th Session of the 10th Board of Directors* (Announcement No.: 2023-073) on *China Securities Journal*, *Securities Once*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 17th session of the 10th Board of Directors	November 14, 2023	November 15, 2023	*Announcement of the Resolutions of the 17th Session of the 10th Board of Directors* (Announcement No.: 2023-080) on *China Securities Journal*, *Securities Once*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 18th session of the 10th Board of Directors	November 21, 2023	November 22, 2023	*Announcement of the Resolutions of the 18th Session of the 10th Board of Directors* (Announcement No.: 2023-082) on *China Securities Journal*, *Securities Once*, *Shanghai*

			Securities News, and cninfo (www.cninfo.com.cn)
The 19th session of the 10th Board of Directors	December 19, 2023	December 20, 2023	*Announcement of the Resolutions of the 19th Session of the 10th Board of Directors* (Announcement No.: 2023-098) on *China Securities Journal*, *Securities Once*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)

2. Attendance of directors at Board meetings and general meetings

Attendance of directors at Board meetings and general meetings							
Name of directors	Number of Board meetings to be attended during the reporting period	Number of Board meetings attended on site	Number of Board meetings attended virtually	Number of Board meetings attended by proxy	Times of absent from Board meetings	Whether or not attend Board meetings in person for two consecutive times	Times of attendance of general meeting
Lv Liang	14	14	0	0	0	No	3
Kang Wei	14	1	13	0	0	No	3
Niu Zhanqi	5	1	4	0	0	No	1
Zhu Feipeng	14	1	13	0	0	No	3
Ye Bo	14	1	13	0	0	No	3
Zhu Liang	14	12	2	0	0	No	3
Wang Yang	7	0	7	0	0	No	1
Gao Xiangdong	14	1	13	0	0	No	3
Wang Ruwei	14	1	13	0	0	No	3
Yang Lan	4	1	3	0	0	No	1
Huang Jian	10	0	10	0	0	No	2

Note on non-attendance of Board meetings in person for two consecutive times

N/A

3. Objections from directors on relevant issues of the Company

Whether the directors have raised any objection to relevant issues of the Company

□Yes ☑No

No such case during the reporting period.

4. Other details about the performance of duties by directors

Whether the directors' suggestions were adopted or not

☑Yes □No

Note on the adoption or non-adoption of the directors' suggestions

During the reporting period, in strict accordance with the relevant laws and regulations, normative documents, the *Articles of Association*, *Rules of Procedure of the Board of Directors*, and other relevant provisions, all directors of the Company preformed duties and exercise their

functions and power earnestly, strictly implemented the resolution of the general meeting of shareholders, and actively carried out all works of the Board of Directors. They also conscientiously reviewed and approved various proposals of the Board of Directors, exercised right to vote according to law, actively participated in corporate governance and decision-making activities, and constantly standardized corporate governance. With a responsible attitude towards the Company and all shareholders, the independent directors performed their duties and obligations diligently and faithfully, and carefully deliberated various proposals of the Board of Directors. In addition, they expressed objective opinions on relevant matters under deliberation based on independent position, actively promoted the standardized operation of the Board of Directors and improved corporate governance, safeguarding the interests of the Company and all investors. All suggestions above have been adopted by the Company.

VII. Performance of special committees under the Board of Directors during the reporting period

Committee name	Members	Number of meetings	Convening date	Meeting content	Important comments and suggestions	Other performance of duties	Details of objection (if any)
Audit Committee of the 10th Board of Directors (annual audit communication - planning phase)	Yang Lan, Wang Ruwei, Lv Liang	7	January 31, 2023	The Audit Committee and some senior managers of the Company communicated with the certified public accountants and project managers in charge of the Company's audit work on the planning phase of audit, and communicated in advance on the 2022 audit plan, change of signatory certified public accountants, pre-audit concerns and areas of significant risk in annual audit.	The annual audit was carried out as planned and no major problems were found.	None	None
Audit Committee of the 10th Board of Directors (annual audit communication - execution phase)	Yang Lan, Wang Ruwei, Lv Liang	7	April 7, 2023	The Audit Committee and some senior managers of the Company communicated with the certified public accountants and project managers in charge of the Company's audit work on the execution phase of audit, and communicated on the execution of the 2022 audit plan,	The annual audit was carried out as planned and no major problems were found.	None	None

				preliminary results of audit on financial statements in 2022, key audit matters, comparison of main financial data of listed companies in the same industry, etc.			
Audit Committee of the 10th Board of Directors (annual audit communication - completion phase)	Yang Lan, Wang Ruwei, Lv Liang	7	April 11, 2023	The Audit Committee and some senior managers of the Company communicated with the certified public accountants and project managers in charge of the Company's audit work on the completion phase of audit, and communicated on the execution of the 2022 audit plan, audited financial data in 2022, key audit matters, audit comments on financial statements in 2022, establishment and implementation of internal control related to the financial report as of December 31, 2022.	The annual audit was carried out as planned and no major problems were found.	None	None
The 1st session of the Audit Committee of the 10th Board of Directors (regular meeting) in 2023	Yang Lan, Wang Ruwei, Lv Liang	7	April 12, 2023	The following proposals were reviewed: 1. *Proposal on the Company's 2022 Annual Report;* 2. *Proposal on Evaluating the Accounting Firm's Performance in 2022;* 3. *Proposal on Reappointing the Accounting Firm*; 4. *Proposal on Evaluating the Company's Internal Control in 2022*; 5. *Proposal on the 2022 Work Report of the Company's Internal Audit Department*; 6. *Proposal on the 2023 Work Plan of the Company's Internal Audit Department*; 7. *Proposal on Changes in Accounting Policies*.	The work of the Company's Internal Audit Department was carried out According planned Implementation no major problems were found; all proposals were approved after review.	None	None
The 2nd session of the	Yang Lan, Wang Ruwei,	7	April 19, 2023	1. *Proposal on the Company's Q1 Report in*	The work of the	None	None

Audit Committee of the 10th Board of Directors (regular meeting) in 2023	Lv Liang			*2023*; 2. *Proposal on the Work Report of the Company's Internal Audit Department in Q1 of 2023;*	Company's Internal Audit Department was carried out According planned Implementation no major problems were found; all proposals were approved after review.		
The 3rd session of the Audit Committee of the 10th Board of Directors (regular meeting) in 2023	Huang Jian, Wang Ruwei, Lv Liang	7	August 14, 2023	1. *Proposal on the Work Report of the Company's Internal Audit Department in H1 of 2023;* 2. *Proposal on the Work Report of the Company's Internal Audit Department in H2 of 2023;* 3. *Proposal on the Company's 2023 Semi-annual Report and its Abstract.*	The work of the Company's Internal Audit Department was carried out According planned Implementation no major problems were found; all proposals were approved after review.	None	None
The 4th session of the Audit Committee of the 10th Board of Directors (regular meeting) in 2023	Huang Jian, Wang Ruwei, Lv Liang	7	October 23, 2023	1. *Proposal on the Work Report of the Company's Internal Audit Department in Q3 of 2023;* 2. *Proposal on the Work Report of the Company's Internal Audit Department in Q4 of 2023;* 3. *Proposal on the Work Report of the Company in Q3 of 2023.*	The work of the Company's Internal Audit Department was carried out According planned Implementation no major problems were found; all proposals were approved after review.	None	None
The 1st session of the Nomination Committee of the 10th Board of Directors in 2023	Kang Wei, Gao Xiangdong, Yang Lan	2	April 12, 2023	1. *Proposal on the Nomination of Independent Director Candidates for the 10th Board of Directors;*	The Nomination Committee verified and reviewed the matters under deliberation, and unanimously agreed upon relevant proposals.	None	None

The 2nd session of the Nomination Committee of the 10th Board of Directors in 2023	Kang Wei, Gao Xiangdong, Huang Jian	2	June 30, 2023	1. *Proposal on the Addition of Directors for the 10th Board of Directors;*	The Nomination Committee verified and reviewed the matters under deliberation, and unanimously agreed upon relevant proposals.	None	None
The 1st session of the Remuneration and Approval Committee of the 10th Board of Directors in 2023	Lv Liang, Gao Xiangdong, Wang Ruwei	1	April 12, 2023	1. *Proposal on the Company's 2023 Annual Compensation Assessment Plan for Senior Managers*	The Remuneration and Approval Committee verified and reviewed the matters under deliberation, and unanimously agreed on the relevant proposals.	None	None
ESG Committee of the 10th Board of Directors	Ye Bo, Zhu Feipeng, Gao Xiangdong	0					
Strategy Committee of the 10th Board of Directors	Lv Liang, Wang Yang, Wang Ruwei	0					

VIII. Performance of the Board of Supervisors

Whether the Board of Supervisors found any risks of the Company in the supervision activities during the reporting period

□Yes ☑No

No such case during the reporting period.

IX. Employees of the Company

1. Number of employees, expertise structure and educational background

Number of incumbent employees in the parent company at the end of the reporting period (person)	931
Number of incumbent employees in major subsidiaries at the end of the reporting period (person)	16,038
Total number of incumbent employees at the end of the reporting period (person)	16,969
Total number of employees receiving salaries in the current	16,969

period (person)	
Number of retired employees requiring the parent Company and its subsidiaries to bear costs (person)	0
Expertise structure	
Category	Number (person)
Production staff	1,571
Sales staff	10,527
Technical staff	2,693
Financial staff	308
Administrative staff	1,483
Storage and transportation staff	387
Total	16,969
Educational background	
Category	Number (person)
Master's degree or above	1,252
Bachelor's degree	7,161
Junior college (professional training)	7,060
Other	800
The undisclosed education background of staff in overseas subsidiaries (Note)	696
Total	16,969

Note: The data under "educational background" only covers staff of the Company and its subsidiaries in China, and the information of 696 employees of the Company's overseas subsidiaries is not included.

2. Staff remuneration policy

Based on strategic development planning and talent strategy, the Company builds a market-oriented differentiating remuneration system, establishes a flexible and diversified incentive mechanism, and makes its talent team younger, professional and international. It upgrades and optimizes employee structure, encourages employees to stick to innovation and value creation, and enables employees themselves and as a whole to achieve sustainable development and strategic goals..

3. Training program

Training talents independently is an important foundation for the Company's sustainable development. In recent years, the Company has always been committed to fostering a diversified and multi-layer talent training system, and put talents first to empower its transformation. In 2024, the Company will continue to advance its pilot program, induction training for new employees,

sailing program, training of talents with high potential and training of professional staff to enable the Company's talent development.

By providing new employees with professional induction training and full-process probation management, the Company helps them fit in the team quickly.

As fresh graduates bring the Company vitality, the Company launches its Sailing Program to help them quickly engage in their role, shape healthy professional quality and understand the Company's culture. Moreover, the Company quickly trains young talents through collective training, selection, rotation, assessment, practice, etc.

In the empowerment of management ability, the Company focuses on the construction of talent teams, cares about the cultivation and development of core and backbone management talents, and improves its internal cultivation and promotion mechanism.

In terms of improvement of business abilities, the Company regularly counts and trains business talents in R&D, quality, production and sales to empower the sustainable development of the Company and advance the implementation of its international strategic development.

As for improvement of professional abilities, the Company improves employees' skills quickly by strengthening post standardization, solidifying on-the-job training and retraining system, combines assessment and training, replaces training with practice to quickly improve employees' skills, thus optimizing business processes and efficiency.

With regard to the construction of digital training platform, the Company gradually enriches the curriculum system regarding each business, devotes to building a systematic and perfect learning platform, and helps employees participate in training through personalized courses on the digital platform, thus helping to improve their post competence.

4. Labor outsourcing

□ Applicable ☑ N/A

X. The Company's profit distribution and increase of capital stock by capital reserve conversion

Formulation, implementation or adjustment of the profit distribution policy, especially the cash dividend policy, during the reporting period

☑ Applicable □ N/A

During the reporting period, the Company strictly abode by the *Articles of Association* to review the relevant distribution policy and implement the profit distribution plan. The criteria and proportion of dividends were specific and clear and the decision-making process and mechanism were well- established. The profit distribution plan was implemented during specific period after review and approval. These efforts guaranteed all shareholders' interests. During the reporting period, the Company did not change the profit distribution policy.

The Company convened the 6th session of the 10th Board of Directors on April 12, 2023, reviewed and approved the *Proposal on the Company's 2022 Profit Distribution Scheme*, and agreed to submit the proposal to the Company's general meeting for deliberation. The 2022 Annual General Meeting convened on May 8, 2023 deliberated on and approved the proposal. On December 31, 2022, based on the total share capital of 1,753,995,348 of the Company, 2.9 yuan (before tax) of cash dividends per ten common shares were distributed to all shareholders. No bonus share was issued and no capital reserve was converted to share capital. A Total of 508,658,650.92 yuan (before tax) cash dividends were distributed, and the remaining undistributed profits were set to be distributed in future years. The Company's independent directors agreed on the profit distribution plan. On June 13, 2023, the Company implemented the above profit distribution plan. The criteria and proportion of dividends were specific and clear in this profit distribution plan with well-established decision-making process, which complied with the *Articles of Association* and resolutions of the General Meeting.

Specific note on the cash dividend policy	
Whether it complied with the Articles of Association and resolutions of the General Meeting:	Yes
Whether the criteria and proportion of dividends were specific and clear:	Yes
Whether the decision-making process and mechanism was well-established:	Yes
Whether independent directors performed their duties and roles:	Yes
Specific reasons and measures to be taken in the next step to increase investor returns if the Company does not pay cash dividends:	N/A
Whether minority shareholders could express their opinions and requirements, and whether their legal rights and interests were fully protected:	Yes
Whether conditions and process were conforming and transparent if the cash dividend policy was adjusted or changed:	N/A

During the reporting period, the Company made profits and the profit available to shareholders of the parent company was positive, but no cash dividend plan for common shares was proposed.

□ Applicable ☑ N/A

Profit distribution and share capital increase by capital reserve conversion during the current reporting period

☑ Applicable □ N/A

Number of bonus shares every 10 shares (share)	0
Dividends paid every 10 shares (yuan) (tax included)	5.8
Share capital base of the distribution plan (share)	1,754,327,548
Cash dividends (yuan) (tax included)	1,017,509,977.84
Cash dividends by other means (such as share repurchase) (yuan)	0.00
Total cash dividends (including those by other means) (yuan)	1,017,509,977.84
Distributable profit (yuan)	6,629,739,641.30
Proportion of total cash dividends (including those by other means) in the total profit distributed	100%
Current cash dividends	
If the Company is in a mature stage of development and has significant capital expenditure arrangements, the proportion of cash dividends in the current profit distribution should be at least 40%.	
Details of the profit distribution plan or the plan for capital stock increase by capital reserve conversion	

XI. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

☑ Applicable □ N/A

1. Equity incentive

(1) On August 8, 2022, the Company convened the second meeting of the 10th Board of Directors and the 2nd meeting of the 10th Board of Supervisors, deliberating on and passing the *Proposal on the Company's 2022 Restricted Share Incentive Scheme (Draft) and Its Summary*, the *Proposal on Management Rules for the Implementation and Assessment of the Company's 2022 Restricted Share Incentive Scheme*, the *Proposal on the Management Rules of the Company's 2022 Restricted Share Incentive Scheme*, and the *Proposal on Applying to the General Meeting for Authorizing the Board of Directors to Handle Equity Incentive-related Matters*. Independent directors expressed their independent opinions on whether this incentive scheme is conducive to the sustainable development of the Company and whether there is any situation that harms the interests of the Company and all shareholders. See the relevant announcement of the Company published on Cninfo (http://www.cninfo.com.cn) on August 10, 2022 for details.

(2) On August 10, the Company disclosed the *Announcement on Independent Directors Publicly Soliciting Proxy Voting Rights* on Cninfo (www.cninfo.com.cn). Mr. Wang Ruwei, Independent Director of the Company, commissioned by other independent directors publicly solicited proxy voting rights from all shareholders of the Company on proposals related to the 2022 Restricted Share Incentive Scheme reviewed on the 1st extraordinary general meeting in 2022 that was set to be convened on August 31, 2022.

(3) The Company announced publicly the list of the first batch of employees receiving the incentive from the restricted share incentive scheme on the Company's intra-net from August 15 to 25, 2022, which lasted for 10 days in total. As of the end of the announcement on August 25, 2022, the Board of Supervisors did not receive any objection against these employees. On August 25, 2022, the Company convened a session of the Board of Supervisors, during which the *Verification Opinions and Announcement Note on the List of the First Batch of Employees Receiving the Incentive from the Company's 2022 Restricted Share Incentive Scheme* was reviewed and approved. On the same day, the Company disclosed the *Board of Supervisors' Verification Opinions and Announcement Note on the List of the First Batch of Employees Receiving the Incentive from the Company's 2022 Restricted Share Incentive Scheme* and a related announcement on www.cninfo.com.cn.

(4) On August 31, 2022, the Company convened the first extraordinary general meeting in 2022. During the meeting, the *Proposal on the Company's 2022 Restricted Share Incentive Scheme (Draft) and Its Summary*, the *Proposal on Management Rules for the Implementation and Assessment of the Company's 2022 Restricted Share Incentive Scheme*, the *Proposal on the Management Rules of the Company's 2022 Restricted Share Incentive Scheme*, and the *Proposal on Applying to the General Meeting for Authorizing the Board of Directors to Handle Equity Incentive-related Matters* were deliberated on and approved. On the same day, the Company disclosed on www.cninfo.com.cn the *Self-Inspection Report on Insiders and Incentive Receivers of the 2022 Restricted Share Incentive Scheme Purchasing and Selling the Company's Shares* and a related announcement. The incentive scheme was approved in the Company's first extraordinary general meeting in 2022, and the Board of Directors was authorized to implement the restricted share incentive scheme and handle relevant matters according to laws and regulations.

(5) On October 27, 2022, the Company convened the 4th session of the 10th Board of Directors and the 5th session of the 10th Board of Supervisors. During these two sessions, the *Proposal on Adjustments of the Company's 2022 Restricted Share Incentive Scheme*, and the *Proposal on Granting Restricted Shares to the First Batch of Employees Receiving Incentive from the 2022 Restricted Share Incentive Scheme* were deliberated on and approved. The Company's Board of Directors believed that conditions of the incentive scheme for granting restricted shares were fulfilled, and the Board of Supervisors re-verified the list of incentive receivers on the first grant date, and expressed opinions on the grant. The Company's independent directors agreed on the above proposals. Lawyers and independent financial advisers prepared related reports. On October 28, 2022, the Company disclosed a related announcement on www.cninfo.com.cn.

(6) On November 9, 2022, the Company disclosed the *Announcement on Completion of Registration of the First Grant of the Restricted Share Incentive Scheme in 2022*. The Company completed the registration of the first grant of the restricted share incentive scheme in 2022, and the listing date of the granted restricted shares was November 15, 2022.

(7) On July 12, 2023, the Company convened the 12th session of the 10th Board of Directors and the 8th session of the 10th Board of Supervisors. During these two sessions, the *Proposal on Adjustments of the Granted Price of the Company's 2022 Restricted Share Incentive Scheme*, and the *Proposal on Granting Reserved Restricted Shares to the First Batch of Employees Receiving Incentive from the 2022 Restricted Share Incentive Scheme* were deliberated on and approved. The Company's Board of Directors believed that reserved conditions of the incentive scheme for granting restricted shares were fulfilled, and the Board of Supervisors re-verified the list of incentive receivers on the date of granting reserved shares, and expressed opinions on the grant. The Company's independent directors agreed on the above proposals. Lawyers and independent financial advisers prepared related reports. On the same day, the Company disclosed a related announcement on www.cninfo.com.cn.

(8) The Company announced publicly the list of this batch of employees receiving the incentive from the restricted share incentive scheme on the Company's OA system from July 13 to 23, 2023, which lasted for 10 days in total. As of the end of the announcement on July 23, 2023, the Board of Supervisors did not receive any objection against these employees. On July 26, 2023, the Company convened a session of the Board of Supervisors, during which the *Verification*

Opinions and Announcement Note on the List of Employees Receiving the Reserved Restricted Share Incentive from the Company's 2022 Restricted Share Incentive Scheme was reviewed and approved. On the same day, the Company disclosed the *Board of Supervisors' Verification Opinions and Announcement Note on the List of Employees Receiving the Reserved Restricted Share Incentive from the Company's 2022 Restricted Share Incentive Scheme* and a related announcement on www.cninfo.com.cn.

(9) On September 27, 2023, the Company disclosed the *Announcement on Completion of Registration of the Reserved Grant of Restricted Share Incentive Scheme in 2022.* The Company completed the registration of the reserved grant of the restricted share incentive scheme in 2022, and the listing date of the granted restricted shares was September 28, 2023.

(10) On November 21, 2023, the Company convened the 18th session of the 10th Board of Directors and the 12th session of the 10th Board of Supervisors. During these two sessions, the *Proposal on Achievement of the Release of Restriction Conditions during the First Restriction Period of Restricted Shares Granted for the First Time from the Restricted Share Incentive Scheme in 2022*, the *Proposal on Adjusting the Repurchase Price of Shares under the Restricted Share Incentive Scheme in 2022*, and the *Proposal on Repurchase and Cancellation of Some Restricted Shares* were deliberated on and approved. The Board of Directors believed that the Company attained conditions for the unlock of restriction conditions during the first restriction period of restricted shares granted for the first time from the *Restricted Share Incentive Scheme in 2022*. According to the authorization of the Company's first extraordinary general meeting in 2022, the Board of Directors agreed that the Company can handle the procedures for releasing restricted sales of 1,220,940 restricted shares with the restricted sales period for 108 incentive subjects. The Board of Directors also agreed to repurchase and cancel 97,800 shares of restricted shares that have been granted but have not been unlocked for four incentive subjects who are no longer eligible for incentives due to resignation and two incentive subjects who fail to satisfy the standards due to personal performance during the first restricted sales releasing period. The Company's independent directors issued independent opinions on related matters, and the Company's Board of Supervisors issued verification opinions on related matters. Lawyers and independent financial advisers prepared related reports. On the same day, the Company disclosed a related announcement on www.cninfo.com.cn.

(11) On December 8, 2023, the Company convened the second extraordinary general meeting in 2023, deliberated on and approved the *Proposal on Repurchase and Cancellation of Some Restricted Shares* and the *Proposal on Altering the Registered Capital and Amending the Articles of Association*. On the same day, the Company disclosed the *Announcement on Repurchase and Cancellation of Some Restricted Shares to Reduce Registered Capital and Notify the Creditors*. As of January 24, 2024, the benchmark date for capital verification, i.e. within forty-five days from the date when the Company announced the reduction of capital, no creditor asked the Company to pay off its debts or provide corresponding guarantees.

(12) On March 27, 2024, the Company disclosed the *Announcement on the Completion of Repurchase and Cancellation of Some Restricted Shares*. Upon examination and confirmation by Shenzhen Branch of China Securities Depository and Clearing Co., Ltd., the Company completed the cancellation of 97,800 restricted shares that were granted for the first time under this incentive scheme, i.e. four incentive subjects who were no longer eligible for incentive due to resignation, and two incentive subjects who were no longer eligible for incentive due to failure in satisfying the standards due to personal performance during the first restricted sales releasing period.

Equity Incentive Received by the Company's Directors and Senior Managers

☑ Applicable □ N/A

Unit: Share

Name	Title	Number of share options held at the beginning of the year	Number of newly granted share options during the reporting period	Number of exercisable shares during the reporting period	Number of exercised shares during the reporting period	Exercise price of exercised shares during the reporting period (yuan/share)	Number of share options held at the beginning of the period	Market price at the end of the reporting period (yuan/share)	Number of restricted shares held at the beginning of the period	Number of shares unlocked during the current period	Number of restricted shares newly granted during the reporting period	Grant price of restricted shares (yuan/share)	Number of restricted shares held at the end of the period
Lv Liang	Chairman and General Manager	0	0	0	0	0	0	41.46	200,000	60,000	0	25	140,000
Wu Hui	Deputy	0	0	0	0	0	0	41.46	150,000	45,000	0	25	105,000

	General Manager												
Zhu Li	Deputy General Manager	0	0	0	0	0	0	41.46	150,000	45,000	0	25	105,000
Zhang Jianfei	Deputy General Manager	0	0	0	0	0	0	41.46	150,000	45,000	0	25	105,000
Zhu Liang	Director	0	0	0	0	0	0	41.46	30,000	9,000	0	25	21,000
Chen Bo	Secretary of the Board of Directors	0	0	0	0	0	0	41.46	100,000	30,000	0	25	70,000
Qiu Renbo	Person in Charge of Finance	0	0	0	0	0	0	41.46	100,000	30,000	0	25	70,000
Total	--	0	0	0	0	--	0	--	880,000	264,000	0	--	616,000
Note (if any)		The number of restricted shares with restricted sales unlocked granted from the *Restricted Share Incentive Scheme in 2022* was 1,220,940. These shares were listed on December 5, 2023. Among them, Chairman and General Manager Lv Liang, Deputy General Manager Wu Hui, Deputy General Manager Zhang Jianfei, Deputy General Manager Zhu Li, Director Zhu Liang, Secretary of the Board of Directors Chen Bo, and Person in Charge of Finance Qiu Renbo unlocked 60,000 shares, 45,000 shares, 45,000 shares, 45,000 shares, 9,000 shares, 30,000 shares and 30,000 shares respectively. The remaining restricted shares of the aforesaid persons are 140,000 shares, 105,000 shares, 105,000 shares, 105,000 shares, 21,000 shares, 70,000 shares and 70,000 shares respectively.											

Assessment mechanism and incentive for senior managers

1. In order to ensure that the Company's senior managers can better perform their duties and be clear about their rights and obligations, the Company has established a sound performance assessment management system combining the senior managers' remuneration and performance. During the reporting period, the Company's senior managers could strictly abide by the *Company Law*, the *Articles of Association* and relevant laws and regulations to diligently perform their duties, actively implement resolutions of the Company's general meetings and Board of Directors

and continue prudent operations with the Board of Directors' correct instructions to enhance internal management.

2. During the reporting period, the Company launched the 2022 Restricted Share Incentive Scheme based on equal earnings and contributions, given that shareholders' interests would be fully protected, in order to further establish and improve a long-term incentive scheme for the Company, attract and retain outstanding experts, fully activate the Company's senior managers, managers and core technicians (business specialists) and effectively combine interests of shareholders, the Company, core teams and personnel to attract all parties' attention to focusing on the Company's long-term growth.

On November 21, 2023, the Company convened the 18th session of the 10th Board of Directors and the 12th session of the 10th Board of Supervisors. During these two sessions, the *Proposal on Achievement of the Release of Restriction Conditions during the First Restriction Period of Restricted Shares Granted for the First Time from the Restricted Share Incentive Scheme in 2022* was deliberated on and approved. The Board of Directors believed that the Company attained conditions for the unlock of restriction conditions during the first restriction period of restricted shares granted for the first time from the *Restricted Share Incentive Scheme in 2022*. According to the authorization of the Company's first extraordinary general meeting in 2022, the Board of Directors agreed that the Company can handle the procedures for releasing restricted sales of 1,220,940 restricted shares with the restricted sales period for 108 incentive subjects, including 255,000 shares involving senior managers.

2. Implementation of the employee stock ownership plan

□ Applicable ☑ N/A

3. Other employee incentives

□ Applicable ☑ N/A

XII. Establishment and implementation of an internal control system during the reporting period

1. Establishment and implementation of internal control

During the reporting period, the Company constantly promoted the establishment of an internal control system, improved the corporate governance structure and internal control regulations, normalized the implementation of such regulations, strengthened the supervision and inspection of internal control, and ensure that the Company's operation and management level was constantly improved, in accordance with the *Basic Norms for Enterprise Internal Control*, *Self-Regulatory Guidelines for Listed Companies on the Shenzhen Stock Exchange No.1 - Standardized Operation of Listed Companies on the Main Board*, and other relevant laws, regulations and normative documents. During the reporting period, the Company's internal control system design is sound and reasonable. It maintained effective internal control in all major aspects in accordance with the requirements of internal control standard system and relevant regulations, and there is no major omission. Please refer to the *Self-evaluation Report on Internal Control* published on http://www.cninfo.com.cn/ on April 18, 2024.

2. Details of major internal control deficiencies found during the reporting period

□Yes ☑No

XIII. The Company's management control over subsidiaries during the reporting period

Company name	Integration plan	Integration progress	Issues encountered during the integration	Solutions adopted	Solution progress	Subsequent solutions
Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd.	The Company indirectly held 70% of its shares, and integrated its assets, employees, finance and business after acquisition.	N/A	N/A	N/A	N/A	N/A
Hangzhou Huayi Pharmacy Co., Ltd.	The Company indirectly held 100% of its shares, and integrated its	N/A	N/A	N/A	N/A	N/A

	assets, employees, finance and business after acquisition.					
Zhejiang Yiqun Biology Medical Instrument Trading Co., Ltd.	The Company held 100% of its shares, and integrated its assets, employees, finance and business after acquisition.	N/A	N/A	N/A	N/A	N/A
Huadong Medicine Dongyang Co., Ltd.	The Company indirectly held 51% of its shares, and integrated its assets, employees, finance and business after acquisition.	N/A	N/A	N/A	N/A	N/A
Hangzhou Perfect mRNA Biotechnology Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A
Hibe Technology Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A

XIV. Self-evaluation report on internal control or audit report on internal control

1. Self-evaluation report on internal control

Disclosure date of the full text of self-evaluation report on internal control	April 18, 2024	
Disclosure index of the full text of self-evaluation report on internal control	Cninfo (www.cninfo.com.cn)	
Proportion of assets evaluated in total assets per consolidated financial statement	95.00%	
Proportion of operating revenue evaluated in total operating revenue per consolidated financial statement	90.00%	
Recognition standard of deficiencies		
Category	Financial report	Non-financial report
Qualitative criteria	The Company stipulates that internal control deficiencies involving the following fields shall be identified as at least "important deficiencies": anti-fraud procedure and control; internal control over	The Company stipulates that internal control deficiencies involving the following fields shall be considered as "material deficiencies": serious violation of laws and regulation; in addition to policy reasons, the Company has been

<table>
<tr>
<td></td>
<td>unconventional or unsystematic transactions; internal control over the selection and application of accounting policies in relation to Generally Accepted Accounting Principles (GAAP); internal control over the end-of-period financial reporting process.
The Company stipulates that internal control deficiencies involving the following fields shall be identified as at least “important deficiencies”, and has strong indications of “material deficiencies”: restatement of previously published financial statements to reflect correction of misstatements resulting from errors or fraud; the auditor found material misstatement in the Company’s financial statements for the current period that was not initially detected by the Company’s internal control over financial reports; the Audit Committee’s failure to supervise the Company’s financial reports and internal control over financial reports; compliance supervision function is invalid, and the violation of laws and regulations may have a significant impact on the reliability of financial reports; any level of malpractice involving senior managers is founded; Management failed to correct important defects in a reasonable period of time after such reporting to the Management.</td>
<td>losing money for years, and its continuous operation has been challenged; lack of system control or systematic failure in important business; frequent exposure of negative news in the media that causes material adverse effect; internal control evaluation results, especially major or significant deficiencies have not been corrected.
The Company stipulates that internal control deficiencies involving the following fields shall be considered as “important deficiencies”: there is much negative news in the major media at provincial level and above, which results in relatively large adverse effect; exodus of middle management or operating personnel; general defects identified last year have not been rectified and there is no reasonable explanation.</td>
</tr>
<tr>
<td>Quantitative criteria</td>
<td>The quantitative criteria for the evaluation of internal control deficiencies in financial report determined by the Company are as follows:
(1) Internal control deficiencies satisfying one of the following conditions can be considered as “material deficiencies”:
<table>
<tr><th>Item</th><th>Impact of deficiency</th></tr>
<tr><td>Potential misstatement of total profit</td><td>Misstated amount ≥ 10% of total profit</td></tr>
<tr><td>Potential misstatement of total assets</td><td>Misstated amount ≥ 3% of total assets</td></tr>
</table>
(2) Internal control deficiencies</td>
<td>The quantitative criteria for the evaluation of internal control deficiencies in non-financial report determined by the Company are as follows:
<table>
<tr><th>Type of deficiencies</th><th>Impact on total assets</th></tr>
<tr><td>General deficiencies</td><td>Impact on total assets < 1.5%</td></tr>
<tr><td>Important deficiencies</td><td>1.5% of total assets ≤ impact on total assets < 3% of total assets</td></tr>
<tr><td>Material deficiencies</td><td>Impact on total assets ≥ 3%</td></tr>
</table>
</td>
</tr>
</table>

	satisfying one of the following conditions can be considered as "important deficiencies": **Item** / **Impact of deficiency** Potential misstatement of total profit: 5% of total profit ≤ misstated amount < 10% of total profit Potential misstatement of total assets: 1.5% of total assets ≤ misstated amount < 3% of total assets (3) Internal control deficiencies satisfying one of the following conditions can be considered as "general deficiencies": **Item** / **Impact of deficiency** Potential misstatement of total profit: Misstated amount < 5% of total profit Potential misstatement of total assets: Misstated amount < 1.5% of total assets	
Number of material deficiencies in financial reports		0
Number of material deficiencies in non-financial reports		0
Number of important deficiencies in financial reports		0
Number of important deficiencies in non-financial reports		0

2. Audit report on internal control

☑ Applicable □ N/A

Opinions of Internal Control Audit Report	
On December 31, 2023, Huadong Medicine maintained effective internal control over financial reports in all major respects in accordance with the *Basic Norms for Enterprise Internal Control* and relevant regulations.	
Disclosure of internal control audit report	Disclosure
Disclosure date of the full text of audit report on internal control	April 18, 2024
Disclosure index of the full text of audit report on internal control	Cninfo (www.cninfo.com.cn)

Type of opinions in the internal control audit report	Unmodified unqualified opinions
Whether there are material deficiencies in non-financial reporting	No

Whether the accounting firm has issued the audit report on internal control with non-standard opinions

□Yes ☑No

Whether the audit report on internal control issued by the accounting firm is consistent with the self-evaluation report of the Board of Directors

☑Yes □No

XV. Rectification of self-detected problems through the special campaign to improve governance of listed companies

N/A

Section V Environmental and Social Responsibilities

I. Major Environmental Protection Issues

Are the listed company and its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

☑Yes □No

Relevant policies and industry standards for environmental protection

Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Water Pollution Prevention and Control, Law of the People's Republic of China on Atmospheric Pollution Prevention and Control, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution, Law of the People's Republic of China on the Prevention and Control of Soil Pollution, Regulations on the Administration of Permitting of Pollutant Discharges, Emission Standard of Air Pollutants for Pharmaceutical Industry (GB 37823-2019), Emission Standard for Industrial Enterprises Noise at Boundary (GB 12348-2008), Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill (GB 18599-2020), Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2023), Technical Specification for Setting Identification Signs of Hazardous Waste (HJ 1276-2022), Standard for Fugitive Emission of Volatile Organic Compounds (GB 37822-2019), Emission Standards for Odor Pollutants (GB 14554-93), Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T 31962-2015), Integrated Wastewater Discharge Standard (GB 8978 1996), Discharge Standard of Water Pollutants for Pharmaceutical Industry - Chemical Synthesis Products Category (GB 21904-2008), Technical Methods for Making Local Emission Standards of Air Pollutants (GB13201-1991), Emission Standard of Air Pollutants for Pharmaceutical Industry (DB34/310005-2021), Emission Standard of Air Pollutants for Pharmaceutical Industry (DB33/310005-2021), Discharge Standard of Pollutants for Bio-pharmaceutical Industry (DB 33/923-2014), Emission Limits of Water and Air Pollutants for Bio-pharmaceutical Industry (DB 32/3560-2019), Emission Standard of Air Pollutants for Pharmaceutical Industry (DB 32/4042-2021), Integrated Emission Standard of Air Pollutants (DB 32/4041-2021), Discharge Standard of Pollutants for Bio-pharmaceutical Industry (DB 31/373-2010), Emission Control Standard of Volatile organic Compounds (DB61/T 1061-2017), Integrated Wastewater Discharge Standard of Yellow River Basin in Shannxi Province (DB 61/224-2018), Emission Standard of Volatile Organic Compounds for Chemical Industry (DB 32/3151-2016), etc.

Information on environmental protection-related administrative licensing

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. re-applied for the Pollutant Emission Permit on June 20, 2023, which is valid until June 19, 2028.

Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd. re-applied for the Pollutant Emission Permit on March 4, 2023, which is valid until March 3, 2028. In addition, Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd. has obtained the EIA approval of *Product Transfer and Expansion of Indobufen Tablets and Clarithromycin Tablets and Expansion and Transformation Project of Acarbose Chewable*

Tablets on April 25, 2023, with the approval number of HHQ EIA Batch [2023] No. 28; obtained the EIA approval of the Acceptance of EIA Registration Form for *Pulsecathi VAC2L API Product Construction Project* on July 18, 2023, with the approval number of HHQ EIA Batch [2023] No. 32; obtained the EIA approval of HDG1901 Preparation Workshop Construction Project on September 27, 2023, with the approval number of HHQ EIA Batch [2023] No. 68.

The Pollutant Emission Permit of Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. is valid from December 27, 2020 to December 26, 2025. In addition, Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. has obtained the EIA approval of the Transformation Project of Storage Tank Area of the Second Workshop of APIs within the reporting period, with the approval number of WHYF (2023) No. 34.

The Pollutant Emission Jiangsu Joyang Laboratories is valid from February 28, 2022 to February 27, 2027.

The Pollutant Emission Permit of Wuhu Huaren Science and Technology Co., Ltd. is valid from February 26, 2024 to February 25, 2029.

Industrial emission standards and specific situation of pollutant emissions involved in production and business activities

Designation of Company or Subsidiary	Category of main and particular pollutants	Name of main and particular pollutants	Discharge pattern	Quantity of discharge outlet	Distribution of discharge outlet	Discharge concentration/intensity	Executive pollutant discharge standard	Total discharges	Approved total discharges	Excessive discharge
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant	pH value	Intermittent discharge	1	Main Entrance to No. 866 Mogans han Road	6.91	6-9	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant	COD	Intermittent discharge	1	Main Entrance to No. 866 Mogans han Road	35.74mg/l	500mg/l	7.70 tons (discharged to environment)	33.3 t/a	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant	Ammonia-nitrogen	Intermittent discharge	1	Main Entrance to No. 866 Mogans han Road	1.25mg/l	35mg/l	0.11 tons (discharged to environment)	2.38 t/a	None
Hangzhou Zhongmei Huadong Pharmac	Solid pollutant	Hazardous solid waste	Compliant disposal by entrusted qualified	2	Within the factory at No. 866 Mogans	/	/	817.99 tons	/	None

eutical Co., Ltd.			units		han Road					
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Solid pollutant	General solid waste	Compliant disposal by entrusted qualified units	2	Within the factory at No. 866 Mogans han Road	/	/	90.2 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant	Nitric oxide	Organized discharge	1	Roof of Boiler Room at Building 25	27.25mg/m^3	50mg/m^3	1.84 tons	17.7 t/a	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant	Sulfur dioxide	Organized discharge	1	Roof of Boiler Room at Building 25	5.5mg/m^3	20mg/m^3	0.24 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant	Dust and fume	Organized discharge	1	Roof of Boiler Room at Building 25	3.6mg/m^3	10mg/m^3	0.31 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	Water pollutant	pH value	Continuous discharge	1	Phase II Factory Area	8.17	6-9	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	Wastewater	COD	Continuous discharge	1	Phase II Factory Area	100–350mg/l	500mg/l	262.0999 tons (Nanotube discharge)	66.286 tons (discharged to environment)	None
Hangzhou Zhongm	Wastewater	Ammonia-nitrogen	Continuous discharg	1	Phase II Factory Area	0–25mg/l	35mg/l	3.1906 tons (Nanotu	10.606 tons (dischar	None

ei Huadong Pharmaceutical Jiangdong Co., Ltd.			e					be discharge)	ged to environment)	
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	Wastewater	Total phosphorus	Continuous discharge	1	Phase II Factory Area	0–5mg/l	8mg/l	1.705 tons (Nanotube discharge)	0.663 tons (discharged to environment)	None
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	Exhaust gas	Non-methane hydrocarbon	Organized discharge	1	Phase II Factory Area	0–30mg/l	60mg/l	2.5328 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	Solid pollutant	Hazardous solid waste	Compliant disposal by entrusted qualified units	2	Within the Company	/	/	947.1423 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	Solid pollutant	General solid waste	Compliant disposal by entrusted qualified units	4	Within the Company	/	/	21142.03 tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant	pH value	Intermittent discharge	1	Beside National Highway 310, Liuye River, Huayin City	7.98	6-9	/	/	None
Huadong Medicine (Xi'an)	Water pollutant	COD	Intermittent discharg	1	Beside National Highway	35.63mg/l	50mg/l	1.187095 tons	3 tons	None

Bohua Pharmaceutical Co., Ltd.			e		310, Liuye River, Huayin City					
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant	Ammonia-nitrogen	Intermittent discharge	1	Beside National Highway 310, Liuye River, Huayin City	0.33mg/l	8mg/l	0.010829 tons	0.48 tons	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant	Total nitrogen	Intermittent discharge	1	Beside National Highway 310, Liuye River, Huayin City	9.97mg/l	15mg/l	0.319808 tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Solid pollutant	Hazardous wastes	Compliant disposal by entrusted qualified units	3	Within the Company	/	/	339.07 tons	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Volatile organic compound	Organized discharge	1	APIs Plant 1	/	60mg/m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Hydrogen chloride	Organized discharge	1	APIs Plant 1	/	30mg/m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Ammonia (ammonia gas)	Organized discharge	1	APIs Plant 1	/	20mg/m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Sulfuric acid mist	Organized discharge	1	APIs Plant 1	/	45mg/m^3	/	/	None
Huadong	Air	Hydroge	Organize	1	APIs	/	30mg/m	/	/	None

Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	pollutant	n chloride	d discharge		Plant 2		^{3}			
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	PM	Organized discharge	1	APIs Plant 2	/	20mg/m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Ammonia (ammonia gas)	Organized discharge	1	Sewage treatment station	/	20mg/m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Hydrogen sulfide	Organized discharge	1	Sewage treatment station	/	5mg/m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Non-methane hydrocarbon	Organized discharge	1	Sewage treatment station	/	60mg/m^3	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Odor concentration	Organized discharge	1	Sewage treatment station	/	6000	/	/	None
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	PM	Organized discharge	1	Solid preparation plant	/	20mg/m^3	/	/	None
Jiangsu Joyang Laboratories	Water pollutant	pH value	Intermittent discharge	1	No. 9, Haidu North Road	8.4	6-9	/	/	None
Jiangsu Joyang Laboratories	Water pollutant	COD	Intermittent discharge	1	No. 9, Haidu North Road	100~350 mg/l	500mg/l	9.38 tons	22.401 t/a	None
Jiangsu	Water	Ammoni	Intermitt	1	No. 9,	0~25mg/	35mg/l	0.057	1.156 t/a	None

Joyang Laboratories	pollutant	a-nitrogen	ent discharge		Haidu North Road	l		tons		
Jiangsu Joyang Laboratories	Water pollutant	Total nitrogen	Intermittent discharge	1	No. 9, Haidu North Road	0~35mg/l	45mg/l	1.39 tons	1.486 t/a	None
Jiangsu Joyang Laboratories	Water pollutant	Total phosphorus	Intermittent discharge	1	No. 9, Haidu North Road	0~5mg/l	8mg/l	0.08 tons	0.164 t/a	None
Jiangsu Joyang Laboratories	Solid pollutant	Hazardous solid waste	Compliant disposal by entrusted qualified units	/	No. 9, Haidu North Road	/	/	1916 tons	3,148.7 t/a	None
Jiangsu Joyang Laboratories	Air pollutant	PM	Organized discharge	3	No. 9, Haidu North Road	2.28mg/m^3	60mg/Nm^3	1.29 tons/ semi-annual	42.7409 t/a	None
Wuhu Huaren Science and Technology Co., Ltd.	Water pollutant	COD	Intermittent discharge	1	At the east gate of the factory area	48.759mg/l	120mg/l	0.1646t	0.2272t	No
Wuhu Huaren Science and Technology Co., Ltd.	Water pollutant	Ammonia-nitrogen	Intermittent discharge	1	At the east gate of the factory area	12.17mg/l	25mg/l	0.005406t	0.04735t	No
Wuhu Huaren Science and Technology Co., Ltd.	Water pollutant	Suspended solids	Intermittent discharge	1	At the east gate of the factory area	12mg/l	50mg/l	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Water pollutant	Total nitrogen	Intermittent discharge	1	At the east gate of the factory area	9.95mg/l	35mg/l	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Water pollutant	Total phosphorus	Intermittent discharge	1	At the east gate of the factory area	0.05	1mg/l	/	/	No

Wuhu Huaren Science and Technology Co., Ltd.	Water pollutant	Dichloromethane	Intermittent discharge	1	At the east gate of the factory area	0.001mg/l	0.3mg/l	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Water pollutant	PH value	Intermittent discharge	1	At the east gate of the factory area	7.1mg/l	6~9	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	Dichloromethane	Organized discharge	1	In the middle of the factory area	11	40mg/Nm^3	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	Methyl alcohol	Organized discharge	1	In the middle of the factory area	0.6	50 mg/Nm^3	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	the General Volatile organic compound	Organized discharge	1	In the middle of the factory area	/	100mg/Nm^3	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	Volatile organic compound	Organized discharge	1	In the middle of the factory area	6.41mg/Nm^3	60mg/Nm^3	0.123567t	9t	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	Ethyl acetate	Organized discharge	1	In the middle of the factory area	0.311	40mg/Nm^3	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	Odor concentration	Unorganized discharge	/	Around the factory boundaries	10	20mg/Nm^3	/	/	No
Wuhu	Air	Methyl	Unorgan	/	Around	0.88	12mg/N	/	/	No

Huaren Science and Technology Co., Ltd.	pollutant	alcohol	ized discharge		the factory boundaries		m^3			
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	Dichloromethane	Unorganized discharge	/	Around the factory boundaries	/	1.5mg/Nm^3	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	Ethyl acetate	Unorganized discharge	/	Around the factory boundaries	/	0.5mg/Nm^3	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	n-Hexane	Unorganized discharge	/	Around the factory boundaries	/	0.7 mg/Nm^3	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	Hydrogen chloride	Unorganized discharge	/	Around the factory boundaries	/	0.2 mg/Nm^3	/	/	No
Wuhu Huaren Science and Technology Co., Ltd.	Air pollutant	Volatile organic compound	Unorganized discharge	/	Around the factory boundaries	/	6mg/Nm^3	/	/	No

Pollutant treatment

1. Pollutant treatment of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.

(1) Wastewater

Designation of pollution prevention and control facility	Treatment process	Treatment capacity	Time when put into operation	Operation condition
Wastewater treatment system of old sewage treatment station	Facultative + fluidized bed process	Originally 600 t/d, and 800 t/d after technical improvement	November 1993 Technical improvement in 2007	Demolished
Wastewater treatment system of new sewage treatment station	Facultative + CASS + steam flotation	2,200 t/d	December 2001 Technical improvement in 2014 (adding IC and steam flotation) IC tower outage for demolition in 2022	Normal operation

(2) Exhaust gas

Designation of pollution prevention and control facility	Treatment process	Treatment capacity (CMH)	Time when put into operation	Operation condition
DA002 (16#-1)	Water Spraying + activated carbon	40,000	2023	Normal operation
DA010 (35#-1)	Secondary water spraying + dry filter + activated carbon adsorption and desorption	30,000	/	Under construction
DA013 (32#-1)	Secondary water spraying + dry filter + activated carbon adsorption and desorption	35,000	2023	Normal operation
DA016 (18#-1)	Two-level water spraying + activated carbon + primary spraying	30,000	2022	Normal operation
DA019 (3#-1)	Primary water spraying + photo-oxidation	20,000+52,000	2019	Normal operation
DA020 (36#-2)	Two-level water spraying + condensation + photo-oxidation + activated carbon + inorganic nano-catalysis + water spraying	10,000	2019	Normal operation
DA023 (27#-1)	Condensation + alkaline water spraying + all-in-one machine + alkaline water spraying	15,000	2009	Outage
DA024 (33#-1)	Secondary water spraying + dry filter + activated carbon adsorption and desorption	1,000	2023	Normal operation
DA026 (34#-1)	Secondary water spraying + dry filter + activated carbon adsorption and desorption	40,000	2023	Normal operation
DA027 (7#-1)	Secondary alkaline water spraying (activated carbon)	26,000	2015	Normal operation
DA028 (6#-1)	Primary clean water spraying	12,200	2016	Normal operation
DA030 (18#-3)	Primary clean water spraying + primary alkaline water spraying	5,000	2017	Normal operation
DA031 (25#-1)	Low nitrogen combustion + high altitude emission	16,000	2009 Low nitrogen transformation completed in December 2019 Online monitoring installed for integrated emptying in 2023	Normal operation
DA034 (27#-2)	Two-level water spraying + activated carbon adsorption and desorption	15,000	2011	Outage
DA035 (27#-3)	Photo-oxidation + primary alkaline water spraying	22,300	2016	Outage
DA036 (8/13#-1)	Secondary water spraying/ two-level spraying + activated carbon adsorption and desorption	25,000	2017	Normal operation
DA042 (10#-1)	Primary clean water spraying	20,000	2016	Normal operation
DA043 (15#-1)	Primary alkaline water spraying + photo oxidation	25,000	2018	Normal operation
DA044 (43#-1)	Primary alkaline water spraying + primary water spraying	45,000	2014	Normal operation
DA045 (46#-1)	Primary clean water spraying	3,000	2015	Normal operation
DA046 (46#-2)	Primary clean water spraying	25,000	2015	Normal operation
DA047 (46#-3)	Primary clean water spraying	30,000	2015	Normal operation
DA048 (23#-1)	Secondary water spraying	7,000	2019	Normal operation
DA049 (36#-3)	Secondary water spraying + dry filter + activated carbon adsorption and desorption	10,000	/	Under construction

(3) Solid wastes

Designation of pollution prevention and control facility	Treatment process	Treatment capacity	Time when put into operation	Operation condition
Hazardous waste warehouse	Normative storage	160 tons	March 2012	Normative storage, compliant disposal by entrusted qualified units
	Normative storage	240 tons	March 2010	
General solid waste storage yard	Normative storage	7 tons	March 2010	Normative storage, compliant disposal by entrusted qualified units
	Normative storage	30 tons	June 2004	

2. Pollutant treatment of Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd.

(1) Wastewater

Designation of pollution prevention and control facility	Treatment process	Treatment capacity	Time when put into operation	Operation condition
Phase I sewage treatment station	Primary sedimentation + EGSB + facultative + aerobic + advanced treatment	1,500 t/d	March 2016	Normal operation
Phase II sewage treatment station	EGSB + facultative + aerobic + advanced treatment	8,500 t/d	July 2019	Normal operation

(2) Exhaust gas

Designation of pollution prevention and control facility		Treatment process	Treatment capacity (CMH)	Time when put into operation	Operation condition
DA001	Exhaust gas from fermenting east section	Two-level alkaline spraying + photo-catalytic oxidation	45,000	May 2016	Normal operation
DA002	Exhaust gas from fermenting west section	Secondary alkaline spraying + photo-catalytic oxidation	40,000	May 2016	Normal operation
DA003	Exhaust gas from drying north section	Two-level alkaline spraying	80,000	May 2016	Normal operation
DA004	Exhaust gas from sewage treatment station	Secondary alkaline spraying	50,000	May 2016	Normal operation
DA006	Exhaust gas from batching section	Primary alkaline spraying	10,000	May 2016	Normal operation
DA007	Exhaust gas from quality testing and R&D	Primary alkaline spraying + photo-catalytic oxidation	20,000	May 2016	Normal operation
DA008	Exhaust gas from drying south section	Secondary alkaline spraying	80,000	May 2016	Normal operation
DA010	Exhaust gas from plate-and-frame filter	Secondary alkaline spraying + photo-catalytic oxidation	40,000	May 2017	Normal operation
DA011	Exhaust gas from drying cooling bin	Secondary alkaline spraying	20,000	May 2017	Normal operation
DA012	Exhaust gas from drying 7m	Primary alkaline spraying	20,000	May 2016	Normal operation
DA013	Exhaust gas from drying 18m	Primary alkaline spraying	20,000	May 2016	Normal operation
DA014	Exhaust gas from tank area	Activated carbon + alkaline spraying	Few	June 2019	Normal operation
DA015	RTO exhaust gas	Water spraying + RTO + alkaline spraying	100,000	June 2019	Normal operation

DA016	Exhaust gas I from Vogely preparation	Bag dust removal	Few	June 2019	Normal operation
DA017	MP exhaust gas	Photo-catalytic oxidation	44,000	June 2019	Normal operation
DA018	Exhaust gas from super-resistant fermentation	Alkaline spraying + photo-catalytic oxidation + water spraying	20,000	June 2019	Normal operation
DA019	X8 exhaust gas	Acid spraying + water spraying	6,000	June 2019	Normal operation
DA021	Exhaust gas from quality testing	Alkaline spraying + photo-catalytic oxidation + water spraying	30,000	June 2019	Normal operation
DA022	Exhaust gas from AK refining hydrochloric acid	Alkaline spraying + water spraying	10,000	June 2019	Normal operation
DA023	Exhaust gas I from spray drying	Bag dust removal + water spraying	Few	June 2019	Normal operation
DA024	Exhaust gas from AK fermenting north section	Alkaline spraying + photo-catalytic oxidation + water spraying	90,000	June 2019	Normal operation
DA025	Exhaust gas from AK fermenting south section	Alkaline spraying + photo-catalytic oxidation + water spraying	90,000	June 2019	Normal operation
DA026	Exhaust gas from phase II sewage treatment station	Alkaline spraying + water spraying	58,000	June 2019	Normal operation
DA027	Exhaust gas from center control	Alkaline spraying + photo-catalytic oxidation + water spraying	8,000	June 2019	Normal operation
DA028	YT exhaust gas	Alkaline spraying + water spraying	4,000	June 2019	Normal operation
DA029	Exhaust gas II from spray drying	Bag dust removal + water spraying	Few	June 2019	Normal operation
DA030	Exhaust gas from AK refining ethyl alcohol	Alkaline spraying + water spraying	1,000	June 2019	Normal operation
DA031	Exhaust gas from Bailing Tablets preparation	Condensation + two-level water spraying	20,000	July 2022	Normal operation
HDBL-FQ217	HDG solvent-containing exhaust gas	Oxidation spraying + two-level alkaline spraying	2,000	September 2022	Normal operation
HDBL-FQ218	HDG odor exhaust gas	Oxidation spraying + alkaline spraying	20,000	September 2022	Normal operation

(3) Solid wastes

Designation of pollution prevention and control facility	Treatment process	Treatment capacity	Time when put into operation	Operation condition
Hazardous waste warehouse	Normative storage	10 tons	March 2017	Normative storage, compliant disposal by entrusted qualified units
	Normative storage	200 tons	May 2021	
General solid waste storage yard	Normative storage	20 tons	March 2016	Normative storage, compliant disposal by entrusted qualified units
	Normative storage	15 tons	March 2016	
	Normative storage	40 tons	July 2019	
	Normative storage	30 tons	July 2019	

3. Pollutant treatment of Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.

(1) Wastewater

Designation of pollution prevention and control facility	Treatment process	Treatment capacity	Time when put into operation	Operation condition
Wastewater treatment system of sewage treatment station	Pretreatment + Fenton system + facultative + aerobic + MBR + carbon filtration	250 t/d	July 2012	Normal operation

(2) Exhaust gas

Designation of pollution prevention and control facility	Treatment process	Time when put into operation	Operation condition
Exhaust gas treatment equipment for APIs Plant 1	Alkaline solution spraying + dry filter (filter cotton) + UV photolysis + activated carbon adsorption	October 2020	Normal operation
Exhaust gas treatment equipment for APIs Plant 2	Tertiary alkaline solution spraying + steam-water separator + dry filter + two-level activated carbon	November 2019	Normal operation
Exhaust gas treatment equipment for solid preparation	Bag dust removal	2018	Normal operation

(3) Solid wastes

Designation of pollution prevention and control facility	Treatment process	Storage capacity	Time when put into operation	Operation condition
Hazardous waste repository	Normative storage	60 tons	January 2012	Normative storage, compliant transfer and disposal by entrusted qualified units

4. Pollutant treatment of Jiangsu Joyang Laboratories

(1) Wastewater

Designation of pollution prevention and control facility	Treatment process	Treatment capacity	Time when put into operation	Operation condition
Wastewater treatment system of sewage treatment station	Steam flotation tank + hydrolytic acidification + IC tower + UASB tank + A/O tank + O tank + secondary sedimentation tank	1,000 t/d	December 2014	Normal operation

(2) Exhaust gas

Designation of pollution prevention and control facility	Treatment process	Treatment capacity (CMH)	Time when put into operation	Operation condition
Exhaust gas treatment equipment for extracting section in Plant 101	Primary water spraying + water-gas separator + photo-catalytic oxidation + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	20,000	2014	Normal operation
Exhaust gas treatment equipment for fermentation section in Plant 101	Primary water spraying + water-gas separator + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	20,000	2019	Normal operation
Exhaust gas treatment equipment for drying section in Plant 101	Primary water spraying + water-gas separator + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	15,000	2017	Normal operation
Exhaust gas treatment equipment for batching section in Plant 101	Cyclone separator + primary water spray + 15m exhaust	2,000	2014	Normal operation

	pipe high altitude emission			
Exhaust gas treatment equipment for fermentation sections in Plants 104/107/108	Primary water spraying + water-gas separator + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	75,000	2021	Normal operation
Exhaust gas treatment equipment for extracting section in Plant 104	Primary water spraying + water-gas separator + photo-catalytic oxidation + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	11,000	2015	Normal operation
Exhaust gas treatment equipment for batching sections in Plants 104/107/108	Cyclone separator + primary water spray + 15m exhaust pipe high altitude emission	2,000	2015	Normal operation
Exhaust gas treatment equipment for drying sections in Plants 104/107/108	Primary water spraying + water-gas separator + secondary activated carbon adsorption	10,000	2015	Normal operation
Exhaust gas treatment equipment for pretreatment tank and hazardous waste warehouse in Plants 103 and 303	Primary water spraying + water-gas separator + photo-catalytic oxidation + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	45,000	2019	Normal operation
Exhaust gas treatment equipment for Plant 106	Primary water spraying + water-gas separator + photo-catalytic oxidation + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	10,000	2015	Normal operation
Exhaust gas treatment equipment for extracting section in Plant 107	Primary water spraying + water-gas separator + photo-catalytic oxidation + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	25,000	2019	Normal operation
Exhaust gas treatment equipment for extracting section in Plant 108	Primary water spraying + water-gas separator + photo-catalytic oxidation + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	40,000	2019	Normal operation
Exhaust gas treatment equipment for Plant 109	Primary water spraying +25m exhaust pipe high altitude emission	40,000	2019	Normal operation
Exhaust gas treatment equipment for sewage treatment station 303	Primary water spraying + water-gas separator + photo-catalytic + 25m exhaust pipe high altitude emission	15,000	2021	Normal operation
Exhaust gas treatment equipment for Plant 103	Primary water spraying + water-gas separator + photo-catalytic oxidation + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	50,000	2022	Normal operation
Exhaust gas treatment equipment in laboratories	Spraying + activated carbon adsorption	25,000	2023	Normal operation

(3) Solid wastes

Designation of pollution prevention and control facility	Treatment process	Treatment capacity	Time when put into operation	Operation condition
Hazardous waste warehouse	Normative storage	3,148.7 t/a	October 2020	Normative storage, compliant disposal by

				entrusted qualified units
Household garbage dumping site	Normative storage	1,000 t/a	March 2015	Garbage disposal site in the east of the city

5. Pollutant treatment by Wuhu Huaren Science and Technology Co., Ltd.

(1) Wastewater

Designation of pollution prevention and control facility	Treatment process	Treatment capacity	Time when put into operation	Operation condition
Wastewater treatment system of new sewage treatment station	Acid-base adjustment + coagulation and sedimentation + biological treatment	20 t/d	August 2023	Normal operation

(2) Exhaust gas

Designation of pollution prevention and control facility	Treatment process	Treatment capacity (CMH)	Time when put into operation	Operation condition
DA001 (Building A)	Activated carbon	14,100	2016	Normal operation
DA002 (Building C)	Secondary water spraying	6,200	Under construction	/

(3) Solid wastes

Designation of pollution prevention and control facility	Treatment process	Treatment capacity	Time when put into operation	Operation condition
Hazardous waste warehouse	Disposal by qualified units	20 tons	July 15, 2022	Normal operation

Environmental self-monitoring program

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. revised the Pollution Source Self-monitoring Program on October 31, 2023.

Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd. has formulated the entrusted monitoring plan according to the self-monitoring requirements in the Pollutant Emission Permit, carried out daily, monthly, quarterly or annual entrusted monitoring according to the monitoring plan, and reported all monitoring data as required.

Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. has formulated the Self-monitoring Program, registered the Program in the environmental protection department, and reported the monitoring data as required.

Jiangsu Joyang Laboratories has formulated the Pollution Source Self-monitoring Program according to the relevant national environmental protection requirements, and reported daily monitoring data as required.

Wuhu Huaren Science and Technology Co., Ltd. has formulated the entrusted monitoring plan according to the self-inspection requirements in the Pollutant Emission Permit, and carried out daily, monthly, quarterly or annual entrusted monitoring according to the monitoring plan.

Emergency plan for sudden environmental events

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. has formulated, established, regularly modified and perfected the *Emergency Plan for Sudden Environmental Events* as required, with the record No. of 330105-2021-003-M.

Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd. has modified and recorded the Emergency Plan for Sudden Environmental Events in 2022, with the record No. of 330114-2022-069-M.

Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. has modified and perfected the *Emergency Plan for Sudden Environmental Events* as required in 2021, and recorded the Plan in Huayin Sub-bureau of Weinan Ecological Environment Bureau, with the record No. of 610582-2021-090-L.

Jiangsu Joyang Laboratories has formulated the Emergency Plan for Sudden Environmental Events, which has been approved and recorded in June 2021, with the record No. of 320924–2021-039-M.

Wuhu Huaren Science and Technology Co., Ltd. has formulated and recorded the *Emergency Plan for Sudden Environmental Events* with the record No. 340203-2022-018-L.

Investment in environmental governance and protection, and the relevant information on paying environmental protection tax

In 2023, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. invested 9,760,000 yuan in environmental governance and protection, and paid the environmental protection tax of 1,877.53 yuan.

Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd. invested 51,320,300 yuan in environmental governance and protection, and did not pay environmental protection tax according to relevant policies.

Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. invested 1,337,100 yuan in environmental governance and protection, and paid the environmental protection tax of 1,728.77 yuan.

In 2023, Jiangsu Joyang Laboratories invested 9,949,900 yuan in environmental governance and protection, and paid the environmental protection tax of 56,702.25 yuan.

Wuhu Huaren Science and Technology Co., Ltd. invested about 785,800 yuan in environmental governance and protection, and paid the environmental protection tax of 179.32 yuan.

Measures taken to reduce carbon emissions during the reporting period and corresponding effects

☑ Applicable □ N/A

Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd. continued to use biogas to generate electricity and supplement RTO natural gas, reducing the emissions of methane, hydrogen sulfide, and other pollutants, and continuously took lean measures in the plants to reduce pollutant emissions, such as saving water and reducing consumption.

Jiangsu Joyang Laboratories made technical improvement for air-conditioning units and heat exchanger pipes and reduced direct steam discharge by combing the Company's steam use points, expecting to save 150 tons of standard coal every year. Moreover, it adjusted the actual load and demand load by analyzing the power consumption of the Company, which saves the transformer capacity fee of 45,000 kW·h every month.

Administrative penalties for environmental issues during the reporting period

Designation of Company or subsidiary	Reasons	Type of violation	Results	Impacts on the production and operation of listed company	Rectification measures
Jiangsu Joyang	On April 14, April	Jiangsu Joyang	A fine of	No	The Company transported back

Laboratories	22 and April 25, 2023, Yancheng Ecological Environment Bureau found that Jiangsu Joyang Laboratories illegally provided hazardous waste recovery solvents to Wu Zhihong, an individual without a hazardous waste treatment license, for disposal in two batches on January 14 and February 1, 2021, illegally obtaining a profit of 30,800 yuan.	violated regulations in Clause 3 of Article 80 of the *Law of the People's Republic of China on Prevention and Control of* Soil *Contamination*.	750,000 yuan and confiscation of illegal gains of 30,800 yuan.	significant impact	the recovery solvents from the site and entrusted a third-party hazardous waste disposal unit for disposal as hazardous wastes through legal channels. As for compliant use and disposal of recovery solvents, the Company determined to standardize management and reduce compliance risks by the following means after consultation and research: 1. Improve the recycling rate of solvents and reduce the amount of recovery solvents generated. Currently, almost all ethyl ester can be recycled. 2. Ethanol is treated via biochemical degradation of wastewater for complete disposal of recovered ethanol. 3. The third party is entrusted to dispose of solvents that cannot be recycled as hazardous waste (code: HW02) by legal means.
Jiangsu Joyang Laboratories	There are two exhaust gas outlets in Plant 104, which is inconsistent with the pollutant discharge quantity stipulated in the Pollutant Emission Permit; the exhaust gas treatment facilities in Plant 101 fail to run normally, and nearly half of the photo-catalytic oxidation UV beams are damaged without any UV light.	Jiangsu Joyang violated regulations in Article 36 of the *Regulation on the* Administration *of Permitting of Pollutant Discharges* and Article 99 of the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*.	A fine of 188,600 yuan.	No significant impact	The Company merged two exhaust gas outlets during shutdown for maintenance, changed the frequency for inspection and replacement of photo-catalytic oxidation UV beams from once every three months to once a month, and marked allowable damage rate of UV beams outside the box for better maintenance.
Wuhu Huaren Science and Technology Co., Ltd.	On May 24, 2023, Yijiang Sub-bureau of Wuhu Ecological Environment Bureau found that Wuhan Huaren discharged water pollutants by setting up concealed pipes without permission.	Wuhu Huaren violated Article 39 of the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*.	A fine of 560,000 yuan.	No significant impact	The Company rectified immediately and treated the water pollutants in sewage treatment station.

Other environmental information to be disclosed

None

Other environmental protection related information

None

II. Social Responsibilities

In the process of strategic transformation, the Company strictly fulfills the social responsibilities of corporate citizen, and pays attention to the demands of shareholders, governments and regulatory agencies, employees, customers and patients, suppliers, communities, the public, partners and other stakeholders to: standardize the governance, consolidate the development cornerstone; adhere to the sustainable development and focus on long-term value; bear the responsibilities in mind and abide by business ethics; insist on quality-oriented and make contribution to healthy China; care for employees and build a happy home together; protect the earth, save energy, reduce emissions, and adhere to green development; actively participate in public welfare and give back to the society.

For details of the Company's social responsibility performance in 2023, please refer to the Environmental, Social and Governance (ESG) of Huadong Medicine in 2023.

III. Consolidating and Expanding Achievements of Poverty Alleviation and Rural Revitalization

During the reporting period, the Company actively carried out special poverty alleviation and rural revitalization work. For details, please refer to the Environmental, Social and Governance (ESG) of Huadong Medicine in 2023.

Section VI. Important Matters

I. Fulfillment of commitments

1. Commitments made by interested parties such as the Company's de facto controller, shareholders, related parties, acquirer(s), and the Company that are fulfilled during the reporting period or unfulfilled by the end of the reporting period

□ Applicable ☑ N/A

The Company does not have commitments made by interested parties such as the Company's de facto controller, shareholders, related parties, acquirer(s), and the Company that are fulfilled during the reporting period or unfulfilled by the end of the reporting period.

2. If there is a profit forecast for the Company's assets or projects and the reporting period is in the profit forecast period, the Company should explain the assets or projects that meet the original profit forecast and the reasons for that

□ Applicable ☑ N/A

II. Controlling shareholders' and related parties' occupation of non-operating funds of the listed companies

□ Applicable ☑ N/A

No such case during the reporting period.

III. External guarantees in violation of provisions

□ Applicable ☑ N/A

No such case during the reporting period.

IV. Explanation by the Board of Directors on the latest "nonstandard audit report"

□ Applicable ☑ N/A

V. Explanation by the Board of Directors, the Board of Supervisors and the independent directors (if any) on the "nonstandard audit report" of the accounting firm during the current reporting period

□ Applicable ☑ N/A

VI. Explanation of changes in accounting policies and estimation, or the correction of significant accounting errors as compared with the previous financial report

☑ Applicable □ N/A

1. Important accounting policy changes due to changes in accounting standards for business enterprises

The Company has implemented the provision on the "accounting treatment for deferred income taxes relating to assets and liabilities arising from individual transactions that the initial recognition exemption does not apply" stipulated in the *Interpretation No. 16 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance since January 1, 2023, adjusting the single transaction to which this provision applies between the beginning of the earliest financial statement presentation period and the first implementation date according to the provision. With regard to taxable temporary differences and deductible temporary differences arising from the lease liabilities and right-to-use assets recognized due to the application of the provisions at the beginning of the earliest period in the financial statement where the provisions are firstly implemented, the financial statements are adjusted by the cumulative impact to present the retained earnings at the beginning of the earliest period and other related financial statement items in accordance with this provision and the *Accounting Standards for Business Enterprises No. 18 - Income Tax*. The Company made no adjustment considering less cumulative impact.

VII. Changes in the scope of consolidated statements as compared to the previous financial report

☑ Applicable □ N/A

Please refer to "IX. Change of consolidation scope" in "Section X. Financial Report" of this report for details.

VIII. Employment and dismissal of accounting firms

Accounting firm employed by the Company for now

Name of the domestic accounting firm	Pan-China Certified Public Accountants LLP
Remuneration of the domestic accounting firm (ten thousand yuan)	165
Continuous number of years of audit services provided by the domestic accounting firm	26
Certified public accountants of the domestic accounting firm	Hu Yanhua and Chen Xiaodong
Continuous number of years of audit services provided by certified public accountants of the domestic accounting firm	Hu Yanhua: 1 year; Chen Xiaodong: 2 years
Name of the overseas accounting firm (if any)	None

Remuneration of the overseas accounting firm (ten thousand yuan) (if any)	0
Continuous number of years of audit services provided by the overseas accounting firm (if any)	None
Certified public accountants of the overseas accounting firm (if any)	None
Continuous number of years of audit services provided by certified public accountants of the overseas accounting firm (if any)	None

Whether the accounting firm employed was replaced in the current period

□Yes ☑No

Information about the internal control audit accounting firm, financial consultant or sponsor employed by the Company

☑ Applicable □ N/A

During the reporting period, the Company employed Pan-China Certified Public Accountants LLP as the audit institution of its annual financial report and internal control audit report; audit fee of the annual financial report and internal control audit report is 1.65 million yuan (before tax).

IX. Delisting after annual report disclosure

□ Applicable ☑ N/A

X. Bankruptcy reorganization

□ Applicable ☑ N/A

The Company does not have related matters of bankruptcy reorganization during the reporting period.

XI. Major litigation and arbitration

☑ Applicable □ N/A

Basic of litigations (arbitrations)	Amount involved (ten thousand yuan)	Whether an estimated liability is formed	Litigation (arbitration) progress	Litigation (arbitration) adjudication result and impact	Execution of litigation (arbitration) judgments	Disclosure date	Disclosure index (if any)
The summary of the litigation matters that don't satisfy the criteria for disclosure of major litigations (arbitrations) (China)	10,195.87	No	Some cases are under acceptance and some adjudications have come into force (involving 37.9905 million yuan)	The summary of the litigation matters has no significant impact on the Company	Some cases have been executed; some adjudicated cases are being executed. Some cases are not adjudicated.	/	/
The summary of the litigation	278.6	No	All under trail	This summary of litigation s	Cases are under trails and are to be	/	/

matters that don't satisfy the criteria for disclosure of major litigations (arbitrations) (overseas)				has no significant impact on the Company	adjudicated		

XII. Punishment and rectification

□ Applicable ☑ N/A

No such case during the reporting period.

XIII. Integrity of the Company and its controlling shareholders and de facto controller

☑ Applicable □ N/A

There is no case of the Company, its controlling shareholders and de facto controller failed to comply with the effective judgment of the court, or failed to repay the due debts of a large amount during the reporting period.

XIV. Major related transactions

1. Transactions related to daily operations

☑ Applicable □ N/A

Related party	Association	Type of related transaction	Content of related transaction	Pricing principles for related transaction	Price of related transaction	Related transaction amount (ten thousand yuan)	Proportion in the amount of similar transactions	Approved transaction amount (ten thousand yuan)	Whether it exceeds the approved amount	Settlement method of related transaction	Available market prices of similar transactions	Disclosure date	Disclosure index (if any)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	6,526.34	0.24%	7,600	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

Grandpharma (China) Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	5,827.33	0.21%	14,110	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Beijing Yuanda Jiuhe Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	3,750.32	0.14%	/	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	2,515.13	0.09%	3,200	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Wuhan Grand Pharmaceutical Group	Subsidiary of the Company's controlling	Drug purchase	Drug purchase	Market price determined by the Company's	Market price	2,596.79	0.09%	/	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

Sales Co., Ltd.	shareholder			related transaction decision-making process								
Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	2,559.67	0.09%	4,000	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Pengli ai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	2,551.71	0.09%	3,300	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Hangzhou Grand Biologic Pharmaceutical Inc.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-makin	Market price	3,194.53	0.12%	2,800	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

				g process								
Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	2,003.71	0.07%	3,460	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Grand Medical Nutrition Science (Wuhan) Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	1,718.66	0.06%	1,000	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Grand Life Science (Liaoning) Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	766.74	0.03%	830	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Shenyang Yaoda Leiyu	Subsidiary of the Comp	Drug purchase	Drug purchase	Market price determined	Market price	523.07	0.02%	/	No	Cash, banker's accept	Market price	April 14, 2023	Cninfo (http://www

nshang Pharmaceutical Co., Ltd.	any's controlling shareholder			by the Company's related transaction decision-making process					ance bill			.cninfo.com.cn)
Xi'an Yuanda Detian Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	298.17	0.01%		No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Grand Life Science (Chongqing) Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	290.55	0.01%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Xi'an Yuanda New Beilin Pharmaceutical Co., Ltd	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction	Market price	253.98	0.01%	/	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

				decision-making process								
Guangdong Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	208.41	0.01%	/	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Changchun Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	175.23	0.01%	/	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Anhui Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	168.01	0.01%	/	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Chang	Subsi	Drug	Drug	Marke	Marke	137.8	0.01%	/	No	Cash,	Marke	April	Cninf

shu Leiyunshang Pharmaceutical Co., Ltd.	diary of the Company's controlling shareholder	purchase	purchase	t price determined by the Company's related transaction decision-making process	t price	9				banker's acceptance bill	t price	14, 2023	o (http://www.cninfo.com.cn)
Hubei Yuanda Tiantianming Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	70.63	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Hubei Provincial Bafeng Pharmaceuticals & Chemicals Share Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	49.35	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Liaoning Weibang Biopharmaceutical Co.,	Subsidiary of the Company's controlling shareh	Drug purchase	Drug purchase	Market price determined by the Company's relate	Market price	40.25	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

Ltd.	older			d transaction decision-making process								
Qingdao Norson Biotechnology Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	37.27	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Wuhan Grand Hoyo Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	14.6	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Grandpharma Huangshi Feiyun Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making	Market price	11.37	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

				process								
Cangzhou Huachen Biotechnology Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transaction decision-making process	Market price	1.3	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Technical services	Technical services	Market price determined by the Company's related transaction decision-making process	Market price	3,873.43	0.14%	8,750	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Entrusted processing and other services	Entrusted processing and other services	Market price determined by the Company's related transaction decision-making process	Market price	2,872.4	0.10%	/	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Penglai Nuokang Pharm	Subsidiary of the Company's	Entrusted processing and	Entrusted processing and	Market price determined by the	Market price	1,194.21	0.04%	481	Yes	Cash, banker's acceptance	Market price	April 14, 2023	Cninf

aceutical Co. Ltd.	controlling shareholder	other services	other services	Company's related transaction decision-making process						bill			o.com.cn)
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Technical services	Technical services	Market price determined by the Company's related transaction decision-making process	Market price	59.01	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Beijing Grand Bay Hill Hotel Management Co., Ltd.	Subsidiary of the Company's controlling shareholder	Conference fee	Conference fee	Market price determined by the Company's related transaction decision-making process	Market price	204.39	0.01%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Shanghai Grand Industrial and Financial Investment Manageme	Subsidiary of the Company's controlling shareholder	Investment consulting service fees	Investment consulting service fees	Market price determined by the Company's related transaction decisi	Market price	75.47	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

nt Co., Ltd.				on-making process								
Shanghai Grand Industrial and Financial Investment Management Co., Ltd.	Subsidiary of the Company's controlling shareholder	Technical services	Technical services	Market price determined by the Company's related transaction decision-making process	Market price	28.3	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Chongqing Peg-Bio Biopharm Co., Ltd.	Joint venture of the Company	Inspection fees	Inspection fees	Market price determined by the Company's related transaction decision-making process	Market price	79.15	0.00%	48.5	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Xi'an Yuanda Detian Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Entrusted processing services	Entrusted processing services	Market price determined by the Company's related transaction decision-making process	Market price	75.29	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Grand Bay	Subsidiary	Conference	Conference	Market price	Market price	72.74	0.00%	/	Yes	Cash, banke	Market price	April 14,	Cninfo

View Hotel Zhuhai	of the Company's controlling shareholder	fee	fee	determined by the Company's related transaction decision-making process						r's acceptance bill		2023	(http://www.cninfo.com.cn)
Beijing Grand Innovation Property Management Co., Ltd.	Subsidiary of the Company's controlling shareholder	Property management fee	Property management fee	Market price determined by the Company's related transaction decision-making process	Market price	62.1	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Grand Bay Hotel View Chengdu Co., Ltd.	Subsidiary of the Company's controlling shareholder	Conference fee	Conference fee	Market price determined by the Company's related transaction decision-making process	Market price	31.5	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Medicine sales	Medicine sales	Market price determined by the Company's related	Market price	886.45	0.02%	500	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

				transaction decision-making process								
Guangdong Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Medicine sales	Medicine sales	Market price determined by the Company's related transaction decision-making process	Market price	405.19	0.01%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Hangzhou Grand Biologic Pharmaceutical Inc.	Subsidiary of the Company's controlling shareholder	Medicine sales	Medicine sales	Market price determined by the Company's related transaction decision-making process	Market price	88.8	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Medicine sales	Medicine sales	Market price determined by the Company's related transaction decision-making proces	Market price	54.39	0.00%	600	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

				s								
Xi'an Grand Technology Innovation Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Medicine sales	Medicine sales	Market price determined by the Company's related transaction decision-making process	Market price	42.5	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Kunming Shangxin Real Estate Development Co., Ltd.	Subsidiary of the Company's controlling shareholder	Medicine sales	Medicine sales	Market price determined by the Company's related transaction decision-making process	Market price	4.21	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Wuhan Wuyao Pharmaceutical (Yangxin) International Trade Co., Ltd.	Subsidiary of the Company's controlling shareholder	Medicine sales	Medicine sales	Market price determined by the Company's related transaction decision-making process	Market price	3.4	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Yunnan Leiyunshang Lixian	Subsidiary of the Company's contro	Medicine sales	Medicine sales	Market price determined by the Comp	Market price	2.3	0.00%	850	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com

g Pharmaceutical Co., Ltd.	lling shareholder			any's related transaction decision-making process								.cn)
Grand (Shanghai) Finance Leasing Co., Ltd.	Subsidiary of the Company's controlling shareholder	Medicine sales	Medicine sales	Market price determined by the Company's related transaction decision-making process	Market price	1.01	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Medicine sales	Medicine sales	Market price determined by the Company's related transaction decision-making process	Market price	/	/	400	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Chongqing Peg-Bio Biopharm Co., Ltd.	Joint venture of the Company	Medicine sales	Medicine sales	Market price determined by the Company's related transaction decision-	Market price	/	/	25	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

				making process								
Xi'an Yuanda Detian Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Agency services	Agency services	Market price determined by the Company's related transaction decision-making process	Market price	495.92	0.01%	1,000	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Chongqing Peg-Bio Biopharm Co., Ltd.	Joint venture of the Company	Preparation filling services	Preparation filling services	Market price determined by the Company's related transaction decision-making process	Market price	479.37	0.01%	276	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Beijing Yuanda Jiuhe Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Technical services	Technical services	Market price determined by the Company's related transaction decision-making process	Market price	340.46	0.01%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Hangzhou Grand	Subsidiary of the	Processing servic	Processing servic	Market price deter	Market price	8.68	0.00%	/	Yes	Cash, banker's	Market price	April 14, 2023	Cninfo (http:/

Biologic Pharmaceutical Inc.	Company's controlling shareholder	es	es	mined by the Company's related transaction decision-making process						acceptance bill			/www.cninfo.com.cn)
Hangzhou Grand Biologic Pharmaceutical Inc.	Subsidiary of the Company's controlling shareholder	Technical services	Technical services	Market price determined by the Company's related transaction decision-making process	Market price	180.66	0.00%	178	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Agency services	Agency services	Market price determined by the Company's related transaction decision-making process	Market price	61.92	0.00%	40	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Fujian KLBIOs Biological Products Co., Ltd.	Subsidiary of the Company's controlling shareholder	Technical services	Technical services	Market price determined by the Company's related transa	Market price	33.02	0.00%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)

				ction decisi on-makin g proces s								
Sichu an Yuand a Shuya ng Pharm aceuti cal Co., Ltd.	Subsi diary of the Comp any's contro lling shareh older	Trans portati on and wareh ousin g servic es	Trans portati on and wareh ousin g servic es	Marke t price deter mined by the Comp any's relate d transa ction decisi on-makin g proces s	Marke t price	11.44	0.00%	/	Yes	Cash, banke r's accept ance bill	Marke t price	April 14, 2023	Cninf o (http:/ /www .cninf o.com .cn)
Sichu an Yuand a Shuya ng Pharm aceuti cal Co., Ltd.	Subsi diary of the Comp any's contro lling shareh older	Infor matio n servic es	Infor matio n servic es	Marke t price deter mined by the Comp any's relate d transa ction decisi on-makin g proces s	Marke t price	7.79	0.00%	/	Yes	Cash, banke r's accept ance bill	Marke t price	April 14, 2023	Cninf o (http:/ /www .cninf o.com .cn)
Grand pharm a (Chin a) Co., Ltd.	Subsi diary of the Comp any's contro lling shareh older	Techn ical servic es	Techn ical servic es	Marke t price deter mined by the Comp any's relate d transa ction decisi on-makin g proces s	Marke t price	3.11	0.00%	/	Yes	Cash, banke r's accept ance bill	Marke t price	April 14, 2023	Cninf o (http:/ /www .cninf o.com .cn)

Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Rent	Rent	Market price determined by the Company's related transaction decision-making process	Market price	6.42	0.00%	6.42	No	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Beijing Yanhuang Real Estate Co., Ltd.	Subsidiary of the Company's controlling shareholder	Houses and buildings	Houses and buildings	Market price determined by the Company's related transaction decision-making process	Market price	223.31	0.01%	/	Yes	Cash, banker's acceptance bill	Market price	April 14, 2023	Cninfo (http://www.cninfo.com.cn)
Total				--	--	48,259.35	--	53,454.92	--	--	--	--	--

2. Related transactions involving the acquisition or selling assets and equity

□ Applicable ☑ N/A

No such case during the reporting period.

3. Related transactions of joint external investment

□ Applicable ☑ N/A

No such case during the reporting period.

4. Associated claim and debt transactions

□ Applicable ☑ N/A

No such case during the reporting period.

5. Transactions with financial companies that are related parties of the Company

□ Applicable ☑ N/A

No deposit, loan, credit or other financial business between the Company and the related financial companies

6. Transactions between the financial companies controlled by the Company and the related parties

□ Applicable ☑ N/A

No deposit, loan, credit or other financial business between the financial companies controlled by the Company and the related parties.

7. Other major related transactions

☑ Applicable □ N/A

On October 7, 2023, Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd., a holding subsidiary of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, signed the Exclusive Sales Agreement with Beijing CELS Medical Technology Co., Ltd. (hereinafter referred to as "Beijing CELS"), an animal medicine R&D company. According to the agreement, Nanjing Nongda Animal Pharmaceutical obtained the exclusive selling right and marketing right of Butorphanol Tartrate Injection (trade name: Baoshining®), a kind of central analgesic medicine developed by Beijing CELS Medical Technology Co., Ltd., in China (including Hong Kong SAR, Macao SAR and Taiwan). As agreed, the Exclusive Sales Agreement shall come into effect on the date when Beijing CELS and Hangzhou Fuguang Hongxin Equity Investment Partnership (Limited Partnership) (hereinafter referred to as "Fuguang Hongxin") signed the Equity Investment Agreement.

On October 7, 2023, Fuguang Hongxin signed an Investment Agreement with Beijing CELS. Fuguang Hongxin invested 20 million yuan in Beijing CELS for capital increase and will hold 20% equity in Beijing CELS after investment. On the same day, the Exclusive Sales Agreement came into effect formally (hereinafter referred to as "this transaction").

As Fuguang Hongxin's executive partner and fund manager Fuguang Chengdu Equity Investment Management Co., Ltd. (hereinafter referred to as "Fuguang Chengdu"), one of its limited partners Shanghai Grand Industrial and Financial Investment Management Co., Ltd. (hereinafter referred to as "Grand Chanrong") and the Company are enterprises controlled by the same de facto controller, and the Company is a limited partner of Fuguang Hongxin (please refer to the *Announcement on Participating in the Investment in the Establishment of Pharmaceutical*

Industry Investment Funds and Related Transactions issued by the Company on January 7, 2021 (Announcement No.: 2021-002 for details). According to the relevant provisions of the *Rules for Stock Listing of Shenzhen Stock Exchange*, Fuguang Hongxin and the Company are related parties, and this transaction is deemed as a related transaction.

Inquiries related to the disclosure website of the interim report on major related transactions.

Name of provisional announcement	Disclosure date of provisional announcement	Name of disclosure website of provisional announcement
Announcement on Signing of Exclusive Product Sales Agreement and Related Transactions by Holding Subsidiaries	October 10, 2023	Cninfo (http://www.cninfo.com.cn)

XV. Major contracts and their fulfillment

1. Entrustment, contracting and leasing

(1) Entrustment

□ Applicable ☑ N/A

No such case during the reporting period.

(2) Contracting

□ Applicable ☑ N/A

No such case during the reporting period.

(3) Leasing

☑ Applicable □ N/A

Note on leasing

Refer to "8. Others - Leasing - Other material matters in Section X. Financial Report" for details.

Projects generating gains and losses to the Company that account for over 10% of the total profits during the reporting period

□ Applicable ☑ N/A

No such case during the reporting period.

2. Important guarantees

☑ Applicable □ N/A

Unit: ten thousand yuan

External guarantees of the Company and its subsidiaries (excluding guarantees for subsidiaries)										
Guaranteed	Disclosure date	Guarantee cap	Actual date of	Actual guarante	Type of guarante	Collateral (if any)	Counter guaranty	Period of	Fulfilled or not	Guarantee for a

party	of the announcement related to the guarantee cap		occurrence	ed amount	e		(if any)	guarantee		related party or not
/	/	/	/	/	/	/	/	/	/	/
Total external guarantees cap approved during the reporting period (A1)		/		Total external guarantee amount actually occurred during the reporting period (A2)						/
Total approved external guarantee cap at the end of the reporting period (A3)		/		Total actual external guarantee balance at the end of the reporting period (A4)						/
Guarantee for subsidiaries										
Guaranteed party	Disclosure date of the announcement related to the guarantee Cap	Guarantee Cap	Actual date of occurrence	Actual guaranteed amount	Type of guarantee	Collateral (if any)	Counter guaranty (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 14, 2023	85,000	July 26, 2023	20,956.78	Joint and several liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 14, 2023	85,000	August 29, 2023	18,396.95	Joint and several liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 14, 2023	85,000	September 26, 2023	4,584.42	Joint and several liability guarantee			One year	No	No
Hangzho	April 14,	85,000	October	1,088.16	Joint and			One year	No	No

u Zhongmei Huadong Pharmaceutical Co., Ltd.	2023		30, 2023		several liability guarantee					
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 14, 2023	85,000	December 21, 2023	7,178.61	Joint and several liability guarantee			One year	No	No
Huadong Medicine Supply Chain Management (Jinhua) Co., Ltd.	April 19, 2019	20,000			Joint and several liability guarantee			Ten years	No	No
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	April 14, 2023	5,000			Joint and several liability guarantee			One year	No	No
Huadong Medicine Ningbo Sales Co., Ltd.	April 14, 2023	16,000	October 19, 2023	3,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Jinhua Co., Ltd.	April 14, 2023	15,000	October 26, 2023	4,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Huzhou Co., Ltd.	April 14, 2023	15,000	October 26, 2023	4,500	Joint and several liability guarantee			One year	No	No
Huadong Medicine Huzhou	April 14, 2023	15,000	December 15, 2023	500	Joint and several liability guarantee			One year	No	No

Co., Ltd.										
Huadong Medicine Shaoxing Co., Ltd.	April 14, 2023	19,000	March 31, 2023	7,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine (Hangzhou) Biological Products Co., Ltd.	April 14, 2023	3,000	October 12, 2023	16.35	Joint and several liability guarantee			One year	No	No
Huadong Medicine (Hangzhou) Biological Products Co., Ltd.	April 14, 2023	3,000	November 17, 2023	12.4	Joint and several liability guarantee			One year	No	No
Huadong Medicine (Hangzhou) Biological Products Co., Ltd.	April 14, 2023	3,000	December 13, 2023	25.65	Joint and several liability guarantee			One year	No	No
Huadong Medicine (Hangzhou) Biological Products Co., Ltd.	April 14, 2023	3,000	December 29, 2023	63.7	Joint and several liability guarantee			One year	No	No
Jiangsu Joyang Laboratories	April 14, 2023	7,000			Joint and several liability guarantee			One year	No	No
Huadong Medicine	April 14, 2023	24,000	July 17, 2023	1,000	Joint and several liability guarante			One year	No	No

Wenzhou Co., Ltd.					e					
Huadong Medicine Wenzhou Co., Ltd.	April 14, 2023	24,000	July 17, 2023	1,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 14, 2023	24,000	July 19, 2023	1,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 14, 2023	24,000	July 20, 2023	1,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 14, 2023	24,000	July 21, 2023	1,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 14, 2023	24,000	August 4, 2023	1,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 14, 2023	24,000	August 7, 2023	1,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 14, 2023	24,000	August 8, 2023	1,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Wenzho	April 14, 2023	24,000	August 10, 2023	1,000	Joint and several liability guarantee			One year	No	No

u Co., Ltd.										
Huadong Medicine Wenzhou Co., Ltd.	April 14, 2023	24,000	September 12, 2023	1,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 14, 2023	24,000	September 14, 2023	1,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Lishui Co., Ltd.	April 14, 2023	15,000	April 7, 2023	6,000	Joint and several liability guarantee			One year	No	No
Huadong Medicine Daishan Co., Ltd.	April 14, 2023	2,600			Joint and several liability guarantee			One year	No	No
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	April 14, 2023	9,900	October 20, 2023	2,000	Joint and several liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	April 14, 2023	40,000	March 31, 2023	8,000	Joint and several liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	April 14, 2023	40,000	August 29, 2023	470.28	Joint and several liability guarantee			One year	No	No
Hangzho	April 14,	40,000	Septemb	480.8	Joint and			One year	No	No

u Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	2023		er 19, 2023		several liability guarantee					
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	April 14, 2023	40,000	October 26, 2023	302.67	Joint and several liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	April 14, 2023	40,000	December 15, 2023	20,000	Joint and several liability guarantee			One year	No	No
Hangzhou Huadong Pharmacy Chain Co., Ltd.	April 14, 2023	5,000	May 26, 2023		Joint and several liability guarantee			One year	No	No
Anhui Meihua Hi-Tech Pharmaceutical Co., Ltd.	April 14, 2023	3,500			Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	July 12, 2023	56.7	Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	July 27, 2023	238.7	Joint and several liability guarantee			One year	No	No

Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	August 14, 2023	247.47	Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	August 29, 2023	123.14	Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	September 6, 2023	803.96	Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	September 22, 2023	154.63	Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	October 12, 2023	105.56	Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	October 30, 2023	250.61	Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	November 21, 2023	70.28	Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	November 29, 2023	350	Joint and several liability guarantee			One year	No	No
Hubei Magic Health Technology Co., Ltd.	April 14, 2023	5,400	December 25, 2023	1,343.8	Joint and several liability guarantee			One year	No	No
Huadong Pharmac	April 14, 2023	76,000								

eutical (Hong Kong) Investment Holding Co., Ltd.										
Sinclair Pharma Limited	November 23, 2018	52,591	April 1, 2022	18,082.2	Joint and several liability guarantee			Three years	No	No
Sinclair Pharma Limited	July 16, 2021	38,305.3	January 13, 2022	35,059.37	Joint and several liability guarantee			Three years	No	No
Sinclair Pharma Limited	March 16, 2021	14,845.8	April 8, 2021	15,718.4	Joint and several liability guarantee			Three years	No	No
Sinclair Pharma Limited	March 16, 2021	14,845.8	March 17, 2021	15,718.4	Joint and several liability guarantee			December 31, 2024	No	No
Sinclair Pharma Limited	March 16, 2021	31,695.78						Three years		
Sinclair Pharma Limited	April 28, 2022	58,600						One year		
Sinclair Pharma Limited	April 14, 2023	65,000						One year		
Total guarantee cap for subsidiaries approved during the reporting period (Bl)		411,400		Total guarantee amount for subsidiaries actually occurred during the reporting period (B2)		123,321.63				
Total approved guarantee cap for subsidiaries at the end of the reporting period (B3)		627,438.03		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)		207,899.99				
Subsidiaries guarantee for subsidiaries										
Guaranteed party	Disclosure date of the announcement related to the	Guarantee Cap	Actual date of occurrence	Actual guaranteed amount	Type of guarantee	Collateral (if any)	Counter guaranty (if any)	Period of guarantee	Fulfilled or not	Guarantee for a related party or not

	guarantee Cap									
Chongqing Peg-Bio Biopharm Co., Ltd.	April 14, 2023	4,800	November 16, 2023		Joint and several liability guarantee			Three years	No	Yes
Total guarantee cap for subsidiaries approved during the reporting period (C1)		4,800		Total guarantee amount for subsidiaries actually occurred during the reporting period (C2)						
Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)		4,800		Total actual guarantee balance for subsidiaries at the end of the reporting period (C4)						
Total amount of the Company's guarantees (i.e. the sum of the above-mentioned 3 kinds of guarantees)										
Total guarantees cap approved during the reporting period (A1+B1+C1)		416,200		Total actual guarantee amount during the reporting period (A2+B2+C2)						123,321.63
Total approved guarantee cap at the end of the reporting period (A3+B3+C3)		632,238.03		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)						207,899.99
Proportion of the actual guarantee amount (i.e. A4+B4+C4) in the Company's net assets										9.88%
Among them:										
Balance of guarantees for shareholders, de facto controllers and their related parties (D)										0
Amount of debt guarantees provided directly or indirectly for the entities with a liability to asset ratio over 70% (E)										111,578.37
The total amount of guarantees exceeds 50% of the net assets (F)										0
Total guarantee amount of the above-mentioned three kinds of guarantees (D+E+F)										111,578.37
Note on the circumstance that guarantee liability has occurred or there may be joint liability for settlement during the reporting period in terms of unexpired guarantee contracts (if any)				N/A						
Note of external guarantees in violation of prescribed procedures (if any)				N/A						

Note: The difference between the sum of the above totals and addends in mantissa is due to rounding.

Note on the specific circumstance if multiple methods are adopted for guarantees

N/A

3. Entrusted management of cash assets

(1) Entrusted wealth management

□ Applicable ☑ N/A

No such case during the reporting period.

(2) Entrusted loans

□ Applicable ☑ N/A

No such case during the reporting period.

4. Other significant contracts

□ Applicable ☑ N/A

No other significant contract during the reporting period.

XVI. Other major events

□ Applicable ☑ N/A

No such case during the reporting period.

XVII. Major events of subsidiaries

☑ Applicable □ N/A

(I) Major medicines (products) newly entering and withdrawing from the Medicines List for Medical Insurance

In December 2023, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the People's Republic of China launched the National Drug Catalog for Basic Medical Insurance, Work-Related Injury Insurance, and Maternity Insurance (2023) (hereinafter referred to as the 2023 Drug Catalog), which has been effective since January 1, 2024.

As of the release of the Report, the Company had a total of 40 core products (12 Category A and 29 Category B) approved for launching and 15 strategic cooperation products (1 Category A and 14 Category B) included in the 2023 Drug Catalog. Among them, the launched acarbose chewable tablets, Bailing capsules and empagliflozin and metformin combination (I) as well as strategic cooperation products Etanercept Injection, Mulberry twig total alkaloids and Icaritin soft capsule of the Company have been included in the negotiated medicines of the 2023 Drug catalog.

The strategic cooperation product Tofacitinib Citrate Sustained-release Tablets has been included in competitive price medicine of the 2023 Drug catalog.

(II) As of the release of the Report, major assets had been disposed in the liquidation of Huadong Ningbo Medicine Co., Ltd. in the court. Some claims and accounts receivable are remained to be collected.

Section VII. Share Change and Shareholders

I. Changes in shares

1. Table of changes in shares

Unit: Share

	Before the change		Change in the period (+/-)					After the change	
	Quantity	Ratio	New shares	Bonus shares	Shares converted from capital reserve	Others	Subtotal	Quantity	Ratio
I. Shares subject to conditional restriction	4,268,300	0.24%	0	0	0	-746,940	-746,940	3,521,360	0.20%
1. Shares held by the state	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned corporations	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic investors	4,068,300	0.23%	0	0	0	-695,940	-695,940	3,372,360	0.19%
Including: Shares held by domestic corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	4,068,300	0.23%	0	0	0	-695,940	-695,940	3,372,360	0.19%
4. Shares held by overseas	200,000	0.01%	0	0	0	-51,000	-51,000	149,000	0.01%

investors									
Including: Shares held by overseas corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas natural persons	200,000	0.01%	0	0	0	-51,000	-51,000	149,000	0.01%
II. Shares without restriction	1,749,727,048	99.76%	0	0	0	1,176,940	1,176,940	1,750,903,988	99.80%
1. Common shares in yuan	1,749,727,048	99.76%	0	0	0	1,176,940	1,176,940	1,750,903,988	99.80%
2. Domestically listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Foreign shares listed overseas	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	1,753,995,348	100.00%	0	0	0	430,000	430,000	1,754,425,348	100.00%

Reasons for the changes in share capital

☑ Applicable □ N/A

During the reporting period, the Company completed the reserved grant registration of 430,000 shares in the 2022 Restricted Share Incentive Scheme; in the meantime, the Company's had attained the first condition to unlock restricted shares for the first time from the 2022 Restricted Share Incentive Scheme. The number of restricted shares that can be unlocked this time is 1,220,940. The total number of restricted shares with equity incentives decreased by 790,940 shares in total.

During the reporting period, the Company's locked shares of senior managers increased by 44,000 shares.

During the reporting period, the total number of shares increased by 430,000 shares, of which the total number of shares with restricted sales conditions decreased by 746,940 shares and the total number of shares with unlimited sale conditions increased by 1,176,940 shares.

Approval for changes in share capital

☑ Applicable □ N/A

1. On July 12, 2023, the Company convened the 12th session of the 10th Board of Directors and the 8th session of the 10th Board of Supervisors. During these two sessions, the *Proposal on Granting Reserved Restricted Shares to the First Batch of Employees Receiving Incentive from the 2022 Restricted Share Incentive Scheme* was deliberated on and approved. The Company's Board of Directors believed that reserved conditions of the incentive scheme for granting restricted shares were fulfilled, and the Board of Supervisors re-verified the list of incentive receivers on the date of granting reserved shares, and expressed opinions on the grant. The Company's independent directors agreed on the above proposals. Lawyers and independent financial advisers prepared related reports. On the same day, the Company disclosed a related announcement on www.cninfo.com.cn.

2. The Company announced publicly the list of this batch of employees receiving the incentive from the restricted share incentive scheme on the Company's OA system from July 13 to 23, 2023, which lasted for 10 days in total. As of the end of the announcement on July 23, 2023, the Board of Supervisors did not receive any objection against these employees. On July 26, 2023, the Company convened a session of the Board of Supervisors, during which the *Verification Opinions and Announcement Note on the List of Employees Receiving the Reserved Restricted Share Incentive from the Company's 2022 Restricted Share Incentive Scheme* was reviewed and approved. On the same day, the Company disclosed the *Board of Supervisors' Verification Opinions and Announcement Note on the List of Employees Receiving the Reserved Restricted Share Incentive from the Company's 2022 Restricted Share Incentive Scheme* and a related announcement on www.cninfo.com.cn.

3. On September 27, 2023, the Company disclosed the *Announcement on Completion of Registration of the Reserved Grant of Restricted Share Incentive Scheme in 2022*. The Company completed the registration of the reserved grant of the restricted share incentive scheme in 2022, and the listing date of the granted restricted shares was September 28, 2023.

4. On November 21, 2023, the Company convened the eighteenth session of the 10th Board of Directors and the 12th session of the 10th Board of Supervisors. During these two sessions, the Proposal on Achievement of the Release of Restriction Conditions during the First Restriction Period of Restricted Shares Granted for the First Time from the Restricted Share Incentive Scheme in 2022 was deliberated on and approved. The Board of Directors believed that the Company attained conditions for the release of restriction conditions during the first restriction period of restricted shares granted for the first time from the *Restricted Share Incentive Scheme in 2022*.

According to the authorization of the Company's first extraordinary general meeting in 2022, the Board of Directors agreed that the Company can handle the procedures for releasing restricted sales of 1,220,940 restricted shares with the restricted sales period for 108 incentive subjects. The Board of Directors also agreed to repurchase and cancel 97,800 shares of restricted shares that have been granted but have not been released for four incentive subjects who are no longer eligible for incentives due to resignation and two incentive subjects who fail to satisfy the standards due to personal performance during the first restricted sales releasing period. The Company's independent directors issued independent opinions on related matters, and the Company's Board of Supervisors issued verification opinions on related matters. Lawyers and independent financial advisers prepared related reports. On the same day, the Company disclosed a related announcement on www.cninfo.com.cn.

Transfer of shares

☑ Applicable □ N/A

During the reporting period, 430,000 common shares in yuan reserved for the Company's 2022 Restricted Share Incentive Scheme have been credited to shareholders' securities accounts by Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. 1,220,940 common shares in yuan with restriction conditions for the first granting reserved for the Company's 2022 Restricted Share Incentive Scheme have been unlocked and credited to shareholders' securities accounts by Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and have been listed and circulated since December 5, 2023.

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

☑ Applicable □ N/A

The aforesaid changes in share capital led to the Company's diluted earnings per share in 2023 and increase in net assets per share attributable to common shareholders, while the basic earnings per share in 2023 were not affected. If we calculate based on the total number of shares before changes in share capital of 1,753,995,348, the Company's diluted earnings per share in 2023 was 1.6199 yuan/share, and the net assets per share attributable to common shareholders of the Company was 12.0263 yuan/share. If we calculate based on the total number of shares after changes in share capital of 1,754,425,348 shares, the diluted earnings per share of the Company in 2023 was 1.6200 yuan/share, and the net assets per share attributable to common shareholders of the Company was 12.0266 yuan/share.

Generally speaking, the aforesaid changes in share capital did not impose material impacts on the basic earnings per share, diluted earnings per share, and the net assets per share attributable to the Company's common shareholders and other financial indicators in 2023.

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

□ Applicable ☑ N/A

2. Changes in restricted shares

☑ Applicable □ N/A

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of newly increased restricted shares during the current period	Number of restricted shares unlocked during the current period	Number of restricted shares at the end of the period	Reasons for restriction	Unlock date
Zhang Jianfei	60,000	0	0	60,000	Locked-up shares for senior managers	Be unlocked according to relevant rules of the management of shares for senior managers
Zhang Jianfei	0	7,500	0	7,500	Locked-up shares for senior managers	Be unlocked according to relevant rules of the management of shares for senior managers
Zhang Jianfei	150,000	0	45,000	105,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Lv Liang	200,000	0	60,000	140,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Lv Liang	0	10,000	0	10,000	Locked-up shares for senior managers	Be unlocked according to relevant rules of the

						management of shares for senior managers
Zhu Li	22,500	0	0	22,500	Locked-up shares for senior managers	Be unlocked according to relevant rules of the management of shares for senior managers
Zhu Li	0	7,500	0	7,500	Locked-up shares for senior managers	Be unlocked according to relevant rules of the management of shares for senior managers
Zhu Li	150,000	0	45,000	105,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Wu Hui	150,000	0	45,000	105,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Wu Hui	0	7,500	0	7,500	Locked-up shares for senior managers	Be unlocked according to relevant rules of the management of shares for senior managers
Xu Junfang	150,000		45,000	105,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
LIU DONGZHOU JEFFERY	150,000		45,000	105,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's

						2022 Restricted Share Incentive Scheme
Chen Bo	100,000	0	30,000	70,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Chen Bo	0	5,000	0	5,000	Locked-up shares for senior managers	Be unlocked according to relevant rules of the management of shares for senior managers
Qiu Renbo	100,000	0	30,000	70,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Qiu Renbo	0	5,000	0	5,000	Locked-up shares for senior managers	Be unlocked according to relevant rules of the management of shares for senior managers
Zhou Zhaohua	30,000	50,000	9,000	71,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Qin Xiangtian	30,000	50,000	9,000	71,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Huang Yanshan	30,000	50,000	9,000	71,000	Equity incentive and restricted shares	Be unlocked according to relevant rules of the Company's 2022 Restricted

						Share Incentive Scheme
Other middle management and core technicians (business specialists)	2,945,800	281,500	848,940	2,378,360	Equity incentive, restricted shares, and locked-up shares for senior managers	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme and the management of shares for senior managers
Total	4,268,300	474,000	1,220,940	3,521,360	--	--

II. Issuance and listing of securities

1. Securities (excluding preferred shares) issued during the reporting period

□ Applicable ☑ N/A

2. Explanation on changes in the total number of shares, the structure of shareholders and the structure of assets and liabilities

☑ Applicable □ N/A

In September 2023, the Company completed the reserved granting registration for 430,000 shares from the Company's 2022 Restricted Share Incentive Scheme, and the listing date of the granted restricted shares was September 28, 2023. After the registration of reserved granting of restricted shares this time, the total number of shares of the Company increased from 1,753,995,348.00 shares to 1,754,425,348.00 shares. Change in shares this time does not result in changes in controlling right of the Company's controlling shareholders and de facto controllers, and has no material impacts on the Company's assets and liabilities structure.

On March 26, 2024, the Company completed the repurchase and cancellation of 97,800 restricted shares that have been granted by the 2022 Restricted Stock Incentive Plan but have not yet been unlocked. The repurchase and cancellation of some restricted shares will not have substantial impact on the Company's financial position and operating results, will not result in failure of the Company's equity distribution in meeting the listing conditions, nor will it lead to changes in the control rights of the Company's controlling shareholders and de facto controllers.

3. Existent shares held by internal employees of the Company

□ Applicable ☑ N/A

III. Particulars about shareholders and the de facto controller

1. Number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period	77,151	Total number of common shareholders at the end of the previous month before the disclosure of the annual report	93,834	Total number of preference shareholders with restoration of the voting rights at the end of the reporting period (if any) (see Note 8)	0	Total number of preference shareholders with restoration of the voting rights at the end of the previous month before the disclosure of the annual report (if any) (see Note 8)	0

Particulars about shareholders with a shareholding ratio of over 5% or the Top 10 shareholders (excluding shares lent through conversions)								
Name of shareholder	Nature of shareholder	Shareholding ratio	Total shares held at the end of the reporting period	Changes in the reporting period	Number of shares with trading restrictions held	Number of shares held without trading restriction	Pledged, marked or locked-up status	
							Status of shares	Quantity
China Grand Enterprises, Inc.	Domestic non-state-owned corporation	41.66%	730,938,157	0	0	730,938,157	Pledge	121,130,000
Hangzhou Huadong Medicine Group Co., Ltd.	2. State-owned corporations	16.42%	288,000,000	0	0	288,000,000	N/A	0
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	2.73%	47,954,932	-8,053,139	0	47,954,932	N/A	0
Industrial and Commercial Bank of China Limited - China-Europe Healthcare	Others	1.77%	31,080,515	-18,235,726	0	31,080,515	N/A	0

Hybrid Securities Investment Fund								
China Securities Finance Co., Ltd.	Domestic non-state-owned corporation	1.26%	22,186,818	0	0	22,186,818	N/A	0
China Construction Bank Co., Ltd. - ICBC Credit Suisse Frontier Medical Equity Fund	Others	1.08%	19,000,000	-1,000,078	0	19,000,000	N/A	0
National Social Security Fund - Profile 0	Others	0.78%	13,619,804	3,238,962	0	13,619,804	N/A	0
China Construction Bank Corporation - E Fund CSI 300 Healthcare Exchange Traded Fund	Others	0.74%	12,896,932	5,861,900	0	12,896,932	N/A	0
New China Life Insurance Company, Ltd. - Traditional - General Insurance Products - 018L-CT001 SZ	Others	0.49%	8,616,047	8,616,047	0	8,616,047	N/A	0
Bank of Shanghai Co., Ltd. - Yinhua CSI Innovative Medicine Exchange Traded Fund	Others	0.46%	7,991,905	4,812,649	0	7,991,905	N/A	0
Strategic investors or general corporations become the top 10 shareholders due to the placement of new shares (if any) (see Note 3)		N/A						

Explanation on associated relationships or concerted actions among the above-mentioned shareholders	The Company does not know whether the above-mentioned shareholders are related parties or whether they are acting-in-concert parties with one another.
Description about above-mentioned shareholders' entrusting/being entrusted with and waiving voting rights	N/A
Explanation of special account for repurchase among the top 10 shareholders (if any) (see Note 10)	N/A

Shareholdings of top 10 shareholders without trading restrictions			
Name of shareholder	Number of shares without restriction held at the end of the reporting period	Type of shares	
		Type of shares	Quantity
China Grand Enterprises, Inc.	730,938,157	RMB-denominated ordinary share	730,938,157
Hangzhou Huadong Medicine Group Co., Ltd.	288,000,000	RMB-denominated ordinary share	288,000,000
Hong Kong Securities Clearing Company Ltd.	47,954,932	RMB-denominated ordinary share	47,954,932
Industrial and Commercial Bank of China Limited - China-Europe Healthcare Hybrid Securities Investment Fund	31,080,515	RMB-denominated ordinary share	31,080,515
China Securities Finance Co., Ltd.	22,186,818	RMB-denominated ordinary share	22,186,818
China Construction Bank Co., Ltd. - ICBC Credit Suisse Frontier Medical Equity Fund	19,000,000	RMB-denominated ordinary share	19,000,000
National Social Security Fund - Profile 0	13,619,804	RMB-denominated ordinary share	13,619,804
China Construction Bank Corporation - E Fund CSI 300 Healthcare Exchange Traded Fund	12,896,932	RMB-denominated ordinary share	12,896,932
New China Life Insurance Company, Ltd. - Traditional - General Insurance Products -018L-CT001 SZ	8,616,047	RMB-denominated ordinary share	8,616,047
Bank of Shanghai Co., Ltd. - Yinhua CSI Innovative Medicine Exchange Traded Fund	7,991,905	RMB-denominated ordinary share	7,991,905
Description for affiliated relationship or concerted action among the top 10 shareholders holding tradable shares without trading restriction conditions and between the top 10 shareholders holding tradable shares without trading restriction conditions and the top 10 shareholders	The Company does not know whether the above-mentioned shareholders are related parties or whether they are acting-in-concert parties with one another.		
Description of the participation in margin trading business of the top 10 common shareholders (if any) (see Note 4)	At the end of the reporting period, the Company had no shareholders holding its shares through margin trading and securities lending accounts among the top 10 common shareholders.		

Participation of top 10 shareholders in refinancing lending

☑ Applicable □ N/A

Unit: Share

Participation of top 10 shareholders in refinancing lending								
Name of shareholder (full name)	Shareholding in common accounts and credit accounts at the beginning of the period		Shares lent and not returned at the beginning of the period		Shareholding in common accounts and credit accounts at the end of the period		Shares lent and not returned at the end of the period	
	Total number	Proportion in total share	Total number	Proportion in total share	Total number	Proportion in share	Total number	Proportion in total share

		capital		capital		capital		capital
China Grand Enterprises, Inc.	730,938,157	41.67%	0	0.00%	730,938,157	41.66%	0	0.00%
Hangzhou Huadong Medicine Group Co., Ltd.	288,000,000	16.42%	0	0.00%	288,000,000	16.42%	0	0.00%
Hong Kong Securities Clearing Company Ltd.	56,008,071	3.19%	0	0.00%	47,954,932	2.73%	0	0.00%
Industrial and Commercial Bank of China Limited - China-Europe Healthcare Hybrid Securities Investment Fund	49,316,241	2.81%	0	0.00%	31,080,515	1.77%	0	0.00%
China Securities Finance Co., Ltd.	22,186,818	1.26%	0	0.00%	22,186,818	1.26%	0	0.00%
China Construction Bank Co., Ltd. - ICBC Credit Suisse Frontier Medical Equity Fund	20,000,078	1.14%	0	0.00%	19,000,000	1.08%	0	0.00%
National Social Security Fund - Profile 0	10,380,842	0.59%	0	0.00%	13,619,804	0.78%	0	0.00%
China Construction Bank Corporation - E Fund CSI 300 Healthcare Exchange Traded	7,035,032	0.40%	667,700	0.04%	12,896,932	0.74%	328,500	0.02%

Fund								
New China Life Insurance Company, Ltd. - Traditional - General Insurance Products - 018L-CT001 SZ	/	/	0	0.00%	8,616,047	0.49%	0	0.00%
Bank of Shanghai Co., Ltd. - Yinhua CSI Innovative Medicine Exchange Traded Fund	3,179,256	0.18%	0	0.00%	7,991,905	0.46%	9,400	0.00%

Notes: The shareholding in common accounts and credit accounts at the beginning of the period of New China Life Insurance Company, Ltd. - Traditional - General Insurance Products -018L-CT001 SZ does not within top 200 of the Company. The Company does not have such data.

Change in top 10 shareholders compared with the previous period

☑ Applicable □ N/A

Unit: Share

Change in top 10 shareholders compared with the end of the previous period					
Name of shareholder (full name)	Addition/ exit during the reporting period	Number of shares lent through refinancing and not returned at the end of the period		Number of shares lent through refinancing and not returned in common accounts and credit accounts at the end of the period	
		Total number	Proportion in total share capital	Total number	Proportion in total share capital
New China Life Insurance Company, Ltd. - Traditional - General Insurance Products -018L-CT001 SZ	Addition	0	0.00%	8,616,047	0.49%
Bank of Shanghai Co., Ltd. - Yinhua CSI Innovative Medicine Exchange Traded Fund	Addition	9,400	0.00%	8,001,305	0.46%
Industrial and Commercial Bank of China Limited - China-Europe Healthcare Innovation Stock Investment Fund	Exit	0	0.00%	612,318	0.03%

Norges Bank - equity funds	Exit	0	0.00%	1,439,607	0.08%

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

□Yes ☑No

The Company's top 10 common shareholders or the top 10 common shareholders without trading restrictions have not carried out any agreement to repurchase transaction during the reporting period.

2. Particulars about controlling shareholder of the Company

Nature of controlling shareholder: Natural person holding

Type of controlling shareholder: Corporation

Name of controlling shareholder	Legal representative/person	Date of establishment	Organization code	Main business
China Grand Enterprises, Inc.	Hu Kaijun	October 27, 1993	91110000101690952K	Investment management
Shares held by the controlling shareholder in other listed companies through controlling or holding during the reporting period	The other two listed companies controlled by China Grand Enterprises, Inc. are Grand Industrial Holding Co., Ltd. and Grand Pharmaceutical Group Limited.			

Change of the controlling shareholder during the reporting period

□ Applicable ☑ N/A

No such case during the reporting period.

3. Particulars about the Company's de facto controller & concerted parties

Nature of de facto controller: Domestic natural person holding

Type of de facto controller: Natural person

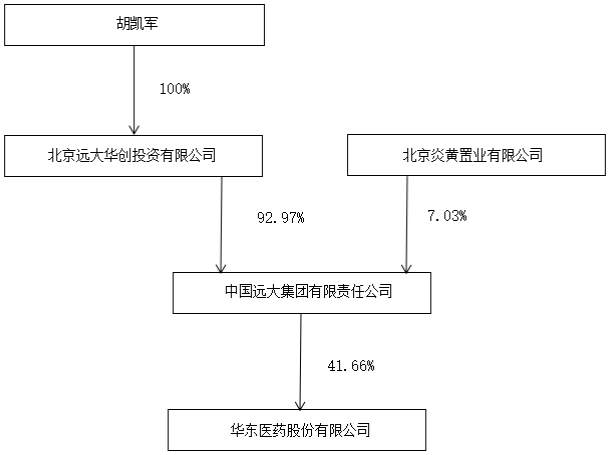
Name of de facto controller	Relationship with the de facto controller	Nationality	Whether the de facto controller has obtained the right of abode in another country or region
Hu Kaijun	Hu Kaijun	China	Yes
Main occupation and position	Chairman of the Board and General Manager of China Grand Enterprises, Inc.; Chairman of the Board and General Manager of Beijing Grand Huachuang Investment Co., Ltd.		
Share held by the de facto controlling shareholder in domestic or overseas listed companies in the past ten years	The three listed companies controlled by de facto controller are Huadong Medicine Co., Ltd., Grand Industrial Holding Co., Ltd., and China Grand Pharmaceutical and Grand Pharmaceutical Group Limited.		

Change of the de facto controller during the reporting period

□ Applicable ☑ N/A

No such case during the reporting period.

Block diagram of the property right and control relationship between the Company and the de facto controller



The de facto controller controls the Company through a trust or other way of assets management

□ Applicable ☑ N/A

4. The amount of shares pledged by the Company's controlling shareholder or the largest shareholder and its parties acting in concert accounts for 80% of the total shares of the Company held by them

□ Applicable ☑ N/A

5. Other corporate shareholders with a shareholding ratio over 10%

☑ Applicable □ N/A

Name of legal representative	Legal representative/person in charge	Date of establishment	Registered capital	Main business or management activities
Hangzhou Huadong Medicine Group Co., Ltd.	Dong Jiabo	December 21, 1992	60 million yuan	The production and processing of compound wine, bagged tea, and donkey-hide glue products (the branches can operate only with licenses), and the state-owned asset operation within the authorized scope of the municipal government; industrial investment; wholesale and retail: chemical raw materials and products (except dangerous chemicals and precursor chemicals), package materials, medical intermediates (except dangerous chemicals and precursor chemicals); other legal

				items that need no submission for approval.

6. Reduction of restricted shares held by controlling shareholder, de facto controller, restructuring parties and other commitment subjects

□ Applicable ☑ N/A

IV. Progress of share repurchase during the reporting period

Progress of share repurchase

☑ Applicable □ N/A

Scheme disclosure date	Number of shares to be repurchased (share)	Proportion in total share capital	Proposed repurchase amount (ten thousand yuan)	Proposed repurchase duration	Purpose of repurchase	Number of shares repurchased (share)	Proportion of number of repurchased shares to underlying shares involved in the Equity Incentive Plan (if any)
November 21, 2023	97800	0.006%	245.81	45 days after the Company's Board of Directors disclosed the notification announcement of creditors	Repurchase and cancellation of some restricted shares	0	0.00%

Progress of reducing repurchased shares through centralized bidding

□ Applicable ☑ N/A

Section VIII. Information on Preferred Shares

□ Applicable ☑ N/A

No such case during the reporting period.

Section IX. Information on Bonds

□ Applicable ☑ N/A

Section X. Financial Report

I. Audit report

Audit Opinion	Unmodified unqualified audit opinion
Audit Report sign-off Date	April 16, 2024
Audit Institution Name	Pan-China Certified Public Accountants LLP
Audit Report Number	T. J. S. (2024) No. 2117
Certified Public Accounts Name	Hu Yanhua and Chen Xiaodong

Text of the Audit Report

Audit Report

T. J. S. (2024) No. 2117

Shareholders of Huadong Medicine Co., Ltd.:

I. Audit Opinion

We audited the financial statements of Huadong Medicine Co., Ltd. (hereinafter referred to as "Huadong Medicine"), including the consolidated and the parent company's balance sheets as at December 31, 2023, the consolidated and the parent company's income statements for the year 2023, the consolidated and the parent company's cash flow statements, the consolidated and the parent company's statements of changes in owners' equity, and the notes to relevant financial statements.

In our opinion, the attached financial statements are prepared in accordance with the accounting standards for business enterprises in all material aspects and fairly reflect the consolidated and the parent company's financial condition of Huadong Medicine as at December 31, 2023, as well as the consolidated and the parent company's operating results and cash flows in 2023.

II. Basis for Formation of the Audit Opinion

We conducted our audit in accordance with the *China Registered Accountants Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's

Responsibilities for the Audit of the Financial Statements section of our report. In accordance with the code of professional ethics for certified public accountants in China, we are independent of Huadong Medicine and have fulfilled other responsibilities in respect of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate, providing a basis for auditor's opinion.

III. Key audit matters

The key audit matters are those we consider most important to the audit of the financial statements for the current period in our professional judgment. The response to these items is based on an audit of the financial statements as a whole and the formation of auditor's opinion. We do not comment on these items separately.

(I) Revenue recognition

1. Description

The relevant information disclosure is detailed in Notes III (XXV), V (II) 1 and XV (I) to the financial statements.

The operating revenue of Huadong Medicine mainly comes from the production and sales of medicines. The operating revenue of Huadong Medicine in 2023 was 40.624 billion yuan.

As the operating revenue is one of the key performance indicators of Huadong Medicine, there may be inherent risks for the management of Huadong Medicine (hereinafter referred to as the "Management") to achieve specific goals or expectations through inappropriate revenue recognition. Therefore, we identified revenue recognition as a key audit matter.

2. Audit response

For revenue recognition, the audit procedures we implemented mainly include:

(1) Understanding the key internal controls related to revenue recognition, evaluating the design of these controls, determining whether they are implemented, and testing the operating effectiveness of relevant internal controls;

(2) Reviewing the sales contract, understanding the main contract terms or conditions, and evaluating whether the revenue recognition method is appropriate;

(3) Analyzing the operating revenue and gross profit rate by month, product, region, etc., identifying whether there are significant or abnormal fluctuations, and ascertaining the reasons for the fluctuations;

(4) For domestic sales revenue, choosing supporting documents for checked items, including sales contracts, orders, sales invoices, outbound delivery orders, shipping orders, shipping documents, customers' signature form, and payment receipts. For overseas revenue, obtaining e-port information and checking with the accounting records, and checking the sales contracts, export declaration forms, bills of lading, sales invoices and other supporting documents by sampling;

(5) In combination with accounts receivable confirmation, confirming the current sales of sampled items;

(6) Carrying out a cut-off test and evaluating whether the operating revenue is recognized within an appropriate period;

(7) Acquiring the sales return records after the balance sheet date and checking the unsatisfactoriness of revenue recognition conditions on balance sheet date; and

(8) Checking whether the information relating to operating revenue has been properly presented in the financial statements.

(II) Impairment of accounts receivable

1. Description

The relevant information disclosure is detailed in Notes III (XI), (XII) and V (I) 4 to the financial statements.

As of December 31, 2023, the book balance of accounts receivable of Huadong Medicine was 7.878 billion yuan, the bad debt reserve was 423 million yuan, and the book value was 7.455 billion yuan.

Based on the credit risk characteristics of various accounts receivable and the individual account receivable or the combination of accounts receivable, the Management measured its loss reserve according to the expected credit loss equivalent to the entire duration. Due to the significant amount of accounts receivable and significant judgment of the Management involved

in the impairment of accounts receivable, we determined the impairment of accounts receivable as a key audit matter.

2. Audit response

For the impairment of accounts receivable, the audit procedures we implemented mainly include:

(1) Understanding the key internal controls related to the impairment of accounts receivable, evaluating the design of these controls, determining whether they are implemented, and testing the operating effectiveness of relevant internal controls;

(2) With regard to the Management's forecast on bad debt reserve in previous years, reviewing the results or follow-up forecasts made by the Management;

(3) Reviewing the relevant considerations and objective evidence of the Management's credit risk assessment of accounts receivable, and evaluating whether the Management has properly identified the credit risk characteristics of various accounts receivable;

(4) For the accounts receivable with expected credit loss measured based on an individual item, reviewing the Management's forecast of the expected cash flow received, evaluating the rationality, relevance and reliability of the key assumptions used in the forecast, and checking with the external evidence obtained;

(5) For the accounts receivable with expected credit loss measured based on the combined items, evaluating the rationality of the Management's division of combinations according to the credit risk characteristics; evaluating the rationality of the expected credit loss rate of accounts receivable determined by the Management, including the rationality of major assumptions used and the rationality, relevance and reliability of data; checking the accuracy of the Management's calculation of bad debt reserve;

(6) Evaluating the rationality of the Management's bad debt reserve in combination with the confirmation of accounts receivable and repayment after the period; and

(7) Checking whether the information relating to the impairment of accounts receivable has been properly presented in the financial statements.

(III) Goodwill impairment

1. Description

The relevant information disclosure is detailed in Notes III (VI), III (XX) and V (I) 18 to the financial statements.

As of December 31, 2023, the original book value of goodwill of Huadong Medicine was 2.603 billion yuan, the impairment reserve was 4 million yuan, and the book value was 2.599 billion yuan.

The Management conducted the goodwill impairment test in combination with the relevant asset group or asset portfolio, and the recoverable amount of the relevant asset group or asset portfolio was determined by the present value of the expected future cash flow or the net amount of fair value minus the disposal expenses. Due to the significant amount of goodwill and the significant judgment of the Management involved in the goodwill impairment test, we determined the goodwill impairment as a key audit matter.

2. Audit response

For the goodwill impairment, the audit procedures we implemented mainly include:

(1) Understanding the key internal controls related to goodwill, evaluating the design of these controls, determining whether they are implemented, and testing the operating effectiveness of relevant internal controls;

(2) With regard to the Management's forecast on present value of the expected future cash flow in previous years, reviewing the results or follow-up forecasts made by the Management;

(3) Understanding and evaluating the competence, professional quality and objectivity of external valuation experts employed by the Management;

(4) Evaluating the rationality and consistency of the Management's methods in the impairment test;

(5) Evaluating the rationality of the key assumptions adopted by the Management in the impairment test, and verifying whether the relevant assumptions are consistent with the overall economic environment, industry conditions, operating conditions, historical experience, operating plans, approved budgets, meeting minutes, and other assumptions used by the Management in relation to the financial statements;

(6) Testing the accuracy, completeness and relevance of the data used by the Management in the impairment test, and rechecking the internal consistency of the relevant information in the impairment test;

(7) Testing whether the Management's calculation of the present value of expected future cash flows is accurate;

(8) Checking whether the information relating to the goodwill impairment has been properly presented in the financial statements.

IV. Other information

The Management is responsible for other information, including information covered in the annual report, but not the financial statements and the auditor report.

The auditor's opinion on the financial statements does not cover other information, and we do not publish any form of corroborating conclusions on other information.

In conjunction with our audit of the financial statements, it is our responsibility to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or what we learned during the audit or appears to be materially misrepresented.

Based on the work we have performed, if we determine that other information is materially misrepresented, we should report that fact. In this connection, we have nothing to report.

V. Responsibility of the Management and governance for the financial statements

The Management is responsible for preparing the financial statements in accordance with the accounting standards for business enterprises to achieve fair presentation and for designing, implementing and maintaining the necessary internal controls so that the financial statements are free from material misstatement due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing Huadong Medicine's competence for continuing operations, disclosing matters relating to continuing operations (if applicable) and applying the going concern assumption, unless liquidation and termination are planned or there is no other realistic alternative.

Those charged with governance of Huadong Medicine is responsible for overseeing the Company's financial reporting process.

VI. Responsibility of certified public accountants on the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with the audit standards, we exercise professional judgment and maintain professional skepticism throughout the process. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.

(II) Understand the internal control associated with the audit to design appropriate audit procedures.

(III) Evaluate the appropriateness of accounting policies used and the rationality of accounting estimates and related disclosures made by the Management.

(IV) Conclude on the appropriateness of using the going concern assumption by the Management, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Huadong Medicine's ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditing standards require us to draw attention to users of the financial statements in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Huadong Medicine to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, including whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities of Huadong Medicine to express auditor's opinions on the financial statements. We are responsible for the guidance, supervision and implementation of group audits and take full responsibility for the auditor's opinions.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the professional ethical requirements associated with our independence, and communicate to those charged with governance all relationships and other matters that may reasonably be deemed to affect our independence, as well as relevant precautions (if applicable).

From the matters communicated to those charged with governance, we determine which matters are most important to the current financial statement audit and thus constitute key audit matters. We describe these matters in our auditor report, unless laws and regulations prohibit their public disclosure or, in rare cases, if it is reasonably expected that the negative consequences of communicating a matter in the auditor report outweigh the benefits in the public interest, we determine that the matter should not be communicated in the auditor report.

Pan-China Certified Public Accountants LLP Chinese Certified Public Accountant: Hu Yanhua
(Project partner)

Hangzhou, China Chinese Certified Public Accountant: Chen Xiaodong

April 16, 2024

II. Financial statements

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

1. Consolidated balance sheet

Prepared by: Huadong Medicine Co., Ltd.

December 31, 2023

Unit: yuan

Item	December 31, 2023	January 01, 2023
Current assets:		
Monetary funds	4,663,378,011.64	3,996,302,178.41
Settlement reserve		
Lending funds		
Trading financial assets		
Derivative financial assets	16,434,493.97	29,907,470.68
Notes receivable	6,812,089.97	8,424,980.99
Accounts receivable	7,455,250,690.83	7,198,746,788.59
Receivables financing	1,434,366,300.69	1,002,511,208.21
Prepayments	279,207,655.40	500,083,953.14
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	291,135,104.33	283,710,955.63
Including: Interests receivable		
Dividend receivable	2,623,608.84	223,747.65
Financial assets purchased for resale		
Inventories	4,290,214,266.03	4,495,483,328.54
Contract assets		
Assets held for sale		
Other non-current assets due within one year		
Other non-current assets	59,881,757.08	52,692,618.78
Total current assets	18,496,680,369.94	17,567,863,482.97
Non-current assets:		
Loans and prepayments issuance		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	1,535,907,809.85	1,659,076,538.78
Other equity instrument investments	565,223,872.68	360,910,876.41
Other non-current financial assets		

Investment real estate	12,746,181.87	13,648,240.14
Fixed Assets	4,140,144,817.51	3,981,653,265.52
Construction in Progress	913,147,212.17	873,159,427.47
Productive biological assets		
Oil and gas assets		
Right-of-use Assets	151,175,007.16	166,505,297.17
Intangible Assets	2,333,787,357.62	2,280,064,207.30
Development expenditure	992,532,091.86	641,354,586.80
Goodwill	2,598,696,062.31	2,441,387,413.59
Long-term Deferred Expenses	20,053,854.34	16,457,278.57
Deferred income tax assets	187,808,574.44	152,842,858.97
Other non-current assets	1,561,458,605.23	1,037,279,933.15
Total non-current assets	15,012,681,447.04	13,624,339,923.87
Total Assets	33,509,361,816.98	31,192,203,406.84
Current liabilities:		
Short-term borrowings	822,380,292.37	947,516,383.37
Borrowing from the central bank		
Borrowing from other banks and other financial institutions		
Trading financial liabilities		14,841,896.97
Derivative financial liabilities		
Notes payable	1,727,420,960.30	1,029,409,686.81
Accounts payable	4,374,832,979.95	4,873,029,466.44
Advances from customers	1,393,551.48	1,154,243.42
Contract liabilities	135,459,275.17	146,488,489.07
Financial assets sold for repurchase		
Deposits from customers and due from banks		
Receipts for buying and selling securities as proxy		
Receipts for underwriting securities as proxy		
Employee benefits payable	359,148,474.25	256,883,423.68
Taxes payable	489,385,055.57	429,457,804.81
Other payables	2,518,621,382.87	2,290,407,022.05
Including: Interests payable		
Dividends payable	143,024,219.60	14,924,219.60
Handling fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Other non-current liabilities due within one year	359,342,623.38	147,835,514.81
Other current liabilities	14,621,494.85	15,788,164.30

Total current liabilities	10,802,606,090.19	10,152,812,095.73
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowings	520,759,460.07	1,051,457,747.44
Bonds payable		
Including: Preferred shares		
Perpetual bond		
Lease liabilities	56,695,158.59	84,610,324.98
Long-term payables	107,251,248.59	287,497,209.49
Long-term employee benefits payable		
Estimated Liabilities	37,184,074.06	37,925,549.41
Deferred income	171,056,435.34	126,123,512.71
Deferred income tax liabilities	184,373,974.04	202,084,083.93
Other non-current liabilities	47,170,650.00	73,251,500.00
Total non-current liabilities	1,124,491,000.69	1,862,949,927.96
Total liabilities	11,927,097,090.88	12,015,762,023.69
Owners' Equity:		
Share capital	1,754,425,348.00	1,753,995,348.00
Other equity instruments		
Including: Preferred shares		
Perpetual bond		
Capital reserves	2,446,313,774.82	2,377,887,246.39
Less: Treasury stock	84,519,369.07	104,645,000.00
Other comprehensive income	-40,341,544.18	-88,552,636.42
Special reserves		
Surplus reserves	1,277,779,972.18	1,151,213,039.48
General risk reserve		
Undistributed profit	15,693,951,574.91	13,488,021,239.94
Total owners' equity attributable to owner of the Company	21,047,609,756.66	18,577,919,237.39
Minority interests	534,654,969.44	598,522,145.76
Total owners' equity	21,582,264,726.10	19,176,441,383.15
Total liabilities & owners' equity	33,509,361,816.98	31,192,203,406.84

Legal representative: Lv Liang Person in charge of accounting: Lv Liang Person in charge of the Accounting Department: Qiu Renbo

2. Balance sheet of the parent company

Unit: yuan

Item	December 31, 2023	January 01, 2023
Current assets:		
Monetary funds	3,202,969,593.32	2,486,399,844.96
Trading financial assets		
Derivative financial assets		
Notes receivable	6,812,089.97	8,424,980.99
Accounts receivable	4,232,306,149.56	4,224,944,294.54
Receivables financing	257,987,672.16	157,097,728.09

Prepayments	104,299,584.06	271,448,367.52
Other receivables	1,826,331,443.42	1,065,267,397.05
Including: Interests receivable		
Dividend receivable	95,200,000.00	
Inventories	2,064,496,012.45	2,391,038,707.33
Contract assets		
Assets held for sale		
Other non-current assets due within one year		
Other non-current assets		
Total current assets	11,695,202,544.94	10,604,621,320.48
Non-current assets:		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	5,961,344,825.40	5,473,824,934.24
Other equity instrument investments	10,080,000.00	10,100,870.56
Other non-current financial assets		
Investment real estate	6,734,389.40	7,193,111.26
Fixed Assets	131,994,767.68	144,023,222.94
Construction in Progress	423,088.16	824,024.88
Productive biological assets		
Oil and gas assets		
Right-of-use Assets	9,101,653.07	3,631,025.07
Intangible Assets	160,438,646.19	188,198,218.40
Development expenditure		
Goodwill		
Long-term Deferred Expenses		77,379.81
Deferred income tax assets	53,563,924.40	49,729,544.62
Other non-current assets	250,146,911.16	346,564,596.26
Total non-current assets	6,583,828,205.46	6,224,166,928.04
Total Assets	18,279,030,750.40	16,828,788,248.52
Current liabilities:		
Short-term borrowings	425,185,172.23	431,081,029.52
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	500,551,829.47	629,281,486.95
Accounts payable	3,128,538,765.74	3,373,959,848.93
Advances from customers		
Contract liabilities	56,745,329.30	46,097,912.05
Employee benefits payable	13,664,428.10	10,063,669.60
Taxes payable	67,429,440.31	86,458,570.85
Other payables	1,970,918,606.32	949,611,806.93

Including: Interests payable		
Dividends payable	224,219.60	224,219.60
Liabilities held for sale		
Other non-current liabilities due within one year	41,336,796.82	33,427,007.32
Other current liabilities	6,234,741.10	5,830,680.38
Total current liabilities	6,210,605,109.39	5,565,812,012.53
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bond		
Lease liabilities	3,610,383.31	59,030.94
Long-term payables		
Long-term employee benefits payable		
Estimated Liabilities		
Deferred income	33,001,286.19	35,567,161.11
Deferred income tax liabilities		
Other non-current liabilities	47,170,650.00	73,251,500.00
Total non-current liabilities	83,782,319.50	108,877,692.05
Total liabilities	6,294,387,428.89	5,674,689,704.58
Owners' Equity:		
Share capital	1,754,425,348.00	1,753,995,348.00
Other equity instruments		
Including: Preferred shares		
Perpetual bond		
Capital reserves	2,329,361,969.66	2,276,383,543.02
Less: Treasury stock	84,519,369.07	104,645,000.00
Other comprehensive income		-129,129.44
Special reserves		
Surplus reserves	1,355,635,731.62	1,229,068,798.92
Undistributed profit	6,629,739,641.30	5,999,424,983.44
Total owners' equity	11,984,643,321.51	11,154,098,543.94
Total liabilities & owners' equity	18,279,030,750.40	16,828,788,248.52

3. Consolidated income statement

Unit: yuan

Item	2023	2022
I. Total operating revenue	40,623,782,520.43	37,714,587,458.01
Including: Operating revenue	40,623,782,520.43	37,714,587,458.01
Interest income		
Premiums earned		
Handling fees and commissions received		
II. Total operating cost	37,081,915,122.91	34,568,570,175.18

Including: Operating cost	27,461,731,573.59	25,682,497,011.55
Interest expenses		
Handling fees and commissions paid		
Surrender value		
Net payment of insurance claims		
Net appropriation of policy reserve		
Policy dividends paid		
Reinsurance expenses		
Taxes and surcharges	232,590,269.39	208,324,645.61
Sales expenses	6,645,411,414.21	6,334,738,928.05
Administrative expenses	1,420,188,961.59	1,248,781,970.63
R&D expenses	1,270,803,119.96	1,015,971,052.33
Financial expenses	51,189,784.17	78,256,567.01
Including: Interest expenses	119,514,554.96	127,654,612.93
Interest income	94,045,345.71	103,350,838.03
Add: Other income	172,492,861.66	92,781,468.16
Investment income (Losses are indicated by "-")	-219,713,034.52	-141,560,034.56
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-188,390,620.91	-115,619,080.98
Gains on the derecognition of financial assets measured at amortized cost		
Gains on exchange (Losses are indicated by "-")		
Gains on net exposure hedging (Losses are indicated by "-")		
Gains from changes in fair values (Losses are indicated by "-")	-13,756,372.80	28,469,286.61
Credit impairment losses (Losses are indicated by "-")	-25,763,586.64	-68,689,699.09
Impairment gains (losses) of assets (Losses are indicated by "-")	-6,519,844.03	-3,821,625.15
Asset disposal income (Losses are indicated by "-")	4,319,797.54	8,257,595.43
III. Operating profit (Losses are indicated by "-")	3,452,927,218.73	3,061,454,274.23
Add: Non-operating revenue	50,548,825.60	7,608,417.78
Less: Non-operating expenses	37,490,279.21	37,938,443.03
IV. Total profit (Total losses are indicated by "-")	3,465,985,765.12	3,031,124,248.98
Less: Income tax expense	619,588,815.15	498,498,547.62
V. Net profit (Net losses are indicated by	2,846,396,949.97	2,532,625,701.36

"-")		
(I) Classification by business continuity		
1. Net profit from continuing operations (Net losses are indicated by "-")	2,846,396,949.97	2,532,625,701.36
2. Net profit at terminational operation (Net losses are indicated by "-")		
(II) Classification by attribution of ownership		
1. Net profit attributable to shareholders of the parent company	2,838,860,542.80	2,499,214,359.57
2. Profit or loss attributable to minority shareholders	7,536,407.17	33,411,341.79
VI. Other comprehensive income, net of income tax	50,506,468.03	-40,784,410.62
Other comprehensive income attributable to owners of the parent company, net of tax	50,506,468.03	-40,784,410.62
(I) Other comprehensive income that cannot be reclassified into gains/losses	3,419,879.00	-6,804,247.45
1. Changes in remeasurement on the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method		
3. Changes in fair value of other equity instrument investments	3,419,879.00	-6,804,247.45
4. Changes in fair value of credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses	47,086,589.03	-33,980,163.17
1. Other comprehensive income that can be reclassified into gains/losses under equity method	5,371,371.90	-19,404.48
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve of other debt investments		
5. Cash flow hedging reserve		
6. Exchange differences from translation of foreign currency financial statements	26,873,320.16	-19,118,861.72
7. Others	14,841,896.97	-14,841,896.97
Net amount after tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,896,903,418.00	2,491,841,290.74
Total comprehensive income attributable to owners of the parent company	2,889,367,010.83	2,458,429,948.95

Total comprehensive income attributable to minority shareholders	7,536,407.17	33,411,341.79
VIII. Earnings per share (EPS)		
(I) Basic EPS	1.6219	1.4283
(II) Diluted EPS	1.6207	1.4283

As for business merger under the same control in the current period, the net profit generated by the merged party before the was 0.00 yuan, and that generated during the previous period was 0.00 yuan.

Legal representative: Lv Liang Person in charge of accounting: Lv Liang Person in charge of the Accounting Department: Qiu Renbo

4. Income statement of the parent company

Unit: yuan

Item	2023	2022
I. Total operating revenue	22,045,386,635.53	20,630,904,717.76
Less: Total operating cost	20,820,391,664.50	19,368,401,281.90
Taxes and surcharges	34,048,780.98	36,661,029.40
Sales expenses	650,742,977.03	601,932,806.60
Administrative expenses	225,726,564.80	211,999,885.94
R&D expenses		
Financial expenses	-48,770,456.27	-14,538,929.98
Including: Interest expenses	46,882,329.40	45,824,339.68
Interest income	75,742,432.47	77,307,324.10
Add: Other income	18,760,191.87	16,694,280.62
Investment income (Losses are indicated by "-")	1,152,151,267.18	1,067,326,046.80
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-12,860,749.73	981,095.77
Gains on the derecognition of financial assets measured at amortized cost (Losses are indicated by "-")		
Gains on net exposure hedging (Losses are indicated by "-")		
Gains from changes in fair values (Losses are indicated by "-")		
Credit impairment losses (Losses are indicated by "-")	-146,582,684.69	-94,827,679.48
Impairment gains (losses) of assets (Losses are indicated by "-")		
Asset disposal income (Losses are indicated by "-")	3,563,127.07	8,065,244.06
II. Operating profit (Losses are indicated by "-")	1,391,139,005.92	1,423,706,535.90
Add: Non-operating revenue	50,286.42	872,151.83
Less: Non-operating expenses	6,496,080.94	7,145,666.36
III. Total profit (Total losses are indicated	1,384,693,211.40	1,417,433,021.37

by "-")		
Less: Income tax expense	119,023,884.42	122,009,499.72
IV. Net profit (Net losses are indicated by "-")	1,265,669,326.98	1,295,423,521.65
(I) Net profit from continuous operations (Net losses are indicated by "-")	1,265,669,326.98	1,295,423,521.65
(II) Net profit from discontinued operations (Net losses are indicated by "-")		
V. Other comprehensive income, net of income tax	43.94	
(I) Other comprehensive income that cannot be reclassified into gains/losses	43.94	
1. Changes in remeasurement on the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method	43.94	
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses		
1. Other comprehensive income that can be reclassified into gains/losses under equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve of other debt investments		
5. Cash flow hedging reserve		
6. Exchange differences from translation of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	1,265,669,370.92	1,295,423,521.65
VII. Earnings per share (EPS)		
(I) Basic EPS		
(II) Diluted EPS		

5. Consolidated cash flow statement

Unit: yuan

Item	2023	2022
I. Cash flows from operating activities:		
Cash received from the sale of goods and the rendering of services	43,564,701,238.84	39,950,662,882.10
Net increase in customer deposits and		

due from banks		
Net increase in borrowing from the central bank		
Net increase in borrowing from other financial institutions		
Cash from the premium of the original insurance policy		
Net cash from reinsurance		
Net increase in deposits and investment of the insured		
Cash from interests, handling fees and commissions		
Net increase in borrowing from other banks and other financial institutions		
Net increase in funds for repurchase		
Net cash received for buying and selling securities as proxy		
Receipts of tax refund	60,827,371.05	47,556,552.81
Other cash receipts in relation to operating activities	544,629,208.52	639,498,854.94
Subtotal of cash inflows from operating activities	44,170,157,818.41	40,637,718,289.85
Cash payments for goods purchased and services received	27,689,294,593.31	26,418,181,602.79
Net increase in customer loans and prepayments		
Net increase in deposits of central bank and due from banks		
Cash payments for original insurance claims		
Net increase in lending funds to other banks and other financial institutions		
Cash payments for interests, handling fees and commissions		
Cash payments for policy dividends		
Cash payments to and on behalf of employees	3,912,660,863.10	3,126,251,201.80
Payments of various types of taxes	2,612,807,407.43	3,065,133,366.96
Other cash payments in relation to operating activities	6,026,178,247.87	5,646,299,449.70
Subtotal of cash outflows for operating activities	40,240,941,111.71	38,255,865,621.25
Net cash flow from operating activities	3,929,216,706.70	2,381,852,668.60
II. Cash flows from investing activities		
Cash receipts from recovery of investments	2,085,916.63	
Cash receipts from investment income	94,516,496.70	100,327,200.00
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	10,850,236.05	15,434,935.53
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to	136,030,146.40	5,876,507.64

investing activities		
Subtotal of cash inflows from investing activities	243,482,795.78	121,638,643.17
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	1,606,618,467.79	1,193,238,725.97
Cash payments for investment	221,474,250.00	848,909,498.16
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business units	162,367,804.50	411,908,915.12
Other cash payments in relation to investing activities	3,574,216.00	103,179,093.50
Subtotal of cash outflows of investment activities	1,994,034,738.29	2,557,236,232.75
Net cash flow from investing activities	-1,750,551,942.51	-2,435,597,589.58
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	35,625,300.00	174,645,000.00
Including: Cash receipts from capital contributions from minority owners of subsidiaries	25,000,000.00	70,000,000.00
Cash receipts from borrowing	4,662,018,278.15	4,689,802,455.69
Other cash receipts in relation to financing activities	401,726,192.50	284,920,943.37
Subtotal of cash inflows from financing activities	5,099,369,770.65	5,149,368,399.06
Cash repayments of borrowings	5,353,842,747.11	4,290,690,528.23
Cash payments for distribution of dividends or profits or settlement of interest expenses	613,814,534.49	578,859,909.67
Including: Dividends and profits paid by subsidiaries to minority shareholders	19,599,647.35	2,366,353.48
Other cash payments in relation to financing activities	525,073,835.03	379,528,334.29
Subtotal of cash outflows for financing activities	6,492,731,116.63	5,249,078,772.19
Net cash flow from financing activities	-1,393,361,345.98	-99,710,373.13
IV. Effect of foreign exchange rate changes on cash and cash equivalents	5,945,890.37	-9,774,641.73
V. Net increase in cash and cash equivalents	791,249,308.58	-163,229,935.84
Add: Opening balance of cash and cash equivalents	3,416,910,702.33	3,580,140,638.17
VI. Closing balance of cash and cash equivalents	4,208,160,010.91	3,416,910,702.33

6. Cash flow statement of the parent company

Unit: yuan

Item	2023	2022
I. Cash flows from operating activities:		
Cash received from the sale of goods and the rendering of services	23,572,571,460.53	21,148,206,043.93
Receipts of tax refund	3,178,131.15	
Other cash receipts in relation to	96,137,098.06	238,589,265.58

operating activities		
Subtotal of cash inflows from operating activities	23,671,886,689.74	21,386,795,309.51
Cash payments for goods purchased and services received	22,245,449,767.50	19,990,439,841.50
Cash payments to and on behalf of employees	313,589,350.89	267,942,450.21
Payments of various types of taxes	393,222,221.95	510,694,836.67
Other cash payments in relation to operating activities	529,329,348.56	637,104,187.46
Subtotal of cash outflows for operating activities	23,481,590,688.90	21,406,181,315.84
Net cash flow from operating activities	190,296,000.84	-19,386,006.33
II. Cash flows from investing activities		
Cash receipts from recovery of investments	20,914.50	
Cash receipts from investment income	1,096,472,035.41	1,097,509,530.22
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	4,173,691.06	13,460,544.24
Net cash from disposal of subsidiaries and other business units		50,059,838.75
Other cash receipts in relation to investing activities	2,176,393,914.80	830,315,580.61
Subtotal of cash inflows from investing activities	3,277,060,555.77	1,991,345,493.82
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	24,448,648.76	56,266,286.12
Cash payments for investment	468,375,000.00	443,169,200.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments in relation to investing activities	2,793,998,540.00	988,641,844.00
Subtotal of cash outflows of investment activities	3,286,822,188.76	1,488,077,330.12
Net cash flow from investing activities	-9,761,632.99	503,268,163.70
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	10,625,300.00	104,645,000.00
Cash receipts from borrowing	3,846,416,549.97	2,754,131,709.35
Other cash receipts in relation to financing activities	4,365,496,086.39	2,932,396,166.67
Subtotal of cash inflows from financing activities	8,222,537,936.36	5,791,172,876.02
Cash repayments of borrowings	3,852,457,799.76	2,953,130,999.69
Cash payments for distribution of dividends or profits or settlement of interest expenses	531,097,864.52	525,613,233.72
Other cash payments in relation to financing activities	3,102,315,256.45	2,685,609,711.52
Subtotal of cash outflows for financing activities	7,485,870,920.73	6,164,353,944.93
Net cash flow from financing activities	736,667,015.63	-373,181,068.91
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash	917,201,383.48	110,701,088.46

equivalents		
Add: Opening balance of cash and cash equivalents	2,029,798,269.62	1,919,097,181.16
VI. Closing balance of cash and cash equivalents	2,946,999,653.10	2,029,798,269.62

7. Consolidated statement of changes in owners' equity

Amount in the current period

Unit: yuan

Item	2023														
	Owners' equity attributable to the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit	Others	Subtotal		
		Preferred shares	Perpetual bond	Others											
I. Balance at the end of the period of the prior year	1,753,995,348.00				2,377,887,246.39	104,645,000.00	-88,552,636.42		1,151,213,039.48		13,488,021,239.94		18,577,919,237.39	598,522,145.76	19,176,441,383.15
Add: Changes in accounting policies															
rror correction in the prior periods															

thers															
II. Balance at the beginning of the period of the current year	1,753,995,348.00				2,377,887,246.39	104,645,000.00	-88,552,636.42		1,151,213,039.48		13,488,021,239.94		18,577,919,237.39	598,522,145.76	19,176,441,383.15
III. Amount of change in the current period (Decreases are indicated by "-")	430,000.00				68,426,528.43	-20,125,630.93	48,211,092.24		126,566,932.70		2,205,930,334.97		2,469,690,519.27	-63,867,176.32	2,405,823,342.95
(I) Total comprehensive income							50,506,468.03				2,838,860,542.80		2,889,367,010.83	7,536,407.17	2,896,903,418.00
(II) Capital contributed by owners and capital decreases	430,000.00				52,846,924.39	-20,125,630.93							73,402,555.32	28,420,557.81	101,823,113.13
1.	430,				10,1								10,6	28,0	38,6

Common shares invested by owners	000.00				95,300.00								25,300.00	60,000.00	85,300.00
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payment included in owners' equity					42,651,624.39								42,651,624.39	360,557.81	43,012,182.20
4. Others						-20,125,630.93							20,125,630.93		20,125,630.93
(III) Profit distribution									126,566,932.70		-635,225,583.62		-508,658,650.92	-147,689,847.13	-656,348,498.05
1. Withdrawal of									126,566,932.70		-126,566,932.				

surplus reserve											70				
2. Provision of general risk reserve															
3. Distribution to owners (or shareholders)											-508,658,650.92		-508,658,650.92	-147,680,000.00	-656,338,650.92
4. Others														-9,847.13	-9,847.13
(IV) Internal conversion of owners' equity							-2,295,375.79				2,295,375.79		0.00		0.00
1. Capital (or share capital) increase from capital reserve conversion															
2. Capital															

(or share capital) increase from surplus reserve conversion															
3. Recovery of losses by surplus reserve															
4. Retained earnings from transfer of changes in the defined benefit plan															
5. Retained earnings from transfer of other comprehensive inco							-2,295,375.79				2,295,375.79		0.00		0.00

me															
6. Others															
(V) Special reserve															
1. Withdrawal in the current period															
2. Use in the current period															
(VI) Others					15,579,604.04								15,579,604.04	47,865,705.83	63,445,309.87
IV. Balance at the end of the current period	1,754,425,348.00				2,446,313,774.82	84,519,369.07	-40,341,544.18		1,277,799,972.18		15,693,951,574.91		21,047,609,756.66	534,654,969.44	21,582,264,726.10

Amount in previous period

Unit: yuan

Item	2022														
	Owners' equity attributable to the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit	Others	Subtotal		
		Preferred shares	Perpetual bond	Others											

I. Balance at the end of the period of the prior year	1,749,809,548.00				2,229,868,312.11		-47,768,225.80		1,021,670,687.31		11,625,794,001.46		16,579,374,323.08	361,944,682.60	16,941,319,005.68
Add: Changes in accounting policies															
rror correction in the prior periods															
thers															
II. Balance at the beginning of the period of the current year	1,749,809,548.00				2,229,868,312.11		-47,768,225.80		1,021,670,687.31		11,625,794,001.46		16,579,374,323.08	361,944,682.60	16,941,319,005.68
III. Amount of change in the	4,185,800.00				148,018,934.28	104,645,000.00	-40,784,410.62		129,542,352.17		1,862,227,238.48		1,998,544,914.31	236,577,463.16	2,235,122,377.47

current period (Decreases are indicated by "-")															
(I) Total comprehensive income							-40,784,410.62				2,499,214,359.57		2,458,429,948.95	33,411,341.79	2,491,841,290.74
Capital contributed by owners and capital decreases	4,185,800.00				107,684,664.01	104,645,000.00							7,225,464.01	70,018,295.44	77,243,759.45
1. Common shares invested by owners	4,185,800.00				100,459,200.00								104,645,000.00	70,000,000.00	174,645,000.00
2. Capital invested by holders of other equity instruments															

3. Amount of share-based payment included in owners' equity					7,225,464.01							7,225,464.01	18,295.44	7,243,759.45
4. Others						104,645,000.00						-104,645,000.00		-104,645,000.00
Profit distribution									129,542,352.17		-636,987,121.09		-507,444,768.92	-15,106,353.48	-522,551,122.40
1. Withdrawal of surplus reserve									129,542,352.17		-129,542,352.17				
2. Provision of general risk reserve															
3. Distribution to owners (or shareholders)											-507,444,768.92		-507,444,768.92	-15,106,353.48	-522,551,122.40
4. Othe															

rs															
Internal conversion of owners' equity															
1. Capital (or share capital) increase from capital reserve conversion															
2. Capital (or share capital) increase from surplus reserve conversion															
3. Recovery of losses by surplus reserve															
4. Retai															

ned earnings from transfer of changes in the defined benefit plan															
5. Retained earnings from transfer of other comprehensive income															
6. Others															
Special reserve															
1. Withdrawal in the current period															
2. Use in the current period															

(VI) Others					40,334,270.27							40,334,270.27	148,254,179.41	188,588,449.68
IV. Balance at the end of the current period	1,753,995,348.00				2,377,887,246.39	104,645,000.00	-88,552,636.42		1,151,213,039.48		13,488,021,239.94		18,577,919,237.39	598,522,145.76	19,176,441,383.15

8. Statement of changes in owners' equity of the parent company

Amount in the current period

Unit: yuan

Item	2023											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Others	Total owners' equity
		Preferred shares	Perpetual bond	Others								
I. Balance at the end of the period of the prior year	1,753,995,348.00				2,276,383,543.02	104,645,000.00	-129,129.44		1,229,068,798.92	5,999,424,983.44		11,154,098,543.94
Add: Changes in accounting policies												
rror correction in the prior periods												

thers												
II. Balance at the beginning of the period of the current year	1,753,995,348.00				2,276,383,543.02	104,645,000.00	-129,129.44		1,229,068,798.92	5,999,424,983.44		11,154,098,543.94
III. Amount of change in the current period (Decreases are indicated by "-")	430,000.00				52,978,426.64	-20,125,630.93	129,129.44		126,566,932.70	630,314,657.86		830,544,777.57
(I) Total comprehensive income							43.94			1,265,669,326.98		1,265,669,370.92
(II) Capital contributed by owners and capital decreases	430,000.00				53,207,482.20	-20,125,630.93						73,763,113.13
1. Common shares invested by owners	430,000.00				10,195,300.00							10,625,300.00
2. Capital invested by holders of other equity												

instruments												
3. Amount of share-based payment included in owners' equity					43,012,182.20							43,012,182.20
4. Others						-20,125,630.93						20,125,630.93
(III) Profit distribution									126,566,932.70	-635,225,583.62		-508,658,650.92
1. Withdrawal of surplus reserve									126,566,932.70	-126,566,932.70		
2. Distribution to owners (or shareholders)										-508,658,650.92		-508,658,650.92
3. Others												
(IV) Internal conversion of owners' equity							129,085.50			-129,085.50		
1. Capital (or share capital) increase from capital												

reserve conversion												
2. Capital (or share capital) increase from surplus reserve conversion												
3. Recovery of losses by surplus reserve												
4. Retained earnings from transfer of changes in the defined benefit plan												
5. Retained earnings from transfer of other comprehensive income							129,085.50			-129,085.50		
6. Others												
(V) Special												

reserve												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others					-229,055.56							-229,055.56
IV. Balance at the end of the current period	1,754,425,348.00				2,329,361,969.66	84,519,369.07			1,355,635,731.62	6,629,739,641.30		11,984,643,321.51

Amount in previous period

Unit: yuan

Item	2022											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Others	Total owners' equity
		Preferred shares	Perpetual bond	Others								
I. Balance at the end of the period of the prior year	1,749,809,548.00				2,168,451,528.01		-129,129.44		1,099,526,446.75	5,340,988,582.88		10,358,646,976.20
Add: Changes in accounting policies												
rror correction in the prior period												

s												
thers												
II. Balance at the beginning of the period of the current year	1,749,809,548.00				2,168,451,528.01		-129,129.44		1,099,526,446.75	5,340,988,582.88		10,358,646,976.20
III. Amount of change in the current period (Decreases are indicated by "-")	4,185,800.00				107,932,015.01	104,645,000.00			129,542,352.17	658,436,400.56		795,451,567.74
(I) Total comprehensive income										1,295,423,521.65		1,295,423,521.65
(II) Capital contributed by owners and capital decreases	4,185,800.00				107,702,959.45	104,645,000.00						7,243,759.45
1. Common shares invested by owners	4,185,800.00				100,459,200.00							104,645,000.00
2. Capital invested by holder												

s of other equity instruments												
3. Amount of share-based payment included in owners' equity					7,243,759.45							7,243,759.45
4. Others						104,645,000.00						-104,645,000.00
(III) Profit distribution									129,542,352.17	-636,987,121.09		-507,444,768.92
1. Withdrawal of surplus reserve									129,542,352.17	-129,542,352.17		
2. Distribution to owners (or shareholders)										-507,444,768.92		-507,444,768.92
3. Others												
(IV) Internal conversion of owners' equity												
1. Capital (or share capital)												

increase from capital reserve conversion												
2. Capital (or share capital) increase from surplus reserve conversion												
3. Recovery of losses by surplus reserve												
4. Retained earnings from transfer of changes in the defined benefit plan												
5. Retained earnings from transfer of other comprehensive income												
6. Others												
(V)												

Special reserve												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others					229,055.56							229,055.56
IV. Balance at the end of the current period	1,753,995,348.00				2,276,383,543.02	104,645,000.00	-129,129.44		1,229,068,798.92	5,999,424,983.44		11,154,098,543.94

Huadong Medicine Co., Ltd.

Chairman of the Board: Lv Liang

April 18, 2024